SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the quarterly period ended September 30, 2001
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQURIED]
For the transition period from ______ to ______
Commission file number 0-5151

Incorporated in State of Minnesota   I.R.S. Identification No. 42-0442319

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

Area code 563 Telephone 556-7730

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

Common Stock - $1.00 Par Value	
Shares Outstanding as of September 30, 2001	6,070,159

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FLEXSTEEL INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) September 30, 2001	June 30, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,474,410	$ 10,048,562
Investments	6,133,443	2,536,469
Trade receivables - less allowance for doubtful accounts: September 30, 2001, $2,345,000; June 30, 2001, $1,950,000	30,005,090	28,363,058
Inventories	31,135,303	31,379,836

Deferred income taxes	2,700,000	2,700,000
Other	1,046,126	1,546,710
Total current assets	78,494,372	76,574,635
PROPERTY, PLANT, AND EQUIPMENT at cost less accumulated depreciation: September 30, 2001, $61,824,627 June 30, 2001, $60,604,549	23,207,754	24,553,962
NOTES RECEIVABLE	399,257	415,762
DEFFERRED INCOME TAXES	300,000	300,000
OTHER ASSETS	8,077,465	8,450,110
TOTAL	$110,478,848	$110,294,469

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	$ 5,019,595	$ 5,277,607
Accrued liabilities:		
Payroll and related items	4,048,711	3,803,071
Insurance	6,145,586	5,863,451
Other accruals	5,564,246	5,253,930
Industrial revenue bonds payable	975,000	975,000
Total current liabilities	21,753,138	21,173,059
DEFERRED COMPENSATION	4,179,186	4,059,186
Total liabilities	25,932,324	25,232,245
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 September 30, 2001, 6,070,159 shares; outstanding June 30, 2001, 6,034,210 shares	6,070,159	6,034,210
Additional paid-in capital	363,108	
Retained earnings	77,679,468	78,272,996
Accumulated other comprehensive income	433,789	755,018
Total shareholders' equity	84,546,524	85,062,224
TOTAL	$110,478,848	$110,294,469

See accompanying Notes to Consolidated Financial Statements.

FLEXSTEEL INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
NET SALES	$ 63,207,570	$ 70,032,843
COST OF GOODS SOLD	(50,447,109)	(55,519,590)
GROSS MARGIN	12,760,461	14,513,253
SELLING, GENERAL AND ADMINISTRATIVE	(12,644,168)	(11,797,296)
OPERATING INCOME	116,293	2,715,957
OTHER:		
Interest and other income	258,622	359,428
Interest expense	(68,022)	(93,009)
Total	190,600	266,419
INCOME BEFORE INCOME TAXES	306,893	2,982,376
PROVISION FOR INCOME TAXES	(110,000)	(1,100,000)
NET INCOME	$ 196,893	$ 1,882,376
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
BASIC	6,058,693	6,206,161
DILUTED	6,112,397	6,270,806
EARNINGS PER SHARE OF COMMON STOCK:		
BASIC	$ 0.03	$ 0.30
DILUTED	$ 0.03	$ 0.30

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
NET INCOME	$ 196,893	$ 1,882,376
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE TAX:		
Unrealized gains (losses) on securities arising during period	(516,857)	72,110
Less: reclassification adjustment for gains (losses) included in net income	16,500	18,750
Other comprehensive income (loss), before tax	(500,357)	90,860
INCOME TAX BENEFIT (EXPENSE):		
Income tax benefit (expense) related to securities gains (losses) arising during period	185,035	(26,662)
Income tax benefit (expense) related to securities reclassification adjustment	(5,907)	(6,938)
Income tax benefit (expense) related to other comprehensive income (loss)	179,128	(33,600)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(321,229)	57,260
COMPREHENSIVE INCOME (LOSS)	$ (124,336)	$ 1,939,636

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See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
OPERATING ACTIVITIES:		
Net Income	$ 196,893	$ 1,882,376
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,394,928	1,455,118
Gain on disposition of capital assets	(15,530)	(64,693)
Trade receivables	(1,661,612)	(1,675,188)
Inventories	244,533	41,227
Other current assets	500,585	(406,924)
Other assets	(15,076)	(15,076)
Accounts payable - trade	(258,012)	(955,824)
Accrued liabilities	1,212,547	(468,827)
Deferred compensation	120,000	105,000
Net cash provided by (used in) operating activities	1,719,256	(102,811)
INVESTING ACTIVITIES:		
Purchases of investments	(4,139,734)	(241,084)
Proceeds from sales of investments	609,253	1,234,990
Payments received from customers on notes	36,084	32,844
Loans to customers on notes receivable		(325,000)
Proceeds from sales of capital assets	19,100	71,833
Capital expenditures	(52,290)	(2,321,075)
Net cash used in investing activities	(3,527,587)	(1,547,492)
FINANCING ACTIVITIES:		
Payment of dividends	(784,447)	(803,273)
Proceeds from issuance of common stock	18,626	17,407
Repurchase of common stock		(156,875)
Net cash used in financing activities	(765,821)	(942,741)
Decrease in cash and cash equivalents	(2,574,152)	(2,593,044)
Cash and cash equivalents at beginning of year	10,048,562	4,000,855
Cash and cash equivalents at end of period	$ 7,474,410	$ 1,407,811

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2001	2000
Cash paid during the period for		
Interest	$ 9,000	$ 18,000
Income taxes	$ 19,000	$ 900,000

See accompanying Notes to Consolidated Financial Statements.

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

1. These financial statements do not include certain information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, in the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the three-month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2002.

   SEGEMENT AND RELATED INFORMATION- Under the "management approach" methodology prescribed by Statement of Financial Accounting Standards (SFAS) No.131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, the Company operates in two segments. The significant segment is the manufacture of seating products. The second segment is the operation of five retail furniture stores. The retail segment had $2.8 million and $2.4 million of assets at September 30, 2001 and June 30, 2001, respectively. For the quarter ended September 30, 2001 the retail segment had net sales of $1.5 million and a net loss of $0.4 million. For the quarter ended September 30, 2000 the retail segment had net sales of $0.3 million and a net loss of $0.1 million.

2. Inventories are categorized as follows:

	September 30, 2001	June 30, 2001
Raw materials	$ 13,633,518	$ 16,343,218
Work in process and finished parts	8,496,922	8,651,210
Finished goods	9,004,863	6,385,408
Total	$ 31,135,303	$ 31,379,836

3. 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 takes into effect 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 53,704 shares and 64,645 shares in quarters ended September 30, 2001 and 2000 respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method.

4. ACCOUNTING DEVELOPMENTS -The Company adopted Staff Accounting Bulletin (SAB) No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, on January 1, 2001. The adoption had no impact on the Company's financial position or results of operations.

   In September 2000, the Emerging Issues Task Force (EITF) issued No. 00-10, ACCOUNTING FOR SHIPPING AND HANDLING FEES AND COSTS. EITF No. 00-10 states that all amounts billed to a customer in a sale transaction, related to shipping and handling fees, represent revenues earned for the goods provided and these amounts should be classified as revenue. The company adopted EITF No. 00-10 on April 1, 2001. Prior period net sales and costs of goods sold have been adjusted for this change, which had no effect on previously reported net income.

   In July 2001, the Financial Accounting Standards Board issued SFAS No.141, BUSINESS COMBINATIONS, and SFAS No.142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations after June 30, 2001. SFAS No. 142 establishes new standards for accounting for goodwill and intangible assets and was adopted by the Company on July 1, 2001. The adoption of SFAS No. 141 and 142 had no impact on the Company's financial position or results of operations.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations:

Three months ended September 30, 2001 compared to three months ended September 30, 2000.

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.

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the first quarters ended September 30, 2001 and 2000. Amounts presented are percentages of the Company's net sales.

	First Quarter Ended September 30,	
	2001	2000
Net Sales	100.0%	100.0%
Cost of Goods Sold	(79.8)	(79.3)
Gross Margin	20.2	20.7
Selling, General and Administrative Expense	(20.0)	(16.8)
Operating Income	0.2	3.9
Other Income, Net	0.3	0.4
Income Before Income Taxes	0.5	4.3
Income Tax Expense	(0.2)	(1.6)
Net Income	0.3%	2.7%

RESULTS OF OPERATIONS FOR THE QUARTER- Net sales for the quarter ended September 30, 2001 decreased by $6.8 million or 10% compared to the prior year quarter. Residential sales volume decreased $5.1 million or 11%. Recreational vehicle seating sales decreased $1.3 million or 7%. Commercial seating volume decreased $0.4 million or 9%. The decline in net sales reflects the current slow down in the economy and a lack of consumer confidence in the economy.

Gross margin decreased $1.7 million to $12.8 million or 20.2% of net sales in the current year, from $14.5 million or 20.7% in the prior year. The decline in gross margin reflects the lower sales and production volume for all products, which resulted in reduced absorption of fixed costs.

Selling, general and administrative expenses as a percentage of net sales were 20.0% and 16.8% for the current quarter and prior year quarter, respectively. The cost percentage increase was due to the fixed portion of SG&A costs in relation to the lower sales volume, as well as additional costs associated with retail operations.

The above factors resulted in current fiscal year net income of $0.2 million or $0.03 per diluted share compared to $1.9 million or $0.30 per diluted share in the prior year, a decrease of $1.5 million or $0.27 per diluted share.

Liquidity and Capital Resources:

Working capital at September 30, 2001 is $56.7 million, which includes cash, cash equivalents and investments of $13.6 million. Working capital increased by $1.3 million from the June 30, 2001 amount.

Cash and cash equivalents and investments increased by $1.0 million during the quarter ended September 20, 2001. Net cash provided by operating activities was $1.7 million during the first three months of fiscal year 2002 versus net cash used in operating activities of $0.1 million in the first quarter of fiscal year 2001. The decrease in cash and cash equivalents resulted from increases in investments and accounts receivable offset by increases in accrued liabilities.

Capital expenditures were less than $0.1million during the first three months of fiscal year 2002 and $2.3 million in 2001. The current year expenditures were incurred primarily for manufacturing equipment and delivery equipment. During the next nine months it is anticipated that less than $1.0 million will be spent on manufacturing and delivery equipment. The funds for projected capital expenditures are expected to be provided by cash generated from operations and available cash.

Item 3. Quantitative and Qualitative Information About Market Risk

Not applicable

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

The Company and its representatives may from time to time make written or oral forward-looking statements with respect to goals and expectations of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to 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 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, credit risk from customers or volatility in the major markets, competition 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 OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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

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

FLEXSTEEL INDUSTRIES, INC.

Date: October 19, 2001 By: /S/ R. J. Klosterman

R.J. Klosterman
Financial Vice President &
Principal Financial Officer