FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended June 30, 2001
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from   to

Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA	42-0442319
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. BOX 877, DUBUQUE, IOWA	52004-0877
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (319) 556-7730

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $1.00 PAR VALUE
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of August 10, 2001 which is within 60 days prior to the date of filing:

Common Stock, Par Value $1.00 Per Share: $32,046,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of August 10, 2001:

CLASS	SHARES OUTSTANDING
Common Stock, $ 1.00 Par Value	Shares 6,070,159

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDING JUNE 30, 2001 IN PARTS I, II, AND IV. IN PART III, PORTIONS OF THE REGISTRANT'S 2001 PROXY STATEMENT, TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WITHIN 120 DAYS OF THE REGISTRANT'S FISCAL YEAR END.

Exhibit Index -- page 6

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

The registrant was incorporated in 1929 and has been in the furniture seating business ever since. For more detailed information see the registrant's Annual Report for the Fiscal Year Ended June 30, 2001 which is incorporated herein by reference.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The registrant's significant operating segment is the manufacture of upholstered seating. The second segment is the operation of five retail furniture stores. For more detailed financial information see the registrant's Annual Report for the Fiscal Year Ended June 30, 2001 which is incorporated herein by reference.

The registrant's upholstered seating business has three primary areas of application -- residential seating, recreational vehicle seating and commercial seating. Set forth below, in tabular form, is information for the past three fiscal years showing the registrant's sales of upholstered seating attributable to each of the areas of application described above:

SALES FOR UPHOLSTERED SEATING APPLICATIONS

	2001 AMOUNT OF SALES	2000 AMOUNT OF SALES	1999 AMOUNT OF SALES
Residential Seating	$199,900,000	$185,100,000	$160,700,000
Recreational Vehicle Seating ...	66,400,000	94,500,000	88,000,000
Commercial Seating	18,500,000	20,500,000	23,400,000
Upholstered Seating Total	$284,800,000	$300,100,000	$272,100,000

(c) NARRATIVE DESCRIPTION OF BUSINESS

(1) (i), (ii), (vii) The registrant's primary business is the design, manufacture and sale of a broad line of quality upholstered furniture for residential, commercial, and recreational vehicle seating use. The registrant's classes of products include a variety of wood and upholstered furniture including upholstered sofas, loveseats, chairs, reclining and rocker-reclining chairs, swivel rockers, sofa beds and convertible bedding units, some of which are for the home, office, motorhome, travel trailer, vans, health care and hotels. Featured as a basic component in most of the upholstered furniture is a unique drop-in-seat spring. The registrant primarily distributes its products throughout most of the United States through the registrant's sales force to approximately 3,000 furniture dealers (including five Company owned stores), department stores, recreational vehicle manufacturers and van converters, and hospitality and healthcare facilities. The registrant's products are also sold to several national chains, some of which sell on a private label basis.

(iii) Sources and availability of raw materials essential to the business:

The registrant's furniture products utilize various species of hardwood lumber obtained from Arkansas, Mississippi, Missouri and elsewhere. In addition to hardwood lumber and engineered wood products, principal raw materials utilized in the manufacturing process include bar and wire stock, high carbon spring steel, fabrics, leather and polyurethane. While the registrant purchases these materials from outside suppliers, it is not dependent upon any single source of supply. The raw materials are all readily available.

(iv) Material patents and licenses:

The registrant owns the American and Canadian improvement patents to its Flexsteel seat spring, as well as, patents on convertible beds and various other recreational vehicle seating products. In addition, it holds licenses to manufacture certain rocker-recliners. The registrant does not consider its patents and licenses material to its business.

(v) The registrant's business is not considered seasonal.

(viii) The approximate dollar amounts of backlog of orders believed to be firm as of the end of the last fiscal year and the proceeding two fiscal years are as follows:

JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 1999
$25,500,000 *	$30,600,000	$28,100,000

*All of this amount is expected to be filled in fiscal year ending June 30, 2002.

(ix) Competitive conditions:

The furniture industry is highly competitive. There are numerous furniture manufactures in the United States. Although the registrant is one of the largest manufacturers of upholstered furniture in the United States, according to the registrant's best information it manufactures and sells less than 4% of the upholstered furniture sold in the United States. The registrant's principal method of meeting competition is by emphasizing its product performance and to use its sales force.

(x) Expenditures on Research Activities:

Most items in the upholstered seating line are designed by the registrant's own design staff. New models and designs of furniture, as well as new fabrics, are introduced continuously. The registrant estimates that approximately 40% of its upholstered seating line are redesigned in whole or in part each year. In the last three fiscal years, these redesign activities involved the following expenditures:

FISCAL YEAR ENDING	EXPENDITURES
June 30, 2001	$2,090,000
June 30, 2000	$2,170,000
June 30, 1999	$1,930,000

(xi) Approximately 2,400 people were employed by the registrant as of June 30, 2001; additionally 2,600 people were employed as of June 30, 2000 and 2,400 people as of June 30, 1999.

(d) FINANCIAL INFORMATION ABOUT DOMESTIC OPERATIONS

Financial information about domestic operations is set forth in the registrant's Annual Report for the Fiscal Year Ended June 30, 2001 which is incorporated herein by reference. The registrant has no foreign operations and makes minimal export sales.

ITEM 2. PROPERTIES

(a) THE REGISTRANT OWNS THE FOLLOWING MANUFACTURING PLANTS:

LOCATION	APPROXIMATE SIZE (SQUARE FEET)	PRINCIPAL OPERATIONS
Dubuque, Iowa	853,000	Upholstered Furniture- Recreational Vehicle - Metal Working
Lancaster, Pennsylvania	216,000	Upholstered Furniture - Recreational Vehicle
Riverside, California	236,000	Upholstered Furniture - Recreational Vehicle
Harrison, Arkansas	123,000	Woodworking Plant
New Paris, Indiana	168,000	Recreational Vehicle - Metal Working
Dublin, Georgia	242,400	Upholstered Furniture - Recreational Vehicle
Starkville, Mississippi	349,000	Upholstered Furniture- Woodworking Plant
Elkhart, Indiana	99,500	Recreational Vehicle - Metal Working

The registrant's operating plants are well suited for their manufacturing purposes and have been updated and expanded from time to time as conditions warrant. There is adequate production capacity to meet present market demands.

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

The registrant leases showrooms for displaying its products in the furniture marts in High Point, North Carolina and San Francisco, California.

The registrant leases one warehouse in Vancouver, Washington of approximately 15,750 sq. feet for storing its products prior to distribution.

(b) OIL AND GAS OPERATIONS: NONE.

ITEM 3. LEGAL PROCEEDINGS

The Company has no material legal proceedings pending. All pending litigation is ordinary routine litigation incidental to the business.

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

During the fourth quarter no matter was submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the registrant, their ages, positions (in each case as of June 30, 2001), and the month and year they were first elected or appointed an officer of the registrant, are as follows:

NAME (AGE)	POSITION (DATE FIRST BECAME OFFICER)
K. B. Lauritsen (58)	President / Chief Executive Officer (November 1979)
E. J. Monaghan (62)	Executive Vice President / Chief Operating Officer (November 1979)
R. J. Klosterman (53)	Vice President Finance / Chief Financial Officer & Secretary (June 1989)
J. R. Richardson (57)	Senior Vice President of Marketing (November 1979)
T. D. Burkart (58)	Senior Vice President of Vehicle Seating (February 1984)
P. M. Crahan (53)	Vice President (June 1989)
J. T. Bertsch (46)	Vice President (June 1989)

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

Cautionary Statement Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions and Private Securities Litigation Reform Act of 1995

The Company and its representatives may from time to time make written or oral forward-looking statements with respect to long-term goals of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to shareholders.

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

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

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The NASDAQ -- National Market System is the principal market on which the registrant's Common Stock is being traded. The market prices for the stock and the dividends paid per common share, for each quarterly period during the past two years is shown in the registrant's Annual Report for the Fiscal Year Ended June 30, 2001, and is incorporated herein by reference.

There were approximately 1,800 holders of Common Stock of the registrant as of June 30, 2001; as well as 2,600 and 2,700 holders of Common Stock of the registrant as of June 30, 2000, and June 30, 1999, respectively.

ITEM 6. SELECTED FINANCIAL DATA

This information is contained on page 6 in the registrant's Annual Report for the Fiscal Year Ended June 30, 2001, under the caption "Five Year Review" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis is contained on page 15 and page 16 in the registrant's Annual Report for the Fiscal Year Ended June 30, 2001 and is incorporated herein by reference.

ITEM 7a. QUANTITATIVE INFORMATION ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of the Company included in the financial report section of the Annual Report for the Fiscal Year Ended June 30, 2001, are incorporated herein by reference:

	PAGE(S)
Consolidated Balance Sheets, June 30, 2001, 2000	8
Consolidated Statements of Income and Comprehensive Income -Years Ended June 30, 2001, 2000, 1999	9
Consolidated Statements of Changes in Shareholders' Equity - Years ended June 30, 2001, 2000, 1999	10
Consolidated Statements of Cash Flows - Years Ended June 30, 2001, 2000, 1999	11
Quarterly Financial Data -- Years Ended June 30, 2001, 2000	14
Notes to Consolidated Financial Statements	12 - 14
Independent Auditors' Report	7

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

During fiscal 2001 there were no changes in or disagreements with accountants on accounting procedures or accounting and financial disclosures.

PART III

ITEMS 10, 11, 12. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, EXECUTIVE COMPENSATION AND SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information identifying directors of the registrant, executive compensation and beneficial ownership of registrant stock and supplementary data is contained in the registrant's fiscal 2001 definitive Proxy Statement to be filed with the Securities and Exchange Commission and is incorporated herein by reference. Executive officers are identified in Part I, item 4 above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is contained under the heading "Certain Relationships and Related Transactions" in the registrant's fiscal 2001 definitive Proxy Statement to be filed with the Securities and Exchange Commission and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The financial statements of the registrant included in the Annual Report for the Fiscal Year Ended June 30, 2001, are incorporated herein by reference as set forth above in Item 8.

(2) Schedules

The following financial schedules for the years ended 2001, 2000 and 1999 are submitted herewith:

		PAGE
Schedule VIII	-- Reserves	9

Other schedules are omitted because they are not required or are not applicable or because the required information is included in the financial statements incorporated by reference above.

(3) Exhibit No.

3.1 Restated Article of Incorporation by reference to Exhibits to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1988.

3.2 Bylaws of the Registrant incorporated by reference to Exhibits to the Annual Report on Form 10-K for the fiscal year ended June 30, 1994.

4 Instruments defining the rights of security holders, including indentures. The issuer has not filed, but agrees to furnish upon request to the Commission copies of the Mississippi Industrial Development Revenue Bond Agreement issued regarding the issuer's facilities in Starkville, MS.

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

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

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

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

10.5 Flexsteel Industries, Inc. Voluntary Deferred Compensation Plan. *

10.6 Flexsteel Industries, Inc. Restoration Retirement Plan. *

10.7 Flexsteel Industries, Inc. Senior Officer Supplemental Retirement Plan.*

13 Annual Report for the Fiscal Year Ended June 30, 2001.

22 2001 definitive Proxy Statement incorporated by reference is to be filed with the Securities Exchange Commission on or before December 1, 2001.

23.1 Independent Auditors' Report.

23.2 Consent of Independent Auditors.

99 2001 Form 11-K for Salaried Employee's Savings Plan 401(k).

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

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended June 30, 2001.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 21, 2001 FLEXSTEEL INDUSTRIES, INC.

By: /S/ K. B. LAURITSEN

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

By: /S/ R. J. KLOSTERMAN

R. J. KLOSTERMAN
VICE PRESIDENT OF FINANCE
and
PRINCIPAL FINANCIAL OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 21, 2001 — /S/ K. BRUCE LAURITSEN
K. Bruce Lauritsen
DIRECTOR

Date: September 21, 2001 — /S/ EDWARD J. MONAGHAN
Edward J. Monaghan
DIRECTOR

Date: September 21, 2001 — /S/ JAMES R. RICHARDSON
James R. Richardson
DIRECTOR

Date: September 21, 2001 — /S/ JEFFREY T. BERTSCH
Jeffrey T. Bertsch
DIRECTOR

Date: September 21, 2001 — /S/ L. BRUCE BOYLEN
L. Bruce Boylen
DIRECTOR

Date: September 21, 2001 — /S/ PATRICK M. CRAHAN
Patrick M. Crahan
DIRECTOR

Date: September 21, 2001 — /S/ LYNN J. DAVIS
Lynn J. Davis
DIRECTOR

Date: September 21, 2001 — /S/ THOMAS E. HOLLORAN
Thomas E. Holloran
DIRECTOR

Date: September 21, 2001 — /S/ MARVIN M. STERN
Marvin M. Stern
DIRECTOR

SCHEDULE VIII

FLEXSTEEL INDUSTRIES, INC.

RESERVES
FOR THE YEARS ENDED JUNE 30, 2001, 2000 AND 1999

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO INCOME	DEDUCTIONS FROM RESERVES (NOTE)	BALANCE AT CLOSE OF YEAR
Allowance for Doubtful Accounts:				
2001	$ 2,250,000	$ 4,178,000	($ 4,478,000)	$ 1,950,000
2000	$ 2,503,000	$ 187,000	($ 440,000)	$ 2,250,000
1999	$ 2,198,000	$ 544,000	($ 239,000)	$ 2,503,000

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

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN

This Agreement is made this ______ day of _________, 20__, by and between FLEXSTEEL INDUSTRIES, INC., a Minnesota corporation (hereinafter the "Corporation") and ____ (hereinafter collectively "Employees" and individually as "Employee").

WHEREAS, the above named Employees are all Executive Officers of the Corporation as appointed by the Board of Directors of the Corporation; and

WHEREAS, the Corporation desires to allow Employees to defer a portion of their annual salary, bonus or management incentive to a future period;

In consideration of the Agreements hereinafter contained, the parties hereto agree as follows:

1. Plan Year and Fiscal Year. The "Plan Year" shall be a calendar year. The "Fiscal Year" shall be July 1 to June 30 of each year.

2. Salary, Bonuses and Management Incentive. The Corporation shall pay the Employee from time to time during the term of his employment hereunder, such salary, bonus and management incentive as the Board of Directors may determine from time to time.

3. Voluntary Deferral of Salary and Bonus.

A. Salary Deferral. Each Employee shall have the right to elect to defer not less than 10 percent nor more than 30 percent of his salary ("Deferral Salary Percentage") each year provided an election is made by the Employee by December 20 of the year preceding the Plan Year. The Corporation will provide Employee with an appropriate form on which to make the deferral election (see Exhibit A attached). The Deferral Salary Percentage will be withheld from each salary check received by the Employee. The Deferral Salary Percentage shall be invested in accordance with paragraph 6 herein.

B. Bonus Deferral. Each Employee will have the right to elect to defer not less than 10 percent and no more than 100 percent of his annual cash bonus (Deferral Bonus Percentage), if any, which maybe declared and subsequently paid within seventy five (75) days after the end of each fiscal year by designating the percentage on or before

June 20th of the year preceding the Plan Year on a form provided by the Corporation (see Exhibit B attached). The Deferral Bonus Percentage will be withheld from bonus checks received by the Employee. The Deferral Bonus Percentage shall be invested in accordance with paragraph 6 herein.

C. Management Incentive Award (AWARD). Each Employee will have the right to elect to defer not less than one year nor more than three years of his Award, if any, which may be declared and subsequently paid within seventy five (75) days after the end of each fiscal year by designating the amount of deferral on or before June 20th each year preceding the Plan Year on a form provided by the Corporation (See Exhibit C attached). The Award to be received in Corporation Stock is held by the Corporation in a separate account for the Employee (See Paragraph 5 below). The shares shall be subject to the same restrictions as any shares awarded under the Management Incentive Plan. Dividends paid on deferred shares will be deferred and credited to the Employee's separate account. Dividends shall be invested in accordance with paragraph 6 herein.

D. Payment. To the extent the Employee elects to defer salary or bonus, or management incentive his salary and bonus checks and management incentive stock shall be reduced accordingly.

4. Vesting. Subject to the Award vesting provisions of paragraph 3.C., all amounts deferred shall be fully vested in the Employee deferring either salary, bonus, or management incentive.

5. Accounting. The Corporation shall keep a separate "Account" for each Employee's salary, bonus and management incentive deferrals. The accounting shall include the date of deferral, amount of each deferral and the number of corporate shares deferred. The Corporation shall credit to the book reserve (the "Deferred Compensation Account") established for this purpose, the deferral of each Employee's Account as each deferral occurs. A statement shall be provided to each Employee at the end of each Plan Year.

6. Investment of Deferred Compensation Account. The Employee shall have the right to select prior to December 20 of each Plan Year on the following

investment options:

A. Prime interest rate effective on the first day of the Plan Year; or

B. S & P 500 Index, annual return at the end of each Plan Year; or

C. A percentage of their account under Option A and a percentage under Option B.

Each Employee's Account shall be credited annually with the earnings based on the average monthly account balance for the Plan Year multiplied by the investment option selected by the Employee. The Employee shall select his election option on or before December 20 preceding each Plan Year (See Exhibit D attached). If the Employee fails to make an investment election for any particular Plan Year, the prior election selected by the Employee shall be used. If the Employee has no investment election of record, then investment election A above shall apply.

7. Payment of Deferred Compensation Account. Each Employee's Account will be paid to him upon the earliest of the Employee's death, disability, age 65, or retirement (as defined in the Corporation's Employees Retirement Salaried Plan).

The method of payment for each Employee's Account will be paid in accordance with the election form signed by the Employee (see Exhibit E attached). Additionally, the Employee shall have the right to designate a beneficiary to receive the remaining proceeds (see Exhibit F attached), if the Employee should die prior to receiving all of his payments. If an Employee fails to execute a beneficiary designation or if there is no beneficiary alive at the time of distribution, then the proceeds due Employee will be paid to the Employee's estate. The beneficiary designation may be changed at any time during Employee's lifetime as long as the Employee is competent or by the Employee's attorney-in-fact who is specifically authorized to make the change.

8. Disability. For purposes of this Agreement, an Employee shall be deemed to be disabled if the Board of Directors of the Corporation shall find on the basis of medical evidence satisfactory to the Board of Directors that the Employee is totally disabled, mentally or physically, so as to prevent him from engaging in his customary employment by the Corporation and that such disability will be permanent and continuous during the remainder of his life.

9. Board of Directors Right to Modify Payout. Notwithstanding anything herein to the contrary, the Board of Directors of Corporation shall have the right in its sole discretion to vary the manner and time of making any payment to an Employee provided for in this Agreement, provided such distribution is paid over a shorter period than that designated in any election made by the Employee.

10. Employee Treated as Unsecured Creditor. Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Employee, or his designated beneficiary or any other person. Any funds which may be invested under the provisions of this Agreement shall continue for all purposes to be part of the general funds of the Corporation and no person other than the Corporation shall by virtue of the provisions of this Agreement have any interest in such funds. To the extent that any person acquires a right to receive payments from the Corporation under this Agreement, such rights shall be no greater than the rights of any unsecured general creditor of the Corporation. All deferred amounts shall be deemed unsecured and unfunded.

11. Assignability. The right of any Employee or any other person to the payment of deferred compensation or other benefits under this Agreement shall not be assigned, transferred, pledged or encumbered except by will or by the laws of descent and distributions.

12. Competency. If the Corporation shall find that any person to whom any payment is payable under this Agreement is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed conservator, or other legal representative) may be made to the spouse, a child, a parent, or a brother or sister, or to any such person deemed by the Board of Directors of the Corporation to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Board of Directors of the Corporation may determine. Any such payment shall be a complete discharge of the liability of the Corporation under this Agreement.

13. Employment Rights. Nothing contained herein shall be construed as conferring upon the Employee the right to continue in the employ of the Corporation as an Executive or in any other capacity.

14. Interpretation and Construction. The Board of Directors of the Corporation shall have full power and authority to interpret, construe, and administer this Agreement and the Board of Directors interpretation and construction thereof, and actions thereunder, including any valuation of the Deferred Compensation Account, or the amount or recipient of the payment to be made therefrom, shall be binding and conclusive on all persons for all purposes. No member of the Board of Directors shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Agreement unless attributable to his own willful misconduct or lack of good faith.

15. Amendments. Corporation shall have the right to amend this Agreement without Employees' approval for the purpose of including additional employees under this Agreement or to comply with tax laws to insure that all amounts deferred are deferred for tax purposes. Any other amendment may only be made with the consent of all of the parties.

16. Employee Who is a Member of Board of Directors. If an Employee to this Agreement is a member of the Board of Directors of the Corporation, that Employee agrees by signing this Agreement not to partake in any decisions under paragraphs 8, 9, 12, 14, 15, and 19 which affect his own Deferred Compensation Account or any matters relating thereto.

17. State Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Iowa.

18. Binding Effect. This Agreement shall be binding upon and in inure to the benefit of the Corporation and its successors and assigns, and the Employee, his successors, assigns, heirs, executors, administrators and beneficiaries.

19. Right to Terminate Agreement. The Board of Directors of the Corporation shall have the right to terminate this Agreement at the end of any calendar year, provided it gives at least thirty

(30) day notice to the Employees of the termination of the Agreement. If the Agreement is terminated, any sums previously paid in will be subject to the Agreement, but the Employee shall not be entitled to defer any additional salary, bonus or management incentive under this Agreement.

20. Counterparts. This Agreement may be signed in Counterparts by the parties hereto.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officers and the Employees have hereunto set his hand on the date set opposite their signature.

FLEXSTEEL INDUSTRIES, INC.

By: ____________________________________
K. Bruce Lauritsen, President
Date: __________________________________

By: ____________________________________
Ronald J. Klosterman, Secretary
Date: __________________________________

By: ____________________________________
__________________, Employee
Date: __________________________________

By: ____________________________________
__________________, Employee
Date: __________________________________

By: ____________________________________
__________________, Employee
Date: __________________________________

EXHIBIT A

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
ANNUAL ELECTIVE SALARY DEFERRAL

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, elect to defer _____% of my Salary earned for calendar year ________.

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT B

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
ANNUAL ELECTIVE CASH BONUS AWARD DEFERRAL

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, elect to defer _____% of my Annual Cash Bonus Award earned for fiscal year ________.

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT C

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
ANNUAL ELECTIVE MANAGEMENT INCENTIVE STOCK AWARD DEFERRAL

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, elect to defer _____% of my Management Incentive Award of Flexsteel Common Stock earned for fiscal year ________.

Signature _________________________

Title _________________________

Date _________________________

EXHIBIT D

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
EMPLOYEE'S ELECTION OF INVESTMENT OPTIONS

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, elect to have my Deferred Compensation Account credited in accordance with the following investment option:

[ ] A. Prime rate effective on the first day of the Plan Year

[ ] B. S & P Index, annual return at the end of each Plan Year

[ ] C. ____% credited in accordance with Option A above;
____% credited in accordance with Option B above
(percentages must add up to 100%)

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT E

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
EMPLOYEE'S ELECTION OF METHOD OF PAYMENT

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, elect to receive my Deferred Compensation Account as follows (check one of the boxes below):

[ ] A. In a lump sum within thirty (30) days of the event requiring payment.

[ ] B. In approximate equal annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] C. In approximate equal annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] D. In approximate equal semi-annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] E. In approximate equal semi-annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

Notwithstanding the above, I acknowledge that the Corporation has the authority to accelerate the payments pursuant to paragraph ______ of the Deferred Compensation Plan.

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT F

FLEXSTEEL INDUSTRIES, INC.
VOLUNTARY DEFERRED COMPENSATION PLAN
BENEFICIARY DESIGNATION OF EMPLOYEE

Under the Voluntary Deferred Compensation Plan Agreement with Flexsteel Industries, Inc., I _______________________, hereby designate the following as beneficiary of any portion of my Deferred Compensation Account which has not been paid prior to my death:

A. Primary Beneficiary: ________________________________

B. Contingent Beneficiary: ________________________________

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT 10.6

FLEXSTEEL INDUSTRIES, INC.
RESTORATION RETIREMENT PLAN

This Agreement is made this ____ day of ______________, 20___, by and between FLEXSTEEL INDUSTRIES, INC., a Minnesota corporation (hereinafter the "Corporation") and ____ (hereinafter collectively "Employees" and individually as "Employee").

WHEREAS, the above named Employees are all Executive Officers of the Corporation as appointed by the Board of Directors of the Corporation; and

WHEREAS, the Corporation desires to contribute to the future retirement benefits of the Employees in addition to those contributions made under the Flexsteel Industries, Inc. Salaried Employees Retirement Plan.

In consideration of the Agreements hereinafter contained, the parties hereto agree as follows:

1. Plan Year and Fiscal Year. The "Plan Year" shall be a calendar year. The "Fiscal Year" shall be July 1 to June 30 of each year.

2. Salary, Bonuses and Management Incentive. Beginning in the year 2001, and until the Employee reaches the age of 65, the Company shall make an annual contribution by the 15th day of January of each year equal to seven percent (7%) of the total of the following: the sum of the Employee's base salary plus Annual Cash Bonus Award for the previous calendar year (including any voluntary deferrals), less the amount of that sum which qualifies for contributions under the Flexsteel Industries, Inc. Salaried Employees Retirement Plan.

3. Vesting. Benefits under this Plan shall be considered fully vested as of the date of this Agreement.

4. Accounting. The Company shall maintain a separate Account into which all contributions for the Employee under this Plan shall be credited. Employee's Account shall be credited annually with the earnings based on the income that the Company earns on the monies invested in the Rabbi Trust created for investment of contributions.

5. Payment of Employee Account. Each Employee's Account will be paid to him upon the earliest of the Employee's death, disability, age 65, or retirement (as defined in the Corporation's Employees Retirement Salaried Plan).

The method of payment for each Employee's Account will be paid in accordance with the election form signed by the Employee (see Exhibit A attached). Additionally, the Employee shall have the right to designate a beneficiary to receive the remaining proceeds (see Exhibit B attached), if the Employee should die prior to receiving all of his payments. If an Employee fails to execute a beneficiary designation or if there is no beneficiary alive at the time of distribution, then the proceeds due Employee will be paid to the Employee's estate. The beneficiary designation may be changed at any time during Employee's lifetime as long as the Employee is competent or by the Employee's attorney-in-fact who is specifically authorized to make the change.

6. Disability. For purposes of this Agreement, an Employee shall be deemed to be disabled if the Board of Directors of the Corporation shall find on the basis of medical evidence satisfactory to the Board of Directors that the Employee is totally disabled, mentally or physically, so as to prevent him from engaging in his customary employment by the Corporation and that such disability will be permanent and continuous during the remainder of his life.

7. Board of Directors Right to Modify Payout. Notwithstanding anything herein to the contrary, the Board of Directors of Corporation shall have the right in its sole discretion to vary the manner and time of making any payment to an Employee provided for in this Agreement, provided such distribution is paid over a shorter period than that designated in any election made by the Employee.

8. Unfunded Arrangement. It is the intention of the parties that the Company is not required to establish any unfunded arrangement to pay any obligation under this Plan for tax purposes, for purposes of Title I of ERISA or for any other purposes. The Employee recognizes and agrees that the Employee has the legal status of a general unsecured creditor and this Plan constitutes a mere promise of the Company to make benefit payments in the future. However, Company reserves the right to establish any unfunded arrangement to pay any obligation hereunder in any manner it deems appropriate, provided the unfunded arrangement will not be deemed constructively received by Employee for federal income tax purposes. Furthermore, any trust created by the Company and assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Revenue Procedure 92-64, 1992-33 I.R.B. 11. Notwithstanding the above, the Company has established a Rabbi Trust as an unfunded arrangement to pay the obligations hereunder.

9. Assignability. Employee's payments hereunder are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge,

encumbrance, attachment, or garnishment by creditors of the Employee or of Employee's beneficiary.

10. Competency. If the Corporation shall find that any person to whom any payment is payable under this Agreement is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed

conservator, or other legal representative) may be made to the spouse, a child, a parent, or a brother or sister, or to any such person deemed by the Board of Directors of the Corporation to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Board of Directors of the Corporation may determine. Any such payment shall be a complete discharge of the liability of the Corporation under this Agreement.

11. Employment Rights. Nothing contained herein shall be construed as conferring upon the Employee the right to continue in the employ of the Corporation as an Executive or in any other capacity.

12. Relationship to Other Benefits. Any deferred compensation payable under this Agreement shall not be deemed salary or other compensation to the Employee for the purpose of computing benefits to which he or she may be entitled under any pension plan or other arrangement of the Corporation for the benefit of its Employees.

13. Interpretation and Construction. The Board of Directors of the Corporation shall have full power and authority to interpret, construe, and administer this Agreement and the Board of Directors interpretation and construction thereof, and actions thereunder, including any valuation of the Deferred Compensation Account, or the amount or recipient of the payment to be made therefrom, shall be binding and conclusive on all persons for all purposes. No member of the Board of Directors shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Agreement unless attributable to his own willful misconduct or lack of good faith.

14. Amendments. Corporation shall have the right to amend this Agreement without Employees' approval for the purpose of including additional employees under this Agreement. Any other amendment may only be made with the consent of all of the parties.

15. Employee Who is a Member of Board of Directors. If an Employee to this Agreement is a member of the Board of Directors of the Corporation, that Employee agrees by signing this Agreement not to partake in any decisions under paragraphs 6, 7, 10, 13, 14, and 18 which affect his own Account or any matters relating thereto.

16. State Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Iowa.

17. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Corporation and its successors and assigns, and the Employee, his successors, assigns, heirs, executors, administrators and beneficiaries.

18. Right to Terminate Agreement. The Board of Directors of the Corporation shall have the right to terminate this Agreement at the end of any calendar year, provided it gives at least

thirty (30) day notice to the Employees of the termination of the Agreement. If the Agreement is terminated, any sums previously paid in will be subject to the Agreement.

19. Savings Clause. Any provisions of this Plan, that if given effect would serve to invalidate or disqualify the Plan, shall be null and void.

20. Counterparts. This Agreement may be signed in Counterparts by the parties hereto.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officers and the Employees have hereunto set his hand on the date set opposite their signature.

FLEXSTEEL INDUSTRIES, INC.

By: ____________________________________
K. Bruce Lauritsen, President
Date: __________________________________

By: ____________________________________
Ronald J. Klosterman, Secretary
Date: __________________________________

By: ____________________________________
________________, Employee
Date: __________________________________

By: ____________________________________
_________________, Employee
Date: __________________________________

By: ____________________________________
__________________, Employee
Date: __________________________________

EXHIBIT A

FLEXSTEEL INDUSTRIES, INC.
RESTORATION RETIREMENT PLAN
EMPLOYEE'S ELECTION OF METHOD OF PAYMENT

Under the Restoration Retirement Plan Agreement with Flexsteel Industries, Inc., I, ______________________________, elect to receive my Plan Account as follows (check one of the boxes below):

[ ] A. In a lump sum within thirty (30) days of the event requiring payment.

[ ] B. In approximate equal annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] C. In approximate equal annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] D. In approximate equal semi-annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] E. In approximate equal semi-annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

Notwithstanding the above, I acknowledge that the Corporation has the authority to accelerate the payments pursuant to paragraph 7 of the Plan.

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT B

FLEXSTEEL INDUSTRIES, INC.
RESTORATION RETIREMENT PLAN
BENEFICIARY DESIGNATION OF EMPLOYEE

Under the Restoration Retirement Plan Agreement with Flexsteel Industries, Inc., I, ______________________________, hereby designate the following as beneficiary of any portion of my Plan Account which has not been paid prior to death:

A. Primary Beneficiary: ________________________________

B. Contingent Beneficiary: ________________________________

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT 10.7

FLEXSTEEL INDUSTRIES, INC.
SENIOR OFFICER SUPPLEMENTAL RETIREMENT PLAN

This Senior Officer Supplemental Retirement Plan (the "Plan") is entered into this ____ day of ____________, 20__, between Flexsteel Industries, Inc., a Minnesota corporation having its principal office in Dubuque, Iowa (the "Company") and ________________ (the "Employee"), a resident of ___________County and the state of __________, whose date of birth is ______ , _____.

WHEREAS, the Employee has been employed by the Company for many years and is now actively employed by the Company as a full time senior officer with an unusual ability and experience; and

WHEREAS, the Employee in the past has rendered the Company valuable service, and it is the desire of the Company to have the benefit of this continued employment, loyalty, service and counsel and also to assist said Employee in providing for retirement, as well as the contingencies of disability, old age dependency and death.

NOW, THEREFORE, it is hereby agreed:

1. PRIOR PLAN. This Plan supercedes the Senior Officer Deferred Compensation Plan (the "Prior Plan") entered into by the parties by agreement dated ____________. The Prior Plan is hereby terminated, and is of no further force or effect.

2. DISABILITY BENEFIT. Should the Employee before his sixty-fifth (65th)birthday, while in the employ of the Company become disabled, the Company (beginning at a date to be determined by the Company but within thirty (30) days from the date of disability) will commence to pay to the Employee the sum of Five Thousand Dollars ($5,000.00) per month for the duration of the disability, until death, or until Employee attains the age of 65, whichever occurs first. The payments made under this paragraph stand alone and do not reduce the benefits paid under paragraph 3 concerning Retirement Benefit. The vesting of paragraph 3 Retirement Benefit payments shall continue during such period of disability. Payments will be paid under this paragraph only if Employee is totally separated from Company service (including part time service). For purposes of this Agreement, an Employee shall be deemed to be disabled if the Board of Directors of the Corporation shall find on the basis of medical evidence satisfactory to the Board of Directors that the Employee is totally disabled, mentally or physically, so as to prevent him from engaging in his customary employment by the Corporation and that such disability will be permanent and continuous during the remainder of his life.

3. PRE-AGE 65 DEATH BENEFIT. If the Employee dies prior to age 65 and while in the employment of the Company (whether or not disabled under paragraph 1 or subject to the provisions of paragraph 5 hereof), the Company shall, beginning at a date to be determined by the Company but within thirty (30) days from the date of the Employee's death, pay monthly

installments of Five Thousand Dollars ($5,000.00) to the Employee's Beneficiary, as that term is defined in paragraph 10 hereof, for a continuous period of 180 months or until the Employee would have attained the age of 65, whichever period is shorter.

4. RETIREMENT BENEFIT.

(A) CONTRIBUTIONS TO AGE 65. Beginning in the year 2001 and until the Employee reaches the age of 65, the Company shall make an annual contribution by the 15th day of January of each year equal to _____% of the sum of the Employee's Base Salary plus Annual Cash Bonus Award for the previous calendar year (including any voluntary deferrals). Prior to the first annual contribution, an opening account balance shall be established by a one-time Company contribution of $__________, based on the discounted present value of the Prior Plan balance as of June 30, 2000.

(B) CONTRIBUTIONS AFTER AGE 65. Annual contributions under this paragraph shall continue for amounts earned by the Employee beyond age 65; however, annual contributions for such contributions shall equal 5.5% of the sum of the Employee's Base Salary plus Annual Cash Bonus Award for the previous calendar year (including any voluntary deferrals).

(C) VESTING. Benefits under this Plan shall be considered fully vested as of the date of this Agreement.

(D) ACCOUNTING. The Company shall maintain a separate Account into which all contributions for the Employee under this Plan shall be credited. Employee's Account shall be credited annually with the earnings based on the income that the Company earns on the monies invested in the Rabbi Trust created pursuant to paragraph 13 herein.

(E) PAYMENT. Each Employee's Account will be paid to him beginning upon the Employee's 65th birthday. Payments made of contributions credited to the opening account balance as described in subparagraph (A) above, and all earnings thereon, shall be paid in approximately equal monthly payments over a fifteen (15) year period with the first payment due within thirty (30) days of the Employee's 65th birthday. Payments made pursuant to this paragraph of contributions credited after the date of this Agreement, and all earnings thereon, shall be paid in accordance with the election form signed by the Employee (see Exhibit "A" attached). Additionally, the Employee shall have the right to designate a beneficiary to receive the remaining proceeds (see Exhibit "B" attached), if the Employee should die prior to receiving all of his payments. If an Employee fails to execute a beneficiary designation or if the beneficiary is not alive at the time of distribution, then the proceeds due Employee will be paid to the Employee's estate. The beneficiary designation may be changed at any time during Employee's lifetime as long as the Employee is competent or by the Employee's attorney-in-fact who is specifically authorized to make the change.

5. AGREEMENT NOT TO COMPETE. The Employee shall forfeit all rights to paragraph 4 Retirement Benefit payments if at any time after he ceases to be employed by the Company he enters into or takes part in, any business, profession or other endeavor, either as an

employee, agent, independent contractor, owner, lender, financier or otherwise which, in the opinion of the Board of Directors of the Company, shall be in direct competition with the Company, unless he obtains the written consent of the Board of Directors.

6. LEAVE OF ABSENCE. The Board of Directors may, in its sole discretion, permit the Employee to take a leave of absence for a reasonable period of time. During this time the Employee will be considered to be still in the employ of the Company for purposes of this Plan.

7. EARLY WITHDRAWAL OF BENEFIT PAYMENTS. The Board of Directors of the Company may permit early withdrawal under section 2, 3 or 4 of the Plan for an unforeseeable emergency. An unforeseeable emergency is defined as a severe financial hardship to the Employee resulting from a sudden and unexpected illness or accident of the Employee, loss of the Employee's property due to casualty, or other similar extraordinary or unforeseeable circumstance arising as a result of events beyond the control of the Employee. An early withdrawal which is approved by the Board of Directors of the Company is limited to the amount necessary to meet the emergency.

8. ASSIGNABILITY. Employee's payments hereunder are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Employee or of Employee's beneficiary.

9. AMENDMENT This Plan may be amended from time to time but only during the lifetime of the Employee and only by written consent to each amendment signed by both Employer and Employee.

10. BENEFICIARY DESIGNATION. See attached addendum.

11. EMPLOYEE RIGHTS. This Plan creates no right in the Employee to continue in the Company's employ for any specific length of time, nor does it create any other rights in the Employee or obligations on the part of the Company, except those set forth in this Plan. If Employee is not in default of any of the provisions of this Plan and Company fails to pay any obligation due Employee under this Plan, Employee shall have the right to pursue any legal action available against company in order to recover the amount due from Company and Employee shall be reimbursed for all expenses, including, but not limited to, reasonable attorney fees incurred in pursuing collection of amounts due hereunder.

12. DOUBLE BENEFITS. Any benefits accruing to an Employee under this Plan will not affect his benefits under any other Company agreements or plans.

13. COMPETENCY. If the Corporation shall find that any person to whom any payment is payable under this Agreement is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed conservator, or other legal representative) may be made to the spouse, a child, a parent, or a brother or sister, or to any such person deemed by the Board of Directors of the Corporation to have incurred expense for such person otherwise entitled to payment, in such manner

and proportions as the Board of Directors of the Corporation may determine. Any such payment shall be a complete discharge of the liability of the Corporation under this Agreement.

14. EMPLOYEE WHO IS A MEMBER OF BOARD OF DIRECTORS. If an Employee to this Agreement is a member of the Board of Directors of the Corporation, that Employee agrees by signing this Agreement not to partake in any decisions under paragraphs 5, 6, 7, 9 and 13 which affect his own Account or any matters relating thereto.

15. UNFUNDED ARRANGEMENT. It is the intention of the parties that the Company is not required to establish any unfunded arrangement to pay any obligation under this Plan for tax purposes, for purposes of Title I of ERISA or for any other purposes. The Employee recognizes and agrees that the Employee has the legal status of a general unsecured creditor and this Plan constitutes a mere promise of the Company to make benefit payments in the future. However, Company reserves the right to establish any unfunded arrangement to pay any obligation hereunder in any manner it deems appropriate, provided the unfunded arrangement will not be deemed constructively received by Employee for federal income tax purposes. Furthermore, any trust created by the Company and assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Revenue Procedure 92-64, 1992-33 I.R.B. 11. Notwithstanding the above, the Company has established a Rabbi Trust as an unfunded arrangement to pay the obligations hereunder.

16. SAVINGS CLAUSE. Any provisions of this Plan, that if given effect would serve to invalidate or disqualify the Plan, shall be null and void.

17. LAW GOVERNING. This Plan shall be governed by the laws of the State of Iowa.

18. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Corporation and its successors and assigns, and the Employee, his successors, assigns, heirs, executors, administrators and beneficiaries.

IN WITNESS WHEREOF, the parties hereunto have executed this Agreement at Dubuque, in the County of Dubuque, in the county of Dubuque, state of Iowa on this _________ day of ___________, 20__.

FLEXSTEEL INDUSTRIES, INC.

By: ____________________________________
K. Bruce Lauritsen, President
Date: __________________________________

By: ____________________________________
Ronald J. Klosterman, Secretary
Date: __________________________________

By: ____________________________________
________________, Employee
Date: __________________________________

EXHIBIT A

FLEXSTEEL INDUSTRIES, INC.
SENIOR OFFICER SUPPLEMENTAL RETIREMENT PLAN
EMPLOYEE'S ELECTION OF METHOD OF PAYMENT

Under the Senior Officer Supplemental Retirement Plan Agreement (the "Agreement") with Flexsteel Industries, Inc., I, ______________________________, elect to receive the balance of my Plan Account attributable to contributions made subsequent to the date of the Agreement as follows (check one of the boxes below):

[ ] A. In a lump sum within thirty (30) days of the event requiring payment.

[ ] B. In approximate equal annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] C. In approximate equal annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] D. In approximate equal annual payments over a fifteen (15) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] E. In approximate equal semi-annual amounts over a five (5) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] F. In approximate equal semi-annual amounts over a ten (10) year period with the first payment due within thirty (30) days after the event requiring payment.

[ ] G. In approximate equal semi-annual amounts over a fifteen (15) year period with the first payment due within thirty (30) days after the event requiring payment.

Signature ________________________

Title ________________________

Date ________________________

EXHIBIT B

FLEXSTEEL INDUSTRIES, INC.
SENIOR OFFICER SUPPLEMENTAL RETIREMENT PLAN
BENEFICIARY DESIGNATION OF EMPLOYEE

Under the Senior Officer Supplemental Retirement Plan Agreement with Flexsteel Industries, Inc., I, ______________________________, hereby designate the following as beneficiary of any portion of my Plan Account which has not been paid prior to death:

A. Primary Beneficiary: ________________________________

B. Contingent Beneficiary: ________________________________

Signature ________________________

Title ________________________

Date ________________________

strength
IN COMFORT

[PHOTOS]

Flexsteel Industries, Incorporated

annual report

FISCAL YEAR ENDED JUNE 30, 2001

FINANCIAL highlights [Amounts in thousands except per share data]

[BAR CHART]

net sales
MILLIONS OF DOLLARS

1992	165,526
1993	185,813
1994	204,804
1995	218,476
1996	214,887
1997	230,501
1998	247,740
1999	272,130
2000	300,066
2001	284,773

Year Ended June 30,	2001	2000	1999
Net Sales	$ 284,773	$ 300,066	$ 272,130
Operating Income	6,543	17,679	15,398
Income Before Income Taxes	7,274	18,658	16,217
Net Income	4,594	11,928	10,317

[BAR CHART]

earnings per share
DOLLARS

1992	0.24
1993	0.87
1994	0.94
1995	0.72
1996	0.63
1997	0.86
1998	1.08
1999	1.51
2000	1.82
2001	0.74

Year Ended June 30,	2001	2000	1999
Per Share of Common Stock:			
Average Shares Outstanding:			
Basic	6,108	6,458	6,775
Diluted	6,174	6,562	6,850
Earnings:			
Basic	$ 0.75	$ 1.85	$ 1.52
Diluted	0.74	1.82	1.51
Cash Dividends	0.52	0.52	0.48

[PHOTO]

THE MELANGE COLLECTION COMBINES BEAUTIFUL FABRICS WITH POPULAR LEATHER. INTRODUCED IN APRIL, IT HAS BECOME A POPULAR-SELLING COLLECTION.

[PHOTO]

HANDSOME AND PRACTICAL SEATING FOR RESTAURANTS OR INSTITUTIONAL DINING ROOMS FROM OUR COMMERCIAL SEATING DIVISION.

TO OUR shareholders

Flexsteel has not been immune to the current business downturn, but careful business practices have allowed us to fare better than much of the furniture industry. Our traditional strengths not only help us now, but also give us every reason for continued optimism for the future.

Sales for the fiscal year ended June 30, 2001, were $284,773,000, compared to $300,066,000 for the year ended in 2000. Earnings were $4,594,000, or $0.74 per share, compared to $11,928,000 or $1.82 per share last year.

In Flexsteel's history of more than a century of manufacturing and marketing of seating, we have witnessed downturns in the economy before. The characteristics of each disruption have been different; in the current case, the entire industry of residential furniture has been affected as some of the largest regional and national dealers have either discontinued operations or dramatically downsized. Still, at Flexsteel our core market for residential furnishings remains the independent dealer. Our strong dealer service and our dependable quality product have been instrumental in our increasing our market share with those dealers while absorbing the loss of volume from some of the national retailers.

The disruption in recreational vehicle seating has been more severe. Many of our customers have reduced orders because dealers at the retail level have not replenished their inventories. But even here, we were able not only to add new customers, but also to establish ourselves in new RV market niches.

In our commercial or contract seating business, we continue to develop new products for established customers and to open new accounts. Innovative products and marketing techniques are both expanding our markets and developing new ones.

We feel that Flexsteel's significant financial strength and history of careful management contributed to our being selected by Forbes as one the 200 Best Small Businesses for 2000. This is exemplified by the fact that Flexsteel has paid dividends for 237 consecutive quarters.

In this report, we will try to show you what we are doing to maintain Flexsteel's product quality, keep up with a changing world, and protect your investment.

TRENDS IN GLOBALIZATION

These are active times, filled with opportunity. Competition is global. Leaps in technology have made access to global markets feasible; more sources, for example, are becoming available to us in the Pacific Rim. As a result, some furniture makers, like those in the apparel industry, are evolving into furniture marketers.

This is especially true in the cases of wood and leather. We obtain beautiful wood products -- carved chairs, occasional and game tables, wood trim for upholstered pieces -- from all over the world. Leather hides may also be well-traveled: they may grow in South America, be tanned in Europe, sewn to fit our frames in almost any country, and finally upholstered in our own American plants.

We are always alert to new market possibilities and realize that profits follow when we respond quickly to these fast-moving opportunities.

TRENDS IN RETAIL ENVIRONMENTS

Retailers are learning the value of providing customers with integrated shopping experiences. Flexsteel's comprehensive programs for our Comfort Gallery and Comfort Seating Showroom help our dealers provide just such environments. We have seen tremendous growth in our Gallery program, with 282 Galleries now in operation and over fifty on the drawing boards. Eighteen Comfort Seating Showrooms are in operation. We introduced at our Spring Market our new Gold and Platinum upgrade programs for Comfort Galleries. These comprehensive programs help our dealers enlarge and redesign their galleries and received enthusiastic response.

A crucial part of the total retail environment is the availability of home accessories. By working with an accessory firm and a marketer of area rugs, we help our dealers to offer an enriched shopping experience while expanding their profit opportunities.

At June 30,	2001	2000	1999
Working Capital	$ 55,402	$ 52,016	$ 50,210
Net Plant and Equipment	24,554	26,837	25,912
Total Assets	110,294	114,876	112,684
Shareholders' Equity	85,062	85,196	81,166

[BAR CHART]

book value per share
DOLLARS

1992	9.17
1993	9.57
1994	9.98
1995	10.28
1996	10.45
1997	10.86
1998	11.49
1999	12.50
2000	13.81
2001	14.10

[BAR CHART]

return on common equity
PERCENT

1992	2.6%
1993	9.1%
1994	9.5%
1995	7.1%
1996	6.1%
1997	8.0%
1998	9.7%
1999	12.7%
2000	14.0%
2001	5.4%

We now provide these dealers with a monthly retail advertising package including print, direct mail, radio and television for their use, while we reinforce their efforts with an extensive national advertising program enhancing Flexsteel name recognition.

INNOVATIONS

We have numerous aesthetic and safety improvements in our furnishings for motor homes. We are also introducing greatly improved mechanisms that will allow significant improvements in recliner design and ease of operation. We have popular new designs for our commercial customers, and handsome new "below-deck" seating and sleeping accommodations for the yacht market.

Especially exciting is the forthcoming introduction of a signature collection of beautiful residential furniture by the popular designer and Emmy-award winning TV personality Christopher Lowell.

TECHNOLOGY AND OUR MARKETING

Our Web site continues to draw high interest among consumers. Web site visitors will soon find a fascinating Sneak Preview video catalog that will allow them to look at any style in available fabrics. A special Cyber Resource Center will give our dealers instant information on prices, fabric availability, and order status.

STAYING THE COURSE

Despite business disruptions, we feel it essential that we protect the capacity of your company to meet future demands. While we've taken measures to reduce overhead, shortened work time where necessary, and reduced capital expenditures, we've devoted great effort to keeping our talented associates. They will guide us in the business upturns that will surely come.

A CHANGE AT THE HELM

Following John Easter's retirement, L. Bruce Boylen, stepped into the chairmanship. Mr. Boylen brought to Flexsteel a comprehensive knowledge of the recreational vehicle market, having served as vice president of Fleetwood Enterprises Incorporated. He also served as a Flexsteel director for seven years and brings us valuable expertise in marketing and management.

Although retired from Sears, John Easter has given us the benefit of his extensive experience and knowledge in furniture retailing for seven years on our Board, the last three as your Chairman. Now as he goes into well-earned full retirement he takes with him our heartfelt thanks and good wishes.

OUR COMMITMENT TO YOU

We are committed to following a thoughtful Strategic Plan, which includes current and long-term methods to continue the Flexsteel achievement story through:

* partnering with our dealers

* upholding the famous Flexsteel quality

* continuing to increase our market share

* judicious expansion of product lines

* responding to new market patterns

AN EXCELLENT FUTURE

We owe our thanks to our talented and capable associates, our loyal customers, our excellent vendors and especially to you, our shareholders. It is your contributions that have made possible Flexsteel's long history of financial strength and performance. We rely on these relationships and their wealth of experience to accomplish our strategic goals and continue our strong record of service to you.

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

/s/ L. Bruce Boylen
L. BRUCE BOYLEN
CHAIRMAN OF THE BOARD

[PHOTO]
K. BRUCE LAURITSEN
PRESIDENT &
CHIEF EXECUTIVE OFFICER

[PHOTO]
L. BRUCE BOYLEN
CHAIRMAN OF THE BOARD,
FLEXSTEEL INDUSTRIES, INC.

strength
IN DESIGN

[PHOTO]
THIS CHAIR AND OTTOMAN PAIR TYPIFIES THE HANDSOME COMFORT AND BROAD-BASED APPEAL OF THE MELANGE COLLECTION.

We design Flexsteel to be beautiful. We make it comfortable. And we build it to last.

This has been the Flexsteel philosophy for over a century. The beauty of our fine upholstered furniture draws retailers into our markets and customers to our dealers' showrooms.

Once in a Flexsteel Comfort Gallery or Comfort Seating Showroom, the customer finds that shopping for furniture can be a much more rounded experience than merely selecting a frame and seeing how it will look in a chosen fabric. Here the customer can create the room of her dreams. She can select accent tables and other accessories in complementary styles.

creating
THE ROOM OF HER DREAMS

These include area rugs from Feizy, and such other items as lamps and wall hangings from The Accessory Group. Product offerings from these suppliers expand choices for both dealers and customers.

Later this year we'll be introducing exciting new designs in a signature collection created for us by the Emmy-award-winning decorator Christopher Lowell, the popular TV personality.

Flexsteel's "home furnishings that go down the road" fit beautifully into today's more fluid and spherical, less boxy, motor homes' interiors. They're also designed for optimum space use. Our new Versaflex power sofa features multi-position recline, a bed and a slide-out ottoman. Motor home manufacturers can now provide a luxurious sleeping, working and eating area in only 76" of overall space.

The Flexsteel name is a powerful selling aid in motor homes and converted vans. Manufacturers report that customers instantly recognize the Flexsteel name on their captain's chairs and bucket seats.

[PHOTO] PHOTO COURTESY WINNEBAGO INDUSTRIES
SPACIOUS LIVING AREA IN THE ITASCA(R) HORIZON BY WINNEBAGO. TRUE LIVING-ROOM COMFORT WITH FLEXSTEEL FURNITURE IN THE SLIDE-OUT ROOM.

Our Commercial Seating division has introduced new task chairs, restaurant tables and chairs, and casino chairs and stools for the gaming industry. They've published a new Designbook to acclaim from interior designers. This useful tool helps designers put together complete presentations of Flexsteel sofas, chairs and tables for installations such as clubs, hotels and restaurants.

Our own designers work closely with these interior specialists because today there's a competitive premium in customization. Just as the retail customer demands a custom sofa, commercial interior designers and motor home builders have their own unique requirements.

drawing
ON OUR COMBINED SKILLS

We have long found that our experience in metalworking - building our famous seat spring - has given us a competitive advantage in RV seating. Now we find a similar synergy between home furnishings, RV seating and commercial seating. Drawing on our combined skills and experience, we're able to respond quickly to design requests, create the design and deliver a prototype more quickly than ever.

AND EXECUTION

We have a strong story for dealers to tell, to sell.

Many of our retailers report second- and third-generation customers who choose Flexsteel because our fine upholstered furniture has proven itself in their parents' and grandparents' homes.

We've always been proud of our frames; for decades we've warranted them for life. Today, our frames are lighter and stronger than ever. Engineered wood is not only better for furniture but also helps conserve a valuable renewable resource. Our unitized seat spring construction has distinguished Flexsteel furniture since 1927; it is so strong that it, too, is warranted for life.

Besides the competitive advantage of our abilities in metal and fabric working, our experience in, and knowledge of, safety help us sell to both the recreational vehicle and maritime markets. Our seating for van conversions, motor homes, travel trailers and maritime vessels meets or exceeds all applicable safety codes.

quality
FOR GENERATIONS

The Flexsteel name has stood for quality for generations. We take pride in that reputation and never stop striving to uphold and strengthen it.

[PHOTO]
LEATHER RECLINERS ARE NATURALLY HANDSOME. FLEXSTEEL RECLINERS ALSO OFFER SUPERIOR COMFORT AND LIFETIME WARRANTIES.

[PHOTO]
ACCESSORIES ARE PROMINENTLY DISPLAYED IN THIS KIOSK. AN INNOVATION FROM FLEXSTEEL TO HELP COMFORT GALLERY DEALERS MAXIMIZE SALES AND PROFITS.

[PHOTO]
THIS INVITING CONVERSATIONAL GROUPING IS PART OF A LINE DEVELOPED BY THE COMMERCIAL SEATING DIVISION. BOTH HANDSOME AND PRACTICAL, IT SERVES THE GROWING NEEDS OF THE HOSPITALITY INDUSTRY.

A VERSATILE TRADITIONAL GROUP INCLUDES A SPECTACULAR DOUBLE-ARM CHAISE. FOR A TRANSITIONAL LOOK, THE CUSTOMER CAN SUBSTITUTE TAPERED LEGS FOR THE TRADITIONAL PLEATS.

building
ON OUR STRENGTH

[PHOTO]
THIS SLEEK BUCKET SEAT TYPIFIES BOTH THE HANDSOME AUTOMOTIVE STYLING AND SMOOTHLY-OPERATING POWER CONTROLS DEVELOPED BY FLEXSTEEL DESIGNERS AND ENGINEERS.

At Flexsteel, we've never sat on our laurels.

Nor do we now. This interim period has given us the opportunity to actively pursue new markets. We are actually signing up new customers in all the markets we serve.

pursue
NEW MARKETS

We've added seventy-six Flexsteel Comfort Galleries this year. Our Commercial Seating division, armed with the new Designbook and an aggressive sales force, is reaching such new areas as the limited service hospitality industry and the casino industry. The Recreational Vehicle Seating division is increasing our business in yachts. The strengths of our RV and Commercial Seating divisions draw on each other to open new markets with exciting potential, such as the growing cruise ship industry.

In our Strategic Plan, we recognized last year the first signs of the present downturn. We are adhering to that plan, guarding those assets we'll need in the future while taking advantage of the leaps in technology that help us control costs in the present.

Digital technology, by allowing instant communication between our nation-wide factory network, enormously reduces paper handling, errors and lost time.

Sophisticated computer-controlled fabric cutting gives us a technological competitive advantage in all our seating markets. This advantage is somewhat diluted by the necessity of supplying customers with highly individualized designs, but we counter that by setting up "work cells." These production units specialize in currently popular products, such as the metal daybeds we are now supplying to hotels.

Our Web site has been redesigned and continues to generate enormous interest. Over fifty thousand visitors per month spend an average of fifteen minutes per visit at our site.

[PHOTO]
RECLINING SECTIONALS OFFER VERSATILE CASUAL COMFORT. THIS BEAUTIFUL GROUPING BY FLEXSTEEL ALSO OFFERS OUR UNIQUE SPRING SET IN A METAL SEAT FRAME FOR LIFETIME COMFORT.

Market studies show that most furniture buyers today have previously researched their choices on the Web. Soon visitors to the Flexsteel site will be able to see desired frame-and-fabric combinations right on their home computers.

We help our dealers sell. A special Web site section, the Cyber Resource Center, gives our retailers real-time information on style introductions and modifications, fabric availability, order status, and upcoming promotions. We help our dealers maximize their return-per-square-foot with a complete line of tables, our accessories program, our huge selection of exclusive fabrics, and our newest Comfort Gallery upgrade program. We also provide retailers a comprehensive monthly advertising package. It includes print and electronic ads the retailer can adapt to his market.

enhance
OUR RETAILERS' EFFORTS

We support and enhance our retailers' efforts with a year-round national advertising program. Full-page ads in the most widely-distributed home-and-garden magazines present our beautiful designs in handsome settings and add to Flexsteel's name recognition.

[PHOTO]
EVEN A TASK CHAIR CAN BE SMART-LOOKING AS WELL AS COMFORTABLE. ONE OF OUR ENTRIES INTO THE GROWING OFFICE FURNITURE MARKET.

[PHOTO]
WE'VE MODIFIED OUR POPULAR WEST INDIES GROUP FOR COMMERCIAL INSTALLATIONS. IT INCLUDES TABLES AND A SELECTION OF UPHOLSTERED FURNITURE.

FOR THE FUTURE

We are constantly improving efficiency and quality.

In the future we'll see less paperwork at Flexsteel. There will be more digital solutions. There will be more information on our Web site, including this Annual Report, and more dealer services at our Cyber Resource Center.

respond
MORE QUICKLY

There'll be greater coordination between our procurement department and our vendors, making more use of e-commerce and reducing cycle time, especially in imports. We'll be able to respond more quickly to custom needs, not only for home furnishings but also in Commercial and Recreational Vehicle Seating. We're reducing obsolescence and improving inventory turns and controls.

We expect continued change and some weaknesses in the retail sector. Sound financial strength and careful management will once again support us. We'll stay focused on our Strategic Plan, continue costs controls, and open new distribution channels.

We're protecting your investment. As you see Flexsteel in more places than ever - in living rooms, on the road, on the sea, in hotels and cruise ships, in yachts and casinos, in restaurants and assisted-living centers - you'll be seeing Flexsteel growth.

Please visit our Web site: flexsteel.com. Among other things you'll see some great letters from customers who have discovered Flexsteel quality.

We want you to be as proud of your company as we are.

[PHOTO]
COMFORT GALLERIES, LIKE THIS ONE IN CALLAN'S, ARE PLEASING SHOPPING ENVIRONMENTS FULL OF IDEAS. SHOPPERS CAN PUT TOGETHER ROOMS WITH SOFAS, CHAIRS, ACCENT TABLES AND OTHER ACCESSORIES.

LEATHER IS PERENNIALLY POPULAR. HERE WE'VE PRESENTED IT IN A MASSIVE SCALE. THE PRESS-BACK LOUNGE CHAIR, OTTOMAN AND SOFA ARE HANDSOME AND COMFORTABLE.

Five year REVIEW

[ALL AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA]

FISCAL YEAR ENDED JUNE 30,	2001	2000	1999	1998	1997
SUMMARY OF OPERATIONS					(4)
Net Sales (1)	$ 284,773	$ 300,066	$ 272,130	$ 247,740	$ 230,501
Cost of Goods Sold (1)	224,352	235,824	212,576	196,960	184,162
Operating Income	6,543	17,679	15,398	9,868	7,888
Interest and Other Income	1,063	1,439	1,134	2,015	1,931
Interest Expense	331	461	315	356	345
Income Before Income Taxes	7,274	18,658	16,217	11,527	9,473
Income Taxes	2,680	6,730	5,900	3,925	3,425
Net Income (2) (3) (5)	4,594	11,928	10,317	7,602	6,048
Earnings per Common Share: (2) (3) (5)					
Basic	0.75	1.85	1.52	1.09	0.86
Diluted	0.74	1.82	1.51	1.08	0.86
Cash Dividends per Common Share	0.52	0.52	0.48	0.48	0.48
STATISTICAL SUMMARY					
Average Common Shares Outstanding:					
Basic	6,108	6,458	6,775	6,959	7,024
Diluted	6,174	6,562	6,850	7,035	7,072
Book Value per Common Share	14.10	13.81	12.50	11.49	10.86
Total Assets	110,294	114,876	112,684	104,673	99,173
Property, Plant and Equipment, net	24,554	26,837	25,912	23,096	26,214
Capital Expenditures	2,817	6,718	8,398	2,392	5,273
Working Capital	55,402	52,016	50,210	50,549	44,357
Long-Term Debt	0	0	0	0	0
Shareholders' Equity	85,062	85,196	81,166	78,080	75,238
SELECTED RATIOS					
Net Income as Percent of Sales	1.6%	4.0%	3.8%	3.1%	2.6%
Current Ratio	3.6 to 1	3.0 to 1	2.8 to 1	3.1 to 1	3.1 to 1
Return on Ending Common Equity	5.4%	14.0%	12.7%	9.7%	8.0%
Return on Beginning Common Equity	5.4%	14.7%	13.2%	10.1%	8.2%
Average Number of Employees	2,410	2,570	2,400	2,330	2,320

(1) Net sales and cost of goods sold reflect a reclassification of delivery charges in order to comply with Emerging Issues Task Force No. 00-10, ACCOUNTING FOR SHIPPING AND HANDLING FEES AND COSTS.

(2) 2000 income and per share amounts reflect a gain on the sale of land 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.

(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) On March 18, 1997, the Company acquired certain assets of Dygert Seating, Inc., and the related production facilities for $6,934,000.

(5) 1997 income and per share amounts reflect a gain on the sale of a production facility of approximately $350,000 (net of income taxes) or $0.05 per share.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FLEXSTEEL INDUSTRIES, INC.:

We have audited the accompanying consolidated balance sheets of Flexsteel Industries, Inc. (the Company) as of June 30, 2001 and 2000, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2001 and 2000, and the results of its operations and cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

MINNEAPOLIS, MINNESOTA
AUGUST 10, 2001

REPORT OF MANAGEMENT

TO THE SHAREHOLDERS OF FLEXSTEEL INDUSTRIES, INC.:

Management is responsible for the financial and operating information contained in this Annual Report, including the consolidated financial statements covered by the report of Deloitte & Touche LLP, our independent auditors. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on estimates and judgments of management.

The Company maintains a system of internal controls to provide reasonable assurance that the books and records reflect the authorized transactions of the Company. There are limits inherent in all systems of internal control because their cost should not exceed the benefits derived. The Company believes its system of internal controls and internal audit functions balance the cost/benefit relationship.

The Audit & Ethics Committee of the Board of Directors, composed solely of outside directors, annually recommends to the Board of Directors, the appointment of the independent auditors that are engaged to audit the consolidated financial statements of the Company and to express an opinion thereon. The Audit & Ethics Committee meets periodically with the independent auditors to review financial reports, accounting and auditing practices and controls.

K. BRUCE LAURITSEN
PRESIDENT
CHIEF EXECUTIVE OFFICER

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

Consolidated
Balance
SHEETS

	JUNE 30, 2001	JUNE 30, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,048,562	$ 4,000,855
Investments	2,536,469	5,730,888
Trade receivables - less allowance for doubtful accounts 2001, $1,950,000; 2000, $2,250,000	28,363,058	32,053,104
Inventories	31,379,836	32,456,058
Deferred income taxes	2,700,000	3,140,000
Other	1,546,710	543,711
Total current assets	76,574,635	77,924,616
PROPERTY, PLANT AND EQUIPMENT, net	24,553,962	26,837,475
NOTES RECEIVABLE	415,762	2,752,130
DEFERRED INCOME TAXES	300,000	60,000
OTHER ASSETS	8,450,110	7,302,095
TOTAL	$110,294,469	$114,876,316
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 5,277,607	$ 6,921,533
Accrued liabilities:		
Payroll and related items	3,803,071	6,344,417
Insurance	5,863,451	5,977,525
Other accruals	5,253,930	5,364,921
Industrial revenue bonds payable	975,000	1,300,000
Total current liabilities	21,173,059	25,908,396
DEFERRED COMPENSATION	4,059,186	3,772,152
Total liabilities	25,232,245	29,680,548
COMMITMENTS AND CONTINGENCIES (Note 11)		
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock - $50 par value; authorized 60,000 shares; outstanding - none		
Undesignated (subordinated) stock - $1 par value; authorized 700,000 shares; outstanding - none		
Common stock - $1 par value; authorized 15,000,000 shares; Outstanding 2001, 6,034,210 shares; 2000, 6,170,789 shares	6,034,210	6,170,789
Retained earnings	78,272,996	78,268,436
Accumulated other comprehensive income	755,018	756,543
Total shareholders' equity	85,062,224	85,195,768
TOTAL	$110,294,469	$114,876,316

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated
Statements
OF INCOME &
COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME	FOR THE YEARS ENDED JUNE 30,		
	2001	2000	1999
NET SALES	$ 284,772,510	$ 300,065,940	$ 272,130,007
COST OF GOODS SOLD	(224,352,469)	(235,824,182)	(212,575,747)
GROSS MARGIN	60,420,041	64,241,758	59,554,260
SELLING, GENERAL AND ADMINISTRATIVE	(53,877,499)	(47,812,467)	(44,156,199)
GAIN ON SALE OF LAND		1,249,806	
OPERATING INCOME	6,542,542	17,679,097	15,398,061
OTHER:			
Interest and other income	1,062,629	1,439,293	1,133,814
Interest expense	(331,166)	(460,796)	(315,289)
TOTAL	731,463	978,497	818,525
INCOME BEFORE INCOME TAXES	7,274,005	18,657,594	16,216,586
PROVISION FOR INCOME TAXES	(2,680,000)	(6,730,000)	(5,900,000)
NET INCOME	$ 4,594,005	$ 11,927,594	$ 10,316,586
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
BASIC	6,107,785	6,457,960	6,774,996
DILUTED	6,174,320	6,561,968	6,850,115
EARNINGS PER SHARE OF COMMON STOCK:			
BASIC	$ 0.75	$ 1.85	$ 1.52
DILUTED	$ 0.74	$ 1.82	$ 1.51

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	FOR THE YEARS ENDED JUNE 30,		
	2001	2000	1999
NET INCOME	$ 4,594,005	$ 11,927,594	$ 10,316,586
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:			
Unrealized gains (losses) on securities arising during period	(21,374)	(389,788)	(1,575)
Less:reclassification adjustment for losses included in net income	18,961	74,138	192,338
Other comprehensive income (loss), before tax	(2,413)	(315,650)	190,763
INCOME TAX BENEFIT (EXPENSE):			
Income tax benefit related to securities losses arising during period	7,866	143,986	577
Income tax expense related to securities reclassification adjustment	(6,978)	(27,431)	(70,494)
Income tax expense (benefit) related to other comprehensive income	888	116,555	(69,917)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(1,525)	(199,095)	120,846
COMPREHENSIVE INCOME	$ 4,592,480	$ 11,728,499	$ 10,437,432

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated
Statements
OF CHANGES IN
SHAREHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
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 Adjustment ..					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
Purchase of Company Stock	(200,038)	(200,038)	(678,171)	(1,418,202)		(2,296,411)
Issuance of Company Stock	63,459	63,459	678,171			741,630
Investment Valuation Adjustment ..					(1,525)	(1,525)
Cash Dividends				(3,171,243)		(3,171,243)
Net Income				4,594,005		4,594,005
Balance at June 30, 2001	6,034,210	$ 6,034,210	$ --	$ 78,272,996	$ 755,018	$ 85,062,224

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated
Statements
OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,		
	2001	2000	1999
OPERATING ACTIVITIES:			
Net income	$ 4,594,005	$ 11,927,594	$ 10,316,586
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,726,298	5,492,556	5,358,482
(Gain) loss on disposition of capital assets	(35,542)	(1,278,671)	134,235
Trade receivables	5,637,605	(830,818)	(2,426,664)
Inventories	1,805,222	(2,952,849)	(2,895,913)
Other current assets	(1,003,000)	(82,305)	171,324
Other assets	(362,326)	630,602	(616,268)
Accounts payable - trade	(1,643,926)	(155,196)	1,284,021
Accrued liabilities	(2,106,659)	(1,488,716)	4,583,133
Deferred compensation	287,034	711,482	8,145
Deferred income taxes	200,000	500,000	(915,000)
Net cash provided by operating activities	13,098,711	12,473,679	15,002,081
INVESTING ACTIVITIES:			
Purchases of investments	(2,014,525)	(1,635,138)	(3,750,686)
Proceeds from sales of investments	4,425,506	4,843,652	4,782,119
Payments received from customers on notes receivable	211,974	50,000	
Loans to customers on notes receivable	(1,325,000)	(2,875,000)	
Proceeds from sale of capital assets	178,997	1,579,166	88,927
Capital expenditures	(2,817,180)	(6,718,094)	(8,398,487)
Net cash used in investing activities	(1,340,228)	(4,755,414)	(7,278,127)
FINANCING ACTIVITIES:			
Repayment of borrowings	(325,000)	(325,000)	(325,000)
Dividends ($0.52, 0.52, 0.48 per share, respectively)	(3,190,069)	(3,306,838)	(3,265,025)
Proceeds from issuance of common stock	100,704	120,799	13,114
Repurchase of common stock	(2,296,411)	(5,092,409)	(4,725,266)
Net cash used in financing activities	(5,710,776)	(8,603,448)	(8,302,177)
Increase (decrease) in cash and cash equivalents	6,047,707	(885,183)	(578,223)
Cash and cash equivalents at beginning of year	4,000,855	4,886,038	5,464,261
Cash and cash equivalents at end of year	$ 10,048,562	$ 4,000,855	$ 4,886,038
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 61,000	$ 64,000	$ 70,000
Income taxes	$ 4,442,000	$ 7,050,000	$ 5,644,000

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS - Flexsteel Industries, Inc. (the Company) manufactures a broad line of 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. The Company has two wholly owned subsidiaries. Desert Dreams, Inc. owns and leases a commercial building to an unrelated entity. Four Seasons, Inc. operates five retail furniture stores. All significant intercompany accounts and transactions have been eliminated.

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

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

CASH EQUIVALENTS - the Company considers highly liquid investments with original maturities of 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. Net sales consist of product sales and related delivery charge revenue, net of adjustments for estimated returns and allowances.

INSURANCE - the Company is self-insured for health care and most workers' compensation up to predetermined amounts above which third party insurance applies. The Company is contingently liable to insurance carriers under its comprehensive general, product, and vehicle liability policies, as well as some workers' compensation, and has provided 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 66,535 shares, 104,008 shares, and 75,119 shares in fiscal 2001, 2000 and 1999, 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 of Financial Accounting Standards (SFAS) No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, the Company operates in two segments. The significant segment is the manufacture of seating products. The second segment is the operation of five retail furniture stores. At June 30, 2001, the retail segment had $2,367,000 of assets. For the fiscal year ended June 30, 2001, the retail segment had net sales of $4,435,000 and a net loss of $1,488,000. The fiscal year 2000 amounts for the retail segment were not significant.

ACCOUNTING DEVELOPMENTS - The Company adopted SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES on July 1, 2000. The Company's policy is to not use freestanding derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales. The adoption had no impact on the Company's financial position and results of operations.

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

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

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations after June 30, 2001. SFAS No. 142 establishes new standards for accounting for goodwill and intangible assets and will be adopted by the Company on July 1, 2001. Management believes that SFAS No. 141 and 142 will not have a material impact on the Company's financial position or results of operations.

RECLASSIFICATIONS - certain prior years' amounts have been reclassified to conform to the fiscal 2001 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, 2001		JUNE 30, 2000	
	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES
Amortized Cost	$3,076,663	$2,781,872	$6,080,606	$2,244,735
Unrealized gains (losses)	25,747	1,168,914	(144,432)	1,284,794
ESTIMATED MARKET VALUE	$3,102,410	$3,950,786	$5,936,174	$3,529,529

As of June 30, 2001, the maturities of debt securities are $1,792,003 within one year, $708,134 in one to five years, and $602,273 over five years.

3. INVENTORIES

Inventories valued on the LIFO method would have been approximately $1,963,000 and $2,062,000 higher at June 30, 2001 and 2000, respectively, if they had been valued on the FIFO method. A comparison of inventories is as follows:

	JUNE 30, 2001	JUNE 30, 2000
Raw materials........................	$16,343,218	$16,711,084
Work in process and finished parts ..	8,651,210	9,125,346
Finished goods	6,385,408	6,619,628
TOTAL................................	$31,379,836	$32,456,058

4. PROPERTY, PLANT AND EQUIPMENT

	ESTIMATED LIFE (YEARS)	JUNE 30, 2001	JUNE 30, 2000
Land		$ 2,212,790	$ 2,212,790
Buildings and improvements	3-39	30,007,095	29,503,530
Machinery and equipment	3-10	31,320,833	31,074,388
Delivery equipment	3-7	15,930,432	14,945,474
Furniture and fixtures	3-5	5,687,361	6,016,280
TOTAL		85,158,511	83,752,462
Less accumulated depreciation ...		(60,604,549)	(56,914,987)
NET		$ 24,553,962	$ 26,837,475

5. BORROWINGS

The Company is obligated for $975,000 of Industrial Revenue Bonds at June 30, 2001, which were issued for the financing of property, plant and equipment. The obligations are variable rate demand bonds with a weighted average rate for the years ended June 30, 2001, 2000 and 1999 of 4.5%, 4.1% and 3.7% 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, 2001.

6. INCOME TAXES

The total income tax provision for the years ended June 30, 2001, 2000 and 1999 was 36.8%, 36.1% and 36.4%, respectively, of income before income taxes. In fiscal 2000 the effective rate was reduced by 0.7% for nontaxable life insurance proceeds of $405,000.

Provision - comprised of the following:

	2001	2000	1999
Federal - current	$ 2,550,000	$ 5,520,000	$ 6,115,000
State - current	330,000	710,000	700,000
Deferred	(200,000)	500,000	(915,000)
TOTAL	$ 2,680,000	$ 6,730,000	$ 5,900,000

Deferred income taxes - comprised of the following:

	JUNE 30, 2001		JUNE 30, 2000	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
Asset allowances	$ 720,000		$ 810,000	
Other accruals and allowances	1,980,000		2,330,000	

Deferred compensation		$ 1,500,000		$ 1,400,000
Property, plant and equipment		(1,200,000)		(1,340,000)
TOTAL	$2,700,000	$ 300,000	$ 3,140,000	$ 60,000

7. CREDIT ARRANGEMENTS

The Company has lines of credit of $3,000,000 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 fiscal 2001 or 2000.

8. STOCK OPTIONS

The Company has stock option plans for key employees and directors that provide for the granting of incentive and nonqualified stock options. Under the plans, options are granted at an exercise price equal to the fair market value of the underlying common stock at the date of grant, and may be exercisable for up to 10 years. All options are exercisable when granted. At June 30, 2001, 394,650 shares were available for future grants. The Company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its stock option plans, as permitted under FASB Statement No. 123 ACCOUNTING FOR STOCK-BASED COMPENSATION (SFAS No. 123). Accordingly, no compensation cost has been recognized for its stock option plans. Had the compensation cost for the Company's incentive stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		2001	2000	1999
Net Income	As reported	$ 4,594,005	$11,927,594	$10,316,586
	Pro forma	4,431,005	11,736,594	10,171,214
Earnings per share:				
Basic	As reported	$ 0.75	$ 1.85	$ 1.52
	Pro forma	0.73	1.82	1.50
Diluted	As reported	0.74	1.82	1.51
	Pro forma	0.72	1.79	1.48

The fair value of each option grant is estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2001, 2000 and 1999, respectively: dividend yield of 4.8%, 3.9% and 4.5%; expected volatility of 24.6%, 26.3% and 27.1%; interest rates of 6.5%, 7.1% 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, 2001, 2000 and 1999 and the changes during the years then ended is presented below:

	SHARES	PRICE RANGE
June 30, 1998 Outstanding....	500,505	$10.25 - 15.75
Granted....................	106,450	10.50 - 12.75
Exercised..................	(34,088)	10.25 - 11.44
Canceled...................	(13,600)	11.13 - 15.75
June 30, 1999 Outstanding ...	559,267	10.25 - 15.75
Granted....................	112,000	13.25 - 13.59
Exercised..................	(42,872)	10.25 - 11.44
Canceled...................	(2,650)	10.25 - 11.44
June 30, 2000 Outstanding ...	625,745	10.25 - 15.75
Granted....................	135,150	10.56 - 10.75
Exercised..................	(8,000)	10.25 - 10.50
June 30, 2001 Outstanding ...	752,895	10.25 - 15.75

Significant option groups outstanding at June 30, 2001 and related weighted-average exercise price and remaining life information follows:

GRANT DATE	OPTIONS OUTSTANDING	WEIGHTED - AVERAGE EXERCISE PRICE	WEIGHTED - AVERAGE LIFE (YEARS) REMAINING
July 6, 1993	74,360	$ 14.875	0.1
July 28, 1994	61,060	10.500	3.0
August 16, 1995	81,200	11.250	4.1
July 30, 1996	82,350	10.250	5.0
November 7, 1997	80,825	11.438	6.3
November 2, 1998	95,950	10.500	7.3
November 2, 1999	107,000	13.250	8.3
November 14, 2000	130,150	10.750	9.3
All other	40,000	12.840	5.7
TOTAL	752,895	11.640	5.9

9. PENSION AND RETIREMENT PLANS

The Company sponsors various defined contribution pension and retirement plans which cover substantially all employees, other than employees covered by 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 $1,683,000 in fiscal 2001, $1,572,000 in fiscal 2000 and $1,427,000 in fiscal 1999 including $380,000 in fiscal 2001, $363,000 in fiscal 2000 and $330,000 in fiscal 1999 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 $1,355,000 in fiscal 2001, $1,449,000 in fiscal 2000 and $1,355,000 in fiscal 1999.

The Company has unfunded post-retirement benefit plans with certain officers. During the year ended June 30, 2000, the Company recorded a one-time cost adjustment of $474,161 due to a change from a fixed benefit obligation to a defined contribution obligation. The plans require various annual contributions for the participants based upon compensation levels and age. All participants are fully vested. For the years ended 2001, 2000 and 1999, excluding the aforementioned one time cost, the benefit obligation was increased by interest expense of $305,039, $343,536 and $247,228, service costs of $285,995, $256,785 and $146,917, and decreased by payments of $304,000, $363,000 and $386,000, respectively. At June 30, 2001, the benefit obligation was $4,059,186.

10. MANAGEMENT INCENTIVE PLAN

The Company has an incentive plan that provides for shares of common stock to be awarded to key employees based on a targeted rate of earnings to common equity as established by the Board of Directors. Shares awarded to employees are subject to the restriction of continued employment, with 331/3% of the stock received by the employee on the award date and the remaining shares issued after one and two years. Under the plan 34,397, 53,427 and 45,158 shares were awarded, and the amounts charged to income were $380,000, $646,000 and $598,000 in fiscal 2001, 2000 and 1999, respectively. At June 30, 2001, 180,281 shares were available for future grants.

11. COMMITMENTS AND CONTINGENCIES

Facility Leases - The Company leases certain facilities under various operating leases. These leases require the company to pay operating costs, including property taxes, insurance, and maintenance. Total lease expense related to the various operating leases was approximately $1,410,000, $630,000 and $518,000 in fiscal 2001, 2000 and 1999, respectively. Expected future minimum commitments under operating leases and lease guarantees as of June 30, 2001, were as follows:

YEAR ENDED JUNE 30,	
2002	$ 1,466,000
2003	1,327,000
2004	1,343,000
2005	807,000
2006	690,000
Thereafter	2,145,000
	$ 7,778,000

12. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

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

2001	QUARTERS 1ST	2ND	3RD	4TH
Net Sales (1)	$ 70,033	$ 73,917	$ 71,973	$ 68,850

	1ST	2ND	3RD	4TH
Gross Margin	14,513	16,475	14,645	14,787
Net Income	1,882	1,723	814	174
Earnings Per Share				
Basic	0.30	0.28	0.13	0.03
Diluted	0.30	0.28	0.13	0.03
Dividends Per Share	0.13	0.13	0.13	0.13
*Market Price:				
High	13.00	12.31	13.13	12.18
Low	12.00	10.50	10.75	10.50

	QUARTERS			
2000	1ST	2ND	3RD	4TH
Net Sales (1)	$ 70,669	$ 73,618	$ 78,400	$ 77,379
Gross Margin	15,030	15,577	16,588	17,047
Net Income	2,365	3,589(2)	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	14.63	14.00	14.00	14.13
Low	12.56	12.50	11.75	11.38

(1) Reflects the reclassification of delivery charges to comply with Emerging Issues Task Force No. 00-10, ACCOUNTING FOR SHIPPING AND HANDLING FEES AND COSTS.

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

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

Management's discussion
& ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATION

GENERAL

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

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, 2001, 2000 and 1999. Amounts presented are percentages of the Company's net sales.

	FOR THE YEARS ENDED JUNE 30,		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	(78.8)	(78.6)	(78.1)
Gross margin	21.2	21.4	21.9
Selling, general and administrative expenses	(18.9)	(15.9)	(16.2)
Gain on sale of land	--	0.4	--
Operating income	2.3	5.9	5.7
Other income, net	0.3	0.3	0.3
Income before income taxes	2.6	6.2	6.0
Income tax expense	(1.0)	(2.2)	(2.2)
Net income	1.6%	4.0%	3.8%

FISCAL 2001 COMPARED TO FISCAL 2000

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

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

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

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

Net other income was $0.7 million in fiscal 2001 and $1.0 million in fiscal 2000. During the second quarter of 2000 the Company realized a non-taxable gain on the proceeds of life insurance of $0.4 million.

The effective tax rate in 2001 was 36.8% compared to 36.1% in 2000. 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 2001 fiscal year net income of $4.6 million or $0.74 per diluted share compared to $11.9 million or $1.82 per diluted share in fiscal 2000, a net decrease of $7.3 million or $1.08 per share. Excluding the fiscal year 2000 gain on the sale of land of $0.8 million or $0.12 per share and $0.06 per share or $0.4 million from the proceeds of life insurance, net income for the fiscal year ended June 30, 2001 declined $0.90 per share or $6.1 million.

FISCAL 2000 COMPARED TO FISCAL 1999

Net sales for 2000 increased by $27.9 million or 10.3% compared to 1999. Residential seating sales volume increased $24.7 million or 15.4%. Vehicle seating sales increased $6.2 million or 7.1%. Commercial seating sales volume decreased $3.0 million or 12.9%.

Gross margin increased $4.7 million to $64.2 million, or 21.4% of sales, in 2000, from $59.6 million, or 21.9% in 1999. 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 15.9% and 16.2% for 2000 and 1999 respectively. The cost percentage decrease was due to management's continued efforts to control fixed costs as volume increased.

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

Net other income was $1.0 million in 2000 and $0.8 million for 1999. During the second quarter of 2000 the Company realized a non-taxable gain on the proceeds of life insurance of $0.4 million.

The effective tax rate in 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 $11.9 million or $1.82 per diluted share compared to $10.3 million or $1.51 per diluted share in fiscal 1999, a net increase of $1.6 million or $0.31 per share.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at June 30, 2001, is $55.4 million, which includes cash, cash equivalents and investments of $12.6 million. Working capital increased by $3.4 million from the June 30, 2000 amount.

Net cash provided by operating activities was $13.1 million, $12.5 million and $15.0 million in fiscal 2001, 2000 and 1999, respectively. Fluctuations in net cash provided by operating activities are primarily the result of changes in net income and changes in trade receivables, inventory and accrued liabilities.

Capital expenditures were $2.8 million, $6.7 million and $8.4 million for fiscal 2001, 2000 and 1999, respectively. The current year expenditures were incurred primarily for manufacturing and delivery equipment. Projected capital spending for fiscal 2002 is $2.0 million. 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 $5.7 million, $8.6 million and $8.3 million in fiscal 2001, 2000 and 1999, respectively. Under existing Board authority, the Company repurchased 200,038, 385,445 and 364,092 shares of its outstanding common stock during fiscal 2001, 2000, and 1999, respectively. At June 30, 2001, under existing authorizations, the Company may repurchase 5,340 shares.

FINANCING ARRANGEMENTS

The Company has lines of credit of $3.0 million with banks for short-term borrowings, which have not been utilized since 1979. The Company has outstanding borrowings of $975,000 in the form of variable rate demand industrial development revenue bonds. During fiscal 2001, the weighted-average interest rate on the industrial development revenue bonds was 4.5%.

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 thereon, credit risk from customers or volatility in the major markets, competition and general economic conditions.

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

Flexsteel

EXECUTIVE COMMITTEE

[PHOTO]

(STANDING) THOMAS D. BURKART, JEFFREY T. BERTSCH, JAMES R. RICHARDSON, PATRICK M. CRAHAN; (SEATED) K. BRUCE LAURITSEN, EDWARD J. MONAGHAN, RONALD J. KLOSTERMAN plant locations

* Flexsteel Industries, Inc.

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(563) 556-7730
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M.C. Dixon, General Manager

Flexsteel Industries, Inc.
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(717) 392-4161
T. P. Fecteau, General Manager

Flexsteel Industries, Inc.
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(909) 354-2440
T. D. Burkart, General Manager

Flexsteel Industries, Inc.
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J. E. Gilbertson, General Manager

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

Metal Division
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(563) 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

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

internet
http://flexsteel.com

directors & officers

L. Bruce Boylen
Chairman of the Board of Directors
Retired Vice President
Fleetwood Enterprises, Inc.
K. Bruce Lauritsen
President
Chief Executive Officer
Director
Edward J. Monaghan
Executive Vice President
Chief Operating Officer
Director
James R. Richardson
Senior Vice President, Marketing
Director
Jeffrey T. Bertsch
Vice President
Director
Patrick M. Crahan
Vice President
Director
Lynn J. Davis
Director
Senior Vice President
ADC Telecommunications, Inc.
Thomas E. Holloran

Director
Professor, Graduate School of
Business, University of St. Thomas
St. Paul, Minnesota
Marvin M. Stern
Director
Retired Vice President
Sears, Roebuck & Company
Carolyn T. B. Bleile
Vice President
Thomas D. Burkart
Senior Vice President, Vehicle Seating
Kevin F. Crahan
Vice President
Keith R. Feuerhaken
Vice President
James E. Gilbertson
Vice President
Timothy E. Hall
Treasurer - Assistant Secretary
James M. Higgins
Vice President, Commercial Seating
Ronald J. Klosterman
Vice President, Finance
Chief Financial Officer
Secretary
Michael A. Santillo
Vice President

audit committee

Thomas E. Holloran, Chairman
Lynn J. Davis
Marvin M. Stern

compensation &
nominating committee

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

marketing & planning
committee

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

transfer agent & registrar

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

general counsel

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

national over-the-counter
NASDAQ symbol
FLXS

annual meeting

December 10, 2001, 2:00 p.m.
Hilton Minneapolis
1001 Marquette Avenue
Minneapolis, Minnesota 55403

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

shown on the front cover

TO BE FEATURED IN OUR FALL ADVERTISING CAMPAIGN, THE BEAUTIFUL VERSAILLES COLLECTION TYPIFIES THE SUPERB RESULTS POSSIBLE WHEN FLEXSTEEL COMBINES ITS DESIGN STRENGTH AND UPHOLSTERY ABILITIES WITH THE MANY GLOBAL SOURCES AND TALENTS AVAILABLE. THE HANDSOME WOOD TRIM IS ALL HANDCARVED.

[PHOTO] PHOTO COURTESY CARVER YACHTS
THE SPACIOUS MAIN CABIN OF THE CARVER 570 VOYAGER YACHT IS AN INVITATION TO ENJOY THE DELIGHTS OF CRUISING. LEATHER IS A NATURAL CHOICE HERE, OFFERING HANDSOME AND DURABLE COMFORT IN THE FLEXSTEEL RECLINING SECTIONAL AND SWIVEL CHAIRS. THE CAPTAIN'S CHAIR ON THE BRIDGE IS ALSO BY FLEXSTEEL.

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& COMFORT AT SEA

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

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EXHIBIT 23.1

INDEPENDENT AUDITORS' REPORT

Flexsteel Industries, Inc.:

We have audited the consolidated financial statements of Flexsteel Industries, Inc. (the Company) as of June 30, 2001 and 2000 and for each of the three years in the period ended June 30, 2001, and have issued our report thereon dated August 10, 2001. Such financial statements and report are included in your Annual Report for the Fiscal Year Ended June 30, 2001 and are incorporated herein by reference. Our audits also included the financial statement schedule of Flexsteel Industries, Inc., listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 10, 2001

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

Flexsteel Industries, Inc.:

We consent to the incorporation by reference in Registration Statement No. 33-1836 on Form S-8 as amended by Post-Effective Amendment No. 1 for the Flexsteel Salaried Employees' Savings Plan 401(k) and in Registration Statement No. 2-86782 on Form S-8 as amended by Post-Effective Amendment No. 3 for the Flexsteel 1983 Stock Option Plan and in Registration Statement No. 33-26267 on Form S-8 for the Flexsteel 1989 Stock Option Plan and in Registration Statement No. 333-1413 on Form S-8 for the Flexsteel 1995 Stock Option Plan and in Registration Statement No. 333-45768 on Form S-8 for the Flexsteel 1999 Stock Option Plan of our reports dated August 10, 2001 appearing in and incorporated by reference in the Annual Report on Form 10-K of Flexsteel Industries, Inc. for the year ended June 30, 2001.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 20, 2001