FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended June 30, 2002

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 incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. BOX 877, DUBUQUE, IOWA	52004-0877
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (563) 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 [X] 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. [X]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of August 9, 2002 which is within 60 days prior to the date of filing:

Common Stock, Par Value $1.00 Per Share: $44,838,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of August 9, 2002:

CLASS	SHARES OUTSTANDING
Common Stock, $ 1.00 Par Value	6,238,006 Shares

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDING JUNE 30, 2002 IN PARTS I, II, AND IV. IN PART III, PORTIONS OF THE REGISTRANT'S 2002 PROXY STATEMENT, TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WITHIN 120 DAYS OF THE REGISTRANT'S FISCAL YEAR END.

Exhibit Index -- page 6

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 Annual Report for the Fiscal Year Ended June 30, 2002 which is incorporated herein by reference.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The registrant's significant operating segment is the manufacture of upholstered seating. The second segment is the operation of three retail furniture stores. For more detailed financial information see the registrant's Annual Report for the Fiscal Year Ended June 30, 2002 which is incorporated herein by reference.

The registrant's upholstered seating business has three primary areas of application -- residential seating, recreational 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:

SALES FOR UPHOLSTERED SEATING APPLICATIONS

	2002 AMOUNT OF SALES	2001 AMOUNT OF SALES	2000 AMOUNT OF SALES
Residential Seating................	$193,200,000	$199,900,000	$185,100,000
Recreational Vehicle Seating	67,900,000	66,400,000	94,500,000
Commercial Seating	18,600,000	18,500,000	20,500,000
Upholstered Seating Total	$279,700,000	$284,800,000	$300,100,000

(c) NARRATIVE DESCRIPTION OF BUSINESS

(1) (i), (ii), (vii) The registrant's primary business is the design, manufacture and sale of a broad line of quality upholstered furniture for residential, commercial, and recreational vehicle seating use. The registrant's classes of products include a variety of wood and upholstered furniture including upholstered sofas, loveseats, chairs, reclining and rocker-reclining chairs, swivel rockers, sofa beds and convertible bedding units, some of which are for home, office, motorhome, travel trailer, vans, health care and hotels. 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 (including three Company owned stores), department stores, recreational vehicle manufacturers and van converters, and hospitality and healthcare facilities. 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 various species of hardwood lumber obtained from Arkansas, Mississippi, Missouri and elsewhere. In addition to hardwood lumber and engineered wood products, principal raw materials utilized in the manufacturing process include bar and wire stock, high carbon spring steel, fabrics, leather 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 current fiscal year and the prior two fiscal years are as follows:

JUNE 30, 2002	JUNE 30, 2001	JUNE 30, 2000
$30,000,000*	$25,700,000	$30,600,000

* All of this amount is expected to be filled in the fiscal year ending June 30, 2003.

(ix) Competitive conditions:

The furniture industry is highly competitive. There are numerous furniture manufactures 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 by emphasizing its product performance and to use its sales force.

(x) 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 are 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, 2002	$1,970,000
June 30, 2001	$2,090,000
June 30, 2000	$2,170,000

(xi) Approximately 2,300, 2,400, and 2,600 people were employed by the registrant as of June 30, 2002, June 30, 2001, and June 30, 2000, respectively.

(d) FINANCIAL INFORMATION ABOUT DOMESTIC OPERATIONS

Financial information about operations is set forth in the registrant's Annual Report for the Fiscal Year Ended June 30, 2002 which is incorporated herein by reference. The registrant has no foreign operations and makes minimal export sales.

ITEM 2. PROPERTIES

(a) THE REGISTRANT OWNS OR LEASES THE FOLLOWING MANUFACTURING PLANTS:

LOCATION	APPROXIMATE SIZE (SQUARE FEET)	PRINCIPAL OPERATIONS
Dubuque, Iowa	853,000	Upholstered Furniture- Recreational Vehicle - Metal Working
Lancaster, Pennsylvania	216,000	Upholstered Furniture
Riverside, California	236,000	Upholstered Furniture - Recreational Vehicle
Harrison, Arkansas	123,000	Woodworking Plant
New Paris, Indiana	168,000	Recreational Vehicle - Metal Working
Dublin, Georgia	242,400	Upholstered Furniture
Starkville, Mississippi	349,000	Upholstered Furniture- Woodworking Plant

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 one production facility in Harrison, Arkansas of approximately 93,000 sq. feet for upholstered furniture.

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. All pending litigation is considered to be routine litigation incidental to the business.

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

During the fourth quarter ended June 30, 2002 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, 2002), 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)
K. B. Lauritsen (59)	President / Chief Executive Officer (November 1979)
E. J. Monaghan (63)	Executive Vice President / Chief Operating Officer (November 1979)
R. J. Klosterman (54)	Vice President Finance / Chief Financial Officer & Secretary (June 1989)
J. R. Richardson (58)	Senior Vice President of Marketing (November 1979)
T. D. Burkart (59)	Senior Vice President of Vehicle Seating (February 1984)
P. M. Crahan (54)	Vice President (June 1989)
J. T. Bertsch (47)	Vice President (June 1989)

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

Cautionary Statement Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions and 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 long-term goals of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to shareholders.

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 cyclical nature of the furniture industry, 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, competition, both foreign and domestic, credit exposure to our customers, and general economic 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

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 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 for the Fiscal Year Ended June 30, 2002, and is incorporated herein by reference.

The Company estimates there were approximately 1,800, 1,800, and 2,600 holders of Common Stock of the registrant as of June 30, 2002, June 30, 2001, and June 30, 2000, respectively.

ITEM 6. SELECTED FINANCIAL DATA

This information is contained on page 6 in the registrant's Annual Report for the Fiscal Year Ended June 30, 2002, 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 15 and page 16 in the registrant's Annual Report for the Fiscal Year Ended June 30, 2002 and is incorporated herein by reference.

ITEM 7a. QUANTITATIVE INFORMATION ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of the Company included in the financial report section of the Annual Report for the Fiscal Year Ended June 30, 2002, are incorporated herein by reference:

	PAGE(S)
Consolidated Balance Sheets, June 30, 2002, 2001	7
Consolidated Statements of Income and Comprehensive Income -Years Ended June 30, 2002, 2001, 2000	8
Consolidated Statements of Changes in Shareholders' Equity - Years Ended June 30, 2002, 2001, 2000	9
Consolidated Statements of Cash Flows - Years Ended June 30, 2002, 2001, 2000	10
Quarterly Financial Data -- Years Ended June 30, 2002, 2001	14
Notes to Consolidated Financial Statements	11 - 14
Independent Auditors' Report	15

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

During fiscal 2002 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 fiscal 2002 definitive Proxy Statement to be filed with the Securities and Exchange Commission and are 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 fiscal 2002 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 for the Fiscal Year Ended June 30, 2002, are incorporated herein by reference as set forth above in Item 8.

(2) Schedules

The following financial schedules for the years ended 2002, 2001 and 2000 are submitted herewith:

SCHEDULE VIII

RESERVES
FOR THE YEARS ENDED JUNE 30, 2002, 2001 AND 2000

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:				
2002	$ 1,950,000	$ 1,581,000	($ 991,000)	$ 2,540,000
2001	$ 2,250,000	$ 4,178,000	($ 4,478,000)	$ 1,950,000
2000	$ 2,503,000	$ 187,000	($ 440,000)	$ 2,250,000

NOTE -- UNCOLLECTIBLE ACCOUNTS CHARGED AGAINST RESERVE, LESS RECOVERIES.

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) Exhibit No.

3.1 Restated Article of Incorporation 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.

4.1 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.

10.1 1989 Stock Option Plan, as amended, incorporated by reference from the 1992 Flexsteel definitive proxy statement.*

10.2 1995 Stock Option Plan incorporated by reference from the 1995 Flexsteel definitive proxy statement.*

10.3 Management Incentive Plan incorporated by reference from the 1980 Flexsteel definitive proxy statement - commission file #0-5151.*

10.4 1999 Stock Option Plan incorporated by reference from the 1999 Flexsteel definitive proxy statement.*

10.5 Flexsteel Industries, Inc. Voluntary Deferred Compensation Plan incorporated by reference to Exhibits to the Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

10.6 Flexsteel Industries, Inc. Restoration Retirement Plan incorporated by reference to Exhibits to the Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

10.7 Flexsteel Industries, Inc. Senior Officer Supplemental Retirement Plan incorporated by reference to Exhibits to the Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

13 Annual Report for the Fiscal Year Ended June 30, 2002.

22 2002 definitive Proxy Statement incorporated by reference is to be filed with the Securities Exchange Commission on or before December 1, 2002. However, the Nominating and Compensation Committee Report and Audit Committee Report are not incorporated herein as soliciting material or filed material.

23.1 Independent Auditors' Report.

23.2 Independent Auditors' Consent.

99.1 Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

99.2 Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

99.3 Form 11-K for the Fiscal Year Ended June 30, 2002.

*Management contracts and arrangements required to be filed pursuant to Item 14 (c) of this report.

(b) REPORTS ON FORM 8-K

On June 18, 2002, the Company filed a report on Form 8-K announcing the appointment of Eric S. Rangen to the Board of Directors.

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, 2002

FLEXSTEEL INDUSTRIES, INC.

By: /S/ K. BRUCE LAURITSEN

K. BRUCE LAURITSEN
PRESIDENT, CHIEF EXECUTIVE OFFICER
and
PRINCIPAL EXECUTIVE OFFICER

By: /S/ R. J. KLOSTERMAN

RONALD 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, 2002	/S/ K. BRUCE LAURITSEN K. Bruce Lauritsen DIRECTOR
Date: September 25, 2002	/S/ EDWARD J. MONAGHAN Edward J. Monaghan DIRECTOR
Date: September 25, 2002	/S/ JAMES R. RICHARDSON James R. Richardson DIRECTOR
Date: September 25, 2002	/S/ JEFFREY T. BERTSCH Jeffrey T. Bertsch DIRECTOR
Date: September 25, 2002	/S/ L. BRUCE BOYLEN L. Bruce Boylen DIRECTOR
Date: September 25, 2002	/S/ PATRICK M. CRAHAN Patrick M. Crahan DIRECTOR
Date: September 25, 2002	/S/ LYNN J. DAVIS Lynn J. Davis DIRECTOR
Date: September 25, 2002	/S/ THOMAS E. HOLLORAN Thomas E. Holloran DIRECTOR
Date: September 25, 2002	/S/ MARVIN M. STERN Marvin M. Stern DIRECTOR
Date: September 25, 2002	/S/ ROBERT E. DEIGNAN Robert E. Deignan DIRECTOR
Date: September 25, 2002	/S/ ERIC S. RANGEN Eric S. Rangen DIRECTOR

EXHIBIT 99.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, K. Bruce Lauritsen, Chief Executive Officer of Flexsteel Industries, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Flexsteel Industries, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the auditcommittee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 25, 2002

By: /S/ K. BRUCE LAURITSEN
K. Bruce Lauritsen
Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Klosterman, Chief Financial Officer of Flexsteel Industries, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Flexsteel Industries, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the auditcommittee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 25, 2002

By: /S/ R. J. KLOSTERMAN
Ronald J. Klosterman
Chief Financial Officer

EXHIBIT 13

FLEXSTEEL(R)
A SMART DYNAMIC

[PHOTO]

Flexsteel Industries, Inc.

ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2002

FINANCIAL HIGHLIGHTS [Amounts in thousands except per share data]

[BAR CHART]

net sales
MILLIONS OF DOLLARS

1993	185,813
1994	204,804
1995	218,476
1996	214,887
1997	230,501
1998	247,740
1999	272,130
2000	300,066
2001	284,773
2002	279,671

[BAR CHART]

book value per share
DOLLARS

1993	9.57
1994	9.98
1995	10.28
1996	10.45
1997	10.86
1998	11.49
1999	12.50
2000	13.81
2001	14.10
2002	14.15

[BAR CHART]

earnings per share
DOLLARS

1993	0.87
1994	0.94
1995	0.72
1996	0.63
1997	0.86
1998	1.08
1999	1.51
2000	1.82
2001	0.74
2002	0.92

[BAR CHART]

return on common equity
PERCENT

1993	9.1%
1994	9.5%
1995	7.1%
1996	6.1%
1997	8.0%
1998	9.7%
1999	12.7%
2000	14.0%
2001	5.4%
2002	6.5%

YEAR ENDED JUNE 30,	2002	2001	2000
Net Sales	$ 279,671	$ 284,773	$ 300,066
Operating Income	8,269	6,466	17,679
Income Before Income Taxes	9,160	7,274	18,658
Net Income	5,660	4,594	11,928
PER SHARE OF COMMON STOCK:			
Average Shares Outstanding:			
Basic	6,095	6,108	6,458
Diluted	6,159	6,174	6,562
Earnings:			
Basic	$ 0.93	$ 0.75	$ 1.85
Diluted	0.92	0.74	1.82
Cash Dividends	0.52	0.52	0.52

AT JUNE 30,	2002	2001	2000
Working Capital	$ 62,228	$ 55,402	$ 52,016
Net Plant and Equipment	20,558	24,554	26,837
Total Assets	118,750	110,294	114,876
Shareholders' Equity	87,717	85,062	85,196

[PHOTO] THE EBULLIENT EMMY-AWARD WINNER CHRISTOPHER LOWELL IS HOST TO THE MOST-WATCHED DAYTIME HOME DECORATING SHOW. HE HAS JOINED WITH FLEXSTEEL TO CREATE THE HIGHLY SUCCESSFUL CHRISTOPHER LOWELL HOME COLLECTION OF FURNITURE.

[PHOTO] FLEXSTEEL SEATING GRACES MORE AND MORE LOBBIES AND OTHER PUBLIC AREAS. OUR COMMERCIAL SEATING DESIGNERS ARE SPECIALISTS WHO WORK CLOSELY WITH INTERIOR DESIGN AND ARCHITECTURAL FIRMS. THESE CLIENTS DEPEND ON FLEXSTEEL NOT ONLY FOR HANDSOME QUALITY BUT ALSO FOR A KEEN UNDERSTANDING OF THEIR COMMERCIAL SEATING NEEDS.

ECHOES OF THE EMPIRE AGE: TYPICAL OF THE ACCENT PIECES IN THE CHRISTOPHER LOWELL HOME COLLECTION, THIS TABLE IS STRIKING FOR ITS X-SHAPED BASE AND ITS BUFFED SILVER HARDWARE. THIS IS JUST ONE OF FOUR TIMELESS GROUPS OF OCCASIONAL FURNITURE.

TO OUR SHAREHOLDERS,
CUSTOMERS AND ASSOCIATES

IT IS IMPOSSIBLE FOR US TO BEGIN A REVIEW OF THE LAST YEAR WITHOUT RECALLING THE TRAGEDY EXPERIENCED BY OUR GREAT COUNTRY ON SEPTEMBER 11TH, 2001. ALL OF US REMEMBER THOSE WHO LOST THEIR LIVES ON THAT SORROWFUL DAY. OUR PRAYERS REMAIN WITH EACH OF THEM AND ALL OF THOSE WHO SUFFERED LOSS ON THAT DAY.

[PHOTO] [PHOTO]

K. BRUCE LAURITSEN
PRESIDENT &
CHIEF EXECUTIVE OFFICER

L. BRUCE BOYLEN
CHAIRMAN OF THE BOARD

Our fiscal year had begun on July 1, 2001, with cautious optimism. We were seeing signs of a slow, steady recovery - signs that the consumer, becoming more comfortable with the economy, was ready to make those purchases of durable items that had been postponed. Residential furniture sales were inching up, and we were seeing increased sales of our products for recreational vehicles.

But then September 11th happened, and positive movement stopped until late October. By November, we were experiencing better incoming business, a trend which continued to the end of the fiscal year.

Although total sales decreased slightly - $279,671,402 compared to $284,772,510 in the previous fiscal year, a decrease of 2% - earnings increased substantially. Net income was $5,659,544 or $0.92 per share, an increase of 23% over earnings in the same period last year of $4,594,005, or $0.74 per share.

EFFECTS OF THE RECESSION
By the time the economy was officially labeled in recession in December 2001, the recreational vehicle industry had already been suffering for several months. During that calendar year, sales of van conversions had dropped a huge 47%, and we were forced to close our Elkhart plant, and "right-size" our production of seating for recreational vehicles in three other plants.

The steep declines in the hospitality industry following September 11th forced the postponement of remodeling and new construction projects that normally would be served by our Commercial Seating Division.

We also experienced a temporary dip in the sale of home furnishings.

Throughout Flexsteel, managers put slower times to good use, developing new cost-cutting methods and revisiting areas of possible decrease in waste or increase in efficiency.

NEVERTHELESS, A YEAR OF DYNAMIC GROWTH
Despite the crushing effects of September 11th, despite the official recession, we emerged with some excellent results for the year:

* We launched our Christopher Lowell Home Collection which has created extraordinary dealer interest, publicity, traffic and sales

* We increased penetration of the recreational vehicle seating market

* The Flexsteel name is increasingly recognized in the hospitality and health markets

* We experienced outstanding growth in Flexsteel Comfort Galleries

* We enjoyed record traffic at our Spring 2002 Furniture Market

THE CHRISTOPHER LOWELL HOME COLLECTION(TM)
One of the most exciting events of the year was our launch last October of the Christopher Lowell Home Collection of upholstered furniture designed by the popular TV home decorator Christopher Lowell. Despite the down market of last fall, the first showing drew overflow crowds. Appearances by Lowell at dealers showcasing his collection also drew huge crowds. We followed that highly successful introduction in our Spring Market with case goods selected to coordinate with the collection.

One hundred sixty dealers have signed up to display the Collection on their floors, and ninety-seven installations are already in place.

Christopher Lowell draws an average of eleven million viewers a week to his program on the Discovery channel. His exuberant television persona is ideally suited to Flexsteel's dynamic vision. In the upcoming season, his show will use settings that include furniture from the Christopher Lowell Home Collection, creating even more exposure for us. We expect this program to draw enormous interest, and are developing exciting cross-marketing projects for the near future.

THE FLEXSTEEL COMFORT GALLERIES
Flexsteel Comfort Galleries demonstrate Flexsteel's emphasis on doing well those things the company knows best - providing our dealers with a superior product and the means to please, serve, and keep their customers. The Flexsteel Comfort Gallery offers consumers the ultimate in choice, while reducing dealers' warehousing and inventory expense. Dealers participating in these programs are showing excellent growth and profitability.

There are now 385 Flexsteel Comfort Galleries in operation and 35 on the drawing boards. Our Retail Development team has been extremely busy setting up the new Christopher Lowell Home Collections, new galleries, the designing of attractive new store fixtures, creating monthly merchandising events and advertising packages, and upgrading a number of older galleries to the very successful Comfort Gallery format.

We have expanded our Retail Development team and provided them with new computer hardware and software to cope with the demand. This team has also developed a new four-color quarterly newsletter to keep our dealers informed of new developments.

August is typically a slow furniture sales month for our dealers; to help them boost sales in that month we've introduced, through GE Capital, a group rate that allows zero interest until 2005 on qualifying Flexsteel sales. Since many dealers cannot even obtain a 30-month financing package, this is a powerful selling tool for them.

IN A YEAR THAT CONFRONTED US ALL WITH STARK REALITIES, FLEXSTEEL'S CENTURY-OLD MANAGEMENT TRADITION ONCE AGAIN PROVED ITSELF. COMBINING SMART DESIGN WITH AN UNCHANGING EMPHASIS ON QUALITY, FLEXSTEEL'S DYNAMIC AND INNOVATIVE MARKETING STRATEGIES LET US INCREASE OUR MARKET STRENGTH IN SEVERAL KEY AREAS.

[PHOTO] A GRACIOUS AND STUNNING SETTING: THE DINING ROOM OF THE RECENTLY-RESTORED MOUNTAIN VIEW GRAND HOTEL IN THE WHITE MOUNTAINS OF NEW HAMPSHIRE. CHAIRS WERE FURNISHED THROUGH OUR COMMERCIAL SEATING DIVISION.

[PHOTO] WHEN SMARTLY STYLED, RECLINERS ARE AS APPROPRIATE IN LIVING ROOMS AS IN FAMILY ROOMS. THIS GENEROUSLY-SCALED RECLINER HAS TRADITIONAL CLUB-CHAIR CHARM, A TUFTED ROLLED BACK, TURNED WOOD LEGS, AND GENEROUS COMFORT.

[PHOTO] THE INTRICACY OF THIS HAND-CARVED IMPORTED FRAME LENDS ELEGANCE TO THIS CHAIR FROM OUR POPULAR CHARISMA CHAIR(R) LINE. AN UNUSUAL TOUCH IS THE WARM PECAN FINISH, ACCENTED BY THE DARK HANG-UP FINISH IN THE CARVING RECESSES.

[PHOTO] THE CONVERSATION SOFA IS A FAVORITE FOR ITS COMFORTABLE INTIMACY. THIS GROUP INCLUDES A "WRAP-AROUND" SOFA TABLE AND MATCHING OTTOMANS WHICH NEST UNDER THE TABLE FOR ADDITIONAL CASUAL SEATING.

[PHOTO] THIS HIGH-STYLE CONTEMPORARY GROUP FROM OUR COMMERCIAL SEATING DIVISION TURNED HEADS AT THE HOSPITALITY DESIGN SHOW IN LAS VEGAS, NEVADA.

Leather continues to be enormously popular with all our retailers. Our broad range of leather patterns, colors and styles offers us a strong competitive advantage over the limited-selection, low-cost imports which are beginning to appear in our markets. We expect to retain Flexsteel's advantage by continuing our traditional quality with extremely good service.

COMMERCIAL SEATING: THE HOSPITALITY & HEALTH MARKETS

This is a developing market for Flexsteel, but a natural for our expertise in seating. We supply sofas, chairs, tables, recliners, and sleepers, many of them specifically designed for the spaces they will occupy, to hotels and assisted living centers. Our expertise is becoming known in the industry, and we anticipate greatly increasing our market share.

Increasing demand has resulted in our expanding production capacity at Starkville, where we have also added an entire new production line for upholstered furniture.

THE RECREATIONAL VEHICLE MARKET LOOKS UP

Disenchantment with air travel became pronounced after September 11th; the subsequent new security regulations caused many people to turn to motor homes for leisure travel. Ownership of recreational vehicles is up (9.7% since 1997), and sales have been vigorous since the first of this year. The demographics look very good in this market, since the fastest-growing segment of RV owners is in the 35-to-54 age bracket. One analyst reported in Kiplinger's* predicted that "the RV business is going to become what Harley-Davidson was in the 90s." While we do not expect that kind of growth (27-fold), we expect our sales to RV manufacturers to show double-digit increases each year during the coming decade.

Our ability to offer a complete line of products at all price points is one of the factors that has allowed us to increase our share of the market even when this market was softening. We also offer handsome styling and features direct to each RV manufacturer that no other vendor can offer. One of our newest products is a motor home seat, for driver or passenger, with seat belts fully integrated into the seat backs. We are also developing new multi-function bed units with all-in-one recline and sleep functions.

With price-point coverage and attractive features, we have even been able to increase our market penetration in the highly-competitive market of travel trailers.

OPPORTUNITIES IN THE MARINE MARKET

A fast-growing segment for us is the marine market, where we primarily provide below-deck free-standing furniture for motor yachts. The level of customization required is high and so are development costs; however, this is a market of considerable promise, with our sales up about 30% this fiscal year. We continue to explore opportunities to develop above-deck seating for this market.

TECHNOLOGY IN A DYNAMIC WORLD

We have long used computerized cutters to assist in the layout and cutting of upholstery fabrics. They are essential for a better matching of patterns; they greatly speed up the process and reduce fabric waste. Now, computerized efficiency can be applied even to the odd and unpredictable sizes and shapes of leather hides - we are installing a Taurus cutter for the leathers used in vehicle seating.

Similarly, CNC routers are used for precise control in cutting and shaping wood products; the addition of another computer-controlled router in the Dublin plant will not only cut waste but allow cutting of frames to schedule. Many of the commercial seating units produced at the Starkville plant are upholstered in the customer's own material. A new single-ply computerized cutter brings new efficiency to that process, allowing faster loading of patterns and saving time in both cutting and sewing.

On-line access allows information to fly from dealer to salespeople to factory and back again. We now routinely receive as many as 7000 orders per month electronically. Dealers have instant access to fabric availability, product pricing, and order status through our Cyber Resource Center, updated daily. They can also instantly download advertising aids and digitally-scanned photographs of our products to be used in print or TV advertising.

Product specifications are now available on shop floor computers, complete with digital photos detailing methods and procedures, all updated daily.

A consumer can now go to Flexsteel.com and design the sofa of her dreams. The video catalog on our Web site allows her to select the frame and fabric of her choice, and see how the finished product will look. The Web site now routinely receives 67,000 visitors monthly.

CLOSE TIES WITH DEALERS

In the Fifties, Flexsteel developed its unique philosophy of locating our factories in strategic geographic areas. A competitive advantage at the time, it allowed us to offer faster delivery to our dealers, mint- fresh and direct from the factory. Direct factory delivery remains a powerful selling tool, popular with our dealers, and in fiscal year ending 2003 we are adding 30 new tractors to our delivery fleet.

Today's instant communications have so reduced the handling time of orders that now it is practical to centralize many of our selling operations at the same time providing our dealers with real-time information undreamed of in the Fifties.

A DYNAMIC PHILOSOPHY: FOCUS ON THE CUSTOMER

Flexsteel's long relationship with its retail dealers has equipped us uniquely to understand and provide for our dealer's special needs. Similarly, we entered the recreational vehicle seating business with not only knowledge of seating but also the expertise born of metal working for the famous Flexsteel seat spring. These capabilities allowed us to become the top seller in that field and to advance the state of that art.

We are now acquiring a similar reputation in the commercial seating business. In all areas of our business, we find that our ability to reduce turn-around time, meet schedules dependably, and deliver a quality product earns us customers' loyalty.

The ultimate consumer of all our products is the retail customer. Today's consumer is better educated, more fashion-savvy, and more quality-conscious. Flexsteel continues to offer her lasting satisfaction with our lifetime warranties and handsome designs that bear her lifestyle in mind.

WITH HANDSOME DESIGNS FOR EVERY SEATING MARKET SEGMENT, A STRENGTHENED MARKETING PROGRAM, A SOLID FINANCIAL FOOTING, CONTINUED INNOVATIVE MANUFACTURING TECHNIQUES, AND AN INVALUABLE REPUTATION FOR QUALITY, FLEXSTEEL HAS ALL THE ELEMENTS IN PLACE FOR A DYNAMIC FUTURE.

[PHOTO] AUTOMOTIVE STYLING AND SUPERIOR ENGINEERING MARK FLEXSTEEL'S RECREATIONAL VEHICLE SEATING, AS IN THIS MONARCH MOTOR HOME BY MONACO COACH. OPTIONAL FEATURES MIGHT INCLUDE SIX-POSITION POWER, SWIVEL AND TILT PEDESTALS, SEAT HEATERS AND OUR PATENTED ERGOFLEX(R) ADJUSTABLE ARM MECHANISM. HEAVY-GAUGE TUBULAR STEEL AND PRECISE ENGINEERING INSURE THAT FLEXSTEEL VEHICLE SEATING MEETS OR EXCEEDS FEDERAL MOTOR VEHICLE SAFETY STANDARDS.

[PHOTO] FIFTH-WHEEL TRAVEL TRAILERS GROW EVER MORE POPULAR AND LUXURIOUS. KOUNTRY AIRE FROM NEWMAR OFFERS SMART, SPACE-SAVING DESIGN AND GENEROUS SEATING AND SLEEPING COMFORT BY FLEXSTEEL. THE TWO LEATHER RECLINING EURO-STYLE ARM CHAIRS HAVE MATCHING OTTOMANS; THE TAILORED SOFA OPENS AT NIGHT INTO A FULL-SIZE BED. OUR DESIGNERS WORK CLOSELY WITH THE MANUFACTURERS TO MEET MARKET DEMANDS FOR FASHION, FEATURES, COLOR PALETTES, AND AMPLE COMFORT.

[PHOTO] NEVER-BEFORE-POSSIBLE SOFA-SLEEPER COMFORT: THE SECRET IS THE MAJESTIC AIR SLEEP SYSTEM. AN INNOVATIVE OVERLAY OF AIR CUSHIONING OVER THE SUPPORTIVE COIL INNERSPRING MATTRESS PROVIDES UNPARALLELED PERSONAL COMFORT. MATCHED WITH A SECTIONAL FROM OUR MURANO COLLECTION, IT PROVIDES SMART DAYTIME LOOKS WITH ROLLED SERPENTINE ARMS ACCENTED WITH BRASS NAIL TRIM AND ATTRACTIVE TURNED LEGS.

[PHOTO] TRADITIONAL IS STILL SMART, TODAY WITH A RELAXED TAILORED LOOK. LUXURIOUS COMFORT IS EVIDENT IN AN EXTRA-DEEP SOFA WITH TWO LAYERS OF LOOSE BACK PILLOWS. BEAUTIFULLY COMPLEMENTED WITH A HAND-CARVED, ACCENT CHARISMA CHAIR(R).

[PHOTO] PETITE SCALING, POP-UP HEADREST, AND FULL RECLINING COMFORT ARE MADE POSSIBLE BY OUR NEWEST RECLINER INTRODUCTION. ALSO OFFERED WITH A TAILORED SKIRT FOR A TRADITIONAL LOOK.

FLEXSTEEL AS A CORPORATE CITIZEN

Flexsteel has always been committed to its obligations as a corporate citizen, and nowhere is this better expressed than by our own associates at every plant, who are deeply involved in community efforts. Following the September 11th disaster, our associates raised nearly $14,000 for the American Red Cross, a contribution matched by the company. Another popular effort is the annual Relay for Life(R) sponsored by the American Cancer Society(R). This year, associates in the Dubuque plant raised more than $10,000 through the relay, bake sales, and innovative fundraising devices such as plant-wide cookouts.

Mindful of our obligations of corporate stewardship, we have for a number of years optimized our uses of wood. With state-of-the-art cross-grain laminated hardwoods, we can actually make stronger frames using fewer trees than with the simple kiln-dried hardwoods used in the past. Of course, the frames are still lifetime-warranted. We use environmentally-friendly polyurethane foam in our upholstery, applied in such ways they enhance both the beauty and comfort of our chairs and sofas, and can still be warranted for life.

FLEXSTEEL AND THE WORLD

We are indeed living in a global economy which has opened many possibilities for Flexsteel that were not here a mere five years ago. China supplies us with wood products, notably entertainment centers, occasional tables and accent-chair frames, that blend beautifully with our upholstered products. We buy leather from such diverse places as China, South America, Italy, Mexico, Slovenia, and Germany.

However, our principal products will continue to be made in our USA-based Flexsteel factories. Today's customer demands the selection of styles and coverings combined with speedy delivery that Flexsteel offers, a combination of selling points not possible with the mass production and delays of importing.

MORE THAN A CENTURY OF CONSERVATIVE FISCAL RESPONSIBILITY

Since the company's founding in 1893, and through 33 years of public ownership, Flexsteel has maintained a philosophy embracing consistent and conservative fiscal responsibility. The result is that the company today enjoys excellent liquidity, has virtually no debt, finances major capital expenditures through its own cash flow, AND HAS PAID CASH DIVIDENDS FOR 242 CONSECUTIVE QUARTERS.

We follow the standards issued by the Securities and Exchange Commission and the Financial Accounting Standards Board, as you will see in notes to our financial statements. The tone is set by our top executives, and in our case the tone emphasizes conservative and consistent application of accounting rules with equal emphasis on corporate integrity in our daily business dealings and in our financial statements.

Our strong financial position not only serves us well in difficulttimes, but is a source of reassurance to our customers and vendors alike.

NEW DIRECTORS ON OUR BOARD

We are extremely fortunate to have obtained the services of two new directors with outstanding experience. Last December, Robert E. Deignan, a long-time partner of the Chicago-based international legal firm of Baker & McKenzie joined the board, bringing with him a wide experience in health industries, real estate and corporate law.

Then, in June, Eric Rangen, Vice President and Chief Financial Officer of Alliant Techsystems, Inc., was named to the Board. His background includes 18 years with Deloitte & Touche LLP and an extensive knowledge of the accounting needs of today's marketplace.

TOWARD A DYNAMIC FUTURE

We see excellent prospects for Flexsteel's future. The home building market continues to be solid, and interest rates promise to remain moderate throughout the year, so we have every reason to anticipate another excellent year for your company. We will continue to fine-tune our strategic marketing plan and our manufacturing capabilities, allowing us to be competitive and market-driven.

Among things we'll be doing:

* Launching a new product line for commercial seating and expanding production capacity

* Improving the supply line from domestic and off-shore suppliers

* Cross-marketing the Christopher Lowell Home Collection(TM)

* Marrying more case goods to our upholstered designs

* Increasing our reach to the 100 top retail dealers

* Continuing to identify key builders in the motor yacht business

* Bringing the Flexsteel name to new commercial seating customers

As we accomplish these things, we will increase shareholder value. It will be made possible by the many talents and abilities of our associates, and we extend to them our thanks for making this an excellent year, despite its trials, for us all.

/s/ K. Bruce Lauritsen

K. BRUCE LAURITSEN

PRESIDENT AND CHEIF EXECUTIVE OFFICER

/s/ L. Bruce Boylen

L. BRUCE BOYLEN
CHAIRMAN OF THE BOARD

FIVE YEAR REVIEW

[ALL AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

FISCAL YEAR ENDED JUNE 30,	2002	2001	2000	1999	1998
SUMMARY OF OPERATIONS					
Net sales	$279,671	$284,773	$300,066	$272,130	$247,740
Cost of goods sold	218,151	224,352	235,824	212,576	196,960
Operating income	8,269	6,466	17,679	15,398	9,868
Interest and other income	1,052	1,063	1,439	1,134	2,015
Interest expense	161	254	461	315	356
Income before income taxes	9,160	7,274	18,658	16,217	11,527
Provision for income taxes	3,500	2,680	6,730	5,900	3,925
Net income(1)(2)(3)	5,660	4,594	11,928	10,317	7,602
Earnings per common share:(1)(2)(3)					
Basic	0.93	0.75	1.85	1.52	1.09
Diluted	0.92	0.74	1.82	1.51	1.08
Cash dividends per common share	0.52	0.52	0.52	0.48	0.48
STATISTICAL SUMMARY					
Average common shares outstanding:					
Basic	6,095	6,108	6,458	6,775	6,959
Diluted	6,159	6,174	6,562	6,850	7,035
Book value per common share	14.15	14.10	13.81	12.50	11.49
Total assets	118,750	110,294	114,876	112,684	104,673
Property, plant and equipment, net	20,558	24,554	26,837	25,912	23,096
Capital expenditures	1,100	2,817	6,718	8,398	2,392
Working capital	62,228	55,402	52,016	50,210	50,549
Long-term debt	0	0	0	0	0
Shareholders' equity	87,717	85,062	85,196	81,166	78,080
SELECTED RATIOS					
Net income as percent of sales	2.0%	1.6%	4.0%	3.8%	3.1%
Current ratio	3.3 to 1	3.6 to 1	3.0 to 1	2.8 to 1	3.1 to 1
Return on ending common equity	6.5%	5.4%	14.0%	12.7%	9.7%
Return on beginning common equity	6.7%	5.4%	14.7%	13.2%	10.1%
Average number of employees	2,260	2,410	2,570	2,400	2,330

(1) For the fiscal year ended June 30, 2002, net income and per share amounts were reduced by $1,290,000 or $0.21 per share related to restructuring costs.

(2) For the fiscal year ended June 30, 2000, net income and per share amounts reflect a gain on the sale of land of approximately $790,000 or $0.12 per share and a non-taxable gain from life insurance proceeds of approximately $405,000 or $0.06 per share.

(3) For the fiscal year ended June 30, 1998, net income and per share amounts reflect a non-taxable gain from life insurance proceeds of approximately $720,000 or $0.10 per share.

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2002	JUNE 30, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,375,683	$ 10,048,562
Investments	15,876,088	2,536,469
Trade receivables - less allowance for doubtful accounts: 2002, $2,540,000; 2001, $1,950,000	31,361,285	28,363,058
Inventories	30,322,288	31,379,836
Deferred income taxes	4,500,000	2,700,000
Other	1,316,136	1,546,710
Total current assets	88,751,480	76,574,635
PROPERTY, PLANT AND EQUIPMENT, net	20,558,338	24,553,962
DEFERRED INCOME TAXES	700,000	300,000
OTHER ASSETS	8,739,940	8,865,872
TOTAL	$118,749,758	$110,294,469
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 4,876,260	$ 5,277,607
Accrued liabilities:		
Payroll and related items	5,454,501	3,819,384
Insurance	7,066,148	7,968,876
Restructuring	1,700,609	
Other	6,775,889	3,132,192
Industrial revenue bonds payable	650,000	975,000
Total current liabilities	26,523,407	21,173,059
DEFERRED COMPENSATION	4,509,782	4,059,186
Total liabilities	31,033,189	25,232,245
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock - $50 par value; authorized 60,000 shares; outstanding - none		
Undesignated (subordinated) stock - $1 par value; authorized 700,000 shares; outstanding - none		
Common stock - $1 par value; authorized 15,000,000 shares; outstanding 2002, 6,198,551 shares; 2001, 6,034,210 shares	6,198,551	6,034,210
Additional paid-in capital	492,223	
Retained earnings	80,756,107	78,272,996
Accumulated other comprehensive income	269,688	755,018
Total shareholders' equity	87,716,569	85,062,224
TOTAL	$118,749,758	$110,294,469

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME	FOR THE YEARS ENDED JUNE 30,		
	2002	2001	2000
NET SALES	$ 279,671,402	$ 284,772,510	$ 300,065,940
COST OF GOODS SOLD	(218,150,740)	(224,352,469)	(235,824,182)
GROSS MARGIN	61,520,662	60,420,041	64,241,758
SELLING, GENERAL AND ADMINISTRATIVE	(53,251,978)	(53,954,454)	(47,812,467)
GAIN ON SALE OF LAND			1,249,806
OPERATING INCOME	8,268,684	6,465,587	17,679,097
OTHER:			
Interest and other income	1,052,158	1,062,629	1,439,293
Interest expense	(161,298)	(254,211)	(460,796)
Total	890,860	808,418	978,497
INCOME BEFORE INCOME TAXES	9,159,544	7,274,005	18,657,594
PROVISION FOR INCOME TAXES	(3,500,000)	(2,680,000)	(6,730,000)
NET INCOME	$ 5,659,544	$ 4,594,005	$ 11,927,594
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
BASIC	6,095,184	6,107,785	6,457,960
DILUTED	6,158,522	6,174,320	6,561,968
EARNINGS PER SHARE OF COMMON STOCK:			
BASIC	$ 0.93	$ 0.75	$ 1.85
DILUTED	$ 0.92	$ 0.74	$ 1.82

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	FOR THE YEARS ENDED JUNE 30,		
	2002	2001	2000
NET INCOME	$ 5,659,544	$ 4,594,005	$ 11,927,594
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:			
Unrealized gains (losses) on securities arising during period	(766,947)	(21,374)	(389,788)
Reclassification adjustment for losses included in net income	8,687	18,961	74,138
Other comprehensive income (loss), before tax	(758,260)	(2,413)	(315,650)
INCOME TAX BENEFIT (EXPENSE):			
Income tax benefit related to securities losses arising during period	275,800	7,866	143,986
Income tax expense related to securities reclassification adjustment	(2,870)	(6,978)	(27,431)
Income tax expense (benefit) related to other comprehensive income	272,930	888	116,555
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(485,330)	(1,525)	(199,095)
COMPREHENSIVE INCOME	$ 5,174,214	$ 4,592,480	11,728,499

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	SHARES	PAR VALUE				
Balance at June 30, 1999	6,491,840	$ 6,491,840		$ 73,718,238	$ 955,638	$ 81,165,716
Purchase of common stock	(385,445)	(385,445)	$ (651,621)	(4,055,342)		(5,092,408)
Issuance of common stock	64,394	64,394	651,621			716,015
Investment valuation adjustment					(199,095)	(199,095)
Cash dividends				(3,322,054)		(3,322,054)
Net income				11,927,594		11,927,594
Balance at June 30, 2000	6,170,789	6,170,789		78,268,436	756,543	85,195,768
Purchase of common stock	(200,038)	(200,038)	(678,171)	(1,418,202)		(2,296,411)
Issuance of common stock	63,459	63,459	678,171			741,630
Investment valuation adjustment					(1,525)	(1,525)
Cash dividends				(3,171,243)		(3,171,243)
Net income				4,594,005		4,594,005
Balance at June 30, 2001	6,034,210	6,034,210		78,272,996	755,018	85,062,224
Issuance of common stock	164,341	164,341	492,223			656,564
Investment valuation adjustment					(485,330)	(485,330)
Cash dividends				(3,176,433)		(3,176,433)
Net income				5,659,544		5,659,544
Balance at June 30, 2002	6,198,551	$ 6,198,551	$ 492,223	$ 80,756,107	$ 269,688	$ 87,716,569

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,		
	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	$ 5,659,544	$ 4,594,005	$ 11,927,594
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,976,637	5,726,298	5,492,556
(Gain) loss on disposition of capital assets	(44,459)	(35,542)	(1,278,671)
Changes in operating assets and liabilities:			
Trade receivables	(3,469,976)	5,637,605	(830,818)
Inventories	421,484	1,805,222	(2,952,849)
Other current assets	230,574	(1,003,000)	(82,305)
Other assets	(393,788)	(362,326)	630,602
Accounts payable - trade	(401,347)	(1,643,926)	(155,196)
Accrued liabilities	6,860,759	(2,106,659)	(1,488,716)
Deferred compensation	450,596	287,034	711,482
Deferred income taxes	(2,200,000)	200,000	500,000
Net cash provided by operating activities	12,090,024	13,098,711	12,473,679
INVESTING ACTIVITIES:			
Purchases of investments	(19,880,090)	(2,014,525)	(1,635,138)
Proceeds from sales of investments	6,275,994	4,425,506	4,843,652
Payments received from customers on notes receivable	965,851	211,974	50,000
Loans to customers on notes receivable		(1,325,000)	(2,875,000)
Proceeds from sale of capital assets	179,219	178,997	1,579,166
Capital expenditures	(1,099,914)	(2,817,180)	(6,718,094)
Net cash used in investing activities	(13,558,940)	(1,340,228)	(4,755,414)
FINANCING ACTIVITIES:			
Repayment of borrowings	(325,000)	(325,000)	(325,000)
Dividends paid	(3,155,096)	(3,190,069)	(3,306,838)
Proceeds from issuance of common stock	276,133	100,704	120,799
Repurchase of common stock		(2,296,411)	(5,092,409)
Net cash used in financing activities	(3,203,963)	(5,710,776)	(8,603,448)
Increase (decrease) in cash and cash equivalents	(4,672,879)	6,047,707	(885,183)
Cash and cash equivalents at beginning of year	10,048,562	4,000,855	4,886,038
Cash and cash equivalents at end of year	$ 5,375,683	$ 10,048,562	$ 4,000,855
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 24,000	$ 61,000	$ 64,000
Income taxes	$ 2,990,000	$ 4,442,000	$ 7,050,000

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS - Flexsteel Industries, Inc. (the Company) manufactures a broad line of upholstered furniture for residential, recreational vehicle and commercial seating use. Products include sofas, love seats, chairs, reclining and rocker-reclining chairs, swivel rockers, sofa beds, and convertible bedding units. The Company has two wholly owned subsidiaries: (1) Desert Dreams, Inc. owns and leases a commercial building to an unrelated entity, and (2) Four Seasons, Inc. operates three retail furniture stores. All significant intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES - the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

FAIR VALUE - the Company's cash, accounts receivable, accounts payable, accrued liabilities and other liabilities are carried at amounts which reasonably approximate their fair value due to their short-term nature. Notes receivable and the industrial revenue bonds payable are carried at amounts, which reasonably approximate their fair value due to their variable interest rates. Fair values of investments in debt and equity securities are disclosed in Note 2.

CASH EQUIVALENTS - the Company considers highly liquid investments with original maturities of three months or less 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 over the estimated useful lives of the assets. For internal use software, the Company's policy is to capitalize external direct costs of materials and services, directly-related internal payroll and payroll-related costs, and interest costs.

REVENUE RECOGNITION - is upon delivery of product. Net sales consist of product sales and related delivery charge revenue, net of adjustments for returns and allowances.

RESEARCH AND DEVELOPMENT COSTS - are charged to expense in the periods incurred. Expenditures for research and development costs were approximately $1,970,000, $2,090,000 and $2,170,000 in fiscal 2002, 2001 and 2000, respectively.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - the Company has no free-standing or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use free-standing derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

INSURANCE - the Company is self-insured for health care and most workers' compensation up to predetermined amounts above which third party insurance applies. The Company is contingently liable to insurance carriers under its comprehensive general, product, and vehicle liability policies, as well as some workers' compensation, and has provided letters of credit in the amount of $2,507,000. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience.

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 - basic earnings per share of common stock is based on the weighted-average number of common shares outstanding during each year. Diluted earnings per share of common stock includes the dilutive effect of potential common shares outstanding. The Company's only potential common shares outstanding are stock options, which resulted in a dilutive effect of 63,338 shares, 66,535 shares and 104,008 shares in fiscal 2002, 2001 and 2000, respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method.

ACCOUNTING DEVELOPMENTS - In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS No. 141 eliminated the pooling-of-interests method of accounting for business combinations after June 30, 2001. SFAS No. 142 established new standards for accounting for goodwill and intangible assets and was adopted by the Company on July 1, 2001. Because the Company has no goodwill or other intangible assets, there was no impact to the Company's financial position or results of operations due to the adoption of SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/ or the normal operation of a long-lived asset, except for certain obligations of lessees. The Company adopted SFAS No. 143 on July 1, 2001. The adoption of SFAS No. 143 did not have any impact on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, along with certain other reporting standards. SFAS No. 144 was effective for the Company on July 1, 2002. The adoption of SFAS No. 144 did not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 was effective for the Company on July 1, 2002. The adoption of the technical corrections contained in SFAS No. 145 did not have a material impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, LIABILITY RECOGNITION FOR CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY (INCLUDING CERTAIN COSTS INCURRED IN A RESTRUCTURING). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 will be effective for exit or disposal activities that are initiated by the Company after December 31, 2002.

RECLASSIFICATIONS - certain prior years' amounts have been reclassified to conform to the fiscal 2002 presentation. These reclassifications had no impact on net income or shareholders' equity as previously reported.

2. INVESTMENTS
Debt and equity securities are included in Investments and in Other Assets (designated for deferred compensation plans), at fair value based on quoted market prices, and are classified as available for sale. A summary of the carrying values and fair values of the Company's investments is as follows:

	JUNE 30, 2002			
		GROSS UNREALIZED		
	COST BASIS	GAINS	LOSSES	RECORDED BASIS
Debt securities	$ 16,349,332	$ 79,349	$ (38,021)	$ 16,390,660
Equity securities	3,119,345	451,569	(56,507)	3,514,407
	$ 19,468,677	$ 530,918	$ (94,528)	$ 19,905,067

	JUNE 30, 2001			
		GROSS UNREALIZED		
	COST BASIS	GAINS	LOSSES	RECORDED BASIS
Debt securities	$ 3,076,663	$ 29,523	$ (3,776)	$ 3,102,410
Equity securities	2,781,872	1,184,382	(15,468)	3,950,786
	$ 5,858,535	$ 1,213,905	$ (19,244)	$ 7,053,196

	JUNE 30, 2002		JUNE 30, 2001	
	INVESTMENTS	OTHER ASSETS	INVESTMENTS	OTHER ASSETS
Debt securities	$ 14,634,657	$ 1,756,003	$ 1,275,810	$ 1,826,600
Equity securities	1,241,431	2,272,976	1,260,659	2,690,127
	$ 15,876,088	$ 4,028,979	$ 2,536,469	$ 4,516,727

As of June 30, 2002, the maturities of debt securities are $8,388,345 within one year, $7,586,519 in one to five years and $415,796 over five years.

3. INVENTORIES
Inventories valued on the LIFO method would have been approximately $1,452,000 and $1,963,000 higher at June 30, 2002 and 2001, respectively, if they had been valued on the FIFO method. A comparison of inventories is as follows:

	JUNE 30,	
	2002	2001
Raw materials........................	$ 15,623,962	$ 16,343,218
Work in process and finished parts...	8,092,398	8,651,210
Finished goods.......................	6,605,928	6,385,408
Total............................	$ 30,322,288	$ 31,379,836

4. PROPERTY, PLANT AND EQUIPMENT

		JUNE 30,	
	ESTIMATED LIFE (YEARS)	2002	2001
Land.........................		$ 2,212,790	$ 2,212,790
Buildings and improvements...	3-39	30,037,022	30,007,095
Machinery and equipment......	3-10	31,399,729	31,320,833
Delivery equipment...........	3-7	15,150,048	15,930,432
Furniture and fixtures.......	3-5	5,433,082	5,687,361
Total................		84,232,671	85,158,511
Less accumulated depreciation		(63,674,333)	(60,604,549)
Net..........................		$ 20,558,338	$ 24,553,962

5. OTHER ASSETS

JUNE 30,

	2002	2001
Cash value of life insurance........	$ 4,321,137	$ 3,933,383
Investments designated for deferred compensation plans................	4,028,979	4,516,727
Notes receivable....................	389,824	415,762
Total............................	$ 8,739,940	$ 8,865,872

6. OTHER ACCRUED LIABILITIES

	JUNE 30, 2002	JUNE 30, 2001
Dividends................................	$ 805,785	$ 784,447
Income taxes.............................	1,956,149	(707,554)
Advertising..............................	1,968,149	1,789,785
Warranty.................................	500,000	500,000
Other	1,545,806	765,514
Total............................	$ 6,775,889	$ 3,132,192

7. BORROWINGS

The Company is obligated for $650,000 of Industrial Revenue Bonds at June 30, 2002, which were issued for the financing of property, plant and equipment. The obligations are variable rate demand bonds with a weighted average rate for the years ended June 30, 2002, 2001 and 2000 of 2.1%, 4.5% and 4.1% respectively, and are due in annual installments of $325,000 through fiscal 2004, if not paid earlier upon demand of the holder. The Company has issued a letter of credit to guarantee the payment of these bonds in the event of the default. No amounts were outstanding on this letter at June 30, 2002 or 2001.

8. INCOME TAXES

The total income tax provision for the years ended June 30, 2002, 2001 and 2000 was 38.2%, 36.8% and 36.1%, respectively, of income before income taxes. In fiscal 2000, the effective rate was reduced by 0.7% for nontaxable life insurance proceeds of $405,000.

The provision for income taxes is as follows:

	2002	2001	2000
Federal - current.............	$ 5,180,000	$ 2,550,000	$ 5,520,000
State - current................	520,000	330,000	710,000
Deferred......................	(2,200,000)	(200,000)	500,000
Total.................	$ 3,500,000	$ 2,680,000	$ 6,730,000

The primary components of deferred tax assets and (liabilities) are as follows:

	JUNE 30, 2002		JUNE 30, 2001	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
Asset allowances	$ 940,000		$ 720,000	
Other accruals and allowances	3,560,000		1,980,000	
Deferred compensation		$ 1,800,000		$ 1,500,000
Property, plant and equipment		(1,100,000)		(1,200,000)
Total	$ 4,500,000	$ 700,000	$ 2,700,000	$ 300,000

9. CREDIT ARRANGEMENTS

The Company has lines of credit of $3,000,000 with banks, which renew annually in October and December, for short-term borrowings at the prime rate in effect at the date of the loan. On $1,000,000 of such lines 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 outstanding as of June 30, 2002 or 2001.

STOCK OPTIONS

The Company has stock option plans for key employees and directors that provide for the granting of incentive and nonqualified stock options. Under the plans, options are granted at an exercise price equal to the fair market value of the underlying common stock at the date of grant, and may be exercisable for up to 10 years. All options are exercisable when granted. At June 30, 2002, 249,450 shares were available for future grants. The Company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its stock option plans, as permitted under FASB Statement No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). Accordingly, no compensation cost has been recognized for its stock option plans. Had the compensation cost for the Company's incentive stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the fair-value methodology of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

		2002	2001	2000
Net income:	As reported....	$ 5,659,544	$ 4,594,005	$ 11,927,594
	Pro forma......	5,497,544	4,431,005	11,736,594
Earnings per share:				
Basic	As reported....	$ 0.93	$ 0.75	$ 1.85
	Pro forma......	0.90	0.73	1.82
Diluted	As reported....	0.92	0.74	1.82
	Pro forma......	0.89	0.72	1.79

The fair value of each option grant is estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2002, 2001 and 2000 respectively: dividend yield of 5.0%, 4.8% and 3.9%; expected volatility of 24.8%, 24.6% and 26.3%; risk-free interest rates of 6.5%, 6.5% and 7.1%; and an expected life of 10 years on all options.

A summary of the status of the Company's stock option plans as of June 30, 2002, 2001 and 2000 and the changes during the years then ended is presented below:

	SHARES	PRICE RANGE
Outstanding at June 30, 1999......	559,267	$10.25 - 15.75
Granted.........................	112,000	13.25 - 13.59
Exercised.......................	(42,872)	10.25 - 11.44
Canceled........................	(2,650)	10.25 - 11.44
Outstanding at June 30, 2000......	625,745	10.25 - 15.75
Granted.........................	135,150	10.56 - 10.75
Exercised	(8,000)	10.25 - 10.50
Outstanding at June 30, 2001......	752,895	10.25 - 15.75
Granted.........................	145,950	10.30 - 10.75
Exercised.......................	(333,370)	10.25 - 13.25
Canceled........................	(75,110)	10.75 - 14.88
Outstanding at June 30, 2002......	490,365	10.25 - 15.75

Significant option groups outstanding at June 30, 2002 and related weighted-average exercise price and remaining life information follows:

		WEIGHTED - AVERAGE	
GRANT DATE	OPTIONS OUTSTANDING	EXERCISE PRICE	REMAINING LIFE (YEARS)
July 28, 1994..................	9,800	$ 10.50	2.1
August 16, 1995................	34,400	11.25	3.1
July 30, 1996..................	14,050	10.25	4.1
November 7, 1997...............	51,325	11.44	5.3
November 2, 1998...............	44,100	10.50	6.3
November 2, 1999...............	93,000	13.25	7.3
November 14, 2000..............	101,950	10.75	8.3
November 2, 2001...............	96,240	10.30	9.3
All other......................	45,500	12.59	5.3
Total..................	490,365	11.37	7.0

11. PENSION AND RETIREMENT PLANS

The Company sponsors various defined contribution pension and retirement plans which cover substantially all employees, other than employees covered by multi-employer 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 $1,691,000 in fiscal 2002, $1,683,000 in fiscal 2001 and $1,572,000 in fiscal 2000 including $367,000 in fiscal 2002, $380,000 in fiscal 2001 and $363,000 in fiscal 2000 for the Company's matching contribution to retirement savings plans. The Company's cost for pension plans is determined as 2% - 6% of each covered employee's 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 multi-employer defined benefit pension plans administered by others under collective bargaining agreements were $1,252,000 in fiscal 2002, $1,355,000 in fiscal 2001 and $1,449,000 in fiscal 2000.

The Company has unfunded post-retirement benefit and deferred compensation plans with certain officers. During the year ended June 30, 2000, the Company recorded a one-time cost adjustment of $474,161 due to a change from a fixed benefit obligation to a defined contribution obligation. The plans require various annual contributions for the participants based upon compensation levels and age. All participants are fully vested. For the years ended 2002, 2001 and 2000, excluding the aforementioned one time cost, the benefit obligation was increased by interest expense of $139,399, $228,084 and $343,536, service costs of $582,197, $362,950 and $256,785, and decreased by payments of $271,000, $304,000 and $363,000, respectively. At June 30, 2002 the benefit obligation was $4,509,782.

12. MANAGEMENT INCENTIVE PLAN

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 37,641, 34,397 and 53,427 shares were awarded, and the amounts charged to income were $500,000, $380,000 and $646,000 in fiscal 2002, 2001 and 2000, respectively. At June 30, 2002, 142,640 shares were available for future grants. Under the Company's Voluntary Deferred Compensation plan, certain employees may defer the common stock awards until retirement. At June 30, 2002, 17,684 shares with an award value of $195,585 have been deferred.

13. RESTRUCTURING

During the quarter ended December 31, 2001, the Company recorded a $890,000 charge to cost of goods sold for estimated facility closing costs related to the Elkhart, Indiana manufacturing facility. The charge principally represents employee separation costs and facility closing costs with no future benefit to the Company. The decision to close the facility was driven by the weakening demand for vehicle seating products especially for van conversions, which was the primary product of the Elkhart plant. A total of 84 employees representing all of Elkhart's employees were affected by the closure, including 32 employees who had been laid off previously. At June 30, 2002, the remaining accrued costs relate primarily to employee separation costs that are expected to be paid within the next fiscal year.

During the quarter ended June 30, 2002, the Company recorded a total charge of $1,200,000 for estimated retail store closing costs. Of the total charge, $300,000 was recorded as cost of goods sold and $900,000 was charged to selling, general and administrative expenses. The decision to close the retail store was driven by the continued struggling operations of the store. There are expected to be a minimal number of employees affected and insignificant amounts of employee separation costs associated with this retail store closing. The charge principally represents store closing costs with no future benefit to the Company. The retail restructuring is expected to be completed within the next fiscal year.

The following table summarizes the activity related to the restructuring charges during the year ended June 30, 2002:

	EMPLOYEE SEPARATION COSTS	FACILITY CLOSING COSTS	TOTAL
Restructuring charge for the year ended June 30, 2002	$ 750,000	$ 1,340,000	$ 2,090,000
Utilization for the year ended June 30, 2002	(318,207)	(71,184)	(389,391)
Accrued restructuring costs at June 30, 2002	$ 431,793	$ 1,268,816	$ 1,700,609

14. COMMITMENTS AND CONTINGENCIES

Facility Leases - The Company leases certain facilities under various operating leases. These leases require the Company to pay operating costs, including property taxes, insurance, and maintenance. Total lease expense related to the various operating leases was approximately $1,560,000, $1,410,000 and $730,000 in fiscal 2002, 2001 and 2000, respectively.

Expected future minimum commitments under operating leases and lease guarantees as of June 30, 2002, were as follows:

YEAR ENDED JUNE 30,	
2003	$ 1,168,000
2004	1,184,000
2005	623,000
2006	459,000
2007	473,000
Thereafter	1,222,000
	$ 5,129,000

Guarantee - the Company has guaranteed the future lease payments of a third party for a six-year period ending August 2008. The annual minimum lease payments are approximately $220,000, and the remaining minimum payments are approximately $1,370,000 at June 30, 2002. The Company has not been required to make any payments under the guarantee.

15. SEGMENTS

The Company operates in two reportable operating segments: (1) Seating Products and (2) Retail Stores. The Seating Products segment involves the manufacturing of a broad line of upholstered furniture for residential, recreational vehicle, and commercial seating markets. The Company's products are sold primarily throughout the United States by the Company's internal sales force and various independent representatives. The Retail Stores segment involves the operation of three retail furniture stores that offer the Company's residential seating products for sale directly to consumers. No single customer accounted for more than 10% of sales in either of the Company's two segments.

The accounting policies of the operating segments are the same as those described in Note 1. Segment operating income is based on profit or loss from operations before interest income and expense, other income and income taxes.

Segment information for the year ended June 30, 2002 is as follows:

	SEATING PRODUCTS	RETAIL STORES	TOTAL
Net sales	$ 272,497,903	$ 7,173,499	$ 279,671,402
Operating income (loss)	11,323,944	(3,055,260)	8,268,684
Depreciation	4,800,651	175,986	4,976,637
Capital expenditures	1,001,654	98,260	1,099,914
Assets	116,950,411	1,799,347	118,749,758

Segment information for the year ended June 30, 2001 is as follows:

	SEATING PRODUCTS	RETAIL STORES	TOTAL
Net sales	$ 280,337,237	$ 4,435,273	$ 284,772,510
Operating income (loss)	8,821,939	(2,356,352)	6,465,587
Depreciation	5,620,332	105,966	5,726,298
Capital expenditures	2,185,736	631,444	2,817,180
Assets	107,927,164	2,367,305	110,294,469

The fiscal 2000 amounts for the Retail Stores segment were not significant.

16. SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION

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

FISCAL 2002	QUARTERS 1ST	2ND	3RD	4TH
Net sales	$ 63,208	$ 65,826	$ 73,742	$ 76,895
Gross margin	12,760	13,227	16,530	19,004
Net income	197	711	2,015	2,737
Earnings per share:				
Basic	0.03	0.12	0.33	0.44
Diluted	0.03	0.12	0.33	0.44
Dividends per share	0.13	0.13	0.13	0.13
* Market price:				
High	12.45	11.84	15.00	17.84
Low	10.69	9.25	11.38	14.00

FISCAL 2001	QUARTERS 1ST	2ND	3RD	4TH
Net sales	$ 70,033	$ 73,917	$ 71,973	$ 68,850
Gross margin	14,513	16,475	14,645	14,787
Net income	1,882	1,723	814	175
Earnings per share:				
Basic	0.30	0.28	0.13	0.03
Diluted	0.30	0.28	0.13	0.03
Dividends per share	0.13	0.13	0.13	0.13
* Market price:				
High	13.00	12.31	13.13	12.18
Low	12.00	10.50	10.75	10.50

* Reflects the market price as quoted by the National Association of Securities Dealers, Inc.

REPORTS OF AUDITORS' AND MANAGEMENT

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FLEXSTEEL INDUSTRIES, INC.:

We have audited the accompanying consolidated balance sheets of Flexsteel Industries, Inc. (the Company) as of June 30, 2002 and 2001, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2002 and 2001, and the results of its operations and cash flows for each of the three years in the period ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
MINNEAPOLIS, MINNESOTA
AUGUST 9, 2002

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 consolidated financial statements covered by the report of Deloitte & Touche LLP, our independent auditors. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on estimates and judgments of management.

The Company maintains a system of internal 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 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 that are engaged to audit the consolidated financial statements of the Company and to express an opinion thereon. The Audit & Ethics Committee meets periodically with the independent auditors to review financial reports, accounting and auditing practices and controls.

K. BRUCE LAURITSEN	RONALD J. KLOSTERMAN
PRESIDENT	VICE PRESIDENT, FINANCE
CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER
	SECRETARY

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

GENERAL
The following analysis of the results of operations and financial condition of Flexsteel Industries, Inc. (the Company) should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this document.

CRITICAL ACCOUNTING POLICIES
The discussion and analysis of the Company's consolidated financial statements and results of operations are based on consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States. Preparation of these consolidated financial statements requires the use of estimates and judgments that affect the reported results. Actual results may differ from these estimates under different assumptions or conditions.

USE OF ESTIMATES - the Company uses estimates based on the best information available in recording transactions and balances resulting from business operations. Estimates are used for such items as collectability of trade accounts receivable, inventory valuation, depreciable lives, self-insurance programs, warranties and income taxes.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - the Company establishes an allowance for doubtful accounts through review of open accounts, and historical collection and allowances amounts. The allowance for doubtful accounts is intended to reduce trade accounts receivable to the amount that reasonably approximates their fair value due to their short-term nature. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the financial statements based on collection experience and actual returns and allowances.

INVENTORIES - the Company values inventory 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. Changes in the market conditions could require a write down of inventory.

SELF-INSURANCE PROGRAMS - the Company is self-insured for health care and most workers' compensation up to predetermined amounts above which third party insurance applies. The Company is contingently liable to insurance carriers under its comprehensive general, product, and vehicle liability policies, as well as some workers' compensation. Losses are accrued based upon the Company's estimates of the aggregate liability of claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience. The actual claims experience could differ from the estimates made by the Company.

WARRANTY EXPENSE - the Company estimates the amount of warranty claims on sold product that may be incurred based on current and historical data. The actual warranty expense could differ from the estimates made by the Company based on product performance.

REVENUE RECOGNITION - is upon delivery of product. Net sales consist of product sales and related delivery charge revenue, net of adjustments for returns and allowances. The actual amounts for returns and allowances could differ from the estimated amounts.

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 years ended June 30, 2002, 2001 and 2000. Amounts presented are percentages of the Company's net sales.

	FOR THE YEARS ENDED JUNE 30,		
	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	(78.0)	(78.8)	(78.6)
Gross margin	22.0	21.2	21.4
Selling, general and administrative	(19.0)	(18.9)	(15.9)
Gain on sale of land	--	--	0.4
Operating income	3.0	2.3	5.9
Other income, net	0.3	0.3	0.3
Income before income taxes	3.3	2.6	6.2
Provision for income taxes	(1.3)	(1.0)	(2.2)
Net income	2.0%	1.6%	4.0%

FISCAL 2002 COMPARED TO FISCAL 2001

Net sales for fiscal 2002 decreased by $5.1 million or 1.8% compared to fiscal 2001. Residential seating sales volume decreased $6.6 million or 3.3%. Vehicle seating sales increased $1.5 million or 2.2%. Commercial seating sales volume remained approximately the same as the prior year.

During the quarter ended December 31, 2001, the Company recorded a charge to cost of goods sold of $0.9 million for estimated facility closing costs. During the quarter ended June 30, 2002, the Company recorded a charge of $1.2 million for retail operation closing costs. Of the total of $1.2 million charge, $0.3 million was recorded as cost of goods sold and $0.9 million was charged to selling, general and administrative expenses. As of June 30, 2002, the Company has paid $0.4 million of the restructuring costs.

Gross margin increased $1.1 million to $61.5 million, or 22.0% of net sales, in fiscal 2002, from $60.4 million, or 21.2% in fiscal 2001. The increase in gross margin was due to changes in product mix, improved utilization of production capacity and lower depreciation expense offset by increased health insurance and facility closing costs.

Selling, general and administrative expenses as a percentage of sales were 19.0% and 18.9% for fiscal 2002 and 2001, respectively. Selling, general and administrative expenses in the current year include lower bad debts expense partially offset by the aforementioned facility closing costs.

Net other income was $0.9 million and $0.8 million in fiscal 2002 and 2001, respectively. The increase in net other income was primarily due to lower interest expense.

The effective tax rate in fiscal 2002 was 38.2% compared to 36.8% in fiscal 2001. The higher effective income tax rate in fiscal 2002 is attributable to increased state income taxes.

The above factors resulted in fiscal 2002 net income of $5.7 million, or $0.92 per diluted share, compared to $4.6 million, or $0.74 per diluted share, in fiscal 2001, a net increase of $1.1 million or $0.18 per diluted share.

FISCAL 2001 COMPARED TO FISCAL 2000

Net sales for fiscal 2001 decreased by $15.3 million or 5.1% compared to fiscal 2000. Residential seating sales volume increased $14.8 million or 8.0%. Vehicle seating sales decreased $28.1 million or 29.7%. Commercial seating sales volume decreased $2.0 million or 9.8%.

Gross margin decreased $3.8 million to $60.4 million, or 21.2% of sales, in fiscal 2001, from $64.2 million, or 21.4% in fiscal 2000. Gross margin decreased due to the decrease in net sales and changes in product mix.

Selling, general and administrative expenses as a percentage of sales were 18.9% and 15.9% for fiscal 2001 and 2000, respectively. The amount of selling, general and administrative costs increased due to higher bad debts, advertising, and health insurance, and costs associated with the beginning of retail operations.

During the second quarter of fiscal 2000, the Company sold land adjacent to its Lancaster, Pennsylvania, production facility at a gain of approximately $1.2 million.

Net other income was $0.8 million in fiscal 2001 and $1.0 million in fiscal 2000. During the second quarter of 2000, the Company realized a non-taxable gain on the proceeds of life insurance of $0.4 million.

The effective tax rate in fiscal 2001 was 36.8% compared to 36.1% in fiscal 2000. The lower effective income tax rate in fiscal 2000 is attributable to the non-taxable gain on the proceeds of life insurance.

The above factors resulted in fiscal 2001 net income of $4.6 million, or $0.74 per diluted share, compared to $11.9 million, or $1.82 per diluted share, in fiscal 2000, a net decrease of $7.3 million or $1.08 per diluted share. Excluding the fiscal 2000 gain on the sale of land of $0.8 million and life insurance proceeds of $0.4 million, net income for fiscal 2001 declined $0.90 per diluted share or $6.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at June 30, 2002, is $62.2 million, which includes cash, cash equivalents and investments of $21.3 million. Working capital increased by $6.8 million from June 30, 2001.

Net cash provided by operating activities was $12.1 million, $13.1 million and $12.5 million in fiscal 2002, 2001 and 2000, respectively. Fluctuations in net cash provided by operating activities are primarily the result of changes in net income and changes in trade receivables, inventories and accrued liabilities.

Capital expenditures were $1.1 million, $2.8 million and $6.7 million in fiscal 2002, 2001 and 2000, respectively. The current year expenditures were incurred primarily for manufacturing equipment. Projected capital spending for fiscal 2003 is $5.0 million and will be for manufacturing and delivery equipment. The funds for projected capital expenditures are expected to be provided from cash generated from operations and available cash.

Financing activities utilized net cash of $3.2 million, $5.7 million and $8.6 million in fiscal 2002, 2001 and 2000, respectively. Under then existing Board authority, the Company repurchased 200,038 and 385,445 shares of its outstanding common stock during fiscal 2001 and 2000, respectively. No shares were repurchased during fiscal 2002.

FINANCING ARRANGEMENTS

The Company has lines of credit of $3.0 million with banks, which renew annually in October and December, for short-term borrowings at the prime rate in effect at the date of the loan. On $1,000,000 of such lines 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 outstanding as of June 30, 2002 or 2001. The Company has outstanding borrowings of $650,000 in the form of variable rate demand industrial development revenue bonds. During fiscal 2002, the weighted-average interest rate on the industrial development revenue bonds was 2.1%.

FORWARD-LOOKING STATEMENTS

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 long-term goals 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 here-in. 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 our sales, the cost of raw materials, the amount of sales generated and the profit margins thereon, competition, both foreign and domestic, credit exposure to our customers, and general economic 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.

PLANT LOCATIONS

* Flexsteel Industries, Inc.
Dubuque, Iowa 52001
(563) 556-7730
P.M. Crahan, General Manager

Flexsteel Industries, Inc.
Dublin, Georgia 31040
(478) 272-6911
M.C. Dixon, 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
(574) 831-4050
J.E. Gilbertson, General Manager

Flexsteel Industries, Inc.
Harrison, Arkansas 72601
(870) 743-1101
M.J. Feldman, General Manager

Metal Division
Dubuque, Iowa 52001
(563) 556-7730
J.E. Gilbertson, General Manager

Commercial Seating Division
Starkville, Mississippi 39760
(662) 323-5481
S.P. Salmon, General Manager

Vancouver Distribution Center
Vancouver, Washington 98668
(206) 696-9955
T.D. Burkart, General Manager

DIRECTORS & OFFICERS

L. BRUCE BOYLEN
Chairman of the Board of Directors
Retired Vice President
Fleetwood Enterprises, Inc.

K. BRUCE LAURITSEN
President
Chief Executive Officer
Director

JEFFREY T. BERTSCH
Vice President
Director

PATRICK M. CRAHAN
Vice President
Director

LYNN J. DAVIS
Director
Retired President
ADC Telecommunications, Inc.

ROBERT E. DEIGNAN
Director
Attorney at Law
Baker & McKenzie

THOMAS E. HOLLORAN
Director
Professor Emeritus,
Graduate School of Business,
University of St. Thomas
St. Paul, Minnesota

EDWARD J. MONAGHAN
Executive Vice President
Chief Operating Officer
Director

ERIC S. RANGEN
Director
Vice President
Chief Financial Officer

Alliant Techsystems, Inc.

JAMES R. RICHARDSON
Senior Vice President, Marketing
Director

MARVIN M. STERN
Director
Retired Vice President
Sears, Roebuck & Company

CAROLYN T. B. BLEILE
Vice President

THOMAS D. BURKART
Senior Vice President, Vehicle Seating

KEVIN F. CRAHAN
Vice President

KEITH R. FEUERHAKEN
Vice President

JAMES E. GILBERTSON
Vice President

TIMOTHY E. HALL
Treasurer - Assistant Secretary

JAMES M. HIGGINS
Vice President, Commercial Seating

RONALD J. KLOSTERMAN
Vice President, Finance
Chief Financial Officer
Secretary

MICHAEL A. SANTILLO
Vice President

AUDIT COMMITTEE
Thomas E. Holloran, Chairman
Lynn J. Davis
Robert E. Deignan

COMPENSATION & NOMINATING
COMMITTEE
L. Bruce Boylen, Chairman
Thomas E. Holloran
Marvin M. Stern

MARKETING & PLANNING COMMITTEE
Marvin M. Stern, Chairman
Jeffrey T. Bertsch
Patrick M. Crahan
Lynn J. Davis
Edward J. Monaghan
James R. Richardson

TRANSFER AGENT & REGISTRAR
Wells Fargo Shareowner Services
P.O. Box 64854
South St. Paul,
Minnesota 55164-0854

GENERAL COUNSEL
Irving C. MacDonald
Minneapolis, Minnesota
O'Connor and Thomas, P.C.
Dubuque, Iowa

NATIONAL OVER-THE-COUNTER
NASDAQ SYMBOL
FLXS

ANNUAL MEETING
December 9, 2002, 2:00 p.m.
Hilton Minneapolis
1001 Marquette Avenue
Minneapolis, Minnesota 55403

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

INTERNET
http://flexsteel.com

* Executive Offices

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 disability 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

YOU CAN TAKE ALL THE COMFORTS OF HOME, INCLUDING FLEXSTEEL, WITH YOU IN THIS FLEETWOOD 2003 PACE ARROW MOTOR HOME. IN PLANNING THESE LUXURIOUS TRAVELING HOMES, MANUFACTURERS TURN TO FLEXSTEEL DESIGNERS AND ENGINEERS FOR SUPERIOR SEATING AND SLEEPING. THE STYLISH CORNER CHAISE LOUNGE AND THE RECLINER ARE COORDINATED WITH THE HANDSOME FLEETWOOD INTERIOR. BOTH ARE BY FLEXSTEEL, UPHOLSTERED IN FINE TOP-GRAIN LEATHER.

THERE'S A REGULAR BED INSIDE THIS STRIKING CHAISE/SOFA. FLEXSTEEL'S OWN MECHANISM MAKES IT EASY TO OPEN FOR A TRULY RESTFUL NIGHT'S SLEEP. LINENS CAN BE STORED IN THE OPTIONAL STORAGE DRAWER BELOW THE BED.

[PHOTO]

[LOGO] FLEXSTEEL(R)
AMERICA'S SEATING SPECIALIST

P.O. Box 877 o Dubuque IA 52004-0877

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

EXHIBIT 23.1

INDEPENDENT AUDITORS' REPORT

Flexsteel Industries, Inc.:

We have audited the consolidated financial statements of Flexsteel Industries, Inc. (the Company) as of June 30, 2002 and 2001 and for each of the three years in the period ended June 30, 2002, and have issued our report thereon dated August 9, 2002; such financial statements and report are included in the Company's Annual Report for the Fiscal Year Ended June 30, 2002 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 9, 2002

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

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) 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 and in Registration Statement No. 333-1413 on Form S-8 for the Flexsteel 1995 Stock Option Plan and in Registration Statement No. 333-45768 on Form S-8 for the Flexsteel 1999 Stock Option Plan of our report dated August 9, 2002 appearing in and incorporated by reference in the Annual Report on Form 10-K of Flexsteel Industries, Inc. for the year ended June 30, 2002.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 24, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 11-K

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

For the fiscal year ended JUNE 30, 2002

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, 2002

/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)
Dubuque, Iowa

We have audited the accompanying statements of net assets available for benefits of the Flexsteel Industries, Inc. Salaried Employees' Savings Plan 401(k) (the Plan) as of June 30, 2002 and 2001 and the related statements of changes in net assets available for benefits for each of the three years in the period ended June 30, 2002. 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 auditing standards generally accepted in the United States of America. 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 net assets available for benefits of the Plan as of June 30, 2002 and 2001 and the changes in net assets available for benefits for each of the three years in the period ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of June 30, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. Such supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 13, 2002

Flexsteel Industries, Inc.
Salaried Employees' Savings Plan 401(k)
Statements of Net Assets Available for Benefits
June 30, 2002 and 2001

	2002	2001
Assets		
Cash	$ 18,876	$ 26,565
Investments:		
Flexsteel Industries, Inc. common stock	2,173,520	1,630,885
Other investments	17,703,716	17,549,504
	19,877,236	19,180,389
Employer contributions receivable	16,090	14,276
Employee contributions receivable	109,301	100,872
Net assets available for benefits	$ 20,021,503	$ 19,322,102

See Notes to Financial Statements.

Flexsteel Industries, Inc.
Salaried Employees' Savings Plan 401(k)
Statements of Changes in Net Assets Available For Benefits
Years Ended June 30, 2002, 2001, and 2000

	2002	2001	2000
Additions:			
Employee contributions	$ 1,438,730	$ 1,501,871	$ 1,344,575
Employer contributions	218,546	223,361	207,693
Receipt from demutualization (Note 5)	709,100		
Investment income	334,701	331,962	299,006
Net depreciation in fair value of assets	(1,419,645)	(2,065,535)	(314,823)
Total net additions	1,281,432	(8,341)	1,536,451
Distributions	(582,031)	(464,911)	(491,160)
Net increase (decrease)	699,401	(473,252)	1,045,291
Net assets available for benefits at beginning of year	19,322,102	19,795,354	18,750,063
Net assets available for benefits at end of year	$ 20,021,503	$ 19,322,102	$ 19,795,354

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 in 1985 by Flexsteel Industries, Inc. (the "Company"). The Plan is available to certain salaried, sales 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 14% (sales personnel are subject to a 4% maximum) of their basic pre-tax pay contributed to the Plan. Employee contributions are subject to a maximum of $11,000 in calendar year 2002 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 discretionary contributions vest over 7 years (20% after 3 years, 40% after 4 years, 60% after 5 years, 80% after 6 years, and 100% after 7 years).

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

1) FLEXSTEEL INDUSTRIES, INC. COMMON STOCK, which consists of the Company's common stock.
2) GUARANTEED INTEREST ACCOUNT, which is an insurance company account that provides a guaranteed interest rate for a five-year period.
3) MONEY MARKET ACCOUNT, which is an insurance company account primarily invested in commercial paper with maturities of one year or less.
4) PRIVATE MARKET BOND AND MORTGAGE ACCOUNT, which is an insurance company account that provides for competitive yield debt securities.
5) BOND EMPHASIS BALANCED ACCOUNT, which invests primarily in other separate accounts made up of stocks, bonds, convertibles, and cash. It usually maintains at least 50% of assets in fixed-income securities.
6) LARGE CAP 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.
7) LARGE COMPANY GROWTH ACCOUNT, which primarily invests in larger companies that management believes have an above-average potential for growth of capital, earnings and dividends.
8) LARGE COMPANY BLEND ACCOUNT, which consists of common stock and other equity securities, and also may include short-term money market instruments, cash or cash equivalents.
9) MID CAP STOCK INDEX FUND, which is a pooled investment account invested in the common stock of those firms included in the Standard & Poor's 400 Mid Cap Stock Index.
10) SMALL COMPANY BLEND STOCK FUND, which invests in stocks of smaller seasoned companies.
11) SMALL COMPANY GROWTH STOCK FUND, which invests in stocks of smaller developing companies.
12) INTERNATIONAL STOCK ACCOUNT, which invests in stocks of companies in Western Europe and Asia.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities could occur and such changes could materially affect the value of investments.

Assets of the Plan are held by a "Custodian," the Principal Life Insurance Company, except for the Flexsteel Industries, Inc. 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. All administrative expenses are paid by the Company. Distributions are paid upon retirement, termination of employment, death, disability, or in hardship cases. Non-vested contributions are used to reduce Company discretionary contributions upon termination of employment. There were no discretionary contributions in fiscal 2002, 2001 or 2000. At June 30, 2002 and 2001, there were no non-vested contributions. Upon termination of the Plan, participant accounts become fully vested and non-forfeitable.

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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to the fiscal 2001 and 2000 financial statements to conform to the fiscal 2002 presentation. Such reclassifications had no effect on the net assets available for benefits at June 30, 2001 and 2000.

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) INVESTMENTS

Investments that represent 5% or more of the Plan's net assets were as follows:

	June 30, 2002	June 30, 2001
Flexsteel Industries, Inc. common stock (144,998 and 136,134 shares, respectively)	$ 2,173,520	$ 1,630,885
Guaranteed Interest Account	4,773,514	4,324,412
Private Market Bond and Mortgage Account	1,886,284	1,384,135
Large Cap Stock Index Fund	1,508,459	1,742,834
Large Company Blend Account	3,841,326	4,612,396
Small Company Blend Stock Fund	1,823,904	1,491,528
International Stock Account	1,097,168	1,074,698

The net appreciation (depreciation) in the fair value of investments was as follows for the years ended June 30:

	2002	2001	2000
Flexsteel Industries, Inc. common stock	$ 559,971	$ (31,754)	$ (145,845)
Other investments	(1,979,616)	(2,033,781)	(168,978)
	$(1,419,645)	$(2,065,535)	$ (314,823)

5) DEMUTUALIZATION

Principal Life Insurance Company, the Plan's Custodian, elected to demutualize and become a public company. As a result, the Plan received cash in the amount of $709,100 in December 2001. The cash received was allocated to each participant account based on their respective balance and their investment fund(s) election.

SUPPLEMENTAL SCHEDULE

FLEXSTEEL INDUSTRIES, INC. SALARIED EMPLOYEES' SAVINGS PLAN 401(k)
SCHEDULE H, PART IV, LINE 4I - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
JUNE 30, 2002

	Current Value
Flexsteel Industries, Inc. common stock (1)	$ 2,173,520
Principal Life Insurance Company (2):	
Guaranteed Interest Account	4,773,514
Pooled Separate Accounts:	
Money Market Account	717,077
Private Market Bond and Mortgage Account	1,886,284
Bond Emphasis Balanced Account	230,845
Large Cap Stock Index Fund	1,508,459
Large Company Growth Account	678,201
Large Company Blend Account	3,841,326
Mid Cap Stock Index Fund	677,896
Small Company Blend Stock Fund	1,823,904
Small Company Growth Stock Fund	469,042
International Stock Account	1,097,168
	$ 19,877,236

(1) Flexsteel Industries, Inc., the Plan Sponsor, is known to be a party-in-interest.

(2) Principal Life Insurance Company, the Plan Custodian, is known to be a party-in-interest.

INDEPENDENT AUDITORS' CONSENT

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 September 13, 2002 appearing in this Annual Report on Form 11-K for the year ended June 30, 2002.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 24, 2002