

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 March 31, 1998 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 No .

Common Stock - \$1.00 Par Value
Shares Outstanding as of March 31, 1998 6,964,035

FLEXSTEEL INDUSTRIES, INC.
BALANCE SHEETS (UNAUDITED)

	March 31, 1998	June 30, 1997
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,934,552	\$ 4,445,327
Investments	9,495,915	5,041,154
Trade receivables - less allowance for doubtful accounts:		
March 31, 1998, \$2,174,281;		
June 30, 1997, \$2,799,000	31,081,379	25,348,941
Inventories	26,664,677	26,985,554
Deferred income taxes	2,620,000	2,620,000
Other	392,053	806,117
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Total current assets	74,188,576	65,247,093

PROPERTY, PLANT, AND EQUIPMENT
at cost less accumulated depreciation:
March 31, 1998, \$50,350,448;

June 30, 1997, \$46,962,157	24,153,614	26,214,405
OTHER ASSETS	7,384,447	7,711,179
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TOTAL	\$105,726,637	\$ 99,172,677
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	\$ 5,586,858	\$ 3,845,362
Accrued liabilities		
Payroll and related items	5,522,086	4,440,219
Insurance	5,228,664	6,057,093
Other accruals	5,245,868	4,237,556
Industrial revenue bonds payable	2,275,000	2,310,000
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Total current liabilities	23,858,476	20,890,230
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DEFERRED COMPENSATION	3,044,918	3,044,418
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SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued March 31,1998, 6,964,035 shares; issued June 30, 1997, 6,927,310 shares	6,964,035	6,927,310
Additional paid-in capital	395,602	
Retained earnings	70,481,385	67,750,719
Unrealized investment gain	982,221	560,000
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Total shareholders' equity	78,823,243	75,238,029
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TOTAL	\$105,726,637	\$ 99,172,677
	=====	=====

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1998	1997	1998	1997
Net Sales	\$ 62,089,586	\$ 56,803,035	\$173,508,959	\$159,373,662
Operating Expenses:				
Cost of goods sold	48,316,681	45,000,753	136,497,076	125,422,072
Selling, general and administrative expenses	10,676,560	9,919,637	30,577,483	28,420,721
Total	58,993,241	54,920,390	167,074,559	153,842,793
Operating Income	3,096,345	1,882,645	6,434,400	5,530,869
Interest and Other:				
Income	294,107	822,887	1,634,516	1,526,400
Expense	84,382	84,349	257,941	256,211
Net	209,725	738,538	1,376,575	1,270,189
Income Before Income Taxes	3,306,070	2,621,183	7,810,975	6,801,058
Provision for Income Taxes	1,200,000	935,000	2,575,000	2,450,000
Net Income	\$ 2,106,070	\$ 1,686,183	\$ 5,235,975	\$ 4,351,058
Average Number of Common Shares Outstanding:				
Basic	6,958,932	6,979,450	6,957,823	7,021,492
Assuming Dilution	7,035,406	7,033,382	7,024,040	7,068,371
Per Share of Common Stock:				
Net Earnings - Basic	\$.30	\$.24	\$.75	\$.62
Net Earnings - Assuming Dilution	\$.30	\$.24	\$.75	\$.62
Dividends	\$.12	\$.12	\$.36	\$.36

See accompanying Notes.

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

	Nine Months Ended March 31,	
	1998	1997
OPERATING ACTIVITIES:		
Net Income	\$ 5,235,975	\$ 4,351,058
Adjustments to reconcile net income to net cash provided by operating activities	2,398,176	4,780,338
Net cash provided by operating activities	7,634,151	9,131,396
INVESTING ACTIVITIES:		
Payment for purchase of business assets .		(6,973,951)
Purchases of investments	(4,888,695)	(974,935)
Proceeds from sales of investments	856,155	5,250,212
Proceeds from sales of capital assets ...	178,137	81,250
Capital expenditures	(2,184,032)	(3,223,057)
Net cash used in investing activities	(6,038,435)	(5,840,481)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(35,000)	(35,000)
Payment of dividends	(2,503,818)	(2,520,126)
Proceeds from issuance of common stock ..	470,577	119,099
Repurchase of common stock	(38,250)	(1,732,500)
Net cash used in financing activities	(2,106,491)	(4,168,527)
Decrease in cash and cash equivalents	(510,775)	(877,612)
Cash and cash equivalents at beginning of year .	4,445,327	3,867,742
Cash and cash equivalents at end of period	\$ 3,934,552	\$ 2,990,130
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 70,000	\$ 78,000
Income taxes	\$ 3,185,000	\$ 2,500,000
Noncash financing activities		
Common stock issued for management incentive plan (40,208 and 12,391 shares respectively) ...	\$ 470,577	\$ 119,099

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 nine month period ended March 31, 1998 are not necessarily indicative of the results which may be expected for the year ending June 30, 1998.

2. The inventories are categorized as follows:

	March 31, 1998	June 30, 1997
	-----	-----
Raw materials	\$ 13,099,674	\$ 13,529,232
Work in process and finished parts	7,084,770	7,689,051
Finished goods	6,480,233	5,767,271
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Total	\$ 26,664,677	\$ 26,985,554
	=====	=====

3. Effective December 15, 1997, the Company adopted Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE (SFAS No.128). Earnings per share amounts presented for the period ended March 31, 1997 have been restated for the adoption of SFAS No. 128. The following table reflects the calculation of basic and diluted earnings per share for the period ended March 31, 1998 and 1997.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1998	1997	1998	1997
	-----	-----	-----	-----
Net Income	\$2,106,070	\$1,686,183	\$5,235,975	\$4,351,058
	=====	=====	=====	=====
Weighted average shares outstanding	6,958,932	6,979,450	6,957,823	7,021,492
Assumed conversion of options .	76,474	53,932	66,217	46,879
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Weighted average shares outstanding and contingently issuable	7,035,406	7,033,382	7,024,040	7,068,371
	=====	=====	=====	=====
Earnings per share - basic	\$.30	\$.24	\$.75	\$.62
	=====	=====	=====	=====
Earnings per share - assuming dilution	\$.30	\$.24	\$.75	\$.62
	=====	=====	=====	=====

FLEXSTEEL INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENTS OF INCOME

FINANCIAL CONDITION - The Company's cash, cash equivalents, and temporary investments increased by \$3,944,000 since June 30, 1997. Accounts receivable increased by \$5,732,000 due to increased shipments in the current quarter. Inventories decreased by \$321,000. Capital expenditures were \$2,184,000 for building improvements, manufacturing and delivery equipment. Working capital increased by \$5,973,000 for the nine month period. In the next three months approximately \$400,000 will be spent for manufacturing related equipment.

ECONOMIC CONDITIONS - The Company anticipates that demand for its seating products will continue at current levels for the remainder of the fiscal year. Management continues to focus on product design for targeted markets to enhance sales growth and internal improvements in productivity levels and efficiencies to improve operating profit margins. Based on current backlogs and favorable economic conditions, including low interest rates, the Company expects operating profits to continue at or near current levels for the remainder of the fiscal year.

RESULTS OF OPERATIONS FOR THE QUARTER - Sales increased by approximately \$5,287,000 (9.3%), compared to the prior year quarter. Vehicle Seating volume increased \$3,801,000 (24.2%), with approximately \$1,996,000 related to Dygert Seating, acquired during the third quarter of the prior year, and \$1,805,000 in other Vehicle Seating products. Residential Seating and Commercial Seating volume increased \$1,004,000 (2.8%) and \$482,000 (9.4%), respectively, in comparison to the prior year quarter. Cost of goods sold increased \$3,316,000. With record sales recorded for the quarter, volume related increases were offset by approximately \$850,000 in operating efficiencies and fixed cost absorption. Selling, general, and administrative expenses increased \$757,000 due to the volume increase. Earnings for the prior year quarter ended March 31, 1997 included net income after tax of approximately \$350,000 or \$.05 per basic share from the sale of the idle Sweetwater, Tennessee production facility. Net income for the current quarter was \$2,106,000 or \$.30 per basic share compared to \$1,336,000 or \$.19 per basic share, when adjusted for the after tax effect of the aforementioned facility sale, for the quarter ended March 31, 1997.

RESULTS OF OPERATIONS FOR THE LAST NINE MONTHS - Sales increased by approximately \$14,135,000 (8.9%), compared to the nine month period ended March 31, 1997. Sales of Vehicle Seating products increased \$11,830,000 (27.4%), with approximately \$8,686,000 attributable to the Dygert Seating acquisition during the third quarter of the prior year, and the remaining \$3,144,000 attributable to increases in other Vehicle Seating markets. Residential Seating volume increased \$1,901,000 (1.9%) and Commercial Seating increased \$404,000 (2.6%) in comparison to the prior nine month period. Cost of goods sold increased \$11,075,000 and selling, general, and administrative expenses increased \$2,157,000, both due to the volume increase. Earnings for the current nine month period include nontaxable other income of \$720,000 or \$.10 per basic share resulting from life insurance proceeds following the death of board member and former senior officer, Mr. Frank H. Bertsch. The nine month year-to-date net income, when adjusted for life insurance proceeds, was \$4,516,000 or \$.65 per basic share, significantly more than income, when adjusted for sale of idle facility, of \$4,001,000 or \$.57 per basic share recorded for the nine month period ended March 31, 1997.

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 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 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: April 22, 1998

By: /s/ R. J. Klosterman

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

3-MOS
JUN-30-1998
MAR-31-1998
3,934,552
9,495,915
33,255,660
2,174,281
26,664,677
74,188,576
74,504,062
50,350,448
105,726,637
23,858,476
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6,964,035
71,859,208
105,726,637
62,089,586
62,383,693
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1,200,000
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2,106,070
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