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, 1999

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: (319) 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 5, 1999 which is within 60 days prior to the date of filing:
Common Stock, Par Value $1.00 Per Share: $54,062,071
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of August 5, 1999:

CLASS	SHARES OUTSTANDING
Common Stock, $ 1.00 Par Value	Shares 6,538,241

DOCUMENTS INCORPORATED BY REFERENCE
PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDING JUNE 30, 1999 IN PARTS I, II, AND IV.
IN PART III, PORTIONS OF THE REGISTRANT'S 1999 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 1999 Annual Report to Shareholders which is incorporated herein by reference.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS
The registrant's operations consist of one industry segment -- upholstered seating. For more detailed financial information see the registrant's 1999 Annual Report to Shareholders 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

	1999	1998	1997
	AMOUNT OF SALES	AMOUNT OF SALES	AMOUNT OF SALES
Residential Seating...........	$151,600,000	$139,200,000	$133,600,000
Recreational Vehicle Seating ..	86,700,000	73,900,000	64,600,000
Commercial Seating	22,200,000	23,000,000	21,200,000
Upholstered Seating Total	$260,500,000	$236,100,000	$219,400,000

(c) NARRATIVE DESCRIPTION OF BUSINESS

(1) (i), (ii), (vii) The registrant is engaged in one segment of business, namely, 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 the 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, 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 last fiscal year and the preceding 2 fiscal years are as follows:

JUNE 30, 1999	JUNE 30, 1998	JUNE 30, 1997
$28,100,000 *	$26,100,000	$22,700,000

*All of this amount is expected to be filled in fiscal year ending June 30, 2000.

(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 principle 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 is 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, 1999	$1,930,000
June 30, 1998	$1,640,000
June 30, 1997	$1,540,000

(xi) Approximately 2,400 people were employed by the registrant as of June 30, 1999; additionally 2,300 people were employed as of June 30,1998 and 2,400 people as of June 30, 1997.

(d) FINANCIAL INFORMATION ABOUT DOMESTIC OPERATIONS

Financial information about domestic operations is set forth in the registrant's 1999 Annual Report to Shareholders which is incorporated herein by reference. The registrant has no foreign operations and makes minimal export sales.

ITEM 2. PROPERTIES

(a) THE REGISTRANT OWNS THE FOLLOWING MANUFACTURING PLANTS:

LOCATION	APPROXIMATE SIZE (SQUARE FEET)	PRINCIPAL OPERATIONS
Dubuque, Iowa	845,000	Upholstered Furniture- Recreational Vehicle - Metal Working
Lancaster, Pennsylvania	216,000	Upholstered Furniture - Recreational Vehicle
Riverside, California	206,000	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 - Recreational Vehicle
Starkville, Mississippi	349,000	Upholstered Furniture- Woodworking Plant
Elkhart, Indiana	99,500	Recreational Vehicle - Metal Working

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 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 other than ordinary routine litigation incidental to the business.

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

During the fourth quarter 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, 1999), 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 (56)	President / Chief Executive Officer (November 1979)
E. J. Monaghan (60)	Executive Vice President / Chief Operating Officer (November 1979)
R. J. Klosterman (51)	Vice President Finance / Chief Financial Officer & Secretary (June 1989)
J. R. Richardson (55)	Senior Vice President of Marketing (November 1979)
T. D. Burkart (56)	Senior Vice President of Vehicle Seating (February 1984)
P. M. Crahan (51)	Vice President (June 1989)
J. T. Bertsch (44)	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 stockholders.

Statements, including those in this report, which are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the effectiveness of new product introductions, the product mix of our sales, the cost of raw materials, the amount of sales generated and the profit margins thereon or volatility in the major markets, competition and general 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 being 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 to Shareholders for the Year Ended June 30, 1999, and is incorporated herein by reference.

There were approximately 2,800 holders of Common Stock of the registrant as of June 30, 1999; as well as 2,300 and 1,920 holders of Common Stock of the registrant as of June 30, 1998, and June 30, 1997, respectively.

ITEM 6. SELECTED FINANCIAL DATA

This information is contained on page 6 in the registrant's Annual Report to Shareholders for the Year Ended June 30, 1999, 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 to Shareholders for the Year Ended June 30, 1999 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 to Shareholders for the Year Ended June 30, 1999, are incorporated herein by reference:

	PAGE(S)
Balance Sheets, June 30, 1999, 1998	8
Statements of Income and Comprehensive Income --Years Ended June 30, 1999, 1998, 1997	9
Statements of Changes in Shareholders' Equity -- Years ended June 30, 1999, 1998, 1997	10
Statements of Cash Flows -- Years Ended June 30, 1999, 1998, 1997	11
Quarterly Financial Data -- Years Ended June 30, 1999, 1998	14
Notes to Financial Statements	12-14
Independent Auditors' Report	7

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

During fiscal 1999 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 1999 definitive Proxy Statement to be filed with the Securities and Exchange Commission and is 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 1999 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 to Shareholders for the Year Ended June 30, 1999, are incorporated herein by reference as set forth above in ITEM 8.

(2) Schedules

The following financial schedules for the years ended 1999, 1998 and 1997 are submitted herewith:

		PAGE
SCHEDULE VIII	-- Reserves	9

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 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.*

13 Annual Report to Shareholders for the Year Ended June 30, 1999.

22 1999 definitive Proxy Statement incorporated by reference is to be filed with the Securities Exchange Commission on or before December 1, 1999.

23.1 Independent Auditor's Report.

23.2 Consent of Independent Auditors.

27.1 Financial Data Schedule for the fiscal year ended June 30, 1999.

99 1999 Form 11-K for Salaried Employee's Savings Plan 401(k).

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

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended June 30, 1999.

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 2, 1999 FLEXSTEEL INDUSTRIES, INC.

By: /S/ K. B. LAURITSEN

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

By: /S/ R. J. KLOSTERMAN

R. 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 2, 1999 /S/ JOHN R. EASTER
John R. Easter
DIRECTOR

Date: September 2, 1999 /S/ K. BRUCE LAURITSEN
K. Bruce Lauritsen
DIRECTOR

Date: September 2, 1999 /S/ EDWARD J. MONAGHAN
Edward J. Monaghan
DIRECTOR

Date: September 2, 1999 /S/ JAMES R. RICHARDSON
James R. Richardson
DIRECTOR

Date: September 2, 1999 /S/ JEFFREY T. BERTSCH
Jeffrey T. Bertsch
DIRECTOR

Date: September 2, 1999 /S/ L. BRUCE BOYLEN
L. Bruce Boylen
DIRECTOR

Date: September 2, 1999 /S/ PATRICK M. CRAHAN
Patrick M. Crahan
DIRECTOR

Date: September 2, 1999 /S/ LYNN J. DAVIS
Lynn J. Davis
DIRECTOR

Date: September 2, 1999 /S/ THOMAS E. HOLLORAN
Thomas E. Holloran
DIRECTOR

Date: September 2, 1999 /S/ MARVIN M. STERN
Marvin M. Stern
DIRECTOR

SCHEDULE VIII

FLEXSTEEL INDUSTRIES, INC.

RESERVES
FOR THE YEARS ENDED JUNE 30, 1999, 1998 AND 1997

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:				
1999	$ 2,198,000	$ 544,000	$ 239,000	$ 2,503,000
1998	$ 2,799,000	$ 943,000	$ 1,544,000	$ 2,198,000
1997	$ 2,153,000	$ 831,000	$ 185,000	$ 2,799,000

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

EXHIBIT 13

FLEXSTEEL INDUSTRIES INCORPORATED

ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 1999

IMPACT FOR THE MILLENNIUM

[PHOTO OF FURNITURE]

[COMPANY LOGO]

FINANCIAL HIGHLIGHTS

[AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

Year Ended June 30,	1999	1998	1997
Net Sales	$260,519	$236,125	$219,427
Operating Income	15,398	9,868	7,888
Income Before Income Taxes	16,217	11,527	9,473
Net Income	10,317	7,602	6,048
Per Share of Common Stock:			
Average Shares Outstanding:			
Basic	6,775	6,959	7,024
Diluted	6,850	7,035	7,072
Earnings: (1)			
Basic	1.52	1.09	0.86
Diluted	1.51	1.08	0.86
Cash Dividends	0.48	0.48	0.48
At June 30,			
Working Capital	50,210	50,549	44,357
Net Plant and Equipment ...	25,912	23,096	26,214
Total Assets	112,684	104,673	99,173
Shareholders' Equity	81,166	78,080	75,238

(1) The earnings per share amounts for 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE.

FLEXSTEEL PROFILE

Begun over a century ago as a midwestern maker of upholstered furniture, Flexsteel is a national presence in the seating industry, utilizing the unitized seat spring which gave the company its name.

As Flexsteel furniture began to develop a national reputation for quality, the company linked its network of factories with its own fleet of trucks, and direct-to-dealer delivery was soon a Flexsteel hallmark. At the same time, they combined their metal and tailoring expertise to develop fine seating for recreational vehicles. Soon interior designers turned to Flexsteel for large installations, and the company's contract division was born. Today Flexsteel is found in homes, hotels, hospitals, on the road and on the water.

[BAR CHART]

	NET SALES	EARNINGS PER SHARE	BOOK VALUE PER SHARE	RETURN ON COMMON EQUITY
1999	$260,519,000	$1.52	$12.50	13.2%
1998	236,125,000	1.09	11.49	10.1
1997	219,427,000	.86	10.86	8.2
1996	205,008,000	.63	10.45	6.1
1995	208,432,000	.73	10.26	7.3
1994	195,388,000	.95	9.96	10.0
1993	177,271,000	.87	9.57	9.6
1992	157,916,000	.24	9.17	2.6
1991	145,566,000	.27	9.34	2.8
1990	173,547,000	.90	9.66	9.7

[PHOTO]
[CAPTION: FRONT COVER AND LEFT: A HIT AT RECENT SHOWS AND WITH FLEXSTEEL DEALERS IS THE CONVERSATION SOFA, SUCCESSOR TO THE CRESCENT SOFA. TYPICAL OF TODAY'S ECLECTIC LIFE STYLES IS THE HARMONIZING OF SUCH ELEMENTS AS THE LUSH CHENILLE ON THIS SOFA WITH A LOUNGE CHAIR IN EVER-POPULAR LEATHER. THE GLASS-AND-METAL TABLES COMPLETE THE FRESH UPSCALE SETTING.]

[COMPANY LOGO]

IMPACT FOR THE MILLENNIUM

[PHOTO]
[CAPTION: K. BRUCE LAURITSEN, (L) PRESIDENT & CHIEF EXECUTIVE OFFICER, AND JOHN R. EASTER, CHAIRMAN OF THE BOARD OF FLEXSTEEL INDUSTRIES]

TO OUR SHAREHOLDERS

Sales for the fiscal year ended June 30, 1999, were $260,519,000, an increase of 10% over revenues of $236,125,000 in the previous fiscal year. Net earnings were $10,317,000 or $1.51 per share (diluted), an increase of 39% over earnings of $7,602,000 or $1.08 per share (diluted) in the last fiscal year. We are very proud of the contributions of management and associates which have made these records possible.

HIGHLIGHTS IN RESIDENTIAL FURNITURE

Our furniture has never looked better. Sales increased 9%, with growth in all areas including independent dealers, national and regional chains and, most importantly, Flexsteel Galleries and Comfort Seating Showrooms.

Imaginative, attractive innovations in style, comfort, and the use of fabrics draw more customers to Flexsteel every year. We continually study market needs and trends, matching new ideas to the desires of our customers. Leather is still enormously popular, and our new Leather Express program (CENTER PHOTO) assures delivery in two to three weeks.

We recently added 100,000 square feet of production capacity to our plant in Dublin, Georgia, which will help sustain our focused growth in reclining furniture and recliners.

During the past year we added 10 new Comfort Seating Showrooms and 21 new Flexsteel Galleries. In addition to being admirable showcases for Flexsteel, these specialized stores provide a pleasant shopping experience and custom-order choice for the consumer, with an emphasis on quality that cannot be achieved in more price-competitive standardized units.

HIGHLIGHTS IN RECREATIONAL VEHICLE SEATING

It was another record year with excellent performance in this important market. As in the residential market, style and comfort contribute to our growth in the market share for motor home and towable trailer seating. Working closely with customers, we've produced such innovations as a new fold-over van bed, and, for motor homes, power footrests and ultra-luxurious sofas.

Though the market for van conversions seems to have stabilized, our business still increased over the prior year. The benefits from the 1997 acquisition of Dygert Seating are being realized in broader product coverage. Sales in all three of these markets -- vans, towables and motor homes -- remain strong, and the demographics for future growth are encouraging. In addition, our expertise and reputation have opened new doors for us in the market for seating in yachts and high-end boats. Here again, our ability to listen and identify customer needs has helped propel our continuing innovation and diversification.

[PHOTO]
[CAPTION: THIS HANDSOME GROUPING IS ONE OF SIX AVAILABLE FROM OUR HIGHLY-SUCCESSFUL LEATHER EXPRESS PROGRAM. THE CUSTOMER CAN CHOOSE FROM A SELECTION OF LEATHERS, PREVIOUSLY CUT-AND-SEWN, AND RECEIVE SHIPMENT IN 2 TO 3 WEEKS. IN THIS GROUP, THE COMBINATION OF LEATHER AND FABRIC IS ESPECIALLY EFFECTIVE IN A LODGE-LIKE SETTING.]

HIGHLIGHTS IN COMMERCIAL SEATING

A five-year growth in the hospitality and health care markets has contributed to strong sales through the first three quarters of our fiscal year. While these industries may be taking a momentary breather, we are preparing for future growth by moving contract design and development to Dubuque under seasoned Flexsteel management, increasing our capacity, and speeding responsiveness to the hospitality design community.

We are also developing exciting new products especially for these markets, such as chairs for Alzheimer's patients and day beds which can be free-standing or integrated into case goods for hotel properties. We are working to increase our market share and are optimistic about our opportunities for growth in both the health care and the hospitality industries.

TELLING THE FLEXSTEEL STORY

Some of the newest Flexsteel designs will be featured not only in national advertising but also in feature stories in consumer magazines. Our Web site continues to draw interest: hits have increased over 100% in the past year. Our dealers are pleased with our new fleet identification program, highlighting the Flexsteel image, for their delivery trucks. See page 4.

PASSING THE BATON

This year saw the retirement from your board of two men who spent decades directing Flexsteel toward its present success. We are indebted to Jack Crahan for his many insights, including Flexsteel's introduction to the important vehicle seating market; and to Art Richardson for the marketing vision which has helped Flexsteel grow from a regional maker of furniture to a nationally-distributed, multi-million dollar company.

As Jack Crahan retired, long-time board member John Easter was elected Chairman of the Board. The Board also welcomed two new members: Lynn J. Davis, a long-time executive in the communications industry with experience in marketing, manufacturing, and operations; and Marvin M. Stern, a 35-year veteran of retailing.

OUTLOOK FOR THE NEW MILLENNIUM

Positive growth signs still mark the economy: low inflation, high employment, and reasonable interest rates. With sales of both new and existing homes remaining strong, the outlook for home furnishings sales remains excellent. We expect to add 7 new Comfort Seating Showrooms and 30 new Flexsteel Galleries in the coming year.

We expect our exceptional sales growth to continue in residential furniture, especially leather, in seating for recreational vehicles, and in our commercial contracts, all supported not only by high consumer confidence but also by the Flexsteel name for excellence. Add the continuing enthusiasm of Flexsteel management, sales personnel and associates, and the outlook for increasing the value of your company is excellent.

/s/K. Bruce Lauritsen
K. BRUCE LAURITSEN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

/s/John Easter
JOHN EASTER
CHAIRMAN OF THE BOARD

[PHOTO]
[CAPTION: COMFORT SEATING SHOWROOMS ARE IDEALLY SUITED FOR HIGH-DENSITY METROPOLITAN AREAS. ATTRACTIVE INTERIORS INCLUDE LIGHTING AND CARPETS SPECIALLY DESIGNED TO DISPLAY THE FULL FLEXSTEEL LINE, CREATE A PLEASING SHOPPING EXPERIENCE, AND INCREASE DEALERS' SALES.]

IMPACT FOR THE MILLENNIUM

COMFORT
WITH STYLE

Styling at Flexsteel is more exciting than ever, with our 1999 styles drawing highly favorable comment and exceptional sales response. With new collections such as the West Indies group, new styling such as our "conversation sofas" and new offerings in fabrics and accessories, dealers are drawing more Flexsteel customers into their showrooms.

The conversation sofa is this year's conversation piece, and we have added this shape to five of our most popular styles, including two leather designs. Leather is still high in consumer popularity and our new Leather Express program speeds the customer's selection to her in two to three weeks. By marrying certain frames to previously cut-and-sewn leather, we give custom styling but with extra-fast delivery.

Our Starkville, MS, plant, is making complete exposed-wood groups with matching tables in many popular styles, including Mission. A highlight this year is our West Indies group (CENTER PHOTO) which has struck a chord for its casualness touched with a suggestion of the exotic. This group has great potential with its matching game table and entertainment center.

We also import handsome accent tables to enhance many groups. These tables are popular with dealers and home owners alike; they help the consumer complete a room, and help the dealer complete a sale.

Flexsteel designers continually evolve styles as consumer preferences change. Because today's customer is more likely to prefer a living-room look in a recliner, we offer more upscale, wing-chair recliner styles. Our "Season's Best" sofa promotion offers fabrics especially selected for regional suitability and tastes.

COMFORT AND QUALITY: NOT NEGOTIABLE

Today's furniture shopper is well educated about quality, and Flexsteel has built-in appeal for her with our century-old reputation for quality and our famous lifetime-warranted seat spring.

Flexsteel's quality means that comfort is a given. We chose the name Comfort Seating Showroom for this proven way for dealers to showcase the complete Flexsteel line because beauty in home fashions is meaningless without Flexsteel comfort and quality. There are now 17 such Showrooms across the nation, some free-standing and others integrated into the dealer's existing installation. Many more are planned, for they have proven to be highly effective in increasing dealer's sales per square foot.

[PHOTO]
[PHOTO]
[PHOTO]
[PHOTO]
[CAPTION: UNIQUE PLANTATION STYLING IN OUR "WEST INDIES" GROUP (CENTER) INCLUDES COORDINATED TABLES. COTTAGE STYLING (TOP) CONTINUES IN POPULARITY. A CHARISMA(R) CHAIR (FAR LEFT) IS PETITELY SCALED, WHILE THE DROP-LEAF COFFEE TABLE (LEFT) INCLUDES STORAGE DRAWERS.]

VALUE OF AN IMAGE

Our customers are not limited to buyers of home furnishings. Flexsteel's reputation for seating with quality, style and comfort has made Flexsteel a natural choice for commercial installations such as the health care and hospitality industries. Added to this is Flexsteel's expertise in metal gained by years of making the famous Flexsteel seat spring, highly important to our leadership as a natural source for seating for recreational vehicles.

We use every modern technique to publicize information about Flexsteel. Visits to our Web site have more than doubled this year. Here customers can learn not only of the various Flexsteel lines, but also of current promotions at Comfort Seating Showrooms or Flexsteel Galleries. Nearly half of Web site audiences are our target audience -- women over 18 years of age.

THE LADIES HOME JOURNAL chose Flexsteel for its upholstered furniture in its 1999 Model Home for the National Builders' Show, and featured us in two issues. We expect eight to ten other feature stories during the year, and plan full-page ads in four major consumer magazines.

Changing demographics affect both our presentations and our sales. Our population is older and more aware of quality standards, while the younger professional couple is also quality-savvy and an ideal customer for Flexsteel.

Our new Fleet Identification Program has been a hit with dealers. This program provides the dealer with everything necessary to add a four-color graphic, highlighting Flexsteel, on the dealer's delivery vehicles. Images are similar to those used on our delivery trailers (CENTER PHOTO). Typically, an in-town vehicle garners sixteen million impressions annually -- at a cost far less than any other advertising medium.

CUSTOMER RELATIONS

With the Flexsteel reputation for quality goes a reputation for service. Our dealer program goes far beyond furnishing materials for creating ads, including vast catalogs of CD images. Retailing experts work with Gallery and Comfort Seating dealers, and our sales personnel are intimately familiar with dealer's needs and preferences.

In recreational vehicle seating, and in contract furnishings, close customer relations are essential; in the former we work not only with design and comfort elements, but also government-mandated safety standards. In the latter, we must integrate designers' specifications of fabrics and finishes into both factory and customer's schedules. All help buttress our reputation for thoughtful customer service.

[PHOTO]
[PHOTO]
[PHOTO]
[PHOTO]
[CAPTION: SOME TRAVELERS WILL VACATION IN THIS LUXURIOUS FLEETWOOD MOTOR HOME WITH COMFORTABLE SEATING BY FLEXSTEEL (TOP). MOTORISTS ACROSS THE NATION WILL SEE STRIKING NEW FOUR-COLOR GRAPHICS ON FLEXSTEEL TRUCKS (CENTER). HANDSOME NEW FLEXSTEEL RECLINERS WITH UPSCALE DESIGNS ARE POPULAR (RIGHT); FULL-PAGE ADS IN POPULAR MAGAZINES FEATURE BEAUTIFUL FLEXSTEEL (FAR RIGHT).]

IMPACT FOR THE MILLENNIUM

CHALLENGES OF A DIGITAL AGE

Creating a crafted product such as upholstered furniture in an age of computerized automation presents unique challenges. Though one of the first to embrace computerized solutions, we have maintained our dedication to the personalized craftsmanship which is integral to Flexsteel quality.

Modern communications assist with scheduling, customer relations, order taking, and shipping. CAD systems include three-dimensional design capabilities. Our Gerber cutting machines are now supplemented with single-ply cutters. These cutters can quickly lay out and cut fabric for a single chair or sofa, with perfect matching and minimum waste. Better frames are made using CNC routers, while increasing yields of precious raw materials.

Vertical integration at Flexsteel gives the company a vital synergy between our various seating businesses, as our metal-working expertise meshes with a century of experience in residential seating. In recreational vehicle seating, for example, we not only create beautiful interiors but also meet or exceed all requirements of the Federal Motor Vehicle Safety Standards. Our nationwide network of factories is so planned that production can be shifted from one plant to another as conditions warrant.

GOALS FOR THE NEW MILLENNIUM

The new millennium will see Flexsteel teams intensify their focus on understanding and meeting the needs of home owners and all our customers.

We continue to develop new ways to reduce lead times in all markets. Designs for recreational vehicles must mesh with automotive model years, while contract interiors must take into consideration individualized finish and fabric specifications. Our creativity, our vertical integration, and our long-term financial stability are assets in our relations with these industries.

The Flexsteel name is an important asset, and we plan to emphasize brand-name marketing through 23 Comfort Seating Showrooms and 235 Flexsteel Galleries. Knowing the needs of our customers is vital to our success in the coming years. We will continue to listen, to study their needs, to refine our displays and maximize sales per square foot, and to expand the number of exquisite fabrics which we market exclusively to Gallery and Showroom dealers.

We expect our new millennium to be an exciting one, as we give our customers more beautiful Flexsteel furniture than ever, at the same time enjoying the satisfaction of continued solid growth in all our markets.

[PHOTO]
[PHOTO]
[PHOTO]
[CAPTION: A REASSURING VISTA OF COMFORT GREETS PATIENTS AT THE MEDICAL ASSOCIATES' CLINIC IN DUBUQUE, IOWA, (CENTER). SEATING BY FLEXSTEEL'S COMMERCIAL SEATING DIVISION, WHOSE CONVERTIBLE DAYBED (TOP AND LEFT) HAS BEEN INSTALLED IN A NUMBER OF HOTELS.]

[LOGO]

FLEXSTEEL INDUSTRIES, INC.
FIVE YEAR REVIEW

[ALL AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

Year Ended June 30,

	1999	1998	1997 (1)	1996	1995
SUMMARY OF OPERATIONS					
Net Sales	$260,519	$236,125	$219,427	$205,008	$208,432
Cost of Sales	200,965	185,345	173,088	161,451	164,231
Operating Income	15,398	9,868	7,888	6,362	7,509
Interest and Other Income	1,134	2,015	1,931	1,132	924
Interest and Other Expense	315	356	345	358	372
Income Before Income Taxes	16,217	11,527	9,473	7,052	8,111
Income Taxes	5,900	3,925	3,425	2,550	2,900
Net Income (2) (3) (4)	10,317	7,602	6,048	4,502	5,211
Earnings per Common Share: (2) (3) (4)					
Basic	1.52	1.09	0.86	0.63	0.73
Diluted	1.51	1.08	0.86	0.63	0.72
Cash Dividends per Common Share	0.48	0.48	0.48	0.48	0.48
STATISTICAL SUMMARY					
Average Common Shares Outstanding:					
Basic	6,775	6,959	7,024	7,172	7,178
Diluted	6,850	7,035	7,072	7,188	7,205
Book Value per Common Share	12.50	11.49	10.86	10.45	10.26
Total Assets	112,684	104,673	99,173	95,874	96,271
Property, Plant and Equipment, net	25,912	23,096	26,214	23,046	24,376
Capital Expenditures	8,398	2,392	5,273	3,298	9,948
Working Capital	50,210	50,549	44,357	47,376	46,272
Long-Term Debt	0	0	0	35	70
Shareholders' Equity	81,166	78,080	75,238	74,147	73,824
SELECTED RATIOS					
Net Income as Percent of Sales	4.0%	3.2%	2.8%	2.2%	2.5%
Current Ratio	2.8 TO 1	3.1 to 1	3.1 to 1	3.5 to 1	3.4 to 1
Return on Ending Common Equity	12.7%	9.7%	8.0%	6.1%	7.1%
Return on Beginning Common Equity	13.2%	10.1%	8.2%	6.1%	7.3%
Average Number of Employees	2,400	2,330	2,320	2,230	2,375

(1) On March 18, 1997, the Company acquired certain assets of Dygert Seating, Inc., and the related production facilities in Elkhart, Indiana, for $6,934,000.
(2) 1997 income and per share amounts reflect a gain on the sale of the Sweetwater, Tennessee facility of approximately $350,000 (net of income taxes) or $0.05 per share.
(3) 1998 income and per share amounts reflect a non-taxable gain from life insurance proceeds of approximately $720,000 or $0.10 per share.
(4) The earnings per share amounts for 1997, 1996, and 1995 have been restated to comply with Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE.

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FLEXSTEEL INDUSTRIES, INC.
REPORTS OF AUDITOR'S AND MANAGEMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FLEXSTEEL INDUSTRIES, INC.:

We have audited the accompanying balance sheets of Flexsteel Industries, Inc. (the Company) as of June 30, 1999 and 1998, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Flexsteel Industries, Inc. as of June 30, 1999 and 1998, and the results of its operations and cash flows for each of the three years in the period ended June 30, 1999 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

MINNEAPOLIS, MINNESOTA
AUGUST 5, 1999

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 financial statements covered by the report of Deloitte & Touche LLP, our independent auditors. The statements were prepared in conformity with generally accepted accounting principles 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 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
PRESIDENT
CHIEF EXECUTIVE OFFICER

RONALD J. KLOSTERMAN
VICE PRESIDENT, FINANCE
CHIEF FINANCIAL OFFICER
SECRETARY

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FLEXSTEEL INDUSTRIES, INC.
BALANCE SHEETS

	JUNE 30, 1999	JUNE 30, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,886,038	$ 5,464,261
Investments	8,967,197	9,877,784
Trade receivables - less allowance for doubtful accounts: 1999, $2,503,000; 1998, $2,198,000	31,149,416	28,722,752
Inventories	29,503,209	26,607,296
Deferred income taxes	3,700,000	2,785,000
Other	461,406	632,730
Total current assets	78,667,266	74,089,823
PROPERTY, PLANT AND EQUIPMENT, net	25,912,432	23,095,589
OTHER ASSETS	8,103,997	7,487,729
TOTAL	$112,683,695	$104,673,141
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 7,076,729	$ 5,792,708
Accrued liabilities:		
Payroll and related items	6,735,108	5,448,032
Insurance	6,688,060	5,834,895
Other accruals	6,332,412	4,515,177
Industrial revenue bonds payable	1,625,000	1,950,000
Total current liabilities	28,457,309	23,540,812
DEFERRED COMPENSATION	3,060,670	3,052,525
Total liabilities	31,517,979	26,593,337
SHAREHOLDERS' EQUITY:		
Common stock - $1 par value; authorized 15,000,000 shares; issued 1999, 6,491,840 shares; 1998, 6,794,730 shares	6,491,840	6,794,730
Retained earnings	73,718,238	70,450,282
Unrealized investment gain	955,638	834,792
Total shareholders' equity	81,165,716	78,079,804
TOTAL	$112,683,695	$104,673,141

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

STATEMENTS OF INCOME

	FOR THE YEARS ENDED JUNE 30,		
	1999	1998	1997
NET SALES	$ 260,519,459	$ 236,125,280	$ 219,426,736
COST OF GOODS SOLD	200,965,199	185,345,398	173,088,406
GROSS MARGIN	59,554,260	50,779,882	46,338,330
SELLING, GENERAL AND ADMINISTRATIVE	44,156,199	40,911,581	38,450,275
OPERATING INCOME	15,398,061	9,868,301	7,888,055
OTHER:			
Interest and other income	1,133,814	2,014,982	1,930,527
Interest and other expense	(315,289)	(356,066)	(345,148)
Total	818,525	1,658,916	1,585,379
INCOME BEFORE INCOME TAXES	16,216,586	11,527,217	9,473,434
PROVISION FOR INCOME TAXES	5,900,000	3,925,000	3,425,000
NET INCOME	$ 10,316,586	$ 7,602,217	$ 6,048,434
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
BASIC	6,774,996	6,959,310	7,024,021
DILUTED	6,850,115	7,035,158	7,071,895
EARNINGS PER SHARE OF COMMON STOCK:			
BASIC	$ 1.52	$ 1.09	$ 0.86
DILUTED	$ 1.51	$ 1.08	$ 0.86

STATEMENTS OF COMPREHENSIVE INCOME

	FOR THE YEARS ENDED JUNE 30,		
	1999	1998	1997
NET INCOME	$ 10,316,586	$ 7,602,217	$ 6,048,434
OTHER COMPREHENSIVE INCOME, BEFORE TAX:			
Unrealized gains (losses) on securities arising during period	(1,575)	736,051	643,123
Less: reclassification adjustment for (gains) losses included in net income	192,338	(313,294)	(121,123)
Other comprehensive income, before tax	190,763	422,757	522,000
INCOME TAX BENEFIT (EXPENSE):			
Income tax benefit (expense) related to securities (gains) losses arising during period	577	(257,618)	(235,811)
Income tax benefit (expense) related to securities reclassification adjustment	(70,494)	109,653	44,411
Income tax expense related to other comprehensive income	(69,917)	(147,965)	(191,400)
OTHER COMPREHENSIVE INCOME, NET OF TAX	120,846	274,792	330,600
COMPREHENSIVE INCOME	$ 10,437,432	$ 7,877,009	$ 6,379,034

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED INVESTMENT GAIN (LOSS)	TOTAL
	SHARES	PAR VALUE				
Balance at June 30, 1996	7,095,044	$ 7,095,044	$ 556,632	$ 66,266,325	$ 229,400	$ 74,147,401
Purchase of Company Stock	(186,345)	(186,345)	(722,573)	(1,212,626)		(2,121,544)
Issuance of Company Stock	18,611	18,611	165,941			184,552
Investment Valuation Adjustment					330,600	330,600
Cash Dividends				(3,351,414)		(3,351,414)
Net Income				6,048,434		6,048,434
Balance at June 30, 1997	6,927,310	6,927,310	0	67,750,719	560,000	75,238,029
Purchase of Company Stock	(176,489)	(176,489)	(470,508)	(1,581,978)		(2,228,975)
Issuance of Company Stock	43,909	43,909	470,508			514,417
Investment Valuation Adjustment					274,792	274,792
Cash Dividends				(3,320,676)		(3,320,676)
Net Income				7,602,217		7,602,217
Balance at June 30, 1998	6,794,730	6,794,730	0	70,450,282	834,792	78,079,804
Purchase of Company Stock	(364,092)	(364,092)	(550,258)	(3,810,916)		(4,725,266)
Issuance of Company Stock	61,202	61,202	550,258			611,460
Investment Valuation Adjustments					120,846	120,846
Cash Dividends				(3,237,714)		(3,237,714)
Net Income				10,316,586		10,316,586
Balance at June 30, 1999	6,491,840	$ 6,491,840	$ 0	$ 73,718,238	$ 955,638	$ 81,165,716

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

[LOGO]

FLEXSTEEL INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,		
	1999	1998	1997
OPERATING ACTIVITIES:			
Net income	$ 10,316,586	$ 7,602,217	$ 6,048,434
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	5,358,482	5,400,025	5,129,246
(Gain) Loss on disposition of capital assets	134,235	7,106	(646,050)
Trade receivables	(2,426,664)	(3,373,811)	688,561
Inventories	(2,895,913)	378,258	637,112
Other current assets	171,324	173,387	256,487
Other assets	(616,268)	223,450	(980,666)
Accounts payable - trade	1,284,021	1,947,346	271,130
Accrued liabilities	3,957,476	1,063,236	2,222,184
Deferred compensation	8,145	8,107	74,571
Deferred income taxes	(915,000)	(165,000)	(610,000)
Net cash provided by operating activities	14,376,424	13,264,321	13,091,009
INVESTING ACTIVITIES:			
Payment for purchase of business assets			(6,933,951)
Purchases of investments	(3,750,686)	(7,231,401)	(1,517,439)
Proceeds from sales of investments	4,782,119	2,669,563	5,747,488
Proceeds from sales of capital assets	88,927	104,050	1,112,201
Capital expenditures	(8,398,487)	(2,392,365)	(5,273,317)
Net cash used in investing activities	(7,278,127)	(6,850,153)	(6,865,018)
FINANCING ACTIVITIES:			
Repayment of borrowings	(325,000)	(360,000)	(360,000)
Payment of dividends ($0.48 per share)	(3,237,714)	(3,320,676)	(3,351,414)
Proceeds from issuance of common stock	611,460	514,417	184,552
Repurchase of common stock	(4,725,266)	(2,228,975)	(2,121,544)
Net cash used in financing activities	(7,676,520)	(5,395,234)	(5,648,406)
Increase (decrease) in cash and cash equivalents	(578,223)	1,018,934	577,585
Cash and cash equivalents at beginning of year	5,464,261	4,445,327	3,867,742
Cash and cash equivalents at end of year	$ 4,886,038	$ 5,464,261	$ 4,445,327
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 70,000	$ 90,000	$ 103,000
Income taxes	$ 5,644,000	$ 4,405,000	$ 3,640,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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FLEXSTEEL INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS - Flexsteel Industries, Inc. (the Company) manufactures a broad line of quality 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's products are sold primarily throughout the United States and Canada, by the Company's internal sales force and various independent representatives.

USE OF ESTIMATES - the preparation of financial statements in conformity with generally accepted accounting principles 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.

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. 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 less than three months 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. In fiscal year 1999, the Company adopted Statement of Position (SOP) 98-1, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE. 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 while developing or obtaining internal use software. The amount of software capitalized in 1999 was $216,187.

REVENUE RECOGNITION - is upon delivery of product.

INSURANCE - the Company is self-insured for health care and most worker's 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 worker's compensation, and has provided a letter of credit in the amount of $1,159,000. 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.

SEGMENT AND RELATED INFORMATION - in June 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (SFAS 131). SFAS 131 redefines how operating segments are determined and requires disclosures of certain financial and descriptive information about a company's operating segments. During 1998, the Company adopted this standard. Under the "management approach" methodology prescribed by SFAS 131, the Company operates in one segment, seating products.

DERIVATIVES - in 1998, the FASB issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (SFAS 133), which is effective for the Company's fiscal 2001 financial statements. SFAS 133 requires derivatives to be recognized in the financial statements and measured at fair value. The Company does not expect the impact of the pronouncement to be material.

ACQUISITION - on March 18, 1997 the Company announced the acquisition of certain assets of Dygert Seating, Inc. and the related production facilities in Elkhart, Indiana for $6,933,951. The purchase included accounts receivable of approximately $1,573,000, inventory of approximately $1,540,000, and fixed and other current assets of approximately $3,821,000.

RECLASSIFICATIONS - certain prior years' amounts have been reclassified to conform to the 1999 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, at fair value based on quoted market prices, and are classified as available for sale. The amortized cost and estimated market values of investments are as follows:

	June 30, 1999		June 30, 1998	
	Debt Securities	Equity Securities	Debt Securities	Equity Securities

Amortized Cost	$ 9,043,136	$ 2,351,845	$10,780,529	$ 2,202,952
Unrealized gains (losses)	(91,762)	1,571,674	44,668	1,277,629
Est. Market Value	$ 8,951,374	$ 3,923,519	$10,825,197	$ 3,480,581

As of June 30, 1999, the maturities of debt securities are $4,010,642 within one year, $4,013,672 in one to five years, and $927,060 over five years.

3. INVENTORIES

Inventories valued on the LIFO method would have been approximately $2,016,000 and $2,331,000 higher at June 30, 1999 and 1998, respectively, if they had been valued on the FIFO method. A comparison of inventories is as follows:

	June 30,	
	1999	1998
Raw materials............................	$15,871,466	$13,538,911
Work in process and finished parts........	7,416,826	7,227,558
Finished goods...........................	6,214,917	5,840,827
Total.................................	$29,503,209	$26,607,296

4. PROPERTY, PLANT AND EQUIPMENT

	Estimated Life (Years)	June 30, 1999	June 30, 1998
Land		$ 2,512,715	$ 1,642,422
Buildings and improvements	3 - 39	27,294,496	24,929,545
Machinery and equipment	3 - 10	29,306,600	28,655,104
Delivery equipment	3 - 7	14,193,014	13,894,648
Furniture and fixtures	3 - 5	5,313,068	5,307,217
Total		78,619,893	74,428,936
Less accumulated depreciation		52,707,461	51,333,347
Net		$25,912,432	$23,095,589

5. BORROWINGS

The Company is obligated for $1,625,000 for Industrial Revenue Bonds at June 30, 1999 which were issued for the financing of property, plant and equipment. The obligations are variable rate demand bonds with a weighted average rate for years ended June 30, 1999, 1998 and 1997 of 3.70%, 4.06% and 3.94% respectively, and are due in annual installments of $325,000 through 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, 1999.

6. INCOME TAXES

The total income tax provision for the years ended June 30, 1999, 1998 and 1997 was 36.4%, 34.0%, and 36.2%, respectively, of income before income taxes. In 1998 the effective rate was reduced by 2.2% for nontaxable life insurance proceeds of $720,000.

PROVISION - COMPRISED OF THE FOLLOWING:

	1999	1998	1997
Federal - current	$ 4,285,000	$ 3,580,000	$ 3,528,000
State - current .	700,000	510,000	507,000
Deferred	915,000	(165,000)	(610,000)
Total	$ 5,900,000	$ 3,925,000	$ 3,425,000

DEFERRED INCOME TAXES - COMPRISED OF THE FOLLOWING:

	Asset (Liability) June 30, 1999	Asset (Liability) June 30, 1998
Asset allowances	$ 910,000	$ 805,000
Deferred compensation	1,130,000	1,130,000
Other accruals and allowances	2,355,000	1,940,000
Property, plant and equipment	(695,000)	(1,090,000)
Total	$ 3,700,000	$ 2,785,000

7. CREDIT ARRANGEMENTS

The Company has lines of credit of $5,700,000 with banks for short-term borrowings at the prime rate in effect at the date of the loan. On $1,000,000 of such line, 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 during 1999 or 1998.

8. 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, 1999, 140,100 shares were available for future grants. The Company applies APB Opinion 25 and related interpretations in accounting for its stock option plans, as permitted under FASB Statement No. 123 ACCOUNTING FOR STOCK-BASED COMPENSATION (SFAS 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 methodology of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		1999	1998	1997
Net Income	As reported	$10,316,586	$7,602,217	$6,048,434
	Pro forma	10,171,214	7,462,506	5,907,480
Earnings per share:				
- Basic	As reported	$1.52	$1.09	$0.86
	Pro forma	$1.50	$1.07	$0.84

- Diluted	As reported	$1.51	$1.08	$0.86
	Pro forma	$1.48	$1.06	$0.84

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 1999, 1998 and 1997, respectively: dividend yield of 4.5%, 4.2% and 4.6%; expected volatility of 27.1%, 26.3% and 27.3%; interest rates of 6.8%, 6.8% and 6.9%; and an expected life of 8 to 10 years on all options.

A summary of the status of the Company's stock option plans as of June 30, 1999, 1998 and 1997 and the changes during the years ending on those dates is presented below:

	Shares	Price Range
June 30, 1996 Outstanding	342,480	$10.50 - 15.75
Granted	103,400	10.25 - 12.75
Exercised	(6,800)	10.25 - 10.50
Cancelled	(6,400)	10.50 - 14.875
June 30, 1997 Outstanding	432,680	10.25 - 15.75
Granted	88,775	11.44 - 12.66
Exercised	(10,250)	10.25 - 12.75
Cancelled	(10,700)	10.25 - 15.75
June 30, 1998 Outstanding	500,505	10.25 - 15.75
Granted	106,450	10.50 - 12.75
Exercised	(34,088)	10.25 - 11.44
Cancelled	(13,600)	11.13 - 15.75
June 30, 1999 Outstanding	559,267	$10.25 - 15.75

Significant option groups outstanding at June 30, 1999 and related weighted-average exercise price and remaining life information follows:

		Weighted-Average	
Grant Date	Options Outstanding	Exercise Price	Remaining Life (Years)
December 12, 1991	32,670	10.500	0.3
July 6, 1993	74,360	14.875	1.9
July 28, 1994	72,712	10.500	5.0
August 16, 1995	81,950	11.250	6.1
July 30, 1996	88,400	10.250	7.0
November 7, 1997	82,225	11.438	8.3
November 2, 1998	96,950	10.500	9.3
All other	30,000	13.091	6.6
Total	559,267		

9. PENSION AND RETIREMENT PLANS

The Company sponsors various defined contribution pension and retirement plans which cover substantially all employees, other than employees covered by multiemployer 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 $1,427,000 in 1999, $1,373,000 in 1998 and $1,352,000 in 1997 including $330,000 in 1999, $311,000 in 1998 and $300,000 in 1997 for the Company's matching contribution to retirement savings plans. The Company's cost for pension plans is determined as 2% - 4% 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 $1,355,000 in 1999, $1,184,000 in 1998 and $1,102,000 in 1997.

The Company has an unfunded deferred compensation plan with certain officers providing for fixed benefits upon retirement over fifteen years or until death, whichever is longer. Participants become fully vested at age 59. The Company records a liability for this obligation based on the present value of accumulated plan benefits discounted at 8%. The beginning of the year benefit obligation of $3,052,525 was increased by interest expense of $247,228, service costs of $146,917 and decreased by payments of $386,000, resulting in the end of the year benefit obligation of $3,060,670.

10. 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 331 1/43% of the stock received by the employee on the award date and the remaining shares issued after one and two years. Under the plan 45,158, 35,459 and 31,053 shares were awarded, and the amounts charged to income were $598,000, $406,000 and $365,000 in 1999, 1998 and 1997, respectively. At June 30, 1999, 267,640 shares were available for future grants.

11. SHAREHOLDERS' EQUITY

The Company has authorized 60,000 shares of cumulative, $50 par value preferred stock and 700,000 shares of undesignated, $1 par value (subordinated) stock, none of which is outstanding.

12. EARNINGS PER SHARE

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

	1999	1998	1997
Basic Earnings Per Share:			
Income available to common shareowners	$ 10,316,586	$ 7,602,217	$ 6,048,434
Weighted average shares outstanding	6,774,996	6,959,310	7,024,021
Earnings Per Share - Basic	$ 1.52	$ 1.09	$ 0.86
Diluted Earnings Per Share:			
Income available to common shareowners	$ 10,316,586	$ 7,602,217	$ 6,048,434
Weighted average shares outstanding	6,774,996	6,959,310	7,024,021
Dilutive shares issuable in connection with stock option plans	477,907	418,145	339,820
Less shares purchasable with proceeds	(402,788)	(342,297)	(291,946)
Total Shares	6,850,115	7,035,158	7,071,895
Earnings Per Share - Diluted	$ 1.51	$ 1.08	$ 0.86

Options to purchase 81,360 shares of common stock at a range of $14.875 to $15.75 were outstanding during 1999 but were not included in the computation of the diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

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

	Quarters			
	1st	2nd	3rd	4th
1999:				
Net Sales	$ 60,053	$ 62,575	$68,615	$69,276

	1st	2nd	3rd	4th
Gross Margin	13,150	14,140	15,743	16,521
Net Income	1,795	2,197	2,829	3,496
Earnings Per Share:				
Basic	0.26	0.32	0.42	0.52
Diluted	0.26	0.32	0.41	0.52
Dividends Per Share	0.12	0.12	0.12	0.12
* Market Price				
High	14 1/8	13 1/2	14	14 1/8
Low	10 3/8	8 3/4	11 3/8	11 3/4

	Quarters			
	1st	2nd	3rd	4th
1998:				
Net Sales	$ 55,159	$ 56,260	$62,090	$62,616
Gross Margin	11,292	11,947	13,773	13,768
Net Income	1,030	2,100(1)	2,106	2,366
Earnings Per Share:				
Basic	0.15	0.30	0.30	0.34
Diluted	0.15	0.30	0.30	0.33
Dividends Per Share	0.12	0.12	0.12	0.12
* Market Price				
High	12 7/8	14 1/8	14 5/8	15
Low	11 5/8	11 1/4	12	12

(1) Includes a non-taxable gain from life insurance proceeds of approximately $720,000.

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

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

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 financial statements and related notes included elsewhere in this document.

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, 1999, 1998 and 1997. Amounts presented are percentages of the Company's net sales.

	For the Years Ended June 30,		
	1999	1998	1997
Net Sales	100.0%	100.0%	100.0%
Cost of goods sold	77.1	78.5	78.9
Gross margin	22.9	21.5	21.1
Selling, general & administrative expenses	16.9	17.3	17.5
Operating income	6.0	4.2	3.6
Other income, net	0.3	0.7	0.7
Income before income taxes	6.3	4.9	4.3
Income tax expense	2.3	1.7	1.5
Net income	4.0%	3.2%	2.8%

FISCAL 1999 COMPARED TO FISCAL 1998

Net sales for 1999 increased by $24,394,000 or 10% compared to 1998. Residential sales volume increased $12,388,000 or 9%. Vehicle seating sales increased $12,715,000 or 17%. Commercial sales volume decreased $709,000 or 3%.

Gross margin increased $8,774,000 to $59,554,000, or 22.9% of sales, in 1999, from $50,780,000, or 21.5% in 1998. The gross margin increase was due to improved utilization of available production capacity and changes in product mix.

Selling, general and administrative expenses as a percentage of sales were 16.9% and 17.3% for 1999 and 1998 respectively. The cost percentage decrease was due to management's continued efforts to control fixed costs as volume increased.

Net other income was $819,000 in 1999 and $1,659,000 for 1998. During the second quarter of 1998 the Company realized a non-taxable gain on the proceeds of life insurance of $720,000.

The effective tax rate in 1999 was 36.4% compared to 34.0% in 1998. The lower effective income tax rate in 1998 is attributable to the non-taxable gain on the proceeds of life insurance.

The above factors resulted in 1999 fiscal year net income of $10,317,000 or $1.51 per share (diluted) compared to $7,602,000 or $1.08 per share (diluted) in fiscal 1998, a net increase of $2,715,000 or $0.43 per share.

FISCAL 1998 COMPARED TO FISCAL 1997

Sales for 1998 increased by $16,699,000 or 8% compared to 1997. Residential sales volume increased $5,647,000 or 4%. Vehicle seating sales increased $9,293,000 or 14%. Approximately $7,026,000 of this increase relates to the acquisition of certain assets of Dygert Seating, Inc. in March 1997. Commercial sales volume increased $1,759,000 or 8%.

Gross margin increased $4,442,000 to $50,780,000, or 21.5% of sales, in 1998, from $46,338,000, or 21.1% in 1997. The gross margin increase was due to improved utilization of available production capacity and changes in product mix.

Selling, general and administrative expenses as a percentage of sales were 17.3% and 17.5% for 1998 and 1997 respectively. The cost percentage decrease was due to management's control of fixed costs.

Net other income was $1,659,000 in 1998 and $1,585,000 for 1997. Each year contains amounts which are non-recurring in nature. During the second quarter of 1998 the Company realized a non-taxable gain on the proceeds of life insurance of $720,000. In fiscal year 1997, the Company sold its production facility in Sweetwater, Tennessee which resulted in a gain of $550,000 before income taxes.

The effective tax rate in 1998 was 34.0% compared to 36.2% in 1997. The lower effective income tax rate is attributable to the non-taxable gain on the proceeds of life insurance.

The above factors resulted in 1998 fiscal year net income of $7,602,000 or $1.08 per share (diluted) compared to $6,048,000 or $0.86 per share (diluted) in fiscal 1997, a net increase of $1,554,000 or $0.22 per share.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at June 30, 1999, is $50,210,000 which includes cash, cash equivalents and investments of $13,853,000. Working capital decreased by $339,000 from the June 30, 1998 amount.

Net cash provided by operating activities was $14,376,000, $13,284,000 and $13,114,000 in 1999, 1998 and 1997, respectively. Fluctuations in net cash provided by operating activities are primarily the result of changes in net income and changes in working capital accounts.

Capital expenditures were $8,398,000, $2,392,000 and $5,273,000 for 1999, 1998 and 1997, respectively. The current year expenditures were incurred primarily for land, manufacturing and delivery equipment and the expansion of our Dublin, Georgia facility. Projected capital spending for fiscal 2000 is $6,000,000, with approximately $1,000,000 for expansion of our Riverside, California facility. The remainder of the projected capital expenditures 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 $7,709,000, $5,415,000 and $5,671,000 in 1999, 1998 and 1997, respectively. During the current year the Company's Board of Directors approved the repurchase of up to 700,000 shares of the Company's common stock. Under that authority, the Company repurchased 363,600 shares of its outstanding common stock in 1999. Under prior authority the Company repurchased 176,489 and 186,345 shares of its outstanding common stock during 1998 and 1997, respectively.

FINANCING ARRANGEMENTS

The Company has lines of credit of $5,700,000 with banks for short-term borrowings, which have not been utilized since 1979. The Company has outstanding borrowings of $1,625,000 in the form of variable rate demand industrial development revenue bonds. During fiscal 1999, the weighted-average interest rate on the industrial development revenue bonds was 3.70%.

OTHER

Year 2000 Issue - The Company developed a plan to identify and modify its computer information systems to ensure that transactions will be properly processed on and after January 1, 2000. The Company also reviewed its computer dependent manufacturing activities to identify areas of concern related to the year 2000 issues. The plan has been completed and tested. The Company believes that it is prepared internally for January 1, 2000. The internal conversion costs were not material to the Company's financial position. None of the Company's other information technology projects have been delayed due to the implementation of the year 2000 plan. As a part of developing a contingency plan for year 2000 issues, the Company will continue testing each of the major systems.

The Company continues to communicate with major suppliers to emphasize that operations must continue without interruption through January 1, 2000, and beyond. However, there can be no assurances that systems of other companies, on which the Company's systems rely, will be converted in a timely manner or that any failure to convert by another company would not have an adverse effect on the Company's ability to conduct operations.

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 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 there-on 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.

[PHOTO]
[CAPTION: ANOTHER EXAMPLE OF HOW OUR TABLES HARMONIZE WITH OUR UPHOLSTERED FURNITURE: NOTE THE TURNED WOOD LEGS ON BOTH TABLE AND LAWSON-ARM TRANSITIONAL SOFA. AN INTERESTING ACCENT IS THE CHARISMA(R) CHAIR WITH NAILHEAD TRIM AND GRACEFULLY-SHAPED CARVED ARMS.]

PLANT LOCATIONS

* Flexsteel Industries, Inc.
DUBUQUE, IOWA 52001
(319) 556-7730
P. M. Crahan, General Manager

Flexsteel Industries, Inc.
DUBLIN, GEORGIA 31040
(912) 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
(219) 831-4050
G. H. Siemer, General Manager

Wood Products Division
HARRISON, ARKANSAS 72601
(870) 743-1101
M. J. Feldman, General Manager

Metal Division
DUBUQUE, IOWA 52001
(319) 556-7730
J. E. Gilbertson, General Manager

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

Dygert Seating Division
ELKHART, INDIANA 46515
(219) 262-4675
D. L. Dygert, General Manager

Vancouver Distribution Center
VANCOUVER, WASHINGTON 98668
(206) 696-9955
R. Heying, Supervisor

* EXECUTIVE OFFICES

PERMANENT SHOWROOMS

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

DIRECTORS AND OFFICERS

John R. Easter
CHAIRMAN OF THE BOARD OF DIRECTORS
RETIRED VICE PRESIDENT
SEARS, ROEBUCK & COMPANY

K. Bruce Lauritsen
PRESIDENT
CHIEF EXECUTIVE OFFICER
DIRECTOR

Edward J. Monaghan
EXECUTIVE VICE PRESIDENT
CHIEF OPERATING OFFICER
DIRECTOR

James R. Richardson
SENIOR VICE PRESIDENT, MARKETING
DIRECTOR

Jeffrey T. Bertsch
VICE PRESIDENT
DIRECTOR

L. Bruce Boylen
DIRECTOR
RETIRED VICE PRESIDENT
FLEETWOOD ENTERPRISES, INC.

Patrick M. Crahan
VICE PRESIDENT
DIRECTOR

Lynn J. Davis
DIRECTOR

SENIOR VICE PRESIDENT
ADC TELECOMMUNICATIONS, INC.

Thomas E. Holloran
DIRECTOR
PROFESSOR, GRADUATE SCHOOL OF BUSINESS,
UNIVERSITY OF ST. THOMAS
ST. PAUL, MINNESOTA

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

James M. Higgins
VICE PRESIDENT, COMMERCIAL SEATING

Ronald J. Klosterman
VICE PRESIDENT, FINANCE
CHIEF FINANCIAL OFFICER
SECRETARY

Michael A. Santillo
VICE PRESIDENT

AUDIT & ETHICS
COMMITTEE

Thomas E. Holloran, Chairman
L. Bruce Boylen
Lynn J. Davis

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 AND
REGISTRAR

Norwest Capital Resources
P. 0. Box 738
South St. Paul,
Minnesota 55075-0738

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, 1999, 3:30 p.m.
The Marquette
710 Marquette Avenue, 3rd floor
Minneapolis, Minnesota 55402

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.

VISIT US ON THE INTERNET
http://flexsteel.com

[LOGO] FLEXSTEEL
AMERICA'S SEATING SPECIALIST

[PHOTO]
[CAPTION: PHOTO COURTESY OF NEWMAR CORP.]

For a motor home with every luxury imaginable, the discriminating traveler finds the 2000 Londonaire by Newmar(R) is the choice for elegance, performance and comfort. Its top-of-the-line furnishings include a Flexsteel Easy Bed Sofa and a Flexsteel leather-and-vinyl sofa with incliner or optional recliner.

The front passenger and driver's seats include power, lumbar support, and an integrated seat belt developed by Flexsteel engineers. Other new Flexsteel developments include power foot rests for motor homes; for vans, a new Flex-Over bed and restraint packages for seats, all tested for FMVSS codes. Recreational vehicle buyers have learned to look for and trust the Flexsteel name for smart, dependable, and comfortable seating.

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[LOGO] FLEXSTEEL
AMERICA'S SEATING SPECIALIST

- -------------------------------------

P.O. BOX 877 * DUBUQUE IA 52004-0877

EXHIBIT 23.1

INDEPENDENT AUDITOR'S REPORT

Flexsteel Industries, Inc.:

We have audited the financial statements of Flexsteel Industries, Inc. (the Company) as of June 30, 1999 and 1998 and for each of the three years in the period ended June 30, 1999, and have issued our report thereon dated August 5, 1999. Such financial statements and report are included in your 1999 Annual Report to Stockholders 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 statement taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 5, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

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 of our reports dated August 5, 1999 appearing in and incorporated by reference in the Annual Report on Form 10-K of Flexsteel Industries, Inc. for the year ended June 30, 1999.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 29, 1999

12-MOS
JUN-30-1999
JUN-30-1999
4,886,038
8,967,197
33,652,459
2,503,043
29,503,209
78,667,266
78,619,893
52,707,461
112,683,695
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0
6,491,840
74,673,876
112,683,695
260,519,459
261,653,273
200,965,199
245,436,687
44,156,199
0
315,289
16,216,586
5,900,000
10,316,586
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0
0
10,316,586
1.52
1.51