

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the quarterly period ended March 31, 2000  
 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

Incorporated in State of Minnesota

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

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

Area code 319 Telephone 556-7730

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

Common Stock - \$1.00 Par Value  
 Shares Outstanding as of March 31, 2000 6,386,983  
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FLEXSTEEL INDUSTRIES, INC.  
 BALANCE SHEETS (UNAUDITED)

	March 31, 2000	June 30, 1999
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<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 645,712	\$ 4,886,038
Investments .....	6,973,770	8,967,197
Trade receivables - less allowance for doubtful accounts:		
March 31, 2000, \$ 2,675,000		
June 30, 1999, \$2,503,000 .....	35,029,371	31,149,416
Inventories .....	34,006,251	29,503,209
Deferred income taxes .....	3,700,000	3,700,000
Other .....	355,798	461,406
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Total current assets .....	80,710,902	78,667,266
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
at cost less accumulated depreciation:		
March 31, 2000, \$ 55,734,476		
June 30, 1999, \$52,707,461 .....	27,071,562	25,912,432
<b>OTHER ASSETS</b> .....	9,503,695	8,103,997
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TOTAL .....	\$117,286,159	\$112,683,695
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable - trade .....	\$ 7,318,285	\$ 7,076,729
Accrued liabilities:		
Payroll and related items	6,105,482	6,735,108
Insurance	5,977,525	6,688,060
Other accruals	7,335,312	6,332,412
Industrial revenue bonds payable	1,625,000	1,625,000
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Total current liabilities	28,361,604	28,457,309

DEFERRED COMPENSATION

	3,075,870	3,060,670
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Total liabilities	31,437,474	31,517,979
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SHAREHOLDERS' EQUITY:

Common Stock - \$1 par value; authorized 15,000,000 shares; issued March 31, 2000, 6,386,983 shares; issued June 30, 1999, 6,491,840 shares	6,386,983	6,491,840
Retained earnings	78,649,659	73,718,238
Unrealized investment gain	812,043	955,638
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Total shareholders' equity	85,848,685	81,165,716
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TOTAL .....	\$117,286,159	\$112,683,695
	=====	=====

See accompanying Notes to Financial Statements.

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

STATEMENTS OF INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2000	1999	2000	1999
NET SALES .....	\$ 74,972,094	\$ 68,614,563	\$213,076,665	\$191,243,073
COST OF GOODS SOLD .....	58,384,168	52,871,455	165,881,756	148,209,748
GROSS MARGIN .....	16,587,926	15,743,108	47,194,909	43,033,325
SELLING, GENERAL AND ADMINISTRATIVE	12,071,827	11,546,542	35,377,502	32,976,703
GAIN ON SALE OF LAND .....			1,249,806	
OPERATING INCOME .....	4,516,099	4,196,566	13,067,213	10,056,622
OTHER:				
Interest and other income ....	301,253	319,922	1,157,425	896,428
Interest and other expense ...	144,403	71,835	337,520	231,746
Total .....	156,850	248,087	819,905	664,682
INCOME BEFORE INCOME TAXES .....	4,672,949	4,444,653	13,887,118	10,721,304
PROVISION FOR INCOME TAXES .....	1,730,000	1,615,000	4,990,000	3,900,000
NET INCOME .....	\$ 2,942,949	\$ 2,829,653	\$ 8,897,118	\$ 6,821,304
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC .....	6,422,157	6,775,826	6,481,102	6,813,228
DILUTED .....	6,522,426	6,856,625	6,587,281	6,885,472
EARNINGS PER SHARE OF COMMON STOCK:				
BASIC .....	\$ 0.46	\$ 0.42	\$ 1.37	\$ 1.00
DILUTED .....	\$ 0.45	\$ 0.41	\$ 1.35	\$ 0.99

STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2000	1999	2000	1999
NET INCOME .....	\$ 2,942,949	\$ 2,829,653	\$ 8,897,118	\$ 6,821,304
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE TAX:				
Unrealized gains (losses) on securities arising during period .....	32,034	49,800	(267,116)	286,919
Less: reclassification adjustment for gains included in net income	17,066	45,000	39,566	49,844
Other comprehensive income (loss), before tax .....	49,100	94,800	(227,550)	336,763
INCOME TAX BENEFIT (EXPENSE):				
Income tax (expense) benefit related to securities (losses) gains arising during period .....	(11,856)	(17,928)	98,594	(103,291)
Income tax (expense) benefit related to securities reclassification adjustment .....	(6,314)	(16,200)	(14,639)	(17,944)
Income tax (expense) benefit related to other comprehensive income ...	(18,170)	(34,128)	83,955	(121,235)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX ....	30,930	60,672	(143,595)	215,528

COMPREHENSIVE INCOME .....	\$ 2,973,879	\$ 2,890,325	\$ 8,753,523	\$ 7,036,832
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

See accompanying Notes to Financial Statements.

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

	Nine Months Ended March 31,	
	2000	1999
<b>OPERATING ACTIVITIES:</b>		
Net Income .....	\$ 8,897,118	\$ 6,821,304
Adjustments to reconcile net income to net cash provided by operating activities .....	(4,593,725)	1,527,280
Net cash provided by operating activities .....	4,303,393	8,348,584
<b>INVESTING ACTIVITIES:</b>		
Purchases of investments .....	(761,840)	(3,618,759)
Proceeds from sales of investments .....	2,611,672	4,779,615
Loans to customers .....	(2,272,375)	
Proceeds from sales of capital assets ...	1,570,706	61,128
Capital expenditures .....	(5,621,328)	(6,294,669)
Net cash used in investing activities .....	(4,473,165)	(5,072,685)
<b>FINANCING ACTIVITIES:</b>		
Repayment of long-term debt .....		(325,000)
Payment of dividends .....	(2,518,780)	(2,459,832)
Proceeds from issuance of common stock ..	697,015	565,602
Repurchase of common stock .....	(2,248,789)	(1,725,856)
Net cash used in financing activities .....	(4,070,554)	(3,945,086)
Decrease in cash and cash equivalents .....	(4,240,326)	(669,187)
Cash and cash equivalents at beginning of year .	4,886,038	5,464,261
Cash and cash equivalents at end of period .....	\$ 645,712	\$ 4,795,074
	=====	=====
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for		
Interest .....	\$ 47,000	\$ 59,000
Income taxes .....	\$ 1,035,000	\$ 4,110,000

See accompanying Notes to Financial Statements.

FLEXSTEEL INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. These financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the nine month period ended March 31, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2000.

2. The inventories are categorized as follows:

	March 31, 2000	June 30, 1999
	-----	-----
Raw materials .....	\$16,143,985	\$15,871,466
Work in process and finished parts .....	8,632,265	7,416,826
Finished goods .....	9,230,001	6,214,917
	-----	-----
Total .....	\$34,006,251	\$29,503,209
	=====	=====

3. In 1997, the Financial Accounting Standards board issued Statement No. 128, EARNINGS PER SHARE (SFAS 128). SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of stock options. All earnings per share amounts for all periods have been presented and, where appropriate, restated to conform to the SFAS 128 requirements.

	Three Months Ending March 31,		Nine Months Ending March 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
<b>Basic Earnings Per Share:</b>				
Income available to common shareholders .....	\$ 2,942,949	\$ 2,829,653	\$ 8,897,118	\$ 6,821,304
Weighted average shares outstanding .....	6,422,157	6,775,826	6,481,102	6,813,228
	-----	-----	-----	-----
Earnings Per Share - Basic .....	\$ 0.46	\$ 0.42	\$ 1.37	\$ 1.00
	=====	=====	=====	=====
<b>Diluted Earnings Per Share:</b>				
Income available to common shareholders .....	\$ 2,942,949	\$ 2,829,653	\$ 8,897,118	\$ 6,821,304
Weighted average shares outstanding .....	6,422,157	6,775,826	6,481,102	6,813,228
Dilutive shares issuable in connection with stock option plans .....	530,885	513,445	513,243	478,628
Less shares purchasable with proceeds .....	(430,616)	(432,646)	(407,064)	(406,384)
	-----	-----	-----	-----
Total Shares .....	6,522,426	6,856,625	6,587,281	6,885,472
	=====	=====	=====	=====
Earnings Per Share - Diluted ....	\$ 0.45	\$ 0.41	\$ 1.35	\$ 0.99
	=====	=====	=====	=====

4. RECLASSIFICATIONS - certain prior year amounts have been reclassified to conform to the 2000 presentation. These reclassifications had no impact on net income or shareholders' equity as previously reported.

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

Results of Operations:

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the third quarter and nine months ended March 31, 2000 and 1999. Amounts presented are percentages of the Company's net sales.

	Third Quarter Ended March 31,		Nine Month Ending March 31,	
	2000	1999	2000	1999
Net Sales .....	100.0%	100.0%	100.0%	100.0%
Cost of goods sold .....	77.9%	77.1%	77.9%	77.5%
Gross margin .....	22.1%	22.9%	22.1%	22.5%
Selling, general & administrative expense .....	16.1%	16.8%	16.6%	17.2%
Gain on sale of land .....			0.6%	
Operating income .....	6.0%	6.1%	6.1%	5.3%
Other income, net .....	0.2%	0.4%	0.4%	0.3%
Income before income taxes .....	6.2%	6.5%	6.5%	5.6%
Income tax expense .....	2.3%	2.4%	2.3%	2.0%
Net income .....	3.9%	4.1%	4.2%	3.6%

RESULTS OF OPERATIONS FOR THE QUARTER - Net sales for the quarter ended March 31, 2000 increased by \$6,358,000 or 9.3% compared to the prior year quarter. Residential seating sales volume increased \$3,826,000 or 9.4%. Recreational vehicle seating sales increased \$2,765,000 or 12.0%. Commercial seating volume decreased \$233,000 or 4.7%.

Gross margin increased \$844,818 to \$16,587,926 or 22.1% of net sales in the current year, from \$15,743,108 or 22.9% of net sales in the prior year. The gross margin percentage decrease was due primarily to increases in fixed cost related to facility expansion, equipment for additional production capacity, and start-up operations in Dunkirk, Indiana and Harrison, Arkansas.

Selling, general and administrative expenses as a percentage of sales were 16.1% and 16.8% for the current year and prior year, respectively. The cost percentage decrease was due to improved absorption of fixed costs.

The above factors resulted in current fiscal year earnings of \$2,942,949 or \$0.45 per diluted share compared to \$2,829,653 or \$0.41 per diluted share in the prior year, a net increase of \$113,296 or \$0.04 per share.

RESULTS OF OPERATIONS FOR THE LAST NINE MONTHS - Net sales for the nine-months ended March 31, 2000 increased by \$21,834,000 or 11.4% compared to the prior year nine-month period. Residential seating sales volume increased \$14,540,000 or 12.9%. Recreational vehicle seating sales increased \$9,751,000 or 15.7%. Commercial seating volume decreased \$2,457,000 or 14.8%.

Gross margin increased \$4,161,584 to \$47,194,909 or 22.1% of sales, in the current year, from \$43,033,325 or 22.5% in the prior year. The gross margin percentage decrease was due primarily to facility expansion to meet product demand and opening new production facilities.

Selling, general and administrative expenses as a percentage of sales were 16.6% and 17.2% for the current year and prior year, respectively. The cost percentage decrease was due to improved absorption of fixed costs.

Net income for the current year nine-months ended March 31, 2000 includes a net gain (after tax) of \$790,000, or \$0.12 per share, on the sale of land and \$405,000, or \$0.06 per share, from nontaxable proceeds of life insurance.

The above factors resulted in current fiscal year earnings of \$8,897,118 or \$1.35 per diluted share compared to \$6,821,304 or \$0.99 per diluted share in the prior year, a net increase of \$2,075,814 or \$0.36 per diluted share. Excluding the sale of land and life insurance proceeds in the current year, net earnings for the nine-months ended March 31, 2000, improved \$0.18 per share over the prior nine-month period.

#### Liquidity and Capital Resources:

Working capital at March 31, 2000 is \$52,349,000 which includes cash, cash equivalents and investments of \$7,619,000. Working capital increased by \$2,139,000 from the June 30, 1999 amount. Net cash provided by operating activities was \$4,303,000 during the first nine months of fiscal year 2000 versus \$8,349,000 in the first nine months of fiscal year 1999.

Capital expenditures were \$5,621,000 and \$6,295,000 during the first nine months of fiscal 2000 and 1999, respectively. The current year expenditures were incurred primarily for manufacturing and delivery equipment and the expansion of our Riverside, California facility. During the next three months approximately \$1,500,000 will be spent on manufacturing equipment and facility improvements. The funds for projected capital expenditures are expected to be provided by cash generated from operations and available cash.

On November 4, 1998 the Company approved a plan to repurchase up to 700,000 shares, or slightly more than 10% of the Company's outstanding common stock. The Company has repurchased 531,300 shares of its common stock under the plan. The Company will make purchases, from time to time, in the open market as the Company deems appropriate.

#### CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company and its representatives may from time to time make written or oral forward-looking statements with respect to goals and expectations of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to stockholders.

Statements, including those in this report, which are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the effectiveness of new product introductions, the product mix of our sales, the cost of raw materials, the amount of sales generated and the profit margins thereon or volatility in the major markets, competition and general conditions.

The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.



PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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

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

FLEXSTEEL INDUSTRIES, INC.

Date: April 20, 2000  
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By: /s/ R.J. Klosterman  
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R.J. Klosterman  
Financial Vice President &  
Principal Financial Officer

12-MOS  
JUN-30-2000  
MAR-31-2000  
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80,710,902  
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6,386,983  
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