

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSACTION PERIOD FROM _____ TO

Commission file number: 0-26038

ResMed Inc.
(Exact name of registrant as specified in its charter)

Delaware 98-0152841
(State or other jurisdiction of (I.R.S Employer
incorporation or organization) Identification No.)

5744 Pacific Center Boulevard
Suite 311
San Diego CA 92121
United States Of America
(Address of principal executive offices)

619 622 2040
(Registrant's telephone number including area code)

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 No

As of September 30, 1996, 7,183,276 shares of Common Stock(\$0.004 par value)
were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements
	RESMED INC. AND SUBSIDIARIES
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Condensed Consolidated Balance Sheets
(in US\$ thousands, except per share data)

<S>	<C>	<C>
	September 30,	June 30,
	1996	1996
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,455	5,510
Marketable securities - available for sale	18,204	18,021
Accounts receivable, net of allowance of \$175 at September 30, 1996 and \$175 at June 30, 1996	6,681	6,252
Government grants	810	915
Inventories	6,148	6,134
Prepaid expenses and other current assets	1,757	1,014
Total current assets	40,055	37,846
Property, plant and equipment, net	3,570	3,284
Patents, net of accumulated amortization of \$279 at September 30, 1996 and \$260 at June 30, 1996	221	217
Deferred income taxes	26	27
Goodwill, net	4,248	4,309
Other assets	2,061	1,263
Total assets	\$ 50,181	46,946
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,522	2,421
Accrued expenses	3,533	2,815
Income taxes payable	2,247	1,857
Current portion of capital lease obligation	13	-
Current portion of long-term debt	290	289
Total current liabilities	8,605	7,382
Long-term debt, less current portion	580	578
Capital lease obligation, less current portion	6	-
Total liabilities	9,191	7,960
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Common Stock \$0.004 par value; 15,000,000 shares authorized; issued and outstanding 7,183,276 at September 30, 1996 and 7,172,408 at June 30, 1996	29	29
Additional paid-in capital	29,506	29,407
Retained Earnings	10,943	9,103
Currency translation adjustment	512	447

Commitments and contingencies		40,990	38,986
	\$	<u>50,181</u>	<u>46,946</u>
		=====	=====

<FN>

See the accompanying notes to the condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

Condensed Consolidated Statements of Income (Unaudited)
(in US\$ thousands, except share and per share data)

<S>	<C>	Three Months Ended September 30,	
		1996	1995
		-----	-----
Net revenues	\$	11,141	6,703
Cost of sales		4,850	3,212
Gross profit		<u>6,291</u>	<u>3,491</u>
Operating expenses			
Selling, general and administrative expenses		3,922	2,130
Research and development expenses		791	680
Total operating expenses		<u>4,713</u>	<u>2,810</u>
Income from operations		<u>1,578</u>	<u>681</u>
Other income, net:			
Interest income, net		243	257
Government grants		89	135
Other income, net		796	150
Total other income, net		<u>1,128</u>	<u>542</u>
Income before income taxes		2,706	1,223
Income taxes		(866)	(343)
Net income	\$	<u>1,840</u>	<u>880</u>
		=====	=====
Net income per common and common equivalent share:			
Primary	\$	0.25	\$ 0.12
Assuming full dilution	\$	0.25	\$ 0.12
Weighted average shares per common and common equivalent share, outstanding:			
Primary		7,296,475	7,150,838
Assuming full dilution		7,334,845	7,188,459

<FN>

See the accompanying notes to the condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

Condensed Consolidated Statements of Cash Flows (Unaudited)
(in US\$ thousands)

<S>	<C>	Three Months Ended September 30,	
		-----	-----

	1996	1995
	-----	-----
Cash flows from operating activities:		
Net income	\$ 1,840	880
Adjustment to reconcile net income to net cash provided by/(used) in operating activities:		
Depreciation and amortization	517	135
Provision for service warranties	16	17
Deferred income taxes	1	343
Foreign currency options	(717)	(22)
Changes in operating assets and liabilities:		
Accounts receivable, net	(352)	(621)
Government grants	109	250
Inventories	6	(1,488)
Prepaid expenses and other current assets	(741)	14
Accounts payable, accrued expenses and other liabilities	1,104	(696)
Net cash provided by/(used) in operating activities	<u>1,783</u>	<u>(1,188)</u>
Cash flows used in investing activities:		
Purchases of property, plant and equipment	(668)	(229)
Purchases of patents	(23)	(4)
Purchase of non-trading investments	-	(329)
Loans receivable	(75)	-
Purchases of marketable securities - available for sale	(11,301)	(19,660)
Proceeds from sale of marketable securities - available for sale	11,118	15,791
Net cash used in investing activities	<u>(949)</u>	<u>(4,431)</u>
Cash flows from financing activities - proceeds from issuance of common stock	<u>99</u>	<u>4,690</u>
Effect of exchange rate changes on cash	<u>12</u>	<u>122</u>
Net increase (decrease) in cash and cash equivalents	<u>945</u>	<u>(807)</u>
Cash and cash equivalents at beginning of period	<u>5,510</u>	<u>3,256</u>
Cash and cash equivalents at end of period	\$ <u>6,455</u>	<u>2,449</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	279	437
Interest paid	-	-

<FN>

The Company entered into a capital lease obligation for computer equipment of \$19,000 during the three months September 30, 1996

See the accompanying notes to the condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Organization and Basis of Presentation

ResMed Inc. (the Company), is a Delaware corporation formed in March 1994 as a holding company for ResCare Holdings Ltd. (RHL), a company resident in Australia. RHL designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. The Company's principal manufacturing operations are located in Australia. Other principal distribution and sales sites are located in the United States, the United Kingdom and Europe.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended June 30, 1997.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Revenue Recognition:

Revenue on product sales is recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned.

(c) Cash and Cash Equivalents:

Cash equivalents include certificates of deposit, commercial paper, and other highly liquid investments stated at cost, which approximates market. Investments with original maturities of 90 days or less are considered to be cash equivalents for purposes of the consolidated statements of cash flows.

(d) Inventories:

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(e) Property, Plant and Equipment:

Property, plant and equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to 10 years. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

(f) Patents:

The registration costs for new patents are capitalized and amortized over the estimated useful life of the patent, generally five years. In the event of a patent being superseded, the unamortized costs are written off immediately.

(g) Government Grants:

Government grants revenue is recognized when earned. Grants have been obtained by the Company from the Australian Federal Government to support continued development and export of the Company's proprietary positive airway pressure technology and to June 30, 1996, to assist development of export markets. Grants of \$89,000 and 135,000 have been recognized for the three month period ended September 30, 1996 and September 30, 1995, respectively.

(h) Foreign Currency:

The consolidated financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation effects are reflected in stockholders' equity. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in operations.

(i) Research and Development:

All research and development costs are expensed in the period incurred.

(j) Net Income per Common and Common Equivalent Share:

Primary net income per common and common equivalent share and net income per common and common equivalent share assuming full dilution are computed using the weighted average number of shares outstanding, adjusted for the incremental shares attributed to outstanding options to purchase common stock as determined under the treasury stock method.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(k) Financial Instruments:

The carrying value of financial instruments, such as cash and cash equivalents, marketable securities - available for sale, accounts receivable, government grants, foreign currency option contracts, accounts payable and long-term debt approximate their fair value. The Company does not hold or issue financial instruments for trading purposes.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 30, 1996 and June 30, 1996. The Fair Value of Financial Instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

<TABLE>

<CAPTION>

<S>	September 30, 1996		June 30, 1996	
	<C> Carrying Amount	<C> Fair Value	<C> Carrying Amount	<C> Fair Value
(US\$ in thousands)				
Financial assets				
Cash and cash equivalents	\$ 6,455	6,455	5,510	5,510
Marketable securities - available for sale	18,204	18,204	18,021	18,021
Accounts receivable, net	6,681	6,681	6,252	6,252
Government grants	810	810	915	915
Other assets	2,061	2,061	1,263	1,263
Financial liabilities				
Accounts payable	2,522	2,522	2,421	2,421
Long - term debt	870	870	867	867

</TABLE>

The carrying amounts shown in the table are included in the statement of financial position under the indicated captions.

(l) Foreign Exchange Risk Management:

The Company enters into various types of foreign exchange contracts in managing its foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

The purpose of the Company's foreign currency hedging activities is to protect the Company from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. The Company enters into foreign currency option contracts to hedge anticipated sales and manufacturing costs denominated in principally Australian Dollars, Pound Sterling and Deutschmarks. The term of such foreign exchange contracts generally do not exceed three years.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(l) Foreign Exchange Risk Management, Continued

Premiums to enter certain foreign currency options are included in other assets and are amortized over the period of the agreement in the consolidated statement of income against other income, net. At September 30, 1996 unamortized premiums amounted to \$271,000.

Unrealized gains or losses are recognized as incurred in the statement of financial position as either other assets or other liabilities and are recorded within other income, net on the Company's consolidated statements of income. Unrealized gains and losses on currency derivatives are determined based on dealer quoted prices.

Foreign currency option contracts have been purchased in part by the issue of put options to counterparts. As a result, should foreign exchange

rates drop below a specified level, on a specific date, the Company is required to deliver certain funds to counterparts at contracted foreign exchange rates. As at September 30, 1996 none of the put options issued by the Company are exercisable as foreign exchange rates remain above the foreign exchange rates specified.

The Company is exposed to credit-related losses in the event of non-performance by counterparts to financial instruments, but it does not expect any counterparts to fail to meet their obligations given their high credit ratings. The credit exposure of foreign exchange options is represented by the fair value of options with a positive fair value at the reporting date.

At September 30, 1996 the Company held foreign currency option contracts with notional amounts totaling \$41,691,919 to hedge foreign currency items. These contracts mature at various dates prior to June 30, 1998.

(m) Income Taxes:

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Statement 109 requires an asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

<TABLE>
<CAPTION>

(3) Inventories

Inventories were comprised of the following at September 30, 1996 and June 30, 1996:

<S>	<C>	
	September 30, 1996	June 30, 1996
	-----	-----
Raw materials	\$ 1,816	\$ 2,088
Work in progress	577	257
Finished goods	3,755	3,789
	\$ <u>6,148</u>	\$ <u>6,134</u>
	=====	=====

</TABLE>

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF
OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 1996 AND SEPTEMBER 30, 1995

Net Revenues

Net revenues increased for the three months ended September 30, 1996 to \$11.1 million from \$6.7 million for the three months ended September 30, 1995, an increase of \$4.4 million or 66%. The three month increase in net revenues is primarily attributable to an increase in unit sales of the Company's flow generators and accessories in North America and Europe, which benefited significantly from the additional revenues generated in Germany from the Priess business which was acquired in February 1996. Net revenues in North America increased to \$4.4 million from \$3.6 million for the quarter and in Europe to \$5.4 million from \$1.9 million, respectively.

Gross Profit

Gross profit increased for the three months ended September 30, 1996 to \$6.3 million from \$3.5 million for the three months ended September 30, 1995, an increase of \$2.8 million or 80%. The increase resulted primarily from

increased unit sales, a shift to higher margin products, and a significant improvement in European revenues during the quarter ended September 30, 1996. Gross profit as a percentage of net revenues increased for the quarter ended September 30, 1996 to 56% from 52% in three months ended September 30, 1995.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended September 30, 1996 to \$3.9 million from \$2.1 million for the three months ended September 30, 1995, an increase of \$1.8 million or 84%. As a percentage of net revenues, selling, general and administrative expenses increased to 35% for the quarter ended September 30, 1996 from 32% for the three months ended September 30, 1995. The increase in gross selling, general and administrative expenses was due primarily to an increase from 70 to 88 in the number of sales and administrative personnel, including 24 persons employed on acquisition of Priess, an increase in legal costs from \$61,000 to \$327,000 associated with ongoing legal action (refer Part II Item 1) and other expenses related to the increase in Company sales.

Research and Development Expenses

Research and development expenses increased for the three months ended September 30, 1996 to \$791,000 from \$680,000 for the three months ended September 30, 1995, an increase of \$111,000 or 16%. As a percentage of net revenues, research and development expenses for the three months ended September 30, 1996 decreased to 7% from 10% for the period ended September 30, 1995. The increase in gross research and development expenses was due to an increase in charges for consulting fees and technical assessments incurred to facilitate product development of a number of new products.

Other Income, net

Other income, net increased for the three months ended September 30, 1996 to \$1,128,000 from \$542,000 for the three months ended September 30, 1995, an increase of \$586,000 or 108%. This increase was due primarily to net foreign exchange gains of \$750,000 relating to marking to market foreign currency option contracts. Government grants income declined for the three months ended September 30, 1996 to \$89,000 from \$135,000 for the three months ended September 30, 1995 reflecting the termination of Australian Federal Government export grants. This termination was marginally offset by an increase in both manufacturing and research activity for which the Company receives grant revenues.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996 AND SEPTEMBER 30, 1995

Income Taxes

The Company's effective income tax rate for the three months ended September 30, 1996 increased to approximately 32% from approximately 28% for the three months ended September 30, 1995. The increased tax rate primarily relates to a relatively higher German effective corporate taxation rate. This effective tax rate increase is partially offset by the increase in Australian research and development expenses incurred in the first quarter of fiscal 1997 over the first quarter of fiscal 1996 for which the Company received a 150% deduction under Australian tax law. The 150% research and development deduction was only available on expenses incurred up to August 20, 1996. Subsequent to August 20, 1996 the Company receives a 125% deduction for research and development expenditures incurred in Australia, under revised Australian taxation legislation.

Liquidity and Capital Resources

As of September 30, 1996 and June 30, 1996, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$24.7 million and \$23.5 million, respectively. The Company's working capital approximated \$31.5 million and \$30.5 million, at September 30, 1996 and June 30, 1996, respectively. The increase in working capital balances reflects the increase in cash generated from operations.

During the three months ended September 30, 1996, the Company's operations generated \$1.8 million cash from operations, primarily as a result of increased profit from operations offset partially by increases in accounts receivable due to increased sales. During the three months ended September 30, 1995 approximately \$1.2 million of cash was used by operations primarily due to increased inventory levels.

The Company's capital expenditures for the three month period ended September 30, 1996 and 1995 aggregated \$687,000 and \$229,000 respectively. The majority of the expenditures in the three month period ending September 30, 1996 relates to the purchase of computer software and hardware, production tooling

and equipment and, to a lesser extent, office furniture and research and development equipment. As a result of these capital expenditures, the Company's September 30, 1996 balance sheet reflects net property plant and equipment of approximately \$3.6 million at September 30, 1996, compared to \$3.3 million at June 30, 1996.

The results of the Company's international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect the Company's consolidated net sales and gross profit margins from international operations. The Company is exposed to the risk that the dollar-value equivalent of anticipated cash flows will be adversely affected by changes in foreign currency exchange rates. The Company manages this risk through foreign currency option contracts.

In May 1993, the Australian Federal Government agreed to lend the Company up to \$870,000 over a six year term. Such loan bears no interest for the first three years and bears interest at a rate of 3.8% thereafter until maturity. The outstanding principal balance of such loan was \$870,000 and \$867,000 at September 30, 1996 and June 30, 1996, respectively.

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RESMED INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In October 1994, in Australia, a patent held by ResMed was revoked on appeal on grounds that the patent was not entitled to claim priority to a "provisional" application, which was filed before the inventor's publication. As a result of this claim, ResMed based in part on advice from legal counsel, at June 30, 1994 accrued approximately \$300,000 for costs associated with this patent litigation which remains outstanding at September 30, 1996. This amount is included in accrued expenses on consolidated balance sheets.

In January 1995, the Company filed a complaint for patent infringement in the United States District Court against Respiroics Inc., a Delaware registered company. In response, in February 1995, Respiroics filed a complaint against the Company that asserts, (i) Respiroics does not infringe the subject patents; and (ii) that the subject patents are invalid and unenforceable. Management believes, based in part on advice from legal counsel, that this action will not have a material adverse effect on the operations or financial position of the Company.

In May 1995, Respiroics and its Australian distributor filed a statement of claim against the Company and its President in the Federal Court of Australia, New South Wales District Registry. The statement of claim alleges that the Company engaged in unfair trade practices, including misuse of the power afforded by its Australian patents and dominant market position in violation of the Australian Trade Practices Act. The statement of claim asserts damage claims in the aggregate amount of approximately \$901,000, constituting lost profit on sales. While the Company intends to defend this action vigorously, there can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Report on Form 8K

None

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SIGNATURES

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 thereunto duly authorized.

ResMed Inc.

PETER C FARRELL

Peter C Farrell
President and Chief Executive Officer

ADRIAN M SMITH

Adrian M Smith
Vice President Finance and Chief Financial Officer

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<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
RESMED INC'S FIRST QUARTER SEPTEMBER 30, 1996 FINANCIAL REPORT AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000943819

<NAME> RESMED INC

<MULTIPLIER> 1

<CURRENCY> USD \$ CURRENCY

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