

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, 2024

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 May 1, 2024

5,156,287

FLEXSTEEL INDUSTRIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2024

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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, 2024	June 30, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,570	\$ 3,365
Trade receivables - less allowances: March 31, 2024, \$2,451, June 30, 2023, \$2,600	38,884	38,168
Inventories	96,589	122,076
Other	9,235	6,417
Assets held for sale	616	616
Total current assets	149,894	170,642
NONCURRENT ASSETS:		
Property, plant and equipment, net	39,963	38,652
Operating lease right-of-use assets	63,398	68,294
Deferred income taxes	7,080	7,154
Other assets	13,431	5,808
TOTAL ASSETS	\$ 273,766	\$ 290,550
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 21,655	\$ 24,745
Current portion of operating lease liabilities	7,615	7,179
Accrued liabilities:		
Payroll and related items	9,306	9,955
Insurance	2,214	1,920
Restructuring costs	1,825	—
Sales and advertising related items	4,568	5,358
Other	6,554	5,948
Total current liabilities	53,737	55,105
LONG-TERM LIABILITIES:		
Operating lease liabilities, less current maturities	59,892	64,974
Line of credit	14,184	28,273
Other liabilities	689	577
Total liabilities	128,502	148,929
SHAREHOLDERS' EQUITY:		
Common stock - \$1 par value; authorized 15,000 shares; 8,363 shares issued and 5,156 outstanding as of March 31, 2024; 8,292 shares issued and 5,174 outstanding as of June 30, 2023	8,363	8,292
Additional paid-in capital	38,656	36,605
Treasury stock, at cost; 3,207 shares, and 3,118 shares as of March 31, 2024, and June 30, 2023, respectively	(71,732)	(70,072)
Retained earnings	169,977	166,796
Total shareholders' equity	145,264	141,621
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 273,766	\$ 290,550

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,	
	2024	2023	2024	2023
Net sales	\$ 107,219	\$ 99,052	\$ 301,930	\$ 287,873
Cost of goods sold	83,902	80,407	238,253	238,041
Gross profit	23,317	18,645	63,677	49,832
Selling, general and administrative expenses	17,708	16,529	51,566	45,967
Environmental remediation	—	—	—	(2,788)
Restructuring expense	2,627	—	2,627	—
Other expense	—	—	—	347
Operating income	2,982	2,116	9,484	6,306
Interest expense	336	260	1,395	897
Other (income)	(14)	(12)	(14)	(11)
Income before income taxes	2,660	1,868	8,103	5,420
Income tax provision	857	393	2,497	803
Net income and comprehensive income	\$ 1,803	\$ 1,475	\$ 5,606	\$ 4,617
Weighted average number of common shares outstanding:				
Basic	5,154	5,179	5,175	5,249
Diluted	5,448	5,352	5,410	5,427
Earnings per share of common stock:				
Basic	\$ 0.35	\$ 0.28	\$ 1.08	\$ 0.88
Diluted	\$ 0.33	\$ 0.28	\$ 1.04	\$ 0.85

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, 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>

Nine Months Ended March 31, 2023

	Total Par Value of Common Shares (\$1 Par)	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance on June 30, 2022	\$ 8,190	\$ 34,467	\$ (66,372)	\$ 155,275	\$ 131,560
Stock-based compensation	8	817	—	—	825
Vesting of restricted stock units and restricted shares	28	(378)	—	—	(350)
Treasury stock purchases	—	—	(403)	—	(403)
Cash dividends declared	—	—	—	(833)	(833)
Net income	—	—	—	289	289
Balance on September 30, 2022	<u>\$ 8,226</u>	<u>\$ 34,906</u>	<u>\$ (66,775)</u>	<u>\$ 154,731</u>	<u>\$ 131,088</u>
Stock-based compensation	10	835	—	—	845
Vesting of restricted stock units and restricted shares	3	(60)	—	—	(57)
Treasury stock purchases	—	—	(1,823)	—	(1,823)
Cash dividends declared	—	—	—	(819)	(819)
Net income	—	—	—	2,853	2,853
Balance on December 31, 2022	<u>\$ 8,239</u>	<u>\$ 35,681</u>	<u>\$ (68,598)</u>	<u>\$ 156,765</u>	<u>\$ 132,087</u>
Stock-based compensation	8	794	—	—	802
Vesting of restricted stock units and restricted shares	—	(12)	—	—	(12)
Treasury stock purchases	—	—	(742)	—	(742)
Cash dividends declared	—	—	—	(807)	(807)
Net income	—	—	—	1,475	1,475
Balance on March 31, 2023	<u>\$ 8,247</u>	<u>\$ 36,463</u>	<u>\$ (69,340)</u>	<u>\$ 157,433</u>	<u>\$ 132,803</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,	
	2024	2023
OPERATING ACTIVITIES:		
Net income	\$ 5,606	\$ 4,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,940	3,483
Deferred income taxes	74	—
Stock-based compensation expense	2,722	2,472
Change in provision for losses on accounts receivable	(149)	(149)
Loss on disposal of assets	60	—
Changes in operating assets and liabilities:		
Trade receivables	(567)	4,748
Inventories	25,487	27,901
Other current assets	(2,818)	(2,622)
Other assets	(7,623)	—
Accounts payable - trade	(3,039)	(6,311)
Accrued liabilities	1,561	(3,430)
Other long-term liabilities	107	(247)
Net cash provided by operating activities	24,361	30,462
INVESTING ACTIVITIES:		
Capital expenditures	(4,361)	(3,597)
Net cash (used in) investing activities	(4,361)	(3,597)
FINANCING ACTIVITIES:		
Dividends paid	(2,446)	(3,241)
Treasury stock purchases	(1,660)	(2,968)
Proceeds from line of credit	270,421	254,482
Payments on line of credit	(284,510)	(274,494)
Proceeds from issuance of common stock	88	—
Shares withheld for tax payments on vested restricted shares	(688)	(419)
Net cash (used in) financing activities	(18,795)	(26,640)
Increase in cash and cash equivalents	1,205	225
Cash and cash equivalents at beginning of the period	3,365	2,184
Cash and cash equivalents at end of the period	\$ 4,570	\$ 2,409

SUPPLEMENTAL INFORMATION

Interest paid	1,470	1,079
Cash paid for income taxes, net	3,273	2,911
Capital expenditures in accounts payable	260	140

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, 2024**

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, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2024. 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, 2023, 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, 2024	June 30, 2023
Raw materials	\$ 16,752	\$ 18,616
Work in process and finished parts	3,127	3,741
Finished goods	76,710	99,719
Total	<u>\$ 96,589</u>	<u>\$ 122,076</u>

3. ASSETS HELD FOR SALE

During fiscal year 2020, the Company committed to a plan to sell assets located at the Company’s Starkville, Mississippi location as part of a restructuring plan. As of March 31, 2024, the Company continues to actively market the assets in Starkville, Mississippi. A summary of the assets held for sale as of March 31, 2024, is included in the table below.

Location	Asset Category	Cost	Accumulated Depreciation	Net Book Value
<i>(in thousands)</i>				
Starkville, Mississippi	Building & building improvements	\$ 4,615	\$ (4,254)	\$ 361
	Land & land improvements	694	(439)	255
	Total assets held for sale	<u>\$ 5,309</u>	<u>\$ (4,693)</u>	<u>\$ 616</u>

4. LEASES

The Company accounts for its leases in accordance with ASU No. 2016-02, *Leases (Topic 842)* (“ASC 842”). 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.

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and the ROU asset is measured as the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs, and the remaining balance of lease incentives received. Both the lease ROU asset and 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.

On August 20, 2021, Flexsteel entered into a lease agreement for the construction of a 507,830 square foot manufacturing facility in Mexicali, Mexico. The lease commencement date under ASC 842 guidance was July 1, 2022, the date the lessor made the building available for use by the Company for purposes of completing any leasehold improvements required by the Company prior to beginning operations. The 12-year lease ends on June 30, 2034, with options for two five-year extensions. Annual base rent under the lease is \$3.2 million plus taxes, insurance and common area maintenance costs. As of March 31, 2024, the Company has not begun operations in the Mexicali facility. On May 3, 2023, the Company entered into a sublease with a third party for 105,000 square feet of the Mexicali facility with a term of 12 months. Annual rent net of broker's fees under the sublease is \$1 million, plus a proportionate share of taxes, insurance, and common area maintenance. On October 2, 2023, the Company entered into a sublease with a third party for 339,413 square feet of the facility with an initial term of 12 months with four 6-month extensions. Annual rent net of broker's fees under the sublease is \$2.2 million, plus a proportionate share of taxes, insurance, and common area maintenance.

At March 31, 2024, the Company determined that no impairment indicators exist with regard to the Mexicali lease given the current and expected sublease tenants and plans for future operations in the facility. At March 31, 2024, the right-of-use asset associated specifically with the Mexicali lease is \$30.5 million and associated lease liability is \$32.1 million. Sublease income net of broker's fees received from the sub-tenant is offset against operating lease expense in the Company's Consolidated Statements of Income.

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,	
	2024	2023	2024	2023
Operating lease expense	\$ 2,394	\$ 2,700	\$ 7,202	\$ 8,066
Variable lease expense	518	482	1,488	1,390
Total lease expense	\$ 2,912	\$ 3,182	\$ 8,690	\$ 9,456

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, 2024	March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 7,069	\$ 6,575
Cash received from subleasing of operating lease:		
Operating cash flows received from subleasing of operating lease	\$ 1,975	\$ —
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 797	\$ 35,305
Weighted-average remaining lease term (in years):		
Operating leases	8.4	9.4
Weighted-average discount rate:		
Operating leases	3.1%	2.9%

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

	March 31, 2024
Remaining payments in FY2024	\$ 2,432
FY2025	9,418
FY2026	9,208
FY2027	9,378
FY2028	9,144
Thereafter	37,040
Total future minimum lease payments	\$ 76,620
Less imputed interest	9,113
Lease liability	\$ 67,507

5. RESTRUCTURING

On February 5, 2024, the Company announced its plan to close its Dublin, Georgia manufacturing facility. The closure is expected to be complete by the end of fourth quarter fiscal year 2024.

As a result of the planned closure, the Company anticipated incurring pre-tax restructuring and related expenses between \$3.0 million and \$3.1 million. Total cumulative restructuring and related costs incurred as of March 31, 2024, was \$2.6 million.

The following is a summary of restructuring costs:

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
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. Other associated costs primarily includes inventory and equipment transfer costs and other transition costs.

The rollforward of the accrued restructuring costs is as follows:

<i>(in thousands)</i>	One-time Employee Termination Benefits	Other Associated Costs	Total
Accrual balance on June 30, 2023	\$ —	\$ —	\$ —
Costs incurred	2,409	218	2,627
Expenses (paid)	(694)	(108)	(802)
Accrual balance on March 31, 2024	\$ 1,715	\$ 110	\$ 1,825

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, 2024, management believes the Company was in compliance with all covenants.

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On April 18, 2022, the Company, as the borrower, entered into a first amendment to the September 8, 2021, 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 6.68%, on March 31, 2024.

As of March 31, 2024, there was \$14.2 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of March 31, 2024, totaled \$1.1 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, 2024, and March 31, 2023, was 32.2% and 21.0%, respectively. The Company’s effective tax rate for the nine months ended March 31, 2024 and 2023, was 30.8% and 14.8%, respectively. 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. For the three and nine months ended March 31, 2023, 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, as well as impacts arising from the reversal of a valuation allowance associated with movements in certain deferred tax assets.

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, 2024 and 2023.

<i>(in thousands)</i>	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Total stock-based compensation expense	\$ 877	\$ 802	\$ 2,722	\$ 2,472

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, 2024, the number of unvested PSUs granted at the target performance level for the 2022-2024, 2023-2025, and 2024-2026 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 period ending June 30, 2024 participants may earn the award based on a cumulative three year performance goal. For PSUs awarded for the three year performance periods ending June 30, 2025 and 2026, participants may earn one-third of the award in each of the three years based on meeting performance goals for that year. The Committee selected Adjusted Earnings Before Interest and Tax based on a defined percentage growth as the performance metric for the performance periods ending June 30, 2024, 2025, and 2026.

<i>(shares in thousands)</i>	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
Unvested as of June 30, 2023	79	\$ 24.56	211	\$ 19.19	290	\$ 20.65
Granted	66	18.91	99	18.91	165	18.91
Vested	—	—	(75)	12.15	(75)	12.15
Forfeited	(3)	21.45	(22)	15.57	(25)	16.28
Unvested as of March 31, 2024	142	\$ 22.00	213	\$ 21.91	355	\$ 21.94

Total unrecognized stock-based compensation related to the unvested PSUs at the target performance level and the related unvested RSUs was \$3.5 million as of March 31, 2024, which is expected to be recognized over a weighted-average period of 1.7 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, 2024, is as follows:

	Shares (in thousands)	Weighted Average Fair Value Per Share
Unvested as of June 30, 2023	74	\$ 21.67
Granted	4	20.06
Vested	(8)	28.66
Forfeited	(1)	20.33
Unvested as of March 31, 2024	69	\$ 20.79

Total unrecognized stock-based compensation related to unvested restricted shares and unvested RSUs (not granted in conjunction with the PSUs) was \$0.3 million as of March 31, 2024, which is expected to be recognized over a weighted-average period of 0.6 year.

Options

A summary of the activity of the Company's stock option plans as of March 31, 2024, is presented below:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at June 30, 2023	202	\$ 20.98
Exercised	(3)	\$ 32.13
Canceled	(18)	27.40
Outstanding at March 31, 2024	181	\$ 20.15

The following table summarizes information for options outstanding at March 31, 2024:

Range of Prices	Options Outstanding (in thousands)	Weighted Average	
		Remaining Life (Years)	Exercise Price
\$ 9.97 - 15.14	97	5.9	\$ 12.64
18.30 - 19.72	6	7.2	18.30
21.96 - 27.57	39	4.8	22.64
31.06 - 32.80	26	2.1	32.29
43.09 - 47.45	13	2.5	45.28
\$ 9.97 - 47.45	181	4.9	\$ 20.15

There is no unrecognized stock-based compensation expense related to these options as of March 31, 2024.

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 President) 79,000 options outside of any Company stock plans. All 79,000 options remain outstanding as of March 31, 2024, with an exercise price of \$9.97 and a remaining life of 6.0 years. There is no remaining unrecognized stock-based compensation expense related to these options.

During the quarter ended December 31, 2018, the Company awarded its Chief Executive Officer 55,000 options outside of any Company stock plans. All 55,000 options remain outstanding as of March 31, 2024, with an exercise price of \$21.96 and a remaining life of 4.7 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.

<i>(in thousands)</i>	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Basic shares	5,154	5,179	5,175	5,249
Potential common shares:				
Stock options	151	75	103	60
Non-vested restricted stock units and restricted shares	143	98	132	118
Diluted shares	5,448	5,352	5,410	5,427
Anti-dilutive shares	12	154	48	161

Cash dividends declared per common share were \$0.15 and \$0.45 for the three and nine months ended March 31, 2024, respectively, and were \$0.15 and \$0.45 for the three and nine months ended March 31, 2023, respectively.

10. COMMITMENTS AND CONTINGENCIES

Environmental Matters – In March 2016, the Company received a General Notice Letter for the Lane Street Groundwater Superfund Site (the “Lane Street Site”) located in Elkhart, Indiana from the U.S. Environmental Protection Agency (EPA). In April 2016, the EPA issued their proposed clean-up plan for groundwater pollution and request for public comment. The Company responded to the request for public comment in May 2016. The EPA issued a Record of Decision selecting a remedy in August 2016 and estimated total costs to remediate of \$3.6 million. In July 2017, the EPA issued a Special Notice Letter to the Company demanding that the Company perform the remedy selected and pay for the remediation cost and past response costs of \$5.5 million. On October 12, 2017, the Company, after consultation with its insurance carriers, offered an amount, fully reimbursable by insurance coverage, to the EPA to resolve this matter. On November 6, 2017, the settlement offer extended on October 12, 2017, was rejected.

In April 2018, the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action (the “Order”) against the Company. The Order was issued under Section 106(a) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §9606(a). The Order directed the Company to perform remedial design and remedial action for the Lane Street Site. The Order was to be effective May 29, 2018. To ensure completion of the remediation work, the EPA required the Company to secure financial assurance in the initial amount of \$3.6 million, which as noted above, was the estimated cost of remedial work. The Company believed that financial assurance was not required because it met the relevant financial test criteria as provided in the Order. In May 2018, the EPA agreed to suspend enforcement of the Order so that the Company could conduct environmental testing upgradient to its former manufacturing location pursuant to an Administrative Order on Consent (AOC). On April 24, 2019, the Company signed an AOC with the EPA to conduct the upgradient investigation. The Company negotiated site access to the upgradient property over a period of months in 2019, followed by completion of sampling activities on that property on September 28-29, 2019. Following multiple exchanges from November 2019 through early 2020, the Company submitted a final and supplemental report to the EPA regarding the results of the upgradient investigation on June 17, 2020.

Despite the Company’s position that it did not cause or contribute to the contamination, the Company reached a settlement with the EPA and the State of Indiana, which was filed as a consent decree in the U.S. District Court for the Northern District of Indiana on October 24, 2022. The consent decree required Flexsteel to pay \$9.8 million in resolution of the matter. Flexsteel also reached agreements with its insurance carriers for partial reimbursement of the settlement. During the quarter ended December 31, 2022, the Company made full payment in accordance with the settlement agreement and as a result of insurance proceeds received, the Company recorded income of \$2.8 million for the quarter ended December 31, 2022.

Other Proceedings – 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.

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 2023 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, 2024 and 2023. The amounts presented are percentages of the Company’s net sales.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	78.3	81.2	78.9	82.7
Gross margin	21.7	18.8	21.1	17.3
Selling, general and administrative expenses	16.5	16.7	17.1	16.0
Environmental remediation	—	—	—	(1.0)
Restructuring expense	2.5	—	0.9	—
Other expense	—	—	—	0.1
Operating income	2.7	2.1	3.1	2.2
Interest expense	0.3	0.2	0.5	0.3
Income before income taxes	2.4	1.9	2.6	1.9
Income tax provision	0.8	0.4	0.8	0.3
Net income and comprehensive income	1.6 %	1.5 %	1.8 %	1.6 %

Results of Operations for the Quarter Ended March 31, 2024 vs. 2023

Net sales were \$107.2 million for the quarter ended March 31, 2024, compared to net sales of \$99.1 million in the prior year quarter, an increase of 8.2%. The increase was driven by higher sales in home furnishings products sold through retail stores of \$8.5 million, or 9.7%, led by unit volume increases and product mix. Sales of products sold through e-commerce channels decreased by (\$0.4) million, or (3.6%), compared to the third quarter of the prior year. Lower sales in the e-commerce channel were driven by softer consumer demand and less promotional activity to improve overall profitability.

Home furnishings backlog was \$62 million as of the quarter ended March 31, 2024, a decrease of (1.6%) compared to \$63 million in the prior year quarter.

Gross margin as a percent of net sales for the quarter ended March 31, 2024, was 21.7%, compared to 18.8% for the prior year quarter, an increase of 290 basis points (“bps”). The 290-bps increase was primarily due to supply chain cost saving initiatives and fixed cost leverage on higher sales volume.

Selling, general and administrative (“SG&A”) expenses increased \$1.2 million or 7.3% to \$17.7 million in the third quarter ended March 31, 2024, as compared to \$16.5 million in the prior year quarter. As a percentage of net sales, SG&A was 16.5% in the quarter ended March 31, 2024 compared to 16.7% of net sales in the prior year quarter. The 20-bps decrease was due to leverage on higher sales partially offset by investments in growth initiatives for the quarter ended March 31, 2024.

During the quarter ended March 31, 2024, we incurred \$2.6 million of restructuring expenses primarily for employee termination and facility closure costs as part of the previously announced closure of our Dublin, Georgia manufacturing facility. See Note 5, Restructuring, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

Income tax expense was \$0.9 million, or an effective rate of 32.2% for the quarter ended March 31, 2024, compared to an income tax expense of \$0.4 million, or an effective rate of 21.0% during the quarter ended March 31, 2023. For the quarter ended March 31, 2024,

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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 the impact of foreign operations.

Net income was \$1.8 million, or \$0.33 per diluted share for the quarter ended March 31, 2024, compared to net income of \$1.5 million, or \$0.28 per diluted share in the prior year quarter.

Results of Operations for the Nine Months Ended March 31, 2024 and 2023

Net sales were \$301.9 million for the nine months ended March 31, 2024, compared to net sales of \$287.9 million in the prior-year nine-month period, an increase of 4.9%. The increase in sales of \$14.0 million was driven by a \$16.1 million increase related to home furnishing products sold through retailers offset by a decrease of (\$2.1) 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, 2024, was 21.1%, compared to 17.3% for the prior-year nine-month period, an increase of 380 bps. The 380-bps increase was primarily driven by the same factors discussed above for the quarter ended March 31, 2024.

Selling, general and administrative expenses increased \$5.6 million in the nine months ended March 31, 2024, compared to the prior-year nine-month period. SG&A as a percentage of sales was 17.1% in the nine months ended March 31, 2024, compared to the prior-year nine-month period of 16.0%. The 110-bps increase was primarily due to investments in growth initiatives and higher incentive compensation for the nine months ended March 31, 2024.

During the nine months ended March 31, 2024, we incurred \$2.6 million of restructuring expenses primarily for employee termination and facility closure costs as part of the previously announced closure of our Dublin, Georgia manufacturing facility. See Note 5, Restructuring, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

During the nine months ended March 31, 2023, the Company recorded income of \$2.8 million related to the settlement of an environmental remediation liability. See Note 10, Commitments and Contingencies, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

Income tax expense was \$2.5 million, or an effective rate of 30.8%, during the nine months ended March 31, 2024, compared to income tax expense of \$0.8 million in the prior-year nine-month period, or an effective tax rate of 14.8%. The effective tax rate for the nine months ended March 31, 2023, was primarily impacted by nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, and the impact of foreign operations.

Net income was \$5.6 million, or \$1.04 per diluted share for the nine months ended March 31, 2024, compared to net income of \$4.6 million, or \$0.85 per diluted share in the prior-year nine-month period.

Liquidity and Capital Resources

Working capital (current assets less current liabilities) on March 31, 2024, was \$96.2 million compared to \$115.5 million on June 30, 2023. The \$19.4 million decrease in working capital was primarily due to a decrease in inventory of \$25.5 million, an increase in other current liabilities of \$1.3 million, and an increase of operating lease liabilities of \$0.4 million partially offset by a decrease in accounts payable of \$3.1 million, an increase in other current assets of \$2.8 million, an increase in cash of \$1.2 million, and an increase in net trade receivables of \$0.7 million. Refer to discussion of working capital changes below, under *Net cash provided by operating activities*. Capital expenditures were \$4.4 million during the nine months ended March 31, 2024.

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

<i>(in thousands)</i>	Nine Months Ended	
	March 31,	
	2024	2023
Net cash provided by operating activities	\$ 24,361	\$ 30,462
Net cash (used in) investing activities	(4,361)	(3,597)
Net cash (used in) financing activities	(18,795)	(26,640)
Increase in cash and cash equivalents	\$ 1,205	\$ 225

Net cash provided by operating activities

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

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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 receivable provision of \$0.1 million.

For the nine months ended March 31, 2023, net cash provided by operating activities was \$30.5 million, which primarily consisted of net income of \$4.6 million, adjusted for non-cash items including depreciation of \$3.5 million, stock-based compensation of \$2.5 million, and a decrease in provisions for losses of \$0.1 million. Net cash provided by operating assets and liabilities was \$20.0 million and was primarily due to a decrease in inventories of \$27.9 million, and a decrease in trade receivables of \$4.7 million, partially offset by a decrease in accrued liabilities of \$3.4 million, a decrease in payables of \$6.3 million, a decrease in other current assets of \$2.6 million, and a decrease in other long-term liabilities of \$0.2 million.

Net cash (used in) investing activities

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

For the nine months ended March 31, 2023, net cash used in investing activities was \$3.6 million due to capital expenditures.

Net cash (used in) financing activities

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.

For the nine months ended March 31, 2023, net cash used in financing activities was \$26.6 million, primarily due to payments on lines of credit of \$274.5 million, partially offset by proceeds from lines of credit of \$254.5 million. In addition to the line of credit activity, net cash used in financing activities was also due to dividends paid of \$3.2 million, \$3.0 million for purchases of company stock, and \$0.4 million for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock.

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, 2024, 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 September 8, 2021, 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 6.68%, on March 31, 2024.

As of March 31, 2024, there was \$14.2 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of March 31, 2024, totaled \$1.1 million.

Contractual Obligations

As of March 31, 2024, 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, 2023.

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, and decrease earnings.

Foreign Currency Risk – During the quarters ended March 31, 2024 and 2023, 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 exposure. A negative shift in the value of the U.S. dollar against the Peso could increase the cost of our manufactured product. 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, 2024, the Company had \$14.2 million outstanding 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, 2024.

(b) *Changes in internal control over financial reporting.* During the quarter ended March 31, 2024, 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**

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, 2023.

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. All purchases were made in the open market.

The following table summarizes the activity of the common stock repurchases made during the three months ended March 31, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Plan	Approximate Dollar Value of Shares that May Yet Be Purchased
January 1, 2024, to January 31, 2024	12,427	\$ 18.72	1,485,274	\$ 2,115,634
February 1, 2024, to February 29, 2024	—	—	1,485,274	2,115,634
March 1, 2024, to March 31, 2024	—	—	1,485,274	2,115,634
Three months ended March 31, 2024	12,427	\$ 18.72	1,485,274	\$ 2,115,634

Item 6. Exhibits

Exhibit No.

3.1	Amended and Restated Bylaws, dated March 5, 2024 (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on March 8, 2024).
10.1	Letter Agreement dated January 10, 2024, by and between the Company and Michael Ressler (incorporated by reference to Form 8-k filed with the Securities and Exchange Commission on January 11, 2024).
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: May 1, 2024

By: /s/ Michael J. Ressler

Michael J. Ressler
Chief Financial Officer
(Principal Financial & Accounting Officer)

CERTIFICATION

I, Jerald K. Dittmer, 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: May 1, 2024

/s/ Jerald K. Dittmer

Jerald K. Dittmer
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: May 1, 2024

/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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jerald K. Dittmer, 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: May 1, 2024

/s/ Jerald K. Dittmer

Jerald K. Dittmer
Chief Executive Officer

/s/ Michael J. Ressler

Michael J. Ressler
Chief Financial Officer
