

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1995

Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.

Incorporated in State of Minnesota

I.R.S. Identification No. 42-0442319

FLEXSTEEL INDUSTRIES, INC.

P. O. BOX 877

DUBUQUE, IOWA 52004-0877

Area code 319 Telephone 556-7730

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Common Stock - \$1.00 Par Value

Shares Outstanding as of September 30, 1995

7,210,748

FLEXSTEEL INDUSTRIES, INC.

CONDENSED BALANCE SHEETS (UNAUDITED)

	SEPTEMBER 30, 1995	JUNE 30, 1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 3,767,134	\$ 5,768,537
Temporary investments at fair value based on quoted market price.....	10,554,547	8,268,615
Trade receivables - Less allowance for doubtful accounts: September 30, 1995, \$1,738,438; June 30, 1995, \$2,160,211.....	27,351,312	22,905,047
Inventories.....	24,310,414	25,921,674
Deferred income taxes.....	2,000,000	2,000,000
Other assets.....	432,994	844,557
Total current assets.....	68,416,401	65,708,430
PROPERTY, PLANT, AND EQUIPMENT - At cost less accumulated depreciation: September 30, 1995, \$42,510,441; June 30, 1995, \$41,623,972.....	24,087,658	24,376,052
OTHER ASSETS.....	6,297,490	6,186,144
TOTAL.....	\$98,801,549	\$96,270,626

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable - trade.....	\$ 5,906,178	\$ 4,756,991
Dividends payable.....	865,290	863,175
Accrued liabilities.....	12,376,595	10,856,550
Industrial revenue bonds payable.....	2,960,000	2,960,000
Total current liabilities.....	22,108,063	19,436,716

LONG-TERM DEBT.....	70,000	70,000
DEFERRED COMPENSATION.....	2,934,529	2,940,329
SHAREHOLDERS' EQUITY:		
Common Stock - \$1 par value; authorized 15,000,000 shares; issued September 30, 7,210,748 shares; June 30, 7,193,124 shares.....	7,210,748	7,193,124
Additional paid-in capital.....	1,568,700	1,386,754
Retained earnings.....	64,762,509	65,199,703
Unrealized investment gain.....	147,000	44,000
Total.....	73,688,957	73,823,581
TOTAL.....	\$98,801,549	\$96,270,626

See accompanying Notes.

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

	Three Months Ended September 30,	
	1995	1994
Net Sales.....	\$49,226,728	\$50,811,739
Operating Expenses:		
Cost of goods sold.....	39,369,427	39,336,663
Selling, general and administrative expenses.....	9,342,266	9,152,160
Total.....	48,711,693	48,488,823
Operating Income.....	515,035	2,322,916
Interest and Other:		
Income.....	243,619	246,726
Expense.....	90,558	87,801
Net.....	153,061	158,925
Earnings Before Income Taxes.....	668,096	2,481,841
Provision for Income Taxes.....	240,000	885,000
Net Earnings.....	\$ 428,096	\$ 1,596,841
Average Number of Common Shares Outstanding.....	7,204,873	7,158,251
Per Share of Common Stock:		
Net Earnings.....	\$ .06	\$ .22
Dividends.....	\$ .12	\$ .12

See accompanying Notes.

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

	Three Months Ended September 30,	
	1995	1994
OPERATING ACTIVITIES:		
Net Income.....	\$ 428,096	\$ 1,596,841
Adjustments to reconcile net income to net cash provided by operating activities.....	1,396,679	1,199,795
Net cash provided by operating activities.....	1,824,775	2,796,636
INVESTING ACTIVITIES:		
Purchases of temporary investments.....	(2,778,425)	(1,957,241)
Proceeds from sales of temporary investments...	492,493	1,989,067
Additions to property, plant and equipment....	(874,526)	(2,586,219)
Construction funds held in escrow.....		450,605
Net cash (used in) investing activities.....	(3,160,458)	(2,103,788)

FINANCING ACTIVITIES:

Payment of dividends.....	(865,290)	(858,601)
Proceeds from issuance of stock.....	199,570	225,111
Net cash (used in) financing activities.....	(665,720)	(633,490)
Increase (decrease) in cash and cash equivalents.....	(2,001,403)	59,358
Cash and cash equivalents at beginning of year....	5,768,537	3,385,573
Cash and cash equivalents at end of period.....	\$3,767,134	\$3,444,931

See accompanying Notes.

NOTES (UNAUDITED)

1. The accompanying condensed financial statements, which are unaudited, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, which is consistent with that followed in the financial statements for the year ended June 30, 1995. The statements include all adjustments (comprising only normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the financial position and results of operations and cash flows, prepared on a summary basis, as of such dates and for the stated dates then ended. The results of operations for the three-month period ended September 30, 1995 are not necessarily indicative of the results which may be expected for the year ending June 30, 1996.

2. The earnings per share are based on the average number of common shares outstanding during each period.

3. The inventories are categorized as follows:

	September 30, 1995	June 30, 1995
Raw materials.....	\$12,220,261	\$14,186,359
Work in process and finished parts.	7,399,797	7,546,079
Finished goods.....	4,690,356	4,189,236
Total.....	\$24,310,414	\$25,921,674

4. Interest paid during the three-month periods ended September 30, 1995 and 1994 was \$33,000 and \$30,100, respectively. Income taxes paid during the three-month periods ended September 30, 1995 and 1994 were \$72,000 and \$106,500, respectively.

5. In September 1993, the Company established a nonqualified trust, referred to as a "Rabbi" trust, to fund deferred compensation benefits. This arrangement offers a degree of assurance for the payment of such benefits to certain officers of the Company. Trust assets are subject to the claims of creditors and are not the property of the participants. Assets held in the trust at September 30, 1995 totaled \$2,586,541 and are classified as "Other Assets" in the Company's financial statements. The trust's earnings are recorded as an additional liability to fund the benefits and are considered to be interest expense to the Company.

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

FLEXSTEEL INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONDENSED STATEMENT OF EARNINGS

Financial Condition - The Company's cash, cash equivalents, and temporary investments increased by \$285,000. Accounts receivable increased by \$4,446,000 and inventories decreased by \$1,611,000. Capital expenditures were \$875,000 for plant improvements, manufacturing, and delivery equipment. Working capital increased by \$37,000 for the quarter. In the next nine months approximately \$1,600,000 will be spent for manufacturing and delivery equipment.

Economic Conditions - The Company anticipates that demand for its seating products will improve gradually, from current levels, throughout the second half

of the fiscal year. The Company is continually reviewing all areas of product cost to identify and implement cost savings, which in conjunction with previously implemented price increases, investments in computerized manufacturing equipment, plant layout improvements, and production consolidation, will help offset cost increases for materials and assist in maintaining margins in a very price-competitive marketplace. Profitability improvements should result from improved manufacturing efficiencies and continued efforts to control, and reduce, costs while maintaining sales volume and margins.

Results of Operations for the Quarter - Sales decreased by approximately \$1,585,000, compared to the prior year quarter. Recreational Vehicle product sales volume decreased \$2,070,000 while Home Furnishings increased \$505,000. Cost of goods sold increased \$33,000 despite the sales volume decrease due to costs of approximately \$470,000, or \$.04 per share after tax, associated with closing the Sweetwater, TN, facility, and lower margins caused by higher material costs. Selling, general, and administrative costs increased approximately \$190,000, reflecting modest increases in fixed costs. The aforementioned changes resulted in a decrease in net income after taxes of \$1,167,000, or \$.16 per share, compared to the quarter ended September 30, 1994.

## PART II OTHER INFORMATION

The registrant did not file a report on Form 8-K during the quarter for which this report is filed.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: October 27, 1995

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

FLEXSTEEL INDUSTRIES, INC.  
FORM 10-Q SUPPLEMENTAL SCHEDULE

3-MOS	
	JUN-30-1996
	SEP-30-1995
	3,767,134
	10,554,547
	29,089,750
	1,738,438
	24,310,414
	68,416,401
	66,598,099
	42,510,441
	98,801,549
22,108,063	
	70,000
	7,210,748
0	
	0
	66,478,209
98,801,549	
	49,226,728
	49,470,347
	39,369,427
	48,711,693
	9,342,266
	0
	90,558
	668,096
	240,000
428,096	
	0
	0
	0
	428,096
	0.06
	0