

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MAY 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 0-209

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
(Exact name of Registrant as specified in its charter)

Virginia \_\_\_\_\_ 54-0135270  
(State or other jurisdiction \_\_\_\_\_ (I.R.S. Employer  
of incorporation or organization) Identification No.)

3525 Fairystone Park Highway  
Bassett, Virginia 24055  
\_\_\_\_\_  
(Address of principal executive offices)  
(Zip Code)

(540) 629-6000  
(Registrant's telephone number, including area code)

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 X No

At July 7, 1998, 13,075,552 shares of common stock of the Registrant were outstanding.

PART I - FINANCIAL INFORMATION  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED  
 AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF  
 OPERATIONS AND RETAINED EARNINGS - UNAUDITED  
 (In thousands except per share data)

	Twenty-six weeks ended		Thirteen weeks ended	
	May 30, 1998	May 31, 1997	1998	1997
Net Sales	\$196,668	\$223,004	\$ 98,335	\$113,198
Cost of sales	160,559	192,930	79,808	101,357
Gross profit	36,109	30,074	18,527	11,841
Selling, general and administrative	32,153	41,479	16,374	25,631
Non-recurring charges	0	13,929	0	13,929
Income (loss) from operations	3,956	(25,334)	2,153	(27,719)
Other income, net	5,860	5,441	3,113	3,363
Income (loss) before income taxes	9,816	(19,893)	5,266	(24,356)
Income taxes	(2,422)	9,301	(1,307)	10,331
Net income (loss)	\$ 7,394	\$(10,592)	\$ 3,959	\$(14,025)
Retained earnings-beginning of period	188,761	222,417	189,586	220,620
Cash dividends	(5,225)	(7,834)	(2,615)	(2,604)
Purchase and retirement of common stock	0	(1,006)	0	(1,006)
Retained earnings-end of period	\$190,930	\$202,985	\$190,930	\$202,985
Basic earnings per share	\$ 0.57	\$ (0.81)	\$ 0.30	\$ (1.07)
Diluted earnings per share	\$ 0.56	\$ (0.81)	\$ 0.30	\$ (1.07)
Dividends per share	\$ 0.40	\$ 0.60	\$ 0.20	\$ 0.20

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 The accompanying notes to condensed consolidated financial statements are an  
 intergral part of the condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED  
 AND SUBSIDIARIES CONDENSED  
 CONSOLIDATED BALANCE SHEETS - UNAUDITED  
 MAY 30, 1998 AND NOVEMBER 30, 1997  
 (in thousands except per share data)

Assets -----	1998 ----	1997 ----
Current assets:		
Cash & cash equivalents	\$ 24,038	\$ 29,552
Marketable securities	49,796	49,985
Trade accounts receivable, net	50,233	57,327
Inventories	48,019	41,714
Prepaid expenses	657	1,405
Refundable income taxes	4,944	5,025
Deferred income taxes	13,117	15,476
	-----	-----
Total current assets	190,804	200,484
	-----	-----
Property & equipment:		
Cost	171,746	168,026
Allowances for depreciation	(126,312)	(124,547)
	-----	-----
Total property & equipment	45,434	43,479
	-----	-----
Other long-term assets:		
Investment securities	33,268	29,922
Investment in affiliated companies	33,288	30,502
Deferred income taxes	1,458	1,866
Assets held for sale	2,837	3,506
Other	10,066	10,566
	-----	-----
Total other long-term assets	80,917	76,362
	-----	-----
Total assets	\$ 317,155	\$ 320,325
	=====	=====
Liabilities and stockholder's equity -----		
Current liabilities:		
Accounts payable	\$ 13,934	\$ 21,694
Other accrued liabilities	25,556	26,213
	-----	-----
Total current liabilities	39,490	47,907
	-----	-----
Long-term liabilities		
Employee benefits	11,624	11,248
Stockholders' equity:		
Common stock	65,390	65,256
Additional paid in capital	3,090	2,438
Retained earnings	190,930	188,761
Unrealized holding gains, net of income tax effect	7,929	5,575
Unamortized stock compensation	(1,298)	(860)
	-----	-----
Total stockholders' equity	266,041	261,170
	-----	-----
Total liabilities and stockholders' equity	\$ 317,155	\$ 320,325
	=====	=====

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 The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES CONDENSED CONSOLIDATED  
STATEMENTS OF CASH FLOWS - UNAUDITED  
FOR THE 26 WEEK PERIOD ENDED MAY 30, 1998 AND MAY 31, 1997  
(in thousands except per share data)

	1998	1997
	----	----
Net income (loss)	\$ 7,394	(\$10,592)
Adjustments to reconcile net income to net cash:		
Operating Activities:		
Non-recurring charges	-	17,592
Depreciation and amortization	3,464	3,538
Equity in undistributed income of affiliated companies	(3,331)	(2,755)
Provision for losses on trade accounts receivable		210
	362	
Provision for deferred income taxes	1,114	508
Net gain from sales of investment securities		(234)
	(206)	
Net gain from sales of property & equipment		(930)
	(349)	
Compensation earned under restricted stock plan	105	-
Changes in operating assets & liabilities:		
Trade accounts receivable	6,732	778
Inventory	(6,305)	1,498
Prepaid expenses	748	928
Refundable income taxes		207
	81	
Accounts payable and accrued liabilities	(8,417)	(3,180)
Long-term liabilities	376	56
	-----	-----
Net cash provided by operating activities	1,768	7,624
	-----	-----
Investing activities:		
Purchases of property and equipment	(7,455)	(5,700)
Proceeds from sales of property & equipment	3,054	1,147
Purchases of investment securities	(476)	(1,200)
Dividend from affiliate	545	545
Proceeds from sale of investments securities	1,343	1,889
Other assets	500	(1,256)
Proceeds from sale of marketable securities, net	189	-
Other	-	414
	-----	-----
Net cash provided by investing activities	(2,300)	(4,161)
	-----	-----
Financing activities:		
Issuance of common stock	243	56
Purchase of common stock	-	(1,350)
Cash dividends	(5,225)	(7,834)
	-----	-----
Net cash used in financing activities	(4,982)	(9,128)
	-----	-----
Net change in cash and cash equivalents	(5,514)	(5,665)
Cash and cash equivalents, beginning of period	29,552	57,285
	-----	-----
Cash and cash equivalents, end of period	\$24,038	\$51,620
	=====	=====

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The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED  
MAY 30, 1998 (in thousands except per share data)

Note A. Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Note B. Inventories:

Inventories are carried at last-in, first-out (LIFO) cost which is not in excess of market. Inventories at May 30, 1998 and November 30, 1997 consisted of the following:

	May 30, 1998 ----	November 30, 1997 ----
Finished goods	\$35,434	\$29,485
Work in process	10,195	9,025
Raw materials and supplies	27,981	28,420
	-----	-----
Total inventories valued at first-in, first-out (FIFO) cost	73,610	66,930
LIFO adjustment	25,591	25,216
	-----	-----
Total inventories	\$48,019 =====	\$41,714 -----

Note C. Investment in affiliated companies:

Summarized combined income statement information for the Company's equity method investments for the twenty-six week period ended May 30, 1998 and the six month period ended May 31, 1997 is as follows:

	1998 ----	1997 ----
Revenues	\$20,600	\$20,285
Income from operations	11,139	10,743
Net income	6,987	7,106

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED  
MAY 30, 1998 (in thousands except per share data)

Note D. Restructuring, Impaired Assets and Nonrecurring Charges:

During 1997, the Company commenced the restructuring of certain of its operations and recorded restructuring and impaired asset charges of \$20,646. Of these charges, \$14,397 was utilized during 1997, leaving \$6,249 in reserves to be utilized in future periods as the remaining activities related to the restructuring charges are completed. The restructuring plans included the closure of 14 manufacturing facilities and the severance of approximately 1,000 employees. As of November 30, 1997, five of the 14 facilities were closed and approximately 600 employees had been severed. During the first quarter of fiscal 1998, the remaining nine facilities were closed and approximately 400 employees were severed. In the second quarter of 1998, one additional Mattress Division plant at Chehalis, Washington, was closed. The estimated exit costs were small and additional one-time charges were not needed.

Activity within the restructuring reserves was as follows:

	November 30, 1997 reserve balance	Reserves utilized in 1st Qtr 1998	February 28, 1998 reserve balance	Reserves utilized in 2nd Qtr 1998	May 30, 1998 reserve balance
Severance & related employee benefit costs	\$4,910	\$1,620	\$3,290	\$832	\$2,458
Lease exit costs	614	32	582	34	548
Other	725	0	725	46	679
	-----	----	----	--	----
Total	\$6,249	\$1,652	\$4,597	\$912	\$3,685
	=====	=====	=====	=====	=====

The Company projected at November 30, 1997, that it would incur an additional \$10,540 of charges during 1998 as a result of (1) operating inefficiencies at plants involved in consolidations and (2) costs incurred at idle facilities. The total of these expenses incurred during the 13 week periods ended May 30, 1998 and February 28, 1998 was \$1,537 and \$1,469, respectively.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES MAY 30, 1998  
(in thousands of dollars)

Note E. Contingencies:

A suit was filed in June, 1997, in the Superior Court of the State of California for the County of Los Angeles (the "Superior Court") against the Company, two major retailers and certain current and former employees of the Company. The suit sought certification of a class consisting of all consumers who purchased certain mattresses and box springs from the major retailers which were manufactured by a subsidiary of the Company, E. B. Malone Corporation, with different specifications than those originally manufactured for sale by these retailers. The suit alleged various causes of action, including negligent misrepresentation, breach of warranty, violations of deceptive practices laws and fraud. Plaintiffs sought compensatory damages of \$100 million and punitive damages. In September, 1997, the Superior Court sustained the Company's demurrers to several of plaintiffs causes of action, but granted the plaintiffs leave to amend. Plaintiffs Second Amended Complaint added certain independent retailers and consumers as additional plaintiffs. In December, 1997, the Superior Court once again sustained the Company's demurrers to several of plaintiffs causes of action, but also once again granted plaintiffs leave to amend. Plaintiffs filed a Third Amended Complaint. In February, 1998, the Superior Court sustained the Company's demurrers to many of the individual claims, this time without granting plaintiffs leave to amend. The Superior Court also sustained the Company's demurrer to the class action allegations in the Third Amended Complaint, without granting leave to amend, and transferred the entire action out of the class action department. Plaintiffs have filed a notice of appeal from the class action ruling. Plaintiffs also filed a petition for a writ of mandamus or other extraordinary relief seeking immediate review of the other demurrer rulings, which petition was denied.

The suit has been recently transferred from the Superior Court for the County of Los Angeles to the Superior Court for Orange County. Although it is impossible to predict the ultimate outcome of this litigation, the Company intends to vigorously defend this suit because it believes that the damages sought are unjustified and because this case is inappropriate for class action treatment. Because the Company believes that the two major retailers were unaware of the changes in specifications, the Company has agreed to indemnify the two major retailers with respect to the above.

The Company is also involved in various other claims and actions, including environmental matters at certain of its plant facilities, which arise in the normal course of business. Although the final outcome of these legal and environmental matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

The Board of Directors for Bassett Furniture Industries, Inc. has approved a stock repurchase program for up to 1.3 million shares of its Common Stock for an aggregate purchase price not to exceed \$40 million. Bassett currently has approximately 13 million shares outstanding. The repurchases may be effected from time to time in accordance with applicable securities laws, through open market transactions, in block purchases, in privately negotiated transactions, or otherwise, and on such terms and conditions, all as may be approved by any Authorized Officer.

The Board of Directors adopted a Shareholder Rights Plan, which replaces a similar plan that expired on May 16, 1998. The Plan was not adopted in response to any specific effort to acquire control of the Company. If a person or group acquires beneficial ownership of 20% or more of the Common Stock outstanding, each Right distributed under the Plan will entitle its holder (other than such person or group) to purchase, at the Right's then-current exercise price, a number of shares of the Company's Common Stock having a market value of twice such price. Detailed descriptions of the Rights are being sent to the Company's shareholders and have been filed with the Securities and Exchange Commission.

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED  
 AND SUBSIDIARIES MAY 30, 1998  
 (in thousands of dollars)

Note F. Earnings per share:

The Company adopted SFAS No. 128, "Earnings per Share," effective December 1, 1997. As a result, the Company's reported earnings per share for 1997 have been restated. The effect of this accounting change on previously reported earnings per share (EPS) data was not material.

	Income	Shares	Per share amount
-----			
For the twenty-six weeks ended May 30, 1998			
-----			
Net income available to common stockholders	\$7,394	13,023,627	\$0.57
Effect of dilutive securities:			
Options issued to directors and employees	-	107,271	-
Restricted stock issued to employees	-	6,419	-
Diluted earnings per share	\$7,394 =====	13,137,317 =====	\$0.56 =====
-----			
For the thirteen weeks ended May 30, 1998			
-----			
Net income available to common stockholders	\$3,959	13,027,005	\$0.30
Effect of dilutive securities:			
Options issued to directors and employees	-	120,199	-
Restricted stock issued to employees	-	10,885	-
Diluted earnings per share	\$3,959 =====	13,158,089 =====	\$0.30 =====
-----			
For the six months ended May 31, 1997			
-----			
Net income (loss) available to common stockholders	\$(10,592)	13,062,736	\$(0.81)
Effect of dilutive securities:			
Options issued to directors and employees	-	30,250	-
Diluted earnings per share	\$(10,592) =====	13,092,986 =====	\$(0.81) =====
-----			
For the three months ended May 31, 1997			
-----			
Net income (loss) available to common stockholders	\$(14,025)	13,050,156	\$(1.07)
Effect of dilutive securities:			
Options issued to directors and employees	-	30,250	-
Diluted earnings per share	\$(14,025) =====	13,080,406 =====	\$(1.07) =====

Options to purchase 804,898 shares of common stock at prices ranging from \$32.25 to \$37.40 per share were outstanding during the second quarter of 1998 but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares. In 1997, 317,069 shares at prices ranging from \$25.75 to \$37.40 were similarly excluded.



PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED  
 AND SUBSIDIARIES MAY 30, 1998  
 (in thousands of dollars)

Note F. Earnings per share (continued):

Basic earnings per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

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

Results of Operations

The major components of net income expressed as a percentage of net sales are as follows. The proforma data and the following discussions of net sales and costs and expenses excludes the effect of sales from closed operations and the effect of nonrecurring charges.

For the thirteen weeks ended May 30, 1998 and May 31, 1997 and 1996

	1998 Actual	1998 Proforma	1997 Actual	1997 Proforma	1996 Actual
Cost of sales	81.2%	79.9%	89.5%	84.1%	84.1%
Gross profit	18.8	20.1	10.5	15.9	15.9
SG&A expenses	16.7	16.3	22.6	15.4	14.2
Income from operations	2.2	3.8	(24.5)	.6	1.7
Other income, net	3.2	3.2	2.9	3.0	3.8
Income before income taxes	5.4	7.0	(21.5)	3.6	5.5
Income taxes	1.6	2.3	(9.1)	.4	1.0
Net income	4.2	5.0	(12.4)	3.2	4.5

Net Sales

Net sales for the second quarter compared with prior years was as follows:

	1998 -----	Second Quarter ----- 1997 -----	1996 -----
Net sales	\$98,335	\$113,198	\$111,273
% change from prior year	(13.1)%	1.7%	(6.5)%

  

	1998 -----	Year-to-date ----- 1997 -----	1996 -----
Net sales	\$196,668	\$223,004	\$223,224
change from prior year	(11.8)%	(0.1)%	(8.0)%

Wood Division sales were very strong throughout the quarter, increasing 23% over prior year levels. However, Upholstery Division and Mattress Division sales decreased significantly below the 1997 second quarter volume. Certain recently introduced suites produced by the Wood Division, combined with improvements in overall quality, account for the significant sales increase. The sales decline in the Upholstery Division is attributable to the consolidation of motion furniture manufacturing into the Dumas, Arkansas plant, which resulted in the elimination of numerous SKU's and related sales. Eliminating the motion furniture consolidation, Upholstery sales were flat to the prior year. These results are generally attributable to the Company's strategic efforts to upgrade its upholstery product, improve margins and better align its customer base with the Company's distribution strategy. Mattress Division sales are down due to the loss of Levitz Furniture as a customer in late 1997 but are up if those sales are eliminated from prior year sales.

Overall, the net decrease in sales resulted primarily from the discontinuance of the National/Mt. Airy and Impact product lines, which accounted for \$18,739 of sales in the second quarter of 1997 compared to \$766 in 1998.



PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES MAY 30,1998  
(in thousands of dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Management is optimistic regarding sales volumes. Although the second quarter is a seasonally slow quarter, in 1998 the sales volume was equal to the first quarter sales volume. The Company performed just above plan for the second quarter and is solidly above plan for the year.

Costs and expenses

The Company showed marked improvement in operating efficiencies in the second quarter as gross profit margin increased to 18.8% of net sales from 10.5% in 1997. This improvement is a direct result of the efficiencies gained through the Company's restructuring activities of 1997 and early 1998. In addition the Company has several new plant managers and a new general manager of wood and upholstery manufacturing operations. Management is aggressively attacking costs and inefficiencies. Gross profit margins have improved in virtually every facility compared to a year ago. All of the facilities that were involved in consolidations have shown improvements in production volumes and operating margins.

The 1997 cost of sales percentages were to up as the Company took nonrecurring and restructuring charges totaling \$28,374. Of these charges, \$6,195 effected cost of sales, \$8,250 effected SG&A expenses and \$13,929 were shown as restructuring charges. These charges were taken as the Company decided to eliminate two product lines (Impact and National/Mt. Airy) and close one wood manufacturing plant and consolidate it into an existing facility.

SG&A expenses, excluding the effect of the one-time charges in 1997, decreased slightly in 1998 compared to 1997. The Company continues to add key management positions to grow the business, increased expenditures to promote the Bassett brand name and continued expenditures to grow the Bassett Furniture Direct ("BFD") stores and introduced the @t Home With Bassett Gallery concept. Expenses related to BFD stores and Gallery stores continue to escalate as the total number of these stores grows.

SG&A expenses as a percentage of sales for 1997 were up 1.2% over 1996 due to costs associated with product promotion, BFD and Gallery store programs and the Company's focus on customer service.

Other income, net

Other income at \$3,113 was basically flat to the prior year. In the second quarter of 1997, other income included a gain on the sale of closed facilities totaling \$700. The increase in cash, cash equivalents and marketable securities by \$22,200 over the prior year allowed the Company to increase its investment income in 1998. In addition, the change in investment strategy announced in the fourth quarter of 1997 accounted for increased income for the quarter.

In the second quarter of 1997, other income was down \$915 from the second quarter of 1996, when the Company generated \$2,034 in income from gains on the sale of investment securities. The 1997 quarter did include a gain on sale of closed facilities totaling \$700.

Income taxes

The effective income tax rate for the second quarter of 1998 was 24.8 % compared to (42.4) % in 1997. The 1997 rate is a negative rate due to the loss incurred as a result of the restructuring and

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES MAY 30, 1998  
(in thousands of dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

one-time charges. The 1998 rate is being forced upward as the company continues to improve in operating income. In addition, many of the items in the current investment portfolio, under the new investment strategy, have higher tax rates than investments under the previous strategy. The new portfolio strategy is, however, generating a higher net income.

Liquidity and Capital Resources

Cash provided by operating activities was \$1,768 in 1998 compared to \$ 7,624 in 1997. The significant decline in cash provided by operating activities occurred as the Company reduced its outstanding accounts payable and accrued liabilities during the second quarter by \$8,417 in 1998 compared to \$3,180 in 1997; a net decrease of \$5,237. In addition, the sale of a closed facility in 1997 added to the prior year's cash provided by operating activities.

The Company has decreased its accounts receivable outstanding by \$6,732 since year-end. This is mainly attributable to the decreases in sales resulting from the closed plants and discontinued divisions.

Inventories have increased \$6,305 during 1998. The manufacturing facilities have produced ahead of projections, resulting in inventory increases. Also the Company is building inventory in anticipation of the third and fourth quarters, which have traditionally been stronger than the second quarter.

The current ratio as of May 30, 1998 and May 31, 1997, respectively, was 4.83 to 1 and 5.48 to 1. Working capital for 1998 was \$151,314 compared to \$145,620 in 1997. There are no material commitments for capital expenditures at May 30, 1998. Capital expenditures made in the future for normal expansion are anticipated to be made from funds generated by operating activities. The Company has not typically used the debt or equity markets as sources of funds or capital.

The Company's consolidated financial statements are prepared on the basis of historical dollars and are not intended to show the impact of inflation or changing prices. Neither inflation nor changing prices has had a material effect on the Company's consolidated financial position and results of operations in prior years.

Contingencies

The Company is involved in various claims and litigation, including a lawsuit concerning a subsidiary, E. B. Malone Corporation, as well as environmental matters at certain plant facilities, which arise in the normal course of business. The details of these matters are described in Note E in the Notes to Condensed Consolidated Financial Statements. Although the final outcome of these legal and environmental matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

The Company's Board of Directors approved a stock repurchase program and adopted a Shareholders Rights Plan. The details to these matters are described in Note E in the Notes to Condensed Consolidated Financial Statements.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES MAY 30,1998  
(in thousands of dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Year 2000

Over the past few years, the Company has been steadily reengineering its business processes and information systems to prepare for the conversion to year 2000. This effort has incorporated an analysis of Year 2000 issues, and management believes that appropriate and timely action has been taken to minimize the negative impact of this event. The Year 2000 issue results from the inability of many computer systems and applications to recognize the year 2000 as the year following 1999. This could cause systems to process critical information incorrectly. The Company plans to implement new systems and technologies in 1998 and 1999 that will provide solutions to these issues. The most significant step in accomplishing this goal was completed in the first quarter of 1998 when a comprehensive enterprise system (which had been installed in over 4,400 companies and is Year 2000 compliant) was purchased; implementation began immediately and should be completed in the third quarter of 1999. As of the end of the second quarter, the Company has engaged a consultant, knowledgeable of the enterprise system being installed, to advise and assist in the installation and implementation of the system. The Company continues to work with its customers, suppliers and third party service providers to identify external weaknesses and provide solutions which will prevent the disruption of business activities at that time. The Company does not expect the cost of implementation to have a material adverse effect on its future results of operations, liquidity or capital resources.

Safe-harbor forward-looking statements

This discussion contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of Bassett Furniture Industries, Incorporated. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (I) competitive conditions in the industry in which the Company operates; and (II) general economic conditions that are less favorable than expected.

PART II - OTHER INFORMATION  
BASSETT FURNITURE INDUSTRIES, INCORPORATED  
AND SUBSIDIARIES MAY 30, 1998

Item 4. Submission of matters to a vote of security holders

- a. Exhibits  
(27) Financial Data Schedule
- b. Reports on Form 8-K:

No reports were filed on Form 8-K during the quarter. However, item 5 on this Form 10-Q contains information not previously reported in a report on Form 8-K, with respect to which information is not called for by this form.

Item 5. Other information.

The Board of Directors for Bassett Furniture Industries, Inc. has approved a stock repurchase program for up to 1.3 million shares of its Common Stock for an aggregate purchase price not to exceed \$40 million. Bassett currently has approximately 13 million shares outstanding. The repurchases may be effected from time to time in accordance with applicable securities laws, through open market transactions, in block purchases, in privately negotiated transactions, or otherwise, and on such terms and conditions, all as may be approved by any Authorized Officer.

"This share repurchase program reflects our confidence in Bassett's strategic plan and future opportunities for growth and reinforces management's commitment to further enhance shareholder value," said Paul Fulton, Chairman and Chief Executive Officer of the Company. He added, "Management and the Board of Directors want to be in a position so that anytime it is felt that the market evaluation our Company does not reflect the strengths and prospects of our Company, we want to be in a position to repurchase our Common Stock on an opportunistic basis."

The Board of Directors also approved payment of a cash dividend of \$.20 per share to holders of record on August 17, 1998, payable on September 1, 1998.

The Board of Directors adopted a Shareholder Rights Plan, which replaces a similar plan that expired on May 16, 1998. The Plan is not being adopted in response to any specific effort to acquire control of the Company. If a person or group acquires beneficial ownership of 20% or more of the Common Stock outstanding, each Right distributed under the Plan will entitle its holder (other than such person or group) to purchase, at the Rights then-current exercise price, a number of shares of the Company's Common Stock having a market value of twice such price. Detailed descriptions of the Rights will be sent to the Company's shareholders and filed with the Securities and Exchange Commission.

SIGNATURES

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 thereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ DOUGLAS W. MILLER

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Douglas W. Miller, Vice President, Chief Financial Officer

DATE: July 14, 1998

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
QUARTERLY REPORT

For the quarter ended  
May 30, 1998

Commission File Number  
0-209

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
EXHIBIT INDEX



Exhibit No.	Exhibit Description	Page No.
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27	Financial Data Schedule	page 9

5  
1,000  
USD

6-MOS

	NOV-28-1998	
	DEC-01-1997	
	MAY-30-1998	
	1,000	
		24,038
		49,796
		51,380
		1,147
		48,019
	190,804	
		171,746
		126,312
		317,155
39,490		
		0
0		
		0
		65,390
		200,651
317,155		
		196,668
	196,668	
		160,559
		192,712
		0
		320
		0
		9,816
		2,422
7,394		
		0
		0
		0
		7,394
		.57
		.56