

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 [NO FEE REQUIRED]
 For the quarterly period ended December 31, 1999

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
 For the transition period from _____ to _____
 Commission file number 0-5151

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 No .

Common Stock - \$1.00 Par Value
 Shares Outstanding as of December 31, 1999 6,437,491

FLEXSTEEL INDUSTRIES, INC.
 BALANCE SHEETS (UNAUDITED)

	December 31, 1999 -----	June 30, 1999 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,574,280	\$ 4,886,038
Investments	7,697,065	8,967,197
Trade receivables - less allowance for doubtful accounts:		
December 31, 1999, \$2,586,000;		
June 30, 1999, \$2,503,000	32,046,330	31,149,416
Inventories	31,392,414	29,503,209
Deferred income taxes	3,700,000	3,700,000
Other	380,103	461,406
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Total current assets	79,790,192	78,667,266
PROPERTY, PLANT, AND EQUIPMENT		
at cost less accumulated depreciation:		
December 31, 1999, \$55,184,416;		
June 30, 1999, \$52,707,461	26,669,404	25,912,432
OTHER ASSETS	7,078,364	8,103,997
	-----	-----
TOTAL	\$113,537,960	\$112,683,695
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	\$ 7,946,425	\$ 7,076,729
Accrued liabilities:		
Payroll and related items	4,116,492	6,735,108
Insurance	6,100,914	6,688,060
Other accruals	6,284,792	6,332,412
Industrial revenue bonds payable	1,625,000	1,625,000
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Total current liabilities	26,073,623	28,457,309
DEFERRED COMPENSATION	3,085,470	3,060,670
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Total liabilities	29,159,093	31,517,979
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SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued December 31, 1999, 6,437,491 shares;		
issued June 30, 1999, 6,491,840 shares	6,437,491	6,491,840
Retained earnings	77,160,263	73,718,238
Unrealized investment gain	781,113	955,638
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Total shareholders' equity	84,378,867	81,165,716
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TOTAL	\$113,537,960	\$112,683,695
	=====	=====

See accompanying Notes to Financial Statements.

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

STATEMENTS OF INCOME	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
	NET SALES	\$ 70,403,821	\$ 62,575,129	\$ 138,104,571
COST OF GOODS SOLD	54,826,359	48,435,226	107,497,588	95,338,293
GROSS MARGIN	15,577,462	14,139,903	30,606,983	27,290,217
SELLING, GENERAL AND ADMINISTRATIVE	11,968,905	10,890,191	23,305,675	21,430,161
OPERATING INCOME	3,608,557	3,249,712	7,301,308	5,860,056
OTHER:				
Interest and other income	1,960,325	301,818	2,105,978	576,506
Interest and other expense	109,403	79,782	193,117	159,911
Total	1,850,922	222,036	1,912,861	416,595
INCOME BEFORE INCOME TAXES	5,459,479	3,471,748	9,214,169	6,276,651
PROVISION FOR INCOME TAXES	1,870,000	1,275,000	3,260,000	2,285,000
NET INCOME	\$ 3,589,479	\$ 2,196,748	\$ 5,954,169	\$ 3,991,651
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	6,480,183	6,841,514	6,510,574	6,831,929
DILUTED	6,586,083	6,915,103	6,619,708	6,899,896
EARNINGS PER SHARE OF COMMON STOCK:				
BASIC	\$ 0.55	\$ 0.32	\$ 0.91	\$ 0.58
DILUTED	\$ 0.54	\$ 0.32	\$ 0.90	\$ 0.58

STATEMENTS OF COMPREHENSIVE INCOME	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
	NET INCOME	\$ 3,589,479	\$ 2,196,748	\$ 5,954,169
OTHER COMPREHENSIVE INCOME BEFORE TAX:				
Unrealized gains (losses) on securities arising during period	66,350	363,556	(299,150)	237,119
Less: reclassification adjustment for losses included in net income	22,500	4,844	22,500	4,844
Other comprehensive income, before tax	88,850	368,400	(276,650)	241,963
INCOME TAX (EXPENSE) BENEFIT:				
Income tax (expense) benefit related to securities losses or gains arising during period	(24,785)	(130,880)	110,450	(85,363)
Income tax expense related to securities reclassification adjustment	(8,325)	(1,744)	(8,325)	(1,744)
Income tax (expense) benefit related to other comprehensive income	(33,110)	(132,624)	102,125	(87,107)
OTHER COMPREHENSIVE INCOME, NET OF TAX	55,740	235,776	(174,525)	154,856
COMPREHENSIVE INCOME	\$ 3,645,219	\$ 2,432,524	\$ 5,779,644	\$ 4,146,507

See accompanying Notes to Financial Statements.

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

	Six Months Ended December 31,	
	1999	1998
OPERATING ACTIVITIES:		
Net Income	\$ 5,954,169	\$ 3,991,651
Adjustments to reconcile net income to net cash provided by operating activities	(1,814,812)	2,185,104
Net cash provided by operating activities	4,139,357	6,176,755
INVESTING ACTIVITIES:		
Purchases of investments	(5,752)	(2,297,528)
Proceeds from sales of investments	1,101,360	1,954,458
Proceeds from sales of capital assets	1,567,006	36,328
Capital expenditures	(3,952,018)	(4,080,043)
Net cash used in investing activities	(1,289,404)	(4,386,785)
FINANCING ACTIVITIES:		
Payment of dividends	(1,687,884)	(1,639,087)
Proceeds from issuance of common stock	83,611	139,196
Repurchase of common stock	(1,557,438)	(199,625)
Net cash used in financing activities	(3,161,711)	(1,699,516)
Increase (decrease) in cash and cash equivalents	(311,758)	90,454
Cash and cash equivalents at beginning of year	4,886,038	5,464,261
Cash and cash equivalents at end of period	\$ 4,574,280	\$ 5,554,715
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 31,000	\$ 37,000
Income taxes	\$ 2,917,000	\$ 2,723,000

See accompanying Notes to Financial Statements.

FLEXSTEEL INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. These financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the three month period ended December 31, 1999 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2000.

2. The inventories are categorized as follows:

	December 31, 1999	June 30, 1999
	-----	-----
Raw materials	\$ 16,383,223	\$ 15,871,466
Work in process and finished parts	8,549,928	7,416,826
Finished goods	6,459,263	6,214,917
	-----	-----
Total	\$ 31,392,414	\$ 29,503,209
	=====	=====

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 diluted 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 Ending December 31,		Six Months Ending December 31,	
	-----	-----	-----	-----
	1999	1998	1999	1998
	-----	-----	-----	-----
Basic Earnings Per Share:				
Income available to common shareholders	\$ 3,589,479	\$ 2,196,748	5,954,169	\$ 3,991,651
Weighted average shares outstanding	6,480,183	6,841,514	6,510,574	6,831,929
	-----	-----	-----	-----
Earnings Per Share - Basic	0.55	0.32	0.91	0.58
	=====	=====	=====	=====
Diluted Earnings Per Share:				
Income available to common shareholders	\$ 3,589,479	\$ 2,196,748	\$ 5,954,169	\$ 3,991,651
Weighted average shares outstanding	6,480,183	6,841,514	6,510,574	6,831,929
Dilutive shares issuable in connection with stock option plans	536,037	504,445	504,422	461,220
Less shares purchasable with proceeds	(430,137)	(430,856)	(395,288)	(393,253)
	-----	-----	-----	-----
Total Shares	6,586,083	6,915,103	6,619,708	6,899,896
	-----	-----	=====	=====
Earnings Per Share - Diluted	\$ 0.54	\$ 0.32	\$ 0.90	\$ 0.58
	=====	=====	=====	=====

4. RECLASSIFICATIONS - certain prior year amounts have been reclassified to conform to the current period 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:

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the second quarter and six-month ended December 31, 1999 and 1998. Amounts presented are percentages of the Company's net sales.

	Second Quarter Ended December 31,		Six Month Ending December 31,	
	1999	1998	1999	1998
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	77.9%	77.4%	77.8%	77.7%
Gross margin	22.1%	22.6%	22.2%	22.3%
Selling, general & administrative expense	17.0%	17.4%	16.9%	17.5%
Operating income	5.1%	5.2%	5.3%	4.8%
Other income, net	2.7%	0.4%	1.4%	0.4%
Income before income taxes	7.8%	5.6%	6.7%	5.2%
Income tax expense	2.7%	2.0%	2.4%	1.9%
Net income	5.1%	3.6%	4.3%	3.3%

RESULTS OF OPERATIONS FOR THE QUARTER - Net sales for the quarter ended December 31, 1999 increased by \$7,829,000 or 12.5% compared to the prior year quarter. Residential seating sales volume increased \$7,084,000 or 19.2%. Recreational vehicle seating sales increased \$2,748,000 or 14.4%. Commercial seating volume decreased \$2,003,000 or 30.6%.

Gross margin increased \$1,437,559 to \$15,577,462 of sales in the current year from \$14,139,903 reflecting higher sales volume.

Selling, general and administrative expenses as a percentage of sales were 17.0% and 17.4% for the current year and prior year, respectively. The cost percentage decrease was due to improved absorption of fixed costs.

The current year quarter ended December 31, 1999 includes a net gain of \$790,000, or \$0.12 per share, on the sale of land and \$405,000, or \$0.06 per share, from the proceeds of life insurance.

The above factors resulted in current fiscal quarter earnings of \$3,589,479 or \$0.54 per share (diluted) compared to \$2,196,748 or \$0.32 per share (diluted) in the prior year quarter, a net increase of \$1,392,731 or \$0.22 per share. Excluding the sale of land and life insurance proceeds, net earnings for the quarter ended December 31, 1999, improved \$0.04 per share over the prior year quarter.

RESULTS OF OPERATIONS FOR THE LAST SIX MONTHS - Net sales for the six-months ended December 31, 1999 increased by \$15,476,000 or 12.6% compared to the prior year six-month period. Residential seating sales volume increased \$10,615,000 or 14.7%. Recreational vehicle seating sales increased \$7,299,000 or 18.8%. Commercial seating volume decreased \$2,438,000 or 20.9%.

Gross margin increased \$3,316,766 to \$30,606,983 of sales in the current year from \$27,290,217 reflecting higher sales volume.

Selling, general and administrative expenses as a percentage of sales were 16.9% and 17.5% for the current year and prior year, respectively. The cost percentage decrease was due to improved absorption of fixed costs.

The current six-months ended December 31, 1999 includes a net gain of \$790,000, or \$0.12 per share, on the sale of land and \$405,000, or \$0.06 per share, from the proceeds of life insurance.

The above factors resulted in current fiscal year earnings of \$5,954,169 or \$0.90 per share (diluted) compared to \$3,991,651 or \$0.58 per share (diluted) in the prior year, a net increase of \$1,962,518 or \$0.32 per share. Excluding the land sale and life insurance proceeds reported in the current year, net earnings for the six-months ended December 31, 1999 improved \$0.14 per share or 19% over the prior six-month period.

Liquidity and Capital Resources:

Working capital at December 31, 1999 is \$53,717,000 which includes cash, cash equivalents and investments of \$12,271,000. Working capital increased by \$3,507,000 from the June 30, 1999 amount. Net cash provided by operating activities was \$4,139,000 during the first six months of fiscal year 2000 versus \$6,177,000 in the first six months of fiscal year 1999.

Capital expenditures were \$3,952,000 during the first six months of fiscal 2000 and \$4,080,000 in fiscal 1999. The current year expenditures were incurred primarily for manufacturing and delivery equipment and the expansion of our Riverside, California facility. During the next six months approximately \$2,750,000 will be spent on manufacturing equipment, leasehold improvements and the completion of the expansion project in California. The Company has leased a 90,000 square foot residential furniture production facility in Harrison, Arkansas and a 30,000 square foot vehicle seating production facility in Dunkirk, Indiana. Both of these facilities are scheduled to begin production during the quarter ending March 31, 2000. Approximately \$1,000,000 of projected capital expenditures relate to these facilities.

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. Under this authorization, 478,600 shares of common stock have been repurchased to date.

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 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders on December 9, 1999, Proposals one, two, and three set forth in the Board of Directors' definitive Proxy Statement dated October 27, 1999, were approved and adopted by the stockholders. Proposals one, two, and three, respectively, received votes as follows:

Proposal 1 (Election of Directors): K. Bruce Lauritsen: For 5,946,533, Withheld 46,989, Abstentions and Broker Non-votes 522,289. Thomas E. Holloran: For 5,946,283, Withheld 47,239, Abstentions and Broker Non-votes 522,289. L. Bruce Boylen: For 5,945,433, Withheld 48,089, Abstentions and Broker Non-votes 522,289. John R. Easter: For 5,945,557, Withheld 47,965, Abstentions and Broker Non-votes 522,289. The names of each Director whose term of office as a Director continued after the meeting are as follows: Edward J. Monaghan, James R. Richardson, Jeffrey T. Bertsch, Patrick M. Crahan, Marvin M. Stern and Lynn J. Davis.

Proposal 2 (Approve 1999 Stock Option Plan): For: 5,229,301, Against: 156,189, and Abstain: 608,032.

Proposal 3 (Appointment of Deloitte & Touche, LLP as Independent Auditors): For: 5,966,090, Against: 7,051, and Abstain: 20,381.

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 there unto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: February 11, 2000

By: /S/ R.J. Klosterman

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

3-MOS
JUN-30-2000
DEC-31-1999
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