

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2025

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Incorporated in the State of Minnesota

(State or other Jurisdiction of
Incorporation or Organization)

42-0442319

(I.R.S. Identification No.)

385 BELL STREET
DUBUQUE, IA 52001-7004

(Address of Principal Executive Offices) (Zip Code)

(563) 556-7730

(Registrant's Telephone Number, Including Area Code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | FLXS | The Nasdaq Stock Market, LLC |

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 a shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Common Stock - \$1.00 Par Value
Shares Outstanding as of April 23, 2025

5,273,253

FLEXSTEEL INDUSTRIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2025

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements****FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands)**

| | March 31, 2025 | June 30, 2024 |
|---|---------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 22,634 | \$ 4,761 |
| Trade receivables - less allowances: March 31, 2025, \$2,428, June 30, 2024, \$2,440 | 38,455 | 44,238 |
| Inventories | 87,139 | 96,577 |
| Other | 8,341 | 8,098 |
| Assets held for sale | 366 | 1,707 |
| Total current assets | 156,935 | 155,381 |
| NONCURRENT ASSETS: | | |
| Property, plant and equipment, net | 36,190 | 36,709 |
| Operating lease right-of-use assets | 42,967 | 61,439 |
| Deferred income taxes | 12,070 | 8,607 |
| Other assets | 17,964 | 12,326 |
| TOTAL ASSETS | <u>\$ 266,126</u> | <u>\$ 274,462</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable - trade | \$ 22,110 | \$ 25,830 |
| Current portion of operating lease liabilities | 7,635 | 7,517 |
| Accrued liabilities: | | |
| Payroll and related items | 9,353 | 12,059 |
| Insurance | 2,134 | 1,900 |
| Sales and advertising related items | 5,929 | 6,073 |
| Other | 6,331 | 7,027 |
| Total current liabilities | 53,492 | 60,406 |
| LONG-TERM LIABILITIES: | | |
| Operating lease liabilities, less current maturities | 53,517 | 58,076 |
| Line of credit | — | 4,822 |
| Other liabilities | 998 | 791 |
| Total liabilities | 108,007 | 124,095 |
| SHAREHOLDERS' EQUITY: | | |
| Common stock - \$1 par value; authorized 15,000 shares; 8,480 shares issued and 5,273 outstanding as of March 31, 2025; 8,407 shares issued and 5,200 outstanding as of June 30, 2024 | 8,480 | 8,407 |
| Additional paid-in capital | 40,553 | 39,573 |
| Treasury stock, at cost; 3,207 shares as of March 31, 2025, and June 30, 2024 | (71,731) | (71,731) |
| Retained earnings | 180,817 | 174,118 |
| Total shareholders' equity | 158,119 | 150,367 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 266,126</u> | <u>\$ 274,462</u> |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in thousands, except per share data)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|------------|--------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| Net sales | \$ 113,972 | \$ 107,219 | \$ 326,462 | \$ 301,930 |
| Cost of goods sold | 88,636 | 83,902 | 255,954 | 238,253 |
| Gross profit | 25,336 | 23,317 | 70,508 | 63,677 |
| Selling, general and administrative expenses | 17,070 | 17,708 | 49,532 | 51,566 |
| Restructuring expense | — | 2,627 | — | 2,627 |
| Right-of-use asset impairment | 14,079 | — | 14,079 | — |
| (Gain) on sale of real estate | (753) | — | (753) | — |
| (Gain) on disposal of assets held for sale | — | — | (4,991) | — |
| Operating (loss) income | (5,060) | 2,982 | 12,641 | 9,484 |
| Interest expense | — | 336 | 70 | 1,395 |
| Interest (income) | (102) | (14) | (133) | (14) |
| (Loss) income before income taxes | (4,958) | 2,660 | 12,704 | 8,103 |
| Income tax (benefit) provision | (1,216) | 857 | 3,252 | 2,497 |
| Net (loss) income and comprehensive (loss) income | \$ (3,742) | \$ 1,803 | \$ 9,452 | \$ 5,606 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 5,271 | 5,154 | 5,240 | 5,175 |
| Diluted | 5,271 | 5,448 | 5,572 | 5,410 |
| (Loss) earnings per share of common stock: | | | | |
| Basic | \$ (0.71) | \$ 0.35 | \$ 1.80 | \$ 1.08 |
| Diluted | \$ (0.71) | \$ 0.33 | \$ 1.70 | \$ 1.04 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Amounts in thousands)

Nine Months Ended March 31, 2025

| | Total Par Value of Common Shares (\$1 Par) | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Total |
|---|--|----------------------------------|--------------------|----------------------|-------------------|
| Balance on June 30, 2024 | \$ 8,407 | \$ 39,573 | \$ (71,731) | \$ 174,118 | \$ 150,367 |
| Stock-based compensation | 3 | 1,135 | — | — | 1,138 |
| Stock options exercised, net | 4 | (36) | — | — | (32) |
| Cash dividends declared | — | — | — | (910) | (910) |
| Net income | — | — | — | 4,140 | 4,140 |
| Balance on September 30, 2024 | <u>\$ 8,414</u> | <u>\$ 40,672</u> | <u>\$ (71,731)</u> | <u>\$ 177,348</u> | <u>\$ 154,703</u> |
| Stock-based compensation | 2 | 961 | — | — | 963 |
| Vesting of restricted stock units and restricted shares | 1 | (14) | — | — | (13) |
| Stock options exercised, net | 60 | (1,925) | — | — | (1,865) |
| Cash dividends declared | — | — | — | (922) | (922) |
| Net income | — | — | — | 9,054 | 9,054 |
| Balance on December 31, 2024 | <u>\$ 8,477</u> | <u>\$ 39,694</u> | <u>\$ (71,731)</u> | <u>\$ 185,480</u> | <u>\$ 161,920</u> |
| Stock-based compensation | 3 | 859 | — | — | 862 |
| Cash dividends declared | — | — | — | (921) | (921) |
| Net (loss) | — | — | — | (3,742) | (3,742) |
| Balance on March 31, 2025 | <u>\$ 8,480</u> | <u>\$ 40,553</u> | <u>\$ (71,731)</u> | <u>\$ 180,817</u> | <u>\$ 158,119</u> |

Nine Months Ended March 31, 2024

| | Total Par Value of Common Shares (\$1 Par) | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Total |
|---|---|---|---------------------------|------------------------------|-------------------|
| Balance on June 30, 2023 | \$ 8,292 | \$ 36,605 | \$ (70,072) | \$ 166,796 | \$ 141,621 |
| Stock-based compensation | 8 | 903 | — | — | 911 |
| Vesting of restricted stock units and restricted shares | 44 | (691) | — | — | (647) |
| Treasury stock purchases | — | — | (455) | — | (455) |
| Cash dividends declared | — | — | — | (815) | (815) |
| Net income | — | — | — | 752 | 752 |
| Balance on September 30, 2023 | <u>\$ 8,344</u> | <u>\$ 36,817</u> | <u>\$ (70,527)</u> | <u>\$ 166,733</u> | <u>\$ 141,367</u> |
| Stock-based compensation | 9 | 925 | — | — | 934 |
| Vesting of restricted stock units and restricted shares | 4 | (45) | — | — | (41) |
| Treasury stock purchases | — | — | (972) | — | (972) |
| Cash dividends declared | — | — | — | (806) | (806) |
| Net income | — | — | — | 3,051 | 3,051 |
| Balance on December 31, 2023 | <u>\$ 8,357</u> | <u>\$ 37,697</u> | <u>\$ (71,499)</u> | <u>\$ 168,978</u> | <u>\$ 143,533</u> |
| Stock-based compensation | 3 | 874 | — | — | 877 |
| Stock options exercised | 3 | 85 | — | — | 88 |
| Treasury stock purchases | — | — | (233) | — | (233) |
| Cash dividends declared | — | — | — | (804) | (804) |
| Net income | — | — | — | 1,803 | 1,803 |
| Balance on March 31, 2024 | <u>\$ 8,363</u> | <u>\$ 38,656</u> | <u>\$ (71,732)</u> | <u>\$ 169,977</u> | <u>\$ 145,264</u> |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

| | Nine Months Ended March 31, | |
|---|--------------------------------|-----------------|
| | 2025 | 2024 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 9,452 | \$ 5,606 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,777 | 2,940 |
| Deferred income taxes | (3,463) | 74 |
| Stock-based compensation expense | 2,963 | 2,722 |
| Change in provision for losses on accounts receivable | 12 | (149) |
| Right-of-use asset impairment | 14,079 | — |
| (Gain)/loss on disposition of property, plant and equipment | (5,762) | 60 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | 5,771 | (567) |
| Inventories | 9,438 | 25,487 |
| Other current assets | (1,302) | (2,818) |
| Other assets | (5,638) | (7,623) |
| Accounts payable - trade | (3,724) | (3,039) |
| Accrued liabilities | (3,454) | 1,561 |
| Other long-term liabilities | 204 | 107 |
| Net cash provided by operating activities | <u>21,353</u> | <u>24,361</u> |
| INVESTING ACTIVITIES: | | |
| Proceeds from sales of investments | 1,155 | — |
| Proceeds from sales of property, plant and equipment | 7,538 | — |
| Capital expenditures | (2,690) | (4,361) |
| Net cash provided by (used in) investing activities | <u>6,003</u> | <u>(4,361)</u> |
| FINANCING ACTIVITIES: | | |
| Dividends paid | (2,655) | (2,446) |
| Treasury stock purchases | — | (1,660) |
| Proceeds from line of credit | 202,344 | 270,421 |
| Payments on line of credit | (207,262) | (284,510) |
| Proceeds from issuance of common stock | 141 | 88 |
| Shares withheld for tax payments on vested shares and options exercised | (2,051) | (688) |
| Net cash (used in) financing activities | <u>(9,483)</u> | <u>(18,795)</u> |
| Increase in cash and cash equivalents | 17,873 | 1,205 |
| Cash and cash equivalents at beginning of the period | 4,761 | 3,365 |
| Cash and cash equivalents at end of the period | <u>\$ 22,634</u> | <u>\$ 4,570</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | 107 | 1,470 |
| Interest received | 133 | — |
| Cash paid for income taxes, net | 7,312 | 3,273 |
| Capital expenditures in accounts payable | 28 | 260 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2025**

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

DESCRIPTION OF BUSINESS – Flexsteel Industries, Inc. and Subsidiaries (the “Company” or “Flexsteel” or “Our”) is one of the largest manufacturers, importers, and marketers of furniture products in the United States. Product offerings include a wide variety of furniture such as sofas, loveseats, chairs, reclining rocking chairs, swivel rockers, sofa beds, convertible bedding units, occasional tables, desks, dining tables and chairs, kitchen storage, bedroom furniture, and outdoor furniture. A featured component in most of the upholstered furniture is a unique steel drop-in seat spring from which the name “Flexsteel” is derived. The Company distributes its products throughout the United States through its e-commerce channel and direct sales force.

BASIS OF PRESENTATION – The unaudited Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The information contained in the Consolidated Financial Statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such Consolidated Financial Statements. Operating results for the three and nine months ended March 31, 2025, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2025. Certain information and footnote disclosures normally included in the Consolidated Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Except to the extent updated or described below, the significant accounting policies in Note 1 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended June 30, 2024, appropriately represent, in all material respects, the current status of accounting policies.

2. INVENTORIES

A comparison of inventories is as follows:

| <i>(in thousands)</i> | March 31, 2025 | June 30, 2024 |
|------------------------------------|---------------------------|--------------------------|
| Raw materials | \$ 11,989 | \$ 14,030 |
| Work in process and finished parts | \$ 2,316 | 2,654 |
| Finished goods | \$ 72,834 | 79,893 |
| Total | <u>\$ 87,139</u> | <u>\$ 96,577</u> |

3. ASSETS HELD FOR SALE

The Company completed the sale of an ancillary building at the Huntingburg, Indiana facility in the quarter ended March 31, 2025. The Company received proceeds of \$0.8 million and recorded a pre-tax gain of \$0.7 million related to the sale.

The Company committed to a plan to sell another ancillary building at the Huntingburg, Indiana facility. As of March 31, 2025, the Company is actively marketing the facility in Huntingburg, Indiana. A summary of the assets held for sale is included in the table below as of March 31, 2025.

| Location | Asset Category | Cost | Accumulated Depreciation | Net Book Value |
|-----------------------|----------------------------------|-----------------|-------------------------------------|---------------------------|
| <i>(in thousands)</i> | | | | |
| Huntingburg, Indiana | Building & building improvements | \$ 2,981 | \$ (2,615) | \$ 366 |
| | Land & land improvements | 25 | (25) | — |
| | Total assets held for sale | <u>\$ 3,006</u> | <u>\$ (2,640)</u> | <u>\$ 366</u> |

4. LEASES

The Company accounts for its leases in accordance with ASC 842, *Leases*. ASC 842 requires lessees to (i) recognize a right-of-use asset (“ROU asset”) and a lease liability that is measured at the present value of the remaining lease payments on the Consolidated Balance Sheets, (ii) recognize a single lease cost, calculated over the lease term on a straight-line basis and (iii) classify lease-related cash payments within operating and financing activities. The Company made an accounting policy election to not recognize short-term leases

on the Consolidated Balance Sheets and all non-lease components, such as common area maintenance, were excluded. At any given time during the lease term, the lease liability represents the present value of the remaining lease payments, and the ROU asset is measured as the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs, the remaining balance of lease incentives received, and any impairment. Both the lease ROU asset and lease liability are reduced to zero at the end of the lease term.

The Company leases distribution centers and warehouses, manufacturing facilities, showrooms, and office space. At the lease inception date, the Company determines if an arrangement is, or contains a lease. Some of the Company's leases include options to renew at similar terms. The Company assesses these options to determine if the Company is reasonably certain of exercising these options based on relevant economic and financial factors. Options that meet these criteria are included in the lease term at the lease commencement date.

For purposes of measuring the Company's ROU asset and lease liability, the discount rate utilized by the Company was based on the average interest rates effective for the Company's line of credit. Some of the Company's leases contain variable rent payments, including common area maintenance and utilities. Due to the variable nature of these costs, they are not included in the measurement of the ROU asset and lease liability.

In July 2022, Flexsteel commenced a 12-year lease for a manufacturing facility in Mexicali, Mexico to support strong demand growth which was elevated due to pandemic-driven buying at that time. Subsequently, U.S. furniture demand reverted to pre-pandemic norms, and the Company's plan for the facility pivoted to subleasing the space short-term while maintaining the option to utilize it longer term to support growth. While the Company secured multiple short-term sublease tenants at the beginning of the lease term, substantial changes in U.S. trade policy in early 2025 have created significant uncertainty in US-Mexico trade relations, slowed foreign direct investment in Mexico, and greatly diminished tenant interest in subleasing the Mexicali facility. As a result, management concluded that the right of use asset related to this lease is not fully recoverable and recorded a pre-tax non-cash asset impairment charge of \$14.1 million during the quarter ended March 31, 2025.

The components of the Company's leases excluding the impact of sublease income reflected on the Company's Consolidated Statements of Income were as follows:

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|----------------------------|---------------------------|-----------------|--------------------------|-----------------|
| | March 31, | | March 31, | |
| | 2025 | 2024 | 2025 | 2024 |
| Operating lease expense | \$ 2,495 | \$ 2,394 | \$ 7,482 | \$ 7,202 |
| Variable lease expense | 484 | 518 | 1,396 | 1,488 |
| Total lease expense | \$ 2,979 | \$ 2,912 | \$ 8,878 | \$ 8,690 |

Other information related to leases and future minimum lease payments under non-cancelable operating leases were as follows:

| <i>(in thousands)</i> | Nine Months Ended | |
|--|--------------------------|-------------|
| | March 31, | |
| | 2025 | 2024 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows paid for operating leases | \$ 7,381 | \$ 7,069 |
| Cash received from subleasing of operating lease: | | |
| Operating cash flows received from subleasing of operating lease | \$ 594 | \$ 1,975 |
| Right-of-use assets obtained in exchange for lease liabilities: | | |
| Operating leases | \$ 4,119 | \$ 797 |
| Weighted-average remaining lease term (in years): | | |
| Operating leases | 7.4 | 8.4 |
| Weighted-average discount rate: | | |
| Operating leases | 4.0% | 3.1% |

Future minimum lease payments under non-cancelable operating leases were as follows:

| | March 31, 2025 |
|-------------------------------------|-----------------------|
| Remaining payments in FY2025 | \$ 2,455 |
| FY2026 | 9,960 |
| FY2027 | 10,130 |
| FY2028 | 9,896 |
| FY2029 | 8,817 |
| Thereafter | 29,094 |
| Total future minimum lease payments | \$ 70,352 |
| Less imputed interest | 9,200 |
| Lease liability | \$ 61,152 |

5. RESTRUCTURING

On February 5, 2024, the Company announced its plan to close its Dublin, Georgia manufacturing facility. The closure was completed in the fourth quarter fiscal year 2024.

As a result of the closure, the Company incurred cumulative restructuring and related costs of \$2.6 million as of March 31, 2024.

The following is a summary of restructuring costs:

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-----------------------|--------------------------|-----------------------|
| | March 31, 2025 | March 31, 2024 | March 31, 2025 | March 31, 2024 |
| One-time employee termination benefits | \$ — | \$ 2,409 | \$ — | \$ 2,409 |
| Other associated costs | — | 218 | — | 218 |
| Total restructuring and related expenses | \$ — | \$ 2,627 | \$ — | \$ 2,627 |
| Reported as: | | | | |
| Operating expenses | \$ — | \$ 2,627 | \$ — | \$ 2,627 |

One-time employee termination benefits include costs for employee separation benefits.

6. CREDIT ARRANGEMENTS

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to a prior lender and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities. As of March 31, 2025, management believes the Company was in compliance with all covenants.

On April 18, 2022, the Company, as the borrower, entered into a first amendment to the Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender and the lenders thereto. The amendment to the Credit Agreement changed the definition of the term 'Payment Conditions' and further defined default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the Lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61%, or an effective interest rate of 5.72%, on March 31, 2025.

As of March 31, 2025, there were no outstanding borrowings under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of March 31, 2025, totaled \$0.9 million.

7. INCOME TAXES

The provision for income taxes for the interim periods is based on an estimate of the Company's annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. The Company's effective tax rate for the three months ended March 31, 2025, and March 31, 2024, was 24.5% and 32.2%, respectively. The Company's effective tax rate for the nine months ended March 31, 2025 and 2024, was 25.6% and 30.8%, respectively. For the three and nine months ended March 31, 2025, the effective tax rate differs from the statutory tax rate of 21% primarily due to state taxes and the impact of foreign operations. For the three and nine months ended March 31, 2024, the effective tax rate differs from the statutory tax rate of 21% due to nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, and impact of foreign operations.

8. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plans in accordance with ASC 718, *Stock Compensation*, which requires the Company to measure all share-based payments at grant date fair value and recognize the cost over the requisite service period. Restricted shares and restricted stock units ("RSUs") generally vest over 1 to 3 years. Stock options are granted at an exercise price equal to the fair value of the Company's common stock price at the grant date and are exercisable for up to 10 years from the date of grant. Stock-based compensation is included in selling, general and administrative expenses on the Consolidated Statements of Income and Comprehensive Income. Forfeitures are recognized as incurred.

The following table is a summary of total stock-based compensation expenses for the three and nine months ended March 31, 2025 and 2024.

| (in thousands) | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|--------|--------------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Total stock-based compensation expense | \$ 862 | \$ 877 | \$ 2,963 | \$ 2,722 |

On December 14, 2022, the Company's shareholders approved the Flexsteel Industries, Inc. 2022 Equity Incentive Plan ("2022 Plan").

The 2022 Plan replaced the Long-Term Incentive Compensation Plan ("LTIP") and the 2013 Omnibus Stock Plan (collectively, the "Prior Plans"). No further awards will be made under either of the Prior Plans, but these Prior Plans will continue to govern awards previously granted under them.

(1) 2022 Equity Incentive Plan

The 2022 Plan is a long-term incentive plan pursuant to which awards may be granted to certain employees, independent contractors and directors of the Company, in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares or other stock-based awards. For periods beginning on or after July 1, 2023, restricted stock units ("RSUs") and performance stock units ("PSUs") granted to officers and key employees as part of long-term compensation programs are issued from the 2022 Plan. RSUs and PSUs awarded from the 2022 Plan are included in the Long-Term Incentive Compensation or Restricted Share and RSUs tables below.

(2) Long-Term Incentive Compensation Plan

The LTIP provided for PSUs to be awarded to officers and key employees based on performance goals set by the Compensation Committee of the Board of Directors (the "Committee"). In conjunction with each grant of PSUs, the Committee granted RSUs under the 2013 Omnibus Stock Plan that vested at the end of three years. No further awards will be issued under this plan.

(3) 2013 Omnibus Stock Plan

The 2013 Omnibus Stock Plan was for key employees, officers and directors and provided for the granting of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, and performance units. No further awards will be issued under this plan.

Long-Term Incentive Compensation

The table below sets forth, as of March 31, 2025, the number of unvested PSUs granted at the target performance level for the 2023-2025, 2024-2026, and 2025-2027 performance periods under the 2022 Plan and LTIP (as applicable) and the number of unvested RSUs granted in conjunction with the PSUs. For PSUs awarded for the three year performance periods ending June 30, 2025, 2026 and 2027,

achievement is based on meeting performance goals set for each year within the three year period. The Committee selected Adjusted Operating Income as the performance metric for the performance periods ending June 30, 2025, 2026, and 2027.

| | Time-Based Vest (RSUs) | | Performance-Based Vest (PSUs) | | Total | |
|-------------------------------|------------------------|---------------------------------------|-------------------------------|---------------------------------------|--------|---------------------------------------|
| | Shares | Weighted Average Fair Value Per Share | Shares | Weighted Average Fair Value Per Share | Shares | Weighted Average Fair Value Per Share |
| <i>(shares in thousands)</i> | | | | | | |
| Unvested as of June 30, 2024 | 97 | \$ 17.92 | 182 | \$ 22.07 | 279 | \$ 20.65 |
| Granted | 31 | 31.66 | 46 | 31.66 | 77 | 31.66 |
| Vested | — | — | — | — | — | — |
| Forfeited | — | — | (37) | 39.07 | (37) | 39.07 |
| Unvested as of March 31, 2025 | 128 | \$ 21.25 | 191 | \$ 21.09 | 319 | \$ 21.17 |

Total unrecognized stock-based compensation related to the unvested PSUs at the target performance level and the related unvested RSUs was \$2.7 million as of March 31, 2025, which is expected to be recognized over a weighted-average period of 1.1 years.

Restricted Shares and RSUs

A summary of the activity in the Company's unvested restricted shares and unvested RSUs (not granted in conjunction with PSUs) as of March 31, 2025, is as follows:

| | Shares (in thousands) | Weighted Average Fair Value Per Share |
|-------------------------------|--------------------------|---|
| Unvested as of June 30, 2024 | 16 | \$ 21.96 |
| Granted | 4 | 31.66 |
| Vested | (1) | 20.08 |
| Forfeited | — | 20.33 |
| Unvested as of March 31, 2025 | 19 | \$ 24.10 |

Total unrecognized stock-based compensation related to unvested restricted shares and unvested RSUs (not granted in conjunction with the PSUs) was \$0.2 million as of March 31, 2025, which is expected to be recognized over a weighted-average period of 1.2 years.

Options

A summary of the activity of the Company's stock option plans as of March 31, 2025, is presented below:

| | Shares (in thousands) | Weighted Average Exercise Price |
|-------------------------------|--------------------------|---------------------------------------|
| Outstanding at June 30, 2024 | 180 | \$ 20.01 |
| Granted | — | — |
| Exercised | (102) | 19.49 |
| Cancelled | (12) | 35.36 |
| Outstanding at March 31, 2025 | 66 | \$ 18.02 |

The following table summarizes information for options outstanding at March 31, 2025:

| Range of Prices | Options Outstanding (in thousands) | Weighted Average | |
|------------------------|------------------------------------|------------------------|-----------------|
| | | Remaining Life (Years) | Exercise Price |
| \$ 9.97 - 15.14 | 43 | 5.1 | \$ 10.62 |
| 18.30 - 19.72 | 6 | 6.2 | 18.30 |
| 21.96 - 27.57 | 3 | 3.8 | 24.49 |
| 31.06 - 32.80 | 6 | 3.4 | 32.40 |
| 43.09 - 47.45 | 8 | 1.6 | 44.39 |
| <u>\$ 9.97 - 47.45</u> | <u>66</u> | <u>4.6</u> | <u>\$ 18.02</u> |

There is no unrecognized stock-based compensation expense related to these options as of March 31, 2025.

Stock-based compensation granted outside a plan

During the quarter ended June 30, 2020, the Company awarded its former Chief Financial Officer/Chief Operating Officer (current Chief Executive Officer) 79,000 options outside of any Company stock plans. All 79,000 options remain outstanding as of March 31, 2025, with an exercise price of \$9.97 and a remaining life of 5 years. There is no remaining unrecognized stock-based compensation expense related to these options.

9. EARNINGS PER SHARE

Basic earnings per share (EPS) of common stock are based on the weighted-average number of common shares outstanding during each period. Diluted earnings per share of common stock include the dilutive effect of potential common shares outstanding. The Company's potential common shares outstanding are stock options, shares associated with the long-term incentive compensation plans, and non-vested restricted stock units. The Company calculates the dilutive effect of outstanding options and restricted stock units using the treasury stock method. Anti-dilutive options are not included in the computation of diluted EPS when their exercise price is greater than the average closing market price of the common shares. All options and potential shares outstanding are excluded when there is a net loss as the effect would be anti-dilutive.

| (in thousands) | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|--------------|--------------------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| Basic shares | 5,271 | 5,154 | 5,240 | 5,175 |
| Potential common shares: | | | | |
| Stock options | — | 151 | 103 | 103 |
| Non-vested restricted stock units and restricted shares | — | 143 | 229 | 132 |
| Diluted shares | <u>5,271</u> | <u>5,448</u> | <u>5,572</u> | <u>5,410</u> |
| Anti-dilutive shares | <u>331</u> | <u>12</u> | <u>2</u> | <u>48</u> |

Cash dividends declared per common share were \$0.17 and \$0.51 for the three and nine months ended March 31, 2025, respectively, and were \$0.15 and \$0.45 for the three and nine months ended March 31, 2024, respectively.

10. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to various other legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of the Company's business. The Company does not consider any of such other proceedings that are currently pending, individually or in the aggregate, to be material to its business or likely to result in a material effect on its consolidated operating results, financial condition, or cash flows.

11. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09 “Improvements to Income Tax Disclosures.” The amendments in this ASU are intended to increase transparency through improvements to income tax disclosures primarily related to the income tax rate reconciliation and income taxes paid information. This ASU will become effective for us for the annual period beginning in fiscal year 2026, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on our related disclosures, but do not expect this guidance will have a material impact on our financial position and results of operations.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires business entities to enhance disclosures about significant segment expenses. The ASU also requires that a public entity with a single reportable segment, like the Company, provide all of the disclosures required as part of ASU 2023-07 and all existing disclosures required by Topic 280. The ASU will become effective for us for the annual period beginning in fiscal year 2025 and for interim periods beginning with our 2026 fiscal year, on a retrospective basis, and early adoption is permitted. The Company is currently evaluating the effect that the new guidance will have on our related disclosures, but do not expect this guidance will have a material impact on our financial position and results of operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this quarterly report on Form 10-Q.

CRITICAL ACCOUNTING POLICIES:

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2024 annual report on Form 10-K.

Overview

The following table has been prepared as an aid in understanding the Company’s results of operations on a comparative basis for the three and nine months ended March 31, 2025 and 2024. The amounts presented are percentages of the Company’s net sales.

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|---------|--------------------------------|---------|
| | 2025 | 2024 | 2025 | 2024 |
| Net sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of goods sold | 77.8 | 78.3 | 78.4 | 78.9 |
| Gross margin | 22.2 | 21.7 | 21.6 | 21.1 |
| Selling, general and administrative expenses | 15.0 | 16.5 | 15.2 | 17.1 |
| Restructuring expense | — | 2.5 | — | 0.9 |
| Right-of-use asset impairment | 12.4 | — | 4.3 | — |
| (Gain) on sale of real estate | (0.7) | — | (0.2) | — |
| (Gain) on disposal of assets held for sale | — | — | (1.5) | — |
| Operating (loss) income | (4.4) | 2.7 | 3.8 | 3.1 |
| Interest expense | — | 0.3 | — | 0.5 |
| Interest (income) | (0.1) | — | — | — |
| (Loss) income before income taxes | (4.3) | 2.4 | 3.8 | 2.6 |
| Income tax (benefit) provision | (1.1) | 0.8 | 1.0 | 0.8 |
| Net (loss) income and comprehensive (loss) income | (3.3) % | 1.6 % | 2.8 % | 1.8 % |

Results of Operations for the Quarter Ended March 31, 2025 vs. 2024

Net sales were \$114.0 million for the quarter ended March 31, 2025, compared to net sales of \$107.2 million in the prior year quarter, an increase of 6.3%. The increase was driven by higher sales in home furnishings products sold through retail stores of \$10.6 million, or 10.9%, over the prior year quarter led by unit volume increases, freight surcharges, and product mix. Sales of products sold through e-commerce channels decreased by (\$3.8) million, or (36.7%), compared to the third quarter of the prior year. Lower sales in the e-commerce channel were driven by softer consumer demand.

Home furnishings backlog was \$78.3 million as of the quarter ended March 31, 2025, an increase of 25.8% compared to \$61.5 million in the prior year quarter.

Gross margin as a percent of net sales for the quarter ended March 31, 2025, was 22.2%, compared to 21.7% for the prior year quarter, an increase of 50 basis points (“bps”). The 50-bps increase was primarily due to leverage of fixed costs on higher sales and favorable mix, partially offset by no sub-lease income from our Mexicali facility compared to the prior year period.

Selling, general and administrative (“SG&A”) expenses decreased (\$0.6) million to \$17.1 million in the third quarter ended March 31, 2025, as compared to \$17.7 million in the prior year quarter. As a percentage of net sales, SG&A was 15.0% in the quarter ended March 31, 2025 compared to 16.5% of net sales in the prior year quarter. The 150-bps was due to leverage on higher sales and cost savings, partially offset by investments in growth initiatives for the quarter ended March 31, 2025.

During the quarter, the Company completed the sale of an ancillary building, formerly part of its Huntingburg, IN distribution center complex. The Company received proceeds of \$0.8 million and recorded a pre-tax gain of \$0.7 million related to the sale. The company also committed to a plan to sell a second ancillary building which is part of the Huntingburg, IN distribution center complex. The

Company has classified \$0.4 million of assets associated with the second building as held-for-sale in its balance sheet at March 31, 2025. The Company has adequate distribution capacity to support our growth as we continue to optimize our distribution and logistics network. See Note 3, Assets Held For Sale, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

In July 2022, Flexsteel commenced a 12-year lease for a manufacturing facility in Mexicali, Mexico to support strong demand growth which was elevated due to pandemic-driven buying at that time. Subsequently, U.S. furniture demand reverted to pre-pandemic norms, and the Company's plan for the facility pivoted to subleasing the space short-term while maintaining the option to utilize it longer term to support growth. While the Company secured multiple short-term sublease tenants at the beginning of the lease term, substantial changes in U.S. trade policy in early 2025 have created significant uncertainty in US-Mexico trade relations, slowed foreign direct investment in Mexico, and greatly diminished tenant interest in subleasing the Mexicali facility. As a result, management concluded that the right of use asset related to this lease is not fully recoverable and recorded a pre-tax non-cash asset impairment charge of \$14.1 million during the quarter ended March 31, 2025. See Note 4, Leases, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

Income tax expense was (\$1.2) million, or an effective rate of 24.5% for the quarter ended March 31, 2025, compared to an income tax expense of \$0.9 million, or an effective rate of 32.2% during the quarter ended March 31, 2024. For the quarter ended March 31, 2025, the effective tax rate differs from the statutory tax rate of 21% primarily due to state taxes and the impact of foreign operations.

Net loss was (\$3.7) million, or \$(0.71) per diluted share for the quarter ended March 31, 2025, compared to net income of \$1.8 million, or \$0.33 per diluted share in the prior year quarter.

On April 2, 2025, the President of the United States issued an executive order to regulate imports by imposing reciprocal country specific tariffs on multiple nations around the world, including 46% on goods imported from Vietnam where the Company sources a significant amount of finished product. A further executive order issued April 9, 2025, paused the implementation of the country specific tariffs on Vietnam and many other countries for 90 days, maintaining a 10% tariff while the United States works with its trade partners to negotiate new trade agreements. The current situation is dynamic, and it is unknown if the United States and its trade partners will reach an agreement to further pause or eliminate the pending tariffs. Should these tariffs be enacted they could have a material impact on our future net sales, cost of goods sold, profit and cash flow. The ultimate effect will be dependent on the magnitude and duration of the tariffs and the countries implicated. The Company is assessing options to mitigate any potential impact.

Results of Operations for the nine months ended March 31, 2025 and 2024

Net sales were \$326.5 million for the nine months ended March 31, 2025, compared to net sales of \$301.9 million in the prior-year nine-month period, an increase of 8.1%. The increase in sales of \$24.6 million was driven by a \$30.8 million increase related to home furnishing products sold through retailers offset by a decrease of (\$6.2) million for home furnishing products sold through e-commerce channels.

Gross margin as a percent of net sales for the nine months ended March 31, 2025, was 21.6%, compared to 21.1% for the prior-year nine-month period, an increase of 50 bps. The 50-bps increase was primarily driven by sales volume leverage and structural cost reduction savings versus the nine months ended March 31, 2024.

Selling, general and administrative expenses decreased (\$2.1) million in the nine months ended March 31, 2025, compared to the prior-year nine-month period. SG&A as a percentage of sales was 15.2% in the nine months ended March 31, 2025, compared to the prior-year nine-month period of 17.1%. The 190-bps decrease was primarily due to sales volume leverage and structural cost savings partially offset by investments in growth initiatives for the nine months ended March 31, 2025.

During the nine-month period ended March 31, 2025, the Company completed the sale of its Dublin, Georgia facility which had been previously recorded as held for sale. The Company recorded a pre-tax gain of \$5.0 million related to the sale. See Note 3, Assets Held For Sale, of the Notes to Consolidated Financial Statements, included in the December 31, 2024 Quarterly Report on Form 10-Q for more information.

During the nine-month period ended March 31, 2025, the Company completed the sale of an ancillary building, formerly part of its Huntingburg, IN distribution center complex. The Company received proceeds of \$0.8 million and recorded a pre-tax gain of \$0.7 million related to the sale. The company also committed to a plan to sell a second ancillary building which is part of the Huntingburg, IN distribution center complex. The Company has classified \$0.4 million of assets associated with the second building as held-for-sale in its balance sheet at March 31, 2025. The Company has adequate distribution capacity to support our growth as we continue to optimize our distribution and logistics network. See Note 3, Assets Held For Sale, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information

As described above, the Company determined that the carrying amount of the right of use asset associated with the 12-year lease for a manufacturing facility in Mexicali, Mexico is no longer fully recoverable and recorded a pre-tax non-cash asset impairment charge of \$14.1 million during the nine months ended March 31, 2025. See Note 4, Leases, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

Income tax expense was \$3.3 million, or an effective rate of 25.6%, during the nine months ended March 31, 2025, compared to income tax expense of \$2.5 million in the prior-year nine-month period, or an effective tax rate of 30.8%. The effective tax rate for the nine months ended March 31, 2025, was primarily impacted by state taxes and the impact of foreign operations.

Net income was \$9.5 million, or \$1.70 per diluted share for the nine months ended March 31, 2025, compared to net income of \$5.6 million, or \$1.04 per diluted share in the prior-year nine-month period.

Liquidity and Capital Resources

Working capital (current assets less current liabilities) on March 31, 2025, was \$103.4 million compared to \$95.0 million on June 30, 2024. The \$8.4 million increase in working capital was primarily due to an increase in cash of \$17.9 million, a decrease in accounts payable of \$3.7 million, a decrease in payroll and related liabilities of \$2.7 million, and an decrease in other current liabilities of \$0.7 million offset by an decrease in inventories of \$9.4 million, a decrease in net trade receivables of \$5.8 million, and a decrease in assets held for sale of \$1.3 million. Refer to discussion of working capital changes below, under *Net cash provided by operating activities*. Capital expenditures were \$2.7 million during the nine months ended March 31, 2025.

A summary of operating, investing, and financing cash flow is shown in the following table:

| <i>(in thousands)</i> | Nine Months Ended | |
|---|--------------------------|-----------|
| | March 31, | |
| | 2025 | 2024 |
| Net cash provided by operating activities | \$ 21,353 | \$ 24,361 |
| Net cash provided by (used in) investing activities | 6,003 | (4,361) |
| Net cash (used in) financing activities | (9,483) | (18,795) |
| Increase in cash and cash equivalents | \$ 17,873 | \$ 1,205 |

Net cash provided by operating activities

For the nine months ended March 31, 2025, net cash provided by operating activities was \$21.4 million, primarily due to net income of \$9.5 million, adjustments for non-cash items including a right-of-use asset impairment of \$14.1 million, a pre-tax gain on sale of assets of \$5.8 million, deferred income tax of \$3.5 million, stock-based compensation of \$3.0 million, and depreciation of \$2.8 million, as well as changes in operating assets and liabilities including, a decrease in inventory of \$9.4 million, and a decrease in trade receivables of \$5.8 million, offset by an increase in other assets of \$5.6 million, a decrease in accounts payable of \$3.7 million, a decrease in accrued liabilities of \$3.5 million, an increase in other current assets of \$1.3 and a decrease in other long-term liabilities of \$0.2 million.

For the nine months ended March 31, 2024, net cash provided by operating activities was \$24.4 million, primarily due to a decrease in inventory of \$25.5 million, net income of \$5.6 million, an increase in accrued liabilities of \$1.6 million, an increase in other long-term liabilities of \$0.1 million, and adjustments for non-cash items including depreciation of \$2.9 million, stock-based compensation of \$2.7 million, and deferred income taxes of \$0.1 million partially offset by an increase in other assets of \$7.6 million, a decrease in accounts payable of \$3.0 million, an increase in other current assets of \$2.8 million, an increase in trade receivables of \$0.6 million and an increase in trade receivables provision of \$0.1 million.

Net cash provided by (used in) investing activities

For the nine months ended March 31, 2025, net cash provided by investing activities was \$6.0 million due to proceeds from the sales of property, plant and equipment of \$7.5 million, and corporate owned life insurance proceeds of \$1.2 million, offset by capital expenditures of \$2.7 million.

For the nine months ended March 31, 2024, net cash used in investing activities was \$4.4 million due to capital expenditures.

Net cash (used in) financing activities

For the nine months ended March 31, 2025, net cash used in financing activities was \$9.5 million, due to payments on the line of credit of \$207.3 million, dividends paid of \$2.7 million, and shares withheld for tax payments on vested shares and options exercised of \$2.1

million, partially offset by proceeds from the line of credit of \$202.3 million and proceeds from issuance of common stock of \$0.1 million.

For the nine months ended March 31, 2024, net cash used in financing activities was \$18.8 million, due to payments on the line of credit of \$284.5 million partially offset by proceeds from the line of credit of \$270.4 million, dividends paid of \$2.4 million, \$1.7 million paid for purchases of company stock, and \$0.7 million paid for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock partially offset by proceeds from issuance of common stock of \$0.1 million.

Line of Credit

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to a prior lender and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities. As of March 31, 2025, management believes the Company was in compliance with all covenants.

On April 18, 2022, the Company, as the borrower, entered into a first amendment to the Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender and the lenders thereto. The amendment to the Credit Agreement changed the definition of the term 'Payment Conditions' and further defined default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the Lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61%, or an effective interest rate of 5.72%, on March 31, 2025.

As of March 31, 2025, there were no outstanding borrowings under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of March 31, 2025, totaled \$0.9 million.

Contractual Obligations

As of March 31, 2025, there have been no material changes to our contractual obligations presented in our Annual Report on Form 10-K for the year ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

General – Market risk represents the risk of changes in the value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As discussed below, management of the Company does not believe that changes in these factors could cause material fluctuations in the Company's results of operations or cash flows. The ability to import furniture products can be adversely affected by political issues in the countries where suppliers are located, as well as disruptions associated with shipping distances and negotiations with port employees. Other risks related to furniture product importation include government imposition of regulations and/or quotas; duties, taxes or tariffs on imports; and significant fluctuation in the value of the U.S. dollar against foreign currencies. Any of these factors could interrupt supply, increase costs, decrease demand, and decrease earnings.

Foreign Currency Risk – During the quarters ended March 31, 2025 and 2024, the Company did not have sales but did have purchases and other expenses denominated in foreign currencies, primarily the Mexican Peso. The wages of our employees and certain other employee benefits and indirect costs related to our operations in Mexico are made in Pesos and subject to foreign currency fluctuation with the U.S. dollar. The Company does not employ any foreign currency hedges against this operating expense exposure. A negative shift in the value of the U.S. dollar against the Peso could increase the cost of our manufactured product. In addition, the Company has certain asset and liabilities related to our manufacturing operations which are denominated in pesos, primarily our VAT receivable for recoverable VAT paid in Mexico. A negative shift in the value of the Peso against the U.S. dollar could result in the value of our receivable decreasing which may impact our earnings. During the third quarter of fiscal year 2025, we utilized a derivative instrument to reduce our exposure to foreign currency risk from changes in the peso's exchange rate for this exposure. This instrument expired on

March 31, 2025 without being utilized and the Company does not currently hedge foreign currency risk. See “Risk Factors” in Item 1A in the most recent Annual Report on Form 10-K for further discussion.

Interest Rate Risk – The Company’s primary market risk exposure regarding financial instruments is changes in interest rates. On March 31, 2025, the Company had no outstanding borrowings on its line of credit, exclusive of fees and letters of credit.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of March 31, 2025.

(b) *Changes in internal control over financial reporting.* During the quarter ended March 31, 2025, there were no significant changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

Cautionary Statement Relevant to Forward-Looking Information for “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

The Company and its representatives may from time to time make written or oral forward-looking statements concerning long-term goals or anticipated results of the Company, including statements contained in the Company’s filings with the Securities and Exchange Commission and its reports to stockholders.

Statements, including those in this Quarterly Report on Form 10-Q, which are not historical or current facts, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause the Company’s results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the cyclical nature of the furniture industry, supply chain disruptions, litigation, restructurings, the effectiveness of new product introductions and distribution channels, the product mix of sales, pricing pressures, the cost of raw materials and fuel, changes in foreign currency values, retention and recruitment of key employees, actions by governments including laws, regulations, taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both U.S. and foreign), credit exposure with customers, participation in multi-employer pension plans, disruptions or security breaches to business information systems, the impact of any future pandemic, and general economic conditions. For further information regarding these risks and uncertainties, see the “Risk Factors” section in Item 1A of our most recent Annual Report on Form 10-K.

The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART II OTHER INFORMATION

Item 1A. Risk Factors

Other than the addition of the following risk factor, there has been no material change in the risk factors set forth under Part 1, Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Changes in global trade policy and the impact on tariffs may have a material adverse effect on our business and results of operations.

We source certain finished products from external suppliers in foreign countries, primarily Vietnam, and have significant manufacturing operations in Mexico. On April 2, 2025, the President of the United States issued an executive order to regulate imports by imposing reciprocal country specific tariffs on multiple nations around the world, including Vietnam. A further executive order issued April 9, 2025, paused the implementation of the country specific tariffs on Vietnam and many other countries for 90 days, maintaining a 10% global baseline tariff, while the United States works with its trade partners to negotiate new trade agreements. Although the country specific tariffs and the global 10% baseline tariffs do not apply to our products imported from Mexico, that status could change at any time. The current situation is dynamic, and it is unknown if the United States and its trade partners will reach an agreement to further pause or eliminate the pending tariffs. Tariffs or other trade restrictions may lead to continuing uncertainty and volatility in U.S. economic conditions and commodity markets, declining consumer confidence, significant inflation and diminished expectations for the economy, and ultimately reduced demand for our products. Such conditions could have a material adverse impact on our future net sales, cost of goods sold, profit and cash flow. The ultimate effect will be dependent on the magnitude and duration of the tariffs and the countries implicated. The Company is assessing options to mitigate any potential impact.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 20, 2022, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$30 million of the Company's common stock through January 19, 2025.

On December 11, 2024, the Board of Directors approved an additional share repurchase program authorizing the Company to purchase up to \$30 million of the Company's common stock.

The following table summarizes the activity of the common stock repurchases made during the three months ended March 31, 2025.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Plans | Approximate Dollar Value of Shares that May Yet Be Purchased |
|---------------------------------------|----------------------------------|------------------------------|---|--|
| January 1, 2025 to January 31, 2025 | — | \$ — | — | \$ 30,000,000 |
| February 1, 2025 to February 28, 2025 | — | — | — | 30,000,000 |
| March 1, 2025, to March 31, 2025 | — | — | — | 30,000,000 |
| Three months ended March 31, 2025 | — | \$ — | — | \$ 30,000,000 |

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the three months ended March 31, 2025, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.

| | |
|----------------------|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.* |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.* |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 101.INS | XBRL Instance Document** |
| 101.SCH | Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents |
| 104.Cover Page | Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

SIGNATURES

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

FLEXSTEEL INDUSTRIES, INC.

Date: April 23, 2025

By: /s/ Michael J. Ressler

Michael J. Ressler

Chief Financial Officer

(Principal Financial & Accounting Officer)

CERTIFICATION

I, Derek P. Schmidt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 23, 2025

/s/ Derek P. Schmidt

Derek P. Schmidt
Chief Executive Officer

CERTIFICATION

I, Michael J. Ressler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 23, 2025

/s/ Michael J. Ressler

Michael J. Ressler
Chief Financial Officer

**CERTIFICATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Flexsteel Industries, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Derek P. Schmidt, Chief Executive Officer, and Michael J. Ressler, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and;
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

Date: April 23, 2025

/s/ Derek P. Schmidt

Derek P. Schmidt
Chief Executive Officer

/s/ Michael J. Ressler

Michael J. Ressler
Chief Financial Officer
