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
for the quarterly period ended December 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3295

KOSS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

A DELAWARE CORPORATION — 39-1168275
(State or other jurisdiction of incorporation or organization) — (I.R.S. Employer Identification No.)

4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (414) 964-5000

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 ____

At December 31, 1995, there were 3,511,080 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
December 31, 1995

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1995 (Unaudited)	June 30, 1995 (*)
ASSETS		
Current Assets:		
Cash	$ 64,908	$ 49,227
Accounts receivable, net	10,506,810	7,242,862
Inventories	9,252,293	9,395,915
Prepaid expenses	874,094	676,874
Income taxes receivable	--	376,147
Prepaid income taxes	378,946	378,946
Total current assets	21,077,051	18,119,971
Property and Equipment, net	2,275,053	2,283,394
Intangible and Other Assets	553,956	569,558
	$23,906,060	$20,972,923
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 2,450,445	$ 1,726,711
Accrued liabilities	1,187,231	930,660
Total current liabilities	3,637,676	2,657,371
Long-Term Debt	929,948	570,000
Deferred Income Taxes	6,862	6,862
Deferred Compensation and Other Liabilities	964,804	907,264
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	16,876,770	15,341,426
	$23,906,060	$20,972,923

* The balance sheet at June 30, 1995, has been prepared from the audited financial statements at that date.

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months		Six Months	
Period Ended December 31	1995	1994	1995	1994
Net sales	$9,870,439	$9,805,952	$19,458,983	$18,178,854
Cost of goods sold	6,988,367	6,418,953	13,432,290	11,926,752
Gross profit	2,882,072	3,386,999	6,026,693	6,252,102
Selling, general and administrative expense	2,227,795	2,355,552	4,368,540	4,345,539
Income from operations	654,277	1,031,447	1,658,153	1,906,563
Other income (expense)				
Royalty income	679,737	680,687	1,068,729	1,023,928
Interest income	4,323	25,910	8,448	42,025
Interest expense	(33,181)	(109,175)	(60,349)	(179,023)
Income before income taxes	1,305,156	1,628,869	2,674,981	2,793,493
Provision for income taxes	534,750	639,032	1,096,463	1,093,278
Net income	$ 770,406	$ 989,837	$ 1,578,518	$ 1,700,215
Number of common and common equivalent shares used in computing earnings per share	3,575,094	3,688,832	3,570,142	3,678,177
Earnings per common and common equivalent share	$0.22	$0.27	$0.44	$0.46
Dividends per common share	None	None	None	None

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended December 31	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,578,518	$ 1,700,215
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	341,874	489,332
Deferred compensation and other liabilities	140,088	54,387
Net changes in operating assets and liabilities	(2,305,514)	(3,798,438)
Net cash used in operating activities:	(245,034)	(1,554,504)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(165,483)	(499,941)
Net cash used in investing activities	(165,483)	(499,941)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(8,384,000)	(5,022,000)
Borrowings under line of credit agreements	8,743,948	7,343,000
Principal payments on long-term debt	--	(6,224)
Exercise of stock options	66,250	66,947
Net cash provided by financing activities	426,198	2,381,723
Net (decrease) increase in cash	15,681	327,278
Cash at beginning of year	49,227	37,355
Cash at end of quarter	$ 64,908	$ 364,633

See accompanying notes

KOSS CORPORATION AND SUBSIDIARIES
December 31, 1995
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at December 31, 1995, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's June 30, 1995, Annual Report on Form 10-K. The income from operations for the quarter and six months ended December 31, 1995 is not necessarily indicative of the operating results for the full year.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Earnings per share are computed based on the average number of common and common share equivalents outstanding. When dilutive, stock options are included as share equivalents using the treasury stock method. Common stock equivalents of 64,014 and 438,112 related to stock option grants were included in the computation of the average number of shares outstanding for the quarter ended December 31, 1995 and 1994 respectively.

3. INVENTORIES

The classification of inventories is as follows:

	December 31, 1995	June 30, 1995
Raw materials and work in process	$4,507,967	$3,888,903
Finished goods	5,430,005	6,192,691
	9,937,972	10,081,594
LIFO Reserve	(685,679)	(685,679)
	$9,252,293	$9,395,915

4. STOCK PURCHASE AGREEMENT

The Company has an agreement with its Chairman to repurchase stock from his estate in the event of his death. The repurchase price is 95% of the fair market value of the common stock on the date that notice to repurchase is provided to the Company. The total number of shares to be repurchased shall be sufficient to provide proceeds which are the lesser of $2,500,000 or the amount of estate taxes and administrative expenses incurred by his estate. The Company is obligated to pay in cash 25% of the total amount due and to execute a promissory note at a prime rate of interest for the balance. The Company maintains a $1,150,000 life insurance policy to fund a substantial portion of this obligation. At December 31, 1995 and June 30, 1995, $1,490,000 has been classified as a Contingently Redeemable Equity Interest reflecting the estimated obligation in the event of execution of the agreement.

5. DEFERRED COMPENSATION

In 1991, the Board of Directors agreed to continue John C. Koss' current base salary in the event he becomes disabled prior to age 70. After age 70, Mr. Koss shall receive his current base salary for the remainder of his life, whether or not he becomes disabled. The Company is currently recognizing an annual expense of $115,080 in connection with this agreement, which represents the present value of the anticipated future payments. At December 31, 1995 and June 30, 1995, respectively, the related liabilities in the amounts of $498,680 and $326,060 have been included in deferred compensation on the accompanying balance sheets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used in operating activities during the six months ended December 31, 1995 amounted to $245,034. The Company expects to generate adequate amounts of cash to meet future needs but maintains sufficient borrowing capacity to fund any shortfall.

Working capital was $17,439,375 at December 31, 1995. The increase of $1,976,775 from the balance at June 30, 1995 consists primarily of an increase in accounts receivable. This increase in accounts receivable is the result of higher sales volume for the six month period.

Capital expenditures for new property and equipment (including production tooling) were $165,483 for the six months ended December 31, 1995. Depreciation aggregated $313,851 for the six months. For the fiscal year ending June 30, 1996, the Company expects its capital expenditures to be $1,600,000. The Company expects to generate sufficient operating funds to fulfill these expenditures.

Stockholders' investment increased to $16,876,770 at December 31, 1995, from $15,341,426 at June 30, 1995. The increase reflects primarily the income for the six month period ending December 31, 1995. No cash dividends have been paid since the first quarter of fiscal 1984.

The Company has an unsecured working capital credit facility with a bank which runs through March 15, 1997. This credit facility provides for borrowings up to a maximum of $8,000,000. Borrowings under this credit facility bear interest at the bank's prime rate, or LIBOR plus 2.25%. This credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of this credit facility as of December 31, 1995 totaled $1,073,697, consisting of $811,000 in borrowings and $262,697 in commitments for foreign letters of credit. The Company also has a $2,000,000 credit facility which can be used by the Company in the event the Company desires to purchase shares of its own stock. The Company is currently in the process of extending the expiration date of both credit facilities to March 15, 1998.

In April, 1995 the Board of Directors authorized the Company's purchase from time to time of its common stock for its own account utilizing the aforementioned $2,000,000 line of credit. From April of 1995 through December 31, 1995, the Company purchased 50,000 shares of its common stock in the open market at an average of $5.775 per share. The Company intends to retire all 50,000 shares in the near future. During calendar year 1995, the Company also purchased 35,193 shares of its common stock in the open market for the Company's Employee Stock Ownership Plan and Trust, at an average price of $7.763 per share.

The Company's Canadian subsidiary has a line of credit of $550,000. The interest rate is the prime rate plus 1.5%. The credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. Loan advances against the line were $118,948 at December 31, 1995 as compared to $0 at June 30, 1995.

Results of Operations

Net sales for the quarter ended December 31, 1995 were $9,870,439 compared with $9,805,952 for the same period in 1994, which represents a slight increase in sales compared with the same period in 1994. Net sales for the six months ended December 31, 1995 were $19,458,983 compared with $18,178,854 for the same period in 1994, an increase of $1,280,129. This increase was primarily a result of strong orders in August and September.

Gross profit as a percent of net sales was 29% for the quarter ended December 31, 1995 compared with 35% for the same period in the prior year. For the six month period ended December 31, 1995, the gross profit percentage was 31% compared with 34% for the same period in 1994. Shifts in product mix resulted in the decrease in gross profit as compared to last year.

Selling, general and administrative expenses for the quarter ended December 31, 1995 were $2,227,795 or 23%, as against $2,355,552 or 24% for the same period in 1994. For the six month period ended December 31, 1995, such expenses were $4,368,540 or 22%, as against $4,345,539 or 24% for the same period in 1994. The decrease is due to a rigorous control of expenses by the Company this fiscal year.

For the second quarter ended December 31, 1995, income from operations was $654,277 versus $1,031,447 for the same period in the prior year. Income from operations for the six months ended December 31, 1995 was $1,658,153 as compared to $1,906,563 for the same period in 1994. The decrease is primarily related to the decrease in gross margin resulting from shifts in product mix.

Net interest expense amounted to $33,181 for the quarter as compared to $109,175 for the same period in the prior year. For the six month period, the interest expense amounted to $60,349 compared with $179,023 for the same period in the prior year. The decrease is a result of the Company borrowing at much lower levels as compared to the same periods last year.

The Company has a License Agreement with Trabelco N.V., a Netherlands, Antilles company and a subsidiary of Hagemeyer, N.V., covering North America and most of South America and Central America. Hagemeyer N.V., a diverse international trading company based in the Netherlands, has business interests in food, appliances, electromechanical and automobile distribution as well as a solid base of consumer electronic distribution in Asia, Europe, North America, South America and Central America. This License Agreement expires December 31, 1997; however, said agreement contains renewal options for additional three year periods. Royalty income earned in connection with this License Agreement for the quarter ended December 31, 1995 was $679,737 as compared to $680,687 for the same period in 1994. For the six month period, royalty income was $1,068,729 at December 31, 1995 compared to $1,023,928 at December 31, 1994. The Company recognizes royalty income when earned.

On September 29, 1995, the Company entered into a second License Agreement with Trabelco N.V. covering most European countries. No sales have been reported under this License Agreement for the quarter ending December 31, 1995.

PART II OTHER INFORMATION

Item 4 Submission of Matters to Vote of Security Holders

a) On October 19, 1995 an Annual Meeting of Stockholders was held.

b) Proxies for the election of directors were solicited pursuant to Regulation 14, there was no solicitation in opposition to management's nominees and all such nominees were elected.

c) There were 3,322,507 shares of common stock eligible to vote at the Annual Meeting, of which 2,784,830 shares were present at the Annual Meeting in person or by proxy, which constituted a quorum. The following is a summary of the results of the voting:

	Number of Votes	
	For	Withheld
Nominees for 1-year terms ending in 1996:		
John C. Koss	2,745,854	38,976
Thomas L. Doerr	2,744,900	39,930
Victor L. Hunter	2,746,654	38,176
Michael J. Koss	2,745,054	39,776
Lawrence S. Mattson	2,744,400	40,430
Martin F. Stein	2,746,654	38,176
John J. Stollenwerk	2,746,854	37,976

	Number of Votes		
	For	Against	Abstain
Appointment of Price Waterhouse L.L.P. as independent auditors for the year ended June 30, 1996	2,770,007	6,669	8,154

Signatures

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

KOSS CORPORATION

Dated: 2/13/96 /s/ Michael J. Koss

Michael J. Koss, President,
Chief Executive Officer,
Chief Financial Officer

Dated: 2/13/96 /s/ Sue Sachdeva

Sue Sachdeva
Vice President -- Finance

3-MOS
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