UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Pursuant to SS.240.14a-11(c) or SS.240.14a-12

FLEXSTEEL INDUSTRIES, INC.
- --
(Name of Registrant as Specified In Its Charter)

- --
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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[_] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

____

2) Form, Schedule or Registration Statement No.:

____

3) Filing Party:

____

4) Date Filed:

____

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

Date: October 27, 2000

Office of the Chairman of the Board

Dear Stockholder:

You are cordially invited to attend the Annual Stockholders' Meeting on Monday, December 11, 2000, at 2:00 p.m. We sincerely want you to come, and we welcome this opportunity to meet with those of you who find it convenient to attend.

Time will be provided for stockholder questions regarding the affairs of the Company and for discussion of the business to be considered at the meeting as explained in the notice and proxy statement which follow. Directors and other Company executives expect to be available to talk individually with stockholders after the meeting. No admission tickets or other credentials are currently required for attendance at the meeting.

The formal notice of the meeting and proxy statement follow. I hope that after reading them you will sign and mail the proxy card, whether you plan to attend in person or not, to assure that your shares will be represented.

Sincerely,

/s/ John R. Easter

John R. Easter
CHAIRMAN OF THE BOARD

RECORD DATE:	October 13, 2000
DATE OF MEETING:	December 11, 2000
TIME:	2:00 p.m.
PLACE:	Hyatt Regency O'Hare 9300 West Bryn Mawr Avenue Pine Valley Conference Room Rosemont, Illinois 60018

IMPORTANT

WHETHER YOU OWN ONE SHARE OR MANY, EACH STOCKHOLDER IS URGED TO VOTE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 11, 2000

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders of Flexsteel Industries, Inc. will be held at the Hyatt Regency O'Hare, 9300 West Bryn Mawr Avenue, Rosemont, Illinois 60018 in the Pine Valley Conference Room, on Monday, December 11, 2000, at 2:00 p.m. for the following purposes:

1. To elect three (3) Class II Directors to serve until the year 2003 Annual Meeting and until their successors have been elected and qualified or until their earlier resignation, removal or termination (Proposal I).

2. To ratify or reject the appointment by the Board of Directors of Deloitte & Touche LLP as independent auditors for the fiscal year ending June 30, 2001 (Proposal II).

3. To transact such other business as may properly come before the meeting or any adjournments thereof.

October 13, 2000 has been fixed as the record date for the determination of common stockholders entitled to notice of and to vote at the meeting, and only holders of record at the close of business on that date will be entitled to vote at the meeting or any adjournment thereof.

Whether or not you plan to attend the meeting, please mark, date and sign the accompanying proxy and return it promptly in the enclosed envelope which requires no additional postage if mailed in the United States. If you attend the meeting, you may vote your shares in person even though you have previously signed and returned your proxy. Voting by ballot at the meeting cancels any proxy previously returned.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ R.J. Klosterman

R.J. KLOSTERMAN
SECRETARY

October 27, 2000

PLEASE SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors of Flexsteel Industries, Inc. (the "Company") to be used at the Annual Meeting of Stockholders to be held on Monday, December 11, 2000, and any adjournments thereof, and may be revoked by the stockholder at any time before it is exercised by a written notice or a later dated proxy delivered to the Secretary of the Company. Execution of the proxy will in no way affect a stockholder's right to attend the meeting and vote in person. The proxy will be revoked if the stockholder is present at the meeting and votes by ballot in person. Properly executed proxies received prior to the voting at the meeting will be voted at the meeting or any adjournments thereof. If a stockholder specifies how the proxy is to be voted on any business to come before the meeting, it will be voted in accordance with such specification. If no specification is made, it will be voted FOR the election of James R. Richardson, Patrick M. Crahan and Marvin M. Stern as Class II Directors (Proposal I), and FOR ratification of the appointment of Deloitte & Touche LLP (Proposal II). Each of the above named nominees has been previously elected by the stockholders, except Marvin M. Stern.

The mailing address of the corporate office and principal executive office of the Company is P.O. Box 877, Dubuque, Iowa 52004-0877. The approximate date on which this proxy statement and accompanying proxy card are first being mailed to stockholders is October 27, 2000.

As of the close of business on October 13, 2000, the record date for determining stockholders entitled to notice and to vote at the meeting, the Company had 6,175,212 outstanding shares of Common Stock, par value $1.00 per share. Each share is entitled to one vote and cumulative voting is not permitted. No Preferred Stock is outstanding.

Stockholder votes will be counted by Inspectors of Election who will be present at the stockholder meeting. The affirmative vote of a majority of the shares of stock represented at the meeting shall be the act of the stockholders for the election of directors. Abstentions and broker non-votes shall not be counted as votes for or against the proposal being voted on.

EXPENSE OF SOLICITATION

The cost of the solicitation of proxies on behalf of the Board of Directors will be paid by the Company. Solicitation of proxies will be principally by mail. In addition, the officers or employees of the Company and others may solicit proxies, either personally, by telephone, by special letter, or by other forms of communication. The Company will also make arrangements with banks, brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals and will reimburse them for reasonable expenses in so doing. Officers and employees of the Company will not receive additional compensation in connection with the solicitation of proxies.

PROPOSAL I

ELECTION OF DIRECTORS

The Board currently consists of ten persons divided into three classes. At each Annual Meeting the terms of one class of Directors expire and persons are elected to that class for terms of three years or until their respective successors are duly qualified and elected or until their earlier resignation, removal or termination.

The Board of Directors of the Company has nominated James R. Richardson, Patrick M. Crahan and Marvin M. Stern for election as Class II Directors of the Company. The Class II Directors' term expires at the time of the year 2003 Annual Meeting and until their respective successors have been elected and qualified or until their earlier resignation, removal or termination. It is the intention of the proxies named herein to vote FOR these nominees unless otherwise directed in the proxy.

All nominees named above have consented to serve as Directors if elected. In the event that any of the nominees should fail to stand for election, the persons named as proxy in the enclosed form of proxy intend to vote for substitute nominees. The proxies cannot be voted for a greater number of persons than the number of nominees named herein.

NAME	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATION AND OTHER DIRECTORSHIPS OR EMPLOYMENT DURING THE LAST FIVE YEARS
NOMINEES FOR ELECTION FOR A TERM OF THREE YEARS EXPIRING AT THE 2003 ANNUAL MEETING, CLASS II			
James R. Richardson (3)	56	1990	Senior Vice President Marketing, 1994 to present, Flexsteel Industries, Inc.
Patrick M. Crahan (3)	52	1997	Vice President, Dubuque Upholstering Division, 1989 to present, Flexsteel Industries, Inc; Director, American Trust and Savings Bank, Dubuque, Iowa.
Marvin M. Stern (2)(3)	64	1998	Retired Vice President, Sears-Roebuck Company (retired 1996).
DIRECTORS CONTINUING TO SERVE WHOSE TERMS EXPIRE AT THE 2002 ANNUAL MEETING, CLASS I			
K. Bruce Lauritsen	58	1987	Chief Executive Officer and President, 1993 to present, Flexsteel Industries, Inc.; Regent, Loras College.
Thomas E. Holloran (1)(2)	71	1971	Professor, Graduate School of Business, University of St. Thomas, St. Paul; former Director, Medtronic, Inc, (1960 - 2000).
L. Bruce Boylen (1)(2)	68	1993	Retired Vice President, Fleetwood Enterprises, Inc. (retired 1991) (mfr. of recreational vehicles and manufactured homes).
John R. Easter	71	1993	Retired Vice President, Sears-Roebuck Company (retired 1989).
DIRECTORS CONTINUING TO SERVE WHOSE TERMS EXPIRE AT THE 2001 ANNUAL MEETING, CLASS III			
Edward J. Monaghan (3)	61	1987	Chief Operating Officer and Executive Vice President, 1993 to present, Flexsteel Industries, Inc.; Trustee, Clarke College.
Jeffrey T. Bertsch (3)	45	1997	Vice President Corporate Services, 1989 to present, Flexsteel Industries, Inc.; Director, American Trust and Savings Bank, Dubuque, Iowa.
Lynn J. Davis (1)(3)	53	1999	Senior Vice President, 1991 to present, ADC Telecommunications, Inc.; Director, Automated Quality Technologies, Inc. (mfr. of non-contact measurement equipment).

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(1) Member of Audit Committee

(2) Member of Compensation and Nominating Committee

(3) Member of Marketing and Planning Committee

CERTAIN INFORMATION CONCERNING BOARD AND OUTSIDE DIRECTOR'S COMPENSATION

During the fiscal year ended June 30, 2000, four meetings of the Board of Directors were held. No Director attended less than 75% of the meetings.

Each Director who is not an employee of the Company is paid a retainer at the rate of $9,600 per year. In addition, each is paid a fee of $2,400 for each Board meeting each attends. The Chairman of the Board is paid a retainer of $16,800 per year and a fee of $4,200 for each Board meeting attended. For attending a committee meeting each is paid a fee of $1,000. The Chairman of each Committee is paid $1,100 for each meeting attended. The Company pays no additional remuneration to employees of the Company who are Directors.

Each Director who is not an employee of the Company receives on the first business day after each annual meeting a non-discretionary, non-qualified stock option grant for 1,000 shares valued at fair market value on date of grant, exercisable for 10 years. Each person who becomes for the first time a non-employee member of the Board, including by reason of election, appointment or lapse of three (3) years since employment by the Company, will receive an immediate one-time option grant for 2,000 shares.

The Company previously entered into an unfunded deferred compensation agreement with John R. Easter, whereby director fees were invested by the Company. Payments to Mr. Easter were deferred until his 70th birthday.

The Company has entered into an agreement with Thomas E. Holloran pursuant to which the Company will pay to him, or his beneficiaries, $20,000 after he ceases to be a Director as additional compensation in recognition of Director services rendered.

COMMITTEES OF THE BOARD

The Board of Directors has established three standing committees; the names of the committees and the principal duties are as follows:

AUDIT COMMITTEE:

Confers with the independent auditors on various matters, including the scope and results of the audit; authorizes special reviews or audits; reviews internal auditing procedures and the adequacy of internal controls; and reviews policies and practices respecting compliance with laws, conflicts of interest and ethical standards of the Company. The Committee held two meetings during the fiscal year ended June 30, 2000. The Committee members are Thomas E. Holloran, L. Bruce Boylen and Lynn J. Davis. The Board of Directors has adopted a written charter for the Audit Committee which is attached hereto as Appendix A. The Company believes all audit committee members are independent as defined in Rule 4200(a)(14) of NASD listing standards.

COMPENSATION AND NOMINATING COMMITTEE:

Makes recommendations regarding Board compensation, reviews performance and compensation of various executive officers, determines stock option grants, and advises regarding employee benefit plans. Makes recommendations regarding Board of Director nominees and reviews timely proposed nominees received from any source including nominees by stockholders. Nominations by stockholders must be received by the Secretary at least 18 days before the annual meeting and set forth nominee information as required by the Restated Articles which are available upon request to the Secretary of the Company. The Committee held three meetings during the fiscal year ended June 30, 2000. The Committee members are L. Bruce Boylen, Thomas E. Holloran and Marvin M. Stern.

MARKETING AND PLANNING COMMITTEE:

Reviews marketing plans with respect to the Company's position in the various market places. Makes recommendations regarding marketing direction to enhance revenues and profit margins. The Committee held one meeting during the fiscal year ended June 30, 2000. The Committee members are Marvin M. Stern, Patrick M. Crahan, Jeffrey T. Bertsch, Lynn J. Davis, Edward J. Monaghan and James R. Richardson.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITS NOMINEES. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.

OWNERSHIP OF STOCK BY DIRECTORS AND EXECUTIVE OFFICERS

The table below sets forth the shares of Flexsteel's common stock beneficially owned by the Directors, the Chief Executive Officer, the other four most highly compensated executive officers and by all directors and executive officers as a group as of August 10, 2000. Unless otherwise indicated, to the best knowledge of the Company all persons named in the table have sole voting and investment power with respect to the shares shown.

NAME	TITLE	SHARES BENEFICIALLY OWNED (1)(2)	PERCENT OF TOTAL SHARES OUTSTANDING
J.T. Bertsch	Vice President Corporate Services, Director	329,967(3)(4)	5.3%
L.B. Boylen	Director	9,000	0.1%
P.M. Crahan	Vice President Dubuque Upholstering Division, Director	127,360(4)	2.0%
L.J. Davis	Director	3,000	0.0%
J.R. Easter	Chairman of the Board of Directors	9,000	0.1%
T.E. Holloran	Director	14,680	0.2%
K.B. Lauritsen	President, Chief Executive Officer, Director	132,572(4)	2.1%
E.J. Monaghan	Executive Vice President, Chief Operating Officer, Director	152,791(4)	2.5%
J.R. Richardson	Senior Vice President Marketing, Director	476,178(4)(5)	7.6%
M.M. Stern	Director	4,000	0.1%
T.D. Burkart	Senior Vice President Vehicle Seating	77,761(4)	1.2%
R.J. Klosterman	Vice President Finance, Chief Financial Officer and Secretary	78,316(4)	1.3%
ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (12)		1,414,625	22.7%

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(1) Includes the following number of shares which may be acquired by exercise of stock options: J.T. Bertsch -- 41,200; L.B. Boylen -- 9,000; P.M. Crahan -- 42,400; L.J. Davis -- 3,000; J.R. Easter -- 9,000; T.E. Holloran -- 10,000; K.B. Lauritsen -- 67,865; E.J. Monaghan -- 63,440; J.R. Richardson -- 61,490; M.M. Stern -- 4,000; T.D. Burkart -- 44,000; R.J. Klosterman -- 46,900.

(2) Includes shares, if any, owned beneficially by their respective spouses.

(3) Does not include 178,192 shares held in irrevocable trusts for which trusts American Trust & Savings Bank serves as sole trustee. Under the Terms of Trust, Jeffrey T. Bertsch has a possible contingent interest. Jeffrey T. Bertsch disclaims beneficial ownership in the shares held by each such trust.

(4) Includes shares awarded pursuant to the Company's Long-Term Incentive Plan over which shares the Grantee has voting rights. Investment rights are restricted subject to continued service with the Company.

(5) Includes 244,449 shares held in the Irrevocable Arthur D. Richardson trust for which American Trust & Savings Bank serves as sole trustee but over which shares J.R. Richardson has the rights of voting and disposition.

OWNERSHIP OF STOCK BY
CERTAIN BENEFICIAL OWNERS
AS OF AUGUST 10, 2000

To the best knowledge of the Company, no person owns beneficially 5% or more of the outstanding common stock of the Company except as is set forth below.

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT BENEFICIALLY OWNED (1)	PERCENT OF CLASS
Common	J.T. Bertsch, P.O. Box 877, Dubuque, IA 52004	329,967	5.3%
Common	J.B. Crahan, P.O. Box 877, Dubuque, IA 52004	373,613	6.0%
Common	J.R. Richardson, P.O. Box 877, Dubuque, IA 52004	476,178(2)	7.6%
Common	Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, Santa Monica, CA 90401	485,200	7.8%
Common	First Pacific Advisors Incorporated 11400 West Olympic Boulevard Los Angeles, CA 90064	402,200	6.5%
Common	Heartland Advisors, Inc. 790 North Milwaukee Street Milwaukee, WI 53202	363,300	5.8%

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(1) To the best knowledge of the Company, no beneficial owner named above has the right to acquire beneficial ownership in additional shares.

(2) Includes 244,449 shares held in the Irrevocable Arthur D. Richardson trust for which American Trust & Savings Bank serves as sole trustee but over which shares J.R. Richardson has the rights of voting and disposition.

The following table discloses compensation received by the Company's Chief Executive Officer and the four remaining most highly paid executive officers for the three (3) fiscal years ending June 30, 2000.

SUMMARY COMPENSATION TABLE

					LONG-TERM COMPENSATION			
	ANNUAL COMPENSATION				AWARDS		PAYOUTS	
NAME & PRINCIPAL POSITION	YEAR	SALARY $	BONUS $	OTHER ANNUAL COMP $	RESTRICTED STOCK AWARDS $	SECURITIES UNDERLYING OPTIONS #	LTIP PAYOUTS $	ALL OTHER COMP $(1)(2)
K. Bruce Lauritsen	2000	316,500	181,068			12,000	76,020	169,744
President & Chief	1999	302,850	178,239			9,500	70,587	26,616
Executive Officer	1998	290,400	143,848			8,725	54,202	27,459
Edward J. Monaghan	2000	239,700	137,559			9,000	52,054	119,708
Executive Vice President	1999	229,950	121,809			9,000	46,596	9,832
& Chief Operating Officer	1998	225,000	100,784			8,300	35,010	10,870
James R. Richardson	2000	210,300	121,046			9,000	45,714	117,627
Senior Vice President of	1999	201,750	105,896			8,500	40,748	23,152
Marketing	1998	195,300	77,983			7,600	29,371	23,664
Ronald J. Klosterman	2000	180,600	92,292			9,000	37,647	171,770
Vice President of	1999	171,750	90,312			8,500	34,706	33,066
Finance & Secretary	1998	160,200	70,425			7,200	24,853	33,573
Thomas D. Burkart	2000	183,600	105,889			9,000	39,938	93,212
Senior Vice President	1999	174,300	103,734			7,500	36,826	26,596
Vehicle Seating	1998	164,700	69,417			6,500	21,263	26,656

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(1) All Other Compensation -- Includes for the fiscal years and the named executive officers indicated below: (i) retirement plan contributions, (ii) Company matching contributions to the Section 401k plan and (iii) accruals made in accordance with the Company's Senior Officer Deferred Compensation Plans.

(2) Fiscal year 2000 includes a one-time additional accrual related to changes in the Company's Senior Officer Deferred Compensation Plan. The one-time additional accurals are as follows: K. Bruce Lauritsen -- $122,212; Edward J. Monaghan -- $97,710; James R. Richardson -- $85,109; Ronald J. Klosterman -- $132,488; Thomas D. Burkart -- $59,350.

NAME	YEAR	RETIREMENT PLAN	401k	DEFERRED COMP
K. Bruce Lauritsen	2000	8,148	1,600	159,996
	1999	8,232	1,600	16,784
	1998	9,256	1,419	16,784
Edward J. Monaghan	2000	8,148	1,600	109,960
	1999	8,232	1,600	0
	1998	9,270	1,600	0
James R. Richardson	2000	8,148	1,600	107,879
	1999	8,232	1,600	13,320
	1998	8,744	1,600	13,320
Ronald J. Klosterman	2000	8,148	1,600	162,022
	1999	8,232	1,600	23,234
	1998	8,739	1,600	23,234
Thomas D. Burkart	2000	8,148	1,600	83,464
	1999	8,232	1,600	16,764
	1998	8,292	1,600	16,764

STOCK OPTIONS/SAR*
OPTION GRANTS IN LAST FISCAL YEAR

NAME	EXERCISE SHARES	PRICE ($/Sh)	EXPIRE DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (1)	
				5%	10%
K. Bruce Lauritsen	12,000	13.25	11/02/09	99,994	253,405
Edward J. Monaghan	9,000	13.25	11/02/09	74,996	190,054
James R. Richardson	9,000	13.25	11/02/09	74,996	190,054
Ronald J. Klosterman	9,000	13.25	11/02/09	74,996	190,054
Thomas D. Burkart	9,000	13.25	11/02/09	74,996	190,054

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* The Company does not have a stock appreciation rights plan (SAR).

(1) The amounts set forth in these columns are the result of calculations at the 5% and 10% rates set by the Securities and Exchange Commission. Actual gains, if any, on stock option exercise are dependent on the future performance of the Company's common stock.

OPTION EXERCISES AND FISCAL YEAR-END VALUES

The following table sets forth information with respect to the Named Executive Officers concerning the exercise of options during the last fiscal year and unexercised options held as of the end of the fiscal year.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FY-END 2000	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END 2000 (1)
NAME	# OF SHARES ACQUIRED ON EXERCISE	$ VALUE REALIZED	# EXERCISABLE	$ EXERCISABLE
K. Bruce Lauritsen	-0-	-0-	67,865	68,724
Edward J. Monaghan	9,520	32,748	63,440	66,504
James R. Richardson	-0-	-0-	61,490	63,560
Ronald J. Klosterman	-0-	-0-	46,900	50,475
Thomas D. Burkart	-0-	-0-	44,000	44,156

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(1) Based on the closing price as published in The Wall Street Journal for the last business day of the fiscal year ($12.25). All options are exercisable at time of grant.

LONG-TERM INCENTIVE PLAN AWARDS TABLE
LONG-TERM INCENTIVE PLAN AWARDS IN LAST FISCAL YEAR

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT (1)	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE BASED PLANS (2)
K. Bruce Lauritsen	9,424		
Edward J. Monaghan	6,453		
James R. Richardson	5,667		
Ronald J. Klosterman	4,667		
Thomas D. Burkart	4,951		

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Shares of the Company's common stock are available for award annually to key employees based on the average of the returns on beginning equity for the last three years.

(1) Shares awarded are subject to restriction, with 33.3% of the stock received by the employee on the award date and 33.3% each year for the next two years. Restricted Stock Awards -- The aggregate stock holdings (number of shares and value) as of August 1, 2000 are as follows: K. Bruce Lauritsen -- 6,283 shares, $76,020; Edward J. Monaghan -- 4,302 shares, $52,054; James R. Richardson -- 3,778 shares, $45,714; Ronald J. Klosterman -- 3,111 shares, $37,647; Thomas D. Burkart -- 3,301 shares, $39,938. Dividends are paid to the employee on restricted shares.

(2) Not applicable to Plan.

NOMINATING AND COMPENSATION COMMITTEE REPORT CONCERNING FLEXSTEEL'S EXECUTIVE COMPENSATION POLICY

The Nominating and Compensation Committee of the Board of Directors is responsible for the establishing of the Company's policy for compensating executives. The Committee is comprised of non-employee directors.

COMPENSATION PHILOSOPHY -- The fundamental objective of Flexsteel's executive compensation program is to support the achievement of the Company's business objectives and, thereby, the creation of stockholder value. As such, the Company's philosophy is that executive compensation policy and practice should be designed to achieve the following objectives:

* Align the interests of executives with those of the Company and its stockholders by providing a significant portion of compensation in Company stock.

* Provide an incentive to executives by tying a meaningful portion of compensation to the achievement of Company financial objectives.

* Enable the Company to attract and retain key executives whose skills and capabilities are needed for the continued growth and success of Flexsteel by offering competitive total compensation opportunities and providing attractive career opportunities.

In compensating senior management for its performance, two key measures are considered: return on equity and stock price. At the executive level, overall Company performance is emphasized in an effort to encourage teamwork and cooperation.

While a significant portion of compensation fluctuates with annual results, the total program is structured to emphasize longer-term performance and sustained growth in stockholder value.

COMPETITIVE POSITIONING -- The Committee regularly reviews executive compensation levels to ensure that the Company will be able to attract and retain the caliber of executives needed to run the Company and that pay for executives is reasonable and appropriate relative to market practice. In making these evaluations, the Committee annually reviews the result of surveys of executive salary and annual bonus levels among durable goods manufacturers of comparable size. The Committee periodically completes an in-depth analysis of salary, annual bonus, and long-term incentive opportunities among specific competitors assisted by an independent compensation consulting firm. The surveyed companies are included in the Household Furniture Index used as the peer group for purposes of the performance graph. While the pay of an individual executive may vary, the Company's Policy is to target aggregate compensation for executives at average competitive levels, provided commensurate performance.

COMPONENTS OF EXECUTIVE COMPENSATION -- The principal components of Flexsteel's executive compensation program include base salaries, annual cash bonuses, and longer-term incentives using Company stock.

BASE SALARY -- An individual executive's base salary is based upon the executive's level of responsibility and performance within the Company, as well as competitive rates of pay. The Committee reviews each executive officer's salary annually and makes adjustments, as appropriate, in light of any change in the executive's responsibility, changes in competitive salary levels, and the Company's performance.

ANNUAL INCENTIVE -- The purpose of the Company's annual incentive program is to provide a direct monetary incentive to executives in the form of annual cash bonus tied to the achievement of performance objectives. For executive officers, the Committee annually sets a targeted return on equity for the coming year, from which minimum and maximum levels are determined. Corresponding incentive award levels, expressed as a percentage of salary, also are set based primarily on an individual's responsibility level. If minimum performance levels are not met, no bonus award is made. After the completion of the year, the Committee ratifies cash bonuses as awarded based principally on the extent to which targeted return on equity has been achieved.

LONG-TERM INCENTIVES -- Longer-term incentive compensation involves the use of stock under two types of awards: Long-term incentive awards and stock options. Both types of awards are intended to focus executives' attention on the achievement of the Company's longer term performance objectives, to align the executive officers' interests with those of stockholders and to facilitate executives' accumulations of sustained holding of Company stock. The level of award opportunities, as combined under both plans, are intended to be consistent with typical levels of comparable companies and reflect an individual's level of responsibility and performance.

Long-term incentive awards are paid under the stockholder approved Management Incentive Plan. Awards give executives the opportunity to earn shares of Company stock to the extent that the three-year average return on equity objectives are achieved. As with annual incentives, various levels of performance goals and corresponding compensation amounts are established, with no awards earned if a minimum level is not achieved. Two-thirds of any earned shares are subject to forfeiture provisions tied to the executive's continued service with the Company. This provision is intended to enhance the Company's ability to retain key executives and provide a longer-term performance focus.

Stock options, as awarded under stockholder approved plans, give executives the opportunity to purchase Flexsteel common stock for a term not to exceed ten years and at a price of no less than the fair market value of Company stock on the date of grant. Executives benefit from stock options only to the extent stock price appreciates after the grant of the option.

COMPENSATION OF THE CHIEF EXECUTIVE OFFICER -- The total compensation for Flexsteel's CEO in fiscal year 2000 was established in accordance with the policies discussed above. Mr. Lauritsen's base salary increase reflects market movements in executive salaries. His annual incentive bonus and long-term incentive award were based on the Company's achievement of established target levels for return on equity. Mr. Lauritsen's stock option award was consistent with prior awards and those to other senior executives.

The Company's current levels of compensation are less than the $l,000,000 level of non-deductibility with respect to Section 162(m) of the Internal Revenue Code.

This report has been prepared by members of the Compensation and Nominating Committee of the Board of Directors. Members of this Committee are:

L. Bruce Boylen   Thomas E. Holloran   Marvin M. Stern

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statements on Auditing Standards (SAS) No. 61 "Communication with Audit Committees", as may be modified or supplemented. The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and has discussed with the independent accountant, the independent accountant's independence. Based on the review and discussions referred to above in this report, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Commission.

This report has been prepared by members of the Audit Committee. Members of this Committee are:

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of Flexsteel's Compensation and Nominating Committee are L. Bruce Boylen, Chairman, Thomas E. Holloran and Marvin M. Stern. No executive officer of Flexsteel served as a director of another entity that had an executive officer serving on Flexsteel's compensation committee. No executive officer of Flexsteel served as a member of the compensation committee of another entity which had an executive officer who served as a director of Flexsteel.

SHARE INVESTMENT PERFORMANCE

The following graph is based upon the SIC Code #251 Household Furniture Index as a peer group. It shows changes over the past five-year period in the value of $100 invested in: (1) Flexsteel's Common Stock; (2) the NASDAQ Market Index; and (3) an industry group of the following: Bassett Furniture Ind., Bush Industries Inc. CL A, Chromcraft Revington Inc., DMI Furniture, Inc., Ethan Allen Interiors, Flexsteel Industries, Inc., Furniture Brands Intl., Industrie Natuzzi S.P.A., Krause's Furniture, Inc., La-Z-Boy Inc., Leggett & Platt Inc., Rowe Companies, and Stanley Furniture Inc. This data was furnished by Media General Financial Services. The graph assumes reinvestment of dividends.

FIVE-YEAR CUMULATIVE TOTAL RETURNS
VALUE OF $100 INVESTED ON JUNE 30, 1995

[PLOT POINTS CHART]

	1995	1996	1997	1998	1999	2000
Flexsteel	100	119.84	124.78	151.34	152.60	146.19
Furniture Household	100	122.93	177.83	225.55	235.32	145.57
NASDAQ	100	125.88	151.64	201.01	281.68	423.84

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Information with respect to directorships held by certain directors of the Company in local financial institutions is set forth in the table under "Proposal I -- Election of Directors," in the column captioned "Principal Occupation and Other Directorships or Employment during the Last Five Years." The Company maintains normal banking relations with the banks named in the table. It is expected that the Company's relationship with these banks will continue in the future.

PROPOSAL II

APPOINTMENT OF INDEPENDENT AUDITORS

Subject to ratification by the stockholders, the Board of Directors has appointed Deloitte & Touche LLP as independent certified public accountants to examine the financial statements of the Company for the fiscal year ending June 30, 2001.

The Company has been informed by Deloitte & Touche LLP that neither it nor its members nor its associates has any direct, nor any material indirect financial interest in the Company. Management is not aware of any material connection by such firm in the recent past with the Company in any capacity other than as independent auditors. Representatives of Deloitte & Touche LLP are expected to be present during the annual meeting. They are expected to be available to respond to appropriate questions and will have the opportunity to make a statement if they wish.

Audit services performed by Deloitte & Touche LLP during the fiscal year include examinations of the financial statements of the Company, services related to filings with the Securities and Exchange Commission and consultation on matters related to accounting, taxation and financial reporting. Professional services were reviewed by the Audit Committee and the possible effect on the auditor's independence was considered.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.

PROPOSALS BY STOCKHOLDERS

Stockholders wishing to have a proposal considered for inclusion in the Company's proxy statement for the 2001 annual meeting must submit the proposal in writing and direct it to the Secretary of the Company at the address shown herein. It must be received by the Company no later than June 30, 2001.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) requires the Company's directors and executive officers to file with the Securities and Exchange Commission reports of ownership and changes in ownership of the Company's Common Stock, and the Company is required to identify any of those persons who fail to file such reports on a timely basis. To the best of the Company's knowledge, there were no late filings by directors and executive officers during fiscal year 2000.

OTHER MATTERS

The percentage total number of the outstanding shares represented at each of the last three years stockholders' meetings was as follows: 1997 - 88.0%; 1998 - 80.1%; 1999 - 92.0%.

UPON WRITTEN REQUEST THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED JUNE 30, 2000. REQUESTS SHOULD BE DIRECTED TO THE SECRETARY OF THE COMPANY AT P.O. BOX 877, DUBUQUE, IA 52004-0877.

The Board of Directors does not know of any other matter which may come before the meeting. However, should any other matter properly come before the meeting, the persons named in the Proxy will vote in accordance with their judgment upon such matters unless a contrary direction is indicated by the Stockholder by his lining or crossing out the authority on the Proxy.

Stockholders are urged to vote, date, sign and return the Proxy form in the enclosed envelope to which no postage need be affixed if mailed in the United States. Prompt response is helpful and your cooperation will be appreciated.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ R.J. Klosterman

R.J. KLOSTERMAN
SECRETARY

Dated: October 27, 2000
Dubuque, Iowa

FLEXSTEEL INDUSTRIES, INC.

AUDIT COMMITTEE CHARTER

ORGANIZATION

This charter governs the operations of the audit committee of Flexsteel Industries, Inc. The committee shall review and reassess the charter and obtain the approval of the board of directors. The committee shall be appointed by the board of directors and shall comprise at least three directors, each of whom are independent of management and the Company. Members of the committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company. All committee members shall be financially literate, [or shall become financially literate within a reasonable period of time after appointment to the committee,] and at least one member shall have accounting or related financial management expertise.

STATEMENT OF POLICY

The audit committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the board. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

RESPONSIBILITIES AND PROCESSES

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the board and report the results of their activities to the board. Management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements. The committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the audit committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

* The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the board and the audit committee, as representatives of the Company's shareholders. The committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, replace the independent auditors. The committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. Annually, the committee shall review and recommend to the board the selection of the Company's independent auditors, subject to shareholders' approval.

* The committee shall discuss with the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the committee shall discuss with management, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the committee shall meet with the independent auditors, with and without management present, to discuss the results of their examinations.

* The committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

* The committee shall review with management and independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior the filing of Form 10-K) including their judgment about the quality of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.

[LOGO]

FLEXSTEEL(R)
AMERICA'S SEATING SPECIALIST

NOTICE OF 2000
ANNUAL MEETING
AND
PROXY STATEMENT

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

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD DECEMBER 11, 2000

The undersigned, a stockholder of Flexsteel Industries, Inc., hereby appoints E.J. Monaghan and R. J. Klosterman and each of them, as proxies, with full power of substitution, to vote on behalf of the undersigned the same number of shares which the undersigned is then entitled to vote at the Annual Meeting of the Stockholders of Flexsteel Industries, Inc., to be held on Monday, December 11, 2000 at 2:00 P.M. at the Hyatt Regency O-Hare, 9300 West Bryn Mawr Avenue, Rosemont, Illinois 60018, in the Pine Valley Conference Room, and at any adjournments thereof as follows:

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR:

Proposal No. 1 -- Election of three (3) Class II Directors (Term Expires at the 2003 Annual Meeting):

JAMES R. RICHARDSON (Class II)	PATRICK M. CRAHAN (Class II)	MARVIN M. STERN (Class II)

[ ] FOR all Nominees (Except as marked to the contrary)   [ ] WITHHELD from all Nominees   [ ] WITHHELD from the following only: (Write name(s) below)

Proposal No. 2 -- Appointment of Deloitte & Touche LLP as Independent Auditors for the ensuing fiscal year:

[ ] FOR   [ ] AGAINST   [ ] ABSTAIN

In their discretion to vote upon such other business as may properly come before the meeting, or any adjournments thereof, UNLESS THE STOCKHOLDER LINES OR CROSSES OUT THIS AUTHORITY.

(IMPORTANT: continued, and to be signed and dated, on the reverse side)

(CONTINUED FROM OTHER SIDE)

The Undersigned hereby revokes any proxy or proxies to vote such shares heretofore given.

PLEASE VOTE, DATE, SIGN, AND RETURN IN THE ENCLOSED ENVELOPE.

Dated ________________________________, 2000.

____
(Signature)

____

Signature of stockholder shall correspond exactly with the name appearing hereon.

If a joint account, each owner must sign. When signing as attorney, executor, administrator, trustee, guardian or corporate official, give your full title as such.

This proxy when properly executed will be voted in the manner directed hereon by the above signed stockholder. If no direction is given, this proxy will be voted FOR Proposals 1 and 2, and the grant of authority to vote upon such other business as may properly come before the meeting or any adjournments thereof will not be crossed out.

NEW VISIONS OF COMFORT

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

[COVER PHOTO]

F L E X S T E E L   2 0 0 0

FLEXSTEEL INDUSTRIES INCORPORATED / ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2000

FINANCIAL HIGHLIGHTS

[AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

Year Ended June 30,	2000	1999	1998
Net Sales	$286,860	$260,519	$236,125
Operating Income	17,679	15,398	9,868
Income Before Income Taxes	18,658	16,217	11,527
Net Income	11,928	10,317	7,602
Per Share of Common Stock:			
Average Shares Outstanding:			
Basic	6,458	6,775	6,959
Diluted	6,562	6,850	7,035
Earnings:			
Basic	1.85	1.52	1.09
Diluted	1.82	1.51	1.08
Cash Dividends	0.52	0.48	0.48
At June 30,			
Working Capital	52,076	50,210	50,549
Net Plant and Equipment	26,837	25,912	23,096
Total Assets	114,876	112,684	104,673
Shareholders' Equity	85,196	81,166	78,080

FLEXSTEEL'S MISSION

Flexsteel Industries, Inc., is committed to building its brand as a successful seating specialist. The Company is committed to exceeding customer expectations. With emphasis on high quality Home Seating, Recreational Vehicle Seating, and Commercial Seating, Flexsteel will remain focused upon strengthening its product integrity and customer service programs, expanding its customer base, and profitably growing our business in order to increase shareholder value.

Flexsteel will continue to hire dedicated, productive, achievement-oriented associates who will be instrumental in leading the Company into its second successful century.

[BAR GRAPHS OMITTED]

NET SALES IN MILLION DOLLARS

Years:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	$140	$159	$180	$190	$210	$205	$219	$230	$260	$285

EARNINGS PER SHARE IN DOLLARS

Years:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	$.18	$.15	$.22	$.89	$.70	$.64	$.82	$1.08	$1.52	$1.82

BOOK VALUE PER SHARE IN DOLLARS

Years:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	$9.00	$8.50	$9.00	$10.00	$10.10	$11.00	$11.70	$11.50	$12.50	$13.60

RETURN ON COMMON EQUITY IN PERCENT

Years:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	2.9%	1.8%	9.5%	10%	7.5%	6.5%	8.2%	10.1%	13.1%	14%

[PHOTO] Front cover and left: Rich with warm woods and the flavors of North Africa, our new Sahara Retreat collection is one of several new integrated groupings. Shown in highly popular leather, it includes sofa, love seat, chair, ottoman, and a wide selection of tables, all embellished with the carved and scalloped trim seen on the sofa base.

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

NEW VISIONS OF COMFORT

FLEXSTEEL: 2000

TO OUR SHAREHOLDERS

Your company's fiscal year ended June 30, 2000, was outstanding. Our Management Team began the year by creating and putting in place a Strategic Plan for the next three years. We are beginning our second year of the plan, enormously encouraged by this year's outstanding results.

Sales reached a new peak of $286,860,000 which was an increase of 10% over the sales of the previous fiscal year of $260,519,000. Our net income totalled $11,928,000 or $1.82 per diluted share, was an increase of 16% over earnings of $10,317,000, or $1.51 per share in the same period last year.

HIGHLIGHTS IN RESIDENTIAL FURNITURE

Strong emphasis on retail development has resulted in record sales, an increase of 15% over last year. We have increased our independent dealer base, with more dealers than ever devoting gallery space or entire stores to selling Flexsteel. Today there are 231 operating Flexsteel Galleries with 59 new ones in progress. Comfort Seating Showrooms, whose larger format allows a more complete presentation of our line, now total 21. Six more Showrooms are on the drawing boards or under construction.

Following our Strategic Plan, we are also increasing our business with national retailers Homelife and the JC Penney Home Stores, as well as other large key accounts across the country.

Soft comfort and relaxed styling, combined with pleasing silhouettes and fabrics, make Flexsteel furniture beautifully suited to today's life styles. With a superb team of associates assuring that Flexsteel quality and timely delivery are added to the equation, sales, customer satisfaction, and profits have all responded.

A BANNER
YEAR FOR
FLEXSTEEL

Flexsteel popularity has never been higher in leather -- sales this year increased over 30%. We are responding to this demand with a new 100,000-square-foot production facility for making leather furniture in Harrison, Arkansas. Leased in January 2000, this plant adds to our presence in Harrison, where we have had a large wood frame facility since 1958. Community leaders and the state helped make this a positive decision for us.

HIGHLIGHTS IN RECREATIONAL VEHICLE SEATING

Here, too, we achieved another year of record growth. Sales grew 7% with our market share increasing in all segments. To meet our customer's needs, we added a new facility in the Portland/Dunkirk area of Indiana. It is already up and running, producing quality recreational vehicle seating. We have the in-house capabilities to engineer and test all vehicle seating to the stringent Federal Motor Vehicle Standards. Our customers know they can depend on us to meet or exceed the proper standards, and we continue to be the leader in this industry.

Our ability to design seating for individual customers has always been one of our strengths, now showing its importance in new areas such as the growing marine market. Flexsteel-quality seating now goes to sea as well as overland.

[PHOTO]

K. Bruce Lauritsen (l), President & Chief Executive Officer, and John R. Easter, Chairman of the Board, of Flexsteel Industries, Inc.

[PHOTO]

The handsome interiors of today's fine motor homes deserve a bucket seat for driver and passenger that looks as good as it rides. This Flexsteel seat captures the essence of sleek automotive styling.

[PHOTO]

The "conversation sofa" is more than a conversation piece. Introduced last year to immediate success, it is a worthy successor to the crescent sofa. Here, piled high with plump pillows, it represents a whole life style of relaxed welcome.

Radisson Hotels Worldwide advertises "elegant accommodations," and this suite in the Radisson in Beverly Hills, designed by Concepts 4 and furnished with Flexsteel sofa and chairs, makes their point beautifully. The growing hospitality market is a natural fit for Flexsteel.

Photo: Martin Fine Photography

[PHOTO]

[PHOTO]

Beauty of fabric and silhouette mark Flexsteel upholstered furniture. Consider our century-old reputation for quality, and it's apparent why we are the choice of more discriminating buyers. With our famous lifetime-warranted seat spring, we still offer the best warranties in the industry.

Our sales to the van conversion business continues strong, despite the slowed growth in this market. Our leadership depends on our innovative designs, offering converters handsome Flexsteel styling, value, comfort, quality, and safety.

HIGHLIGHTS IN COMMERCIAL SEATING

We continue to make excellent progress, placing new emphasis on developing our portion of this promising market. The hospitality market is a natural for Flexsteel, where we are developing complete upholstered seating packages for accounts such as the Marriott Corporation, as well as for Choice, Best Western, and Cendent Hotels.

Another growing market is that of assisted-living and acute-care facilities. We are developing new products such as chair-sleepers for the acute-care market, sold through Stryker Medical.

As in recreational vehicle seating, Flexsteel's ability to develop unique products for specific customer needs will serve us well in the commercial seating market. Our Strategic Plan, recognizing the strength of these growing national markets, calls for us to intensify our efforts to develop their potential.

A GROWING NATIONAL PRESENCE

Flexsteel continues to expand its outreach to potential customers. Our name goes before more potential buyers with our largest national ad program ever, reaching an audience of over 220 million readers. Visits to our freshly-designed Web site are increasing exponentially, visitors are staying longer, and a growing number are downloading Flexsteel literature.

A SAD NOTE

This year saw the passing of one of our more dynamic second-generation Flexsteel leaders, Art Richardson. He joined Flexsteel in 1948 and became one of the industry's visionaries, breaking new ground in furniture fabrics, styling, and marketing. He retired from the Board only last year, after inspiring us for a half century with his enthusiastic vision. We will miss him.

AN EXCELLENT OUTLOOK

At the close of the fiscal year, the effects of the Federal Reserve's increases in interest are appearing, resulting in a slight slowdown of orders during the fourth quarter.

Still the overall prognosis is excellent. Our Strategic Plan is being executed by a seasoned and committed team, and it is working. In the following pages, you will see some of this team's accomplishments.

Our earnings have grown for four years. We remain focused on the positive aspects of the economy: strong consumer confidence, affordable mortgage rates, high employment, low inflation, and a good housing market. Our confidence in the future is reflected in our decision to buy back over one million shares of stock.

We thank our associates who have given us a banner year.

/s/ K. Bruce Lauritsen
K. BRUCE LAURITSEN
President and Chief Executive Officer

/s/ John Easter
JOHN EASTER
Chairman of the Board

NEW VISIONS OF COMFORT

FLEXSTEEL: 2000

Whether at home in the living room or traveling, whether by boat or motor home or visiting a hotel or conference center, more people relax in Flexsteel luxury. They are choosing Flexsteel for its comfort, its smart styling, and its proven quality.

Today's computer-savvy furniture customers visit our Web site to the tune of 212,000 hits a month. Here they can see our latest silhouettes and timely fabrics; they can download data on our environmental-friendly construction and famous warranties -- and find the nearest Flexsteel dealer.

Flexsteel is keeping pace with this customer's growing insistence on style. During the past year, we introduced several new thematic collections. Sahara Retreat, shown on the cover, La Costa, Tuscany, Sonoma Valley, and West Indies, are spiced with touches of romance and adventure; Wentworth and Stone Harbor reflect the trend to the cottage look; the Metropolitan group is both retro and urban. All have been well received because they also offer sleek functionality, a variety of seating, coordinated tables and, in some cases, entertainment units.

The very picture of today's casual comfort is leather, and sales of Flexsteel leather continue to soar, helped by handsome new styling that takes advantage of leather's natural beauty and comfort. We've also stimulated sales of our Charisma(R) exposed-wood chairs with smart new looks.

FLEXSTEEL MAKES COMFORT VISIBLE

The same concentration on customer-pleasing design is notable in our seating for recreation vehicles. Here Flexsteel has long been a leader in comfort and safety for motor homes and towable trailers. Recently we've added noteworthy marine designs for large boats and yachts.

Style appeal is an absolute must also for the growing commercial markets, especially the hospitality industry and new assisted-living centers. Even the very functional furniture we provide for acute-care health centers derives part of its success from the assurance it gives of comfort as well as safety and reliability.

Now a new dimension of comfort will put Flexsteel in the bedroom. Restonic, long a supplier of mattresses for Flexsteel sofa sleepers, is introducing a new line of premium bedding using the famous Flexsteel spring design for a superior, long-lasting box spring. Test marketed in the Midwest, it is expected to roll out nationally by year end, giving our dealers an exciting new product for their quality-conscious buyers.

Flexsteel joins a century of leadership in quality and comfort with handsome styles and fabrics to offer the finest in beautiful furniture.

[PHOTO]

Leather and recliners go together for long-lasting comfort and good looks, and never more so than in our ever-popular Flexsteel recliners with their many lifetime warranties, including the famous Flexsteel spring.

[PHOTO]

New comfort for sleeping, in a new product for Flexsteel dealers. A line of premium Restonic mattress sets, with their Marvelous Middle(R) construction for lumbar support, will also feature Flexsteel's spring, the only box spring with a lifetime guarantee.

[PHOTO]

"Retro" returns to acclaim in Flexsteel's Metropolitan group. Enhanced with wood trim and matching tables and an entertainment center, the group shows that the sleek urban look is remarkably Twenty-First Century.

NEW VISIONS OF COMFORT

[PHOTO]

Flexsteel is helping our dealers put new emphasis on consumer education, providing learning centers with answers to customer's most frequently-asked questions. The Leather Center explains the nature of leather and the vast range of choices available.

[PHOTO]

A new power chair from Invacare Corporation provides an exceptional range of mobility for the disabled. The top quality of this product is well matched to the expertly tailored seat, designed and manufactured by the Elkhart Division of Flexsteel.

Sensational sectionals are possible in Flexsteel leather. Classic features in this group include large rolled arms and nailhead trim. Fabric on the matching chair is repeated on the accent pillows. The tables are also from Flexsteel.

[PHOTO]

FLEXSTEEL: 2000

Our Strategic Plan recognizes that our marketing efforts must be multi-pronged. We must reach the dealer, the hospitality designer, the recreational vehicle engineer, the director of health care and ultimately the consumer.

All of these markets are evolving. For example, many of our customers for residential furniture and motor homes represent a large and older segment of the market who instinctively appreciate Flexsteel for its traditional style and quality. On the other hand, a younger audience goes all out for casual styles emphasizing comfort and function. All can find their styles of choice in Flexsteel.

In the retail market, we are concentrating on strengthening our independent dealer base across the country. Our three sizes of Galleries and our "total store" Comfort Seating approach are integral parts of our plan. In addition, we have designed new sales centers for leather and for recliners and reclining sofas, complete with signage, drop tags, and display layouts. These centers can educate both dealer and customer on Flexsteel features and help close the sale.

Our national advertising program also helps our dealers, as do our CD-ROM libraries of print and TV ad material. We also encourage dealers to take advantage of our Internet presence with links to our Web site.

BRINGING
NEW VISION
TO THE
MARKET

Our High Point showroom, recently redesigned and enlarged, displays our beautiful designs in a handsome setting that promotes enthusiasm and sales.

Of interest in the RV seating market is the growth of "full-time RV'ers" who live year-round in their motor homes. They may migrate seasonally, often returning to areas where they develop communities and friends. There are now a million such RV'ers with a 20% growth expected in the next decade. We are beautifully positioned to serve this market.

Though our portion of the van conversion market is still strong, sales of vans themselves have plateaued. However, our innovative team is already offsetting this decline by creating interesting new opportunities for their combined expertise in metal and seating. They have already opened new marine markets and are busily exploring significant new possibilities in metal-framed products for health care.

Our Strategic Plan also calls for us to take advantage of new opportunities in commercial seating, where an energized sales force will seek to introduce Flexsteel into more national hospitality chains, and increase sales to health care and assisted living centers.

With strong teams in place to cover all our markets, we expect sales and our roster of satisfied customers to keep growing.

NEW VISIONS OF COMFORT

FLEXSTEEL: 2000

We are well aware that our century-old reputation for quality sells Flexsteel. We take advantage of new technology wherever it helps us improve technology and maintain or improve quality. Constant vigilance over the quality control process includes in-process quality audits to be sure that every piece of Flexsteel leaves us in mint condition.

Pattern-making and specification packages are completely comput- erized. Substantial sums have been saved by "lay- ing up" patterns electronically; and now that the printing of bulky specification books is no longer necessary, we will realize even more savings. New single-ply cutters for matched fabrics are racking up substantial savings at our Riverside plant; they will gradually be implemented in our other plants. A new Gerber automated cutter for solid fabrics is already operating in our Portland/Dunkirk RV plant and two more are planned. More efficient and smaller than older cutters, they use the latest in computer technology.

Our technology is well integrated and turned the calendar to January 1st, 2000 without a major Y2K glitch.

CONVERTING VISION TO REALITY

Global sourcing is becoming more important. Imported leather selections, already cut and sewn, allow us to offer a greater choice in our highly popular leather and deliver it faster. Imports of frames for our exposed-wood chairs give us great versatility, while imported wood trim and tables let us create totally integrated groups such as our popular Sonoma Valley and Sahara Retreat collections.

We've expanded production at the Riverside plant, stepped up leather production in our new plant in Harrison, shifted all Charisma(R) chair production to Starkville, added 90,000 sq. ft. to our Dublin facility, and expanded RV and other metal seating products with a new facility in Indiana. Bringing all design effort to our home office in Dubuque has helped unify the design process and increased sales in all the Company's divisions.

New product development continues in RV seating. Driver and passenger seats with integrated safety belts are more effective and better looking. Upgraded foam for padding seats has improved comfort.

The Internet is becoming one of our most effective communications tools, more useful in our industry for telling than selling. Business-to-business communications with our sales associates keeps everyone up-to-date; we are working toward introducing similar communications with our dealers next year.

We never forget that Flexsteel means quality. Our goal is to exceed customer expectations in quality and fast, world-class service.

[PHOTO]

Upholstered exposed-wood chairs are now produced exclusively at our Starkville plant. The warm wood trim of this Charisma(R) chair is available in a variety of finishes.

[PHOTO]

Many furniture customers now go into stores knowing exactly what they want. At Flexsteel's redesigned Web site, they can get all the information that's in our catalog. In addition, a B-to-B site provides sales personnel with instant updated information.

[PHOTO]

Sonoma Valley is one of our newest lifestyle groups. The thematic designs of these popular collections are echoed in every piece, including tables and hardware. These vignettes delight the customer and make larger sales easier for the dealer.

FIVE YEAR REVIEW

[ALL AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

Year Ended June 30,	2000	1999	1998	1997 (1)	1996
SUMMARY OF OPERATIONS					
Net Sales	$286,860	$260,519	$236,125	$219,427	$205,008
Cost of Sales	222,619	200,965	185,345	173,088	161,451
Operating Income	17,679	15,398	9,868	7,888	6,362
Interest and Other Income	1,439	1,134	2,015	1,931	1,132
Interest and Other Expense	461	315	356	345	358
Income Before Income Taxes	18,658	16,217	11,527	9,473	7,052
Income Taxes	6,730	5,900	3,925	3,425	2,550
Net Income(2)(3)(4)(5)	11,928	10,317	7,602	6,048	4,502
Earnings per Common Share:(2)(3)(4)(5)					
Basic	1.85	1.52	1.09	0.86	0.63
Diluted	1.82	1.51	1.08	0.86	0.63
Cash Dividends per Common Share	0.52	0.48	0.48	0.48	0.48
STATISTICAL SUMMARY					
Average Common Shares Outstanding:					
Basic	6,458	6,775	6,959	7,024	7,172
Diluted	6,562	6,850	7,035	7,072	7,188
Book Value per Common Share	13.81	12.50	11.49	10.86	10.45
Total Assets	114,876	112,684	104,673	99,173	95,874
Property, Plant and Equipment, net	26,837	25,912	23,096	26,214	23,046
Capital Expenditures	6,718	8,398	2,392	5,273	3,298
Working Capital	52,076	50,210	50,549	44,357	47,376
Long-Term Debt	0	0	0	0	35
Shareholders' Equity	85,196	81,166	78,080	75,238	74,147
SELECTED RATIOS					
Net Income as Percent of Sales	4.2%	4.0%	3.2%	2.8%	2.2%
Current Ratio	3.0 to 1	2.8 to 1	3.1 to 1	3.1 to 1	3.5 to 1
Return on Ending Common Equity	14.0%	12.7%	9.7%	8.0%	6.1%
Return on Beginning Common Equity	14.7%	13.2%	10.1%	8.2%	6.1%
Average Number of Employees	2,570	2,400	2,330	2,320	2,230

(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) 2000 income and per share amounts reflect a gain on the sale of land in Lancaster, Pennsylvania of approximately $1,250,000 ($790,000 net of income tax) or $0.12 per share and a non-taxable gain from life insurance proceeds of approximately $405,000 or $0.06 per share.

(5) The earnings per share amounts for 1997 and 1996 have been restated to comply with Statement of Financial Accounting Standards No. 128, Earnings per Share.

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, 2000 and 1999, 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, 2000. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2000 and 1999, and the results of its operations and cash flows for each of the three years in the period ended June 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
August 10, 2000

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

BALANCE SHEETS

	JUNE 30, 2000	JUNE 30, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,000,855	$ 4,886,038
Investments	5,730,888	8,967,197
Trade receivables - less allowance for doubtful accounts: 2000, $2,250,000; 1999, $2,503,000	32,053,104	31,149,416
Inventories	32,456,058	29,503,209
Deferred income taxes	3,200,000	3,700,000
Other	543,711	461,406
Total current assets	77,984,616	78,667,266
PROPERTY, PLANT AND EQUIPMENT, net	26,837,475	25,912,432
NOTES RECEIVABLE	2,752,130	
OTHER ASSETS	7,302,095	8,103,997
TOTAL	$114,876,316	$112,683,695
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 6,921,533	$ 7,076,729
Accrued liabilities:		
Payroll and related items	6,344,417	6,735,108
Insurance	5,977,525	6,688,060
Other accruals	5,364,921	6,332,412
Industrial revenue bonds payable	1,300,000	1,625,000
Total current liabilities	25,908,396	28,457,309
DEFERRED COMPENSATION	3,772,152	3,060,670
Total liabilities	29,680,548	31,517,979
SHAREHOLDERS' EQUITY:		
Common stock - $1 par value; authorized 15,000,000 shares; issued 2000, 6,170,789 shares; 1999, 6,491,840 shares	6,170,789	6,491,840
Retained earnings	78,268,436	73,718,238
Unrealized investment gain	756,543	955,638
Total shareholders' equity	85,195,768	81,165,716
TOTAL	$114,876,316	$112,683,695

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

STATEMENTS OF INCOME

	FOR THE YEARS ENDED JUNE 30,		
	2000	1999	1998
NET SALES	$ 286,860,422	$ 260,519,459	$ 236,125,280
COST OF GOODS SOLD	(222,618,664)	(200,965,199)	(185,345,398)
GROSS MARGIN	64,241,758	59,554,260	50,779,882
SELLING, GENERAL AND ADMINISTRATIVE	(47,812,467)	(44,156,199)	(40,911,581)
GAIN ON SALE OF LAND	1,249,806		
OPERATING INCOME	17,679,097	15,398,061	9,868,301
OTHER:			
Interest and other income	1,439,293	1,133,814	2,014,982
Interest and other expense	(460,796)	(315,289)	(356,066)
Total	978,497	818,525	1,658,916
INCOME BEFORE INCOME TAXES	18,657,594	16,216,586	11,527,217
PROVISION FOR INCOME TAXES	(6,730,000)	(5,900,000)	(3,925,000)
NET INCOME	$ 11,927,594	$ 10,316,586	$ 7,602,217
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
BASIC	6,457,960	6,774,996	6,959,310
DILUTED	6,561,968	6,850,115	7,035,158
EARNINGS PER SHARE OF COMMON STOCK:			
BASIC	$ 1.85	$ 1.52	$ 1.09
DILUTED	$ 1.82	$ 1.51	$ 1.08

STATEMENTS OF COMPREHENSIVE INCOME

	FOR THE YEARS ENDED JUNE 30,		
	2000	1999	1998
NET INCOME	$ 11,927,594	$ 10,316,586	$ 7,602,217
OTHER COMPREHENSIVE INCOME, BEFORE TAX:			
Unrealized gains (losses) on securities arising during period	(389,788)	(1,575)	736,051
Less: reclassification adjustment for (gains) losses included in net income	74,138	192,338	(313,294)
Other comprehensive income, before tax	(315,650)	190,763	422,757
INCOME TAX BENEFIT (EXPENSE):			
Income tax benefit (expense) related to securities (gains) losses arising during period	143,986	577	(257,618)
Income tax benefit (expense) related to securities reclassification adjustment	(27,431)	(70,494)	109,653
Income tax expense related to other comprehensive income	116,555	(69,917)	(147,965)
OTHER COMPREHENSIVE INCOME, NET OF TAX	(199,095)	120,846	274,792
COMPREHENSIVE INCOME	$ 11,728,499	$ 10,437,432	$ 7,877,009

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL		UNREALIZED	
	SHARES	PAR VALUE	PAID-IN CAPITAL	RETAINED EARNINGS	INVESTMENT GAIN (LOSS)	TOTAL
Balance at June 30, 1997.....	6,927,310	$6,927,310	$	$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		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		$73,718,238	955,638	81,165,716
Purchase of Company Stock............	(385,445)	(385,445)	(651,621)	(4,055,342)		(5,092,408)
Issuance of Company Stock............	64,394	64,394	651,621			716,015
Investment Valuation Adjustment................					(199,095)	(199,095)
Cash Dividends...............				(3,322,054)		(3,322,054)
Net Income...................				11,927,594		11,927,594
Balance at June 30, 2000.....	6,170,789	$6,170,789	$	$78,268,436	$756,543	$85,195,768

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,		
	2000	1999	1998
OPERATING ACTIVITIES:			
Net income	$ 11,927,594	$ 10,316,586	$ 7,602,217
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	5,492,556	5,358,482	5,400,025
(Gain) Loss on disposition of capital assets	(1,278,671)	134,235	7,106
Trade receivables	(830,818)	(2,426,664)	(3,373,811)
Inventories	(2,952,849)	(2,895,913)	378,258
Other current assets	(82,305)	171,324	173,387
Other assets	630,602	(616,268)	223,450
Accounts payable - trade	(155,196)	1,284,021	1,947,346
Accrued liabilities	(2,068,717)	3,957,476	1,063,236
Deferred compensation	711,482	8,145	8,107
Deferred income taxes	500,000	(915,000)	(165,000)
Net cash provided by operating activities	11,893,678	14,376,424	13,264,321
INVESTING ACTIVITIES:			
Purchases of investments	(1,635,138)	(3,750,686)	(7,231,401)
Proceeds from sales of investments	4,843,652	4,782,119	2,669,563
Payments received from customers on notes receivable	50,000		
Loans to customers on notes receivable	(2,875,000)		
Proceeds from sales of capital assets	1,579,166	88,927	104,050
Capital expenditures	(6,718,094)	(8,398,487)	(2,392,365)
Net cash used in investing activities	(4,755,414)	(7,278,127)	(6,850,153)
FINANCING ACTIVITIES:			
Repayment of borrowings	(325,000)	(325,000)	(360,000)
Dividends ($0.52, 0.48, 0.48 per share, respectively)	(3,322,054)	(3,237,714)	(3,320,676)
Proceeds from issuance of common stock	716,015	611,460	514,417
Repurchase of common stock	(5,092,408)	(4,725,266)	(2,228,975)
Net cash used in financing activities	(8,023,447)	(7,676,520)	(5,395,234)
Increase (decrease) in cash and cash equivalents	(885,183)	(578,223)	1,018,934
Cash and cash equivalents at beginning of year	4,886,038	5,464,261	4,445,327
Cash and cash equivalents at end of year	$ 4,000,855	$ 4,886,038	$ 5,464,261
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 64,000	$ 70,000	$ 90,000
Income taxes	$ 7,050,000	$ 5,644,000	$ 4,405,000

See accompanying Notes to Financial Statements.

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

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

CASH EQUIVALENTS - the Company considers highly liquid investments with original maturities of 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. For internal use software, the Company's policy is to capitalize external direct costs of materials and services, directly related internal payroll and payroll-related costs, and interest costs.

REVENUE RECOGNITION - is upon delivery of product.

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 $982,000. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience.

INCOME TAXES - deferred income taxes result from temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements.

EARNINGS PER SHARE - Basic earnings per share of common stock is based on the weighted average number of common shares outstanding during each year. Diluted earnings per share of common stock 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 104,008 shares, 75,119 shares, and 75,848 shares in 2000, 1999 and 1998 respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method.

SEGMENT AND RELATED INFORMATION - Under the "management approach" methodology prescribed by Statement No. 131, the Company operates in one segment, seating products.

ACCOUNTING DEVELOPMENTS - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. The FASB subsequently issued FAS No. 137 delaying the effective date for one year, to fiscal years beginning after June 15, 2000. The Company will adopt this standard on July 1, 2000. The Company expects that this standard will not materially affect its financial position and results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition. An amendment in June 2000 delayed the effective date until the fourth quarter of calendar 2000. The Company is reviewing the requirements of this standard and has not yet determined the impact of this standard on its financial statements.

RECLASSIFICATIONS - certain prior years' amounts have been reclassified to conform to the 2000 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, 2000		June 30, 1999	
	Debt Securities	Equity Securities	Debt Securities	Equity Securities
Amortized Cost......	$6,080,606	2,244,735	$9,043,136	$2,351,845
Unrealized gains (losses)..........	(144,432)	1,284,794	(91,762)	1,571,674
Est. Market Value...	$5,936,174	$3,529,529	$8,951,374	$3,923,519

As of June 30, 2000, the maturities of debt securities are $1,511,703 within one year, $3,30l,385 in one to five years, and $1,123,086 over five years.

3. INVENTORIES

Inventories valued on the LIFO method would have been approximately $2,062,000 and $2,016,000 higher at June 30, 2000 and 1999, respectively, if they had been valued on the FIFO method. A comparison of inventories is as follows:

	June 30, 2000	June 30, 1999
Raw materials	$16,711,084	$15,871,466
Work in process and finished parts	9,125,346	7,416,826
Finished goods	6,619,628	6,214,917
Total	$32,456,058	$29,503,209

4. PROPERTY, PLANT AND EQUIPMENT

	Estimated Life (Years)	June 30, 2000	June 30, 1999
Land		$ 2,212,790	$ 2,512,715
Buildings and improvements	3 - 39	29,503,530	27,294,496
Machinery and equipment	3 - 10	31,074,388	29,306,600
Delivery equipment	3 - 7	14,945,474	14,193,014
Furniture and fixtures	3 - 5	6,016,280	5,313,068
Total		83,752,462	78,619,893
Less accumulated depreciation		(56,914,987)	(52,707,461)
Net		$ 26,837,475	$ 25,912,432

5. BORROWINGS

The Company is obligated for $1,300,000 for Industrial Revenue Bonds at June 30, 2000 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, 2000, 1999 and 1998 of 4.14%, 3.70% and 4.06% 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, 2000.

6. INCOME TAXES

The total income tax provision for the years ended June 30, 2000, 1999 and 1998 was 36.1%, 36.4%, and 34.0%, respectively, of income before income taxes. In 2000 and 1998 the effective rate was reduced by 0.7% and 2.2%, respectively, for nontaxable life insurance proceeds of $405,000 and $720,000.

Provision - comprised of the following:

	2000	1999	1998
Federal - current	$5,520,000	$6,115,000	$3,580,000
State - current	710,000	700,000	510,000
Deferred	500,000	(915,000)	(165,000)
Total	$6,730,000	$5,900,000	$3,925,000

Deferred income taxes - comprised of the following:

	Asset (Liability) June 30, 2000	Asset (Liability) June 30, 1999
Asset allowances	$ 810,000	$ 910,000
Deferred compensation	1,400,000	1,130,000
Other accruals and allowances	2,330,000	2,355,000
Property, plant and equipment	(1,340,000)	(695,000)
Total	$ 3,200,000	$ 3,700,000

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 2000 or 1999.

8. 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.

9. 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, 2000, 543,300 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:

		2000	1999	1998
Net Income	As reported	$11,927,594	$10,316,586	$7,602,217
	Pro forma	11,736,594	10,171,214	7,462,506
Earnings per share:				
- Basic	As reported	$1.85	$1.52	$1.09
	Pro forma	$1.82	$1.50	$1.07
- Diluted	As reported	$1.82	$1.51	$1.08
	Pro forma	$1.79	$1.48	$1.06

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 2000, 1999 and 1998, respectively: dividend yield of 3.9%, 4.5%, and 4.2%; expected volatility of 26.3%, 27.1%, and 26.3%; interest rates of 7.05%, 6.8%, and 6.8%; 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, 2000, 1999 and 1998 and the changes during the years ending on those dates is shown on the next page.

	Shares	Price Range
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
Granted..............................	98,500	13.25 - 13.59
Exercised............................	(42,872)	10.25 - 11.44
Cancelled............................	(2,650)	10.25 - 11.44
June 30, 2000 Outstanding............	612,245	$10.25 - 15.75

Significant option groups outstanding at June 30, 2000 and related weighted-average exercise price and remaining life information follows:

Grant Date	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
July 6, 1993..............	74,360	14.875	0.9
July 28, 1994.............	66,060	10.500	4.0
August 16, 1995...........	81,200	11.250	5.1
July 30, 1996.............	85,350	10.250	6.0
November 7, 1997..........	80,825	11.438	7.3
November 2, 1998..........	95,950	10.500	8.3
November 2, 1999..........	93,500	13.250	9.3
All other.................	35,000	13.163	6.2
Total.....................	612,245		

10. PENSION AND RETIREMENT PLANS

The Company sponsors various defined contribution pension and retirement plans which cover substantially all employees, other than employees covered by multi-employer pension plans under collective bargaining agreements. It is the Company's policy to fund all pension costs accrued. Total pension and retirement plan expense was $1,572,000 in 2000, $1,427,000 in 1999, and $1,373,000 in 1998 including $363,000 in 2000, $330,000 in 1999, and $311,000 in 1998 for the Company's matching contribution to retirement savings plans. The Company's cost for pension plans is determined as 2% - 6% of each covered employee's wages. The Company's matching contribution for the retirement savings plans is 25% - 50% of employee contributions (up to 4% of their earnings). In addition to the above, amounts charged to pension expense and contributed to multi-employer defined benefit pension plans administered by others under collective bargaining agreements were $1,449,000 in 2000, $1,355,000 in 1999, and $1,184,000 in 1998.

The Company has an unfunded post retirement benefit plan with certain officers. During the year the Company recorded a one time cost adjustment of $474,161 due to a change from a fixed benefit obligation to a defined contribution obligation. The plans require various annual contributions for the participants based upon compensation levels and age. All participants are fully vested. For the years ended 2000, 1999 and 1998, excluding the aforementioned one-time cost, the benefit obligation was increased by interest expense of $343,536, $247,228, and $244,690, service costs of $256,785, $146,917 and $131,917, and decreased by payments of $363,000, $386,000 and $380,000, respectively. At June 30, 2000 the benefit obligation was $3,772,152.

11. MANAGEMENT INCENTIVE PLAN

The Company has an incentive plan that provides for shares of common stock to be awarded to key employees based on a targeted rate of earnings to common equity as established by the Board of Directors. Shares awarded to employees are subject to the restriction of continued employment, with 33 1/3% of the stock received by the employee on the award date and the remaining shares issued after one and two years. Under the plan 53,427, 45,158, and 35,459 shares were awarded, and the amounts charged to income were $646,000, $598,000, and $406,000 in 2000, 1999, and 1998, respectively. At June 30, 2000, 214,213 shares were available for future grants.

12. COMMITMENTS AND CONTINGENCIES

Facility Leases - The Company leases certain facilities under various operating leases. These leases require the company to pay operating costs, including property taxes, insurance, and maintenance. Total lease expense related to the various operating leases was approximately $630,000, $518,000 and $485,000 in years 2000, 1999, and 1998, respectively.

Expected future minimum commitments under operating leases as of June 30, 2000, were as follows:

Year Ended June 30:	
2001	$ 669,000
2002	702,500
2003	649,600
2004	418,500
2005	309,000
Thereafter	1,834,500
	$4,583,100

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

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

	Quarters 1st	2nd	3rd	4th
2000:				
Net Sales	$67,701	$70,404	$74,972	$73,783
Gross Margin	15,030	15,577	16,588	17,047
Net Income	2,365	3,589(1)	2,943	3,031
Earnings Per Share:				
Basic	0.36	0.55	0.46	0.48
Diluted	0.36	0.54	0.45	0.47
Dividends Per Share	0.13	0.13	0.13	0.13
* Market Price				
High	14-5/8	14	14	14-1/8
Low	12-9/16	12-1/2	11-3/4	11-3/8

(1) Includes net gains of $790,000 on the sale of land and $405,000 from the non-taxable proceeds of life insurance.

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

* 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, 2000, 1999 and 1998. Amounts presented are percentages of the Company's net sales.

	For the Years Ended June 30,		
	2000	1999	1998
Net Sale....................	100.0%	100.0%	100.0%
Cost of goods sold..........	(77.6)	(77.1)	(78.5)
Gross margin................	22.4	22.9	21.5
Selling, general & administrative expenses...	(16.7)	(16.9)	(17.3)
Gain on sale of land........	0.5	0.0	0.0
Operating income............	6.2	6.0	4.2
Other income, net...........	0.3	0.3	0.7
Income before income taxes...	6.5	6.3	4.9
Income tax expense..........	(2.3)	(2.3)	(1.7)
Net income..................	4.2%	4.0%	3.2%

FISCAL 2000 COMPARED TO FISCAL 1999

Net sales for 2000 increased by $26,341,000 or 10% compared to 1999. Residential sales volume increased $22,591,000 or 15%. Vehicle seating sales increased $6,420,000 or 7%. Commercial sales volume decreased $2,670,000 or 12%.

Gross margin increased $4,687,000 to $64,242,000, or 22.4% of sales, in 2000, from $59,554,000, or 22.9% in 1999. Gross margin increased due to the increase in net sales. Gross margin was adversely affected due primarily to start up costs at new facilities and changes in product mix.

Selling, general and administrative expenses as a percentage of sales were 16.7% and 16.9% for 2000 and 1999 respectively. The amount of selling, general, and administrative costs increased due to volume related expenses and additional advertising costs.

During the second quarter of 2000 the Company sold land adjacent to its Lancaster, Pennsylvania production facility at a gain of approximately $1,250,000.

Net other income was $978,000 in 2000 and $819,000 for 1999. During the second quarter of 2000 the Company realized a non-taxable gain on the proceeds of life insurance of $405,000.

The effective tax rate in 2000 was 36.1% compared to 36.4% in 1999. The lower effective income tax rate in 2000 is attributable to the non-taxable gain on the proceeds of life insurance.

The above factors resulted in 2000 fiscal year net income of $11,928,000 or $1.82 per diluted share compared to $10,317,000 or $1.51 per diluted share in fiscal 1999, a net increase of $1,611,000 or $0.31 per share.

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.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at June 30, 2000, is $52,076,000 which includes cash, cash equivalents and investments of $9,732,000. Working capital increased by $1,866,000 from the June 30, 1999 amount.

Net cash provided by operating activities was $11,894,000, $14,376,000 and $13,264,000 in 2000, 1999, and 1998, respectively. Fluctuations in net cash provided by operating activities are primarily the result of changes in net income and changes in accrued liabilities.

Capital expenditures were $6,718,000, $8,398,000 and $2,392,000 for 2000, 1999, and 1998, respectively. The current year expenditures were incurred primarily for manufacturing and delivery equipment and the expansion of our Riverside, California facility. Projected capital spending for fiscal 2001 is $5,500,000. 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 $8,023,000, $7,677,000, and $5,395,000 in 2,000, 1999, and 1998, respectively. During the current year the Company's Board of Directors approved the repurchase of up to an additional 250,000 shares of the Company's common stock. The Company repurchased 385,445 shares of its outstanding common stock in 2000.

Under prior authority the Company repurchased 364,092 and 176,489 shares of its outstanding common stock during 1999 and 1998, respectively. At June 30, 2000, under existing authorizations, the Company may repurchase 205,378 shares.

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 $1,300,000 in the form of variable rate demand industrial development revenue bonds. During fiscal 2000, the weighted-average interest rate on the industrial development revenue bonds was 4.14%.

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]

Such traditional details as box pleats, welted cushions and rolled arms remain popular. But this hospitable sectional still definitely mirrors today's tastes. Other selections shown by Flexsteel include the matching upholstered chair, the table, and the Charisma(R) chair.

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
J.E. Gilbertson, General Manager

Flexsteel Industries, Inc.
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

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

Portland Division
DUNKIRK,INDIANA 47336
(765) 768-1384
D. L. Dygert, General Manager

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

* Executive Offices

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

- ------------------------------
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http://flexsteel.com
- ------------------------------

DIRECTORS AND OFFICERS
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    Sears, Roebuck & Company
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  Director
Edward J. Monaghan
  Executive Vice President
  Chief Operating Officer
  Director
James R. Richardson
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COMPENSATION &
NOMINATING COMMITTEE
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Thomas E. Holloran
Marvin M. Stern

MARKETING &
PLANNING COMMITTEE
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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

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.

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

[PHOTO]

For luxury and comfort to go, the Fleetwood motor home is the choice of many travelers, from the vacationer to the "permanent RV'er." These beautiful coaches, like the Fleetwood Discovery shown above, provide a home-like atmosphere. Sofas and recliners by Flexsteel provide the definitive touch of at-home comfort.

Flexsteel's long leadership in the recreational vehicle field results from a combination of expertise. Not only do we have a long history in metal fabrication and upholstery, but we daily demonstrate our ability to design and deliver handsome custom products. The name Flexsteel helps sell recreational vehicles.

[LOGO]

FLEXSTEEL (R)
AMERICA'S SEATING SPECIALIST
- -----------------------------------
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