

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended June 30, 1995

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____
Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA 42-0442319
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

P.O. BOX 877, DUBUQUE, IOWA 52004-0877
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (319) 556-7730

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: Name of each exchange on which registered:
NASDAQ

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$1.00 PAR VALUE

(Title of Class)

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 (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

YES No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

State the aggregate market value of the voting stock held by
non-affiliates of the registrant as of August 11, 1995 which is within 60 days
prior to the date of filing:

Common Stock, Par Value \$1.00 Per Share: \$ 55,657,271

Indicate the number of shares outstanding of each of the registrant's
classes of common stock, as of August 11, 1995:

CLASS	SHARES OUTSTANDING
Common Stock, \$1.00 Par Value	7,209,134 Shares

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDING
JUNE 30, 1995 IN PARTS I, II AND IV.

IN PART III, PORTIONS OF THE REGISTRANT'S 1995 PROXY STATEMENT, TO BE FILED
WITH THE SECURITIES AND EXCHANGE COMMISSION WITHIN 120 DAYS OF THE REGISTRANT'S
FISCAL YEAR END.

Exhibit Index -- page 5

PART I

ITEM 1. BUSINESS

(a) General Development of Business

The registrant was incorporated in 1929 and has been in the furniture
seating business ever since. For more detailed information see the registrant's
1995 Annual Report to Shareholders which is incorporated herein by reference.

(b) Financial Information about Industry Segments

The registrant's operations consist of one industry segment: upholstered
seating. For more detailed financial information see the registrant's 1995
Annual Report to Shareholders which is incorporated herein by reference.

The registrant's upholstered seating business has three primary areas of
application: home seating, vehicle seating and commercial seating. Set forth
below, in tabular form, is information for the past three fiscal years showing
the registrant's sales of upholstered seating attributable to each of the areas
of application described above:

	1995 AMOUNT OF SALES	1994 AMOUNT OF SALES	1993 AMOUNT OF SALES
Home Seating.....	\$131,500,000	\$123,100,000	\$114,400,000
Vehicle Seating.....	60,700,000	58,500,000	49,500,000
Commercial Seating.....	16,200,000	13,800,000	13,400,000
Upholstered Seating Total.....	\$208,400,000	\$195,400,000	\$177,300,000

(c) Narrative Description of Business

(1) (i), (ii), (vii) The registrant is engaged in one segment of business, namely, the manufacture and sale of a broad line of quality upholstered furniture for the retail furniture market, contract furniture market and recreational vehicle furniture market. The registrant's classes of products include a variety of wood and upholstered furniture including upholstered reclining and rocker-reclining chairs, swivel rockers, chairs, sofas, sofa beds, loveseats and convertible bedding units, some or all of which are for the home, office, recreational vehicles, vans and mobile homes. Featured as a basic component in most of the upholstered furniture is a unique drop-in-seat spring. The registrant primarily distributes its products throughout most of the United States through the registrant's sales force to approximately 3,000 furniture dealers, department stores and R.V. manufacturers. The registrant's products are also sold to several national chains, some of which sell on a private label basis.

(iii) Sources and availability of raw materials essential to the business:

The registrant's furniture products utilize oak, gum and other species of hardwood lumber obtained from Arkansas, Mississippi, Missouri, Tennessee and elsewhere. In addition to lumber and plywood, principal raw materials utilized in the manufacturing process include bar and wire stock, high carbon spring steel, fabrics and polyurethane. While the registrant purchases these materials from outside suppliers, it is not dependent upon any single source of supply. The raw materials are all readily available.

(iv) Material patents and licenses:

The registrant owns the American and Canadian improvement patents to its Flexsteel seat spring, as well as, patents on convertible beds and various other recreational vehicle seating products. In addition, it holds licenses to manufacture certain rocker-recliners. The registrant does not consider its patents and licenses material to its business.

(v) The registrant's business is not considered seasonal.

(viii) The approximate dollar amounts of backlog of orders believed to be firm as of the end of the last fiscal year and the preceding fiscal year are as follows:

JUNE 30, 1995	JUNE 30, 1994
\$20,400,000*	\$20,500,000

*All of this amount is expected to be filled and billed in fiscal year ending June 30, 1996.

(x) Competitive conditions:

The furniture industry is highly competitive. There are numerous furniture manufacturers in the United States. Although the registrant is one of the largest manufacturers of upholstered furniture in the United States, according to the registrant's best information it manufactures and sells less than 4% of the upholstered furniture sold in the United States. The registrant's principal method of meeting competition is to emphasize its product performance and to use its sales force.

(xi) Expenditures on Research Activities:

Most items in the upholstered seating line are designed by the registrant's own design staff. New models and designs of furniture, as well as new fabrics, are introduced continuously. The registrant estimates that approximately 40% of its upholstered seating line is redesigned in whole or in part each year. In the last three fiscal years, these redesign activities involved the following expenditures:

FISCAL YEAR ENDING	EXPENDITURES
June 30, 1993	\$1,325,000
June 30, 1994	\$1,340,000
June 30, 1995	\$1,490,000

(xiii) Approximately 2,300 people are employed by the registrant.

(d) Financial Information about Domestic Operations

The registrant has no foreign operations and makes minimal export sales. Financial information about domestic operations is set forth in the registrant's 1995 Annual Report to Shareholders which is incorporated herein by reference.

ITEM 2. PROPERTIES

(a) The registrant owns the following manufacturing plants:

LOCATION	APPROXIMATE SIZE (SQUARE FEET)	PRINCIPAL OPERATIONS
Dubuque, Iowa	845,000	Upholstered Furniture -- Recreational Vehicle -- Metal Working
Lancaster, Pennsylvania	216,000	Upholstered Furniture-- Recreational Vehicle
Sweetwater, Tennessee*	106,000	Woodworking Plant-- Upholstered Furniture
Riverside, California	206,000	Upholstered Furniture-- Recreational Vehicle
Harrison, Arkansas	123,000	Woodworking Plant
New Paris, Indiana	168,000	Upholstered Furniture-- Recreational Vehicle
Dublin, Georgia	153,000	Upholstered Motion Furniture
Starkville, Mississippi	349,000	Upholstered Furniture-- Woodworking Plant

* On September 6, 1995, the registrant announced its intention to permanently close the Sweetwater, Tennessee facility. The Sweetwater production will be consolidated into the Starkville, Mississippi operations during the first half of fiscal year 1996. The registrant expanded the Starkville facility during the fiscal year ended June 30, 1995. The registrant has not determined the amount of any restructuring or related expenses, however, they are not anticipated to be substantial, in connection with the plant closing.

The registrant's operating plants are well suited for their manufacturing purposes and have been updated and expanded from time to time as conditions warrant. There is adequate production capacity to meet present market demands.

The registrant leases showrooms for displaying its products in the furniture marts in High Point, North Carolina and San Francisco, California.

The registrant leases one warehouse in Vancouver, Washington of approximately 15,750 sq. feet for storing its products prior to distribution.

(b) Oil and Gas Operations: NONE.

ITEM 3. LEGAL PROCEEDINGS

The Company has no material legal proceedings pending other than ordinary routine litigation incidental to the business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter no matter was submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the registrant, their ages, positions (in each case as of June 30, 1995), and the month and year they were first elected or appointed an officer of the registrant, are as follows:

NAME (AGE)	POSITION (DATE FIRST BECAME OFFICER)
F. H. Bertsch (69)	Chairman of the Executive Committee (January 1950)
K. B. Lauritsen (52)	President/Chief Executive Officer (November 1979)
E. J. Monaghan (56)	Executive Vice President/Chief Operating Officer (November 1979)
R. J. Klosterman (47)	Vice President Finance/Chief Financial Officer & Secretary (June 1989)
J. R. Richardson (51)	Senior Vice President of Marketing (November 1979)

Each named executive officer has held the same office or an executive or management position with the registrant for at least five years.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The NASDAQ -- National Market System, is the principal market on which the registrant's Common Stock is being traded. The market prices for the stock and the dividends paid per common share, for each quarterly period during the past two years is shown in the registrant's Annual Report to Shareholders for the Year Ended June 30, 1995, and is incorporated herein by reference.

There were approximately 1,716 holders of Common Stock of the registrant as of June 30, 1995.

ITEM 6. SELECTED FINANCIAL DATA

This information is contained on page 6 in the registrant's Annual Report to Shareholders for the Year Ended June 30, 1995, under the caption "Five Year Review" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis is contained on page 7 in the registrant's Annual Report to Shareholders for the Year Ended June 30, 1995 and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of the Company included in the financial report section of the Annual Report to Shareholders for the Year Ended June 30, 1995, are incorporated herein by reference:

	PAGE
Balance Sheets, June 30, 1995, 1994.....	8
Statements of Income and Retained Earnings-- Years Ended June 30, 1995, 1994, 1993.....	9
Statements of Cash Flows-- Years Ended June 30, 1995, 1994, 1993.....	10
Quarterly Financial Data 1995, 1994.....	12
Notes to Financial Statements.....	11-12
Independent Auditors' Report.....	9

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During fiscal 1995 there were no changes in or disagreements with accountants on accounting procedures or accounting and financial disclosures.

PART III

ITEMS 10, 11, 12. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, EXECUTIVE COMPENSATION AND SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information identifying directors of the registrant, executive compensation and beneficial ownership of registrant stock and supplementary data is contained in the registrant's 1995 definitive Proxy Statement to be filed with the Securities and Exchange Commission and is incorporated herein by reference. Executive officers are identified in Part I, Item 4 above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is contained under the heading "Certain Relationships and Related Transactions" in the registrant's 1995 definitive Proxy Statement to be filed with the Securities and Exchange Commission and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The financial statements of the registrant included in the Annual Report to Shareholders for the Year Ended June 30, 1995, are incorporated herein by reference as set forth above in ITEM 8.

(2) Schedules

The following financial schedule for the years ended 1995, 1994 and 1993 is submitted herewith:

	PAGE
SCHEDULE VIII -- Reserves.....	8

Other schedules are omitted because they are not required or are not applicable or because the required information is included in the financial statements incorporated by reference above.

(3) Exhibits

- 3.1 Restated Articles of Incorporation incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1988.
- 3.2 Bylaws of the Registrant incorporated by reference to Exhibits to the Annual Report on Form 10-K for the fiscal year ended June 30, 1994.
- 11 Computation of Earnings Per Share attached as EXHIBIT 1 hereto
- 13 Annual Report to Shareholders for the Year Ended June 30, 1995, attached as EXHIBIT 2 hereto
- 99 1995 Form 11-K for Salaried Employees' Savings Plan 401(k) attached as EXHIBIT 3 hereto
- 23 Independent Auditors' Report attached as EXHIBIT 4 hereto
- 22 1995 definitive Proxy Statement incorporated by reference as EXHIBIT 5 hereto
- 23 Consent of Independent Auditors attached as EXHIBIT 6 hereto
- 4 Instruments defining the rights of security holders,

including indentures The issuer has not filed, but agrees to furnish upon request to the Commission copies of the Mississippi Industrial Development Revenue Bond Agreement issued regarding the issuer's facilities in Starkville, MS.

27 Financial Data Schedule (for SEC use only) for Form 10-K

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended June 30, 1995.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 25, 1995 FLEXSTEEL INDUSTRIES, INC.

By: /S/ K. B. LAURITSEN
K. B. Lauritsen
President, Chief Executive Officer
and
Principal Executive Officer

By: /S/ R. J. KLOSTERMAN
R. J. Klosterman
Vice President of Finance
and
Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 25, 1995 /S/ FRANK H. BERTSCH
Frank H. Bertsch
Director

Date: September 25, 1995 /S/ J. B. CRAHAN
J. B. Crahan
Director

Date: September 25, 1995 /S/ ART D. RICHARDSON
Art D. Richardson
Director

Date: September 25, 1995 /S/ K. BRUCE LAURITSEN
K. Bruce Lauritsen
Director

Date: September 25, 1995 /S/ EDWARD J. MONAGHAN
Edward J. Monaghan
Director

Date: September 25, 1995 /S/ JAMES G. PETERSON
James G. Peterson
Director

Date: September 25, 1995 /S/ THOMAS E. HOLLORAN
Thomas E. Holloran
Director

Date: September 25, 1995 /S/ JAMES R. RICHARDSON
James R. Richardson
Director

Date: September 25, 1995 /S/ L. BRUCE BOYLEN
L. Bruce Boylen
Director

Date: September 25, 1995 /S/ JOHN R. EASTER
John R. Easter
Director

SCHEDULE VIII

FLEXSTEEL INDUSTRIES, INC.

RESERVES
FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO INCOME	DEDUCTIONS FROM RESERVES (NOTE)	BALANCE AT CLOSE OF YEAR
Allowance for Doubtful Accounts:				
1995	\$ 1,960,231	\$ 573,723	\$ 373,743	\$ 2,160,211
1994	\$ 2,162,831	\$ 600,370	\$ 802,970	\$ 1,960,231
1993	\$ 2,042,307	\$ 471,158	\$ 350,634	\$ 2,162,831

NOTE -- Uncollectible accounts charged against reserve, less recoveries.

EXHIBIT 1

FLEXSTEEL INDUSTRIES, INC.

COMPUTATION OF EARNINGS PER SHARE

	YEAR ENDED JUNE 30				
	1995	1994	1993	1992	1991
Primary (Note 1):					
Net earnings applicable to common stock.....	\$5,210,903	\$6,787,163	\$6,184,914	\$1,689,679	\$1,214,493
Weighted Average Number of shares outstanding during the year.....	7,178,285	7,140,144	7,090,041	7,048,494	7,066,922
Earnings Per Share.....	\$.73	\$.95	\$.87	\$.24	\$.17

NOTE 1 -- The calculation of earnings per share for the five years ended June 30, 1995 excludes the effect of common equivalent shares resulting from outstanding stock options as the effect would not be material. The effect on 1995, 1994, 1993, 1992, and 1991 earnings per share, assuming exercise of dilutive stock options by the treasury stock method, would reduce earnings per share by less than 3% (1995, \$5,210,903 / 7,178,285 shares = \$.726 or .0%; 1994, \$6,787,163 / 7,170,070 shares = \$.947 or .4%; 1993, \$6,184,914 / 7,137,694 shares = \$.867 or .6%; 1992, \$1,689,679 / 7,076,053 shares = \$.239 or .1%; 1991, \$1,214,493 / 7,069,397 shares = \$.172 or .1%).

FLEXSTEEL INDUSTRIES INCORPORATED

ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 1995

[PHOTO] (See description at bottom of following page.)

FOCUS ON INNOVATION

[LOGO]

Page - Cover

FINANCIAL HIGHLIGHTS

Year Ended June 30	1995	1994	1993
Net Sales.....	\$208,432,000	\$195,388,000	\$177,271,000
Income Before Taxes.....	8,111,000	10,092,000	9,710,000
Net Income (1).....	5,211,000	6,787,000	6,185,000
Per Share of Common Stock			
Earnings (1).....	.73	.95	.87
Cash Dividends.....	.48	.48	.48
Average Shares Outstanding.....	7,178,000	7,140,000	7,090,000
At June 30			
Working Capital.....	46,272,000	47,787,000	49,707,000
Net Plant and Equipment.....	24,376,000	18,829,000	17,208,000
Total Assets.....	96,271,000	95,088,000	87,861,000
Shareholders' Equity.....	73,824,000	71,289,000	67,855,000
Long-Term Debt.....	70,000	105,000	140,000

(1) 1994 income and per share amounts reflect cumulative effect of accounting change as of June 30, 1994 of \$320,000 (net of income taxes) or \$.04 per share income.

FRONT COVER: Computers have become a valuable creative tool for designers. On our cover we show an up-to-date room setting as a computer might render it in a simulated wash drawing.

[photo] Left, a photograph of the same room setting. Featured are some of Flexsteel's most beautiful current and popular styles: today's fashionable soft look is created with high, waterfall pleats and gentle lines on arms and cushion welting. The wing chair and the Charisma(R) accent chair, both perennial classics, are upholstered in the new softer tones.

Page - Inside Front Cover

[top photo] See description below.

TO OUR SHAREHOLDERS

"An intense
focus on creativity is
essential. . ."

This year was a challenging and frustrating one for Flexsteel Industries, Inc. Revenues had increased nicely until our fourth quarter, when a sluggish retail environment and a noticeable decrease in consumer confidence decelerated new orders.

For the full year ended June 30, 1995, revenues increased a moderate 6% to \$208,432,000 versus \$195,388,000 generated in the previous year. While this was a record sales year for your Company, it came at the expense of profitability. Earnings were \$5,211,000 or \$.73 per share, clearly a major disappointment when compared to earnings of \$6,787,000 or \$.95 per share the previous year.

The Federal Reserves' harsh economic policy to quell inflation has worked very well. Record-setting interest rate hikes over the past eighteen months have impacted our cyclical industry much more so than it did other industries. With the recent moderation of interest rates, it appears that our economy is now in the early stages of what could be a prolonged period of sluggish growth. Under that scenario, the market place will continue to be under severe pricing pressure.

In the early summer, we were able to raise prices 2% to 3% and we should start to feel the effect of these increases in our first half of fiscal 1996. However, the increases will help offset our increased raw materials cost; in this sluggish retail climate, we cannot recover all cost increases.

When the sales deceleration began, we were well underway with heavy investments in the development of new products and in needed modernization of

certain manufacturing facilities. Both of these efforts are aimed at making us more competitive in the market place.

With much of this profit drain now behind us, we are fully convinced that this sacrifice of short-term profitability will be the key to maintaining profit margins while more effectively manufacturing and distributing the right product to the market place.

RESIDENTIAL FURNITURE

The fiscal year began with residential furniture revenues up approximately 24% in the first six months. Ultimately, rising interest rates eroded consumer confidence; as housing starts and resales declined, so did retail furniture sales. We doubled the size of our High Point Show room for the April 1995 Market. While this unusual expense hampered profitability in the final quarter, we felt it necessary to properly display our entire line of home furnishings to the increasing numbers of both domestic and international retailers who attend this market.

[bottom photo]

Top photo: Available only through a Flexsteel Gallery, exclusive fabrics create beautiful traditional elegance in a sofa, love seat and chair from Flexsteel's 8512 Group.

Bottom photo: Jack B. Crahan, Chairman of the Board of Directors (l.), and Bruce Lauritsen, President and Chief Executive Officer, with recreational vehicle seating displaying Flexsteel's distinctive automotive styling.

We continue to expand our international presence. Sales representatives have been added in Europe and the Pacific Rim countries. Exchange-rate fluctuation impeded progress in Canada and Mexico, but the weaker dollar helped in other countries. It is our belief that the international opportunities are worth the expense and effort at this time.

RECREATIONAL VEHICLE SEATING

The sales pattern in recreational vehicle seating sales was not much different from that of home furnishings. As interest rates cut heavily into sales of motor homes and other recreational vehicles, competition only became keener in this cyclical industry. The 25,000-square-foot addition to our Dubuque product development and engineering center is completed; we have increased our engineering staff as well as adding other technical personnel to shorten development time and continue our growth in this field.

Like other markets, the world of recreational vehicles is changing rapidly; we must change with it to develop new products and lower our costs if we are to maintain our leadership position.

COMMERCIAL SEATING

The \$3,500,000 addition to our Starkville, Mississippi, manufacturing facilities is finally completed. A new state-of-the-art wood finishing system, coupled with modernization of woodworking and upholstering facilities, will provide us with the capabilities of better service to our customers and more efficient production. We remain confident of our prospects in the hospitality and health care field in the years ahead.

OUTLOOK

While we made sweeping changes for the future during this past year, we didn't forget to run the business. Your Company had its best year ever in total sales volume. Under prevailing highly competitive market conditions, this was outstanding. However, the reason for change is that we are not satisfied with our profitability and know we can do better. The lowering of interest rates by the Federal Reserve Bank, for the first time in 17 months, and the 15-month low in fixed rates for mortgages, will act to improve business conditions in our industry. With our improved efficiencies, we can expect enhanced profitability.

We remain committed to maximizing shareholder value, and we will do everything we can to make fiscal 1996 a successful year in every respect.

/s/ Jack B. Crahan
JACK B. CRAHAN
Chairman of the Board of Directors

/s/ K. Bruce Lauritsen
K. BRUCE LAURITSEN
President &
Chief Executive Officer

[photo]
Recliners are lovelier than ever with traditional styling and true reclining comfort.

[photo]
Designs for health care must meet the special requirements of that industry. This love seat combines practicality with residential graciousness.

[photo]
Light scaling and firmer seating are characteristic of the "Pacifica Collection."

FOCUS ON CREATIVITY

[top photo] See description below.

"DESIGN IS
A CREATIVE
RESPONSE TO
CHANGING LIFESTYLES"

From the 1890's Victorian parlor to the 1990's family room, Flexsteel designs have responded to the changing tastes and needs of the American consumer. Our lives are far more complex than a century ago, as high-tech surrounds us at work and at home. As a counterpoint, we make our homes more welcoming and more relaxed.

Softness has become the most defining feature of home furnishings. Flexsteel designers create visual comfort: generous scaling with bigger arms and deeper backs conveys comfort at a glance. Fabrics are more important than ever -- a "soft hand" complements relaxed lines. Colors are soft and tranquil, with a mellowed vividness and brightness. Paled tones, approaching white, are preferred in many areas.

Our designers have created even softer seating with new, thicker, softer luxury cushioning.

Flexsteel innovations have made us a significant player in today's fastest-growing upholstery market -- motion furniture. Whether it's called the great room or the gathering room, the room where the family relaxes now takes more of the family budget, and motion is the furniture of choice.

Here Flexsteel competes beautifully, offering updated styles and unmatched quality. The Flexsteel patented seat spring is key to both comfort and quality. Many modular styles feature unusual built-in convenience features. Most of our recliners are shipped with our exclusive lumbar support, and all feature one-piece arm frame construction, with our famous seat spring framed in metal.

The other big story in home furnishings is the still-growing demand for leather. A responsive design team, implementing the newer relaxed designs, and integral Flexsteel quality have been responsible for steady and pronounced growth in leather sales.

In recreational vehicle seating, Flexsteel designers are already planning for the year 2000, anticipating the needs of a rapid evolution of automotive technology. In seating for the hospitality industry, demand is for the residential look of softened comfort. Seating for the health care industry must do the same, with the added requirements of safety, provisions for moisture resistance, and ease of use.

In a century-plus of specializing in seating, Flexsteel designs have evolved from a stately formality to today's dynamic choices of softened traditional and casual elegance -- always underwritten by famous Flexsteel quality.

[bottom photo]

Top photo: Appropriate for today's busy lifestyles is this dual-purpose queen sofa sleeper. Camelback styling, distinctive bun feet and a companion chair complete the upscale look.

Bottom Photo: Leather's distinction is enhanced with appealing designer colors, generous proportions, waterfall pleats, and unusual leather pillows.

FOCUS ON CREATIVITY

[top photo] See description below.

"MARKETING
MUST COPE
WITH
CHANGING
REALITIES"

Changing lifestyles, corporate and personal, are changing our markets. There are fewer furniture stores and, with less retail space, retailers must make more effective use of their floor space.

The Flexsteel Gallery lets the retailer offer virtually limitless choices in style, trim, and fabric in minimum floor space.

Flexsteel's 161 galleries give us excellent retail exposure in our major markets. This year, our ongoing gallery support included the introduction of a collection of 300 exciting fabrics which are exclusive to our Galleries.

Support of our dealers continues to be an important part of our market plan. National advertising in magazines and television produces inquiries for our dealers. Our sponsorship of a car in today's biggest spectator sport, stock-car racing, has created name recognition, plus excitement for dealers who have displayed the car.

Flexsteel marketing has continued to emphasize both the national chains and major regional multi-store retailers, and we are increasingly represented in these important markets.

Our presence in the international market is growing. We expect the implementation of NAFTA to energize sales to Mexican and Canadian markets. We have developed a handsome Pacifica Collection specifically for the Far East market. While the "American look" is much in demand there, buyers prefer firmer seating and smaller proportions than their American counterparts.

Rapid technological change is affecting marketing at every level. Our automated SIS (Sales Inquiry System) gives dealers instant information on fabric promotions and availability, style options, price, and order status. Video cataloging is becoming more powerful; at least 150 of our dealers are using Flexsteel's "Sneak Preview" to show customers their sofas or chairs, made up in the fabrics of their choice. Both dealers and customers enjoy this new way of shopping.

To sell recreational vehicle seating, we must stay abreast of an explosive growth in automotive manufacturing technology. In this, as in the hospitality and health care contract markets, both the total market and Flexsteel's share continue to grow. Our contract backlog continues high, but our recent \$3.5 million expansion at Stark ville, Mississ ippi, is helping us to be more competitive. With more pro cess control, we can ship a better product more rapidly.

Foremost priority is given at Flexsteel to the needs of present and potential customers; they are our life blood and our future.

[bottom photo]

Top photo: Perfect for today's casual life styles, this Shaker-influenced room group features oak accents and matching occasional tables.

Bottom photo: Residents at Seven Oaks health-care facility enjoy this striking dining room with handsome chairs by Flexsteel. Photo Courtesy Bob Harr, Hedrick Blessing Studios.

FOCUS ON CREATIVITY

[top photo] See description below.

"OUR PEOPLE
INNOVATE THROUGH
UNDERSTANDING
OF CUSTOMER'S
NEEDS"

Our people, alert to changing markets, watch and listen. We see people seeking more relaxed surroundings for their homes. We hear their requests for greater comfort and sustained quality combined with environmentally-sound practices.

To answer these, the people of Flexsteel bring their innovative skills. Our engineers and designers, for example, have combined talents to produce a superior sofa sleeper. With our suppliers, we have developed a new premium mattress and an improved mechanism for more sleeping comfort. Having developed a better bed, we turned our attention to making it sit as comfortably as a conventional sofa. The result is an exquisite new group of Masquerader(R) sofa sleepers with matching love seats and companion chairs.

Another innovation resulting from the creative use of our people's knowledge and talents is a revolutionary recliner that can be assembled by the purchaser without tools. The recliner is shipped in two smaller cartons, greatly reducing shipping and handling costs.

Production methods and materials are also scrutinized. Innovative associates contributed to a major rearrangement of our Dubuque facility which, when completed, will substantially reduce material handling there. The ongoing quest for quality now involves all our in-plant sales associates with production staff to check such matters as the comfort of foam cushioning and tailoring.

Ecological concerns are addressed. Use of laminates as well as kiln-dried hardwood has not only improved our product but made our use of wood more efficient. We have a better product and use fewer trees.

In recreational vehicle seating, we are working to improve the response time, critical in products subject to the automotive scheduling cycle. Many manufacturers now expect a 28-day schedule from approved design to production.

In an increasingly technological society and an intensely competitive retail environment, it is still Flexsteel's people who sense and meet the needs of the people who are our customers.

At Flexsteel, the personal touch has survived.

[bottom photo]

Top photo: This Charisma accent chair reflects current home fashion trends with the freshness of a washed white finish on the carved frame, embellished with a charming floral print.

Bottom photo: Stunning seating groups with an accent on comfort are created by combining the versatile units of this modular group.

FLEXSTEEL INDUSTRIES, INC.
FIVE YEAR REVIEW

(All amounts in thousands except for Per Share data)

	1995	1994	1993	1992	1991
SUMMARY OF OPERATIONS					
Net Sales.....	\$208,432	\$195,388	\$177,271	\$157,916	\$145,566
Cost of Sales.....	164,231	151,066	136,110	122,294	112,784
Interest Expense.....	372	270	252	277	282
Interest and Other Income.....	973	990	1,460	2,076	1,982
Income Before Taxes.....	8,111	10,092	9,710	2,640	2,364
Income Taxes.....	2,900	3,625	3,525	950	1,150
Net Income (1).....	5,211	6,787	6,185	1,690	1,214
Earnings per Common Share (1).....	.73	.95	.87	.24	.17
Cash Dividends per Common Share.....	.48	.48	.48	.48	.48
STATISTICAL SUMMARY					
Average Common Shares Outstanding.....	7,178	7,140	7,090	7,048	7,067
Book Value per Common Share.....	10.28	9.98	9.57	9.17	9.34
Total Assets.....	96,271	95,088	87,861	81,843	81,484
Net Plant and Equipment.....	24,376	18,829	17,208	17,228	18,795
Capital Additions.....	9,682	5,074	3,273	1,966	1,804
Working Capital.....	46,272	47,787	49,707	46,863	47,114
Long-Term Debt.....	70	105	140	345	652
Shareholders' Equity.....	73,824	71,289	67,855	64,640	66,036
SELECTED RATIOS					
Earnings as Percent of Sales.....	2.5%	3.5%	3.5%	1.1%	1.3%
Current Ratio.....	3.4	3.3	3.9	4.3	4.9
Return on Total Capital.....	7.1%	9.5%	9.1%	2.6%	2.9%
Return on Beginning Common Equity.....	7.3%	10.0%	9.6%	2.6%	2.8%
Average Number of Employees.....	2,375	2,240	2,120	2,040	2,005

(1) 1994 and 1991 income and per share amounts reflect cumulative effect of accounting changes as of June 30, 1994, of \$320,000 (net of income taxes) or \$.04 per share income and July 1, 1990, of \$715,000 (net of income taxes) or \$.10 per share charge, respectively.

FLEXSTEEL INDUSTRIES, INC. QUARTERLY COMMON STOCK DATA

FISCAL YEAR 1994-95
PER SHARE

	EARNINGS	DIVIDEND	MARKET PRICE*	
			HIGH	LOW
First Quarter	.22	.12	13 1/4	9 1/2
Second Quarter	.21	.12	13 3/4	10
Third Quarter	.25	.12	13 1/4	10 1/2
Fourth Quarter	.05	.12	12	10 1/4

FISCAL YEAR 1993-94
PER SHARE

	EARNINGS	DIVIDEND	MARKET PRICE*	
			HIGH	LOW
First Quarter	.22	.12	16 3/4	14 1/2
Second Quarter	.20	.12	17 1/2	15
Third Quarter	.25	.12	18 1/2	15 3/4
Fourth Quarter	.28	.12	16 1/4	13

Flexsteel has paid cash dividends on its common stock for 214 consecutive quarters. The Company expects to continue regular dividend payments. As of June 24, 1995, there were 1,716 holders of Flexsteel's outstanding common stock.

* Reflects the Market prices as quoted by the National Association of Securities Dealers, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

FINANCIAL CONDITIONS

Working Capital - Flexsteel's working capital at June 30, 1995 is \$46,272,000 which includes cash, cash equivalents, and temporary investments of \$14,037,000. Working capital decreased by \$1,515,000 from June 30, 1994. The Company has lines of credit of \$5,700,000 with banks for short-term borrowings, which have not been utilized since 1979. The Company has outstanding borrowings of \$2,925,000 in the form of variable rate demand industrial development revenue bonds.

Capital Expenditures - Capital expenditures were \$9,682,000 in fiscal 1995. These expenditures were for plant expansions, manufacturing, and delivery equipment. Projected capital spending in fiscal 1996 is approximately \$2,500,000 for manufacturing and delivery equipment. The funds required for these expenditures will be provided from available cash.

Dividends - Dividends were \$.48 per share both years. The Board of Directors determine dividend levels based on the Company's ability to pay its obligations, capital expenditure requirements, and other related factors.

Economic Conditions - The Company anticipates that demand for its seating products will improve gradually, from current levels, throughout the remainder of the year as consumer confidence rebounds, aided by moderation in interest rates. The Company's previously implemented price increases, in conjunction with investments in computerized manufacturing equipment, plant layout improvements and associate training, will help offset cost increases for materials and assist in maintaining margins in the highly price-competitive marketplace. Profitability improvements should result from improved manufacturing efficiencies and continued efforts to control fixed costs while maintaining sales volume and margins.

RESULTS OF OPERATIONS

FISCAL 1995 COMPARED TO FISCAL 1994

Sales for 1995 increased by \$13,044,000 or 6.7% compared to 1994. Home Furnishings sales volume increased \$8,359,000 or 6.8%, Contract Furniture increased \$2,507,000 or 18.2%, and Recreational Vehicle products increased \$2,178,000 or 3.7%. Cost of goods increased \$13,164,000 for the year as compared to 1994. Approximately \$3,000,000 of this increase relates to lower margins, increased material costs, and inefficiencies due to decreased volume in the fourth quarter of the year, with the remainder due to overall increased volume for the year. Selling, general and administrative expenses were 17.6% in fiscal 1995 compared to 17.9% in 1994. The Company continues to control fixed costs while increasing volume. Interest expense increased by \$102,000 due to financing the Starkville, Mississippi, expansion. In fiscal 1994 the Company made an accounting principle change in adopting Statement of Financial Accounting Standards (SFAS) No. 115 which resulted in net cumulative income of \$320,000 or \$.04 per share. The above factors resulted in fiscal year 1995 net earnings of \$5,211,000 or \$.73 per share compared to \$6,787,000 or \$.95 per share in fiscal 1994, a net decrease of \$1,576,000 or \$.22 per share.

RESULTS OF OPERATIONS

FISCAL 1994 COMPARED TO FISCAL 1993

Sales for 1994 increased by \$18,117,000 or 10.2% compared to 1993. Recreational Vehicle product sales volume increased \$9,008,000 or 18.2%, Home Furnishings increased \$8,739,000 or 7.6%, and Contract Furniture increased \$370,000 or 2.8%. Due to the higher volume, cost of sales increased by \$13,957,000 compared to the prior year. In addition, cost of sales increased approximately \$1,000,000 due to the erosion of margins in the price-competitive marketplace and lower production efficiencies associated with training new associates necessary to meet sales volume requirements. Selling, general and administrative expenses were 17.9% of sales in fiscal 1994 compared to 18.4% in 1993. The improvement reflects the Company's successful efforts to control fixed costs while increasing volume. Interest income decreased by \$471,000 due to lower levels of investment and decreased rate of return. The Company elected to adopt the provisions of Statement of Financial Accounting Standards (SFAS) No. 115 during fiscal 1994, with respect to the Company's accounting for certain investments in debt and equity securities. This change in accounting principle resulted in net cumulative income of \$320,000, or \$.04 per share. Also in fiscal 1994, the Company adopted SFAS No. 112, "Employers Accounting for Postemployment Benefits." The adoption of this standard did not have a material effect on the Company's financial position or results of operations.

FISCAL 1993 COMPARED TO FISCAL 1992

Sales for 1993 increased by \$19,355,000 or 12.3% compared to 1992. Double-digit sales growth was realized in all product categories: Home Furnishings sales volume increased \$13,264,000 or 13.1%, Recreational Vehicle products increased \$4,660,000 or 10.4%, and Contract Furniture increased \$1,431,000 or 12.0%. Cost of sales increased by \$13,816,000 compared to the prior year reflecting the higher sales volume. Volume related increases were offset by reduced fixed costs resulting from prior year's production consolidation. Selling, general and administrative expenses were 18.4% of sales in fiscal 1993 compared to 20.3% in 1992. The improvement reflects the Company's efforts to control fixed costs and the administrative cost reductions associated with the prior year's consolidation. Operating income increased to \$8,501,000 from \$841,000 reflecting the aforementioned volume increases and cost control efforts. Fiscal 1992 operating income was also reduced by the restructuring

charge of \$2,675,000. Interest income decreased by \$615,000 due to lower interest rates during 1993. The result of the above factors is increased net income of \$4,495,000 or \$.63 per share.

FLEXSTEEL INDUSTRIES, INC.
BALANCE SHEETS

	JUNE 30,	
	1995	1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,768,537	\$ 3,385,573
Temporary investments - at fair value based on quoted market price	8,268,615	9,718,350
Trade receivables - less allowance for doubtful accounts: 1995, \$2,160,211; 1994, \$1,960,231	22,905,047	25,615,426
Inventories	25,921,674	26,585,397
Deferred income taxes	2,000,000	2,340,000
Other	844,557	913,301
Total current assets	65,708,430	68,558,047
PROPERTY, PLANT AND EQUIPMENT, net	24,376,052	18,829,053
OTHER ASSETS	6,186,144	7,701,079
TOTAL	\$96,270,626	\$ 95,088,179

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	\$ 4,756,991	\$ 4,871,630
Accrued liabilities:		
Payroll and related items	3,656,678	4,322,063
Insurance	5,368,145	4,683,962
Other accruals	2,694,902	3,607,989
Industrial revenue bonds payable	2,960,000	3,285,000
Total current liabilities	19,436,716	20,770,644
LONG-TERM DEBT	70,000	105,000
DEFERRED COMPENSATION	2,940,329	2,923,729
Total liabilities	22,447,045	23,799,373
SHAREHOLDERS' EQUITY:		
Common stock - \$1 par value; authorized 15,000,000 shares; issued 1995, 7,193,124 shares; 1994, 7,155,012 shares .	7,193,124	7,155,012
Additional paid-in capital	1,386,754	1,015,940
Retained earnings	65,199,703	63,437,854
Unrealized investment gain (loss)	44,000	(320,000)
Total shareholders' equity	73,823,581	71,288,806
TOTAL	\$96,270,626	\$ 95,088,179

See accompanying Notes to Financial Statements.

FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS

	FOR THE YEARS ENDED JUNE 30,		
	1995	1994	1993
NET SALES	\$ 208,432,198	\$ 195,388,106	\$ 177,270,751
OPERATING EXPENSES:			
Cost of goods sold	164,230,883	151,066,404	136,109,870
Selling, general and administrative	36,692,054	34,949,047	32,659,675
Total	200,922,937	186,015,451	168,769,545
OPERATING INCOME	7,509,261	9,372,655	8,501,206
OTHER:			
Interest and other income	973,371	989,554	1,460,371
Interest expense	(371,729)	(270,046)	(251,663)
Total	601,642	719,508	1,208,708
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	8,110,903	10,092,163	9,709,914
PROVISION FOR INCOME TAXES	2,900,000	3,625,000	3,525,000
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	5,210,903	6,467,163	6,184,914
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		320,000	
NET INCOME	5,210,903	6,787,163	6,184,914
RETAINED EARNINGS - BEGINNING OF YEAR	63,437,854	60,080,908	57,303,266
TOTAL	68,648,757	66,868,071	63,488,180
CASH DIVIDENDS ON COMMON STOCK (per share: \$.48)	(3,449,054)	(3,430,217)	(3,407,272)
RETAINED EARNINGS - END OF YEAR	\$ 65,199,703	\$ 63,437,854	\$ 60,080,908
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,178,285	7,140,144	7,090,041
EARNINGS PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.73	\$.91	\$.87
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE04	
EARNINGS PER SHARE OF COMMON STOCK	\$.73	\$.95	\$.87

See accompanying Notes to Financial Statements.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF FLEXSTEEL INDUSTRIES, INC.:

We have audited the accompanying balance sheets of Flexsteel Industries, Inc. as of June 30, 1995 and 1994, and the related statements of income and retained earnings and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flexsteel Industries, Inc. as of June 30, 1995 and 1994, and the results of its operations and cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for certain investments in debt and equity securities during the year ended June 30, 1994.

DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
August 11, 1995

FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,
1995 1994 1993

OPERATING ACTIVITIES:

Net income	\$ 5,210,903	\$ 6,787,163	\$ 6,184,914
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Cumulative effect of accounting change		(320,000)	
Depreciation	4,135,053	3,452,962	3,292,710
Trade receivables	2,710,379	(3,422,717)	(2,620,742)
Inventories	663,723	(4,873,616)	620,054
Other current assets	68,744	59,779	(74,050)
Other assets	(519,313)	(1,721,325)	(246,816)
Accounts payable - trade	(114,639)	658,967	167,679
Accrued liabilities	(894,289)	(138,855)	3,049,931
Deferred compensation	16,600	58,732	60,493
Deferred income taxes	340,000	(250,000)	(415,000)
Net cash provided by operating activities	11,617,161	291,090	10,019,173

INVESTING ACTIVITIES:

Construction funds held in escrow	2,034,248	(2,034,248)	
Purchases of temporary investments	(2,751,519)	(2,878,805)	(7,447,705)
Proceeds from sales of temporary investments	4,565,254	8,508,968	5,136,530
Additions to property, plant and equipment	(9,682,052)	(5,074,138)	(3,272,816)
Net cash (used in) investing activities	(5,834,069)	(1,478,223)	(5,583,991)

FINANCING ACTIVITIES:

Proceeds from (repayment of) revenue bonds issued	(325,000)	3,250,000	
Repayment of long-term debt	(35,000)	(35,000)	(475,417)
Payment of dividends	(3,449,054)	(3,430,217)	(3,407,272)
Proceeds from issuance of stock	408,926	396,523	437,801
Net cash provided by (used in) financing activities	(3,400,128)	181,306	(3,444,888)

Increase (decrease) in cash and cash equivalents	2,382,964	(1,005,827)	990,294
Cash and cash equivalents at beginning of year	3,385,573	4,391,400	3,401,106
Cash and cash equivalents at end of year	\$ 5,768,537	\$ 3,385,573	\$ 4,391,400

See accompanying Notes to Financial Statements.

REPORT OF MANAGEMENT

To the Shareholders of Flexsteel Industries, Inc.:

Management is responsible for the financial and operating information contained in this Annual Report, including the financial statements covered by the report of Deloitte & Touche LLP, our independent auditors. The statements were prepared in conformity with generally accepted accounting principles and include amounts based on estimates and judgments of management.

The Company maintains a system of internal accounting controls to provide reasonable assurance that the books and records reflect the authorized transactions of the Company. There are limits inherent in all systems of internal control because their cost should not exceed the benefits derived. The Company believes its system of internal accounting controls and internal audit functions balance the cost/benefit relationship.

The Audit & Ethics Committee of the Board of Directors, composed solely of outside directors, annually recommends to the Board of Directors the appointment of the independent auditors. The independent auditors are engaged to audit the financial statements of the Company and to express an opinion thereon. The independent auditors' report is expressed on page 9. The Audit & Ethics Committee meets periodically with the independent auditors to review financial reports, accounting and auditing practices and controls.

/s/ K. Bruce Lauritsen
K. Bruce Lauritsen
President Chief Executive Officer

/s/ Ronald J. Klosterman
Ronald J. Klosterman
Vice President, Finance
Chief Financial Officer
Secretary

FLEXSTEEL INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

INDUSTRY INFORMATION - the Company manufactures and sells upholstered furniture and other seating products.

STATEMENT OF CASH FLOWS - the Company considers highly liquid investments with original maturities of less than three months as the equivalent of cash.

INVENTORIES - are stated at the lower of cost or market. Raw steel, lumber and wood frame parts are valued on the last-in, first-out (LIFO) method. Other inventories are valued on the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT - is stated at cost and depreciated using the straight-line method.

INCOME TAXES - deferred income taxes result from temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements.

EARNINGS PER SHARE - are based on the weighted average number of common shares outstanding during each year. The exercise of employee stock options would have no material effect on earnings per share.

ACCOUNTING CHANGE - effective June 30, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This new standard which requires certain investments to be recorded at their market value resulted in a decrease of \$320,000 in shareholders' equity. This decrease represents the gross unrealized loss on investments which has been recorded net of tax as a separate component of shareholders' equity. This change in accounting principle resulted in a cumulative effect adjustment as of June 30, 1994 of \$320,000 (tax effected amount) or \$.04 per share.

RECLASSIFICATIONS - certain prior years' amounts have been reclassified to conform to the 1995 presentation.

2. INVESTMENTS

The amortized cost and estimated market values of investments in debt and equity securities are as follows:

	June 30, 1995		June 30, 1994	
	Debt Securities	Equity Securities	Debt Securities	Equity Securities
Amortized Cost	\$ 8,324,825	\$ 2,168,475	\$ 10,270,409	\$ 2,044,502
Unrealized gains (losses)	(94,086)	157,453	(404,235)	(90,522)
Est. Market Value	\$ 8,230,739	\$ 2,325,928	\$ 9,866,174	\$ 1,953,980

Debt and equity securities are included in Temporary Investments and Other Assets and are considered as available for sale. As of June 30, 1995, the maturities of debt securities are \$1,069,667 within one year, \$6,913,537 one to five years, and \$247,535 six to ten years.

3. INVENTORIES

Inventories valued on the LIFO method would have been approximately \$2,671,000 and \$2,387,000 higher at June 30, 1995 and 1994, respectively, if they had been valued on the FIFO method. A comparison of inventories is as follows:

	June 30,	
	1995	1994
Raw materials	\$14,186,359	\$16,369,701
Work in process and finished parts	7,546,079	6,621,585
Finished goods	4,189,236	3,594,111
Total	\$25,921,674	\$26,585,397

4. PROPERTY, PLANT AND EQUIPMENT

	Estimated Life (Years)	June 30,	
		1995	1994
Land.....		\$ 1,609,572	\$ 1,609,572
Buildings and improvements....	3 - 50	23,099,131	20,052,762
Machinery and equipment.....	3 - 15	24,434,273	22,229,898
Delivery equipment..	2 - 9	12,430,880	11,239,624
Furniture and fixtures	3 - 15	4,426,168	3,902,180
Total.....		\$66,000,024	\$59,034,036
Less accumulated depreciation....		41,623,972	40,204,983
Net.....		\$24,376,052	\$18,829,053

5. BORROWINGS

The Company is obligated for \$2,925,000 for Industrial Revenue Bonds at June 30, 1995 which were issued for the financing of property, plant and equipment. The obligations are variable rate demand bonds with a weighted average rate for

years ended June 30, 1995 and 1994 of 3.00% and 4.05%, respectively, and are due in annual installments of \$325,000 through 2004, if not paid earlier upon demand of the holder. The Company has a letter of credit to guarantee the payment of these bonds in the event of default. No amounts were outstanding on this letter at June 30, 1995. In addition, the Company is obligated for General Obligation Development Bonds bearing interest at 5.0% and due in annual installments of \$35,000 through 1998. Interest paid during 1995, 1994, and 1993 was \$135,000, \$38,000, and \$40,000, respectively.

6. INCOME TAXES

The total income tax provision for 1995, 1994, and 1993 was 35.8%, 35.9%, and 36.3%, respectively, of income before income taxes and cumulative effect of change in accounting principle.

Provision - comprised of the following:

	1995	1994	1993
Federal - current..	\$2,230,000	\$3,395,000	\$3,497,000
State - current....	330,000	480,000	443,000
Deferred.....	340,000	(250,000)	(415,000)
Total.....	\$2,900,000	\$3,625,000	\$3,525,000

Net deferred taxes included in the balance sheet - comprised of the following temporary differences:

	For the Years ended June 30,	
	1995 Total	1994 Total
	Asset (Liability)	Asset (Liability)
Asset allowances.....	\$ 808,317	\$ 921,521
Deferred compensation.....	1,087,921	1,081,779
Other accruals and allowances..	1,542,073	1,641,303
Excess of tax over book depreciation	(1,438,311)	(1,304,603)
Total.....	\$2,000,000	\$2,340,000

Income taxes paid during 1995, 1994, and 1993 were \$3,555,000, \$5,081,000, and \$2,618,000, respectively.

7. CREDIT ARRANGEMENTS

The Company has lines of credit of \$5,700,000 with banks for short-term borrowings at the prime rate in effect at the date of the loan. On \$1,000,000 of such line, the Company is required to maintain compensating bank balances equal to 5% of the line of credit plus 5% of any amounts borrowed. There were no short-term bank borrowings during 1995 or 1994. Additionally, the Company has a \$1,280,000 letter of credit related to worker's compensation and casualty insurance. No amounts were outstanding on this letter as of June 30, 1995.

8. SHAREHOLDERS' EQUITY

The Company has authorized 60,000 shares of cumulative, \$50 par value preferred stock and 700,000 shares of undesignated, \$1 par value (subordinated) stock, none of which is outstanding. The Company issued 38,112, 31,981, and 55,305 net shares under stock option and other employee plans during the years ended June 30, 1995, 1994, and 1993, respectively. The difference between the purchase or issue prices and the par value of the shares is credited or charged to paid-in capital.

9. STOCK OPTIONS

The Company has stock option plans for key employees that provide for the granting of incentive and nonqualified stock options. Under the plans, options are granted at fair market value and may be exercisable for up to 10 years. At June 30, 1995, 88,970 shares of common stock were available for future grants. Changes in options outstanding are as follows:

	Shares	Price/Range
June 30, 1992		
Outstanding.....	250,980	\$ 9.50 - \$11.50
Granted.....	11,000	12.375
Exercised	(98,890)	9.50 - 11.50
Cancelled.....	(4,400)	9.50 - 12.375
June 30, 1993		
Outstanding.....	158,690	10.50 - 12.375
Granted.....	100,930	14.875 - 15.75
Exercised.....	(19,100)	10.50 - 11.00
June 30, 1994		
Outstanding.....	240,520	10.50 - 15.75
Granted.....	94,360	10.50 - 11.125
Exercised.....	(17,000)	11.00
Cancelled.....	(41,210)	10.50 - 14.875
June 30, 1995		
Outstanding.....	276,670	\$10.50 - \$14.875

10. PENSION AND RETIREMENT PLANS

The Company sponsors various defined contribution pension and retirement plans which cover substantially all employees, other than employees covered by multiemployer pension plans under collective bargaining agreements. It is the Company's policy to fund all pension costs accrued. Total pension and retirement plan expense was \$1,295,000 in 1995, \$1,226,000 in 1994, and \$1,044,000 in 1993 including \$274,000 in 1995, \$251,000 in 1994, and \$220,000 in 1993 for the Company's matching contribution to retirement savings plans. The Company's cost for pension plans is determined as 2% - 4% of each covered employees wages. The Company's matching contribution for the retirement savings plans is 25% - 50% of employee contributions (up to 4% of their earnings). In addition to the above, amounts charged to pension expense and contributed to multiemployer defined benefit pension plans administered by others under collective bargaining agreements were \$1,203,000 in 1995, \$1,150,000 in 1994, and \$1,030,000 in 1993.

11. MANAGEMENT INCENTIVE PLANS

The Company has an incentive plan that provides for shares of common stock to be awarded to key employees based on a targeted rate of earnings to common equity as established by the Board of Directors. Shares awarded to employees are subject to the restriction of continued employment with 33 1/3% of the stock received by the employee on the award date and the remaining shares issued after

one and two years. Under the plan 13,300, 16,189, and 8,090 shares were awarded, and the amounts charged to income in 1995, 1994, and 1993 were \$149,625, \$169,985, and, \$125,395, respectively. At June 30, 1995, 379,697 shares were available for future grants.

12. SUPPLEMENTARY QUARTERLY
FINANCIAL INFORMATION

(UNAUDITED - in thousands of dollars, except per share amounts)

	Quarters			
	1st	2nd	3rd	4th
1995:				
Net Sales.....	\$50,812	\$52,351	\$56,783	\$48,486
Gross Profit...	11,475	11,465	12,078	9,183
Net Income	1,597	1,496	1,768	350
Earnings Per Share	.22	.21	.25	.05

	Quarters			
	1st	2nd	3rd	4th(a)
1994:				
Net Sales.....	\$44,360	\$46,583	\$52,638	\$51,807
Gross Profit...	10,529	10,074	11,970	11,749
Net Income.....	1,561	1,409	1,787	2,030
Earnings Per Share	.22	.20	.25	.28

(a) Reflects cumulative effect of accounting change as of June 30, 1994 of \$320,000 (net of income taxes) or \$.04 per share income.

PLANT LOCATIONS

*Flexsteel Industries, Inc.
DUBUQUE, IOWA 52001
(319) 556-7730
P. M. Crahan, General Manager
Flexsteel Industries, Inc.
DUBLIN, GEORGIA 31040
(912) 272-6911
R. C. Adams, General Manager
Flexsteel Industries, Inc.
LANCASTER, PENNSYLVANIA 17604
(717) 392-4161
T. P. Fecteau, General Manager
Flexsteel Industries, Inc.
RIVERSIDE, CALIFORNIA 92504
(909) 354-2440
T. D. Burkart, General Manager
Flexsteel Industries, Inc.
NEW PARIS, INDIANA 46553
(219) 831-4050
G. H. Siemer, General Manager
Wood Products Division
HARRISON, ARKANSAS 72601
(501) 743-1101
M. J. Feldman, General Manager
Metal Division
DUBUQUE, IOWA 52001
(319) 556-7730
J. E. Gilbertson, General Manager
Charisma Chairs
SWEETWATER, TENNESSEE 37874
(423) 337-6694
A. F. McCosh, Plant Manager
Commercial Seating Division
STARKVILLE, MISSISSIPPI 39760
(601) 323-5481
S. P. Salmon, General Manager
Vancouver Distribution Center
VANCOUVER, WASHINGTON 98668
(206) 696-9955
R. Heying, Supervisor

* Executive Offices

PERMANENT SHOWROOMS
Dubuque, Iowa
High Point, North Carolina
Lancaster, Pennsylvania
San Francisco, California

DIRECTORS AND OFFICERS

Frank H. Bertsch
Chairman of Executive Committee
Director
Jack B. Crahan
Chairman of the Board of Directors
K. Bruce Lauritsen
President
Chief Executive Officer
Director
Edward J. Monaghan
Executive Vice President
Chief Operating Officer
Director
James R. Richardson
Senior Vice President, Marketing
Director
L. Bruce Boylen
Retired Vice President
Fleetwood Enterprises, Inc.
Director
John R. Easter
Retired Vice President
Sears, Roebuck & Company
Director
Thomas E. Holloran
Professor, Graduate School of
Business, University of St. Thomas
St. Paul, Minnesota
Director
James G. Peterson
Consultant
James G. Peterson Associates
Business Consultant
and Investment Advisor
Director
Art D. Richardson
Retired Senior Vice President
Flexsteel Industries, Inc.
Director
Jeffrey T. Bertsch
Vice President

Carolyn T. B. Bleile
Vice President
Thomas D. Burkart
Senior Vice President, Vehicle Seating
Kevin F. Crahan
Vice President
Patrick M. Crahan
Vice President
Keith R. Feuerhaken
Vice President
James E. Gilbertson
Vice President
James M. Higgins
Vice President
Ronald J. Klosterman
Vice President, Finance
Chief Financial Officer
Secretary
Michael A. Santillo
Vice President
EXECUTIVE COMMITTEE
Frank H. Bertsch, Chairman
Jack B. Crahan
K. Bruce Lauritsen
Edward J. Monaghan
James R. Richardson
AUDIT & ETHICS
COMMITTEE
Thomas E. Holloran, Chairman
John R. Easter
James G. Peterson
Art D. Richardson

NOMINATING &
COMPENSATION
COMMITTEE

L. Bruce Boylen, Chairman
John R. Easter
Thomas E. Holloran
James G. Peterson

MARKETING COMMITTEE

John R. Easter, Chairman
Frank H. Bertsch
L. Bruce Boylen
James G. Peterson
Art D. Richardson

TRANSFER AGENT AND
REGISTRAR

Norwest Capital Resources
P. O. Box 738
South St. Paul,
Minnesota 55075-0738

GENERAL COUNSEL

Peter F. Walstad
Minneapolis, Minnesota
O'Connor and Thomas, P.C.
Dubuque, Iowa

NATIONAL OVER

THE COUNTER

NASDAQ SYMBOL - FLXS

ANNUAL MEETING

Tuesday,
December 5, 1995, 3:30 p.m.
Minneapolis Hilton & Towers
1001 Marquette Avenue,
3rd floor
Minneapolis, Minnesota 55403

AFFIRMATIVE ACTION POLICY

It is the policy of Flexsteel Industries, Inc. that all employees and potential employees shall be judged on the basis of qualifications and ability, without regard to age, sex, race, creed, color or national origin in all personnel actions. No employee or applicant for employment shall receive discriminatory treatment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. Employment opportunities and job advancement opportunities will be provided for qualified disabled veterans and veterans of the Vietnam era. This policy is consistent with the Company's plan for 'Affirmative Action' in implementing the intent and provisions of the various laws relating to employment and non-discrimination.

ANNUAL REPORT ON FORM 10-K AVAILABLE

A copy of the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, can be obtained without charge by writing to: Office of the Secretary, Flexsteel Industries, Inc., P. O. Box 877, Dubuque, Iowa 52004-0877.

[LOGO]

(C) 1995 FLEXSTEEL INDUSTRIES, INC.

[photo]

With recreational vehicle seating designed to meet or surpass the exacting standards mandated by safety and comfort considerations, Flexsteel is now recognized as a major supplier of seating for all types of recreational vehicles and motor homes. A key selling point of Fleetwood's most popular motor home, The Bounder, is a beautiful interior made inviting and comfortable with the finest appointments. Among these is top-quality Flexsteel seating in living, dining, and sleeping areas.

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U.S. Postage
PAID
Permit #10
Dubuque, IA

FLEXSTEEL(R) INDUSTRIES INCORPORATED
P.O. BOX 877 o DUBUQUE, IA 52004-0877

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended JUNE 30, 1995

or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-5151

A) Full title of the plan:

SALARIED EMPLOYEES' SAVINGS PLAN 401(k)

B) Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

FLEXSTEEL INDUSTRIES, INC., P.O. BOX 877, DUBUQUE, IA 52004-0877

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Salaried Employees' Savings Plan 401(k)
(Name of Plan)

Date: September 25, 1995

/s/ R. J. KLOSTERMAN
R.J. Klosterman
Vice President of Finance and
Principal Financial Officer

INDEPENDENT AUDITORS' REPORT

Flexsteel Industries, Inc. Salaried Employees' Savings Plan 401(k):

We have audited the combining statements of financial position of the Flexsteel Industries, Inc. Salaried Employees' Savings Plan 401(k) (the "Plan") as of June 30, 1995 and 1994 and the related combining statements of income and changes in plan equity for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Plan as of June 30, 1995 and 1994, and the results of its operations for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 11, 1995

FLEXSTEEL INDUSTRIES, INC.
SALARIED EMPLOYEES' SAVINGS PLAN 401(k)
COMBINING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1995

1995: ASSETS	FLEXSTEEL INDUSTRIES, INC. COMMON STOCK FUND	COMMON STOCK FUND	GUARANTEED INTEREST ACCOUNT	PRIVATE MARKET BOND AND MORTGAGE ACCOUNT	STOCK INDEX FUND	MONEY MARKET ACCOUNT	INTER- NATIONAL STOCK ACCOUNT	SMALL COMPANY STOCK FUND	TOTAL
Cash	\$ 11,645								\$ 11,645
Employee Contributions Receivable	8,314	\$ 20,038	\$ 30,253	\$ 8,125	\$ 947	\$ 739	\$ 3,874	\$ 4,900	77,190
Company Contributions Receivable	869	872	11,241	483		31	32	161	13,689
Investment in Flexsteel Industries, Inc. Common Stock - Par Value \$1 Per Share; at market 109,719.5 shares at \$10.25 each	1,124,625								1,124,625
Investment in Common Stock Fund		2,721,227							2,721,227
Investment in Bond & Mortgage Account				777,219					777,219
Investment in Guaranteed Interest Accounts			4,385,870						4,385,870
Investment in Stock Index Fund					69,401				69,401
Investment in Money Market Account						58,412			58,412
Investment in International Stock Account							106,627		106,627
Investment in Small Company Stock Fund								261,580	261,580
Total assets	\$1,145,453	\$2,742,137	\$4,427,364	\$785,827	\$70,348	\$59,182	\$110,533	\$266,641	\$9,607,485
PLAN EQUITY									
Total plan equity	\$1,145,453	\$2,742,137	\$4,427,364	\$785,827	\$70,348	\$59,182	\$110,533	\$266,641	\$9,607,485

See Notes to Financial Statements

FLEXSTEEL INDUSTRIES, INC.
SALARIED EMPLOYEES' SAVINGS PLAN 401(k)
COMBINING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1994

1994: ASSETS	FLEXSTEEL INDUSTRIES, INC. COMMON STOCK FUND	COMMON STOCK FUND	GUARANTEED INTEREST ACCOUNT	PRIVATE MARKET BOND AND MORTGAGE ACCOUNT	STOCK INDEX FUND	MONEY MARKET ACCOUNT	TOTAL
Cash	\$ 39,154						\$ 39,154
Employee Contributions Receivable	5,199	\$ 14,502	\$ 24,646	\$ 6,770	\$ 2,144	\$ 497	53,758
Company Contributions Receivable	1,122	1,972	4,172	1,102	262	95	8,725
Investment in Flexsteel Industries, Inc. Common Stock - Par Value \$1 per Share; at market 88,537 shares at \$13.75 each	1,217,391						1,217,391
Investment in Common Stock Fund		2,097,748					2,097,748
Investment in Bond & Mortgage Account				656,623			656,623
Investment in Guaranteed Interest Accounts			3,895,292				3,895,292
Investment in Stock Index Fund.....					197,771		197,771
Investment in Money Market Account.....						27,150	27,150
Total assets	\$1,262,866	\$2,114,222	\$3,924,110	\$664,495	\$200,177	\$27,742	\$8,193,612
PLAN EQUITY							
Total plan equity	\$1,262,866	\$2,114,222	\$3,924,110	\$664,495	\$200,177	\$27,742	\$8,193,612

See Notes to Financial Statements

FLEXSTEEL INDUSTRIES, INC.
SALARIED EMPLOYEES' SAVINGS PLAN 401(k)
COMBINING STATEMENTS OF INCOME AND CHANGES IN PLAN EQUITY
YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	FLEXSTEEL INDUSTRIES, INC. COMMON STOCK FUND	COMMON STOCK FUND	GUARANTEED INTEREST ACCOUNT	PRIVATE MARKET BOND AND MORTGAGE ACCOUNT	STOCK INDEX FUND	MONEY MARKET ACCOUNT
1995:						
Net Investment Income						
Cash Dividends on Flexsteel Common Stock	\$ 46,567					
Interest and Other Income (Loss)	298		\$ 283,899	\$ 88,895		\$ 2,364
Total	46,865		283,899	88,895		2,364
Employee Contributions	119,961	\$ 258,121	369,532	107,638	\$ 20,512	10,617
Company Contributions	23,735	31,891	87,045	15,075	3,464	1,345
Net Appreciation (Depreciation) in Fair Value of						
Investments	(330,185)	428,530			20,245	
Withdrawals	(27,454)	(57,752)	(160,378)	(43,716)	(1,472)	(1,356)
Transfers (To) From Other Investment						
Programs	49,665	(32,875)	(76,843)	(46,560)	(172,578)	18,469
Increase in Plan Equity	(117,413)	627,915	503,255	121,332	(129,829)	31,439
Plan Equity - Beginning of Year	1,262,866	2,114,222	3,924,109	664,495	200,177	27,743
Plan Equity - End of Year	\$ 1,145,453	\$2,742,137	\$4,427,364	\$ 785,827	\$ 70,348	\$ 59,182
1994:						
Net Investment Income						
Cash Dividends on Flexsteel Common Stock	\$ 39,333					
Interest	179		\$ 260,834	\$ (5,145)		\$ 655
Total	39,512		260,834	(5,145)		655
Employee Contributions	110,523	\$ 235,433	365,573	103,369	\$ 32,142	5,029
Company Contributions	26,130	38,564	65,537	19,374	5,497	962
Net Appreciation in Fair Value of						
Investments	(147,018)	29,692			(5,098)	
Withdrawals	(10,127)	(34,307)	(196,372)	(2,777)	(154)	(238)
Transfers (To) From Other Investment						
Programs	31,201	38,229	(316,774)	121,000	117,050	9,294
Increase (Decrease) in Plan Equity	50,221	307,611	178,798	235,821	149,437	15,702
Plan Equity - Beginning of Year	1,212,645	1,806,611	3,745,311	428,674	50,740	12,041
Plan Equity - End of Year	\$ 1,262,866	\$2,114,222	\$3,924,109	\$ 664,495	\$200,177	\$27,743
1993:						
Net Investment Income						
Cash Dividends on Flexsteel Common Stock	\$ 36,992					
Interest	229		\$ 272,082	\$ 42,836		\$ 272
Total	37,221		272,082	42,836		272
Employee Contributions	98,827	\$ 188,331	389,951	67,313	\$ 16,649	3,597
Company Contributions	22,450	30,446	71,721	12,794	2,624	631
Net Appreciation in Fair Value of						
Investments	248,175	200,355			2,942	
Withdrawals	(40,251)	(72,189)	(309,196)	(9,673)	(41)	
Transfers (To) From Other Investment						
Programs	(58,355)	122,103	(177,556)	78,772	27,755	7,281
Increase (Decrease) in Plan Equity	308,067	469,046	247,002	192,042	49,929	11,781
Plan Equity - Beginning of Year	904,578	1,337,565	3,498,309	236,632	811	260
Plan Equity - End of Year	\$ 1,212,645	\$ 1,806,611	\$3,745,311	\$ 428,674	\$ 50,740	\$ 12,041

TABLE CONTINUED

	INTERNATIONAL STOCK ACCOUNT	SMALL COMPANY STOCK FUND	TOTAL
1995:			
Net Investment Income			
Cash Dividends on Flexsteel Common Stock			\$ 46,567
Interest and Other Income (Loss)			375,456
Total			422,023
Employee Contributions	\$ 29,247	\$ 39,743	955,371
Company Contributions	3,575	4,167	170,297
Net Appreciation (Depreciation) in Fair Value of			
Investments	4,164	36,161	158,915
Withdrawals	(59)	(546)	(292,733)
Transfers (To) From Other Investment			
Programs	73,606	187,116	
Increase in Plan Equity	110,533	266,641	1,413,873
Plan Equity - Beginning of Year			8,193,612
Plan Equity - End of Year	\$110,533	\$266,641	\$9,607,485
1994:			
Net Investment Income			
Cash Dividends on Flexsteel Common Stock			\$ 39,333
Interest			256,523
Total			295,856
Employee Contributions			852,069
Company Contributions			156,064
Net Appreciation in Fair Value of			
Investments			(122,424)
Withdrawals			(243,975)
Transfers (To) From Other Investment			
Programs			
Increase (Decrease) in Plan Equity			937,590
Plan Equity - Beginning of Year			7,256,022
Plan Equity - End of Year			\$8,193,612
1993:			

Net Investment Income	
Cash Dividends on Flexsteel Common Stock	\$ 36,992
Interest	315,419
Total	352,411
Employee Contributions	764,668
Company Contributions	140,666
Net Appreciation in Fair Value of	
Investments.....	451,472
Withdrawals	(431,350)
Transfers (To) From Other Investment	
Programs	
Increase (Decrease) in Plan Equity	1,277,867
Plan Equity - Beginning of Year	5,978,155
Plan Equity - End of Year	\$7,256,022

See Notes to Financial Statements

FLEXSTEEL INDUSTRIES, INC.
SALARIED EMPLOYEES' SAVINGS PLAN 401(k)
NOTES TO FINANCIAL STATEMENTS

1) PLAN DESCRIPTION

The Flexsteel Industries, Inc. Salaried Employees' Savings Plan 401(k) (the "Plan") was established effective July 1, 1985 by Flexsteel Industries, Inc. (the "Company"). The Plan is available to certain salaried, salesmen and office employees that have one year of eligible service and have reached the age of twenty-one. Participation is voluntary.

The Plan allows eligible employees to elect to have from 1% to 10% (salesmen are subject to a 4% maximum) of their basic pre-tax pay contributed to the Plan. Employer contributions are subject to a maximum of \$9,240 in calendar year 1995 by law. The Company contributes an amount equal to 25% of the first 4% of pay the employee contributes. Participant and Company basic contributions are 100% vested. The Company, at its option, may also contribute additional amounts to be allocated amongst all participants based on the participants' pay; such additional company contributions vest over 6 years (40% after 3 years, 60% after 4 years, 80% after 5 years, and 100% after 6 years).

Plan participants direct their contributions to any of the seven investment accounts available:

- 1) The FLEXSTEEL INDUSTRIES, INC. COMMON STOCK FUND, which consists of the Company's common stock.
- 2) A COMMON STOCK FUND, which consists of common stock and other equity securities, and also may include short-term money market instruments, cash, or cash equivalents.
- 3) A GUARANTEED INTEREST ACCOUNT, which is an insurance company account that provides a guaranteed interest rate for a five-year period.
- 4) A PRIVATE MARKET BOND AND MORTGAGE ACCOUNT, which is an insurance company account that provides for competitive yield debt securities.
- 5) A STOCK INDEX FUND, which is a pooled investment account invested in the common stock of those firms included in the Standard & Poor's 500 Stock Index.
- 6) A MONEY MARKET ACCOUNT, which is an insurance company account primarily invested in commercial paper with maturities of one year or less.
- 7) An INTERNATIONAL STOCK ACCOUNT, which invests in stocks of companies in Western Europe and Asia.
- 8) A SMALL COMPANY STOCK ACCOUNT, which invests in stocks of relatively smaller companies.

Assets of the Plan are held by a "Custodian," the Principal Mutual Life Insurance Company, except for the Flexsteel Common Stock Fund that is held by the American Trust & Savings Bank of Dubuque, Iowa (the "Trustee"). The Plan is administered by a committee appointed by the Board of Directors of the Company. Distributions are paid upon retirement, termination of employment, death, disability, or in hardship cases. Non-vested contributions revert to the Company upon termination of employment. Upon termination of the Plan, participant accounts become fully vested and non-forfeitable.

At June 30, 1995, the Plan had 466 participants, of which there were 183 participants in the Flexsteel Common Stock Fund, 301 participants in the Common Stock Fund, 445 participants in the Guaranteed Interest Account, 204 participants in the Private Market Bond and Mortgage Account, 56 participants in the Stock Index Separate Account, and 50 participants in the Money Market Account, 78 participants in the International Stock Account, and 95 participants in the Small Company Stock Account.

2) SIGNIFICANT ACCOUNTING POLICIES

The Plan uses the accrual basis of accounting. Investments in common stock are recorded at market value based on market quotations. Other investments are

stated at market value as determined by the Trustee and Custodian based on the market value of the funds and the participation in each fund. The cost of investments sold is determined by the average cost method.

3) INCOME TAXES

The Plan has received a determination from the Internal Revenue Service that the Plan is exempt from Federal income taxes. Participants are not taxed currently on their contributions or on Company contributions to the Plan. Distributions to participants generally are subject to Federal and State income tax at the time of distribution; certain distributions may receive more favorable tax treatment.

4) NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

The unrealized appreciation (depreciation) in the investment accounts is as follows:

	COST	MARKET VALUE	NET APPRECIATION (DEPRECIATION)
Flexsteel Common Stock Fund			
Balance, June 30, 1992	\$ 816,964	\$ 858,283	\$ 41,319
Net change during year	\$ 76,287	\$ 324,462	\$ 248,175
Balance, June 30, 1993	\$ 893,251	\$ 1,182,745	\$ 289,494
Net change during year	\$ 181,664	\$ 34,646	\$ (147,018)
Balance, June 30, 1994	\$ 1,074,915	\$ 1,217,391	\$ 142,476
Net change during year	\$ 237,419	\$ (92,766)	\$ (330,185)
Balance, June 30, 1995	\$ 1,312,334	\$ 1,124,625	\$ (187,709)
Common Stock Fund			
Balance, June 30, 1992	\$ 867,983	\$ 1,317,347	\$ 449,364
Net change during year	\$ 274,391	\$ 474,746	\$ 200,355
Balance, June 30, 1993	\$ 1,142,374	\$ 1,792,093	\$ 649,719
Net change during year	\$ 275,963	\$ 305,655	\$ 29,692
Balance, June 30, 1994	\$ 1,418,337	\$ 2,097,748	\$ 679,411
Net change during year	\$ 194,949	\$ 623,479	\$ 428,530
Balance, June 30, 1995	\$ 1,613,286	\$ 2,721,227	\$ 1,107,941
Stock Index Fund			
Balance, June 30, 1992	\$ 79	\$ 79	
Net change during year	\$ 46,207	\$ 49,149	\$ 2,942
Balance, June 30, 1993	\$ 46,286	\$ 49,228	\$ 2,942
Net change during year	\$ 153,641	\$ 148,543	\$ (5,098)
Balance, June 30, 1994	\$ 199,927	\$ 197,771	\$ (2,156)
Net change during year	\$ (148,615)	\$ (128,370)	\$ 20,245
Balance, June 30, 1995	\$ 51,312	\$ 69,401	\$ 18,089
International Stock Fund			
Balance, June 30, 1994			
Net change during year	\$ 102,463	\$ 106,627	\$ 4,164
Balance, June 30, 1995	\$ 102,463	\$ 106,627	\$ 4,164
Small Company Stock Fund			
Balance, June 30, 1994			
Net change during year	\$ 225,419	\$ 261,580	\$ 36,161
Balance, June 30, 1995	\$ 225,419	\$ 261,580	\$ 36,161

The cost of investments in the Guaranteed Interest Account, Private Bond and Mortgage Account, and Money Market Account approximate market.

5) RELATED PARTY TRANSACTIONS

All administrative costs of the Plan are paid by the Company. Brokers' commissions and fees, if any, incurred in connection with the segregated funds are paid by the Plan.

The Plan had the following transactions in the Flexsteel Common Stock Fund or in the Custodian's funds for the year ended June 30, 1995, 1994 and 1993 (shares in parentheses):

1995: FUND	PURCHASES	SALES (1)	COST OF SALES (1)
Flexsteel Common Stock Fund	\$238,920(21,182)		
Common Stock Fund	\$285,576	\$ 90,627	\$ 90,627
Guaranteed Interest Account	\$443,902	\$ 237,223	\$ 237,223
Private Market Bond and Mortgage Account	\$121,977	\$ 90,276	\$ 90,276
Stock Index Fund	\$ 25,435	\$ 174,050	\$ 174,050
Money Market Account	\$ 11,785	\$ (17,113)	\$ (17,113)
International Stock Account	\$ 28,916	\$ (73,546)	\$ (73,546)
Small Company Stock Account	\$ 38,848	\$ (186,571)	\$ (186,571)
1994:			
FUND	PURCHASES	SALES (1)	COST OF SALES (1)
Flexsteel Common Stock Fund	\$182,789(11,611)		
Common Stock Fund	\$272,041	\$ (3,922)	\$ (3,922)
Guaranteed Interest Account	\$434,413	\$ 513,146	\$ 513,146
Private Market Bond and Mortgage Account	\$121,686	\$(118,223)	\$(118,223)
Stock Index Fund	\$ 36,746	\$(116,896)	\$(116,896)
Money Market Account	\$ 5,764	\$ (9,056)	\$ (9,056)
1993:			
FUND	PURCHASES	SALES (1)	COST OF SALES (1)

FUND	PURCHASES	SALES (1)	SALES (1)
Flexsteel Common Stock Fund	\$107,459(9,063)	\$ 31,172(2,200)	\$ 25,545(2,200)
Common Stock Fund	\$224,478	\$ (49,914)	\$ (49,914)
Guaranteed Interest Account	\$469,615	\$ 486,752	\$ 486,752
Private Market Bond and			
Mortgage Account	\$ 78,856	\$ (69,099)	\$ (69,099)
Stock Index Fund.....	\$ 18,493	\$ (27,714)	\$ (27,714)
Money Market Account.....	\$ 4,026	\$ (7,281)	\$ (7,281)

(1) Amount is net of transfers

CONSENT OF INDEPENDENT AUDITORS

Flexsteel Industries, Inc.:

We consent to the incorporation by reference in Registration Statement No. 33-1836 on Form S-8 as amended by Post-Effective Amendment No. 1 for the Flexsteel Salaried Employees' Savings Plan 401(k) of our report dated August 11, 1995 appearing in the Annual Report on Form 11-K of the Flexsteel Salaried Employees' Savings Plan 401(k) for the year ended June 30, 1995.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 25, 1995

INDEPENDENT AUDITORS' REPORT

Flexsteel Industries, Inc.:

We have audited the financial statements of Flexsteel Industries, Inc. (the Company) as of June 30, 1995 and 1994 and for each of the three years in the period ended June 30, 1995, and have issued our report thereon dated August 11, 1995, which report includes an explanatory paragraph relating to a change in the Company's method of accounting for certain investments in debt and equity securities; such financial statements and report are included in your 1995 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Flexsteel Industries, Inc., listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 11, 1995

CONSENT OF INDEPENDENT AUDITORS

Flexsteel Industries, Inc.:

We hereby consent to the incorporation by reference in Registration Statement No. 33-1836 on Form S-8 as amended by Post-Effective Amendment No. 1 for the Flexsteel Salaried Employees' Savings Plan 401(k) and in Registration Statement No. 2-86782 on Form S-8 as amended by Post-Effective Amendment No. 3 for the Flexsteel 1983 Stock Option Plan and in Registration Statement No. 33-26267 on Form S-8 for the Flexsteel 1989 Stock Option Plan of our reports dated August 11, 1995 (which expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the Company's method of accounting for certain investments in debt and equity securities) appearing in and incorporated by reference in the Annual Report on Form 10-K of Flexsteel Industries, Inc. for the year ended June 30, 1995.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 25, 1995

FLEXSTEEL INDUSTRIES, INC.
FORM 10-K SUPPLEMENTAL SCHEDULE

12-MOS
JUN-30-1995
JUN-30-1995
5,768,537
8,268,615
25,065,258
2,160,211
25,921,674
65,708,430
66,000,024
41,623,972
96,270,626
19,436,716
70,000
7,193,124
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66,630,457
96,270,626
208,432,198
209,405,569
164,230,883
200,922,937
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371,729
8,110,903
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5,210,903
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5,210,903
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