

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported) February 5, 2003

(Exact name of registrant as specified in its charter)

Flexsteel Industries, Inc.

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| (State or other jurisdiction<br>of incorporation | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |
|--|-----------------------------|--------------------------------------|
| Minnesota  | 0-5151                      | 42-0442319                           |

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Registrant's telephone number, including area code 563-556-7730

Item 5. Other Events

On February 5, 2003, Flexsteel Industries, Inc. Announces Second Quarter and Year-to-Date Operating Results. See Exhibit A attached hereto and incorporated herein for further information.

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

Flexsteel Industries, Inc.

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(Registrant)

Date: February 5, 2003

By: /s/ R.J. Klosterman

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

Flexsteel Announces Second Quarter and  
Year-to-Date Operating Results

DUBUQUE, Iowa--(BUSINESS WIRE)--Feb. 5, 2003--Flexsteel Industries, Inc. (Nasdaq:FLXS) today reported sales and earnings for its second quarter ended December 31, 2002.

Net sales for the fiscal quarter ended December 31, 2002 were \$73.6 million compared to the prior year quarter of \$65.8 million, an increase of 12%. Net income for the current quarter was \$2.2 million or \$0.35 per share compared to the prior year quarter of \$0.7 million or \$0.12 per share.

Net sales for the six months ended December 31, 2002 were \$143.6 million compared to \$129.0 million in the prior year six months, an increase of 11%. Net income for the six months ended December 31, 2002 of \$4.2 million or \$0.67 per share increased from net income for the six months ended December 31, 2001 of \$0.9 million or \$0.15 per share.

During the current quarter, residential seating sales were \$50.5 million, an increase of 6% from the prior year quarter. Recreational vehicle seating sales were \$17.8 million, an increase of 28%. Commercial seating sales were \$5.3 million, an increase of 16%.

For the six months ended December 31, 2002, residential seating sales were \$96.5 million, an increase of 8% over the six months ended December 31, 2001. Recreational vehicle seating sales were \$37.5 million, an increase of 23%. Commercial seating sales were \$9.6 million, an increase of 2%.

Gross margin for the quarter ended December 31, 2002 was 23.5% compared to 20.1% in the prior year quarter. For the six months ended December 31, 2002 the gross margin was 22.7% compared to 20.1% for the six months ended December 31, 2001. The gross margin improvement was due to higher production volume, improved fixed cost absorption and changes in product mix. In addition, the prior year gross margin was reduced by a charge of \$0.9 million for facility closing costs.

Selling, general and administrative expenses as a percentage of sales were 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 absorption of fixed costs on higher net sales. For the six months ended December 31, 2002 and 2001, selling, general and administrative expenses as a percentage of net sales were 18.6% and 19.4%, respectively. The lower percentage in the current period primarily represents improved absorption of fixed costs 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.

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

Capital expenditures were \$3.4 million during the first six months of fiscal 2003 and \$0.2 million in first six months of fiscal 2002. The Company expects that capital expenditures will be approximately \$3.0 million over the remaining six months of fiscal 2003.

All earnings per share amounts are on a diluted basis.

The Company will host a conference call Thursday, February 6, 2003, at 9:00 a.m. Central Time. The dial-in-number is 800-556-3831 with an access code of 00566. A replay will be available for two weeks beginning approximately four hours after the conclusion of the call. The dial-in-number for the replay is 888-813-1488 and no access code is required.

For more information, visit our web site at <http://www.flexsteel.com>.

Statements, including those in this release, 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 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. Any forward-looking statement speaks only as of the date of this press release. 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 INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

|  | (UNAUDITED)   |               |
|--|---------------|---------------|
|  | Dec. 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, net.....              | 27,370,533    | 31,361,285    |
| Inventories.....                         | 31,927,201    | 30,322,288    |
| Other.....                               | 7,378,217     | 5,816,136     |
|  | -----         | -----         |
| Total current assets.....                | 90,731,725    | 88,751,480    |
| PROPERTY, PLANT, AND EQUIPMENT, net..... | 21,368,474    | 20,558,338    |
| OTHER ASSETS.....                        | 9,121,734     | 9,439,940     |
|  | -----         | -----         |
| TOTAL.....                               | \$121,221,933 | \$118,749,758 |
|  | =====         | =====         |
| LIABILITIES AND SHAREHOLDERS' EQUITY     |               |               |
| 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.....                | 90,860,083    | 87,716,569    |
|  | -----         | -----         |
| TOTAL.....                               | \$121,221,933 | \$118,749,758 |
|  | =====         | =====         |

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

|   | Three Months Ended<br>December 31, |              | Six Months Ended<br>December 31, |               |
|---|------------------------------------|--------------|----------------------------------|---------------|
|   | 2002                               | 2001         | 2002                             | 2001          |
|   | -----                              | -----        | -----                            | -----         |
| NET SALES.....  | \$73,580,061                       | \$65,826,772 | \$143,599,437                    | \$129,034,342 |
| COST OF GOODS<br>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<br>AND<br>ADMINISTRATIVE..           | (14,007,513)                       | (12,304,638) | (26,684,830)                     | (25,008,806)  |
| GAIN ON SALE OF<br>LAND.....                          |                                    |              | 403,065                          |               |
|   | -----                              | -----        | -----                            | -----         |
| OPERATING INCOME                                      | 3,357,774                          | 922,196      | 6,376,083                        | 978,489       |
|   | -----                              | -----        | -----                            | -----         |
| OTHER:  |                                    |              |                                  |               |
| Interest<br>and other<br>income.....                  | 291,729                            | 224,833      | 607,068                          | 483,455       |
| Interest<br>expense....                               | (3,260)                            | (6,271)      | (6,048)                          | (14,293)      |
|   | -----                              | -----        | -----                            | -----         |
| Total..   | 288,469                            | 218,562      | 601,020                          | 469,162       |
|   | -----                              | -----        | -----                            | -----         |
| INCOME BEFORE<br>INCOME TAXES....                     | 3,646,243                          | 1,140,758    | 6,977,103                        | 1,447,651     |
| PROVISION FOR<br>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<br>OF COMMON<br>SHARES<br>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 |

CONTACT: Flexsteel Industries, Inc., Dubuque  
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