

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, 1996

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 X. No ____.

Common Stock - \$1.00 Par Value
 Shares Outstanding as of September 30, 1996 7,019,507

FLEXSTEEL INDUSTRIES, INC.
 CONDENSED BALANCE SHEETS (UNAUDITED)

	SEPTEMBER 30, 1996	JUNE 30, 1996
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 3,751,064	\$ 3,867,742
Temporary investments at fair value based on quoted market price.....	10,161,018	8,940,603
Trade receivables - Less allowance for doubtful accounts: September 30, 1996, \$2,229,172; June 30, 1996, \$2,152,810.....	26,560,972	24,464,171
Inventories.....	25,340,868	26,082,857
Deferred income taxes.....	2,010,000	2,010,000
Other assets.....	442,385	732,054
	-----	-----
Total current assets.....	68,266,307	66,097,427
PROPERTY, PLANT, AND EQUIPMENT - At cost less accumulated depreciation: September 30, 1996, \$44,968,877; June 30, 1996, \$44,211,432.....	24,087,865	23,046,224
OTHER ASSETS.....	6,755,857	6,730,513
	-----	-----

TOTAL.....	\$99,110,029	\$95,874,164
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade.....	\$ 4,884,075	\$ 3,574,232
Dividends payable.....	842,341	850,274
Accrued liabilities.....	13,765,984	11,662,410
Industrial revenue bonds payable.....	2,635,000	2,635,000
	-----	-----
Total current liabilities.....	22,127,400	18,721,916
	-----	-----
LONG-TERM DEBT.....	35,000	35,000
	-----	-----
DEFERRED COMPENSATION.....	2,974,247	2,969,847
	-----	-----
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued September 30, 7,019,507 shares; June 30, 7,095,044 shares.....	7,019,507	7,095,044
Additional paid-in capital.....		556,632
Retained earnings.....	66,676,375	66,266,325
Unrealized investment gain.....	277,500	229,400
	-----	-----
Total.....	73,973,382	74,147,401
	-----	-----
TOTAL.....	\$99,110,029	\$95,874,164
	=====	=====

See accompanying Notes.

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

	Three Months Ended	
	September 30,	
	1996	1995
	-----	-----
Net Sales.....	\$52,019,059	\$49,226,728
	-----	-----
Operating Expenses:		
Cost of goods sold.....	40,644,601	39,369,427
Selling, general and administrative expenses.....	9,297,379	9,342,266
	-----	-----
Total.....	49,941,980	48,711,693
	-----	-----
Operating Income.....	2,077,079	515,035
	-----	-----
Interest and Other:		
Income.....	301,370	243,619
Expense.....	86,967	90,558
	-----	-----
Net.....	214,403	153,061
	-----	-----
Earnings Before Income Taxes.....	2,291,482	668,096
Provision for Income Taxes.....	830,000	240,000
	-----	-----
Net Earnings.....	\$ 1,461,482	\$ 428,096
	=====	=====
Average Number of Common Shares Outstanding.....	7,062,391	7,204,873
	=====	=====
Per Share of Common Stock:		
Net Earnings.....	\$.21	\$.06
Dividends.....	\$.12	\$.12

See accompanying Notes.

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

	Three Months Ended September 30,	
	1996	1995
	-----	-----
OPERATING ACTIVITIES:		
Net Income	\$ 1,461,482	\$ 428,096
Adjustments to reconcile net income to net cash provided by operating activities	3,543,427	1,396,679
	-----	-----
Net cash provided by operating activities	5,004,909	1,824,775
	-----	-----
INVESTING ACTIVITIES:		
Purchases of temporary investments	(1,669,198)	(2,778,425)
Proceeds from sales of temporary investments ..	496,883	492,493
Additions to property, plant and equipment	(2,265,671)	(874,526)
	-----	-----
Net cash (used in) investing activities	(3,437,986)	(3,160,458)
	-----	-----
FINANCING ACTIVITIES:		
Payment of dividends	(842,341)	(865,290)
Proceeds from issuance of stock (4,463 shares)	48,740	199,570
Repurchase of common stock (80,000 shares)	(890,000)	
	-----	-----
Net cash (used in) financing activities	(1,683,601)	(665,720)
	-----	-----
Increase (decrease) in cash and cash equivalents	(116,678)	(2,001,403)
Cash and cash equivalents at beginning of year ...	3,867,742	5,768,537
	-----	-----
Cash and cash equivalents at end of period	\$ 3,751,064	\$ 3,767,134
	=====	=====

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, 1996. 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, 1996 are not necessarily indicative of the results which may be expected for the year ending June 30, 1997.

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, 1996	June 30, 1995
	----	----
Raw materials.....	\$12,274,712	\$12,936,114
Work in process and finished parts.	7,341,190	7,594,621
Finished goods.....	5,724,966	5,552,122
	-----	-----
Total.....	\$25,340,868	\$26,082,857
	=====	=====

4. Interest paid during the three-month periods ended September 30, 1996

and 1995 was \$27,000 and \$33,000, respectively. Income taxes paid during the three-month periods ended September 30, 1996 and 1995 were \$30,000 and \$72,000, respectively.

5. During the quarter ending September 30, 1995, the Company recorded charges associated with the closing of its manufacturing facility in Sweetwater, TN, and production consolidation of Charisma Chairs in Starkville, MS. The charges recorded and estimated to be incurred are \$470,000, and are included in cost of goods sold for the quarter ended September 30, 1995. The net, after tax, charge to earnings is \$300,000, or \$.04 per share.

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 increased by \$1,104,000. Accounts receivable increased by \$2,097,000 and inventories decreased by \$742,000. Capital expenditures were \$2,266,000 for manufacturing and delivery equipment. Working capital decreased by \$1,237,000 for the quarter. In the next nine months approximately \$2,250,000 will be spent for manufacturing and delivery equipment.

Economic Conditions - The Company anticipates that demand for its seating products will continue at current 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 line simplification as a means to improve quality, service, and delivery times. Operating profits should improve as a result of product line refinements and productivity improvements.

Results of Operations for the Quarter - Sales increased by approximately \$2,792,000, compared to the prior year quarter. Commercial Seating volume increased \$1,207,000, Recreational Vehicle product increased \$1,023,000, and Home Furnishings increased \$562,000. Cost of goods sold increased \$1,275,000. Volume related cost increases were partially offset by approximately \$500,000 in production related efficiency improvements and fixed cost absorption when compared to the prior year quarter. In addition, prior year numbers included costs of \$470,000, or \$.04 per share after tax, associated with closing the Sweetwater, TN. production facility. Selling, general, and administrative costs decreased by \$45,000, as the Company was able to absorb approximately \$550,000 of volume related increases through fixed cost control and lower bad debt provision. The aforementioned changes resulted in an increase in net income after taxes of \$1,033,000, or \$.15 per share, compared to the quarter ended September 30, 1995.

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: October 25 1996

By: /s/ R. J. Klosterman

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

3-MOS
 JUN-30-1997
 SEP-30-1996
 3,751,064
 10,161,018
 28,790,144
 2,229,172
 25,340,868
 68,266,307
 69,056,742
 44,968,877
 99,110,029
 22,127,400
 35,000
 0
 0
 7,019,507
 66,953,875
 99,110,029
 52,019,059
 52,320,429
 40,644,601
 49,941,980
 9,297,379
 0
 86,967
 2,291,482
 830,000
 1,461,482
 0
 0
 0
 1,461,482
 0.21
 0