

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT

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

Date of Report (Date of earliest event reported) April 19, 2006  
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FLEXSTEEL INDUSTRIES, INC.  
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(Exact name of registrant as specified in its charter)

Minnesota  
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0-5151  
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42-0442319  
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(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

3400 Jackson Street, Dubuque, Iowa  
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52001  
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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 563-556-7730  
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(Former name or former address, if changed since last report.)

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

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

Item 2.02 Results of Operations and Financial Condition.

On April 19, 2006, Flexsteel Industries, Inc. Announces Third Quarter and Year-To-Date Operating Results. See the Press Release attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 - Press Release by Flexsteel Industries, Inc. on April 19, 2006.

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

FLEXSTEEL INDUSTRIES, INC.

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(Registrant)

Date: April 20, 2006

By: /s/ Timothy E. Hall

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Timothy E. Hall  
Vice President-Finance, CFO, and Secretary  
Principal Financial Officer

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

DUBUQUE, Iowa--(BUSINESS WIRE)--April 19, 2006--Flexsteel Industries, Inc. (NASDAQ:FLXS) today reported sales and earnings for its third quarter and fiscal year-to-date ended March 31, 2006.

Net sales for the fiscal quarter ended March 31, 2006 were \$110.3 million compared to the prior year quarter of \$101.3 million, an increase of 8.9%. Operating income for the current quarter was \$3.1 million compared to \$1.7 million in the prior year quarter. Net income for the current quarter was \$1.8 million or \$0.27 per share compared to \$1.7 million or \$0.26 per share in the prior year quarter. Prior year quarter net income of \$1.7 million includes a \$0.1 million after tax gain from sale of a former manufacturing facility and \$0.7 million of tax benefit related to reduced estimated tax liabilities.

Net sales for the nine months ended March 31, 2006 were \$314.1 million compared to \$304.3 million in the prior year nine months, an increase of 3.2%. Net income for the nine months ended March 31, 2006 was \$3.2 million or \$0.49 per share, including stock-based compensation expense of \$0.4 million (after tax) or \$0.06 per share, compared to net income of \$4.5 million or \$0.68 per share for the nine months ended March 31, 2005, which included a net gain (after tax) of \$0.4 million or \$0.06 per share on the sale of facilities.

For the quarter ended March 31, 2006, residential net sales were \$69.6 million, an increase of 7.8% from the prior year quarter net sales of \$64.6 million. This increase in residential net sales in the current quarter is primarily due to greater demand for products in existing markets and introduction into newly developed markets. For the nine months ended March 31, 2006, residential net sales of \$197.4 million are up 1.6% from net sales of \$194.2 million in the prior year.

Recreational vehicle net sales for the quarter ended March 31, 2006 were \$19.1 million, down 3.4% from the prior year quarter net sales of \$19.7 million. On a year-to-date basis, recreational vehicle net sales decreased 11.9% to \$53.3 million, compared to \$60.5 million in the nine-months ended March 31, 2005. The decline in recreational vehicle net sales is due primarily to a continued weak wholesale market environment.

Sales of commercial products increased from \$17.0 million to \$21.6 million and from \$49.6 million to \$63.4 million, for the quarter and fiscal year-to-date, respectively. This approximate 28% increase in commercial net sales for the quarter and year-to-date is primarily due to expanded commercial office product offerings and improved industry performance of hospitality products.

Gross margin for the quarter ended March 31, 2006 was 19.4% compared to 17.9% in the prior year quarter. The gross margin improvement for the quarter is a result of a greater percentage of shipments of commercial office, hospitality and foreign sourced products whose margins were not as significantly impacted by raw material cost increases. In addition, selected selling price increases have been implemented. However, the Company has been unable to fully pass on these raw material cost increases on domestically manufactured product. For the nine months ended March 31, 2006, the gross margin was 19.2% compared to 18.5% for the prior year nine-month period, reflecting the improved margin in the current quarter.

Selling, general and administrative expenses were 16.5% and 16.4% of net sales for the quarters ended March 31, 2006 and 2005, respectively. For the nine months ended March 31, 2006 and 2005, selling, general and administrative expenses were 17.3% and 16.6%, respectively. The increase in selling, general and administrative costs on a year-to-date basis in comparison to prior year resulted from increases in marketing and royalty expenses, general increases in other fixed administrative expenses and the recording of stock-based compensation expense related to stock option grants.

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

The income tax rate was 39.3% and 39.2% for the quarter and fiscal year-to-date periods ending March 31, 2006, respectively. The Company expects that the income tax rate for its fourth fiscal quarter will be approximately 39.2%. During the quarter ended March 31, 2005, an examination by the Internal Revenue Service of the Company's federal income tax returns for the fiscal years ended June 30, 2003 and 2004 was completed. Due to the favorable results, the Company reduced its estimate of accrued tax liabilities by \$0.7 million. The decrease resulted in income tax rates of (3.7%) and 27.9% for the quarter and fiscal year-to-date periods ending March 31, 2005, respectively.

Working capital (current assets less current liabilities) at March

31, 2006 was \$96.0 million, compared to \$85.4 million at June 30, 2005. Net cash used in operating activities was \$6.5 million for the nine-month period ended March 31, 2006. Net cash provided by operating activities was \$13.6 million for the nine-month period ended March 31, 2005. Fluctuations in net cash used in operating activities were primarily the result of changes in accounts receivable, inventories and accounts payable. The increase in inventories in fiscal 2006 relates primarily to the expansion of foreign sourced product programs.

Capital expenditures were \$3.2 million during the first nine months of fiscal year 2006. Depreciation and amortization expense was \$4.1 million and \$4.4 million for the nine-month periods ended March 31, 2006 and 2005, respectively. The Company expects that capital expenditures will be less than \$0.5 million for the remainder of the fiscal year.

All earnings per share amounts are on a diluted basis.

#### Outlook

Flexsteel Industries, Inc., and the furniture industry in general, continues to be impacted by increases in interest rates and geopolitical issues leading to increased energy costs and marketplace uncertainty. U. S. furniture manufacturers continue to be faced with competition and pricing pressures from foreign sourced products. The Company expects these challenging business conditions, which could have an impact on its results of operations, to continue through the remainder of the fiscal year.

In response to the aforementioned challenges, the Company continues to monitor sell prices for its products and continues to identify and implement cost control opportunities in all facets of its business. The Company believes it has the necessary inventories, product offerings and commitments in place to take advantage of opportunities for expansion into new markets. The Company believes that its strategy of providing furniture from a broad and varied selection of domestically manufactured and foreign sourced products is a sound business practice that it will continue to pursue.

#### Analysts Conference Call

The Company will host a conference call for analysts on Thursday, April 20, 2006, at 10:30 a.m. Central Time. To access the call, please dial 1-888-275-4480 and provide the operator with ID# 6095174. A replay will be available for two weeks beginning approximately two hours after the conclusion of the call by dialing 1-800-642-1687 and entering ID# 6095174.

#### Forward-Looking Statements

Statements, including those in this release, which are not historical or current facts, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the cyclical nature of the furniture industry, the effectiveness of new product introductions, the product mix of sales, the cost of raw materials, foreign currency revaluations, actions by governments including taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both foreign and domestic), changes in interest rates, credit exposure with customers and general economic conditions. Any forward-looking statement speaks only as of the date of this press release. The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

#### About Flexsteel

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

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

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

	March 31, 2006	June 30, 2005
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ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$801,050	\$1,706,584
Investments.....	754,690	1,508,751
Trade receivables, net.....	50,542,637	48,355,070
Inventories.....	86,786,489	69,945,400
Other.....	6,942,728	6,281,869
	-----	-----
Total current assets.....	145,827,594	127,797,674
NONCURRENT ASSETS:		
Property, plant, and equipment, net.	25,275,425	26,140,914
Other assets.....	13,795,317	12,719,090
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TOTAL.....	<u>\$184,898,336</u>	<u>\$166,657,678</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade.....	\$20,481,928	\$16,259,905
Notes payable and current maturities of long-term debt.....	6,356,164	5,000,000
Accrued liabilities.....	22,974,834	21,149,428
	-----	-----
Total current liabilities.....	49,812,926	42,409,333
LONG-TERM LIABILITIES:		
Long-term debt.....	21,969,674	12,800,000
Other long-term liabilities.....	6,760,423	6,650,625
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Total liabilities.....	78,543,023	61,859,958
SHAREHOLDERS' EQUITY.....	106,355,313	104,797,720
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TOTAL.....	<u>\$184,898,336</u>	<u>\$166,657,678</u>

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
NET SALES.....	\$110,345,280	\$101,348,058	\$314,081,702	\$304,254,441
COST OF GOODS SOLD.....	(88,979,296)	(83,175,515)	(253,869,453)	(247,826,424)
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GROSS MARGIN..	21,365,984	18,172,543	60,212,249	56,428,017
SELLING, GENERAL AND ADMINI- STRATIVE.....	(18,223,706)	(16,627,533)	(54,320,932)	(50,637,603)
GAIN ON SALE OF FACILITIES		200,409		809,022
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OPERATING INCOME.....	3,142,278	1,745,419	5,891,317	6,599,436
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OTHER INCOME (EXPENSE):				
Interest and other income...	247,120	141,687	554,055	436,373
Interest				

expense..	(487,530)	(247,448)	(1,118,934)	(791,441)
Total...	(240,410)	(105,761)	(564,879)	(355,068)
INCOME BEFORE				
INCOME TAXES.	2,901,868	1,639,658	5,326,438	6,244,368
BENEFIT FROM				
(PROVISION				
FOR) INCOME				
TAXES.....	(1,140,000)	60,000	(2,090,000)	(1,740,000)
NET INCOME....	\$1,761,868	\$1,699,658	\$3,236,438	\$4,504,368
AVERAGE NUMBER				
OF COMMON				
SHARES				
OUTSTANDING:				
Basic.....	6,562,456	6,539,079	6,556,669	6,528,179
Diluted...	6,583,230	6,606,997	6,576,487	6,602,816
EARNINGS PER				
SHARE OF				
COMMON STOCK:				
Basic.....	\$0.27	\$0.26	\$0.49	\$0.69
Diluted...	\$0.27	\$0.26	\$0.49	\$0.68

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

	Nine Months Ended March 31,	
	2006	2005
OPERATING ACTIVITIES:		
Net income.....	\$3,236,438	\$4,504,368
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	4,099,889	4,381,188
Gain on disposition of capital assets...	(41,647)	(852,838)
Stock based compensation expense.....	427,000	
Changes in operating assets and liabilities.....	(14,211,816)	5,577,125
Net cash (used in) provided by operating activities.....	(6,490,136)	13,609,843
INVESTING ACTIVITIES:		
Net purchases and sales of investments..	631,110	(260,599)
Proceeds from sale of capital assets....	75,286	2,087,208
Capital expenditures.....	(3,169,859)	(2,714,835)
Net cash used in investing activities.....	(2,463,463)	(888,226)
FINANCING ACTIVITIES:		
Net proceeds of borrowings.....	10,525,838	(9,605,427)
Dividends paid.....	(2,555,874)	(2,543,762)
Proceeds from issuance of common stock..	78,101	175,022
Net cash provided by (used in) financing activities.....	8,048,065	(11,974,167)
Increase (decrease) in cash and cash equivalents.....	(905,534)	747,450
Cash and cash equivalents at beginning of		

period.....	1,706,584	2,476,521
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Cash and cash equivalents at end of period..	\$801,050	\$3,223,971
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CONTACT: Flexsteel Industries, Inc., Dubuque  
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