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 March 31, 1998

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 March 31, 1998, there were 3,168,519 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 1998

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1998 (Unaudited)	June 30, 1997 (*)
ASSETS		
Current Assets:		
Cash	$ 2,190	$ 32,551
Accounts receivable	7,940,701	6,992,513
Inventories	18,449,538	14,547,653
Prepaid expenses	581,010	603,997
Income taxes receivable	--	65,493
Deferred income taxes	756,946	756,946
Total current assets	27,730,385	22,999,153
Property and Equipment, net	2,023,677	2,477,529
Deferred Income Taxes	258,135	258,135
Intangible and Other Assets	602,173	598,106
	$30,614,370	$26,332,923
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 634,742	$ 741,646
Accrued liabilities	913,688	994,877
Deferred revenue	--	473,482
Income taxes payable	677,270	--
Total current liabilities	2,225,700	2,210,005
Long-Term Debt	6,336,000	1,221,000
Deferred Compensation and Other Liabilities	1,223,734	1,137,424
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	19,338,936	20,274,494
	$30,614,370	$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		Nine Months	
Period Ended March 31	1998	1997	1998	1997
Net sales	$ 8,089,590	$ 8,583,303	$ 30,222,866	$ 31,766,272
Cost of goods sold	5,571,898	5,660,609	19,970,576	21,011,785
Gross profit	2,517,692	2,922,694	10,252,290	10,754,487
Selling, general and administrative expense	1,718,331	2,169,313	5,999,461	6,660,273
Income from operations	799,361	753,381	4,252,829	4,094,214
Other income (expense)				
Royalty income	373,371	212,244	1,004,048	908,619
Interest income	45,219	30,085	55,234	89,201
Interest expense	(92,847)	(77,099)	(173,098)	(254,527)
Income before income tax provision	1,125,104	918,611	5,139,013	4,837,507
Provision for income taxes	463,496	387,059	1,991,546	1,984,487
Net income	$ 661,608	$ 531,552	$ 3,147,467	$ 2,853,020
Earnings per common share:				
Basic	$ 0.21	$ 0.16	$ 0.96	$ 0.86
Diluted	$ 0.20	$ 0.15	$ 0.93	$ 0.85
Dividends per common share	None	None	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended March 31	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,147,467	$ 2,853,020
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	594,371	516,998
Deferred compensation	86,310	86,310
Net changes in operating assets and liabilities	(4,781,669)	(4,258,900)
Net cash used in operating activities	(953,521)	(802,572)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(109,715)	(672,002)
Net cash used in investing activities	(109,715)	(672,002)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(17,406,000)	(16,169,000)
Borrowings under line of credit agreements	22,521,000	17,765,000
Purchase and retirement of common stock	(6,983,562)	(352,692)
Exercise of stock options	2,901,437	336,375
Net cash provided by financing activities	1,032,875	1,579,683
Net (decrease) increase in cash	(30,361)	105,109
Cash at beginning of year	32,551	27,001
Cash at end of period	$ 2,190	$ 132,110

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
March 31, 1998
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 March 31, 1998 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 and nine months ended March 31, 1998 is not necessarily indicative of the operating results for the full year.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

In February 1997, the Financial Accounting Standards Board ("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. The Company's adoption of the provisions of SFAS 128 resulted in the dual presentation of basic and diluted per share amounts on the Company's income statement.

Basic earnings per share are computed based on the weighted average number of common shares outstanding. When dilutive, stock options are included as share equivalents using the Treasury stock method. Common stock equivalents of 39,958 and 140,757 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the quarters ended March 31, 1998 and 1997, respectively. Common stock equivalents of 78,426 and 96,702 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the nine months ended March 31, 1998 and 1997, respectively.

3. INVENTORIES

The classification of inventories is as follows:

	March 31, 1998	June 30, 1997
Raw materials and work in process	$7,368,189	$7,485,887
Finished goods	11,538,833	7,519,250
	18,907,022	15,005,137
LIFO Reserve	(457,484)	(457,484)
	$18,449,538	$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 March 31, 1998 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 March 31, 1998 and June 30, 1997, respectively, the related liabilities in the amounts of $737,610 and $651,300 have been included in deferred compensation on the accompanying balance sheets.

6. COMPREHENSIVE INCOME

In June, 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", (SFAS 130). This Statement requires that certain items recognized under accounting principles as components of comprehensive income be reported in an annual financial statement that is displayed with the same prominence of other financial statements.

Total comprehensive income totaled $660,708 and $443,637 for the quarter ended March 31, 1998 and 1997, respectively. Total comprehensive income for the quarter ended March 31, 1998 and 1997, is comprised of net income of $661,608 and $531,552, respectively, and other comprehensive income (loss) of $(900) and $(87,915), respectively. Other comprehensive income (loss) is comprised solely of foreign currency translation adjustments.

Total comprehensive income totaled $3,146,567 and $2,746,062 for the nine months ended March 31, 1998 and 1997, respectively. Total comprehensive income for the nine months ended March 31, 1998 and 1997, is comprised of net income of $3,147,467 and $2,853,020, respectively, and other comprehensive income (loss) of $(900) and $(106,958), respectively. Other comprehensive income (loss) is comprised solely of foreign currency translation adjustments.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q - March 31, 1998
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used in activities during the nine months ended March 31, 1998 amounted to $(953,521). Working capital was $25,504,685 at March 31, 1998. The increase of $4,715,537 from the balance at June 30, 1997 consists primarily of an increase in inventory. The increase in inventory is a result of anticipated higher sales for certain product lines in the last quarter of fiscal year 1998. 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 $109,715 for the nine months. 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 $19,338,936 at March 31, 1998, 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 runs 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 March 31, 1998 totaled $6,336,000, 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 and $53,386 in foreign letters of credit. The increase as of March 31, 1998 is the result of increased inventory purchases due to anticipated higher sales volume in certain product lines.

The Company has also reinstated a $2,000,000 credit facility which can be used by the Company to purchase shares of its own stock pursuant to the Company's stock repurchase program. This credit facility also extends through November 1, 1999.

In January of 1998, the Board of Directors authorized an additional $2,000,000 to be used for purchasing the Company's common stock for its own account, increasing the total net amount of the Company's stock repurchase program from $5,000,000 to $7,000,000. The Company intends to effectuate all stock purchases either on the open market or through one or more 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 March 31, 1998, the Company purchased 155,000 shares of its common stock at an average gross purchase price of $10.80 per share, and retired all such shares. For the nine months ended March 31, 1998, the Company purchased 547,772 shares of its common stock at an average gross purchase price of $12.75 per share (and an average net purchase price of $7.96 per share), and retired all such shares. For the quarter ended March 31, 1998, the Company did not purchase any shares of its common stock for allocation to the Company's Employee Stock Ownership Plan and Trust ("ESOP"). For the nine months ended March 31, 1998, the Company purchased 5,000 shares of its common stock for allocation to the ESOP at an average price of $13.06 per share.

From the commencement of the Company's stock repurchase program through March 31, 1998, the Company has purchased and retired a total of 891,348 shares at a total gross purchase price of $9,108,577 (representing an average gross purchase price of $10.22 per share) and a total net purchase price of $6,485,677 (representing an average net purchase price of $7.28 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 pursuant to the Company stock option program.

Results of Operations

Net sales for the third quarter ended March 31, 1998 fell 6% to $8,089,590 from $8,583,303 for the same period in 1997. Net sales for the nine months ended March 31, 1998 were $30,222,866, down 5% compared with $31,766,272 during the same nine months one year ago. This decrease was primarily a result of weak orders through the second quarter.

Gross profit as a percent of net sales was 31% for the quarter ended March 31, 1998 compared with 34% for the same period in the prior year. For the nine month period ended March 31, 1998 and 1997, the gross profit percentage was 34%. Shifts in product mix resulted in the decrease in gross profit for the three month period as compared to last year.

Selling, general and administrative expenses for the quarter ended March 31, 1998 were $1,718,331 or 21% of net sales, as against $2,169,313 or 25% of net sales for the same period in 1997. For the nine month period ended March 31, 1998, such expenses were $5,999,461 or 20% of net sales, as against $6,660,273 or 21% of net sales for the same period in 1997.

For the third quarter ended March 31, 1998, income from operations was $799,361 versus $753,381 for the same period in the prior year. Income from operations for the nine months ended March 31, 1998 was $4,252,829 as compared to $4,094,214 for the same period in 1997. The increase is primarily related to the increase in gross margin and from lower selling, general and administrative expenses.

Interest expense amounted to $92,847 for the quarter as compared to $77,099 for the same period in the prior year. For the nine month period, the interest expense amounted to $173,098 compared with $254,527 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 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 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 March 31, 1998 was $373,371 as compared to $212,244 for the same period in 1997. For the nine month period ended March 31, 1998, royalty income was $1,004,048 compared to $908,619 for the same period in the prior year.

The License Agreement between the Company and Trabelco N.V. covering certain 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 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: 5/14/98	/s/ Michael J. Koss Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer
Dated: 5/14/98	/s/ Sue Sachdeva Sue Sachdeva Vice President--Finance

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JUL-01-1997
MAR-31-1998
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