

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, 1994 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 December 31, 1994 7,181,334

FLEXSTEEL INDUSTRIES, INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

	DECEMBER 31, 1994	JUNE 30, 1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 3,602,843	\$ 3,385,573
Temporary investments.....	8,539,505	9,718,350
Trade receivables - Less allowance for doubtful accounts: December 31, 1994, \$2,183,082; June 30, 1994, \$1,960,231.....	25,187,321	25,615,426
Inventories.....	29,285,891	26,585,397
Deferred income taxes.....	2,340,000	2,340,000
Other assets.....	800,800	913,301
Total current assets.....	69,756,360	68,558,047
PROPERTY, PLANT, AND EQUIPMENT - At cost less accumulated depreciation: December 31, 1994, \$41,892,457; June 30, 1994, \$40,204,983.....	22,277,631	18,829,053
OTHER ASSETS.....	6,113,654	7,701,079
TOTAL.....	\$98,147,645	\$95,088,179

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade.....	\$ 6,745,553	\$ 4,871,630
Dividends payable.....	861,760	858,601
Accrued liabilities.....	11,540,657	11,755,413

Current portion of long-term debt.....	3,285,000	3,285,000
Total current liabilities.....	22,432,970	20,770,644
LONG-TERM DEBT.....	105,000	105,000
DEFERRED COMPENSATION.....	2,938,529	2,923,729
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued December 31, 7,181,334 shares; June 30, 7,155,012 shares.....	7,181,334	7,155,012
Additional paid-in capital.....	1,266,781	1,015,940
Retained earnings.....	64,808,031	63,437,854
Unrealized investment (loss).....	(585,000)	(320,000)
Total.....	72,671,146	71,288,806
TOTAL.....	\$98,147,645	\$95,088,179

See accompanying Notes.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	1994	1993	1994	1993
Net Sales.....	\$52,351,017	\$46,583,025	\$103,162,756	\$90,942,955
Operating Expenses:				
Cost of goods sold.....	40,886,356	36,508,979	80,223,019	70,340,337
Selling, general and administrative expenses.....	9,251,692	8,153,927	18,403,852	16,590,757
Total.....	50,138,048	44,662,906	98,626,871	86,931,094
Operating Income.....	2,212,969	1,920,119	4,535,885	4,011,861
Interest and Other:				
Income.....	222,863	338,322	469,589	742,612
Expense.....	94,412	59,790	182,213	119,880
Net.....	128,451	278,532	287,376	622,732
Earnings Before Income Taxes.....	2,341,420	2,198,651	4,823,261	4,634,593
Provision for Income Taxes.....	845,000	790,000	1,730,000	1,665,000
Net Earnings.....	\$ 1,496,420	\$ 1,408,651	3,093,261	2,969,593
Average Number of Common Shares Outstanding.....	7,179,160	7,138,152	7,168,706	7,131,294
Per Share of Common Stock:				
Net Earnings.....	\$.21	\$.20	\$.43	\$.42
Dividends.....	\$.12	\$.12	\$.24	\$.24

See accompanying Notes.

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

	Six Months Ended December, 31,	
	1994	1993
OPERATING ACTIVITIES:		
Net Income.....	\$3,093,261	\$2,969,593
Adjustments to reconcile net income to net cash (used in) provided by operating activities.....	1,143,251	(3,510,078)
Net cash (used in) provided by operating activities.....	4,236,512	(540,485)
INVESTING ACTIVITIES:		
Purchases of temporary investments.....	(1,957,241)	(1,130,452)

Proceeds from sales of temporary investments...	3,136,086	4,946,406
Additions to property, plant and equipment....	(5,375,771)	(2,883,918)
Construction funds held in escrow.....	1,623,605	
Net cash provided by (used in) investing activities.....	(2,573,321)	932,036
FINANCING ACTIVITIES:		
Repayment of long-term debt.....		
Payment of dividends.....	(1,723,084)	(1,713,497)
Payments to reacquire stock.....	(720)	(1,028)
Proceeds from issuance of stock.....	277,883	209,573
Net cash used in financing activities.....	(1,445,921)	(1,423,952)
Increase (Decrease) in cash and cash equivalents.....	217,270	(1,032,401)
Cash and cash equivalents at beginning of year....	3,385,573	4,391,400
Cash and cash equivalents at end of period.....	\$3,602,843	\$3,358,999

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, 1994. 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, 1994 are not necessarily indicative of the results which may be expected for the year ending June 30, 1995.

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, 1994	June 30, 1994
Raw materials.....	\$16,240,030	\$16,369,701
Work in process and finished parts.	8,056,547	6,621,585
Finished goods.....	4,989,314	3,594,111
Total.....	\$29,285,891	\$26,585,397

4. Interest paid during the six month periods ended December 31, 1994 and 1993 was \$63,300 and \$5,000, respectively. Income taxes paid during the six month periods ended December 31, 1994 and 1993 were \$2,170,000 and \$3,106,000, respectively.

5. In September 1993, the Company established a nonqualified trust, referred to as a "Rabbi" trust, to fund deferred compensation benefits. This arrangement offers a degree of assurance for the payment of such benefits to certain officers of the Company. Trust assets are subject to the claims of creditors and are not the property of the participants. Assets held in the trust at December 31, 1994 totaled \$2,286,000 and are classified as "Other Assets" in the Company's financial statements. The trust's earnings are recorded as an additional liability to fund the benefits and are considered to be interest expense to the Company.

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 decreased by \$962,000. Accounts receivable decreased by \$428,000 while inventories increased by \$2,700,000. Capital expenditures were \$5,375,000 for plant additions, manufacturing and delivery equipment. Working capital decreased \$464,000 for the six month period. In the next six months approximately \$4,000,000 will be spent for manufacturing facility improvements, manufacturing and delivery equipment and completion of the Starkville, MS plant expansion.

Economic Conditions - The Company anticipates that demand for its seating products will continue with moderate growth throughout fiscal 1995 despite concerns about the impact of higher interest rates on consumer spending. The Company's investment in computerized manufacturing equipment, plant expansions, and new associate training will enhance production efficiencies, help offset cost increases for raw materials and assist in maintaining margins in the highly competitive market place. The Company anticipates that the projected increased sales volume, selective moderate price increases, production efficiency improvements and absorption of fixed costs will result in increased profitability compared to the prior fiscal year.

Results of Operations for the Quarter - Sales increased by approximately \$5,768,000, compared to the prior year quarter. The increase in sales volume was \$3,156,000 in Home Furnishings, \$1,755,000 in Recreational Vehicle products, and \$857,000 in Commercial Seating. Cost of goods sold increased by approximately \$4,377,000 and selling, general, and administrative expenses increased by \$1,098,000 due to the increase in volume. Interest income decreased by \$115,000 due to lower levels of investment and decreased rate of return. The aforementioned changes resulted in an increase in net income after taxes of \$88,000, or \$.01 per share, compared to the quarter ended December 31, 1993.

Results of Operations for the Last Six Months - The Company's sales increased by \$12,220,000. Home Furnishings sales increased approximately \$5,500,000, Vehicle Seating sales increased approximately \$5,206,000, and Commercial Seating sales increased approximately \$1,514,000. Cost of goods sold increased by \$9,883,000 reflecting the volume increase, and approximately \$450,000 of additional costs due to continued erosion of margins and new associate training costs in the first quarter of the year. Selling, general, and administrative expenses increased \$1,813,000 with a relatively small portion of the volume increase being offset by fixed cost control. Interest income decreased by \$273,000 due to lower levels of investment and decreased rate of return, while interest expense increased by \$62,000 due to financing the Starkville, MS expansion, resulting in a decrease in net income after a tax of \$.03 per share. The aforementioned changes resulted in an increase in net income after taxes of \$124,000, or \$.01 per share, compared to the six month period ended December 31, 1993.

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 13, 1995

By: /s/ M. O. BECKER
M. O. Becker,
Financial Vice President

3-MOS
JUN-30-1995
DEC-31-1994
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