

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, 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 No .

Common Stock - \$1.00 Par Value
Shares Outstanding as of March 31, 1996 7,118,027

FLEXSTEEL INDUSTRIES, INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

	MARCH 31, 1996	JUNE 30, 1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 4,672,428	\$ 5,768,537
Temporary investments	9,925,401	8,268,615
Trade receivables - Less allowance for doubtful accounts: March 31, 1996, \$2,013,500; June 30, 1995, \$2,160,211	27,304,959	22,905,047
Inventories	25,491,030	25,921,674
Deferred income tax	2,000,000	2,000,000
Other assets	915,721	844,557
Total current assets	70,309,539	65,708,430
PROPERTY, PLANT, AND EQUIPMENT - At cost less accumulated depreciation: March 31, 1996, \$43,556,774; June 30, 1995, \$41,623,972	22,423,457	24,376,052
OTHER ASSETS	6,513,363	6,186,144
TOTAL.....	\$99,246,359	\$96,270,626

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade.....	\$ 6,565,852	\$ 4,756,991
Dividends payable	854,163	863,175
Accrued liabilities	12,589,728	10,856,550

Current portion of long-term debt	2,960,000	2,960,000
Total current liabilities	22,969,743	19,436,716
LONG-TERM DEBT	35,000	70,000
DEFERRED COMPENSATION	2,920,129	2,940,329
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized		
15,000,000 shares; issued March 31, 1996,		
7,118,027 shares; June 30, 1995,		
7,193,124 shares	7,118,027	7,193,124
Additional paid-in capital	763,560	1,386,754
Retained earnings	65,191,500	65,199,703
Unrealized investment (loss)	248,400	44,000
Total	73,321,487	73,823,581
TOTAL.....	\$99,246,359	\$96,270,626

See accompanying Notes.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1996	1995	1996	1995
Net Sales	\$ 53,213,023	\$ 56,782,512	\$150,616,934	\$159,945,268
Operating Expenses:				
Cost of goods sold	41,524,012	44,704,954	119,384,052	124,927,973
Selling, general and administrative expenses	9,613,268	9,430,329	27,704,974	27,834,181
Total	51,137,280	54,135,283	147,089,026	152,762,154
Operating Income	2,075,743	2,647,229	3,527,908	7,183,114
Interest and Other:				
Income	250,896	211,013	766,631	680,602
Expense	88,622	95,334	272,467	277,547
Net	162,274	115,679	494,164	403,055
Income Before Income Taxes	2,238,017	2,762,908	4,022,072	7,586,169
Provision for Income Taxes	805,000	995,000	1,445,000	2,725,000
Net Income	\$ 1,433,017	\$ 1,767,908	\$ 2,577,072	\$ 4,861,169
Average Number of Common Shares Outstanding	7,169,878	7,184,157	7,195,857	7,173,856
Per Share of Common Stock:				
Net Earnings	\$.20	\$.25	\$.36	\$.68
Dividends	\$.12	\$.12	\$.36	\$.36

See accompanying Notes.

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

	Nine Months Ended March 31,	
	1996	1995
OPERATING ACTIVITIES:		
Net Income	\$ 2,577,072	\$ 4,861,169
Adjustments to reconcile net income to net cash provided by operating activities	2,861,218	2,449,279
Net cash provided by operating activities	5,438,290	7,310,448
INVESTING ACTIVITIES:		

Construction funds held in escrow		1,958,276
Purchases of temporary investments	(4,367,910)	(2,144,546)
Proceeds from sales of temporary investments ..	2,711,124	3,964,145
Additions to property, plant and equipment	(1,559,047)	(8,157,306)
Net cash (used in) investing activities	(3,215,833)	(4,379,431)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(35,000)	(35,000)
Payment of dividends	(2,585,275)	(2,585,670)
Payments to reacquire stock	(977,853)	(720)
Proceeds from issuance of stock	279,562	346,807
Net cash used in financing activities	(3,318,566)	(2,274,583)
Increase (decrease) in cash and cash equivalents .	(1,096,109)	656,434
Cash and cash equivalents at beginning of year ...	5,768,537	3,385,573
Cash and cash equivalents at end of period	\$ 4,672,428	\$ 4,042,007

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 those principles followed in the financial statements for the year ended June 30, 1995. 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, 1996 are not necessarily indicative of the results which may be expected for the year ending June 30, 1996.

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:

	March 31, 1996	June 30, 1995
Raw materials.....	\$12,384,014	\$14,186,359
Work in process and finished parts.	7,509,203	7,546,079
Finished goods.....	5,597,813	4,189,236
Total.....	\$25,491,030	\$25,921,674

4. Interest paid during the nine month period ended March 31, 1996 and 1995 was \$96,000 and \$135,000, respectively. Income taxes paid during the nine month period ended March 31, 1996 and 1995 were \$1,061,000 and \$3,173,000, respectively.

5. During the quarter ended 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 nine months ended March 31, 1996. 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 \$561,000. Accounts receivable increased by \$4,400,000 while inventories decreased by \$431,000. Capital expenditures were \$1,560,000 for plant improvements, manufacturing, and delivery equipment. Working capital increased \$1,068,000 for the nine month period. In the next three months approximately \$1,400,000 will be spent for manufacturing facility improvements, manufacturing, and delivery equipment. The Company has repurchased 100,040 shares of its common stock for \$977,795 as authorized by the Board of Directors and announced through a release dated February 1, 1996.

Economic Conditions - The Company anticipates that demand for its seating products will remain steady for the remainder of calendar year 1996, and at higher levels than 1995. With the introduction of the Flexsteel "Comfort

Seating" gallery program for independent retail dealers of home furnishings, new model year product introductions for Recreational Vehicle customers, and modernized Commercial Seating manufacturing facilities, the Company is well positioned and prepared to respond to opportunities in all business segments. Higher volume levels and the above strategies should allow the Company to maintain profit margins, improve production efficiencies, and absorb fixed costs resulting in improved profitability during the remainder of 1996.

Results of Operations for the Quarter - Sales decreased by approximately \$3,569,000 compared to the prior year quarter. Sales volume decreased by \$3,527,000 in Home Furnishings and \$1,168,000 in Recreational Vehicle products, while Commercial Seating increased by \$1,126,000. Cost of goods sold decreased by \$3,181,000, due to the volume decrease. Selling, general, and administrative expenses increased by \$183,000. Additional costs of approximately \$400,000 associated with Flexsteel Gallery program enhancements and increased bad debt provision, as well as general under absorption of fixed costs, offset volume related decreases in selling, general, and administrative costs. The aforementioned changes resulted in a decrease in net income after taxes of \$335,000, or \$.05 per share, compared to the quarter ended March 31, 1995.

Results of Operations for the Last Nine Months - Sales decreased by approximately \$9,328,000, compared to the nine month period ended March 31, 1995. Sales decreased by \$5,458,000 in Recreational Vehicle products and \$5,112,000 in Home Furnishings, while Commercial Seating increased by \$1,242,000. Cost of goods sold decreased by \$5,544,000. volume related decreases were offset by approximately \$470,000, or \$.04 per share after tax, associated with closing the Sweetwater, TN facility and approximately \$1,270,000 related to lower margins and under absorbed fixed costs. Selling, general, and administrative expenses decreased by \$129,000. Additional costs of approximately \$650,000 associated with enhancements to our Flexsteel Gallery program and an increase in bad debt provision, as well as the fixed nature of many of these costs, offset any volume related decreases in selling, general, and administrative costs. The aforementioned changes resulted in a decrease in net income after taxes of \$2,284,000, or \$.32 per share, compared to the nine month period ended March 31, 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: April 26, 1996

By: /s/ R. J. Klosterman
R. J. Klosterman
Financial Vice President
and
Principal Financial Officer

3-MOS

JUN-30-1996
MAR-31-1996
4,672,428
9,925,401
29,318,459
2,013,500
25,491,030
70,309,539
65,980,231
43,556,774
99,246,359
22,969,743
35,000
0
0
7,118,027
66,203,460
99,246,359
53,213,023
53,463,919
41,524,012
51,137,280
9,613,268
0
88,622
2,238,017
805,000
1,433,017
0
0
0
1,433,017
0.20
0