

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D. C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 1997

Commission File No. 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 No

Common Stock - \$1.00 Par Value
 Shares Outstanding as of September 30, 1997 6,958,363

FLEXSTEEL INDUSTRIES, INC.
 BALANCE SHEETS (UNAUDITED)

	SEPTEMBER 30, 1997 -----	JUNE 30, 1997 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 4,776,116	\$ 4,445,327
Investments.....	5,164,859	5,041,154
Trade receivables - less allowance for doubtful accounts: September 30, 1997, \$2,309,000; June 30, 1997, \$2,799,000.....	28,728,393	25,348,941
Inventories.....	25,396,685	26,985,554
Deferred income taxes.....	2,620,000	2,620,000
Other.....	413,983	806,117
	-----	-----
Total current assets.....	67,100,036	65,247,093
PROPERTY, PLANT, AND EQUIPMENT - at cost		
less accumulated depreciation:		
September 30, 1997, \$48,146,497;		
June 30, 1997, \$46,962,157.....	26,320,685	26,214,405
OTHER ASSETS.....	7,806,355	7,711,179
	-----	-----
TOTAL.....	\$101,227,076 =====	\$99,172,677 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade.....	\$ 5,122,796	\$ 3,845,362
Accrued liabilities:		
Payroll and related items.....	3,750,034	4,440,219
Insurance.....	5,894,694	6,057,093
Other accruals.....	5,168,760	4,237,556
Industrial revenue bonds payable.....	2,310,000	2,310,000
	-----	-----
Total current liabilities.....	22,246,284	20,890,230
	-----	-----
DEFERRED COMPENSATION.....	3,052,718	3,044,418
	-----	-----
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued September 30, 1997 6,958,363 shares; June 30, 1997, 6,927,310 shares.....	6,958,363	6,927,310
Additional paid-in capital.....	333,820	
Retained earnings.....	67,945,566	67,750,719
Unrealized investment gain.....	690,325	560,000
	-----	-----
Total shareholders' equity.....	75,928,074	75,238,029
	-----	-----
TOTAL.....	\$101,227,076	\$99,172,677
	=====	=====

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
 STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,	
	1997	1996
Net Sales	\$55,159,124	\$52,019,059
Operating Expenses:		
Cost of goods sold.....	43,867,490	40,644,601
Selling, general and administrative.....	9,836,791	9,345,479
Total.....	53,704,281	49,990,080
Operating Income.....	1,454,843	2,028,979
OTHER:		
Interest and other income.....	246,269	349,470
Interest and other expense.....	86,262	86,967
Total.....	160,007	262,503
INCOME BEFORE INCOME TAXES.....	1,614,850	2,291,482
PROVISION FOR INCOME TAXES.....	585,000	830,000
NET INCOME.....	\$ 1,029,850	\$ 1,461,482
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....	6,958,363	7,062,391
PER SHARE OF COMMON STOCK:		
EARNINGS.....	\$.15	\$.21
DIVIDENDS.....	\$.12	\$.12

See accompanying Notes.

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

	Three Months Ended September 30,	
	1997	1996
	-----	-----
OPERATING ACTIVITIES:		
Net Income.....	\$1,029,850	\$1,461,482
Adjustments to reconcile net income to net cash provided by operating activities.....	1,614,306	3,495,327
	-----	-----
Net cash provided by operating activities.....	2,644,156	4,956,809
	-----	-----
INVESTING ACTIVITIES:		
Purchases of investments.....	(340,186)	(1,669,198)
Proceeds from sales of investments.....	346,805	496,883
Proceeds from sales of capital assets.....	22,700	48,100
Capital expenditures.....	(1,510,429)	(2,265,671)
	-----	-----
Net cash used in investing activities.....	(1,481,110)	(3,389,886)
	-----	-----
FINANCING ACTIVITIES:		
Payment of dividends.....	(832,257)	(842,341)
Proceeds from issuance of stock.....		48,740
Repurchase of common stock.....		(890,000)
	-----	-----
Net cash used in financing activities.....	(832,257)	(1,683,601)
	-----	-----
Increase (decrease) in cash and cash equivalents.....	330,789	(116,678)
Cash and cash equivalents at beginning of year....	4,445,327	3,867,742
	-----	-----
Cash and cash equivalents at end of period.....	\$4,776,116	\$3,751,064
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest.....	\$ 24,000	\$ 27,000
Income taxes.....	\$ 344,000	\$ 30,000
Noncash financing activities		
Common stock issued for management incentive plan (31,053 shares).....	\$ 364,873	

See accompanying Notes.

NOTES (UNAUDITED)

1. The accompanying financial statements, which are unaudited, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, which is consistent with that followed in the financial statements for the year ended June 30, 1997. The statements include all adjustments (comprising only normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the financial position and results of operations and cash flows, prepared on a summary basis, as of such dates and for the stated dates then ended. The results of operations for the three-month period ended September 30, 1997 are not necessarily indicative of the results which may be expected for the year ending June 30, 1998.
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:

	September 30, 1997	June 30, 1997
	-----	-----
Raw materials.....	\$11,830,448	\$13,529,232
Work in process and finished parts.....	7,248,024	7,689,051
Finished goods.....	6,318,213	5,767,271
	-----	-----
Total.....	\$25,396,685	\$26,985,554
	=====	=====

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONDENSED STATEMENT OF EARNINGS

Financial Condition - The Company's cash, cash equivalents, and temporary investments increased by \$454,000 since June 30, 1997. Accounts receivable increased by \$3,379,000 and inventories decreased by \$1,589,000. Capital expenditures were \$1,510,000 for building improvements, manufacturing and delivery equipment. Working capital increased by \$497,000 for the quarter. In the next nine months approximately \$1,200,000 will be spent for manufacturing and related equipment.

Economic Conditions - The Company anticipates that demand for its seating products will continue at current moderate levels for the remainder of the fiscal year, assuming there are no significant changes on the national level in regards to interest rates or consumer spending. Management continues to focus on product design for targeted markets and internal improvements in the areas of cost savings identification and implementation, and manufacturing process efficiencies.

Results of Operations for the Quarter - Sales increased by approximately \$3,140,000, compared to the prior year quarter. Recreational Vehicle Seating volume increased \$3,751,000 related to the Dygert Seating Division acquired during the third quarter of the prior year. Home Furnishings and Commercial Seating volume decreased \$492,000 and \$119,000, respectively, in comparison to the prior year. Cost of goods sold increased \$2,453,000 due to increased volume and approximately \$770,000 in increases related to lower margins and under absorbed fixed costs. Selling, general, and administrative costs increased \$491,000 due to the volume increase. Interest and other income decreased \$103,000 primarily due to lower average levels of cash available for investment. The aforementioned changes resulted in a decrease in net income after taxes of \$432,000, or \$.06 per share, compared to the quarter ended September 30, 1996.

Cautionary Statement Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions 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 long-term goals 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 5 - Other Information

On October 4, 1997, Mr. F. H. Bertsch passed away. At June 30, 1997, the Company held life insurance policies with a face value of approximately \$1,600,000 and cash value of approximately \$900,000. The Company expects to record other income of approximately \$700,000 or \$0.10 per share in the second quarter ending December 31, 1997 related to these policies.

Mr. Bertsch served as Chairman of the Executive Committee of the Board of Directors. He was a Board member since 1948. He formerly held the positions of Chairman of the Board of Directors, Chief Executive Officer, and President.

Item 6 - Exhibits and Reports on Form 8-K

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

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: October 29, 1997

By: /s/ R. J. Klosterman

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

3-MOS
 JUN-30-1998
 SEP-30-1997
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