

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 December 31, 1995

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 December 31, 1995

7,215,180

FLEXSTEEL INDUSTRIES, INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

	DECEMBER 31, 1995	JUNE 30, 1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 5,986,589	\$ 5,768,537
Temporary investments.....	10,508,281	8,268,615
Trade receivables - Less allowance for doubtful accounts: December 31, 1995, \$1,817,235; June 30, 1995, \$2,160,211.....	22,654,671	22,905,047
Inventories.....	25,125,167	25,921,674
Deferred income taxes.....	2,000,000	2,000,000
Other assets.....	965,453	844,557
Total current assets.....	67,240,161	65,708,430
PROPERTY, PLANT, AND EQUIPMENT - At cost less accumulated depreciation: December 31, 1995, \$43,604,085; June 30, 1995, \$41,623,972.....	23,250,680	24,376,052
OTHER ASSETS.....	6,351,169	6,186,144
TOTAL.....	\$96,842,010	\$96,270,626

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable - trade.....	\$ 5,282,271	\$ 4,756,991
Dividends payable.....	865,822	863,175
Accrued liabilities.....	11,006,540	10,856,550

Current portion of long-term debt.....	2,960,000	2,960,000
Total current liabilities.....	20,114,633	19,436,716
LONG-TERM DEBT.....	70,000	70,000
DEFERRED COMPENSATION.....	2,927,829	2,940,329
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued December 31, 7,215,180 shares; June 30, 7,193,124 shares.....	7,215,180	7,193,124
Additional paid-in capital.....	1,614,971	1,386,754
Retained earnings.....	64,612,647	65,199,703
Unrealized investment gain.....	286,750	44,000
Total.....	73,729,548	73,823,581
 TOTAL.....	 \$96,842,010	 \$96,270,626

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	1995	1994	1995	1994
Net Sales.....	\$48,177,183	\$52,351,017	\$97,403,911	\$103,162,756
Operating Expenses:				
Cost of goods sold.....	38,490,613	40,886,356	77,860,040	80,223,019
Selling, general and administrative expenses.....	8,749,440	9,251,692	18,091,706	18,403,852
Total.....	47,240,053	50,138,048	95,951,746	98,626,871
Operating Income.....	937,130	2,212,969	1,452,165	4,535,885
Interest and Other:				
Income.....	272,116	222,863	515,735	469,589
Expense.....	93,287	94,412	183,845	182,213
Net.....	178,829	128,451	331,890	287,376
Earnings Before Income Taxes.....	1,115,959	2,341,420	1,784,055	4,823,261
Provision for Income Taxes.....	400,000	845,000	640,000	1,730,000
 Net Earnings.....	 \$ 715,959	 \$ 1,496,420	 1,144,055	 3,093,261
 Average Number of Common Shares Outstanding.....	 7,212,819	 7,179,160	 7,208,846	 7,168,706
Per Share of Common Stock:				
Net Earnings.....	\$.10	\$.21	\$.16	\$.43
Dividends.....	\$.12	\$.12	\$.24	\$.24

See accompanying Notes.

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

	Six Months Ended December, 31,	
	1995	1994
OPERATING ACTIVITIES:		
Net Income.....	\$1,144,055	\$3,093,261
Adjustments to reconcile net income to net cash provided by operating activities.....	4,010,969	1,143,251
Net cash provided by operating activities.....	5,155,024	4,236,512
INVESTING ACTIVITIES:		

Purchases of temporary investments.....	(4,464,215)	(1,957,241)
Proceeds from sales of temporary investments...	2,224,549	3,136,086
Additions to property, plant and equipment....	(1,216,468)	(5,375,771)
Construction funds held in escrow.....		1,623,605
Net cash used in investing activities.....	(3,456,134)	(2,573,321)
FINANCING ACTIVITIES:		
Payment of dividends.....	(1,731,111)	(1,723,084)
Net proceeds from issuance of stock	250,273	277,163
Net cash used in financing activities.....	(1,480,838)	(1,445,921)
Increase in cash and cash equivalents.....	218,052	217,270
Cash and cash equivalents at beginning of year....	5,768,537	3,385,573
Cash and cash equivalents at end of period.....	\$5,986,589	\$3,602,843

See accompanying Notes.

NOTES (UNAUDITED)

1. The accompanying condensed 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, 1995. 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 six month period ended December 31, 1995 are not necessarily indicative of the results which may be expected for the year ending June 30, 1996.

2. The earnings per share are based on the average number of common shares outstanding during each period.

3. The inventories are categorized as follows:

	December 31, 1995	June 30, 1995
Raw materials.....	\$12,777,670	\$14,186,359
Work in process and finished parts.	7,912,832	7,546,079
Finished goods.....	4,434,665	4,189,236
Total.....	\$25,125,167	\$25,921,674

4. Interest paid during the six month periods ended December 31, 1995 and 1994 was \$54,000 and \$63,000, respectively. Income taxes paid during the six month periods ended December 31, 1995 and 1994 were \$634,000 and \$2,170,000, respectively.

5. During the quarter ending September 30, 1995, the Company recorded charges associated with the closing of its manufacturing facility in Sweetwater, TN, and production consolidation of Charisma Chairs in Starkville, MS. The charges recorded and estimated to be incurred are \$470,000, and are included in cost of goods sold for the six months ended December 31, 1995. The net, after tax, charge to earnings is \$300,000, or \$.04 per share.

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

Financial Condition - The Company's cash, cash equivalents, and temporary investments increased by \$2,458,000. Accounts receivable decreased by \$250,000 while inventories decreased by \$797,000. Capital expenditures were \$1,219,000 for plant improvements, manufacturing, and delivery equipment. Working capital increased \$854,000 for the six month period. In the next six months approximately \$1,800,000 will be spent for manufacturing facility improvements, manufacturing, and delivery equipment.

Economic Conditions - Demand for the Company's seating products throughout the remainder of the year should be significantly impacted by the level of consumer confidence attained through anticipated moderation in interest rates. However, concerns on a national level with the budget situation and the upcoming

elections may also have a strong impact on the level of consumer confidence attained. The Company continues to concentrate on areas which can be controlled internally such as identifying and implementing cost savings, modernizing equipment, improving manufacturing processes, and completing previously announced consolidation of Charisma Chair production to help offset cost increases for materials and assist in maintaining margins in a price-competitive marketplace. Profitability improvements should result from these strategies and efforts to control, and reduce, costs while maintaining sales volume and margins.

Results of Operations for the Quarter - Sales decreased by approximately \$4,174,000, compared to the prior year quarter. Sales volume decreased by \$2,220,000 in Recreational Vehicle products and \$2,089,000 in Home Furnishings, while Commercial Seating increased by \$135,000. Cost of goods sold decreased by \$2,395,000 with volume related decreases being offset by approximately \$860,000 of increases in material costs and under absorbed fixed manufacturing costs. Selling, general, and administrative costs decreased by \$502,000 due to decreased volume. The aforementioned changes resulted in a decrease in net income after taxes of \$780,000, or \$.11 per share, compared to the quarter ended December 31, 1994.

Results of Operations for the Last Six Months - Sales decreased by approximately \$5,759,000, compared to the six month period ended December 31, 1994. Sales decreased by \$4,290,000 in Recreational Vehicle products and \$1,585,000 in Home Furnishings, while Commercial Seating increased by \$116,000. Cost of goods sold decreased by \$2,363,000. Volume related decreases were offset by approximately \$470,000 or \$.04 per share after tax, associated with closing the Sweetwater, TN facility and approximately \$1,500,000 related to lower margins caused by the price-sensitive market and higher material costs, and under absorbed fixed costs. Selling, general, and administrative expenses decreased by \$312,000. Additional costs of approximately \$250,000 associated with enhancements to our Flexsteel Gallery program and an increase in bad debt provision partially offset volume related decreases in selling, general, and administrative costs. The afore-mentioned changes resulted in a decrease in net income after taxes of \$1,949,000, or \$.27 per share, compared to the six month period ended December 31, 1994.

PART II OTHER INFORMATION

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: February 9, 1996

By: /s/ R.J. KLOSTERMAN
R.J. Klosterman
Financial Vice President &
Principal Financial Officer

3-MOS
JUN-30-1996
DEC-31-1995
5,986,589
10,508,281
24,471,906
1,817,235
25,125,167
67,240,161
66,854,765
43,604,085
96,842,010
20,114,633
70,000
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7,215,180
66,514,368
96,842,010
48,177,183
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38,490,613
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