

Dear Stockholders,

Fiscal year 1995 marked the second largest sales year in Koss Corporation's history. While not a record breaking sales year like 1994, we are pleased by the technological breakthroughs and product advancements we have made over the course of 1995.

Sales for the fiscal year ending June 30, 1995 were \$33,432,344 compared to \$35,561,322 in 1994. Net income for the year was \$2,087,994 compared to \$2,800,855 one year ago. Earnings per share were \$0.58 in 1995 compared to \$0.75 in fiscal year 1994.

We suffered a set back in our computer speaker business which was partially covered by growth in our stereophone base business. The growth, however, was not enough to cover the total decline in speaker sales. Adding to this sales decline, dealer returns for repair and credit also created a significant impact on our sales and profit figures for this year. Information gathered from other sources indicate that this propensity for credit returns was widespread throughout the retail industry and not limited to Koss.

In fiscal year 1995, the Canadian subsidiary contributed a loss of approximately \$600,000. The Canadian warehouse has been sublet and, since May, all products for the Canadian market have been shipping from the U.S. warehouse directly to dealers in Canada. Our move to transform the Canadian subsidiary from a warehousing unit into a sales-only operation was extremely delicate. We began this move two years ago as we took our first steps to ship Canadian customers directly. We are now satisfied that this reconfiguration will make a contribution to the company's profitability in fiscal year 1996 and beyond.

Koss received news late this year that a test lab report for the Federal Communication Commission (FCC) had been successful for Koss' JR/750 and JR/900 wireless, radio frequency stereophone systems. We have decided to hold off on production of the JR/750 and concentrate our full efforts on bringing the JR/900 to market during the coming year.

The JR/900 cordless stereophone utilizes a 900 megahertz transmission system to beam a stereo signal throughout the entire household. Unlike budget models currently available, the JR/900 will offer the listener the ability to access five different channels for high quality, interference-free listening. Market feedback indicates a consumer desire for a wireless, radio frequency stereophone that delivers on the promise of high fidelity sound reproduction. We are convinced that the JR/900 is a notable improvement over current market offerings and will be the stereophone to deliver on that promise.

The JR/900 is not slated to impact sales until after the holiday season, however the unit will give Koss Corporation access to a host of RF applications. We believe these potential applications, as well as new communications technologies, will be key to the company's long term growth and continued position as a stereophone market leader -- always Koss' primary focus.

We would like to extend our gratitude to our customers, suppliers, stockholders, and the whole Koss team for their hard work and dedication to creating the current and future success of Koss Corporation.

Sincerely,

John C. Koss  
Chairman of the Board

Michael J. Koss  
President & C.E.O.

## CONSOLIDATED STATEMENTS OF INCOME

## KOSS CORPORATION

Year Ended June 30	1995	1994	1993
Net sales	\$33,432,344	\$35,561,322	\$32,137,448
Cost of goods sold	22,810,037	23,686,971	20,786,120
Gross profit	10,622,307	11,874,351	11,351,328
Selling, general and administrative expense	8,376,204	8,191,504	7,177,946
Income from operations	2,246,103	3,682,847	4,173,382
Other income (expense)			
Interest income	98,090	56,461	44,083
Interest expense	(317,922)	(246,911)	(312,501)
Royalty income	1,412,723	1,108,458	610,795
Income before income taxes	3,438,994	4,600,855	4,515,759
Provision for income taxes	1,351,000	1,800,000	1,725,000
Net income	\$2,087,994	\$2,800,855	\$2,790,759
Number of common and common equivalent shares used in computing earnings per share	3,631,364	3,751,514	3,392,713
Earnings per common and common equivalent share:	\$ .58	\$ .75	\$ .82

## CONSOLIDATED BALANCE SHEETS

## KOSS CORPORATION

As of June 30	1995	1994
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ASSETS		
Current Assets:		
Cash	\$ 49,227	\$ 37,355
Accounts receivable, less allowances of \$289,217 and \$229,230 respectively	7,242,862	7,396,902
Inventories	9,395,915	7,837,319
Prepaid expenses	676,874	544,353
Income taxes receivable	376,147	426,236
Prepaid income taxes	378,946	268,486
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Total current assets	18,119,971	16,510,651
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Equipment and Leasehold improvements, at cost:		
Leasehold improvements	585,952	575,397
Machinery, equipment, furniture and fixtures	4,299,822	4,229,162
Tools, dies, molds and patterns	7,309,609	6,600,289
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	12,195,383	11,404,848
Less--accumulated depreciation	9,911,989	9,236,513
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	2,283,394	2,168,335
Intangible and Other Assets	569,558	541,420
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	\$20,972,923	\$ 19,220,406
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LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	\$ 1,726,711	\$ 1,266,553
Accrued liabilities	948,626	734,076
Current maturities of long-term debt	--	12,376
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Total current liabilities	2,675,337	2,013,005
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Long-Term Debt	570,000	2,068,741
Deferred Income Taxes	6,862	87,202
Deferred Compensation and Other Liabilities	907,264	902,830
Contingently Redeemable Common Stock	1,490,000	1,490,000
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Stockholders' Investment:		
Common stock, \$.01 par value, authorized 8,500,000 shares; issued and outstanding 3,486,080 and 3,231,080 shares, respectively	34,861	32,311
Paid in capital	3,318,465	2,760,905
Cumulative translation adjustment	(65,116)	(81,844)
Contingently redeemable equity interest, net	(1,490,000)	(1,490,000)
Retained earnings	13,525,250	11,437,256
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Total stockholders' investment	15,323,460	14,148,628
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	\$20,972,923	\$ 19,220,406
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## STOCKHOLDERS' INFORMATION

KOSS CORPORATION

Koss Corporation's 1995 Annual Report is presented in a simple readable and functional style. This Annual Report contains condensed financial statements only. The detailed financial statements including footnotes are included in the Form 10-K which has been provided to all stockholders along with the 1995 Annual Report. The Company believes this manner of presentation provides a concise summary for those who want to be kept informed while at the same time allowing those who feel it necessary the opportunity to investigate further.

Koss Corporation common stock is traded on the Over the Counter market and quotations are available through the National Market System. The trading symbol is KOSS.

For additional Annual Reports, Form 10-K's or Proxy materials write to:

Investment Relations  
Koss Corporation  
4129 N. Port Washington Ave.  
Milwaukee, WI 53212

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Koss Corporation

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Koss Corporation and its subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of income, and of stockholders' investment and of cash flows for each of the three years in the period ended June 30, 1995 (not presented herein); and in our report dated July 20, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of June 30, 1995 and 1994, and the related condensed consolidated statements of income for each of the three years in the period June 30, 1995 ended, when read in conjunction with the consolidated financial statements from which it has been derived, is fairly stated in all material respects in relation thereto.

PRICE WATERHOUSE LLP  
Milwaukee, Wisconsin  
July 20, 1995

## MANAGEMENT INFORMATION

## KOSS CORPORATION

OFFICERS AND  
SENIOR MANAGEMENT

John C. Koss  
Chairman of the Board

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

John C. Koss, Jr.  
Vice President--Sales

Daniel Esposito  
Vice President--Corporate Systems

Sujata Sachdeva  
Vice President--Finance

Richard W. Silverthorn  
Secretary  
General Counsel

Declan Hanley  
Vice President--International Sales

## ANNUAL MEETING

October 19, 1995  
Performance Center  
Koss Corporation  
4129 N. Port Washington Avenue  
Milwaukee, WI 53212

## TRANSFER AGENT

Questions regarding change of address,  
stock transfer, lost certificate, or  
information on a particular account  
should be directed in writing to:

Firststar Trust Company  
Box 2077  
Milwaukee, WI 53201  
Attn: Mr. Eugene R. Lee

## DIRECTORS

John C. Koss  
Chairman of the Board  
Koss Corporation

Thomas L. Doerr  
President  
Doerr Corporation

Victor L. Hunter  
President  
Hunter Business Direct

Michael J. Koss  
President, C.E.O.,  
C.O.O., C.F.O.

Lawrence S. Mattson  
Retired President  
Oster Company

Martin F. Stein  
Chairman  
Eyecare One Inc.

John J. Stollenwerk  
President  
Allen-Edmonds Shoe Corporation

## INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP  
Milwaukee, Wisconsin

## LEGAL COUNSEL

Whyte Hirschboeck Dudek S.C.