SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

[|X|] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED] For the quarterly period ended December 31, 2002

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ____________ to ____________
Commission file number 0-5151

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

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

Area code 563 Telephone 556-7730

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

Common Stock - $1.00 Par Value	
Shares Outstanding as of December 31, 2002	6,270,752

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) December 31, 2002	June 30, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,741,737	$ 5,375,683
Investments	7,314,037	15,876,088
Trade receivables - less allowance for doubtful accounts: December 31, 2002, $2,560,000; June 30, 2002, $2,540,000	27,370,533	31,361,285
Inventories	31,927,201	30,322,288
Deferred income taxes	4,320,000	4,500,000
Other	3,058,217	1,316,136
Total current assets	90,731,725	88,751,480
PROPERTY, PLANT, AND EQUIPMENT At cost less accumulated depreciation: December 31, 2002, $65,557,351; June 30, 2002, $63,674,333	21,368,474	20,558,338
DEFERRED INCOME TAXES	880,000	700,000
OTHER ASSETS	8,241,734	8,739,940
TOTAL	$ 121,221,933	$ 118,749,758
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 3,936,603	$ 4,876,260
Accrued liabilities:		
Payroll and related items	4,594,981	5,454,501
Insurance	9,275,563	7,066,148
Restructuring	1,404,738	1,700,609
Other	5,838,712	6,775,889
Industrial revenue bonds payable	650,000	650,000
Total current liabilities	25,700,597	26,523,407
DEFERRED COMPENSATION	4,661,253	4,509,782
Total liabilities	30,361,850	31,033,189

SHAREHOLDERS' EQUITY:		
Cumulative preferred stock - $50 par value: authorized 60,000 shares: outstanding - none		
Undesignated (subordinated) stock - $1 par value: authorized 700,000 shares: outstanding - none		
Common stock - $1 par value; authorized 15,000,000 shares; outstanding December 31, 2002, 6,270,752 shares; outstanding June 30, 2002, 6,198,551 shares	6,270,752	6,198,551
Additional paid-in capital	1,230,481	492,223
Retained earnings	83,378,011	80,756,107
Accumulated other comprehensive income (loss)	(19,161)	269,688
Total shareholders' equity	90,860,083	87,716,569
TOTAL	$ 121,221,933	$ 118,749,758

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
NET SALES	$ 73,580,061	$ 65,826,772	$ 143,599,437	$ 129,034,342
COST OF GOODS SOLD	(56,214,774)	(52,599,938)	(110,941,589)	(103,047,047)
GROSS MARGIN	17,365,287	13,226,834	32,657,848	25,987,295
SELLING, GENERAL AND ADMINISTRATIVE	(14,007,513)	(12,304,638)	(26,684,830)	(25,008,806)
GAIN ON SALE OF LAND			403,065	
OPERATING INCOME	3,357,774	922,196	6,376,083	978,489
OTHER:				
Interest and other income	291,729	224,833	607,068	483,455
Interest expense	(3,260)	(6,271)	(6,048)	(14,293)
Total	288,469	218,562	601,020	469,162
INCOME BEFORE INCOME TAXES	3,646,243	1,140,758	6,977,103	1,447,651
PROVISION FOR INCOME TAXES	(1,430,000)	(430,000)	(2,730,000)	(540,000)
NET INCOME	$ 2,216,243	$ 710,758	4,247,103	$ 907,651
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	6,247,512	6,072,020	6,230,212	6,065,357
DILUTED	6,358,711	6,120,703	6,340,860	6,116,550
EARNINGS PER SHARE OF COMMON STOCK:				
BASIC	$ 0.35	$ 0.12	$ 0.68	$ 0.15
DILUTED	$ 0.35	$ 0.12	$ 0.67	$ 0.15

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
NET INCOME	$ 2,216,243	$ 710,758	$ 4,247,103	$ 907,651
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:				
Unrealized gains (losses) on securities arising during period	126,040	353,265	(458,708)	(163,592)
Reclassification adjustment for losses (gains) included in net income	(22,140)	(32,669)	(9,093)	(16,169)
Other comprehensive income (loss), before tax	103,900	320,596	(467,801)	(179,761)
INCOME TAX BENEFIT (EXPENSE):				
Income tax benefit (expense) related to securities losses arising during period	(49,156)	(130,709)	175,405	54,326
Income tax benefit related to securities reclassification adjustment	8,635	12,088	3,547	6,181
Income tax benefit (expense) related to other comprehensive income (loss)	(40,521)	(118,621)	178,952	60,507
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	63,379	201,975	(288,849)	(119,254)
COMPREHENSIVE INCOME	$ 2,279,622	$ 912,733	$ 3,958,254	$ 788,397

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

	Six Months Ended December 31, 2002	Six Months Ended December 31, 2001
OPERATING ACTIVITIES:		
Net income	$ 4,247,103	$ 907,651
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,422,486	2,795,586
Restructuring (income) charges	(56,793)	890,000
Gain on disposition of capital assets	(402,520)	(23,537)
Changes in operating assets and liabilities:		
Trade receivables	3,779,036	4,078,434
Inventories	(1,604,913)	765,595
Other current assets	(1,742,080)	9,223
Other assets	(15,077)	(15,076)
Accounts payable - trade	(939,657)	(2,358,468)
Accrued liabilities	663,154	1,092,491
Deferred compensation	151,471	431,716
Net cash provided by operating activities	6,502,210	8,573,615
INVESTING ACTIVITIES:		
Purchases of investments	(9,771,812)	(5,805,518)
Proceeds from sales of investments	18,467,271	4,714,194
Payments received from customers on notes receivable	302,743	78,997
Proceeds from sales of capital assets	612,121	27,650
Capital expenditures	(3,442,222)	(204,839)
Net cash provided by (used in) investing activities	6,168,101	(1,189,516)
FINANCING ACTIVITIES:		
Dividends paid	(1,616,726)	(1,573,568)
Proceeds from issuance of common stock	312,469	36,585
Net cash used in financing activities	(1,304,257)	(1,536,983)
Increase in cash and cash equivalents	11,366,054	5,847,116
Cash and cash equivalents at beginning of year	5,375,683	10,048,562
Cash and cash equivalents at end of period	$ 16,741,737	$ 15,895,678
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 5,700	$ 15,000
Income taxes	$ 4,151,000	$ 189,000

See accompanying Notes to Consolidated Financial Statements (Unaudited).

1. These consolidated financial statements do not include certain information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, in the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the six-month period ended December 31, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2003.

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

2. The inventories are categorized as follows:

	December 31, 2002	June 30, 2002
Raw materials	$ 15,159,329	$ 15,623,962
Work in process and finished parts	8,294,030	8,092,398
Finished goods	8,473,842	6,605,928
Total	$ 31,927,201	$ 30,322,288

3. EARNINGS PER SHARE - Basic earnings per share of common stock is based on the weighted average number of common shares outstanding during each period. Diluted earnings per share of common stock takes into effect the dilutive effect of potential common shares outstanding. The Company's only potential common shares outstanding are stock options, which resulted in a dilutive effect of 111,199 shares and 48,683 shares in quarters ended and 110,648 and 51,193 shares in the six months ended December 31, 2002 and 2001, respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method. Options to purchase 163,050 and 136,000 shares of common stock were outstanding during the three and six months ended December 31, 2002 and 2001, respectively, but were not included in the computation of diluted earnings per share as their exercise prices were greater than the average market price of the common shares.

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

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

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

In November 2002, the FASB issued FASB Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002 (see Note 6).

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

5. STOCK OPTIONS - The Company has stock option plans for key employees and directors that provide for the granting of incentive and nonqualified stock options. Under the plans, options are granted at an exercise price equal to the fair market value of the underlying common stock at the date of grant, and may be exercisable for up to 10 years. All options are exercisable when granted. At December 31, 2002, 593,400 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 SFAS No. 123 and SFAS No. 148. Accordingly, no compensation cost has been recognized for its stock option plans. Had the compensation cost for the Company's incentive stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the fair-value methodology of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	Six Months Ended December 31, 2002	Six Months Ended December 31, 2001
Net income, as reported	$ 2,216,243	$ 710,758	$ 4,247,103	907,651
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(286,000)	(162,000)	(286,000)	(162,000)
Pro forma net income	$ 1,930,243	$ 548,758	$ 3,961,103	745,651
Earnings per share:				
Basic - as reported	$ 0.35	$ 0.12	$ 0.68	0.15
Basic - pro forma	0.31	0.09	0.64	0.12
Diluted - as reported	0.35	0.12	0.67	0.15
Diluted - pro forma	0.30	0.09	0.62	0.12

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

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

Accrued warranty costs at June 30, 2002................	$ 500,000
Payments made for warranty costs.......................	(1,596,630)
Accrual for product warranty...........................	1,596,630
Accrued warranty costs at December 31, 2002............	$ 500,000

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

The following table summarizes the activity related to the restructuring charges during the six months ended December 31, 2002:

	Employee Separation Costs	Facility Closing Costs	Total
Accrued restructuring costs at June 30, 2002	$ 431,793	$ 1,268,816	$ 1,700,609
Restructuring (income) charges for the period ended December 31, 2002	(431,793)	375,000	(56,793)
Recovery (utilization) for the period ended December 31, 2002		(239,078)	(239,078)
Accrued restructuring costs at December 31, 2002 ..	0	$ 1,404,738	$ 1,404,738

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

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

Segment information for the three-month periods ended December 31 is as follows:

	December 31, 2002			December 31, 2001		
	Seating Products	Retail Stores	Total	Seating Products	Retail Stores	Total
Net sales	$ 71,857,995	$ 1,722,066	$ 73,580,061	$ 63,991,093	1,835,679	65,826,772
Operating income (loss)	3,895,579	(537,805)	3,357,774	1,649,544	(613,516)	1,036,028
Depreciation	1,235,082	28,524	1,263,606	1,353,059	47,599	1,400,658
Capital expenditures	1,465,652		1,465,652	112,666	39,883	152,549

Segment information for the six-month periods ended December 31 is as follows:

	December 31, 2002			December 31, 2001		
	Seating Products	Retail Stores	Total	Seating Products	Retail Stores	Total
Net sales	$ 140,593,964	$ 3,005,473	143,599,437	$ 125,684,546	3,349,796	$ 129,034,342
Operating income (loss)	7,179,525	(803,442)	6,376,083	2,285,836	(1,193,515)	1,092,321
Depreciation	2,362,035	60,451	2,422,486	2,702,276	93,310	2,795,586
Capital expenditures	3,442,222		3,442,222	162,019	42,820	204,839
Assets	119,839,054	1,382,879	121,221,933	106,958,167	2,180,456	109,138,623

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

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

Results of Operations:

GENERAL:

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

CRITICAL ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the fiscal second quarter and six-month periods ended December 31, 2002 and 2001. Amounts presented are percentages of the Company's net sales.

	Second Quarter Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	(76.5%)	(79.9%)	(77.3%)	(79.9%)
Gross margin	23.5%	20.1%	22.7%	20.1%
Selling, general and administrative	(19.0%)	(18.7%)	(18.6%)	(19.4%)
Gain on sale of land			0.3%	
Operating income	4.5%	1.4%	4.4%	0.7%
Other income, net	0.4%	0.3%	0.5%	0.4%
Income before income taxes	4.9%	1.7%	4.9%	1.1%
Provision for income taxes	(1.9%)	(0.6%)	(1.9%)	(0.4%)
Net income	3.0%	1.1%	3.0	0.7%

RESULTS OF OPERATIONS FOR THE QUARTER - Net sales for the quarter ended December 31, 2002 increased by $7.8 million or 11.8% compared to the prior year quarter. Residential seating sales volume increased $3.1 million or 6.5%. Recreational vehicle seating sales increased $3.9 million or 28.5%. Commercial seating sales increased $0.7 million or 16.2%. The increase in net sales reflects some improvement in consumer confidence for residential seating and the industry improvement for vehicle seating products.

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

Excluding the facility closing costs described in the preceding paragraph, gross margin increased $2.8 million to $16.9 million or 23.0% of net sales in the current quarter, from $14.1 million or 21.4% in the prior year quarter. The increase in gross margin largely reflects higher sales and production volume, which resulted in improved absorption of fixed costs and, to a lesser degree, changes in product mix.

Selling, general and administrative expenses as a percentage of net sales were 19.0% and 18.7% for the current quarter and prior year quarter, respectively. During the quarter ended December 31, 2002 the Company finalized an agreement on a closed retail store, and as a result, has recorded a facility closing charge of $0.4 million to selling, general and administrative expense or 0.5% of net sales. In the current quarter, higher advertising costs were offset by improved fixed cost absorption on higher net sales.

The above factors resulted in current fiscal quarter net income of $2.2 million or $0.35 per share compared to $0.7 million or $0.12 per share in the prior year quarter, a net increase of $1.5 million or $0.23 per share. Excluding the facility closing cost items described above, net income improved $0.9 million or $0.13 per share.

All earnings per share amounts are on a diluted basis.

RESULTS OF OPERATIONS FOR THE LAST SIX MONTHS - Net sales for the six-months ended December 31, 2002 increased by $14.6 million or 11.3% compared to the prior year six-month period. Residential seating sales volume increased $7.3 million or 8.2%. Recreational vehicle seating sales increased $7.0 million or 23.0%. Commercial seating sales increased $0.2 million or 2.1%. The increase in net sales reflects improved industry performance for vehicle seating products and modest market share gains for residential products.

Excluding the facility closing adjustments described above, gross margin increased $5.3 million to $32.2 million or 22.4% of sales in the current period from $26.9 million or 20.8% of sales in the prior year period. The increase in gross margin reflects changes in product mix and improved absorption of fixed costs from higher sales and production volume.

Selling, general and administrative expenses as a percentage of sales were 18.6% and 19.4% for the current year and prior year, respectively. The cost percentage decrease was primarily due to improved fixed cost absorption on the higher net sales.

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

The above factors resulted in current fiscal year to date net income of $4.2 million or $0.67 per share compared to $0.9 million or $0.15 per share in the prior year period, an increase of $3.3 million or $0.52 per share from the prior year six-month period. Excluding the first quarter gain on sale of land and the facility closing adjustment described above, net income was $4.0 million or $0.63 per share, significantly higher than the prior year period of $1.5 million or $0.24 per share, an increase of $2.5 million or $0.39 per share.

All earnings per share amounts are on a diluted basis.

Liquidity and Capital Resources:
- --------------------------------

Working capital at December 31, 2002 was $65.0 million, which includes cash, cash equivalents and investments of $24.1million. Working capital increased by $2.8 million or 5% from June 30, 2002.

During the six-month period ended December 31, 2002, cash, cash equivalents, and investments increased by $2.8 million. Operating activities provided $6.5 million in cash that was primarily used to invest $3.4 million for capital assets and to pay dividends of $1.6 million.

The Company believes its low debt position coupled with adequate cash, cash equivalents, and investments adds a stabilizing effect to its operations. The Company's liquidity and capital resources provide it with the ability to react to opportunities as they arise, the ability to pay quarterly dividends to its shareholders, and ensures that productive capital assets that enhance safety and improve operations are purchased as needed.

Item 3. Quantitative and Qualitative Information About Market Risk.

Not applicable

Item 4. Controls and Procedures

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

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

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

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

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

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

PART II OTHER INFORMATION

Item 5. Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders on December 9, 2002, Proposals 1, 2 and 3 set forth in the Board of Directors' definitive Proxy Statement dated October 29, 2002 were approved and adopted by the stockholders as follows:

Proposal 1 (Election of Directors): K. Bruce Lauritsen: For 5,953,811, Withheld 1,319, Abstentions and Broker Non-votes 32,455. L. Bruce Boylen: For 5,953,696, Withheld 1,434, Abstentions and Broker Non-votes 32,455. Thomas E. Holloran: For 5,739,636, Withheld 215,494, Abstentions and Broker Non-votes 32,455. The names of each Director whose term of office as a Director continued after the meeting are as follows: K. Bruce Lauritsen, Edward J. Monaghan, Jeffrey T. Bertsch, L. Bruce Boylen, Lynn J. Davis, Thomas E. Holloran, Jim R. Richardson, Patrick M. Crahan, Marvin M. Stern, Robert E. Deignan and Eric S. Rangen.

Proposal 2 (Approval of the 2002 Stock Option Plan): For: 4,563,749, Against: 229,950, and Abstain: 474,138, and Broker Non-votes 719,748.

Proposal 3 (Appointment of Deloitte & Touche LLP as Independent Auditors): For: 5,941,944, Against: 31,008, and Abstain: 14,333.

Item 6. Exhibits and Reports on Form 8-K

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

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

FLEXSTEEL INDUSTRIES, INC.

Date: February 7, 2003

By: /s/ R. J. Klosterman
R.J. Klosterman
Financial Vice President &
Principal Financial Officer

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

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

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

By: /S/ K. Bruce Lauritsen

K. Bruce Lauritsen
Chief Executive Officer

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

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

1. I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

By: /S/ R. J. Klosterman

Ronald J. Klosterman
Chief Financial Officer