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 September 30, 1997

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 September 30, 1997, there were 3,333,141 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
September 30, 1997

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 1997 (Unaudited)	June 30, 1997 (*)
ASSETS		
Current Assets:		
Cash	$98,776	$32,551
Accounts receivable	9,341,500	6,992,513
Inventories	13,107,903	14,547,653
Prepaid expenses	891,170	603,997
Income taxes receivable	--	65,493
Deferred income taxes	756,946	756,946
Total current assets	24,196,295	22,999,153
Property and Equipment, net	2,295,149	2,477,529
Deferred Income Taxes	258,135	258,135
Intangible and Other Assets	586,794	598,106
	$27,336,373	$26,332,923
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$1,335,539	$741,646
Accrued liabilities	1,190,305	994,877
Deferred revenue	303,176	473,482
Income taxes payable	813,035	--
Total current liabilities	3,642,055	2,210,005
Long-Term Debt	1,445,000	1,221,000
Deferred Compensation and Other Liabilities	1,166,194	1,137,424
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	19,593,124	20,274,494
	$27,336,373	$26,332,923

* The balance sheet at June 30, 1997, has been prepared from the audited financial statements at that date.

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months Ended September 30	1997	1996
Net sales	$11,755,125	$9,862,803
Cost of goods sold	7,330,668	6,575,125
Gross profit	4,424,457	3,287,678
Selling, general and administrative expense	2,201,168	2,096,669
Income from operations	2,223,289	1,191,009
Other income (expense)		
Royalty income	170,296	268,485
Interest income	3,938	4,034
Interest expense	(20,356)	(42,279)
Income before income tax provision	2,377,167	1,421,249
Provision for income taxes	975,744	582,259
Net income	$1,401,423	$838,990
Number of common and common equivalent shares used in computing earnings per share	3,453,995	3,350,768
Earnings per common and common equivalent share	$0.41	$0.25
Dividends per common share	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended September 30	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,401,423	$838,990
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	216,312	225,290
Deferred compensation	28,770	28,770
Net changes in operating assets and liabilities	301,133	(3,310,497)
Net cash provided by (used in) operating activities	1,947,638	(2,217,447)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(22,619)	(277,673)
Net cash used in investing activities	(22,619)	(277,673)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(4,716,000)	(3,395,000)
Borrowings under line of credit agreements	4,940,000	6,545,000
Purchase and retirement of common stock	(4,763,844)	(260,320)
Exercise of stock options	2,681,050	18,750
Net cash (used in) provided by financing activities	(1,858,794)	2,908,430
Net increase in cash	66,225	413,310
Cash at beginning of year	32,551	27,001
Cash at end of quarter	$98,776	$440,311

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
September 30, 1997
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim amounts 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 September 30, 1997 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, 1997, Annual Report on Form 10-K. The income from operations for the quarter ended September 30, 1997 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 111,510 and 45,919 related to stock option grants were included in the computation of the average number of shares outstanding in 1997 and 1996, respectively.

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128, "Earnings per Share," (SFAS 128). This Statement establishes new standards for computing and presenting earnings per share. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997 and requires restatement of all prior-period earnings per share data. Early application of SFAS 128 is not permitted. The Company's adoption of the provisions of SFAS 128 will result in the dual presentation of basic and diluted per share amounts on the Company's income statement. Diluted per share amounts as calculated under SFAS 128 are not expected to materially differ from per share amounts previously presented.

3. INVENTORIES

The classification of inventories is as follows:

	September 30, 1997	June 30, 1997
Raw materials and work in process	$ 7,327,039	$ 7,485,887
Finished goods	6,238,348	7,519,250
	13,565,387	15,005,137
LIFO Reserve	(457,484)	(457,484)
	$13,107,903	$14,547,653

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 the 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 September 30, 1997 and June 30, 1997, $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 September 30, 1997 and June 30, 1997, respectively, the related liabilities in the amounts of $680,070 and $651,300 have been included in deferred compensation on the accompanying balance sheets.

KOSS CORPORATION AND SUBSIDIARIES
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September 30, 1997
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash generated by operating activities during the three months ended September 30, 1997 amounted to $1,947,638. Working capital was $20,554,240 at September 30, 1997. The decrease of $234,908 from the balance at June 30, 1997 consists primarily of an increase in receivables and payables. The increase in receivables and payables is a result of higher sales in September. The cash necessary to fund the Company's operating activities fluctuates from time to time; however, as a general rule, the Company expects to generate adequate amounts of cash to meet future operating needs. The Company maintains sufficient borrowing capacity to fund any shortfall.

Capital expenditures for new property and equipment (including production tooling) were $22,619 for the quarter. For the fiscal year ending June 30, 1998, the Company expects its capital expenditures to be approximately $1,252,000. The Company expects to generate sufficient operating funds to fulfill these expenditures.

Stockholders' investment decreased to $19,593,124 at September 30, 1997, from $20,274,494 at June 30, 1997. The decrease reflects primarily the net effect of income, shares purchased and retired and stock options exercised.

The Company has an unsecured working capital line of credit with a bank which is in the process of being extended through November 1, 1999. 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 September 30, 1997 totaled $1,445,000, consisting solely of borrowings. Utilization of this credit facility as of June 30, 1997 was $1,274,386, consisting of $1,221,000 in borrowings of $53,386 in foreign letters of credit. The increase as of September 30, 1997 is the result of increased purchases due to anticipated higher sales volume.

The Company also is in the process of reinstating 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. This credit facility will also extend through November 1, 1999.

In April, 1995 the Board of Directors authorized the Company's purchase from time to time of up to $2,000,000 of its common stock for its own account. In January, 1996 the Board of Directors approved an increase in the total amount of potential stock purchases for the Company's own account from $2,000,000 to $3,000,000. In July of 1997, the Board of Directors again approved an increase in the total amount of potential stock purchases for the Company's own account from $3,000,000 to $5,000,000. The Company intends to effectuate all stock purchases either on the open market or through privately negotiated transactions, and intends to finance all stock purchases through its own cash flow or by borrowing for such purchases. For the quarter ended September 30, 1997, the Company purchased 353,150 shares of its common stock at an average price of $13.49 per share, and retired all such shares. The Company also purchased 3,250 shares of its common stock for allocation to the Company's Employee Stock Ownership Plan and Trust ("ESOP") for the quarter ended September 30, 1997, at an average price of $9.00 per share.

From the commencement of the Company's stock repurchase program through September 30, 1997, the Company has purchased and retired a total of 696,726 shares for a total gross price of $6,888,858 and a total net price of $4,413,858, representing an average gross purchase price of $9.89 per share and an average net purchase price of $6.34 per share. The difference between the total gross purchase price and the total net purchase price is the result of the Company repurchasing certain shares acquired by employees through the Company's stock option program.

Results of Operations

Net sales for the quarter ended September 30, 1997 were $11,755,125 compared with $9,862,803 for the same period in 1996, an increase of $1,892,322. Strong orders primarily in September resulted in the increase for the quarter.

Gross profit as a percent of net sales was 38% for the quarter ended September 30, 1997 compared with 33% in the prior year. This improvement is primarily due to a change in product mix.

Selling, general and administrative expenses were $2,201,168 or 19% as against $2,096,669 or 21% in 1996.

For the quarter ended September 30, 1997, income from operations was $2,223,289 versus $1,191,009 in 1996. The $1,032,280 increase is primarily related to the increased sales volume.

Net interest expense amounted to $20,356 for the quarter as compared to $42,279 for the same period in the prior year. This decrease is a result of decreased borrowing for the quarter as compared to the same period last year.

The Company had a License Agreement with Trabelco N.V., a Netherlands, Antilles company and a subsidiary of Hagemeyer, N.V., a diverse international trading company based in the Netherlands. This License Agreement covered North America, Central America, and South America. Effective as of March 31, 1997, the Company assigned this License Agreement with Trabelco N.V. to Jiangsu Electronics Industries Limited ("Jiangsu"), a subsidiary of Orient Power Holdings Limited. Orient Power is based in Hong Kong and has an extensive portfolio of audio and video products. Pursuant to this assignment, Jiangsu has agreed to make royalty payments through December 31, 2000, subject to certain minimum royalty amounts due for the years 1998, 1999, and 2000. The Company and Jiangsu are currently negotiating the possibility of expanding the products covered by this License Agreement to include mobile electronics and to increase the minimum royalties due for the years 1998, 1999, and 2000. This License Agreement is subject to renewal for additional 3 year periods.

Royalty income earned in connection with this License Agreement for the quarter ended September 30, 1997 was $170,296 as compared to $268,485 for the same period in 1996. The decrease in royalty income for the quarter is the result of lower sales.

The License Agreement with Trabelco N.V. covering many European countries remains in place. Although no sales have been reported under this License Agreement to date, certain minimum royalties are due for calendar years 1997 and 1998. This License Agreement expires on December 31, 1998; however, Trabelco N.V. has the option to renew this License Agreement for additional 3 year periods.

PART II OTHER INFORMATION

Item 4 Submission of Matters to Vote of Security-Holders

(a) On October 22, 1997 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 3,333,141 shares of common stock eligible to vote at the Annual Meeting, of which 2,946,135 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		Broker
	For	Withheld	Non-Votes
Nominees for 1-year terms ending in 1998:			
John C. Koss	2,906,708	39,427	0
Thomas L. Doerr	2,905,038	41,097	0
Victor L. Hunter	2,904,813	41,322	0
Michael J. Koss	2,907,008	39,127	0
Lawrence S. Mattson	2,905,038	41,097	0
Martin F. Stein	2,905,233	40,902	0
John J. Stollenwerk	2,905,233	40,902	0

	Number of Votes		Broker	
	For	Against	Abstain	Non-Votes
Amendment to Flexible Incentive Plan to Increase Number of Shares in Plan by 300,000	2,045,087	469,888	24,217	406,943

	Number of Votes		Broker	
	For	Against	Abstain	Non-Votes
Appointment of Price Waterhouse L.L.P. as independent auditors for the year ended June 30, 1998	2,910,122	12,920	23,093	0

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits Filed
27 Financial Data Schedule

(b) Reports on Form 8-K
There were no reports on Form 8-K filed by the Company during the period covered by this report.

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: 11/13/97	/s/ Michael J. Koss
	Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer
Dated: 11/13/97	/s/ Sue Sachdeva
	Sue Sachdeva Vice President--Finance

Item 6 Exhibits and Reports on Form 8-K

(b) Exhibits Filed
27 Financial Data Schedule

(c) Reports on Form 8-K
There were no reports on Form 8-K filed by the Company during the period covered by this report.

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

Dated: ------------ --------------------------
Sue Sachdeva
Vice President--Finance

3-MOS
DEC-31-1997
JUL-1-1997
SEP-30-1997
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