

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 21, 2005

FLEXSTEEL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Minnesota ----- (State or other jurisdiction of incorporation)	0-5151 ----- (Commission File Number)	42-0442319 ----- (IRS Employer Identification No.)
3400 Jackson Street, Dubuque, Iowa ----- (Address of principal executive offices)		52001 ----- (Zip Code)

Registrant's telephone number, including area code 563-556-7730

 (Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On April 21, 2005, Flexsteel Industries, Inc. Announces Third Quarter and Year-To-Date Operating Results. See the Press Release attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 - Press Release by Flexsteel Industries, Inc. on April 21, 2005.

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 hereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

 (Registrant)

Date: April 22, 2005

By: /s/ R. J. Klosterman

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

Flexsteel Announces Third Quarter and Year-To-Date Operating Results

DUBUQUE, Iowa--(BUSINESS WIRE)--April 21, 2005--Flexsteel Industries, Inc. (NASDAQ:FLXS) today reported sales and earnings for its third quarter ended March 31, 2005.

Net sales for the quarter ended March 31, 2005 were \$101.3 million compared to the prior year quarter of \$107.0 million, a decrease of 5.3%. Net income for the current quarter was \$1.7 million or \$0.26 per share compared to \$2.5 million or \$0.39 per share in the prior year quarter, a decrease of 33.1%. In addition, current quarter net income of \$1.7 million includes a \$0.2 million pre-tax gain from the sale of a former manufacturing facility and \$0.7 million of tax benefit related to reduced estimated tax liabilities.

Net sales for the nine months ended March 31, 2005 were \$304.3 million compared to \$292.9 million in the prior year nine months, an increase of 3.9%. The net sales and operating results being reported for the prior year include net sales and operating results for DMI Furniture, Inc. (DMI) for the period September 18, 2003 (date of acquisition) through March 31, 2004. DMI net sales included above were \$87.4 million and \$63.0 million for the nine months ended March 31, 2005 and 2004, respectively. Net income for the nine months ended March 31, 2005 was \$4.5 million or \$0.68 per share compared to \$7.4 million or \$1.14 per share for the nine months ended March 31, 2004, a decrease of 39.3%.

For the quarter ended March 31, 2005, residential net sales were \$64.6 million, compared to \$68.2 million, a decrease of 5.2% from the prior year quarter. Recreational vehicle net sales were \$19.8 million, compared to \$22.0 million, a decrease of 10.2% from the prior year quarter. Commercial net sales were \$17.0 million, compared to \$16.8 million in the prior year quarter, an increase of 0.9%.

For the nine months ended March 31, 2005, residential net sales were \$194.2 million, an increase of 0.4% from the nine months ended March 31, 2004. Recreational vehicle net sales were \$60.5 million, a decrease of 3.1% from the nine months ended March 31, 2004. Commercial net sales were \$49.6 million, an increase of 33.4% from the nine months ended March 31, 2004. The increase in net sales reflects improved industry performance for commercial products in addition to the inclusion of DMI net sales for the entire nine months in fiscal 2005.

Gross margin for the quarter ended March 31, 2005 was 17.9% compared to 19.8% in the prior year quarter. For the nine months ended March 31, 2005, the gross margin was 18.5% compared to 20.9% for the prior year nine-month period. Gross margin was adversely affected by cost increases for steel and petroleum based products on a quarterly and year-to-date basis in comparison to the prior fiscal year quarter and year-to-date.

Selling, general and administrative expenses were 16.4% and 15.9% of net sales for the quarters ended March 31, 2005 and 2004, respectively. For the nine months ended March 31, 2005 and 2004, selling, general and administrative expenses were 16.6% and 16.8%, respectively.

During the quarter ended March 31, 2005, the Company recorded a pre-tax gain on the sale of a former manufacturing facility of \$0.2 million. For the fiscal year-to-date the Company has recorded pre-tax gains of \$0.8 million on the sale of facilities.

During the quarter ended March 31, 2005, an examination by the Internal Revenue Service of the Company's federal income tax returns for the fiscal years ended June 30, 2003 and 2004 was completed. Due to the favorable results, the Company has reviewed and reduced its estimate of accrued tax liabilities by \$0.7 million. The decrease resulted in income tax rates of (3.7%) and 27.9% for the quarter and fiscal year-to-date periods ending March 31, 2005, respectively. The Company expects that the income tax rate for its fourth fiscal quarter will be approximately 37%.

Working capital (current assets less current liabilities) at March 31, 2005 was \$88.2 million, which includes cash, cash equivalents and investments of \$4.6 million. Working capital increased by \$4.8 million from June 30, 2004. Current assets declined \$7.6 million. Accounts receivable declined \$6.2 million with the decrease in net sales. Inventories declined \$1.8 million as a result of lower manufacturing levels. Current liabilities decreased \$12.4 million. Accounts payable declined \$1.4 million while lower inventory purchases and the decrease in accounts receivable and inventory allowed for a reduction in current notes payable of \$9.0 million.

Capital expenditures were \$2.7 million for the fiscal year-to-date, primarily for delivery and manufacturing equipment. Depreciation and amortization expense was approximately \$4.4 million and \$4.2 million for the nine-month periods ended March 31, 2005 and 2004, respectively. The Company expects that capital expenditures will be less than \$1.0 million for the remainder of the fiscal year.

All earnings per share amounts are on a diluted basis.

Outlook

On a fiscal year-to-date basis, residential net sales have been weaker than anticipated and we expect that this softness will continue for the remainder of the fiscal year. Net sales of vehicle seating have fallen off as several

manufacturers of recreational vehicles adjust inventory levels of finished units. We expect only a modest improvement in vehicle seating sales beginning in late May or early June as manufacturers begin the new model year production. The current volatility and high cost of fuel may dampen the favorable demographics that currently exist within the vehicle seating industry. Commercial seating provides an opportunity to expand distribution and increase net sales; however, in this highly competitive market, the cost of product development and the product margins will be monitored closely.

Margin pressures that started near the end of calendar year 2003 have continued through our third fiscal quarter and we expect these pressures to continue through the remainder of calendar year 2005. The cost of steel and component parts that have steel content leveled somewhat during the fiscal quarter ended March 31, 2005. However, the leveling of steel prices is at relatively high historical cost per pound as it relates to product cost. The cost of fuel and poly foam continued to increase during the quarter ended March 31, 2005. We anticipate that petroleum prices will remain volatile and at record or near record levels for the remainder of calendar year 2005 resulting in increasing costs in our fourth fiscal quarter and the first half of fiscal year 2006.

The Company continues to take actions to address the above concerns including: new product introductions, refining existing product offerings, adjusting selling and delivery prices, adjusting production levels and implementing cost control measures for inventory and capital expenditures. These actions occur regularly regardless of operating performance, but will continue to receive additional attention under current business conditions. We continue to believe that our strategy of providing furniture from a wide selection of domestically manufactured and imported products is sound business practice and will continue.

Analysts Conference Call

The Company will host a conference call for analysts on Friday, April 22, 2005, at 10:30 a.m. Central Time. To access the call, please dial 1-888-275-4480 and provide the operator with ID# 4619983. A replay will be available for two weeks beginning approximately two hours after the conclusion of the call by dialing 1-800-642-1687 and entering ID# 4619983.

Forward-Looking Statements

Statements, including those in this release, 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 cyclical nature of the furniture industry, the effectiveness of new product introductions, the product mix of sales, the cost of raw materials, foreign currency valuations, actions by governments including taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both foreign and domestic), changes in interest rates, credit exposure with customers and general economic conditions. Any forward-looking statement speaks only as of the date of this press release. 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.

About Flexsteel

Flexsteel Industries, Inc. is headquartered in Dubuque, Iowa, and was incorporated in 1929. Flexsteel is a designer, manufacturer, importer and marketer of quality upholstered and wood furniture for residential, recreational vehicle, office, hospitality and healthcare markets. All products are distributed nationally.

For more information, visit our web site at <http://www.flexsteel.com>.

TABLES FOLLOW

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2005	June 30, 2004
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ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$3,223,971	\$2,476,521
Investments.....	1,389,950	1,271,417
Trade receivables, net.....	41,989,996	48,169,780

Inventories.....	67,087,319	68,880,118
Other.....	6,190,107	6,690,979
Total current assets.....	119,881,343	127,488,815
NONCURRENT ASSETS:		
Property, plant, and equipment, net.....	26,878,481	30,326,505
Other assets.....	12,729,288	11,703,391
TOTAL.....	\$159,489,112	\$169,518,711

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade.....	\$10,906,919	\$12,272,405
Notes payable.....		9,022,090
Accrued liabilities.....	20,800,250	22,842,020
Total current liabilities.....	31,707,169	44,136,515
LONG-TERM LIABILITIES:		
Long-term debt.....	17,000,000	17,583,336
Other long-term liabilities.....	6,190,796	6,187,118
Total liabilities.....	54,897,965	67,906,969
SHAREHOLDERS' EQUITY.....	104,591,147	101,611,742
TOTAL.....	\$159,489,112	\$169,518,711

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
NET SALES.....	\$101,348,058	\$106,964,330	\$304,254,441	\$292,923,464
COST OF GOODS SOLD.....	(83,175,515)	(85,769,751)	(247,826,424)	(231,672,594)
GROSS MARGIN..	18,172,543	21,194,579	56,428,017	61,250,870
SELLING, GENERAL AND ADMINI- STRATIVE....	(16,627,533)	(16,990,730)	(50,637,603)	(49,319,065)
GAIN ON SALE OF FACILITIES	200,409		809,022	
OPERATING INCOME.....	1,745,419	4,203,849	6,599,436	11,931,805
OTHER INCOME (EXPENSE):				
Interest and other income.....	141,687	199,697	436,373	723,202
Interest expense....	(247,448)	(214,583)	(791,441)	(384,729)
Total.....	(105,761)	(14,886)	(355,068)	338,473
INCOME BEFORE INCOME TAXES..	1,639,658	4,188,963	6,244,368	12,270,278
BENEFIT FROM (PROVISION FOR) INCOME TAXES.....	60,000	(1,650,000)	(1,740,000)	(4,850,000)
NET INCOME....	\$1,699,658	\$2,538,963	\$4,504,368	\$7,420,278
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic.....	6,539,079	6,484,444	6,528,179	6,423,214

Diluted....	6,606,997	6,565,220	6,602,816	6,505,645
EARNINGS PER SHARE OF COMMON STOCK:				
Basic.....	\$0.26	\$0.39	\$0.69	\$1.16
Diluted....	\$0.26	\$0.39	\$0.68	\$1.14

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended March 31,	
	2005	2004
OPERATING ACTIVITIES:		
Net income.....	\$4,504,368	\$7,420,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	4,381,188	4,157,328
Restructuring charge reversal.....		190,996
(Gain) loss on disposition of capital assets.....	(852,838)	167,769
Changes in operating assets and liabilities, net of acquisitions.....	5,577,125	565,396
Net cash provided by operating activities.....	13,609,843	12,501,767
INVESTING ACTIVITIES:		
Net purchases and sales of investments..	(260,599)	7,712,047
Payments received from customers on notes receivable.....		350,371
Proceeds from sale of capital assets....	2,087,208	120,539
Capital expenditures.....	(2,714,835)	(5,369,956)
Acquisition of DMI Furniture, Inc., net of cash acquired.....		(19,322,174)
Net cash used in investing activities.....	(888,226)	(16,509,173)
FINANCING ACTIVITIES:		
Net repayment of borrowings.....	(9,605,427)	(5,307,561)
Dividends paid.....	(2,543,762)	(1,678,291)
Proceeds from issuance of common stock..	175,022	554,521
Net cash used in financing activities.....	(11,974,167)	(6,431,331)
Increase (decrease) in cash and cash equivalents.....	747,450	(10,438,737)
Cash and cash equivalents at beginning of period.....	2,476,521	12,811,385
Cash and cash equivalents at end of period	\$3,223,971	\$2,372,648

CONTACT: Flexsteel Industries, Inc., Dubuque
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