

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the quarterly period ended March 31, 2003
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

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 No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Common Stock - \$1.00 Par Value
Shares Outstanding as of March 31, 2003 6,277,378

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2003	June 30, 2002
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,314,378	\$ 5,375,683
Investments	12,205,220	15,876,088
Trade receivables - less allowance for doubtful accounts:		
March 31, 2003, \$2,550,000;		
June 30, 2002, \$2,540,000	28,871,491	31,361,285
Inventories	31,379,961	30,322,288
Deferred income taxes	4,200,000	4,500,000
Other	2,410,753	1,316,136
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Total current assets	91,381,803	88,751,480
PROPERTY, PLANT, AND EQUIPMENT		
At cost less accumulated depreciation:		
March 31, 2003, \$65,260,998;		
June 30, 2002, \$63,674,333	20,724,881	20,558,338
DEFERRED INCOME TAXES	1,030,000	700,000
OTHER ASSETS	8,661,071	8,739,940
	-----	-----
TOTAL	\$ 121,797,755	\$ 118,749,758
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable - trade	\$ 4,778,334	\$ 4,876,260
Accrued liabilities:		
Payroll and related items	6,564,345	5,958,505
Insurance	7,752,739	6,562,144
Restructuring	1,377,834	1,700,609
Other	5,087,785	6,775,889
Industrial revenue bonds payable		650,000
	-----	-----
Total current liabilities	25,561,037	26,523,407
DEFERRED COMPENSATION	4,723,075	4,509,782
	-----	-----
Total liabilities	30,284,112	31,033,189

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 March 31, 2003, 6,277,378 shares; outstanding June 30, 2002, 6,198,551 shares	6,277,378	6,198,551
Additional paid-in capital	1,319,317	492,223
Retained earnings	83,982,937	80,756,107
Accumulated other comprehensive income (loss)	(65,989)	269,688
	-----	-----
Total shareholders' equity	91,513,643	87,716,569
	-----	-----
TOTAL	\$ 121,797,755	\$ 118,749,758
	=====	=====

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
NET SALES	\$ 73,461,304	\$ 73,742,322	\$ 217,060,741	\$ 202,776,664
COST OF GOODS SOLD	(58,007,914)	(57,212,434)	(168,949,503)	(160,259,481)
GROSS MARGIN	15,453,390	16,529,888	48,111,238	42,517,183
SELLING, GENERAL AND ADMINISTRATIVE	(13,182,685)	(13,504,961)	(39,867,515)	(38,513,767)
GAIN ON SALE OF LAND			403,065	
OPERATING INCOME	2,270,705	3,024,927	8,646,788	4,003,416
OTHER:				
Interest and other income	265,467	264,382	872,535	747,837
Interest expense	(95,187)	(4,491)	(101,235)	(18,784)
Total	170,280	259,891	771,300	729,053
INCOME BEFORE INCOME TAXES	2,440,985	3,284,818	9,418,088	4,732,469
PROVISION FOR INCOME TAXES	(1,020,000)	(1,270,000)	(3,750,000)	(1,810,000)
NET INCOME	\$ 1,420,985	\$ 2,014,818	\$ 5,668,088	\$ 2,922,469
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	6,275,729	6,077,766	6,245,384	6,069,493
DILUTED	6,394,339	6,151,621	6,358,686	6,128,240
EARNINGS PER SHARE OF COMMON STOCK:				
BASIC	\$ 0.23	\$ 0.33	\$ 0.91	\$ 0.48
DILUTED	\$ 0.22	\$ 0.33	\$ 0.89	\$ 0.48

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
NET INCOME	\$ 1,420,985	\$ 2,014,818	\$ 5,668,088	\$ 2,922,469
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:				
Unrealized losses on securities arising during period	(82,810)	(136,401)	(541,518)	(299,993)
Reclassification adjustment for losses (gains) included in net income	4,240	4,500	(4,853)	(11,669)
Other comprehensive loss, before tax	(78,570)	(131,901)	(546,371)	(311,662)
INCOME TAX BENEFIT (EXPENSE):				
Income tax benefit related to securities losses arising during period	33,396	52,051	208,801	106,377
Income tax benefit (expense) related to securities reclassification adjustment ..	(1,654)	(1,665)	1,893	4,516
Income tax benefit related to other comprehensive income (loss)	31,742	50,386	210,694	110,893
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(46,828)	(81,515)	(335,677)	(200,769)
COMPREHENSIVE INCOME	\$ 1,374,157	\$ 1,933,303	\$ 5,332,411	\$ 2,721,700

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

	Nine Months Ended March 31,	
	2003	2002
OPERATING ACTIVITIES:		
Net income	\$ 5,668,088	\$ 2,922,469
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	3,593,532	3,894,335
Restructuring charges	45,207	890,000
(Gain) loss on disposition of capital assets	(414,693)	48,091
Changes in operating assets and liabilities:		
Trade receivables	2,270,733	(4,413,411)
Inventories	(1,057,673)	2,527,738
Other current assets	(1,124,614)	443,847
Other assets	(152,253)	(152,143)
Accounts payable - trade	(97,926)	(2,012,130)
Accrued liabilities	255,093	3,418,929
Deferred compensation	213,293	496,015
Net cash provided by operating activities	9,198,787	8,063,740
INVESTING ACTIVITIES:		
Purchases of investments	(18,791,159)	(11,858,958)
Proceeds from sales of investments	22,247,544	4,805,786
Payments received from customers on notes receivable	328,987	284,097
Proceeds from sales of capital assets	624,171	46,352
Capital expenditures	(3,996,582)	(539,133)
Net cash provided by (used in) investing activities	412,961	(7,261,856)
FINANCING ACTIVITIES:		
Repayment of borrowings	(650,000)	
Dividends paid	(2,430,983)	(3,156,161)
Proceeds from issuance of common stock	407,930	146,590
Net cash used in financing activities	(2,673,053)	(3,009,571)
Increase (decrease) in cash and cash equivalents	6,938,695	(2,207,687)
Cash and cash equivalents at beginning of period	5,375,683	10,048,562
Cash and cash equivalents at end of period	\$ 12,314,378	\$ 7,840,875
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 102,000	\$ 20,000
Income taxes	\$ 6,175,000	\$ 1,729,000

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

1. These consolidated 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 nine-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2003.

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

2. Inventories were categorized as follows:

	March 31, 2003	June 30, 2002
Raw materials	\$ 13,988,623	\$ 15,623,962
Work in process and finished parts	8,007,249	8,092,398
Finished goods	9,384,089	6,605,928
	-----	-----
Total	\$ 31,379,961	\$ 30,322,288
	=====	=====

3. EARNINGS PER SHARE - Basic earnings per share of common stock is based on the weighted average number of common shares outstanding during each period. 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 118,610 shares and 73,855 shares in the quarters ended, and 113,302 and 58,747 shares in the nine months ended March 31, 2003 and 2002, respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method. Options to purchase 163,050 and 136,000 shares of common stock were outstanding during the three and nine months ended March 31, 2003 and 2002, respectively, but were not included in the computation of diluted earnings per share as their exercise prices were greater than the average market price of the common shares.

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

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

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

In November 2002, the FASB issued FASB Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002.

In December 2002, the FASB issued SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION-TRANSITION AND DISCLOSURE, which amends SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirement of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements of the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company has elected to continue to apply Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its stock option plans, as permitted under SFAS No. 123 and SFAS No. 148. Accordingly, no compensation cost has been recognized for its stock option plans (see Note 5).

5. 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 March 31, 2003, 593,400 shares were available for future grants. The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option plans, as permitted under SFAS No. 123 and SFAS No. 148. Accordingly, no compensation cost has been recognized for its stock option plans. Had the compensation cost for the Company's incentive stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the fair-value methodology of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net income, as reported	\$ 1,420,985	\$ 2,014,818	\$ 5,668,088	\$ 2,922,469
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of tax			(291,000)	(162,000)
Pro forma net income	\$ 1,420,985	\$ 2,014,818	\$ 5,377,088	\$ 2,760,469
Earnings per share:				
Basic - as reported	\$ 0.23	\$ 0.33	\$ 0.91	0.48
Basic - pro forma	0.23	0.33	0.86	0.45
Diluted - as reported	\$ 0.22	\$ 0.33	\$ 0.89	0.48
Diluted - pro forma	0.22	0.33	0.85	0.45

The fair value of each option grant is estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2003 and 2002, respectively; dividend yield of 3.3% and 5.0%; expected volatility of 25.3% and 24.8%; risk-free interest rates of 4.1% and 6.5%; and an expected life of 10 years on all options. The Company does not anticipate that additional options will be granted during the remainder of fiscal 2003.

6. ACCRUED WARRANTY COSTS - The Company estimates the amount of warranty claims on sold product that may be incurred based on current and historical data. The actual warranty expense could differ from the estimates made by the Company based on product performance. The following table presents the changes in the Company's product warranty liability:

Accrued warranty costs at June 30, 2002	\$ 500,000
Payments made for warranty costs	(2,420,337)
Accrual for product warranty	2,420,337
Accrued warranty costs at March 31, 2003	\$ 500,000

7. RESTRUCTURING - The Company established an accrual for restructuring liabilities in fiscal 2002 for estimated employee separation costs and facility closing costs related to the closure of (1) the Elkhart, Indiana manufacturing facility and (2) a retail store. The accrual includes estimated employee severance, inventory write-offs, and lease commitments with no future benefit to the Company. Utilization of the accrual may differ from the initial restructuring charge as amounts are paid and become known to the Company.

The following table summarizes the activity related to the restructuring charges during the nine months ended March 31, 2003:

	Employee Separation Costs	Facility Closing Costs	Total
Accrued restructuring costs at June 30, 2002	\$ 431,793	\$ 1,268,816	\$ 1,700,609
Restructuring (income) charges for the period ended March 31, 2003	(431,793)	477,000	45,207
Recovery (utilization) for the period ended March 31, 2003		(367,982)	(367,982)
Accrued restructuring costs at March 31, 2003	\$ 0	\$ 1,377,834	\$ 1,377,834

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

Segment operating income is based on profit or loss from operations before interest income and expense, other income and income taxes.

Segment information for the three-month periods ended March 31 was as follows:

	March 31, 2003			March 31, 2002		
	Seating Products	Retail Stores	Total	Seating Products	Retail Stores	Total
Net sales	\$72,321,954	\$ 1,139,350	\$73,461,304	\$71,595,505	\$ 2,146,817	\$73,742,322
Operating income (loss)	2,542,469	(271,764)	2,270,705	3,419,614	(394,687)	3,024,927
Depreciation	1,144,224	26,822	1,171,046	1,049,039	49,710	1,098,749
Capital expenditures ..	554,360		554,360	281,899	52,395	334,294

Segment information for the nine-month periods ended March 31 was as follows:

	March 31, 2003			March 31, 2002		
	Seating Products	Retail Stores	Total	Seating Products	Retail Stores	Total
Net sales	\$212,915,918	\$ 4,144,823	\$217,060,741	\$197,280,051	\$ 5,496,613	\$202,776,664
Operating income (loss)	9,721,994	(1,075,206)	8,646,788	5,591,618	(1,588,202)	4,003,416
Depreciation	3,506,259	87,273	3,593,532	3,751,315	143,020	3,894,335
Capital expenditures ..	3,996,582		3,996,582	443,918	95,215	539,133
Assets	120,415,155	1,382,600	121,797,755	109,916,680	2,311,683	112,228,363

9. 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:

GENERAL:

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

CRITICAL ACCOUNTING POLICIES:

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

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

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

INVENTORIES - the Company values inventory at the lower of cost or market. Raw steel, lumber and wood frame parts are valued on the last-in, first out (LIFO) method. Other inventories are valued on the first-in, first-out (FIFO) method. Changes in the market conditions could require a write down of inventory.

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

RESTRUCTURING - the Company established an accrual for restructuring liabilities in fiscal 2002 for estimated employee separation costs and facility closing costs related to the closure of (1) the Elkhart, Indiana manufacturing facility and (2) a retail store. The accrual includes estimated employee severance, inventory write-offs, and lease commitments with no future benefit to the Company. Utilization of the accrual may differ from the initial restructuring charge as amounts are paid and become known to the Company.

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

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.

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

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the fiscal third quarter and nine-month periods ended March 31, 2003 and 2002. Amounts presented are percentages of the Company's net sales.

	Third Quarter Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	(79.0%)	(77.6%)	(77.8%)	(79.0%)
Gross margin	21.0%	22.4%	22.2%	21.0%
Selling, general and administrative	(17.9%)	(18.3%)	(18.4%)	(19.0%)
Gain on sale of land			0.2%	
Operating income	3.1%	4.1%	4.0%	2.0%
Other income, net	0.2%	0.4%	0.3%	0.4%
Income before income taxes	3.3%	4.5%	4.3%	2.4%
Provision for income taxes	(1.4%)	(1.8%)	(1.7%)	(0.9%)
Net income	1.9%	2.7%	2.6%	1.5%

RESULTS OF OPERATIONS FOR THE QUARTER - Net sales for the quarter ended March 31, 2003 decreased by \$0.3 million compared to the prior year quarter. Residential seating sales volume decreased \$3.2 million or 6%. Recreational vehicle seating sales increased \$1.5 million or 8%. Commercial seating sales increased \$1.5 million or 38%.

Gross margin decreased \$1.0 million to \$15.5 million or 21.0% of net sales in the current quarter, from \$16.5 million or 22.4% in the prior year quarter. The lower gross margin in the current quarter resulted from raw material price increases, changes in product mix, higher delivery expenses related to higher fuel costs, and weather related expenses. The weather conditions resulted in increased utility costs, manufacturing interruptions at our eastern Pennsylvania location and product delivery inefficiencies in the eastern third of the country during February and early March.

Selling, general and administrative expenses as a percentage of net sales were 17.9% and 18.3% for the current quarter and prior year quarter, respectively.

During the current quarter, the Company settled federal income tax audits for its latest three fiscal years. The Company has recorded additional income tax expense and interest expense of \$0.1 million each that resulted from the audits.

The above factors resulted in current fiscal quarter net income of \$1.4 million or \$0.22 per share compared to \$2.0 million or \$0.33 per share in the prior year quarter, a net decrease of \$0.6 million or \$0.11 per share.

All earnings per share amounts are on a diluted basis.

RESULTS OF OPERATIONS FOR THE LAST NINE MONTHS - Net sales for the nine-months ended March 31, 2003 increased by \$14.3 million or 7% compared to the prior year nine-month period. Residential seating sales volume increased \$4.1 million or 3%. Recreational vehicle seating sales increased \$8.5 million or 18%. Commercial seating sales increased \$1.7 million or 13%. The increase in net sales reflects improved industry performance for vehicle seating products and modest market share gains for residential products.

During the quarter ended December 31, 2001, the Company recorded a charge of \$0.9 million to cost of goods sold for estimated facility closing costs. Because the Company was able to lease the facility to a third party that has employed most of the former employees, the Company recorded a credit to cost of goods sold of \$0.4 million during the quarter ended December 31, 2002.

Gross margin increased \$5.6 million to \$48.1 million or 22.2% of sales in the current period from \$42.5 million or 21.0% of sales in the prior year period. The gross margin improvement was due to higher production volume and improved fixed cost absorption in the first six months offset by the third quarter issues described above. In addition, the prior year gross margin was reduced by a charge of \$0.9 million for facility closing costs.

Selling, general and administrative expenses as a percentage of sales were 18.4% and 19.0% for the current year and prior year, respectively. The cost percentage decrease was primarily due to improved fixed cost absorption on the higher net sales.

During the first quarter of fiscal 2003, the Company sold land adjacent to the Lancaster, Pennsylvania factory at a net gain (after tax) of \$0.2 million or \$0.04 per share.

During the third quarter of fiscal 2003, the Company settled federal income tax audits for its latest three fiscal years. The Company has recorded additional income tax expense and interest expense of \$0.1 million each that resulted from the audits.

The above factors resulted in current fiscal year to date net income of \$5.7 million or \$0.89 per share compared to \$2.9 million or \$0.48 per share in the prior year period, an increase of \$2.8 million or \$0.41 per share from the prior year nine-month period.

All earnings per share amounts are on a diluted basis.

Liquidity and Capital Resources:

Working capital at March 31, 2003 was \$65.8 million, which includes cash, cash equivalents and investments of \$24.5 million. Working capital increased by \$3.6 million or 6% from June 30, 2002.

During the nine-month period ended March 31, 2003, cash, cash equivalents, and investments increased by \$3.3 million. Operating activities provided \$9.2 million in cash that was primarily used to invest \$4.0 million for capital assets and to pay dividends of \$2.4 million.

The Company has adequate cash, cash equivalents and short-term investment to meet its operating requirements. The Company's liquidity and capital resources provide it with the ability to react to opportunities as they arise, the ability to pay quarterly dividends to its shareholders, and ensures that productive capital assets that enhance safety and improve operations are purchased as needed.

Item 3. Quantitative and Qualitative Information About Market Risk.

Not applicable

Item 4. Controls and Procedures

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Based on their evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) were effective as of the date of such evaluation to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) CHANGES IN INTERNAL CONTROLS. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

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 herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the cyclical nature of the furniture industry, the effectiveness of new product introductions, the product mix of our sales, the cost of raw materials, the amount of sales generated and the profit margins thereon, competition, both foreign and domestic, credit exposure to our customers, and general economic conditions.

The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

The registrant filed the following reports on Form 8-K:

- o Press Release dated March 18, 2003 - Flexsteel Announces Lower Earnings Outlook for Third and Fourth Fiscal Quarters.
- o Press Release dated April 15, 2003 - Flexsteel Announces Third Quarter and Year-To-Date Operating Results.

Exhibits:

- - - - -

- 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

FLEXSTEEL INDUSTRIES, INC.

Date: April 17, 2003

By: /s/ R. J. Klosterman

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

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

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

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 17, 2003

By: /S/ K. BRUCE LAURITSEN

K. Bruce Lauritsen
Chief Executive Officer

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

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

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 17, 2003

By: /S/ R. J. KLOSTERMAN

Ronald J. Klosterman
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Flexsteel Industries, Inc. (the Issuer) on Form 10-Q for the quarter ended March 31, 2003 as filed with the Securities and Exchange Commission (the Report), we, K. Bruce Lauritsen, Chief Executive Officer, and Ronald J. Klosterman, Chief Financial Officer, of the Issuer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
- and;
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Issuer.

Date: April 17, 2003

By: /S/ K. BRUCE LAURITSEN

K. Bruce Lauritsen
Chief Executive Officer

/S/ R. J. KLOSTERMAN

Ronald J. Klosterman
Chief Financial Officer