

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 22, 2007  
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FLEXSTEEL INDUSTRIES, INC.  
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(Exact name of registrant as specified in its charter)

Minnesota  
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0-5151  
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42-0442319  
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(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

3400 Jackson Street, Dubuque, Iowa 52001  
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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 563-556-7730  
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(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 22, 2007, Flexsteel Industries, Inc. Announced Fourth Quarter and Fiscal 2007 Operating Results. See the Press Release attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 - Press Release by Flexsteel Industries, Inc. on August 22, 2007.

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 hereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.  
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(Registrant)

Date: August 23, 2007  
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By: /s/ Timothy E. Hall  
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Timothy E. Hall

Vice President-Finance, CFO,  
and Secretary  
Principal Financial Officer

## Flexsteel Announces Fourth Quarter and Fiscal 2007 Operating Results

DUBUQUE, Iowa--(BUSINESS WIRE)--Aug. 22, 2007--Flexsteel Industries, Inc. (NASDAQ:FLXS) today reported sales and earnings for its fourth quarter and fiscal year ended June 30, 2007.

Net sales for the fourth quarter ended June 30, 2007 were \$114.3 million compared to the prior year quarter of \$112.3 million, an increase of 2%. Residential net sales were \$71.5 million, compared to \$70.4 million, an increase of 2% from the prior year quarter. Commercial net sales were \$25.1 million for the quarter ended June 30, 2007, compared to \$23.3 million in the prior year quarter, an increase of 8%. Recreational vehicle net sales were \$17.7 million for the quarter ended June 30, 2007, compared to \$18.7 million, a decrease of 5% from the prior year quarter.

Net sales for the fiscal year ended June 30, 2007 were \$425.4 million compared to \$426.4 million in the prior fiscal year. Residential net sales were \$259.7 million, a decrease of 3% from the fiscal year ended June 30, 2006. Commercial net sales were \$99.5 million for the fiscal year ended June 30, 2007, an increase of 15% from the fiscal year ended June 30, 2006. Recreational vehicle net sales were \$66.2 million for the fiscal year ended June 30, 2007, a decrease of 8% from the fiscal year ended June 30, 2006.

Net income for the quarter ended June 30, 2007 was \$5.8 million or \$0.89 per share. Financial results for the quarter were favorably impacted by two significant non-recurring events. The Company sold a commercial property, which resulted in a pre-tax gain of approximately \$4.0 million, or \$0.37 per share after tax. This gain is reported as "Gain on sale of capital assets." The Company also realized a non-taxable gain on life insurance of \$0.5 million, or \$0.08 per share. This gain is included in "Interest and other income." Excluding these items, net income for the quarter ended June 30, 2007 was \$2.8 million, or \$0.44 per share compared to \$1.5 million, or \$0.23 per share for the prior year quarter.

Net income for the fiscal year ended June 30, 2007 was \$9.3 million or \$1.42 per share. Results for the fiscal year include the two non-recurring items listed above and the gain on the sale of vacant land that was reported in a prior quarter, which resulted in a pre-tax gain of approximately \$0.4 million, or \$0.04 per share after tax. This gain is also reported as "Gain on sale of capital assets" on the attached income statement. Excluding these three items net income for the year ended June 30, 2007 was \$6.1 million, or \$0.93 per share, compared to \$4.7 million, or \$0.72 per share for the prior fiscal year, an increase of \$1.4 million or 28%.

The information regarding non-recurring items is non-GAAP disclosure. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP. We believe this information is relevant to our investors due to the significance of these items on net income and earnings per share and have included a table in the financial statements demonstrating the impact on earnings.

Gross margin for the quarter ended June 30, 2007 was 19.7% compared to 18.8% in the prior year quarter. This improvement is primarily due to the impact of changes in product mix and higher absorption of fixed manufacturing costs. Gross margin was 19.1% for the fiscal years ended June 30, 2007 and 2006.

Selling, general and administrative expenses were 15.8% and 16.4% of net sales for the quarters ended June 30, 2007 and 2006, respectively. For the fiscal years ended June 30, 2007 and 2006, selling, general and administrative expenses were 16.7% and 17.1%, respectively. This decrease in selling, general and administrative expenses for the current quarter and on a year-to-date basis in comparison to the prior year periods is due primarily to lower marketing and sales support expenses and lower bad debt expenses.

All earnings per share amounts are on a diluted basis.

Working capital (current assets less current liabilities) at June 30, 2007 was \$99.3 million. Net cash provided by operating activities was \$10.3 million for the fiscal year ended June 30, 2007 compared to net cash used in operating activities of \$7.3 million in fiscal year

2006. The fluctuations in net cash provided by operating activities were primarily the result of changes in net income, changes in inventory and accounts payable related to sourcing of finished product and changes in accounts receivable due to sales volume and collection patterns.

Capital expenditures were \$10.8 million during the fiscal year 2007, including approximately \$6.0 million for the purchase of a west coast warehouse and approximately \$1.5 million for a warehouse addition in Indiana to support the growth of foreign-sourced furniture products. The remainder of expenditures was primarily for delivery and manufacturing equipment. Depreciation and amortization expense was \$5.3 million and \$5.5 million for the fiscal years ended June 30, 2007 and 2006, respectively. The Company expects that capital expenditures will be approximately \$3.0 million in fiscal year 2008.

#### Outlook

Consistent with industry-wide trends, orders for residential and vehicle markets continued soft throughout the Company's fourth fiscal quarter period. The Company expects this softness to continue through the first half of fiscal year 2008. Orders for products into commercial applications slowed in the fourth quarter of the 2007 fiscal year and we expect this moderation to continue into fiscal year 2008.

The Company continues to explore cost control opportunities in all facets of its business. The Company believes it has the necessary inventories and product offerings in place to take advantage of opportunities for expansion of market share in certain markets, such as commercial office and hospitality. The Company anticipates continuing its strategy of providing furniture from a wide selection of domestically manufactured and imported products.

#### Analysts Conference Call

We will host a conference call for analysts on Thursday, August 23, 2007, at 10:30 a.m. Central Time. To access the call, please dial 1-888-275-4480 and provide the operator with ID# 1581003. A replay will be available for two weeks beginning approximately two hours after the conclusion of the call by dialing 1-800-642-1687 and entering ID# 1581003.

#### Forward-Looking Statements

Statements, including those in this release, 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 our results to differ materially from those anticipated by some of the statements made in this press release. 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, the effectiveness of new product introductions and distribution channels, the product mix of sales, pricing pressures, the cost of raw materials and fuel, foreign currency valuations, actions by governments including taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both foreign and domestic), changes in interest rates, credit exposure with customers and general economic conditions. Any forward-looking statement speaks only as of the date of this press release. We specifically decline 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.

#### About Flexsteel

Flexsteel Industries, Inc. is headquartered in Dubuque, Iowa, and was incorporated in 1929. Flexsteel is a designer, manufacturer, importer and marketer of quality upholstered and wood furniture for residential, recreational vehicle, office, hospitality and healthcare markets. All products are distributed nationally.

For more information, visit our web site at <http://www.flexsteel.com>.

	June 30, 2007	June 30, 2006
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 900,326	\$ 1,985,768
Investments.....	976,180	817,618
Trade receivables, net.....	56,273,874	51,179,791
Inventories.....	78,756,985	84,769,972
Other.....	5,609,045	6,634,121
	-----	-----
Total current assets.....	142,516,410	145,387,270
NONCURRENT ASSETS:		
Property, plant, and equipment, net....	28,168,244	24,158,041
Other assets.....	13,479,528	13,780,393
	-----	-----
TOTAL.....	\$184,164,182	\$183,325,704
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade.....	\$ 13,607,485	\$ 15,768,435
Notes payable and current maturities of long-term debt.....	7,030,059	9,466,643
Accrued liabilities.....	22,540,063	23,164,927
	-----	-----
Total current liabilities.....	43,177,607	48,400,005
LONG-TERM LIABILITIES:		
Long-term debt.....	21,336,352	21,846,386
Other long-term liabilities.....	5,535,113	5,576,988
	-----	-----
Total liabilities.....	70,049,072	75,823,379
SHAREHOLDERS' EQUITY.....	114,115,110	107,502,325
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TOTAL.....	\$184,164,182	\$183,325,704
	=====	=====

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

	Three Months Ended June 30,		Fiscal Year Ended June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
NET SALES.....	\$114,289,285	\$112,325,883	\$425,399,951	\$426,407,585
COST OF GOODS SOLD.....	(91,723,335)	(91,198,852)	(344,176,763)	(345,068,305)
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GROSS MARGIN..	22,565,950	21,127,031	81,223,188	81,339,280
SELLING, GENERAL AND ADMINI- STRATIVE.....	(18,009,657)	(18,457,644)	(70,895,260)	(72,778,577)
GAIN ON SALE OF CAPITAL ASSETS.....	3,978,027	---	4,370,712	---
	-----	-----	-----	-----
OPERATING INCOME.....	8,534,320	2,669,387	14,698,640	8,560,703
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OTHER INCOME (EXPENSE):				
Interest and other income.....	817,494	220,728	1,276,857	774,783
Interest expense....	(381,212)	(438,370)	(1,491,510)	(1,557,303)
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Total.....	436,282	(217,642)	(214,653)	(782,520)
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INCOME BEFORE INCOME TAXES..	8,970,602	2,451,745	14,483,987	7,778,183
PROVISION FOR INCOME TAXES..	(3,130,000)	(970,000)	(5,150,000)	(3,060,000)
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NET INCOME....	\$5,840,602	\$1,481,745	\$9,333,987	\$4,718,183
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AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic.....	6,570,467	6,563,750	6,567,522	6,558,440
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Diluted....	6,593,813	6,579,647	6,582,558	6,577,278
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EARNINGS PER SHARE OF COMMON STOCK:				
Basic.....	\$0.89	\$0.23	\$1.42	\$0.72
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Diluted....	\$0.89	\$0.23	\$1.42	\$0.72
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NON-GAAP DISCLOSURE (UNAUDITED)

	Three Months Ended June 30, 2007		Fiscal Year Ended June 30, 2007	
	\$ in millions	\$ per share	\$ in millions	\$ per share
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GAAP net income.....	\$5.8	\$0.89	\$9.3	\$1.42
Adjustments to reconcile net income:				
Gain on sale of capital assets, net of tax G...	(2.5)	(0.37)	(2.7)	(0.41)
Non-taxable gain on life insurance..	(0.5)	(0.08)	(0.5)	(0.08)
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NON-GAAP Net Income.....	\$2.8	\$0.44	\$6.1	\$0.93
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FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Fiscal Year Ended June 30,	
	2007	2006
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OPERATING ACTIVITIES:		
Net income.....	\$ 9,333,987	\$ 4,718,183
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	5,270,651	5,485,884
Gain on disposition of capital assets.....	(4,407,682)	(55,504)
Stock-based compensation expense...	274,000	427,000
Changes in operating assets and liabilities.....	(179,841)	(17,830,432)
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Net cash provided by (used in) operating activities.....	10,291,115	(7,254,869)
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INVESTING ACTIVITIES:		
Net purchases and sales of		

investments.....	(298,124)	655,252
Proceeds from sale of capital assets.....	6,039,946	89,786
Capital expenditures.....	(10,839,479)	(850,444)
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Net cash used in investing activities..	(5,097,657)	(105,406)
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FINANCING ACTIVITIES:		
Net (repayments of) proceeds from borrowings.....	(2,946,618)	10,952,559
Dividends paid.....	(3,414,369)	(3,408,994)
Proceeds from issuance of common stock.....	82,087	95,894
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Net cash (used in) provided by financing activities.....	(6,278,900)	7,639,459
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(Decrease) increase in cash and cash equivalents.....	(1,085,442)	279,184
Cash and cash equivalents at beginning of period.....	1,985,768	1,706,584
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Cash and cash equivalents at end of period.....	\$ 900,326	\$ 1,985,768
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CONTACT: Flexsteel Industries, Inc., Dubuque  
Timothy E. Hall, Chief Financial Officer, 563-585-8392