

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, 1997

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 December 31, 1997

6,955,174

FLEXSTEEL INDUSTRIES, INC.
 BALANCE SHEETS (UNAUDITED)

	DECEMBER 31, 1997	JUNE 30, 1997
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,395,976	\$ 4,445,327
Investments	7,900,556	5,041,154
Trade receivables - less allowance for doubtful accounts: December 31, 1997, \$2,312,000; June 30, 1997, \$2,799,000	23,908,273	25,348,941
Inventories	27,430,899	26,985,554
Deferred income taxes	2,620,000	2,620,000
Other	981,005	806,117
	-----	-----
Total current assets	67,236,709	65,247,093
PROPERTY, PLANT, AND EQUIPMENT - at cost less accumulated depreciation:		
December 31, 1997, \$49,218,373;		
June 30, 1997, \$46,962,157	25,144,702	26,214,405
OTHER ASSETS	6,884,412	7,711,179
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TOTAL	\$99,265,823	\$99,172,677

LIABILITIES AND SHAREHOLDERS' EQUITY

	=====	=====
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 3,345,303	\$ 3,845,362
Accrued liabilities		
Payroll and related items	2,980,669	4,440,219
Insurance	5,730,263	6,057,093
Other accruals	4,602,462	4,237,556
Industrial revenue bonds payable	2,310,000	2,310,000
	-----	-----
Total current liabilities	18,968,697	20,890,230
	-----	-----
DEFERRED COMPENSATION	3,061,918	3,044,418
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SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued December 31, 1997, 6,955,174 shares; June 30, 1997, 6,927,310 shares	6,955,174	6,927,310
Additional paid-in capital	298,759	
Retained earnings	69,211,000	67,750,719
Unrealized investment gain	770,275	560,000
	-----	-----
Total shareholders' equity	77,235,208	75,238,029
	-----	-----
TOTAL	\$99,265,823	\$99,172,677
	=====	=====

See accompanying Notes.

FLEXSTEEL INDUSTRIES, INC.
 STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	1997	1996	1997	1996
Net Sales	\$ 56,260,249	\$ 50,551,568	\$111,419,373	\$102,570,627
Operating Expenses:				
Cost of goods sold	44,312,905	39,776,718	88,180,395	80,421,319
Selling, general and administrative expenses	10,064,132	9,155,605	19,900,923	18,501,084
Total	54,377,037	48,932,323	108,081,318	98,922,403
Operating Income	1,883,212	1,619,245	3,338,055	3,648,224
Interest and Other:				
Income	1,094,140	354,043	1,340,409	703,513
Expense	87,297	84,895	173,559	171,862
Net	1,006,843	269,148	1,166,850	531,651
Earnings Before Income Taxes ...	2,890,055	1,888,393	4,504,905	4,179,875
Provision for Income Taxes	790,000	685,000	1,375,000	1,515,000
Net Earnings	\$ 2,100,055	\$ 1,203,393	\$ 3,129,905	\$ 2,664,875
Average Number of Common Shares Outstanding	6,956,174	7,022,636	6,957,269	7,042,514
Per Share of Common Stock:				
Net Earnings - Basic	\$.30	\$.17	\$.45	\$.38
Net Earnings - Assuming Dilution	\$.30	\$.17	\$.45	\$.38
Dividends	\$.12	\$.12	\$.24	\$.24

See accompanying Notes.

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

	Six Months Ended December, 31,	
	1997	1996
	-----	-----
OPERATING ACTIVITIES:		
Net Income	\$ 3,129,905	\$ 2,664,875
Adjustments to reconcile net income to net cash provided by operating activities	2,459,842	3,144,592
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Net cash provided by operating activities	5,589,747	5,809,467
	-----	-----
INVESTING ACTIVITIES:		
Purchases of investments	(3,495,933)	(947,634)
Proceeds from sales of investments	846,805	987,133
Proceeds from sales of capital assets	162,056	69,600
Capital expenditures	(1,810,420)	(3,159,307)
	-----	-----
Net cash used in investing activities	(4,297,492)	(3,050,208)
	-----	-----
FINANCING ACTIVITIES:		
Payment of dividends	(1,668,229)	(1,685,233)
Proceeds from issuance of stock	364,873	77,009
Repurchase of common stock	(38,250)	(890,000)
	-----	-----
Net cash used in financing activities	(1,341,606)	(2,498,224)
	-----	-----
Increase (decrease) in cash and cash equivalents	(49,351)	261,035
Cash and cash equivalents at beginning of year .	4,445,327	3,867,742
	-----	-----
Cash and cash equivalents at end of period	\$ 4,395,976	\$ 4,128,777
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 48,000	\$ 52,000
Income taxes	\$ 2,564,000	\$ 2,157,000
Noncash financing activities		
Common stock issued for management incentive plan (31,053 and 9,157 shares respectively) ..	\$ 364,873	\$ 77,009

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 six month period ended December 31, 1997 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:

	December 31, 1997 ----	June 30, 1997 ----
Raw materials.....	\$14,114,485	\$13,529,232
Work in process and finished parts.	7,442,960	7,689,051
Finished goods.....	5,873,454	5,767,271
	-----	-----
Total.....	\$27,430,899	\$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 December 31, 1996 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 periods ended December 31, 1997 and 1996.

	3 Months -----		6 Months -----	
	1997 ----	1996 ----	1997 ----	1996 ----
Net Income	\$2,100,055	\$1,203,393	\$3,129,905	\$2,664,875
	=====	=====	=====	=====
Weighted average shares outstanding	6,956,174	7,022,636	6,957,269	7,042,514
Assumed conversion of options	17,022	13,366	15,272	10,838
	-----	-----	-----	-----
Weighted average shares outstanding and contingently issuable	6,973,196	7,036,002	6,972,541	7,053,352
	=====	=====	=====	=====
Earnings per share - basic	\$0.30	\$0.17	\$0.45	\$0.38
	=====	=====	=====	=====
Earnings per share - assuming dilution	\$0.30	\$0.17	\$0.45	\$0.38
	=====	=====	=====	=====

FLEXSTEEL INDUSTRIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENT
OF EARNINGS

Financial Condition - The Company's cash, cash equivalents, and temporary investments increased by \$2,810,000 since June 30, 1997. Accounts receivable decreased by \$1,441,000 and inventories increased by \$445,000. Capital expenditures were \$1,810,000 for building improvements, manufacturing and delivery equipment. Working capital increased by \$3,911,000 for the six month period. In the next six months approximately \$750,000 will be spent for manufacturing and related equipment.

Economic Conditions - The Company anticipates that demand for its seating products will continue near 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 design for targeted markets and internal improvements in the areas of cost savings identification and implementation, and manufacturing process efficiencies. Operating profits should improve as a result of these strategies.

Results of Operations for the Quarter - Sales increased by approximately \$5,709,000 (11.3%), compared to the prior year quarter. Recreational Vehicle Seating volume increased \$4,234,000 (33.4%), with approximately \$2,875,000 related to the Dygert Seating acquisition during the third quarter of the prior year, and \$1,359,000 in other Recreational Vehicle products. Home Furnishings and Commercial Seating volume increased \$1,434,000 (4.4%) and \$41,000 (.8%), respectively, in comparison to the prior year. Cost of goods sold increased \$4,536,000 due to increased volume. Selling, general, and administrative costs increased \$909,000 due to the volume increase. Earnings for the current period include nontaxable other income of \$700,000 or \$.10 per share resulting from life insurance proceeds following the death of Mr. Frank H. Bertsch, a long time board member and former senior officer of the Company. The net income for the current quarter, when adjusted for the previously mentioned life insurance proceeds, was \$1,400,000 or \$.20 per share compared to \$1,203,000 or \$.17 per share for the quarter ended December 31, 1996.

Results of Operations for the last six months - Sales increased by approximately \$8,849,000 (8.6%), compared to the six month period ended December 31, 1996. Sales of Recreational Vehicle products increased \$8,029,000 (29.3%), with approximately \$6,784,000 attributable to the Dygert Seating acquisition during the third quarter of the prior year, and the remaining \$1,245,000 attributable to increases in other Recreational Vehicle markets. Home Furnishings volume increased \$898,000 (1.4%), while Commercial Seating decreased by \$78,000 (.8%), in comparison to the prior year. Cost of goods sold increased \$7,759,000 due to increased volume and approximately \$820,000 in increases related to lower margins and under absorbed fixed costs. Selling, general, and administrative costs increased \$1,400,000 due to the volume increase. Interest and other income increased \$637,000 due to the aforementioned life insurance proceeds, offset somewhat by lower average levels of cash available for investment. The six month year-to-date net income, when adjusted for life insurance proceeds, was \$2,430,000 or \$.35 per share, slightly less than income of \$2,665,000 or \$.38 per share reported for the six month period ended December 31, 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 4 Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders on December 9, 1997, Proposals one and two set forth in the Board of Directors' definitive Proxy Statement dated October 29, 1997, were approved and adopted by the stockholders. Proposals one and two, respectively, received votes as follows:

Proposal 1 (Election of Directors): Art D. Richardson: For 6,111,081, Withheld 20,184, Abstentions and Broker Non-votes 834,977. James R. Richardson: For 6,112,926, Withheld 18,339, Abstentions and Broker Non-votes 834,977. The names of each Director whose term of office as a Director continued after the meeting are as follows: K. Bruce Lauritsen, Thomas E. Holloran, L. Bruce Boylen, John R. Easter, J. B. Crahan and Edward J. Monaghan.

Proposal 2 (Appointment of Deloitte & Touche, LLP as Independent Auditors): For: 6,117,333, Against: 5,585, and Abstain: 8,347.

Item 6. Exhibits and Reports on Form 8-K

The registrant filed on December 19, 1997, a report on Form 8-K which reported the appointment to the registrant's Board of Directors of Mr. Jeffrey T. Bertsch and Mr. Patrick M. Crahan.

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, 1998

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

3-MOS
 JUN-30-1998
 DEC-31-1997
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 7,900,556
 26,220,644
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 27,430,899
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