HOOKER FURNITURE CORP
Form 10-K
April 17, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 February 1, 2015

Commission file number 000-25349

HOOKER FURNITURE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	54-0251350
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

440 East Commonwealth Boulevard, Martinsville, VA 24112
(Address of principal executive offices, Zip Code)

(276) 632-0459
(Registrant's telephone number, including area code)

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

	Name of Each Exchange on Which Registered
Common Stock, no par value	NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated Filer o	Accelerated Filer x
Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $152.8 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of April 10, 2015:

Common stock, no par value	10,811,165
(Class of common stock)	(Number of shares)

Documents incorporated by reference: Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Shareholders scheduled to be held June 4, 2015 are incorporated by reference into Part III.

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Hooker Furniture Corporation

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Hooker Furniture Corporation
Part I

ITEM 1. BUSINESS

Hooker Furniture Corporation (the "Company", "we," "us" and "our") is a home furnishings marketing, design and logistics company offering worldwide sourcing of residential casegoods and upholstery, as well as domestically-produced custom leather and fabric-upholstered furniture. We were incorporated in Virginia in 1924 and are ranked among the nation's top 10 largest publicly traded furniture sources, based on 2013 shipments to U.S. retailers, according to a 2014 survey published by Furniture Today, a leading trade publication. We are a key resource for residential wood and metal furniture (commonly referred to as "casegoods") and upholstered furniture. Our major casegoods product categories include accents, home office, dining, bedroom and home entertainment furniture under the Hooker Furniture brand. Our residential upholstered seating companies include Bradington-Young, a specialist in upscale motion and stationary leather furniture and Sam Moore Furniture, a specialist in upscale occasional chairs, settees, sofas and sectional seating with an emphasis on cover-to-frame customization. An extensive selection of designs and formats along with finish and cover options in each of these product categories makes us a comprehensive resource for retailers primarily targeting the upper-medium price range. We also market a line of imported leather upholstery under the Hooker Upholstery trade name. For our core product line, our principal customers are retailers of residential home furnishings that are broadly dispersed throughout the United States. Our customers also include home furniture retailers in Canada and in nearly 40 other countries internationally. Other customers include independent furniture stores, specialty retailers, department stores, catalog and internet merchants, interior designers and national and regional chains.

To expand and grow beyond our core business, we launched two start-up brands during the 2014 fiscal year focused on serving the needs of emerging consumer groups on the opposite ends of the age and life stage spectrum. One, H Contract, focuses on the burgeoning senior living market of retirees. The other, Homeware, focuses on younger and more mobile consumers in the early stages of their careers, as well as those living in smaller or urban spaces.

H Contract supplies upholstered seating and casegoods to upscale senior living facilities throughout the country, working with designers specializing in the contract industry to provide functional furniture for senior living facilities that meets the style and comfort expectations of today's retirees.

Homeware is an online-only brand that is sold through leading international e-commerce retailers as well as our own e-commerce website, homeware.com. It supplies unique chairs and ottomans designed to be assembled in minutes by the consumer with no tools or hardware required. Homeware also offers home accessories, living room tables, multi-seat upholstery and expects to offer entertainment centers and dining room furniture in fiscal 2016.

Strategy and Mission

Our mission is to "enrich the lives of the people we touch," using the following strategy:

§ To offer world-class style, quality and product value as a complete residential and contract wood, metal and upholstered furniture resource through excellence in product design, manufacturing, global sourcing, marketing, logistics, sales and customer service.

§ To be an industry leader in sales growth and profitability performance, providing an outstanding investment for our shareholders and contributing to the well-being of our customers, employees, suppliers and community.

§

To nurture the relationships, teamwork and integrity that define our corporate culture and have distinguished our company for over 90 years.

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Segments

For financial reporting purposes, we are organized into three operating segments – casegoods furniture, upholstered furniture and all other. Prior to the fiscal 2015 third quarter, we reported our results of operations in two operating segments- casegoods and upholstery. In reports prior to the fiscal 2015 third quarter, we aggregated the results of our two new business ventures – H Contract and Homeware- with our casegoods segment in accordance with the provisions of ASC 280, Segment Reporting. We did this primarily due to the similarity of the products, production processes, distribution methods, types of customers and regulatory environment. These similarities persist and although H Contract and Homeware are likely to remain immaterial to our consolidated results of operations for the near-to-medium term, we believe that information about these businesses would be beneficial to the readers of our financial statements, as it is to management; therefore, we have separately disclosed information about them in an "All other" segment. The financial information for fiscal 2014 and fiscal 2013 appearing in the tables and narratives contained in this section has been updated to conform to the fiscal 2015 presentation of our operating segments. Our operating segments and their associated brands are as follows:

Hooker Furniture Corporation
Operating Segments

Casegoods	Upholstery	All other
Brands:	Brands:	Brands:
Hooker Furniture	Bradington-Young	H Contract
	Hooker Upholstery	Homeware
	Sam Moore	

Home furnishings sales account for all of our net sales. The percentages of net sales provided by each of our segments for the fifty-two week fiscal years that ended February 1, 2015 (fiscal 2015) and February 2, 2014 (fiscal 2014) and the fifty-three week fiscal year ended February 3, 2013 (fiscal 2013), were as follows:

Segment Sales as a Percentage of Consolidated Net Sales

	Fiscal Year		
	2015	2014	2013
Casegoods segment	63 %	63 %	65 %
Upholstery segment	35 %	36 %	35 %
All other segment	2 %	1 %	-
Total	100 %	100 %	100 %

Sourcing

Imported Products

We have sourced products from foreign manufacturers since 1988. Imported casegoods and upholstered furniture together accounted for approximately 71% of net sales in fiscal 2015, 72% of net sales in fiscal 2014 and 73% of net sales in fiscal 2013. We import finished furniture in a variety of styles, materials and product lines. We believe the best way to leverage our financial strength and differentiate our import business from the industry is through innovative and collaborative design, extensive product lines, compelling products, value, consistent quality, excellent customer service, easy ordering and quick delivery through significant finished goods inventories, world-class global logistics and robust distribution systems.

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We import products primarily from China, Vietnam, Indonesia and Mexico. Because of the large number and diverse nature of the foreign factories from which we source our imported products, we have significant flexibility in the placement of products in any particular factory or country. Factories located in China and Vietnam are our primary resources for imported furniture. In fiscal 2015, imported products sourced from China and Vietnam accounted for approximately 73% and 20%, respectively, of import purchases. The factory in China from which we directly source the most product, accounted for approximately 59% of our worldwide purchases of imported product. A disruption in our supply chain from this factory, or from China or Vietnam in general, could significantly compromise our ability to fill customer orders for products manufactured at that factory or in that country. If such a disruption were to occur, we believe that we would have sufficient inventory currently on hand and in transit to our U.S. warehouses in Martinsville, Virginia to adequately meet demand for approximately four months, with up to an additional one and one quarter months available for immediate shipment from our primary Asian warehouse. Also, with the broad spectrum of product we offer, we believe that, in some cases, buyers could be offered similar products available from alternative sources. We believe we could, most likely at higher cost, source most of the products currently sourced in China or Vietnam from factories in other countries and could produce certain upholstered products domestically at our own factories. However, supply disruptions and delays on selected items could occur for up to six months. If we were to be unsuccessful in obtaining those products from other sources or at a comparable cost, then a disruption in our supply chain from our largest import furniture supplier, or from China or Vietnam in general, could decrease our sales, earnings and liquidity. Given the capacity available in China, Vietnam and other low-cost producing countries, we believe the risks from these potential supply disruptions are manageable.

Our imported furniture business is subject to inherent risks in importing products manufactured abroad, including, but not limited to, supply disruptions and delays, currency exchange rate fluctuations, transportation-related issues, economic and political developments and instability, as well as the laws, policies and actions of foreign governments and the United States. These acts may include regulations affecting trade or the application of tariffs.

Manufacturing and Raw Materials

At February 1, 2015, we operated approximately 465,000 square feet of manufacturing and supply plant capacity in North Carolina and Virginia for our domestic upholstered furniture production. We consider the machinery and equipment at these locations to be generally modern and well-maintained.

We believe there are continued strong market opportunities for domestically produced upholstery, particularly in the upper and upper-medium price points, which provide two key competitive advantages compared to imported upholstery:

§ the ability to offer customized upholstery combinations to the upscale consumer and interior design trade; and
§ the ability to offer quick four-to six-week product delivery of custom products.

Significant materials used in manufacturing upholstered furniture products include leather, fabric, foam, wooden frames and metal mechanisms. Most of the leather is imported from Italy, South America and China, and is purchased as full hides and cut and sewn in our facilities, or is purchased as pre-cut and sewn kits processed by our vendors to our pattern specifications.

We believe that our sources for raw materials are adequate and that we are not dependent on any one supplier. Hooker's five largest suppliers accounted for approximately 40% of our raw materials supply purchases for domestic upholstered furniture manufacturing operations in fiscal 2015. One supplier accounted for approximately 14% of our raw material purchases. Should disruptions with this supplier occur, we believe we could successfully source these products from other suppliers without significant disruption to our operations.

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Products

Our product lines cover most major style categories, including European and American traditional, contemporary, transitional, urban, country, casual, and cottage designs. We offer furniture in a variety of materials, such as various types of wood, metal, leather and fabric, as well as veneer and other natural woven products, often accented with marble, stone, slate, glass, ceramic, brass and/or hand-painted finishes.

Major casegoods product categories include accents, home office, dining, bedroom and home entertainment furniture which are marketed under the Hooker Furniture brand name, as well as “private label” products marketed under a retailer’s brand name. Our casegoods are typically designed for and marketed in the upper-medium to lower high-end price range.

Bradington-Young markets its products under the Bradington-Young brand name, offers a broad variety of residential leather and fabric upholstered furniture and specializes in leather reclining and motion chairs, sofas, club chairs and executive desk chairs. Bradington-Young offers approximately 150 leather selections and over 250 fabric selections for domestically produced upholstered furniture. Generally, Bradington-Young-branded products are targeted at the upper price range.

Hooker Upholstery is an imported line of leather upholstery and is targeted at the upper-medium price points. Hooker Upholstery offers approximately 75 leather selections and 10 fabric selections and offers a broad variety of married cover options on stationary sofa groups, recliners, office chairs, club chairs, motion groups, and decorative ottomans.

Sam Moore Furniture’s products, which are primarily domestically produced, are marketed under the Sam Moore brand name and offer upscale occasional chairs, sofas and other seating with an emphasis on fabric-to-frame customization. Sam Moore offers approximately 350 different styles of upholstered products in over 500 fabric selections and over 20 leather selections, including customer supplied upholstery coverings commonly referred to as “COM” or customer-owned material. Sam Moore’s products are targeted at the upper-medium and upper price ranges.

In an effort to broaden the appeal of our line to both consumers and retailers, we offer a “better-best” merchandising assortment. Broadening our merchandising price range has made us a more complete resource for our established dealers, and has provided new opportunities with retailers who are positioned above or below our historical price niche. Many of our most successful collections have been in the upper and upper-medium price points in recent years. To better address more moderate price points, during the 2014 fiscal year we hired a merchandising executive with extensive experience developing product for these price points. We began introducing these products at the Spring 2014 International Home Furnishings Market and believe they have been well-received by our customers.

We launched two new initiatives during fiscal 2014, which are intended to help us reach a broader consumer base:

§ H Contract- which supplies upholstered seating and casegoods to upscale senior living facilities throughout the country. This division works with designers specializing in the contract industry to provide functional furniture for senior living facilities that meets the style and comfort expectations of today’s retirees; and

§ Homeware- which features customer-assembled, modular upholstered and casegoods products, as well as home accessories, is designed for younger and more mobile furniture customers and marketed direct-to-consumer via the internet. Using patented connectors designed by an experienced furniture engineer and designer, we expect consumers will be able to assemble and disassemble these products in minutes, with no tools or hardware, and move them easily from residence to residence, room to room, or on staircases and elevators in high-rise apartment and condominium complexes. In addition, alternative design elements, arm and leg styles and covers will allow consumers to transform the furnishings as their tastes and life stages evolve.

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Product Life Cycle

The product life cycle for home furnishings continues to shorten as consumers demand innovative new features, functionality, style, finishes, and fabrics which will enhance their lifestyles while providing value and durability. New styles in each of our product categories are designed and developed semi-annually to replace discontinued products and collections, and in some cases, to enter new product or style categories. Our collaborative product design process begins with the marketing team identifying customer needs and trends and then conceptualizing product ideas and features. A variety of sketches are produced, usually by independent designers, from which prototype furniture pieces are built. We invite some of our independent sales representatives and a representative group of retailers to view and critique these prototypes. Based on this input, we may modify the designs and then prepare samples for full-scale production. We generally introduce new product styles at the International Home Furnishings Market held each Fall and Spring in High Point, N.C., and support new product launches with promotions, public relations, product brochures, point-of-purchase consumer catalogs and materials and online marketing through our websites, as well as social media marketing through venues such as Facebook®, Twitter®, Pinterest ® and YouTube®. The flexibility of both our global-sourcing business model and the quick delivery times provided by our domestic upholstery manufacturing presence gives us the ability to offer a wide range of styles, items and price points to a variety of retailers serving a range of consumer markets. Based on sales and market acceptance, we believe our products represent good value, and that the style and quality of our furniture compares favorably with more premium-priced products.

Marketing

We utilize approximately 80,000 square feet of showroom space at the International Home Furnishings Market in High Point, North Carolina to introduce new products and collections and increase sales of existing products during the furniture industry's Spring and Fall international furniture pre-markets and markets. We schedule purchases of imported furniture and the production of domestically manufactured upholstered furniture based upon actual and anticipated orders and product acceptance at the Spring and Fall markets.

Recognizing the profound shift toward e-commerce, online research, and the influence of social media, we adopted an all- digital marketing strategy. Our digital marketing efforts are centered on directly engaging the consumer, to connect them with Hooker Furniture brands and direct them to our retail partners. This strategic shift puts more of our marketing dollars into the channels consumers prefer and gives us more impressions at lower cost per impression. Digital marketing also provides more data about our customers and allows us to tailor future marketing efforts based on these analytics and our team of e-commerce professionals manages the unique requirements of our major online customers. We believe this team has expertise in customer acquisition, online marketing and in data maintenance, which we believe are required to succeed in the e-commerce channel.

To support our all-digital marketing efforts, our redesigned consumer-centric websites offer responsive platforms conducive to both mobile and traditional computing platforms, improved consumer engagement, including a first-in-industry customer chat function that has hosted over 10,000 unique chat sessions since its debut in August 2014, and is supported by extended customer-care hours. Our new websites also offer "room planners", improved dealer locators, "find it now" options, and shortcuts to post to social media that we believe make our digital spaces inviting places for consumers to research their furniture purchases.

Realizing that the emerging young "millennial" consumer's shopping preferences are vastly different from our core "baby boomer" customers, and in response to a shift of volume and shopping activity to the internet, we launched a new retailer partnership program in late fiscal 2013 to help our retailers realign their business models to these new retail realities. "P3" is an integrated, strategic and web-centric retail partnership program. Through P3, we are assisting retailers in setting up local e-marketing and e-commerce through an online "iStore." In addition to the build-out of the iStore, the P3 program also offers ongoing training and service, as well as selected discounts and allowances and marketing support.

During fiscal 2015, we continued to see the expanding influence of the internet on consumer buying habits, both in and out of retail stores. We also noted that our P3 network of dealers outperformed our overall consolidated sales increase as they expanded their digital footprints and continued to become more responsive to these consumer trends. As such, we continued to expand the P3 management team by adding additional personnel with expertise in the digital space as well as new support programs designed to accelerate the retailer's omni-channel transition. In fiscal 2016, we expect to expand the program further by inviting additional retailers to be a part of the network.

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Warehousing and Distribution

We sell our branded products to retailers of residential home furnishings throughout the world through over 65 independent North American sales representatives and 9 foreign sales representatives servicing the international market. These retailers are broadly dispersed throughout North America as well as in nearly 40 countries around the world. We sell our products through a large number of distribution channels which include independent furniture retailers, department stores, national membership clubs, regional chain stores, catalog merchandisers, designers and E-retailers. We also work directly with several large customers to develop private-label, unbranded products exclusively for those customers.

We sold to approximately 3,800 customers during fiscal 2015. No single customer accounted for more than 3.5% of our sales in 2015. No significant part of our business is dependent upon a single customer, the loss of which would have a material effect on our business. However, the loss of several of our major customers could have a material impact on our business. In addition to our broad domestic customer base, approximately 6% of our sales in fiscal 2015 were to international customers. We believe our broad network of retailers and independent sales representatives reduces our exposure to regional recessions and allows us to capitalize on emerging trends in channels of distribution.

We distribute furniture to retailers from our distribution centers and warehouses in Virginia and North Carolina and directly from Asia via our container direct from factory program. We have a warehousing and distribution arrangement in China with our largest supplier of imported products. Our warehouse and distribution facility in China is owned by the supplier and operated by the supplier and a third party, utilizing a global warehouse management system that updates our central inventory management and order processing systems on a daily basis. Under our container direct program, we offer directly to retailers in the U.S. a focused and in-stock mix of over 400 of our best selling items sourced from our largest supplier. The program features an internet-based product ordering system and a delivery notification system that is easy to use and available to pre-registered dealers. In addition, we also ship containers directly from a variety of other suppliers in Asia.

Based on the long-term success of our warehouse in China, we opened a similar operation in Vietnam during fiscal year 2015. This warehouse is owned and operated by two separate third-party logistics companies, the operator specializing in furniture. The facility allows customers to mix best-selling products from several of our Vietnam supplier factories and, therefore, to purchase a broader assortment of products compared to ordering full containers directly from a single factory.

We strive to provide imported and domestically produced furniture on-demand for our dealers. During fiscal year 2015, we shipped 92% of all casegoods orders and approximately 57% of all upholstery orders within 30 days of order receipt. It is our policy and industry practice to allow order cancellation for casegoods up to the time of shipment; therefore, customer orders for casegoods are not firm. However, domestically produced upholstered products are predominantly custom-built and shipped within six to eight weeks after an order is received and consequently, cannot be cancelled once the leather or fabric has been cut.

For imported products, we generally negotiate firm pricing with foreign suppliers in U.S. Dollars, typically for a term of at least one year. We accept the exposure to exchange rate movements beyond these negotiated periods. We do not use derivative financial instruments to manage this risk but could choose to do so in the future. Since we transact our imported product purchases in U.S. Dollars, a relative decline in the value of the U.S. Dollar could increase the price we pay for imported products beyond the negotiated periods. We generally expect to reflect substantially all of the effects of any price increases from suppliers in the prices we charge for imported products. However, these price changes could adversely impact sales volume and profit margin during affected periods. Conversely, a relative increase in the value of the U.S. Dollar could decrease the cost of imported products and favorably impact net sales and profit margins during affected periods. See also “Item 7A. Quantitative and Qualitative Disclosures About Market

Risk."

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Working Capital Practices

The following describes our working capital practices:

Inventory: We generally import casegoods inventory and certain upholstery items in amounts that enable us to meet the delivery requirements of our customers, our internal in-stock goals and minimum purchase requirements from our sourcing partners. We do not carry significant amounts of domestically produced upholstery inventory, as most of these products are built to order and are shipped shortly after their manufacture.

Accounts receivable: Substantially all of our trade accounts receivable are due from retailers and dealers that sell residential home furnishings, which consist of a large number of entities with a broad geographic dispersion. We perform credit evaluations of our customers and generally do not require collateral. For qualified customers, we offer payment terms, generally requiring payment 30 days from shipment. However, we may offer extended payment terms in certain circumstances, including to promote sales of our products. Our upholstery segment factors substantially all of its receivables, in most cases on a non-recourse basis; however, in order to realize operational efficiencies, cost savings, leverage best practices and present a single face to our customers, we plan to end our factoring relationship as our new Enterprise Resource Planning system ("ERP") becomes fully operational for our domestic upholstery companies, which we expect to occur at Sam Moore in the first-half of fiscal 2016 and in the second half of fiscal 2016 at Bradington-Young. We expect collections may slow somewhat as we transition these receivables in-house. However, given our current and projected liquidity, we do not expect the transition to have a material adverse effect on our future liquidity.

Accounts payable: Payment for our imported products warehoused first in Asia is due fourteen days after our quality audit inspections are complete and the vendor invoice is presented. Beyond that, payment for goods which are generally shipped to Hooker FOB Origin is due upon proof of lading onto a US-bound vessel and invoice presentation. Payment terms for domestic raw materials and non-inventory related charges vary, but are generally 30 days from invoice date.

Order Backlog

At February 1, 2015, our backlog of unshipped orders for our casegoods, upholstery and all other segments were as follows:

Order Backlog
(Dollars in 000s)

	February 1, 2015		February 2, 2014	
	Dollars	Weeks	Dollars	Weeks
Casegoods segment	$ 14,793	5.1	$ 14,107	4.9
Upholstery segment	8,802	5.3	10,927	6.8
All other segment	542	7.3	196	6.0
Consolidated	$ 24,137	5.2	$ 25,230	5.3

Upholstery segment backlog declined in fiscal 2015 primarily due to increased production capacity, improved labor efficiency, and slightly decreased orders at Sam Moore.

We consider unshipped order backlogs to be one helpful indicator of sales for the upcoming 30-day period, but because of our relatively quick delivery and our cancellation policies (discussed under Warehousing and Distribution, above), we do not consider order backlogs to be a reliable indicator of expected long-term business.

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Seasonality

In general, the summer months are the slowest for our business, especially for leather upholstery sales in our upholstery segment. We believe that consumer home furnishings purchases are driven by an array of factors, including general economic conditions such as:

§ consumer confidence;
§ availability of consumer credit;
§ energy and other commodity prices; and
§ housing and mortgage markets;

as well as lifestyle-driven factors such as changes in:

§ fashion trends;
§ disposable income; and
§ household formation and turnover.

Competition

The furniture industry is highly competitive and includes a large number of foreign and domestic manufacturers and importers, none of which dominates the market in our price points. While the markets in which we compete include a large number of relatively small and medium-sized manufacturers, certain competitors have substantially greater sales volumes and financial resources than we do. U.S. imports of furniture produced overseas, such as from China and other Asian countries, have stabilized in recent years; however, some overseas companies have increased their presence in the U.S. during that period, both through wholesale distributors based in the U.S. and direct shipments to U.S. retailers.

The primary competitive factors for home furnishings in our price points include price, style, availability, service, quality and durability. We believe our design capabilities, ability to import and/or manufacture upholstered furniture, product value, longstanding customer and supplier relationships, significant distribution and inventory capabilities, ease of ordering, financial strength, experienced management and customer support are significant competitive advantages.

Employees

As of February 1, 2015, we had approximately 674 full-time employees. None of our employees are represented by a labor union. We consider our relations with our employees to be good.

Patents and Trademarks

The Hooker Furniture, Bradington-Young and Sam Moore trade names represent many years of continued business. We believe these trade names are well-recognized and associated with quality and service in the furniture industry. We also own a number of patents and trademarks, both domestically and internationally, none of which is considered to be material.

Hooker, the “H” logo, Bradington-Young, the “B-Y” logo, Sam Moore, H Contract, Homeware, Sam Moore Furniture Industries, Sam Moore Furniture, LLC, America’s Premier Chair Specialist, America’s Chairmaker for over 70 Years, Rhapsody, Sanctuary, Mélange, Corsica, Solana, Palisade, Beladora, Classique, Abbott Place, Grandover, North Hampton, Small Office Solutions, Preston Ridge, Waverly Place, Sectional Sofas by Design, Accommodations, SmartLiving ShowPlace, SmartWorks Home Office, SmartWorks Home Center and The Great Entertainers are trade names or trademarks of Hooker Furniture Corporation.

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Governmental Regulations

Our company is subject to U.S. federal, state, and local laws and regulations in the areas of safety, health, employment and environmental pollution controls, as well as U.S. and international trade laws and regulations. Compliance with these laws and regulations has not in the past had any material effect on our earnings, capital expenditures, or competitive position in excess of those affecting others in our industry; however, the effect of compliance in the future cannot be predicted. We believe we are in material compliance with applicable U.S. and international laws and regulations.

Additional Information

You may visit us online at hookerfurniture.com, bradington-young.com, sammoore.com, homeware.com and hcontractfurniture.com. We make available, free of charge through our Hooker Furniture website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and other documents as soon as practical after they are filed with or furnished to the Securities and Exchange Commission. A free copy of our annual report on Form 10-K may also be obtained by contacting Robert W. Sherwood, Vice President - Credit, Secretary and Treasurer at BSherwood@hookerfurniture.com or by calling 276-632-2133.

Forward-Looking Statements

Certain statements made in this report, including under Part II, Item 2 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the notes to the consolidated financial statements included in this report, are not based on historical facts, but are forward-looking statements. These statements reflect our reasonable judgment with respect to future events and typically can be identified by the use of forward-looking terminology such as "believes," "expects," "projects," "intends," "plans," "may," "will," "should," "would," "could" or "ant negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Those risks and uncertainties include but are not limited to:

§ general economic or business conditions, both domestically and internationally, and instability in the financial and credit markets, including their potential impact on our (i) sales and operating costs and access to financing or (ii) customers and suppliers and their ability to obtain financing or generate the cash necessary to conduct their respective businesses;

§ achieving and managing growth and change, and the risks associated with new business lines, acquisitions, restructurings, strategic alliances and international operations;

§ our ability to successfully implement our business plan to increase sales and improve financial performance;

§ the cost and difficulty of marketing and selling our products in foreign markets;

§ disruptions involving our vendors or the transportation and handling industries, particularly those affecting imported products from China and Vietnam, including customs issues, labor stoppages, strikes or slowdowns and the availability of shipping containers and cargo ships;

§ disruptions affecting our Martinsville and Henry County, Virginia warehouses and corporate headquarters facilities;

§ when or whether our new business initiatives, including, among others, H Contract and Homeware, meet profitability targets;

- price competition in the furniture industry;

- changes in domestic and international monetary policies and fluctuations in foreign currency exchange rates affecting the price of our imported products and raw materials;

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- § the cyclical nature of the furniture industry, which is particularly sensitive to changes in consumer confidence, the amount of consumers' income available for discretionary purchases, and the availability and terms of consumer credit;
- § risks associated with the cost of imported goods, including fluctuation in the prices of purchased finished goods and transportation and warehousing costs;
- § risks associated with domestic manufacturing operations, including fluctuations in capacity utilization and the prices and availability of key raw materials, as well as changes in transportation, warehousing and domestic labor costs and environmental compliance and remediation costs;
- § the interruption, inadequacy, security breaches or integration failure of our information systems or information technology infrastructure, related service providers or the internet;
- § the direct and indirect costs associated with the implementation of our Enterprise Resource Planning system, including costs resulting from unanticipated disruptions to our business;
- § adverse political acts or developments in, or affecting, the international markets from which we import products, including duties or tariffs imposed on those products;
- § risks associated with distribution through third-party retailers, such as non-binding dealership arrangements;
- § capital requirements and costs;
- § competition from non-traditional outlets, such as catalog and internet retailers and home improvement centers;
- § changes in consumer preferences, including increased demand for lower-quality, lower-priced furniture due to, among other things, declines in consumer confidence, amounts of discretionary income available for furniture purchases and the availability of consumer credit;
- § higher than expected costs associated with product quality and safety, including regulatory compliance costs related to the sale of consumer products and costs related to defective or non-compliant products; and
- § higher than expected employee medical costs.

Any forward-looking statement that we make speaks only as of the date of that statement, and we undertake no obligation, except as required by law, to update any forward-looking statements whether as a result of new information, future events or otherwise.

We face a number of significant risks and uncertainties, as more fully discussed in Item 1A, "Risk Factors" below.

ITEM 1A. RISK FACTORS

Our business is subject to a variety of risks. The risk factors discussed below should be considered in conjunction with the other information contained in this annual report on Form 10-K. If any of these risks actually materialize, our business, results of operations, financial condition or future prospects could be negatively impacted. These risks are not the only ones we face. There may be additional risks that are presently unknown to us or that we currently believe to be immaterial that could affect our business.

We rely on offshore sourcing, particularly from China, for predominantly all of our casegoods furniture products and for a significant portion of our upholstered products. Consequently:

§ A disruption in supply from China or from our most significant Chinese supplier could adversely affect our ability to timely fill customer orders for these products and decrease our sales, earnings and liquidity.

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In fiscal 2015, imported products sourced from China and Vietnam accounted for approximately 73% and 20%, respectively, of our import purchases and the factory in China from which we directly source the largest portion of our import products accounted for approximately 59% of our worldwide purchases of imported products. Furniture manufacturing creates large amounts of highly flammable wood dust and utilizes other highly flammable materials such as varnishes and solvents in its manufacturing processes and is therefore subject to the risk of losses arising from explosions and fires. A disruption in our supply chain from this factory, or from China or Vietnam in general, could significantly impact our ability to fill customer orders for products manufactured at that factory or in that country. If such a disruption were to occur, we believe that we would have sufficient inventory on hand and in transit to our U.S. warehouses in Martinsville, VA to adequately meet demand for approximately four months with up to an additional one and one quarter months available for immediate shipment from our warehouses in Asia. We believe that we could, most likely at higher cost, source most of the products currently sourced in China from factories in other countries and could produce certain upholstered products domestically at our own factories. However, supply disruptions and delays on selected items could occur for up to six months before the impact of remedial measures would be reflected in our results. If we were to be unsuccessful in obtaining those products from other sources or at comparable cost, a disruption in our supply chain from our largest import furniture supplier, or from China or Vietnam in general, could adversely affect our sales, earnings, financial condition and liquidity.

§ We are subject to changes in foreign government regulations and in the political, social and economic climates of the countries from which we source our products.

Changes in political, economic, and social conditions, as well as in the laws and regulations in the foreign countries from which we source our products could adversely affect our sales, earnings, financial condition and liquidity. These changes could make it more difficult to provide products and service to our customers or could increase the cost of those products. International trade regulations and policies of the United States and the countries from which we source finished products could adversely affect us. Imposition of trade sanctions relating to imports, taxes, import duties and other charges on imports affecting our products could increase our costs and decrease our earnings. For example since 2004, the U.S. Department of Commerce has imposed tariffs on wooden bedroom furniture coming into the United States from China. In this case, none of the rates imposed have been of sufficient magnitude to alter our import strategy in any meaningful way; however, these and other tariffs are subject to review and could be implemented or increased in the future.

§ Our dependence on non-U.S. suppliers could, over time, adversely affect our ability to service customers.

We rely exclusively on non-U.S. suppliers for our casegoods furniture products and for a significant portion of our upholstered products. Our non-U.S. suppliers may not provide goods that meet our quality, design or other specifications in a timely manner and at a competitive price. If our suppliers do not meet our specifications, we may need to find alternative vendors, potentially at a higher cost, or may be forced to discontinue products. Also, delivery of goods from non-U.S. vendors may be delayed for reasons not typically encountered for domestically manufactured furniture, such as shipment delays caused by customs issues, labor issues, port-related issues such as weather, congestion or port equipment, decreased availability of shipping containers and/or the inability to secure space aboard shipping vessels to transport our products. Our failure to timely fill customer orders due to an extended business interruption for a major non-U.S. supplier, or due to transportation issues, could negatively impact existing customer relationships and adversely affect our sales, earnings, financial condition and liquidity.

§ Our inability to accurately forecast demand for our imported products could cause us to purchase too much, too little or the wrong mix of inventory.

Manufacturing and delivery lead times for our imported products necessitate that we make forecasts and assumptions regarding current and future demand for these products. If our forecasts and assumptions are inaccurate, we may purchase excess or insufficient amounts of inventory. If we purchase too much or the wrong mix of inventory, we may be forced to sell it at lower margins, which could adversely affect our sales, earnings, financial condition and liquidity. If we purchase too little or the wrong mix of inventory, we may not be able to fill customer orders and may lose market share and weaken or damage customer relationships, which also could adversely affect our sales, earnings, financial condition and liquidity.

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§ Changes in the value of the U.S. Dollar compared to the currencies for the countries from which we obtain our products could adversely affect our sales, earnings and liquidity.

For imported products, we generally negotiate firm pricing with our foreign suppliers in U.S. Dollars, typically for periods of at least one year. We accept the exposure to exchange rate movements beyond these negotiated periods. We do not use derivative financial instruments to manage this risk, but could choose to do so in the future. Since we transact our imported product purchases in U.S. Dollars, a relative decline in the value of the U.S. Dollar could increase the price we must pay for imported products beyond the negotiated periods. These price changes could decrease our sales, earnings and liquidity during affected periods.

§ Supplier transitions, including cost or quality issues, could result in longer lead times and shipping delays.

In the past, inflation concerns, and to a lesser extent quality and supplier viability concerns, affecting some of our imported product suppliers located in China prompted us to source more of our products from lower cost and/or higher quality suppliers located in other countries, such as Vietnam and Indonesia. As conditions dictate, we could be forced to make similar transitions in the future. When undertaken, transitions of this type involve significant planning and coordination by and between us and our new suppliers in these countries. Despite our best efforts and those of our new sourcing partners, these transition efforts are likely to result in longer lead times and shipping delays over the short term, which could adversely affect our sales, earnings, financial condition and liquidity.

We may engage in acquisitions and investments in companies, form strategic alliances and pursue new business lines. These activities could disrupt our business, dilute our earnings per share, decrease the value of our common stock and decrease our earnings and liquidity.

We may acquire or invest in businesses that offer complementary products and that we believe offer competitive advantages. However, we may fail to identify significant liabilities or risks that could negatively affect us or result in our paying more for the acquired company or assets than they are worth. We may also have difficulty assimilating the operations and personnel of an acquired business into our current operations. Acquisitions may disrupt or distract management from our ongoing business. We may pay for future acquisitions using cash, stock, the assumption of debt, or a combination of these. Future acquisitions could result in dilution to existing shareholders and to earnings per share and decrease the value of our common stock. We may pursue new business lines in which we have limited or no prior experience or expertise. These pursuits may require substantial investment of capital and personnel. New business initiatives may fail outright or fail to produce an adequate return, which could adversely affect our earnings, financial condition and liquidity.

The interruption, inadequacy, security failure or integration failure of our information systems or information technology infrastructure or the internet could adversely impact our business, sales, earnings, financial condition and liquidity.

Our information systems (software) and information technology (hardware) infrastructure platforms and those of third parties who provide these services to us, including internet service providers and third-parties who store data for us on their servers, facilitate and support every facet of our business, including the sourcing of raw materials and finished goods, planning, manufacturing, warehousing, customer service, shipping, accounting and human resources. Our systems, and those of third parties who provide services to us, are vulnerable to disruption or damage caused by a variety of factors including, but not limited to: power disruptions or outages; natural disasters or other so-called “Acts of God”; computer system or network failures; viruses or malware; physical or electronic break-ins; the theft of computers, tablets and smart phones utilized by our employees or contractors; unauthorized access and cyber-attacks. If these information systems or information technology are interrupted or fail, our operations may be adversely affected, which could adversely affect our sales, earnings, financial condition and liquidity.

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Unauthorized disclosure of confidential information provided to us by our customers, employees, or third parties could harm our business.

We rely on the internet and other electronic methods to transmit confidential information and we store confidential information on our networks. If there was a disclosure of confidential information by our employees or contractors, including accidental loss, inadvertent disclosure or unapproved dissemination of information, or if a third party were to gain access to the confidential information we possess, our reputation could be harmed and we could be subject to civil or criminal liability and regulatory actions. A claim that is brought against us, successful or unsuccessful, that is uninsured or under-insured could harm our business, result in substantial costs, divert management attention and adversely affect our sales, earnings, financial condition and liquidity.

The implementation of our Enterprise Resource Planning system could disrupt our business.

We are in the process of implementing a Company-wide Enterprise Resource Planning (ERP) system. Our ERP system implementation may not result in improvements that outweigh its costs and may disrupt our operations. Our inability to mitigate existing and future disruptions could adversely affect our sales, earnings, financial condition and liquidity. The ERP system implementation subjects us to substantial costs and inherent risks associated with migrating from our legacy systems. These costs and risks could include, but are not limited to:

§ significant capital and operating expenditures;
§ disruptions to our domestic and international supply chains;
§ inability to fill customer orders accurately and on a timely basis, or at all;
§ inability to process payments to suppliers, vendors and associates accurately and in a timely manner;
§ disruption of our internal control structure;
§ inability to fulfill our SEC or other governmental reporting requirements in a timely or accurate manner;
§ inability to fulfill federal, state and local tax filing requirements in a timely or accurate manner; and
§ increased demands on management and staff time to the detriment of other corporate initiatives.

The cancellation of our upholstery segment factoring agreements could have an adverse effect on our liquidity.

Our upholstery segment factors substantially all of its receivables, in most cases on a non-recourse basis; however, in order to realize operational efficiencies, cost savings, leverage best practices and present a single face to our customers, we plan to end our factoring relationship as our new ERP system becomes fully operational for our domestic upholstery companies. This is expected to occur at Sam Moore in the first half of fiscal 2016 and we expect it to occur during the second half of fiscal 2016 at Bradington-Young. We expect collections may slow as we transition these receivables in-house and consolidate credit and collection functions at our corporate headquarters. Given our current and projected liquidity, we do not expect the transition to have a material adverse effect on our future liquidity. However, if we experience significant transition issues, including problems consolidating these functions internally, delayed collections due to our customers transitioning payments from our factor to our corporate lockbox, or other issues, we may not be able to collect amounts owed to us in a timely manner or at all, and our sales, earnings, financial condition and liquidity may be adversely affected.

We may not be able to collect amounts owed to us.

We grant payment terms to most customers ranging from 30 to 60 days and do not generally require collateral. However, in some instances we provide longer payment terms. Some of our customers have experienced, and may in the future experience, credit-related issues. While we perform credit evaluations of our customers, those evaluations may not prevent uncollectible trade accounts receivable. Credit evaluations involve significant management diligence and judgment. Should more customers than we anticipate experience liquidity issues, or if payment is not received on a timely basis, we may have difficulty collecting amounts owed to us by these customers, which could adversely affect our sales, earnings and financial condition and liquidity.

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Our new business initiatives could fail to meet profitability targets.

During fiscal 2014, we launched two new business initiatives which are included in our all other operating segment. Both businesses require experience and expertise outside of our traditional skillset. Although we have hired professionals who we believe have the requisite skills and experience to lead these new initiatives, we may not succeed in growing these new initiatives into profitable businesses. These businesses may fail outright or fail to produce an adequate return. We expect this segment to have a negative impact on our short-term earnings and liquidity as we attempt to grow them. If we are unsuccessful in making these businesses profitable, our sales, earnings, financial condition and liquidity could be adversely affected.

A disruption affecting our Martinsville and Henry County Virginia warehouses, distribution or administrative facilities could disrupt our business.

Our Martinsville and Henry County Virginia facilities are critical to our success. Our Martinsville, Virginia warehouses housed approximately 50% of our consolidated inventories at February 1, 2015, with approximately 30% of our consolidated inventories at February 1, 2015 stored at our Central Distribution Center (CDC) in Martinsville. During fiscal 2015, approximately 63% of our invoiced sales were shipped out of our Martinsville facilities, with 43% of fiscal 2015 invoiced sales shipped out of CDC. Additionally, our corporate headquarters, which houses all of our corporate administration, sourcing, sales, finance, product design, customer service and traffic functions for our imported products is located in this area. Any disruption affecting the CDC facility or a combination of our other facilities in this area, for even a relatively short period of time, could adversely affect our ability to ship our imported furniture products and disrupt our business, which could adversely affect our sales, earnings, financial condition and liquidity.

Our ability to grow and maintain sales and earnings depends on the successful execution of our business strategies.

We are primarily a residential furniture design, sourcing, marketing and logistics company with domestic upholstery manufacturing capabilities. We are completely dependent on non-U.S. suppliers for all of our casegoods furniture products and a significant portion for our upholstered products. Our ability to grow and maintain sales and earnings depends on:

§ the continued correct selection and successful execution and refinement of our overall business strategies and business systems for designing, marketing, sourcing, distributing and servicing our products;

§ good decisions about product mix and inventory availability targets;

§ the enhancement of relationships and business systems that allow us to continue to work more efficiently and effectively with our global sourcing suppliers; and

§ the right mix between domestic manufacturing and foreign sourcing for upholstered products.

Our traditional customer base, independent furniture stores and regional chains, is getting smaller and the demographic profile of the typical home furnishings consumer is evolving. Therefore, we must:

§ identify and adapt to trends in retailing; and

§ develop strategies to sell in the channels in which our consumers prefer to shop.

All of these factors affect our ability to grow and maintain sales, earnings and liquidity.

Failure to anticipate or timely respond to changes in fashion and consumer tastes could adversely impact our business.

Furniture is a styled product and is subject to rapidly changing fashion trends and consumer tastes, as well as to increasingly shorter product life cycles. If we fail to anticipate or promptly respond to these changes we may lose market share or be faced with the decision of whether to sell excess inventory at reduced prices. This could adversely affect our sales, earnings, financial condition and liquidity.

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Fluctuations in the price, availability or quality of raw materials for our domestically manufactured upholstered furniture could cause manufacturing delays, adversely affect our ability to provide goods to our customers or increase our costs.

We use various types of wood, leather, fabric, foam and other filling material, high carbon spring steel, bar and wire stock and other raw materials in manufacturing upholstered furniture. We depend on outside suppliers for raw materials and must obtain sufficient quantities of quality raw materials from these suppliers at acceptable prices and in a timely manner. We do not have long-term supply contracts with our suppliers. Unfavorable fluctuations in the price, quality or availability of required raw materials could negatively affect our ability to meet the demands of our customers. We may not always be able to pass price increases in raw materials through to our customers due to competition and other market pressures. The inability to meet customers' demands or recover higher costs could adversely affect our sales, earnings, financial condition and liquidity.

If demand for our domestically manufactured upholstered furniture declines and we may respond by realigning manufacturing.

Our domestic manufacturing operations make only upholstered furniture. A decline in demand for our domestically produced upholstered furniture could result in the realignment of our domestic manufacturing operations and capabilities and the implementation of cost savings measures. These programs could include the consolidation and integration of facilities, functions, systems and procedures. We may decide to source certain products from other suppliers instead of continuing to manufacture them. These realignments and cost savings measures typically involve initial upfront costs and could result in decreases in our near-term earnings before the expected cost savings are realized, if they are realized at all. We may not always accomplish these actions as quickly as anticipated and may not achieve the expected cost savings, which could adversely affect our sales, earnings, financial condition and liquidity.

We may experience impairment of our long-lived assets, which would decrease our earnings and net worth.

Accounting rules require that long-lived assets be tested for impairment when circumstances indicate, but at least annually. At February 1, 2015 we had $24.2 million in net long-lived assets, consisting primarily of property, plant and equipment, trademarks and trade names. The outcome of impairment testing could result in the write-off of all or a portion of the value of these assets. A write-down of our assets would, in turn, reduce our earnings and net worth. Our most recent write-down occurred in fiscal 2012. It was the result of the impairment of our Bradington-Young trade name and resulted in a $1.8 million charge to earnings. It is possible that we will have additional write-downs in the future, resulting in reductions to our earnings and net worth. Factors which may lead to additional write-downs of our long-lived assets include, but are not limited to:

§ A significant decrease in the market value of a long-lived asset;
§ A significant adverse change in the extent or manner in which a long-lived asset group is being used, or in its physical condition;
§ A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
§ An accumulation of costs significantly in excess of the amount originally expected to acquire or construct a long-lived asset;
§ A current period operating or cash flow loss or a projection or forecast that demonstrates continuing losses associated with a long-lived asset's use; and
§ A current expectation that more-likely-than-not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

We may not be able to maintain or raise prices in response to inflation and increasing costs.

Competitive and market forces could prohibit future successful price increases for our products in order to offset increased costs of finished goods, raw materials, freight and other product-related costs, which could decrease our sales, earnings and liquidity.

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Economic downturns could result in decreased sales, earnings and liquidity.

The furniture industry is particularly sensitive to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Home furnishings are generally considered a postponable purchase by most consumers. Economic downturns could affect consumer spending habits by decreasing the overall demand for home furnishings. Changes in interest rates, consumer confidence, new housing starts, existing home sales, the availability of consumer credit and broader national or geopolitical factors have particularly significant effects on our business. A recovery in our sales could lag significantly behind a general recovery in the economy after an economic downturn, due to, among other things, the postponable nature and relatively significant cost of home furnishings purchases. These events could also impact retailers, including our primary customers, possibly adversely affecting our sales, earnings and liquidity

We may lose market share due to competition.

The furniture industry is very competitive and fragmented. We compete with numerous domestic and non-U.S. residential furniture sources. Some competitors have greater financial resources than we have and often offer extensively advertised, well-recognized, branded products. Competition from non-U.S. sources has increased dramatically over the past decade. We may not be able to meet price competition or otherwise respond to competitive pressures, including increases in supplier and production costs. Also, due to the large number of competitors and their wide range of product offerings, we may not be able to continue to differentiate our products (through value and styling, finish and other construction techniques) from those of our competitors. In addition, some large furniture retailers are sourcing directly from non-U.S. furniture factories. Over time, this practice may expand to smaller retailers. As a result, we are continually subject to the risk of losing market share, which could adversely affect our sales, earnings, financial condition and liquidity.

The loss of several large customers through business consolidations, failures or other reasons could adversely affect our business.

The loss of several of our major customers through business consolidations, failures or otherwise, could adversely affect our sales, earnings, financial condition and liquidity. Lost sales may be difficult to replace. Amounts owed to us by a customer whose business fails, or is failing, may become uncollectible, and we could lose future sales, any of which could adversely affect our sales, earnings, financial condition and liquidity.

We may incur higher employee costs in the future.

We maintain a self-insured healthcare plan for our employees. We have insurance coverage in place for aggregate claims above a specified amount in any year. While our healthcare costs in recent years have generally increased at the same rate or greater than the national average, those costs have increased more rapidly than general inflation in the U.S. economy. Continued inflation in healthcare costs, as well as additional costs we may incur as a result of current or future federal or state healthcare legislation and regulations, could significantly increase our employee healthcare costs in the future. Continued increases in our healthcare costs could adversely affect our earnings, financial condition and liquidity.

Our results of operations for any quarter are not necessarily indicative of our results of operations for a full year.

Home furnishings sales fluctuate from quarter to quarter due to factors such as changes in economic and competitive conditions, weather conditions and changes in consumer order patterns. From time to time, we have experienced, and may continue to experience, volatility with respect to demand for our home furnishing products. Accordingly, our results of operations for any quarter are not necessarily indicative of the results of operations to be expected for a full year.

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Future costs of complying with various laws and regulations may adversely impact future operating results.

Our business is subject to various domestic and international laws and regulations that could have a significant impact on our operations and the cost to comply with such laws and regulations could adversely impact our sales, earnings, financial condition and liquidity. In addition, failure to comply with such laws and regulations, even inadvertently, could produce negative consequences which could adversely impact our operations and reputation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Set forth below is information with respect to our principal properties at April 17, 2015. We believe all of these properties are well-maintained and in good condition. During fiscal 2015, we estimate our upholstery plants operated at approximately 79% of capacity on a one-shift basis. All our production facilities are equipped with automatic sprinkler systems. All facilities maintain modern fire and spark detection systems, which we believe are adequate. We have leased certain warehouse facilities for our distribution and import operations, typically on a short and medium-term basis. We expect that we will be able to renew or extend these leases or find alternative facilities to meet our warehousing and distribution needs at a reasonable cost. All facilities set forth below are active and operational, representing approximately 2.2 million square feet of owned space, leased space or properties utilized under third-party operating agreements.

Location	Segment Use	Primary Use	Approximate Size in Square Feet	Owned or Leased
Martinsville, Va.	All segments	Corporate Headquarters	43,000	Owned
Martinsville, Va.	All segments	Distribution and Imports	580,000	Owned
Martinsville, Va.	All segments	Customer Support Center	146,000	Owned
Martinsville, Va.	All segments	Distribution	628,000	Leased (1)
High Point, N.C.	All segments	Showroom	80,000	Leased (2)
Cherryville, N.C.	Upholstery	Manufacturing Supply Plant	53,000	Owned (3)
Hickory, N.C.	Upholstery	Manufacturing	91,000	Owned (3)
Hickory, N.C.	Upholstery	Manufacturing and Offices	36,400	Leased (3) (4)
Bedford, Va.	Upholstery	Manufacturing and Offices	327,000	Owned (5)

(1) Lease expires March 31, 2021.
(2) Lease expires October 31, 2016.
(3) Comprise the principal properties of Bradington-Young LLC.
(4) Lease expires December 15, 2015 and provides for 2 one-year extensions at our election.
(5) Comprise the principal properties of Sam Moore Furniture LLC.

Set forth below is information regarding principal properties we utilize that are owned and operated by third parties.

Location	Segment Use	Primary Use	Approximate Size in Square Feet	
Guangdong, China	Casegoods	Distribution	210,000	(1)
Ho Chi Minh City, Vietnam	Casegoods	Distribution	25,000	(2)

(1) This property is subject to an operating agreement that expires on July 31, 2015. Renewal is automatic unless either party gives notice to terminate 120 days prior to expiration.

(2) This property is subject to an operating agreement that may be canceled by either party upon 45 days written notice and is canceled if no storage or other services are performed under the contract for 180 days.

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ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS OF HOOKER FURNITURE CORPORATION

Hooker Furniture's executive officers and their ages as of April 17, 2015 and the year each joined the Company are as follows:

Name	Age	Position	Year Joined Company
Paul B. Toms, Jr.	60	Chairman and Chief Executive Officer	1983
Paul A. Huckfeldt	57	Chief Financial Officer and Senior Vice President - Finance and Accounting	2004
Michael W. Delgatti, Jr.	61	President - Hooker Furniture Corporation	2009
Anne M. Jacobsen	53	Senior Vice President-Administration	2008

Paul B. Toms, Jr. has been Chairman and Chief Executive Officer since December 2000 and also served as President for most of the period from November 2006 to August 2011. Mr. Toms was President and Chief Operating Officer from December 1999 to December 2000, Executive Vice President - Marketing from 1994 to December 1999, Senior Vice President - Sales and Marketing from 1993 to 1994, and Vice President - Sales from 1987 to 1993. Mr. Toms joined the Company in 1983 and has been a Director since 1993.

Paul A. Huckfeldt has been Senior Vice President - Finance and Accounting since September 2013 and Chief Financial Officer since January 2011. Mr. Huckfeldt served as Vice President – Finance and Accounting from December 2010 to September 2013, Corporate Controller and Chief Accounting Officer from January 2010 to January 2011, Manager of Operations Accounting from March 2006 to December 2009 and led the Company's Sarbanes-Oxley implementation and subsequent compliance efforts from April 2004 to March 2006.

Michael W. Delgatti, Jr. has been President since February 2014. Mr. Delgatti served as President – Hooker Upholstery from August 2011 to January 2014 and Executive Vice-President of Corporate Sales from September 2012 to January 2014. Mr. Delgatti joined the Company in January of 2009 as Executive Vice-President of Hooker Upholstery.

Anne M. Jacobsen has been Senior Vice President- Administration since January 2014. Ms. Jacobsen joined the Company in January of 2008 as Director of Human Resources and served as Vice President- H R and Administration from January 2011 to January 2014 and Vice President-Human Resources from November 2008 to January 2011.

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Hooker Furniture Corporation
Part II

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

Our stock is traded on the NASDAQ Global Select Market under the symbol "HOFT". The table below sets forth the high and low sales prices per share for our common stock and the dividends per share we paid with respect to our common stock for the periods indicated.

	Sales Price Per Share		Dividends
	High	Low	Per Share
November 3, 2014 - February 1, 2015	$ 18.77	$ 14.25	$ 0.10
August 4, - November 2, 2014	16.00	14.24	0.10
May 5, - August 3, 2014	17.40	13.60	0.10
February 3 - May 4, 2014	16.24	13.64	0.10
November 4, 2013 - February 2, 2014	$ 17.81	$ 15.01	$ 0.10
August 5, - November 3, 2013	17.20	13.35	0.10
May 6, - August 4, 2013	18.00	15.06	0.10
February 4 - May 5, 2013	18.30	13.93	0.10

As of February 1, 2015, we had approximately 3,900 beneficial shareholders. We expect that future regular quarterly dividends will be declared and paid in the months of March, June, September, and December. Although we presently intend to continue to declare regular cash dividends on a quarterly basis for the foreseeable future, the determination as to the payment and the amount of any future dividends will be made by the Board of Directors from time to time and will depend on our then-current financial condition, capital requirements, results of operations and any other factors then deemed relevant by the Board of Directors.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

During the fiscal 2013 first quarter, our Board of Directors authorized the repurchase of up to $12.5 million of the Company's common shares. During fiscal 2013, we used an aggregate of $671,000 to purchase 57,700 shares of our stock at an average price of $11.63 per share. No shares were purchased during fiscal 2014 or 2015. Approximately $11.8 million remains available under the board's authorization. For additional information regarding this repurchase authorization, see the "Share Repurchase Authorization" section in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Performance Graph

The following graph compares cumulative total shareholder return for the Company with a broad performance indicator, the Russell 2000® Index, and an industry index, the Household Furniture Index, for the period from January 29, 2010 to February 1, 2015.

(1) The graph shows the cumulative total return on $100 invested at the beginning of the measurement period in our common stock or the specified index, including reinvestment of dividends.

(2) The Russell 2000® Index, prepared by Frank Russell Company, measures the performance of the 2,000 smallest companies out of the 3,000 largest U.S. companies based on total market capitalization.

(3) Household Furniture Index as prepared by Zacks Investment Research, Inc. consists of companies under SIC Codes 2510 and 2511, which includes home furnishings companies that are publically traded in the United States or Canada. At February 1, 2015, Zacks Investment Research, Inc. reported that these two SIC Codes consisted of Bassett Furniture Industries, Inc., Dorel Industries, Inc., Ethan Allen Interiors, Inc., Flexsteel Industries, Inc., Hooker Furniture Corporation, La-Z-Boy, Inc., Leggett & Platt, Inc., Natuzzi SPA-ADR, Nova Lifestyle, Inc., The Rowe Companies, Select Comfort Corporation, Stanley Furniture Company, Inc. and Tempur-Pedic International, Inc.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of our last five fiscal years has been derived from our audited, consolidated financial statements. The selected financial data should be read in conjunction with the consolidated financial statements, including the related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report. Additionally, we face a number of significant risks and uncertainties, as more fully discussed in Item 1A, "Risk Factors", above. If any or a combination of these risks and uncertainties were to occur, the information below may not be fully indicative our future financial condition or results of operations.

	Fiscal Year Ended (1)				
	February 1, 2015	February 2, 2014	February 3, 2013	January 29, 2012	January 30, 2011
	(In thousands, except per share data)				
Income Statement Data:					
Net sales	$ 244,350	$ 228,293	$ 218,359	$ 222,505	$ 215,429
Cost of sales	181,550	173,568	165,813	173,642	168,547
Gross profit	62,800	54,725	52,546	48,863	46,882
Selling and administrative expenses (2)	43,752	42,222	39,606	40,375	41,022
Restructuring charges (3)	-	-	-	-	1,403
Goodwill and intangible asset impairment charges (4)	-	-	-	1,815	396
Operating income	19,048	12,503	12,940	6,673	4,061
Other income (expense), net	350	(35)	53	272	108
Income before income taxes	19,398	12,468	12,993	6,945	4,169
Income taxes	6,820	4,539	4,367	1,888	929
Net income	12,578	7,929	8,626	5,057	3,240
Per Share Data:					
Basic earnings per share	$ 1.17	$ 0.74	$ 0.80	$ 0.47	$ 0.30
Diluted earnings per share	$ 1.16	$ 0.74	$ 0.80	$ 0.47	$ 0.30
Cash dividends per share	0.40	0.40	0.40	0.40	0.40
Net book value per share (5)	13.30	12.57	12.19	11.78	11.78
Weighted average shares outstanding (basic)	10,736	10,722	10,745	10,762	10,757
Balance Sheet Data:					
Cash and cash equivalents	$ 38,663	$ 23,882	$ 26,342	$ 40,355	$ 16,623
Trade accounts receivable	32,245	29,393	28,272	25,807	27,670
Inventories	44,973	49,016	49,872	34,136	57,438
Working capital	100,871	94,142	92,200	89,534	89,297
Total assets	170,755	155,481	155,823	149,171	150,411
Long-term debt	-	-	-	-	-
Shareholders' equity	142,909	134,803	131,045	127,113	126,770

(1) Our fiscal years end on the Sunday closest to January 31. The fiscal years presented above all had 52 weeks, except for the fiscal year ended February 3, 2013, which had 53 weeks.

(2) Selling and administrative expenses for fiscal 2014 include $2.1 million of startup costs pre-tax ($1.4 million, or $0.13 per share after tax) for our H Contract and Homeware business initiatives.

(3) In fiscal 2011, we closed facilities in order to consolidate our domestic leather upholstered furniture operations. As a result, we recorded $1.4 million pretax ($874,000 after tax, or $0.08 per share), principally for severance and asset impairment.

(4) Based on our annual impairment analyses, we recorded the following intangible asset impairment charges:

a) in fiscal 2012, $1.8 million pretax ($1.1 million after tax or $0.10 per share) on our Bradington-Young trade name; and

b) in fiscal 2011, $396,000 pretax ($247,000 after tax or $0.02 per share) on our Opus Designs by Hooker Furniture trade name.

(5) Net book value per share is derived by dividing "shareholders' equity" by the number of common shares issued and outstanding, excluding unvested restricted shares, all determined as of the end of each fiscal period.

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

The following discussion should be read in conjunction with the selected financial data and the consolidated financial statements, including the related notes, contained elsewhere in this annual report. We especially encourage users of this report to familiarize themselves with:

§ All of our recent public filings made with the Securities and Exchange Commission ("SEC"). Our public filings made with the SEC are available, without charge, at www.sec.gov and at http://investors.hookerfurniture.com;

§ The forward looking statements contained in Item 1 of this report, which describe the significant risks and uncertainties that could cause actual results to differ materially from those made in any forward-looking statements we make in this report, including those contained in this section of our annual report on Form 10-K;

§ The company-specific risks found in Item 1A "Risk Factors" of this report on Form 10-K. This section contains critical information regarding significant risks and uncertainties that we face. If any of these risks materialize, our business, financial condition and future prospects could be adversely impacted; and

§ Our commitments and contractual obligations and off-balance sheet arrangements described on page 37 and in Note 15 on page F-27 of this report. These sections describe commitments, contractual obligations and off-balance sheet arrangements, some of which are not reflected in our consolidated financial statements.

All references to the Company in this discussion refer to the Company and its consolidated subsidiaries, unless specifically referring to segment information. Unless otherwise indicated, amounts shown in tables are in thousands, except for share and per share data.

Our fiscal years end on the Sunday closest to January 31, in some years (generally once every six years) the fourth quarter will be fourteen weeks long and the fiscal year will consist of fifty-three weeks. For example, the 2013 fiscal year that ended on February 3, 2013 was a 53-week fiscal year. Our quarterly periods are based on thirteen-week "reporting periods" (which end on a Sunday) rather than quarterly periods consisting of three calendar months. As a result, each quarterly period generally is thirteen weeks, or 91 days, long, except as noted above.

The financial statements filed as part of this annual report on Form 10-K include the:

§ fifty-two week period that began February 3, 2014 and ended on February 1, 2015 (fiscal 2015);
§ fifty-two week period that began February 4, 2013 and ended on February 2, 2014 (fiscal 2014); and
§ fifty-three week period that began January 30, 2012 and ended on February 3, 2013 (fiscal 2013).

Nature of Operations

Hooker Furniture Corporation (the "Company", "we," "us" and "our") is a home furnishings marketing, design and logistics company offering worldwide sourcing of residential casegoods and upholstery, as well as domestically-produced custom leather and fabric-upholstered furniture. We were incorporated in Virginia in 1924 and are ranked among the nation's top 10 largest publicly traded furniture sources, based on 2013 shipments to U.S. retailers, according to a 2014 survey published by Furniture Today, a leading trade publication. We are a key resource for residential wood and metal furniture (commonly referred to as "casegoods") and upholstered furniture. Our major casegoods product categories include accents, home office, dining, bedroom and home entertainment furniture under the Hooker Furniture brand. Our residential upholstered seating companies include Bradington-Young, a specialist in upscale motion and stationary leather furniture, Hooker Upholstery, a line of imported leather upholstery, and Sam Moore

Furniture, a specialist in upscale occasional chairs, settees, sofas and sectional seating with an emphasis on cover-to-frame customization. An extensive selection of designs and formats along with finish and cover options in each of these product categories makes us a comprehensive resource for retailers primarily targeting the upper-medium price range. For our core product line, our principal customers are retailers of residential home furnishings that are broadly dispersed throughout the United States. Our customers also include home furniture retailers in Canada and in nearly 40 other countries internationally. Other customers include independent furniture stores, specialty retailers, department stores, catalog and internet merchants, interior designers and national and regional chains.

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To expand and grow beyond our core business, we launched two start-up brands during the 2014 fiscal year focused on serving the needs of emerging consumer groups on the opposite ends of the age and life stage spectrum. One, H Contract, focuses on the burgeoning senior living market of retirees. The other, Homeware, focuses on younger and more mobile consumers in the early stages of their careers, as well as those living in smaller or urban spaces.

H Contract supplies upholstered seating and casegoods to upscale senior living facilities throughout the country, working with designers specializing in the contract industry to provide functional furniture for senior living facilities that meets the style and comfort expectations of today's retirees.

Homeware is an online-only brand which is sold through leading international e-commerce retailers as well as our own e-commerce website, homeware.com. It supplies unique chairs and ottomans designed to be assembled in minutes by the consumer with no tools or hardware required. Homeware also offers home accessories, living room tables, multi-seat upholstery and expects to offer entertainment centers and dining room furniture in fiscal 2016.

For financial reporting purposes, we are organized into three operating segments – casegoods furniture, upholstered furniture and all other. Prior to the fiscal 2015 third quarter, we reported our results of operations in two operating segments- casegoods and upholstery. We aggregated the results of our two new business ventures – H Contract and Homeware- with our casegoods segment in accordance with the provisions of ASC 280 Segment Reporting. We did this primarily due to the similarity of the products, production processes, distribution methods, types of customers and regulatory environment. These similarities persist and although H Contract and Homeware are likely to remain immaterial to our consolidated results of operations for the near-to-medium term, we believe that information about these businesses would be beneficial to the readers of our financial statements, as it is to management; therefore, we have separately disclosed information about them in the an "All other" segment. The financial information for fiscal 2014 and fiscal 2013 appearing in the tables and narratives contained in this item has been updated to conform to the fiscal 2015 presentation of our operating segments.

Overview

Consumer home furnishings purchases are driven by an array of factors, including general economic conditions such as:

- consumer confidence;
- availability of consumer credit;
- energy and other commodity prices; and
- housing and mortgage markets;

as well as lifestyle-driven factors such as changes in:

- fashion trends;
- disposable income; and
- household formation and turnover.

Since 2008, economic and economic-related factors, such as high unemployment and changing consumer priorities, resulted in a somewhat depressed retail environment for discretionary purchases, including home furnishings and related products. However, the extended weakness in housing and housing-related industries has begun to show signs of sustained recovery, and mostly positive news on housing and consumer confidence is encouraging. We believe that our business and the home furnishings industry in general is gaining momentum, as the U.S. economy continues to recover from an extended downturn.

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Our lower overhead, variable-cost import operations help drive our profitability and provide us with more flexibility to respond to changing demand by adjusting inventory purchases from suppliers. This import model requires constant vigilance due to a larger investment in inventory and longer production lead times. We constantly evaluate our imported furniture suppliers and when quality concerns, inflationary pressures, or trade barriers, such as duties and tariffs diminish our value proposition, we transition sourcing to other suppliers, often located in different countries or regions.

Our domestic upholstery operations, have significantly higher overhead and fixed costs than our import operations, and have been particularly affected by the depressed economic conditions over the past seven years. During that time, we initiated extensive cost reduction efforts, which helped to mitigate the effect of the weakness in demand. Our upholstery segment operations have been profitable for the last three fiscal years; however, domestic upholstery profitability continues to lag behind our imported products.

The following are the primary factors that affected our consolidated results of operations for fiscal 2015.

§ Consolidated net sales increased by $16.1 million or 7.0% to $244.4 million in fiscal 2015 and net income increased by $4.6 million or 58.6% to $12.6 million.

§ Net sales increased primarily due to higher average selling prices in our casegoods and upholstery segments.

§ Gross profit increased by $8.1 million or 14.8%, primarily due to:

o decreased casegoods segment discounting, partially offset by increased returns and allowances;

o a $1.1 million gross profit increase in our upholstery segment due primarily to higher net sales and gross margin improvements due to reduced manufacturing costs; and

o a substantial increase in net sales for our H Contract business initiative as that business completes its first full year in operation and begins to establish itself in the contract furniture industry.

§ Selling and administrative expenses decreased as a percentage of net sales, but increased in absolute terms by $1.5 million, primarily due to higher selling expenses associated with increased net sales, increased bonus expense due to improved earnings performance and increased bad debt expense due to the write-off of a large trade receivable during the fiscal year. These increases were partially offset by a variety of factors which are discussed in greater detail below.

§ Consolidated operating profitability increased by $6.5 million or 52.4%, primarily due to a casegoods segment operating profitability increase of $5.1 million or 42.3% and an upholstery segment operating profitability increase of $958,000 or 50.1%.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items for the annual periods included in the consolidated statements of income:

	Fifty-two weeks ended February 1, 2015		Fifty-two weeks ended February 2, 2014		Fifty-three weeks ended February 3, 2013	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	74.3		76.0		75.9	
Gross profit	25.7		24.0		24.1	
Selling and administrative expenses	17.9		18.5		18.1	
Operating income	7.8		5.5		5.9	
Other income, net	0.2		0.0		0.1	

Income before income taxes	7.9	5.5	6.0
Income taxes	2.8	2.0	2.0
Net income	5.1	3.5	4.0

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Fiscal 2015 Compared to Fiscal 2014

Net Sales

	Fifty-two weeks ended February 1, 2015	Fifty-two weeks ended February 2, 2014	$ Change	% Change