SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1998 Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.

Incorporated in State of Minnesota I.R.S. Identification No. 42-0442319

FLEXSTEEL INDUSTRIES, INC.
P. O. BOX 877
DUBUQUE, IOWA 52004-0877

Area code 319 Telephone 556-7730

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

Common Stock - $1.00 Par Value
Shares Outstanding as of September 30, 1998 6,841,851

FLEXSTEEL INDUSTRIES, INC.
BALANCE SHEETS (UNAUDITED)

	September 30, 1998	June 30, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,470,156	$ 5,464,261
Investments	10,280,299	9,877,784
Trade receivables - less allowance for doubtful accounts:		

September 30, 1998, $2,420,000; June 30, 1998, $2,198,000	28,986,556	28,722,752
Inventories	27,932,155	26,607,296
Deferred income taxes	2,785,000	2,785,000
Other	821,291	632,730
Total current assets	77,275,457	74,089,823
PROPERTY, PLANT, AND EQUIPMENT at cost less accumulated depreciation: September 30, 1998, $52,520,209; June 30, 1998, $51,333,347	22,959,965	23,095,589
OTHER ASSETS	7,242,044	7,487,729
TOTAL	$107,477,466	$104,673,141

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	$ 6,110,737	$ 5,792,708
Accrued liabilities:		
Payroll and related items	4,785,635	5,448,032
Insurance	6,138,361	5,834,895
Other accruals	5,929,123	4,515,177
Industrial revenue bonds payable	1,950,000	1,950,000
Total current liabilities	24,913,856	23,540,812
DEFERRED COMPENSATION	3,054,025	3,052,525
Total liabilities	27,967,881	26,593,337
SHAREHOLDERS' EQUITY:		
CommonStock - $1 par value; authorized 15,000,000 shares; issued September 30, 1998, 6,841,851 shares; issued June 30, 1998, 6,794,730 shares	6,841,851	6,794,730
Additional paid-in capital	490,963	
Retained earnings	71,424,163	70,450,282
Unrealized investment gain	752,608	834,792
Total shareholders' equity	79,509,585	78,079,804
TOTAL	$107,477,466	$104,673,141

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

STATEMENTS OF INCOME

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997
NET SALES	$ 60,053,381	$ 55,159,124
COST OF GOODS SOLD	46,903,067	43,867,490
GROSS MARGIN	13,150,314	11,291,634
SELLING, GENERAL AND ADMINISTRATIVE	10,539,970	9,836,791
OPERATING INCOME	2,610,344	1,454,843
OTHER:		
Interest and other income	274,688	246,269
Interest and other expense	80,129	86,262
Total	194,559	160,007
INCOME BEFORE INCOME TAXES	2,804,903	1,614,850
PROVISION FOR INCOME TAXES	1,010,000	585,000
NET INCOME	$ 1,794,903	$ 1,029,850
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
BASIC	6,822,343	6,958,363
DILUTED	6,884,688	7,012,450
EARNINGS PER SHARE OF COMMON STOCK:		
BASIC	$ 0.26	$ 0.15
DILUTED	$ 0.26	$ 0.15

STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997
NET INCOME	$ 1,794,903	$ 1,029,850
OTHER COMPREHENSIVE INCOME BEFORE TAX:		
Unrealized (losses) gains on securities arising during period	(126,437)	200,500
INCOME TAX BENEFIT (EXPENSE):		
Income tax benefit (expense) related to securities gains (losses) arising during period	45,517	(70,175)
OTHER COMPREHENSIVE INCOME, NET OF TAX	(80,920)	130,325
COMPREHENSIVE INCOME	$ 1,713,983	$ 1,160,175

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
CONDENSED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997
OPERATING ACTIVITIES:		
Net Income	$ 1,794,903	$ 1,029,850
Adjustments to reconcile net income to net cash provided by operating activities	1,138,066	1,249,433
Net cash provided by operating activities	2,932,969	2,279,283
INVESTING ACTIVITIES:		
Purchases of investments	(1,951,478)	(340,186)
Proceeds from sales of investments	1,466,778	346,805
Proceeds from sales of capital assets ...	12,228	22,700
Capital expenditures	(1,175,003)	1,510,429)
Net cash used in investing activities	(1,647,475)	1,481,110)
FINANCING ACTIVITIES:		
Payment of dividends	(817,683)	(832,257)
Proceeds from issuance of common stock ..	538,084	364,873
Net cash used in financing activities	(279,599)	(467,384)
Increase in cash and cash equivalents	1,005,895	330,789
Cash and cash equivalents at beginning of year .	5,464,261	4,445,327
Cash and cash equivalents at end of period	$ 6,470,156	$ 4,776,116

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	1998	1997
Cash paid during the period for		
Interest	$ 19,000	$ 24,000
Income taxes	$ 181,000	$ 344,000

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
NOTES (UNAUDITED)

1. The accompanying financial statements, which are unaudited, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, which is consistent with that followed in the financial statements for the year ended June 30, 1998. The statements include all adjustments (comprising only normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the financial position and results of operations and cash flows, prepared on a summary basis, as of such dates and for the stated dates then ended. The results of operations for the three month period ended September 30, 1998 are not necessarily indicative of the results which may be expected for the year ending June 30, 1999.

2. The inventories are categorized as follows:

	September 30, 1998	June 30, 1998
Raw materials	$13,233,409	$13,538,911
Work in process and finished parts	7,825,643	7,227,558
Finished goods	6,873,103	5,840,827
Total..................................	$27,932,155	$26,607,296

3. In 1997, the Financial Accounting Standards board issued Statement No. 128, EARNINGS PER SHARE (SFAS 128). SFAS 128 replaced the calculation of primary and fully dilated earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of stock options. All earnings per share amounts for all periods have been presented and, where appropriate, restated to conform to the SFAS 128 requirements.

	Three Months Ended September 30,	
	1998	1997
Basic Earnings Per Share:		
Income available to common shareowners	$ 1,794,903	$ 1,029,850
Weighted average shares outstanding	6,822,343	6,958,363
Earnings Per Share - Basic	0.26	0.15
Diluted Earnings Per Share:		
Income available to common shareowners	$ 1,794,903	$ 1,029,850
Weighted average shares outstanding	6,822,343	6,958,363
Dilutive shares issuable in connection with stock option plans	417,995	334,520
Less shares purchasable with proceeds	(355,650)	(280,433)
Total Shares	6,884,688	7,012,450
Earnings Per Share - Diluted	$ 0.26	$ 0.15

4. RECLASSIFICATIONS - certain prior year amounts have been reclassified to conform to the 1998 presentation. These reclassifications had no impact on net income or shareholders' equity as previously reported.

FLEXSTEEL INDUSTRIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONDENSED STATEMENT OF EARNINGS

Results of Operations:

Three months ended September 30, 1998 compared to three months ended September 30, 1997.

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the first quarters ended September 30, 1998 and 1997. Amounts presented are percentages of the Company's net sales.

	First Quarters Ended September 30,	
	1998	1997
Net Sales	100.0%	100.0%
Cost of Goods Sold	78.1	79.5
Gross Margin	21.9	20.5
Selling, General and Administrative Expense	17.6	17.8
Operating Income	4.3	2.7
Other Income, Net	0.4	0.3
Income Before Income Taxes	4.7	3.0
Income Tax Expense	1.7	1.1
Net Income	3.0%	1.9%

Net sales for the quarter ended September 30, 1998 increased by $4,894,000 or 9% compared to the prior year quarter. Residential sales volume increased $3,583,000 or 11%. Recreational vehicle seating sales increased $1,247,000 or 7%. Commercial seating volume increased $64,000 or 1%.

Gross margin increased $1,858,680 to $13,150,314 or 21.9% of sales, in the current year, from $11,291,634 or 20.5% in the prior year. The gross margin increase was due primarily to improved utilization of available production capacity.

Selling, general and administrative expenses as a percentage of sales were 17.6% and 17.8% for the current year and prior year, respectively. The cost percentage decrease was due to improved absorption of fixed costs.

The above factors resulted in current fiscal year earnings of $1,794,903 or $.26 per share (basic) compared to $1,029,850 or $.15 per share (basic) in the prior year, a net increase of $765,053 or $.11 per share.

Liquidity and Capital Resources:

Working capital at September 30, 1998 is $52,362,000 which includes cash, cash equivalents and investments of $16,750,000. Working capital increased by $1,813,000 from the June 30, 1998 amount.

Net cash provided by operating activities was $2,933,000 during the first three months of fiscal year 1999 versus $2,279,000 in first three months of fiscal year 1998. The increase in net cash provided by operating activities was primarily the result of the increase in net income.

Capital expenditures were $1,175,000 during the first three months of fiscal 1999 compared to $1,510,000 in the first quarter of fiscal 1998. The current year expenditures were incurred primarily for manufacturing equipment and the expansion of our Dublin, Georgia facility. During the next nine months approximately $6,300,000 will be spent on manufacturing equipment, delivery equipment, and the expansion project in Georgia. The funds for projected capital expenditures are expected to be provided by cash generated from operations and available cash.

On November 4, 1998 the Company announced a plan to repurchase up to 700,000 shares, or slightly more than 10% of the Company's outstanding common stock. The Company will make the purchases, from time to time, in the open market as the Company deems appropriate.

Year 2000 Issue - The Company has been modifying its computer information systems to ensure the proper processing of transactions relating to the year 2000 and beyond. The Company has also reviewed its computer-dependent manufacturing activities and necessary hardware and software changes are being made. The Company expects its year 2000 conversion projects to be completed by June 30, 1999. The conversion costs are not expected to be material to the financial statements and will be accomplished using existing employees. The Company is communicating with major suppliers to emphasize that operations must continue without interruption through January 1, 2000. However, there can be no assurances that systems of other companies, on which the Company's systems rely, will be converted in a timely manner or that any failure to convert by another company would not have an adverse effect on the Company's system.

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "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 with respect to goals and expectations of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to stockholders.

Statements, including those in this report, 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 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 effectiveness of new product introductions, the product mix of our sales, the cost of raw materials, the amount of sales generated and the profit margins thereon or volatility in the major markets, competition and general economic conditions.

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 6. Exhibits and Reports on Form 8-K

The registrant did not file a report on Form 8-K during the quarter for which this report is filed.

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 officer thereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: November 5, 1998

By: /S/ R. J. KLOSTERMAN

R.J. Klosterman
Financial Vice President &
Principal Financial Officer

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SEP-30-1998
JUN-30-1999
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