NVE CORP /NEW/
Form 10-K
May 06, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

_____

FORM 10-K

(Mark One)

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

For the fiscal year ended **March 31, 2015**

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

For the transition period from _____to_____

Commission file number **000-12196**

NVE CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	**41-1424202**
State or other jurisdiction of incorporation or organization	(I.R.S.Employer Identification No.)
11409 Valley View Road, Eden Prairie, Minnesota	**55344**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(952) 829-9217**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value (Common Stock)	**The NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [X]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price on September 30, 2014, the last business day of the Registrant s most recently completed second fiscal quarter, as reported on the NASDAQ Stock Market, was approximately $157 million.

The number of shares of the registrant s Common Stock (par value $0.01) outstanding as of May 1, 2015 was 4,857,953.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for our 2015 Annual Meeting of Shareholders are incorporated by reference into Items 10, 11, 12, 13, and 14 of Part III hereof.

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PART I

FORWARD-LOOKING STATEMENTS

Some of the statements made in this Report or in the documents incorporated by reference in this Report and in other materials filed or to be filed by us with the Securities and Exchange Commission (SEC) as well as information included in verbal or written statements made by us constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to the safe harbor provisions of the reform act. Forward-looking statements may be identified by the use of the terminology such as may, will, expect, anticipate, intend, believe, estimate, should, or continue, or the negatives of these terms or other variations of these words or comparable terminology. To the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of NVE, you should be aware that our actual financial condition, operating results and business performance may differ materially from that projected or estimated by us in the forward-looking statements. We have attempted to identify, in context, some of the factors that we currently believe may cause actual future experience and results to differ from their current expectations. These differences may be caused by a variety of factors, including but not limited to risks related to our reliance on several large customers for a significant percentage of revenue, uncertainties related to possible renewal of agreements with large customers, uncertainties related to the economic environments in the industries we serve, uncertainties related to future contract research and development revenue, uncertainties related to future stock repurchases and dividend payments, and other specific risks that may be alluded to in this Report or in the documents incorporated by reference in this Report. For more information regarding our risks and uncertainties, see Item 1A Risk Factors of this Report.

ITEM 1. BUSINESS.

In General

NVE Corporation, referred to as NVE, we, us, or our, develops and sells devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store and transmit information. We manufacture high-performance spintronic products including sensors and couplers that are used to acquire and transmit data. We have also licensed our spintronic magnetoresistive random access memory technology, commonly known as MRAM.

NVE History and Background

NVE is a Minnesota corporation headquartered in a suburb of Minneapolis. We were founded in 1989 by James M. Daughton, Ph.D., a spintronics pioneer. Our common stock became publicly traded in 2000 through a reverse merger and became NASDAQ listed in 2003. Since our founding, we have been awarded more than $50 million in government research contracts, including more than 30 MRAM development contracts. These contracts have helped us build our intellectual property portfolio. Over the years our product sales have increased and we have reduced our dependence on research contracts. Fiscal years referenced in this report end March 31.

Industry Background

Much of the electronics industry is devoted to the acquisition, storage, and transmission of information. We have focused on three applications for our spintronic technology: magnetic sensors, couplers, and memories. Sensors acquire information, couplers transmit information, and memories store information. In that sense, our technology can provide the eyes, nerves, and brains of electronic systems.

Magnetic sensors can be used for a number of purposes including detecting the position or speed of robotics and mechanisms, or for communicating with implantable medical devices. We believe our spintronic sensors are smaller, more precise, and more reliable than competing devices.

Couplers are widely used in factory automation, providing reliable digital communication between electronic subsystems in factories. For example, couplers are used to send data between robots and central controllers at very

high speed. As manufacturing automation expands, there is a need for higher speed data and more channel density. Because of their unique properties, we believe our couplers transmit more data at higher speeds and over longer distances than conventional devices.

Near-term potential MRAM applications include mission-critical storage such as military, industrial, and antitamper applications. Long term, MRAM could address the market for ubiquitous high-density memory.

Our Enabling Technology

Our designs are generally based on either giant magnetoresistance or tunneling magnetoresistance. These structures produce a large change in electrical resistance depending on the electron spin orientation in a free layer.

In giant magnetoresistance (GMR) devices, resistance changes due to conduction electrons scattering at interfaces within the devices. The GMR effect is only significant if the layer thicknesses are less than the mean free path of conduction electrons, which is approximately five nanometers. Our critical GMR conductor layers may be less than two nanometers, or five atomic layers, thick. Technological advances in recent years have made it practical to manufacture such small dimensions.

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The second type of spintronic structure we use is based on tunneling magnetoresistance (TMR). Such devices are known as Spin-Dependent Tunnel (SDT) junctions or Magnetic Tunnel Junctions (MTJs). SDT junctions use tunnel barriers that are so thin that electrons can tunnel through a normally insulating material to cause a resistance change. SDT barrier thicknesses can be in the range of one to four nanometers (less than ten molecular layers).

In our products, the spintronic elements are connected to integrated circuitry and packaged in much the same way as conventional integrated circuits.

Our Strategy

Our vision is to become the leading developer of practical spintronics technology and devices. We plan to do that by selling the products described below and licensing our MRAM technology. To grow product sales, we plan to broaden our sensor and coupler product lines, and longer term to target larger markets such as consumer electronics, automotive electronics, and biosensors.

Our Products and Markets

We operate in one reportable segment.

Sensor Products and Markets

Our sensor products detect the strength or gradient of magnetic fields and are often used to determine position or speed. The GMR changes its electrical resistance depending on the magnetic field. In our devices, GMR is combined with conventional foundry integrated circuitry and packaged in much the same way as conventional integrated circuits. We sell standard or catalog sensors, and custom sensors designed to meet customers exact requirements. Our sensors are quite small, very sensitive to magnetic fields, precise, and reliable.

Standard sensors

Our standard, or catalog, sensors are generally used to detect the presence of a magnetic or metallic material to determine position or speed. We believe our spintronic sensors are smaller, more precise, and more reliable than competing devices. Our major market for standard sensors is factory automation.

Custom and medical sensors

Our primary custom products are sensors for medical devices, which are customized to our customers requirements and manufactured under stringent medical device quality standards. Most are used to replace electromechanical magnetic switches. We believe our sensors have important advantages in medical devices compared to electromechanical switches, including no moving parts for inherent reliability, and being smaller, more sensitive, and more precise. Our sensors can be customized using customer-specific integrated signal processing and design variations that can include the range and sensitivity to magnetic fields, electrical resistance, and multisensor elements configuration. Future custom sensor target markets include consumer electronics, automotive electronics, and biosensors.

Coupler Products and Markets

Our spintronic couplers combine a GMR sensor element and an IsoLoop integrated microscopic coil. The coil creates a small magnetic field that is picked up by the spintronic sensor, transmitting data almost instantly. Couplers are also known as isolators because they electrically isolate the coupled systems. Our IsoLoop couplers are faster than the fastest optical couplers.

We have five lines of coupler products: cost-effective IL500-Series couplers; IL600-Series passive-input couplers; IL700/IL200-Series high-speed couplers; and IL4/IL3-Series isolated network couplers; and IL800-Series top-of-the-line couplers.

MRAM Products and Markets

MRAM uses spintronics to store data. It has been called the ideal or universal memory because of its potential to combine the speed of SRAM, the density of DRAM, and the nonvolatility of flash memory. Data is stored in the spin of the electrons in thin metal alloy films, and read with spin-dependent tunnel junctions. Unlike electrical charge, the spin of an electron is inherently permanent. We have invented several types of MRAM memory cells including inventions related to advanced MRAM designs and MRAM for tamper prevention or detection.

Our strategy is to develop, manufacture, and sell low bit-density MRAM for applications such as tamper prevention and detection. For high bit-density MRAM, our strategy is to license our technology to companies with large-scale memories manufacturing capabilities.

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Product Manufacturing

The heart of our fabrication facility is a cleanroom area with specialized equipment to deposit, pattern, etch, and process spintronic materials. Most of our products are fabricated in our facility using either raw silicon wafers or foundry wafers. Foundry wafers contain conventional electronics that perform housekeeping functions such as voltage regulation and signal conditioning in our products.

Each wafer may include thousands of devices. We build spintronics structures on wafers in our fabrication facility. We either saw wafers to be sold in die form, or send wafers to Asia for dicing and packaging. Other production operations include wafer-level inspection and testing. Packaged parts are returned to us to be tested, inventoried, and shipped.

Sales and Product Distribution

We rely on distributors who stock our products and sell them in more than 75 countries. Distributors of our products include Digi-Key Corporation, Premier Farnell plc companies, and Rhopoint Components Ltd. Our distributor agreements generally renew annually. In addition, Avago Technologies, a leading supplier of solid-state couplers, distributes private-branded versions of some of our couplers under an agreement that expires June 27, 2016. We may add other private-brand coupler partners in the future.

New Product Status

In the past year we began marketing several new product lines, including:

current sensors for energy management;
high isolation-voltage couplers for smart-grid and medical instrument applications; and
quarter-size data couplers and network couplers.

Long-term product development programs in fiscal 2015 included:

new sensors for medical devices;
biosensors for food safety and medical diagnostics;
low-power couplers; and
antitamper sensors.

Our Competition

Industrial Sensor Competition

Several other companies either make or may have the capability to make GMR or TMR sensors. Also, several competitors make solid-state industrial magnetic sensors including silicon Hall-effect sensors and anisotropic magnetoresistive (AMR) sensors. We believe those types of sensors are not as sensitive as our GMR or TMR sensors.

Medical Sensor Competition

Our sensors for medical devices face competition from electromechanical magnetic sensors and from other solid-state magnetic sensors. Electromechanical magnetic sensors such as reed and micro-electromechanical system (MEMS) switches have been in use for several decades. Electromechanical competitors include Hamlin, Inc., Hermetic Switch, Inc., Meder Electronic AG (Engen/Welschingen, Germany), and Memscap SA (Grenoble, France). Because our sensors have no moving parts, we believe they are inherently more reliable than electromechanical magnetic sensors. We also believe our sensors are smaller than the smallest electromechanical magnetic sensors, more precise in their magnetic switch points, and more sensitive. Compared to other solid-state sensors, our medical sensors may have advantages in size, sensitivity to small magnetic fields, or electrical interface simplicity.

Coupler Competition

Competing coupler technologies include optical couplers, inductive couplers (transformers), capacitive couplers, and radio-frequency modulation couplers. In addition to being a customer, Avago is a leading producer of high-speed

optical couplers. Other prominent optical coupler suppliers are Fairchild Semiconductor International, Lite-On Technology Corporation, Renesas Electronics Corporation, Toshiba Corporation, and Vishay Intertechnology.

Our strategy is to compete based on product features rather than to compete solely on price. IsoLoop couplers are smaller and therefore require less circuit board space per channel than most competing couplers. Our other advantages over competing technologies may include less signal distortion, longer product life, and lower power consumption.

MRAM Competition

A number of companies compete or may compete with us for MRAM research and development or service business, or may be attempting to develop MRAM intellectual property for licensing to others. Emerging technologies that could compete with MRAM include graphene and carbon nanotubes, phase-change memory (PCM; also known as PRAM, PCRAM, chalcogenide, CRAM, or Ovonic memory), resistive RAM (ReRAM or RRAM), conductive bridge RAM (CBRAM), memory resistors (memristors), and conductive metal oxide (CMOx) memory. MRAM may have advantages over these technologies in either manufacturability, speed, bit density, data retention, or endurance.

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Sources and Availability of Raw Materials

Our principal sources of raw materials include suppliers of raw silicon and semiconductor foundry wafers that are incorporated into our products, and suppliers of device packaging services. Our wafers sources are based around the world; most of our packaging services take place in Asia.

Intellectual Property

Patents

As of March 31, 2015 we had more than 50 issued U.S. patents assigned to us. We also have a number of foreign patents, a number of U.S. and foreign patents pending, and we have licensed patents from others. There are no patents we regard as critical to our current business owned by us or licensed to us that expire in the next 12 months.

Much of our intellectual property has been developed with U.S. Government support. Under federal legislation, companies normally may retain the principal worldwide patent rights to any invention developed with U.S. Government support.

Certain of our patents cover inventions we believe may be necessary for successful high-density, high-performance MRAMs. We believe U.S. patents 6,538,921 titled Circuit Selection of Magnetic Memory Cells and Related Cell Structures, and 6,744,086 titled Current switched magnetoresistive memory cell are particularly important. The 6,538,921 patent expires August 14, 2021. On September 16, 2012 the United States Patent and Trademark Office granted a request by Everspin Technologies, Inc. for an *inter partes* reexamination of patent 6,538,921. We have appealed an examiner s decision to reject some of the claims of the patent, and that appeal is in process. The 6,744,086 patent has been reissued as RE 44,878 and expires May 15, 2022.

We also have patents on advanced MRAM designs that we believe are important, including patents that relate to magnetothermal MRAM, spin-momentum MRAM, and synthetic antiferromagnetic storage.

Trademarks

NVE and IsoLoop are our registered trademarks. Other trademarks we claim include GMR Switch and GT Senso

Seasonality

In some years, including the most recent fiscal year, we have observed weak product sales late in the calendar year, possibly due to ordering patterns or customer vacations and shutdowns. We cannot predict whether this seasonal pattern will occur in future years.

Working Capital Items

Like other companies in the electronics industry, we have historically invested in capital equipment for manufacturing and testing our products, as well as research and development equipment. We have also deployed significant capital in inventories to have finished products available from stock, to receive more favorable pricing for raw materials, and to guard against raw material shortages.

Dependence on Major Customers

We rely on several large customers for a significant percentage of our revenue, including St. Jude Medical, Inc., certain other medical device manufacturers, and certain distributors. The loss of one or more of these customers could have a material adverse effect on us.

Firm Backlog

As of March 31, 2015 we had $2,198,062 of contract research and development backlog we believed to be firm, compared to $165,308 as of March 31, 2014. We expect the firm backlog as of March 31, 2015 to be filled in fiscal 2016. Certain contracts have performance requirements and milestones, and there can be no assurance that backlog

will result in future revenue. Our product sales are made primarily under standard purchase orders, which are generally cancellable. Therefore product order backlog is not included in firm backlog, and product sales backlog as of any particular date may not be indicative of future results. We also have certain agreements that require customers to forecast purchases; however, these agreements do not generally obligate the customer to purchase any particular quantity of products. Based on semiconductor industry practice and our experience, we do not believe that such agreements are meaningful for determining backlog amounts.

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Research and Development Activities

Over the past three fiscal years our research and development activities have included development of new sensors, couplers, and memories, as well as related underlying technologies. We spent $2,472,341 for fiscal 2015, $3,131,430 for fiscal 2014, and $2,304,710 for fiscal 2013 in company-sponsored research and development activities. Additionally, we spent $1,112,813 during fiscal 2015, $794,071 during fiscal 2014, and $2,040,640 during fiscal 2013 on customer-sponsored research and development contract activities. These research and development contracts were with various agencies of the U.S. Government as well as non-government entities.

Environmental Matters

We are subject to environmental laws and regulations, particularly with respect to industrial waste and emissions. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, or competitive position to date. Existing and future environmental laws and regulations could result in expenses related to emission abatement or remediation, but we are currently unable to estimate such expenses.

Number of Employees

We had 49 employees as of March 31, 2015. Our employment can fluctuate due to a variety of factors. None of our employees are represented by a labor union or are subject to a collective bargaining agreement, and we believe we maintain good relations with our employees.

Financial Information About Geographic Areas

Foreign sales accounted for approximately 61% of our revenue in fiscal 2015. More information about geographic areas is contained in Note 8 Concentrations to the Financial Statements included in this report.

Available Information

All reports we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statements and additional proxy materials on Schedule 14A, as well as any amendments to those reports and schedules, are accessible at no cost through the Investors section of our Website (www.nve.com). We make those filings available as soon as reasonably practicable after filing. These filings are also accessible through the SEC s Website (www.sec.gov).

ITEM 1A. RISK FACTORS.

We caution readers that the following important factors, among others, could affect our financial condition, operating results, business prospects or any other aspect of NVE, and could cause our actual results to differ materially from that projected or estimated by us in the forward-looking statements made by us or on our behalf. Although we have attempted to list below the important factors that do or may affect our financial condition, operating results, business prospects, or any other aspect of NVE, other factors may in the future prove to be more important. New factors emerge from time to time and it is not possible for us to predict all of such factors. Similarly, we cannot necessarily assess or quantify the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in forward-looking statements.

We may lose revenue if any of our large customers cancel, postpone, or reduce their purchases.

We rely on several large customers for a significant percentage of our revenue. These large customers include St. Jude Medical, Inc., certain other medical device manufacturers, and certain distributors. Although we have agreements with certain large customers, these agreements do not obligate customers to purchase from us and may not prevent price reductions. Furthermore, orders from our large customers can generally be reduced, postponed, or canceled. Any decreases in purchase quantities or purchase prices, or the loss of any of our large customers, could have a significant impact on our revenue and our profitability.

We risk losing business to our competitors.

Known product competitors include Avago Technologies; Analog Devices, Inc.; Fairchild Semiconductor International; Hermetic Switch, Inc.; Linear Technology Inc.; Maxim Integrated Products, Inc.; Meder Electronic AG; Memscap SA; NEC Corporation; Sharp Corporation; Silicon Laboratories, Inc.; Texas Instruments Incorporated; Toshiba Corporation; Vishay Intertechnology; and others. Many of our competitors and potential competitors have significantly greater financial, technical, and marketing resources than us. We believe that our competition is increasing as the technology and markets mature. This has meant more competitors and more severe pricing pressure. In addition, our competitors may be narrowing or eliminating our performance advantages. We expect these trends to continue, and we may lose business to competitors or it may be necessary to significantly reduce our prices in order to acquire or retain business. These factors could cause a material adverse impact on our financial condition, revenue, gross profit margins, or income.

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We may lose revenue if we are unable to renew agreements with large customers.

Our agreement with Avago Technologies, Inc., as amended, expires June 27, 2016, and our Supplier Partnering Agreement with St. Jude Medical, as amended, expires January 1, 2016. We cannot predict if these agreements will be renewed, or if renewed, under what terms. Although it is possible we could continue to sell products to these customers without formal agreements, an inability to agree on mutually acceptable terms or the loss of any of these large customers could have a significant adverse impact on our revenue and our profitability.

We will lose revenue if government contract funding is reduced, delayed, or eliminated.

Although our revenue from agencies of the U.S. Government was less than 10% of our total revenue in each of the past three fiscal years, a material decrease in U.S. Government funded research or disqualification as a vendor to the U.S. Government for any reason could hamper future research and development activity and decrease related revenue. In addition to direct Government funding, certain of our non-Government customers and prospective customers depend on Government support to fund their contracts with us. Our direct and indirect Government funding depends on adequate continued funding of the agencies and their programs. Such funding is affected by Government budgets and priorities that can change and over which we have no control, and delays in such funding can occur for a number of reasons. The Budget Control Act of 2011 reduces spending authority for Government agencies that directly or indirectly fund or might fund our business. Interruptions in the Government funding process such as federal budget delays, debt ceiling limitations, partial shutdowns, sequestration, or Department of Defense spending cuts, may impact Government contract funding. Furthermore, a significant portion of our Government funding has been through Small Business Innovation Research (SBIR) or Small Business Technology Transfer Research (STTR) contracts. SBIR/STTR budgets, eligibility, or funding limits may be changed by legislation or by agencies such as the Department of Defense.

If we were barred for any reason from U.S. government contracts there could be a significant adverse impact on our revenue and our ability to make research and development progress.

If we were to be charged with violation of certain laws or if the U.S. Government were to determine that we are not a presently responsible contractor, we could be temporarily suspended or, in the event of a violation, barred for up to three years from receiving new U.S. Government contracts or government-approved subcontracts. In addition, we could expend substantial amounts in defending against such charges and in damages, fines and penalties if such charges are proven or result in negotiated settlements. Being barred for any reason from U.S. Government contracts could have a material adverse effect on our revenue, profits, and research and development efforts.

We face an uncertain economic environment in the industries we serve, which could adversely affect our business.

We sell our products into the semiconductor market, which is highly cyclical. Additionally, effects of U.S. healthcare reform legislation could have an adverse effect on the economic environment for the medical device industries we serve. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent recovery, worldwide or in the industries we serve. The economic environment could have a material adverse impact on our business and revenue.

Failure to meet stringent customer requirements could result in the loss of key customers and reduce our sales.

Some of our customers, including certain medical device manufacturers, have stringent technical and quality requirements that require our products to meet certain test and qualification criteria or to adopt and comply with specific quality standards. Certain customers also periodically audit our performance. Failure to meet technical or quality requirements or a negative customer audit could result in the loss of current sales revenue, customers, and future sales.

We could be subject to claims based on warranty, product liability, or delivery failures.

Claims based on warranty, product liability, or delivery failures that could lead to significant expenses as we defend such claims or pay damage awards. We may also incur costs if we decide to compensate the affected customer

or end consumer for such claims. In addition, if our customers recall products containing our products, we may incur costs and expenses relating to the recall. Costs or payments we may make in connection with warranty, delivery claims or product recalls may adversely affect our business and financial condition.

Some of our products are incorporated into medical devices, which could expose us to a risk of product liability claims and such claims could seriously harm our business and financial condition.

Certain of our products are used in medical devices, including devices that help sustain human life. We are also marketing our technology to other manufacturers of cardiac pacemakers and ICDs. Although we have indemnification agreements with certain customers including provisions designed to limit our exposure to product liability claims, there can be no assurance that we will not be subject to losses, claims, damages, liabilities, or expenses resulting from bodily injury or property damage arising from the incorporation of our products in devices sold by our customers. Our indemnifying customers may not have the financial resources to cover all liability. Existing or future laws or unfavorable judicial decisions could limit or invalidate the provisions of our indemnification agreements, or the agreements may not be enforceable in all instances. A successful product liability claim could require us to pay, or contribute to payment of, substantial damage awards, which would have a significant negative effect on our business and financial condition.

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Federal legislation may not protect us against liability for the use of our products in medical devices and a successful liability claim could seriously harm our business and financial condition.

Although the Biomaterials Access Assurance Act of 1998 may provide us some protection against potential liability claims, that Act includes significant exceptions to supplier immunity provisions, including limitations relating to negligence or willful misconduct. A successful product liability claim could require us to pay, or contribute to payment of, substantial damage awards, which would have a significant negative effect on our business and financial condition. Any product liability claim against us, with or without merit, could result in costly litigation, divert the time, attention, and resources of our management and have a material adverse impact on our business.

Any malfunction of our products in existing medical devices could lead to the need to recall devices incorporating our products from the market, which may be harmful to our reputation and cause a significant loss of revenue.

Any malfunction of our products could lead to the need to recall existing medical devices incorporating our products from the market, which may be harmful to our reputation because it is dependent on product safety and efficacy. Even if assertions that our products caused or contributed to device failure do not lead to product liability or contract claims, such assertions could harm our reputation and our customer relationships. Any damage to our reputation and/or the reputation of our products, or the reputation of our customers or their products could limit the market for our and our customers products and harm our results of operations.

We may lose business and revenue if our critical production equipment fails.

Our production process relies on certain critical pieces of equipment for defining, depositing, and modifying the magnetic properties of thin films. Some of this equipment was designed or customized by us, and some may no longer be in production. While we have an in-house maintenance staff, maintenance agreements for certain equipment, some critical spare parts, and back-ups for some of the equipment, we cannot be sure we could repair or replace critical manufacturing equipment were it to fail.

The loss of supply from any of our key single-source wafer suppliers could impact our ability to produce and deliver products and cause loss of revenue.

Our critical suppliers include suppliers of certain raw silicon and semiconductor foundry wafers that are incorporated in our products. We maintain inventory of some critical wafers, but we have not identified or qualified alternate suppliers for many of the wafers now being obtained from single sources. Increased industry demand due to an economic recovery or other factors beyond our control or ability to predict could cause or exacerbate wafer supply shortages. Any wafer supply interruptions could seriously jeopardize our ability to provide products that are critical to our business and operations and may cause us to lose revenue.

The loss of supply of any critical chemicals or supplies could impact our ability to produce and deliver products and cause loss of revenue.

There are a number of critical chemicals and supplies that we require to make products. These include certain gases, photoresists, polymers, and metals. We maintain inventory of critical chemicals and materials, but in many cases we are dependent on single sources, and some of the materials could be subject to shortages or be discontinued by their suppliers at any time. Furthermore, current and future climate change regulations could increase our costs or cause the loss of supply of critical chemicals. We use chemicals such as sulfur hexafluoride in our manufacturing process that have been identified as greenhouse gases. If such chemicals were restricted or prohibited we would need to obtain substitutes that might be more expensive or less available. Supply interruptions or shortages for any reason could seriously jeopardize our ability to provide products that are critical to our business and operations and may cause us to lose revenue.

The loss of supply from any of our packaging vendors could impact our ability to produce and deliver products and cause loss of revenue.

We are dependent on our packaging vendors. Because of the unique materials our products use, the complexity of

some of our products, and the high isolation voltage specifications of our couplers, many of our products are more challenging to package than conventional integrated circuits. Some of our products use processes or tooling unique to a particular packaging vendor, and it might be expensive, time-consuming, or impractical to convert to another vendor in the event of a supply interruption. We have alternate vendors or potential alternate vendors for the substantial majority of our product sales, but it could prove expensive, time-consuming, or technically challenging to convert certain products to an alternate vendor. We might not be able to recover work in process or finished goods in their possession if one of our packaging vendors were to become insolvent or disrupted by acts of God, including floods, typhoons, or earthquakes. Furthermore, an alternate vendor may not have sufficient capacity available to meet our requirements. One of our packaging vendors, Circuit Electronic Industries Public Co., Ltd. (CEI) of Ayutthaya, Thailand has notified us that it plans to close its packaging operation. Although we have alternate vendors for our parts packaged by CEI, the closure of this operation will reduce our ability to mitigate supply chain risks. Additionally, certain of our packaging vendors are in flood-susceptible areas. Flooding risks to such vendors may increase in the future due to possible higher ocean levels and other potential effects of climate change. Any supply interruptions or loss of inventory could seriously jeopardize our ability to provide products that are critical to our business and operations and may cause us to lose revenue.

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We are subject to risks inherent in doing business in foreign countries that could impair our results of operations.

Foreign sales were approximately 61% of our revenue for fiscal 2015, and we expect foreign sales to continue to represent a significant portion of our revenue. Furthermore, we rely on suppliers in China, India, Taiwan, Thailand, and other foreign countries. Risks relating to operating in foreign markets that could impair our results of operations include economic and political instability; difficulties in enforcement of contractual obligations and intellectual property rights; changes in regulatory requirements, tariffs, customs, duties, and other trade barriers; transportation delays; acts of God, including floods, typhoons, and earthquakes; and other uncertainties relating to the administration of, or changes in, or new interpretation of, the laws, regulations, and policies of jurisdictions where we do business.

Our business and our reliance on intellectual property exposes us to litigation risks.

If patent infringement claims or actions are asserted against us, we may be required to obtain a license or cross-license, modify our existing technology or design a new noninfringing technology. Such licenses or design modifications can be costly or could increase the cost of our products. In addition, we may decide to settle a claim or action against us, which settlement could be costly. We may also be liable for any past infringement, and we may be required to indemnify our customers against expenses relating to possible infringement. If there is an adverse ruling against us in an infringement lawsuit, an injunction could be issued barring production or sale of any infringing product. It could also result in a damage award equal to a reasonable royalty or lost profits or, if there is a finding of willful infringement, treble damages. Any of these results would increase our costs or harm our operating results.

We may not be able to enforce our intellectual property rights.

We protect our proprietary technology and intellectual property by seeking patents, trademarks, and copyrights, and by maintaining trade secrets through entering into confidentiality agreements with employees, suppliers, customers, and prospective customers depending on the circumstances. We hold patents or are the licensee of others owning patented technology covering certain aspects of our products and technology. These patent rights may be challenged, rendered unenforceable, invalidated, or circumvented. Two of our patents have been subject to *inter partes* reexamination proceedings by the U.S. Patent and Trademark Office initiated by Everspin Technologies, Inc. as a defensive action in connection with our litigation against Everspin. The claims of one of the patents were invalidated, and a final adverse decision on the other *inter partes* reexamination or any future reexamination proceedings could invalidate some or all of the patent claims. Additionally, rights granted under the patents or under licensing agreements may not provide a competitive advantage to us. We have filed a patent infringement lawsuit against Everspin and at least several other companies have described designs that we believe may infringe on our patents if such designs were commercialized. Efforts to enforce patent rights can involve substantial expense and may not be successful. Furthermore, others may independently develop similar, superior, or parallel technologies to any technology developed by us, or our technology may prove to infringe on patents or rights owned by others. Thus the patents held by or licensed to us may not afford us any meaningful competitive advantage. Also, our confidentiality agreements may not provide meaningful protection of our proprietary information. Our inability to maintain our proprietary rights could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to enforce our patents against Motorola, Freescale, or Everspin.

Our Patent License Option Agreement with Motorola provided for termination on December 31, 2005 or on the date Motorola ceases manufacturing MRAM Products, whichever is later. We believe such a termination is likely to have occurred as a result of Motorola apparently having eliminated its ability to manufacture MRAM Products through its spinoff of Freescale. In 2008 Freescale announced that it had transferred its MRAM technology and intellectual property to an independent company, Everspin Technologies, Inc. We believe we are free to negotiate a new agreement with Freescale or Everspin, or an assignment of the Motorola Patent License Option Agreement, but we have said we would do so only with amendments thereto. A settlement agreement by and between Everspin and us limits our rights to sue Everspin for patent infringement and prevents us from asserting three specific patents against Everspin. There can be no assurance that we can successfully enforce any of our other patents, or that any agreement will be reached with Freescale or Everspin, or that NVE would receive any value under the existing agreement with

Motorola or any value under any such further agreement with Freescale or Everspin.

Our business success may be adversely affected if we are unable to attract and retain highly qualified employees.

We have employment agreements with certain employees, including our Chief Executive Officer and Chief Financial Officer, but those agreements do not prevent employees from leaving the company. Competition for highly qualified management and technical personnel can be intense and we may not be able to attract and retain the personnel necessary for the development and operation of our business. The loss of the services of key personnel could have a material adverse effect on our business, financial condition, and results of operations.

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We could incur losses on our marketable securities.

At March 31, 2015, we held $91,013,095 in short-term and long-term marketable securities, representing approximately 83% of our total assets. A number of the securities we hold have been downgraded by Moody s or Standard and Poor s indicating a possible increase in default risk. Conditions and circumstances beyond our control or ability to anticipate can cause downgrades and increases in default risk, and such downgrades or increases in default risk are possible at any time. Additionally, the assignment of a high credit rating does not preclude the risk of default on any marketable security. We could incur losses on our marketable securities, which could have a material adverse impact on our financial condition, income, or cash flows, and our ability to pay dividends.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results and prevent fraud.

In connection with our annual evaluation of internal control for the fiscal year ended March 31, 2014, we identified a material weakness in our system of internal control. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual and interim financial statements will not be prevented or detected and corrected on a timely basis. Although there were no material weaknesses identified in connection with our annual evaluation of internal control for the fiscal year ended March 31, 2015, our remediation efforts may not enable us to avoid material weaknesses in the future. Our efforts to maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future and comply with the certification and reporting obligations under Sections 302 and 404 of the Sarbanes-Oxley Act. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Furthermore, criteria for evaluating internal controls are subject to change by regulatory or other agencies, and there can be no assurance our internal controls will be considered effective under new or modified criteria. Any failure to maintain effective controls could result in material misstatements that are not prevented or detected and corrected on a timely basis, which could potentially subject us to sanction or investigation by the SEC or other regulatory authorities. Ineffective internal controls could also cause investors to lose confidence in our reported financial information and adversely affect our business and our stock price.

Any decisions to reduce or discontinue paying cash dividends to our shareholders could cause the market price of our common stock to decline.

In the most recent fiscal year we paid a cash dividend to our shareholders for the first time. While we currently plan to pay quarterly dividends indefinitely, our payment of cash dividends will be subject to, among other things, our results of operations, cash and marketable security balances, the timing of securities maturations, estimates of future cash requirements, fixed asset requirements, and other factors our Board may deem relevant. Because they are significantly more than our current free cash flow, recent and declared dividend amounts are likely unsustainable. Any reduction or discontinuance by us of cash dividends could cause the market price of our common stock to decline.

The price of our common stock may be adversely affected by significant price fluctuations due to a number of factors, many of which are beyond our control.

From time to time our stock price has decreased sharply, and could decline in the future. The market price of our common stock may be significantly affected by many factors, some of which are beyond our control, including:

- technological innovations by us or our competitors;
- the announcement of new products, product enhancements, contracts, or license agreements by us or our competitors;
- delays in our introduction of new products or technologies or market acceptance of these products or technologies;
- loss of customers, decreases in customer purchases, or decreases in customers purchase prices;
- changes in demand for our customers products;

quarterly variations in our operating results, revenue, or revenue growth rates;
changes in revenue estimates, earnings estimates, or market projections by market analysts;
speculation in the press or analyst community about our business, potential revenue, or potential earnings;
general economic conditions or market conditions specific to industries we or our customers serve or may serve;
legal proceedings involving us, including intellectual property litigation or class action litigation; and
our stock repurchase and dividend policies and decisions.

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ITEM 2. PROPERTIES.

Our principal executive offices and manufacturing facility are located at 11409 Valley View Road, Eden Prairie, Minnesota, 55344. The space consists of 21,362 square feet of offices, laboratories, and production areas. The space is owned by the Barbara C. Gage Revocable Trust and leased under an agreement expiring December 31, 2020. The facility is currently being utilized at less than maximum capacity to allow for growth, and we believe the facility is adequate to meet our current requirements. We hold no investments in real estate.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business we may become involved in litigation. At this time we are not aware of any material pending or threatened legal proceedings or other proceedings contemplated by governmental authorities that we expect would have a material adverse impact on our future results of operation and financial condition.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our Common Stock trades on the Capital Market tier of the NASDAQ Stock Market under the symbol NVEC. The following table shows the high and low sales prices of our Common Stock as reported on the NASDAQ for each quarter within our two most recent fiscal years:

	Quarter Ended							
	3/31/15	12/31/14	9/30/14	6/30/14	3/31/14	12/31/13	9/30/13	6/30/13
High	$ 70.74	$ 75.94	$ 70.03	$ 57.50	$ 60.49	$ 59.42	$ 51.61	$ 55.99
Low	$ 62.40	$ 59.24	$ 52.10	$ 50.06	$ 53.84	$ 50.51	$ 46.33	$ 46.66

Shareholders

We had approximately 98 shareholders of record and 5,394 total shareholders as of April 20, 2015.

Dividends

We declared cash dividends on our Common Stock of aggregate amounts of $10,000,000 payable to shareholders of record as of February 2, 2015 and on May 6, 2015, we announced that our Board declared a cash dividend of $1.00 per share payable to shareholders of record as of May 18, 2015. We did not declare or pay any other dividends for the two most recent fiscal years. We have said we expect to declare quarterly dividends that are more than the company s current free cash flow but significantly less than the $10,000,000 dividend already paid. However, our dividend policy is subject to change at any time, and future dividends will be subject to Board approval and subject to the company s results of operations, cash and marketable security balances, future cash requirements, and other factors our Board may deem relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our securities authorized for issuance under equity compensation plans will be included in the section Equity Compensation Plan Information of our Proxy Statement for our 2015 Annual Meeting of Shareholders, and is incorporated by reference into Item 12 of this Report.

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Performance Graph

The graph and table below compares the total shareholder return on our Common Stock to the cumulative total return of the NASDAQ Industrial Index and the SmallTimes Index of Companies Involved in Micro- and Nanotech. NVE is included in both indices. The graph and table assume $100 was invested on March 31, 2010 in each of our Common Stock, the NASDAQ Industrial Index, and the SmallTimes Index, with reinvestment of dividends.

	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	3/31/2015
NVE Corporation	$ 100.00	$ 124.37	$ 117.00	$ 124.55	$ 125.92	$ 157.06
SmallTimes Index	$ 100.00	$ 108.75	$ 112.74	$ 118.69	$ 137.62	$ 144.63
NASDAQ Industrial Index	$ 100.00	$ 125.60	$ 132.43	$ 154.07	$ 193.10	$ 210.26

Stock Repurchase Program

In 2009 we announced that our Board of Directors authorized the repurchase of up to $2,500,000 of our Common Stock, $1,236,595 of which remained available as of March 31, 2015. The repurchase program may be modified or discontinued at any time without notice.

ITEM 6. SELECTED FINANCIAL DATA.

The following balance sheet and income statement selected financial data should be read in conjunction with our financial statements and notes included in Item 8 of this Report, and with Management s Discussion and Analysis of Financial Condition and Results of Operation included in Item 7 of this Report. The data are derived from our financial statements.

	Balance Sheet Data as of March 31				
	2015	2014	2013	2012	2011
Cash, cash equivalents, and marketable securities	$ 100,450,357	$ 95,644,701	$ 85,260,969	$ 73,541,463	$ 62,179,707
Total assets	$ 110,089,196	$ 105,242,043	$ 95,765,496	$ 83,126,763	$ 71,836,225
Total shareholders equity	$ 108,327,534	$ 103,704,641	$ 93,984,608	$ 81,458,858	$ 69,970,549

	Income Statement Data for Years Ended March 31				
	2015	2014	2013	2012	2011
Revenue					

Product sales	$ 29,894,045	$ 25,512,028	$ 24,434,823	$ 25,151,822	$ 26,024,823
Contract research and development	690,043	422,879	2,598,596	3,427,398	5,172,240
Total revenue	$ 30,584,088	$ 25,934,907	$ 27,033,419	$ 28,579,220	$ 31,197,063
Gross profit	$ 24,564,220	$ 20,214,630	$ 20,008,238	$ 19,253,709	$ 21,413,365
Income from operations	$ 19,251,951	$ 14,393,816	$ 15,196,854	$ 14,273,048	$ 17,669,770
Net cash provided by operating activities	$ 14,870,066	$ 12,401,424	$ 12,645,302	$ 12,811,910	$ 12,808,807
Net income	$ 14,368,354	$ 11,135,875	$ 11,828,838	$ 11,381,095	$ 13,360,945
Net income per share diluted	$ 2.95	$ 2.29	$ 2.43	$ 2.34	$ 2.76

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read this discussion together with our financial statements and notes included elsewhere in this Report. In addition to historical information, the following discussion contains forward-looking information that involves risks and uncertainties. Our actual future results could differ materially from those presently anticipated due to a variety of factors, including those discussed in Item 1A of this Report.

General

We develop and sell devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store, and transmit information. We manufacture high-performance spintronic products including sensors and couplers to revolutionize data sensing and transmission. We also receive contracts for research and development and are a licensor of spintronic magnetoresistive random access memory technology, commonly known as MRAM.

Application of Critical Accounting Policies and Estimates

In accordance with SEC guidance, those material accounting policies that we believe are the most critical to an investor s understanding of our financial results and condition and require complex management judgment are discussed below.

Investment Valuation

Our investments consist primarily of corporate and municipal obligations. We have generally invested excess cash in high-quality investment grade long-term marketable securities with less than five years to maturity. We classify all of our marketable securities as available-for-sale, thus securities are recorded at fair value and any associated unrealized gain or losses, net of tax, is included as a separate component of shareholders equity, Accumulated other comprehensive income (loss). If we judged a decline in fair value for any security to be other than temporary, the cost basis of the individual security would be written down and a charge recognized to net income. The fair values for our securities are determined based on quoted market prices as of the valuation date and observable prices for similar assets. We consider a number of factors in determining whether other-than-temporary impairment exists, including: credit market conditions; the credit ratings of the securities; historical default rates for securities of comparable credit rating; the presence of insurance of the securities and, if insured, the credit rating and financial condition of the insurer; the effect of market interest rates on the value of the securities; and the duration and extent of any unrealized losses. We also consider the likelihood that we will be required to sell the securities prior to maturity based on our financial condition and anticipated cash flows. If any of these conditions and estimates change in the future, or, if different estimates are used, the fair value of the investments may change significantly and could result in other-than-temporary decline in value, which could have an adverse impact on our results of operations.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first in, first out method. Where there is evidence that inventory could be disposed of at less than carrying value, the inventory is written down to the net realizable value in the current period. Additionally, we periodically examine our inventory in the context of inventory turnover, sales trends, competition and other market factors, and we record provisions to inventory reserve when we determine certain inventory is unlikely to be sold. If reserved inventory is subsequently sold, corresponding reductions in inventory and inventory reserves are made. Our inventory reserve was $180,000 at March 31, 2015 and $295,000 at March 31, 2014.

Deferred Tax Assets Estimation

In determining the carrying value of our net deferred tax assets, we must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions to realize the benefit of these assets. We evaluate the realizability of the deferred assets quarterly and assess the need for valuation allowances or reduction

of existing allowances quarterly.

As of March 31, 2015 our net deferred tax liabilities were $173,656 compared to $117,213 as of March 31, 2014. Net deferred tax liabilities included $107,570 in deferred tax assets for stock-based compensation deductions as of March 31, 2015 and $120,008 as of March 31, 2014. Utilization of certain of our deferred tax assets is subject to limitations based on Internal Revenue Code Section 382.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period, which will be our first quarter of fiscal 2018. We have not yet evaluated the impact of ASU 2014-09 on our financial statements.

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Results of Operations

The following table summarizes the percentage of revenue and year-to-year changes for various items for the last three fiscal years:

	Percentage of Revenue Year Ended March 31			Year-to-Year Change Years Ended March 31	
	2015	2014	2013	2014 to 2015	2013 to 2014
Revenue					
Product sales	97.7%	98.4%	90.4%	17.2%	4.4%
Contract research and development	2.3%	1.6%	9.6%	63.2%	(83.7)%
Total revenue	100.0%	100.0%	100.0%	17.9%	(4.1)%
Cost of sales	19.7%	22.1%	26.0%	5.2%	(18.6)%
Gross profit	80.3%	77.9%	74.0%	21.5%	1.0%
Expenses					
Selling, general, and administrative	7.6%	8.6%	8.3%	3.4%	(0.2)%
Research and development	9.8%	13.8%	9.5%	(16.3)%	39.5%
Total expenses	17.4%	22.4%	17.8%	(8.7)%	21.0%
Income from operations	62.9%	55.5%	56.2%	33.8%	(5.3)%
Interest income	7.2%	8.2%	8.7%	3.1%	(10.1)%
Income before taxes	70.1%	63.7%	64.9%	29.8%	(5.9)%
Income tax provision	23.1%	20.8%	21.1%	31.4%	(6.1)%
Net income	47.0%	42.9%	43.8%	29.0%	(5.9)%

Total revenue for fiscal 2015 increased 18% compared to fiscal 2014, and decreased 4% in fiscal 2014 compared to fiscal 2013. The increase in total revenue in fiscal 2015 was due to a 17% increase in product sales and a 63% increase in contract research and development revenue. The decrease in total revenue in fiscal 2014 was due to an 84% decrease in contract research and development revenue, partially offset by a 4% increase in product sales. The increase in contract research and development revenue for fiscal 2015 compared to fiscal 2014 was due to new contracts and contract activities and an improved environment for government contract funding. The decrease for fiscal 2014 compared to fiscal 2013 was due to completion of certain contracts and contract activities and a challenging environment for government contract funding. The increases in product sales for fiscal 2015 and 2014 were primarily due to increased purchase volume by existing customers.

Gross profit margin increased to 80% of revenue for fiscal 2015 from 78% for fiscal 2014 due to a more favorable product sales mix. Gross profit margin for fiscal 2014 increased from 74% for fiscal 2013 due to a more favorable revenue mix, a more favorable product sales mix, and more efficient product manufacturing.

Total expenses decreased 9% for fiscal 2015 compared to fiscal 2014 and increased 21% for fiscal 2014 compared to fiscal 2013. The decrease in total expenses in fiscal 2015 compared to fiscal 2014 was due to a 16% decrease in research and development expense, partially offset by a 3% increase in selling, general, and administrative expense. The increase in selling, general, and administrative expense for fiscal 2015 was primarily due to increased sales commissions and performance-based compensation. The decrease in research and development expense for fiscal 2015 was due to the completion of certain product development activities and an increase in contract research and development activities, which caused us to reallocate resources to expensed research and development activities. The increase in total expenses in fiscal 2014 compared to fiscal 2013 was due to a 39% increase in research and development expense. The increase in research and development expense in fiscal 2014 was due to increased product development activities, and a decrease in contract research and development activities, which caused resources to be reallocated to expensed research and development activities.

Interest income increased 3% in fiscal 2015 compared to fiscal 2014, and decreased 10% in fiscal 2014 compared to fiscal 2013. The increase in fiscal 2015 compared to fiscal 2014 was due to an increase in our average balance of marketable securities, partially offset by a decrease in interest rates earned on reinvested funds. The decrease in fiscal 2014 compared to fiscal 2013 was due to a decrease in interest rates earned on reinvested funds, partially offset by an increase in interest-bearing marketable securities. We expect interest income to decrease in future periods as we plan to use proceeds from maturating marketable securities to help fund cash dividends, rather than reinvesting proceeds as we have generally done in the past.

The effective income tax rate was approximately 33% of income before taxes for fiscal 2015, 2014, and 2013. Our effective tax rates could fluctuate, however, due to a number of factors, including Federal and state tax rates and regulations, some of which are outside our control.

Net income increased 29% in fiscal 2015 compared to fiscal 2014 primarily due to increased total revenue, increased gross profit margin as a percentage of revenue, and decreased expenses. Net income decreased 6% in fiscal 2014 compared to fiscal 2013, primarily due to decreased contract research and development revenue, increased research and development expense, and decreased interest income, partially offset by increased product sales and increased gross profit margin.

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Liquidity and Capital Resources

Overview

Cash and cash equivalents were $9,437,262 at March 31, 2015 compared to $1,262,300 at March 31, 2014. The $8,174,962 increase in cash and cash equivalents was due to $14,870,066 in net cash provided by operating activities and $2,977,907 net cash provided by investing activities, less $9,673,011 net cash used in financing activities.

Operating Activities

Net cash provided by operating activities related to product sales and research and development contract revenue was our primary source of working capital for fiscal years 2013 through 2015. For fiscal 2015, net cash provided by operating activities was $14,870,066.

Accounts receivable increased $632,400 in fiscal 2015 due to increased revenue and the timing of payments by our customers.

Inventories increased $535,159 as we prepared for possible product shipments in the future.

Investing Activities

Net cash provided by investing activities in fiscal 2015 was primarily due to marketable security maturities exceeding purchases by $3,162,914. For most of the past three fiscal years, after purchasing fixed assets and repurchasing our Common Stock, we invested excess cash provided by operating activities in long-term marketable securities.

As of March 31, 2015 our marketable securities had remaining maturities between one week and 224 weeks (see Note 4 Marketable Securities to the Financial Statements, included elsewhere in this Report for additional information). Our entire portfolio of short-term and long-term marketable securities is classified as available for sale.

Purchases of fixed assets were $185,007 during fiscal 2015, $160,718 in fiscal 2014, and $1,824,324 in fiscal 2013. Purchases all three years were primarily for capital equipment and leasehold improvements to increase our production capacity and were financed with cash provided by operating activities. Purchases of fixed assets could increase significantly in future years compared to fiscal 2015, and our capital expenditures can vary significantly from year to year depending on our needs, equipment purchasing opportunities, and production expansion activities.

Free cash flow, which is net cash provided by operating activities less purchases of fixed assets, was $14,685,059 for fiscal 2015.

Financing Activities

Net cash used in financing activities in fiscal 2015 was primarily a $10,000,000 cash dividend to shareholders, partially offset by net proceeds from the sale of common stock of $302,701 from stock option exercises.

In addition to the $10,000,000 dividend in fiscal 2015, on May 6, 2015 we announced that our Board had declared a cash dividend of $1.00 per share of common stock, or $4,875,953 based on shares outstanding as of May 1, 2015, to be paid May 29, 2015. We may continue quarterly dividends in excess of our free cash flow in order to return cash to our shareholders. We plan to fund such dividends through cash provided by operating activities and proceeds from maturities of marketable securities. Our plan for capital allocation is to continue cash dividends and opportunistic share repurchases until we have significantly decreased our balance of cash plus marketable securities. We expect to return significant cash to shareholders while maintaining sufficient liquidity for operations and strategic flexibility. We plan to maintain enough cash and marketable securities to fund our operations, to defend our intellectual property if necessary, to make opportunistic strategic investments, and for contingencies. All future dividends will be subject to Board approval and subject to the company s results of operations, cash and marketable security balances, estimates of

future cash requirements, and other factors the Board may deem relevant. Furthermore, dividends may be modified or discontinued at any time without notice.

We repurchased $1,263,405 of our Common Stock in fiscal 2014. We did not repurchase any stock in fiscal 2015 or fiscal 2013. The repurchases in fiscal 2014 were under a program announced January 21, 2009 authorizing the repurchase of up to $2,500,000 of our Common Stock, $1,236,595 of which remained available as of March 31, 2015. The repurchase program may be modified or discontinued at any time without notice.

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Contractual Obligations

The following table provides aggregate information about our contractual payment obligations and the periods in which payments are due:

		Payments Due by Period			
Contractual obligations	**Total**	**<1 Year**	**1-3 Years**	**3-5 Years**	**>5 Years**
Operating lease obligations	$ 1,588,398	$ 269,662	$ 545,413	$ 559,596	$ 213,727
Purchase obligations	229,050	229,050	-	-	-
Total	$ 1,817,448	$ 498,712	$ 545,413	$ 559,596	$ 213,727

Operating lease obligations are primarily for our facility lease. Note 9 Commitments and Contingencies to the Financial Statements, included elsewhere in this report, provides additional information about our lease obligations. Purchase obligations as of March 31, 2015 consisted of raw materials and equipment purchase commitments. We expect to meet these obligations from cash provided by operating activities or proceeds from maturities of marketable securities. We plan to evaluate raw materials purchases based on a variety of factors including forecasted requirements and anticipated supply leadtimes, and our obligations could vary significantly in the future. We plan to evaluate capital expenditures as needs and opportunities arise, and our future capital expenditures and purchase obligations could vary significantly from expenditures and obligations in the past.

We believe our working capital and cash generated from operations will be adequate for our needs at least through fiscal 2016.

Inflation

Inflation has not had a significant impact on our operations in any of our three most recent fiscal years. Prices for our products and for the materials and labor costs for those products are governed by market conditions. It is possible that inflation in future years could impact both materials and labor used for the production of our products.

Off-Balance-Sheet Arrangements

Our off-balance sheet arrangements consist of purchase commitments and operating leases for our facility. We believe that our off-balance sheet arrangements do not have a material current or anticipated future effect on our profitability, cash flows, or financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to financial market risks, primarily marketable securities and, to a lesser extent, changes in currency exchange rates.

Marketable Securities

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and marketable securities in securities including municipal obligations, corporate obligations, and money market funds. Short-term and long-term marketable securities are generally classified as available-for-sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income or loss, net of estimated tax. Our marketable securities as of March 31, 2015 had remaining maturities between one week and 224 weeks. Marketable securities had a market value of $91,013,095 at March 31, 2015, representing approximately 83% of our total assets. We have not used derivative financial instruments in our investment portfolio.

Foreign Currency Transactions

We have some limited revenue risks from fluctuations in values of foreign currency due to product sales abroad.

Foreign sales are generally made in U.S. currency, and currency transaction gains or losses in the past three fiscal years were not significant.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements and accompanying notes are included in this Report beginning on page F-1.

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Quarterly Summary Information

Selected unaudited quarterly financial data for fiscal 2015 and 2014, presented as supplementary financial information, are as follows:

	Unaudited; Quarter Ended			
	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
Revenue				
Product sales	$ 7,548,468	$ 5,883,690	$ 8,113,806	$ 8,348,081
Contract research and development	23,464	408,058	153,567	104,954
Total revenue	7,571,932	6,291,748	8,267,373	8,453,035
Cost of sales	1,378,235	1,473,655	1,609,632	1,558,346
Gross profit	6,193,697	4,818,093	6,657,741	6,894,689
Expenses				
Selling, general, and administrative	523,132	533,695	625,599	629,650
Research and development	714,728	694,758	787,279	803,428
Total expenses	1,237,860	1,228,453	1,412,878	1,433,078
Income from operations	4,955,837	3,589,640	5,244,863	5,461,611
Income before taxes	5,474,240	4,147,483	5,807,786	6,010,165
Net income	$ 3,662,716	$ 2,792,906	$ 3,875,622	$ 4,037,110
Net income per share diluted	$ 0.75	$ 0.57	$ 0.80	$ 0.83

	Unaudited; Quarter Ended			
	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Revenue				
Product sales	$ 5,857,866	$ 6,448,407	$ 7,231,149	$ 5,974,606
Contract research and development	125,231	25,290	70,031	202,327
Total revenue	5,983,097	6,473,697	7,301,180	6,176,933
Cost of sales	1,388,980	1,449,396	1,503,546	1,378,355
Gross profit	4,594,117	5,024,301	5,797,634	4,798,578
Expenses				
Selling, general, and administrative	478,897	543,698	660,076	552,804
Research and development	840,719	905,246	876,463	962,911
Total expenses	1,319,616	1,448,944	1,536,539	1,515,715
Income from operations	3,274,501	3,575,357	4,261,095	3,282,863
Income before taxes	3,819,110	4,105,740	4,781,897	3,809,202
Net income	$ 2,562,225	$ 2,777,174	$ 3,229,651	$ 2,566,825
Net income per share diluted	$ 0.53	$ 0.57	$ 0.66	$ 0.53

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has performed an evaluation of our disclosure controls and procedures that are defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act) as of the end of the period covered by this Report. This evaluation included consideration of the controls, processes, and procedures that are designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed,

summarized, and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2015, our disclosure controls and procedures were effective.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of March 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control Integrated Framework*.

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Based on our assessment using the criteria set forth by COSO in the 2013 *Internal Control Integrated Framework*, management concluded that our internal control over financial reporting was effective as of March 31, 2015. Our internal control over financial reporting as of March 31, 2015 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report contained in Item 8 included elsewhere herein.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVE have been detected. Our internal controls over financial reporting, however, are designed to provide reasonable assurance that the objectives of internal control over financial reporting are met.

Changes in Internal Controls

During the quarter ended March 31, 2015, there was no change in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The sections titled Proposal 1. Election of Board of Directors and Certain Relationships and Related Person Transactions Section 16(a) Beneficial Ownership Reporting Compliance to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders set forth certain information regarding our directors and executive officers required by Item 10, the section titled Executive Officers of the Company sets forth information regarding our executive officers required by Item 10, and the section titled Corporate Governance sets forth information regarding our corporate governance and code of ethics required by Item 10. The information in these sections to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders are incorporated by reference into this section.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the sections Executive Compensation, Compensation Discussion and Analysis, Corporate Governance Board Committees Compensation Committee Interlocks and Insider Participation, Compensation Committee Report, and Director Compensation to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders is incorporated by reference into this section.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information in the sections Equity Compensation Plan Information and Security Ownership to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders is incorporated by reference into this section. Information regarding the material features of our 2000 Stock Option Plan, as amended, is contained in Note 6 to the Financial Statements included elsewhere in this Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information in the sections Security Ownership Transactions With Related Persons, Promoters, and Certain Control Persons and Corporate Governance Board Composition and Independence to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders is incorporated by reference into this section.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information in the sections Audit Committee Disclosure Fees Billed to Us by Our Independent Registered Public Accounting Firm During Fiscal 2015 and 2014 and Audit Committee Disclosure Audit Committee Pre-Approval Policy to be included in our Proxy Statement for our 2015 Annual Meeting of Shareholders is incorporated by reference into this section.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements and Schedules

Financial statements are provided pursuant to Item 8 of this Report. Certain financial statement schedules have been omitted because they are not required, not applicable, or the required information is provided in other financial statements or the notes to the financial statements.

(b) Exhibits

A list of exhibits is on the following page.

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Exhibit #	Description
3.1	Amended and Restated Articles of Incorporation of the company as amended by the Board of Directors effective November 21, 2002 (incorporated by reference to the Form 10-QSB for the period ended December 31, 2002).
3.2	Bylaws of the company as amended by the Board of Directors effective December 18, 2007 (incorporated by reference to the Form 8-K filed December 19, 2007).
10.1	Lease dated October 1, 1998 between the company and Glenborough Properties, LP (incorporated by reference to the Form 10-QSB for the period ended September 30, 2002).
10.2	First amendment to lease between the company and Glenborough dated September 18, 2002 (incorporated by reference to the Form 10-QSB for the period ended September 30, 2002).
10.3	Second amendment to lease between the company and Glenborough dated December 1, 2003 (incorporated by reference to the Form 10-QSB for the period ended December 31, 2003).
10.4	Notification from Carlson Real Estate Company, Inc. relating to change in building ownership (incorporated by reference to the Form 8-K filed October 11, 2005).
10.5	Third amendment to lease between the company and Carlson Real Estate (incorporated by reference to the Form 8-K/A filed December 20, 2007).
10.6	Letter from Carlson Real Estate relating to transfer of building title (incorporated by reference to the Form 8-K/A filed April 15, 2011).
10.7	Fourth amendment to lease between the company and the Barbara C. Gage Revocable Trust (incorporated by reference to our Current Report on Form 8-K/A filed August 3, 2011).
10.8*	Employment Agreement between the company and Daniel A. Baker dated January 29, 2001 (incorporated by reference to the Form 10-KSB for the year ended March 31, 2001).
10.9*	NVE Corporation 2000 Stock Option Plan as Amended July 19, 2001 by the shareholders (incorporated by reference to our Registration Statement on Form S-8 filed July 20, 2001).
10.10+	Agreement between the company and Agilent Technologies, Inc. dated September 27, 2001 (incorporated by reference to the Form 10-QSB for the period ended September 30, 2001).
10.11	Amendment dated October 18, 2002 to Agreement between the company and Agilent (incorporated by reference to the Form 10-QSB for the period ended December 31, 2002).
10.12	Report of completion of the divestiture of Agilent s Semiconductor Products business (incorporated by reference to the Form 8-K/A filed December 6, 2005).
10.13+	Amendment No. 2 to OEM Purchase Agreement between Agilent and the company (incorporated by reference to the Form 8-K/A filed September 11, 2007).
10.14	Amendment No. 3 to Agreement between the company and Agilent (incorporated by reference to the Form 8-K/A filed June 28, 2010).
10.15	Amendment No. 4 to Agreement between the company and Agilent (incorporated by reference to the Form 8-K/A filed July 1, 2013).
10.16	Indemnification Agreement by and between Pacesetter, Inc., a St. Jude Medical Company, d.b.a. St. Jude Medical Cardiac Rhythm Management Division, and the company (incorporated by reference to the Form 8-K filed September 27, 2005).
10.17+	Supplier Partnering Agreement by and between St. Jude and the company (incorporated by reference to the Form 8-K filed January 4, 2006).
10.18+	Amendment No. 1 to Supplier Partnering Agreement between St. Jude and the company (incorporated by reference to the Form 8-K/A filed September 10, 2007).
10.19+	Amendment No. 2 to Supplier Partnering Agreement between St. Jude and the company (incorporated by reference to the Form 8-K/A filed December 18, 2009).
10.20+	Amendment No. 3 to Supplier Partnering Agreement between St. Jude and the company (incorporated by reference to the Form 8-K/A filed September 16, 2010).
10.21	Amendment No. 4 to Supplier Partnering Agreement between St. Jude and the company (incorporated by reference to the Form 8-K/A filed February 7, 2011).

23.1	Consent of Grant Thornton LLP.
23.2	Consent of Ernst & Young LLP.
31.1	Certification by Daniel A. Baker pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification by Curt A. Reynders pursuant to Rule 13a-14(a)/15d-14(a).
32	Certification by Daniel A. Baker and Curt A. Reynders pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Indicates a management contract or compensatory plan or arrangement.
+Confidential portions deleted and filed separately with the SEC.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NVE CORPORATION
(Registrant)

/s/Daniel A. Baker
by Daniel A. Baker
President and Chief Executive Officer

Date May 6, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/Terrence W. Glarner Terrence W. Glarner	Director and Chairman of the Board	May 6, 2015
/s/Daniel A. Baker Daniel A. Baker	Director, President & Chief Executive Officer (Principal Executive Officer)	May 6, 2015
/s/Curt A. Reynders Curt A. Reynders	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	May 6, 2015
/s/Patricia M. Hollister Patricia M. Hollister	Director	May 6, 2015
/s/Richard W. Kramp Richard W. Kramp	Director	May 6, 2015
/s/Gary R. Maharaj Gary R. Maharaj	Director	May 6, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
NVE Corporation

We have audited the internal control over financial reporting of NVE Corporation (a Minnesota corporation) (the Company) as of March 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting (Management s Report). Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of the Company as of and for the year ended March 31, 2015, and our report dated May 6, 2015 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
May 6, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
NVE Corporation

We have audited the accompanying balance sheets of NVE Corporation (a Minnesota corporation) (the Company) as of March 31, 2015 and 2014, and the related statements of income, comprehensive income, shareholders equity, and cash flows for each of the two years in the period ended March 31, 2015. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NVE Corporation as of March 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of March 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 6, 2015 expressed an unqualified opinion thereon.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
May 6, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
NVE Corporation

We have audited the balance sheet of NVE Corporation as of March 31, 2013, and the related statements of income, comprehensive income, shareholders equity, and cash flows for the year ended March 31, 2013. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NVE Corporation at March 31, 2013, and the results of their operations and their cash flows for the year ended March 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
May 1, 2013

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NVE CORPORATION
BALANCE SHEETS

	March 31, 2015	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,437,262	$ 1,262,300
Marketable securities, short term	20,099,288	12,360,091
Accounts receivable, net of allowance for uncollectible accounts of $15,000	2,963,974	2,331,574
Inventories	3,742,492	3,207,333
Deferred tax assets	102,052	237,387
Prepaid expenses and other assets	574,913	816,276
Total current assets	36,919,981	20,214,961
Fixed assets		
Machinery and equipment	8,604,926	8,536,010
Leasehold improvements	1,524,298	1,499,454
	10,129,224	10,035,464
Less accumulated depreciation	7,873,816	7,030,692
Net fixed assets	2,255,408	3,004,772
Marketable securities, long term	70,913,807	82,022,310
Total assets	$ 110,089,196	$ 105,242,043
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 358,818	$ 374,127
Accrued payroll and other	1,127,136	808,675
Total current liabilities	1,485,954	1,182,802
Long-term deferred tax liabilities	275,708	354,600
Shareholders equity		
Common stock, $0.01 par value, 6,000,000 shares authorized; 4,857,953 issued and outstanding as of March 31, 2015 and 4,851,043 issued and outstanding as of March 31, 2014	48,580	48,510
Additional paid-in capital	20,850,762	20,464,883
Accumulated other comprehensive income	746,447	877,857
Retained earnings	86,681,745	82,313,391
Total shareholders equity	108,327,534	103,704,641
Total liabilities and shareholders equity	$ 110,089,196	$ 105,242,043

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF INCOME

	Year Ended March 31		
	2015	**2014**	**2013**
Revenue			
Product sales	$ 29,894,045	$ 25,512,028	$ 24,434,823
Contract research and development	690,043	422,879	2,598,596
Total revenue	30,584,088	25,934,907	27,033,419
Cost of sales	6,019,868	5,720,277	7,025,181
Gross profit	24,564,220	20,214,630	20,008,238
Expenses			
Selling, general, and administrative	2,312,076	2,235,475	2,240,563
Research and development	3,000,193	3,585,339	2,570,821
Total expenses	5,312,269	5,820,814	4,811,384
Income from operations	19,251,951	14,393,816	15,196,854
Interest income	2,187,723	2,122,133	2,359,603
Income before taxes	21,439,674	16,515,949	17,556,457
Provision for income taxes	7,071,320	5,380,074	5,727,619
Net income	$ 14,368,354	$ 11,135,875	$ 11,828,838
Net income per share basic	$ 2.96	$ 2.30	$ 2.44
Net income per share diluted	$ 2.95	$ 2.29	$ 2.43
Cash dividends declared per common share	$ 2.06	$ -	$ -
Weighted average shares outstanding			
Basic	4,855,504	4,851,460	4,839,810
Diluted	4,871,935	4,867,691	4,863,546

STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended March 31		
	2015	**2014**	**2013**
Net income	$ 14,368,354	$ 11,135,875	$ 11,828,838
Unrealized (loss) gain from marketable securities, net of tax	(131,410)	(679,869)	470,270
Comprehensive income	$ 14,236,944	$ 10,456,006	$ 12,299,108

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF SHAREHOLDERS EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehen-sive Income (Loss)	Retained Earnings	Total
Balance at March 31, 2012	4,824,745	$ 48,247	$ 20,974,477	$ 1,087,456	$ 59,348,678	$ 81,458,858
Exercise of stock options	37,691	377	143,811			144,188
Comprehensive income:						
Unrealized gain on marketable securities, net of tax				470,270		470,270
Net income					11,828,838	11,828,838
Total comprehensive income						12,299,108
Stock-based compensation			66,720			66,720
Tax benefit of stock-based compensation			15,734			15,734
Balance at March 31, 2013	4,862,436	48,624	21,200,742	1,557,726	71,177,516	93,984,608
Exercise of stock options	14,000	140	416,620			416,760
Repurchase of common stock	(25,393)	(254)	(1,263,151)			(1,263,405)
Comprehensive income:						
Unrealized loss on marketable securities, net of tax				(679,869)		(679,869)
Net income					11,135,875	11,135,875
Total comprehensive income						10,456,006
Stock-based compensation			53,200			53,200
Tax benefit of stock-based compensation			57,472			57,472
Balance at March 31, 2014	4,851,043	48,510	20,464,883	877,857	82,313,391	103,704,641
Exercise of stock options	6,910	70	302,631			302,701
Comprehensive income:						
Unrealized loss on marketable securities, net of tax				(131,410)		(131,410)
Net income					14,368,354	14,368,354
Total comprehensive income						14,236,944
Stock-based compensation			58,960			58,960
Tax benefit of stock-based compensation			24,288			24,288
Cash dividends declared ($2.06 per share of common stock)					(10,000,000)	(10,000,000)
Balance at March 31, 2015	4,857,953	$ 48,580	$ 20,850,762	$ 746,447	$ 86,681,745	$ 108,327,534

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF CASH FLOWS

	Year Ended March 31		
	2015	**2014**	**2013**
OPERATING ACTIVITIES			
Net income	$ 14,368,354	$ 11,135,875	$ 11,828,838
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	934,371	844,339	647,163
Stock-based compensation	58,960	53,200	66,720
Excess tax benefits	(24,288)	(57,472)	(15,734)
Deferred income taxes	155,713	121,881	51,262
Changes in operating assets and liabilities			
Accounts receivable	(632,400)	189,821	163,445
Inventories	(535,159)	129,259	(107,216)
Prepaid expenses and other assets	241,363	141,871	201,705
Accounts payable and accrued expenses	303,152	(157,350)	(190,881)
Net cash provided by operating activities	14,870,066	12,401,424	12,645,302
INVESTING ACTIVITIES			
Purchases of fixed assets	(185,007)	(160,718)	(1,824,324)
Purchases of marketable securities	(8,997,086)	(22,753,916)	(27,209,753)
Proceeds from maturities of marketable securities	12,160,000	10,055,000	17,194,000
Net cash provided by (used in) investing activities	2,977,907	(12,859,634)	(11,840,077)
FINANCING ACTIVITIES			
Proceeds from sale of common stock	302,701	416,760	144,188
Excess tax benefits	24,288	57,472	15,734
Repurchase of common stock	-	(1,263,405)	-
Payment of dividends to shareholders	(10,000,000)	-	-
Net cash (used in) provided by financing activities	(9,673,011)	(789,173)	159,922
Increase (decrease) in cash and cash equivalents	8,174,962	(1,247,383)	965,147
Cash and cash equivalents at beginning of year	1,262,300	2,509,683	1,544,536
Cash and cash equivalents at end of year	$ 9,437,262	$ 1,262,300	$ 2,509,683
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	$ 6,800,000	$ 5,263,033	$ 5,202,616

See accompanying notes.

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NVE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

We develop and sell devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store, and transmit information. We operate in one reportable segment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value because of the short maturity of these instruments. Fair values of marketable securities are based on quoted market prices.

Marketable Securities

We classify securities with original maturities greater than three months and remaining maturities one year or less as short-term marketable securities and securities with remaining maturities greater than one year as long-term marketable securities. Securities not due at a single maturity date are classified by their average life. We classify all of our marketable securities as available-for-sale, thus securities are recorded at fair value and any associated unrealized gain or loss, net of tax, is included as a separate component of shareholders equity, Accumulated other comprehensive income (loss). We use a specific-identification cost basis to determine gains and losses. The amortized cost of marketable securities is adjusted for amortization of premiums and accretion of discounts to maturity, both of which are included in interest income.

We consider an other-than-temporary impairment of our marketable securities to exist if we determine it is probable that we will be unable to collect all amounts due according to the contractual terms of a debt security. If we judged a decline in fair value for any security to be other than temporary, the cost basis of the individual security would be written down and a charge recognized in net income. We consider a number of factors in determining whether other-than-temporary impairment exists, including: credit market conditions; the credit ratings of the securities; historical default rates for securities of comparable credit rating; the presence of insurance of the securities and, if insured, the credit rating and financial condition of the insurer; the effect of market interest rates on the value of the securities; and the duration and extent of any unrealized losses. We also consider the likelihood that we will be required to sell the securities prior to maturity based on our financial condition and anticipated cash flows. We determined that no write-downs for other-than-temporary impairment were required on available-for-sale securities during fiscal 2015, 2014, or 2013.

Concentration of Risk and Financial Instruments

Financial instruments potentially subject to significant concentrations of credit risk consist principally of cash equivalents, marketable securities, and accounts receivable.

We have invested our excess cash in corporate-backed and municipal-backed bonds and money market instruments. Our investment policy prescribes purchases of only high-grade securities, and limits the amount of credit exposure to any one issuer.

Our customers are throughout the world. We generally do not require collateral from our customers, but we perform ongoing credit evaluations of their financial condition. More information on accounts receivable is contained

in the paragraph titled Accounts Receivable and Allowance for Doubtful Accounts of this note.

Additionally, we are dependent on critical suppliers including our packaging vendors and suppliers of certain raw silicon and semiconductor wafers that are incorporated in our products.

Accounts Receivable and Allowance for Doubtful Accounts

We grant credit to customers in the normal course of business and at times may require customers to prepay for an order prior to shipment. Accounts receivable are recorded net of an allowance for doubtful accounts. We make estimates of the uncollectibility of accounts receivable. We specifically analyze accounts receivable, historical bad debts, and customer creditworthiness when evaluating the adequacy of the allowance. We had no charges or provisions to our allowance for doubtful accounts in fiscal 2015, 2014, or 2013.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first in, first out method. We record inventory reserves when we determine certain inventory is unlikely to be sold based on sales trends, turnover, competition, and other market factors.

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Product Warranty

In general we warranty our products to be free from defects in material and workmanship for one year.

Fixed Assets

Fixed assets are stated at cost. Depreciation of machinery and equipment, and furniture and fixtures is recorded over the estimated useful lives of the assets, generally five years, using the straight-line method. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the lease term or five-year useful life. We record losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amount. We have not identified any indicators of impairment during fiscal 2015, 2014, or 2013.

Revenue Recognition

Product Revenue Recognition

We recognize product revenue when evidence of an arrangement exists, the price to the buyer is fixed and determinable, collectability is reasonably assured and the product has shipped. Our sales are shipped FOB shipping point, meaning that our customers (end users and distributors) take title and assume the risks and rewards of ownership on shipment. Our customers may return defective products for refund or replacement under warranty, and have other very limited rights of return.

Shipping charges billed to customers are included in product sales and the related shipping costs are included in selling, general, and administrative expense. Such shipping costs were $12,771 for fiscal 2015, $15,542 for fiscal 2014, and $27,386 for fiscal 2013.

Our stocking distributors take title and assume the risks and rewards of product ownership. Payments from our distributors are not contingent on resale or any other matter other than the passage of time, and delivery of products is not dependent on the number of units resold to the ultimate customer. There are no other significant acceptance criteria, pricing or payment terms that would affect revenue recognition.

Accounting for Commissions and Discounts

We sometimes utilize independent sales representatives that provide services relating to promoting our products and facilitating product sales but do not purchase our products. We pay commissions to sales representatives based on the amount of revenue facilitated, and such commissions are recorded as selling, general, and administrative expenses. Under certain limited circumstances, our distributors may earn commissions for activities unrelated to their purchases of our products, such as for facilitating the sale of custom products or research and development contracts with third parties. We recognize any such commissions as selling, general, and administrative expenses.

We presume consideration given to a customer is a reduction in revenue unless both of the following conditions are met: (i) we receive an identifiable benefit in exchange for the consideration and the identifiable benefit is sufficiently separable from the customer s purchase of our products such that we could have purchased the products or services from a third party; and (ii) we can reasonably estimate the fair value of the benefit received. We recognize discounts provided to our distributors as reductions in revenue.

Research and Development Contract Revenue Recognition

We recognize contract revenues pro-rata as work progresses. Our research and development contracts do not contain post-shipment obligations. Contracts may be either firm-fixed-price or cost-plus-fixed-fee. Firm-fixed-price contracts provide for a price that is not subject to any adjustment based on our cost in performing the contract.

Cost-plus-fixed-fee contracts are cost-reimbursement contracts that also provide for payment to us of a negotiated fee that is fixed at the inception of the contract. The costs for which we earn reimbursement are the actual costs

incurred and are recorded in the period in which they are incurred. We recognize the contract fees pro-rata as work progresses.

Income Taxes

We account for income taxes using the liability method. Deferred income taxes are provided for temporary differences between the financial reporting and tax bases of assets and liabilities. We provide valuation allowances against deferred tax assets if we determine that it is less likely than not that we will be able to utilize the deferred tax assets.

Research and Development Expense Recognition

Research and development costs are expensed as they are incurred.

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Stock-Based Compensation

We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize the compensation expense over the requisite service period, which is generally the vesting period. We estimate pre-vesting option forfeitures at the time of grant by analyzing historical data and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will only be for those awards that vest.

Net Income Per Share

Net income per basic share is computed based on the weighted-average number of common shares issued and outstanding during each year. Net income per diluted share amounts assume conversion, exercise or issuance of all potential common stock instruments (stock options and warrants). Stock options and warrants totaling 4,000 for fiscal 2015 and 2014; and 5,000 for fiscal 2013 were not included in the computation of diluted earnings per share because the exercise prices were greater than the market price of the common stock. The following table reflects the components of common shares outstanding:

		Year Ended March 31		
		2015	2014	2013
Weighted average common shares outstanding	basic	4,855,504	4,851,460	4,839,810
Effect of dilutive securities:				
Stock options		16,431	15,639	21,934
Warrants		-	592	1,802
Shares used in computing net income per share	diluted	4,871,935	4,867,691	4,863,546

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period, which will be our first quarter of fiscal 2018. We have not yet evaluated the impact of ASU 2014-09 on our financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value, provide a definition of fair value and prescribe required disclosures about fair-value measurements. Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Generally accepted accounting principles utilize a valuation hierarchy for disclosure of fair value measurements. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described as follows:

Level 1 Financial instruments with quoted prices in active markets for identical assets or liabilities. Our Level 1 financial instruments consist of publicly-traded marketable corporate debt securities, which are classified as available-for-sale. On the balance sheets, these securities are included in Marketable securities, short term and Marketable securities, long term. The fair value of our Level 1 marketable securities was $89,625,984 at March 31, 2015 and $89,934,059 at March 31, 2014.

Level 2 Financial instruments with quoted prices in active markets for similar assets or liabilities. Level 2 fair value measurements are determined using either prices for similar instruments or inputs that are either directly or indirectly observable, such as interest rates. Our Level 2 financial instruments consist of municipal debt securities, which are classified as available-for-sale. We held one Level 2 marketable security at March 31, 2015, with a fair value of $1,387,111. The fair value of our Level 2 marketable securities was $4,448,342 at March 31, 2014. On the balance sheets, these securities are included in Marketable securities, short term and Marketable securities, long term.

Level 3 Inputs to the fair value measurement are unobservable inputs or valuation techniques. We do not have any financial assets or liabilities being measured at fair value that are classified as Level 3 financial instruments.

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NOTE 4. MARKETABLE SECURITIES

Marketable securities with remaining maturities less than one year are classified as short-term, and those with remaining maturities greater than one year are classified as long-term. The fair value of our marketable securities as of March 31, 2015, by maturity, were as follows:

Total	<1 Year	1 3 Years	3 5 Years
$ 91,013,095	$ 20,099,288	$ 40,220,312	$ 30,693,495

As of March 31, 2015 and 2014 our marketable securities were as follows:

	As of March 31, 2015				As of March 31, 2014			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Corporate bonds	$ 88,456,886	$ 1,185,469	$ (16,371)	$ 89,625,984	$ 88,567,210	$ 1,613,822	$ (246,973)	$ 89,934,059
Municipal bonds	1,383,839	3,272	-	1,387,111	4,436,430	16,521	(4,609)	4,448,342
Total	$ 89,840,725	$ 1,188,741	$ (16,371)	$ 91,013,095	$ 93,003,640	$ 1,630,343	$ (251,582)	$ 94,382,401

The following table shows the gross unrealized losses and fair value of our investments with unrealized losses, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position as of March 31, 2015 and 2014:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
As of March 31, 2015						
Corporate bonds	$ 3,015,900	$ (163)	$ 2,590,240	$ (16,208)	$ 5,606,140	$ (16,371)
Municipal bonds	-	-	-	-	-	-
Total	$ 3,015,900	$ (163)	$ 2,590,240	$ (16,208)	$ 5,606,140	$ (16,371)
As of March 31, 2014						
Corporate bonds	$ 34,761,683	$ (246,973)	$ -	$ -	$ 34,761,683	$ (246,973)
Municipal bonds	1,418,742	(4,609)	-	-	1,418,742	(4,609)
Total	$ 36,180,425	$ (251,582)	$ -	$ -	$ 36,180,425	$ (251,582)

Gross unrealized losses totaled $16,371 as of March 31, 2015, and were attributed to two corporate bonds out of a portfolio of 31 bonds. The gross unrealized losses were due to market-price decreases after the bonds were purchased.

All of the bonds we held had investment-grade credit ratings by Moody s or Standard and Poor s. For each bond with an unrealized loss, we expect to recover the entire cost basis of each security based on our consideration of factors including their credit ratings, the underlying ratings of insured bonds, and historical default rates for securities of comparable credit rating.

One corporate bond, with a fair market value of $2,590,240 had been in continuous unrealized loss positions for 12 months or greater. For this security, we also considered the severity of unrealized loss, which was less than 1% of adjusted cost.

Because we expect to recover the cost basis of investments held, we do not consider any of our marketable securities to be other-than-temporarily impaired at March 31, 2015.

NOTE 5. INVENTORIES

Inventories are shown in the following table. Classification at March 31, 2014 has been revised to conform with the current year classification.

	March 31	
	2015	**2014**
Raw materials	$ 738,169	$ 776,510
Work in process	2,302,751	1,900,098
Finished goods	701,572	530,725
Total inventories	$ 3,742,492	$ 3,207,333

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NOTE 6. STOCK-BASED COMPENSATION

Stock Option Plan

Our 2000 Stock Option Plan, as amended, provides for issuance to employees, directors, and certain service providers of incentive stock options and nonstatutory stock options. Generally, the options may be exercised at any time prior to expiration, subject to vesting based on terms of employment. The period ranges from immediate vesting to vesting over a five-year period. The options have exercisable lives ranging from one year to ten years from the date of grant, and are generally not eligible to vest early in the event of retirement, death, disability, or change in control. Exercise prices are not less than fair market value of the underlying Common Stock at the date the options are granted. Stock-based compensation expense was $58,960 in fiscal 2015, $53,200 in fiscal 2014, and $66,720 in fiscal 2013.

Valuation assumptions

We use the Black-Scholes standard option-pricing model to determine the fair value of stock options. The following assumptions were used to estimate the fair value of options granted:

	Year Ended March 31		
	2015	2014	2013
Risk-free interest rate	1.6%	1.4%	0.7%
Expected volatility	24%	30%	38%
Expected life (years)	4.2	4.3	4.1
Dividend yield	0%	0%	0%

The determination of the fair value of the awards on the date of grant using the Black-Scholes model is affected by our stock price as well as assumptions of other variables, including projected stock option exercise behaviors, risk-free interest rate, and expected volatility of our stock price in future periods. Our estimates and assumptions affect the amounts reported in the financial statements and accompanying notes.

Expected life

We analyze historical exercise and termination data to estimate the expected life assumption. We believe historical data currently represents the best estimate of the expected life of a new option. We examined the historical pattern of option exercises to determine if there was a discernible pattern as to how different classes of optionees exercised their options. Our analysis showed that officers and directors held their stock options for a longer period of time before exercising compared to the rest of our employee population. Therefore we use different expected lives for officers and directors than we use for our general employee population for determining the fair value of options.

Risk-free interest rate

The risk-free rate is based on the yield of U.S. Treasury securities on the grant date for maturities similar to the expected lives of the options.

Volatility

We use historical volatility to estimate the expected volatility of our common stock.

Dividend yield

We assume a dividend yield of zero because we had no plans to pay dividends at the time options were granted.

Tax effects of stock-based compensation

Stock-based compensation increased deferred tax assets by $21,420 for fiscal 2015 and $19,327 for fiscal 2014.

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General stock option information

We had no nonvested shares as of March 31, 2015 or 2014. The following table summarizes information about options outstanding at March 31, 2015, all of which were exercisable:

Ranges of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Remaining Contractual Life (years)
$ 15.08 - 16.33	18,090	$ 16.19	0.8
31.27 - 42.45	5,000	37.12	3.8
51.04 - 67.69	12,000	58.11	7.5
	35,090	$ 33.51	3.5

Our 2000 Stock Option Plan, as amended, provides for issuance to employees, directors, and certain service providers of incentive stock options and nonstatutory stock options. Generally, the options may be exercised at any time prior to expiration, subject to vesting based on terms of employment. The period ranges from immediate vesting to vesting over a five-year period. The options have exercisable lives ranging from one year to ten years from the date of grant. Exercise prices are not less than fair market value as determined by our Board at the date the options are granted.

A summary of our stock options and warrants are shown in the following table:

	Option Shares Reserved	Options Outstanding	Weighted Average Option Exercise Price	Warrants Outstanding	Weighted Average Warrant Exercise Price
At March 31, 2012	162,230	109,000	$ 25.85	10,000	$ 16.28
Granted	(4,000)	4,000	$ 54.11	-	-
Exercised	-	(64,000)	$ 24.23	-	-
Terminated	-	-	$ -	(6,000)	7.35
At March 31, 2013	158,230	49,000	$ 30.27	4,000	$ 29.69
Granted	(4,000)	4,000	$ 49.86	-	-
Exercised	-	(14,000)	$ 29.77	-	-
Terminated	1,000	(1,000)	$ 58.27	(2,000)	21.99
At March 31, 2014	155,230	38,000	$ 31.78	2,000	$ 37.38
Granted	(4,000)	4,000	$ 67.69	-	-
Exercised	-	(6,910)	$ 43.81	-	-
Terminated	-	-	$ -	(2,000)	37.38
At March 31, 2015	151,230	35,090	$ 33.51	-	$ -

The remaining weighted-average exercisable life was 3.5 years at March 31, 2015; 4.2 years at March 31, 2014; and 4.6 years at March 31, 2013. All outstanding options were exercisable as of March 31, 2015, 2014, and 2013. The total intrinsic value of options exercised during fiscal 2015 was $160,056 based on the difference between the exercise price and stock price at the time of exercise for in-the-money options. The total intrinsic value of options outstanding March 31, 2015, based on our closing stock price for that day, was $1,242,623, all of which were exercisable. The total fair value of option grants was $58,960 in fiscal 2015. There was no unrecognized stock-based compensation at March 31, 2015.

No warrants were issued in the past three fiscal years and none were outstanding at March 31, 2015. Remaining weighted-average exercisable warrant life was 0.4 years at March 31, 2014 and 0.9 years at March 31, 2013.

NOTE 7. INCOME TAXES

Income tax provisions for fiscal 2013 through 2015 consisted of the following:

	Year Ended March 31		
	2015	**2014**	**2013**
Current taxes			
Federal	$ 6,608,923	$ 5,010,734	$ 5,314,876
State	330,971	304,931	377,215
Deferred taxes			
Federal	125,070	61,306	34,718
State	6,356	3,103	810
Income tax provision	$ 7,071,320	$ 5,380,074	$ 5,727,619

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A reconciliation of income tax provisions at the U.S. statutory rate for fiscal 2013 through 2015 is as follows:

	Year Ended March 31		
	2015	2014	2013
Tax expense at U.S. statutory rate	$ 7,503,886	$ 5,667,281	$ 6,046,264
State income taxes, net of Federal benefit	216,518	199,751	244,691
Domestic manufacturing deduction	(600,207)	(443,708)	(460,723)
Municipal interest	(11,489)	(28,456)	(118,282)
Other	(37,388)	(14,794)	15,669
Income tax provision	$ 7,071,320	$ 5,380,074	$ 5,727,619

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	March 31	
	2015	2014
Vacation accrual	$ 114,217	$ 137,052
Inventory reserve	65,394	107,173
Depreciation	(63,631)	(37,131)
Stock-based compensation deductions	107,570	120,009
Unrealized gain on marketable securities	(425,922)	(500,904)
Other	28,716	56,588
Net deferred tax liabilities	$ (173,656)	$ (117,213)
Reported as:		
Deferred tax assets	$ 102,052	$ 237,387
Long-term deferred tax liabilities	(275,708)	(354,600)
Net deferred tax liabilities	$ (173,656)	$ (117,213)

Realizations of stock-based compensation deductions are credited to Additional paid-in capital and included in Tax benefit of stock-based compensation on our statements of shareholders equity. Credits of $24,288 in fiscal 2015 and $57,472 in fiscal 2014 were attributed to stock-based compensation deductions. The Additional paid-in capital credits also included the tax benefit of stock-based compensation deductions in those years.

The amounts credited to Additional paid-in capital were the tax benefits of the deductions to the extent they exceeded the corresponding compensation expense recognized for financial reporting purposes. Tax benefit of stock-based compensation represented the tax benefits of deductions for stock-based compensation to the extent they exceeded the corresponding compensation expense recognized for financial reporting purposes. Cash we received from the exercise of stock options related to excess tax benefits is included in Proceeds from sale of common stock in the statement of cash flows for the year in which the option was exercised and cash received.

We had $122,163 of state net operating losses at March 31, 2015, compared to $41,084 of Federal net operating losses and $131,596 of state net operating losses at March 31, 2014. These net operating losses expire in fiscal 2020 and are subject to limitation including limitation under the Internal Revenue Code.

We had no unrecognized tax benefits as of March 31, 2015, and we do not expect any significant unrecognized tax benefits within 12 months of the reporting date. We recognize interest and penalties related to income tax matters in income tax expense. As of March 31, 2015 we had no accrued interest related to uncertain tax positions. The tax years 1999 through 2014 remain open to examination by the major taxing jurisdictions to which we are subject.

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NOTE 8. CONCENTRATIONS

The following table summarizes customers comprising 10% or more of revenue for fiscal 2015, 2014, and 2013:

	% of Revenue for Year Ended March 31		
	2015	2014	2013
Customer A	20%	17%	14%
Customer B	16%	19%	15%
Customer C	14%	15%	16%
Customer D	12%	10%	*

*Less than 10%

These four largest customers also accounted for 64% of our accounts receivable as of March 31, 2015 and 61% as of March 31, 2014. We believe the receivable balances from these largest customers do not represent a significant credit risk based on past collection experience.

Revenue by geographic region was as follows:

	Year Ended March 31		
	2015	2014	2013
United States	$ 11,919,548	$ 11,159,443	$ 12,006,493
Europe	13,779,392	11,065,547	10,666,338
Asia	4,318,209	3,374,202	3,979,862
Other	566,939	335,715	380,726
Total Revenue	$ 30,584,088	$ 25,934,907	$ 27,033,419

NOTE 9. COMMITMENTS AND CONTINGENCIES

Lease payments were $269,473 for fiscal 2015, $265,357 for fiscal 2014, and $259,823 for fiscal 2013. The operating lease for our facility expires December 31, 2020. We pay operating expenses including maintenance, utilities, real estate taxes, and insurance in addition to rental payments. We also lease a piece of office equipment under an operating lease expiring October 2018 with payments due quarterly.

The following table shows our future minimum lease payments:

Year Ending March 31						
2016	2017	2018	2019	2020	2021	Total
$ 269,662	$ 270,677	$ 274,736	$ 277,831	$ 281,765	$ 213,727	$ 1,588,398

NOTE 10. STOCK REPURCHASE PROGRAM

Our authorized stock is stated as six million shares of common stock, $0.01 par value, and ten million shares of all types. Our Board may designate any series and fix any relative rights and preferences to authorized but undesignated stock.

On January 21, 2009 we announced that our Board of Directors authorized the repurchase of up to $2,500,000 of our Common Stock, $1,236,595 of which remained available as of March 31, 2015. We repurchased 25,393 shares for $1,263,405 in Fiscal 2014, and we did not repurchase any Common Stock in fiscal 2015 or fiscal 2013. The repurchase program may be modified or discontinued at any time without notice.

NOTE 11. INFORMATION AS TO EMPLOYEE STOCK PURCHASE, SAVINGS, AND SIMILAR PLANS

All of our employees are eligible to participate in our 401(k) savings plan the first quarter after reaching age 21. Employees may contribute up to the Internal Revenue Code maximum. We make matching contributions of 100% of the first 3% of participants salary deferral contributions. Our matching contributions were $105,554 for fiscal 2015, $101,100 for fiscal 2014, and $105,370 for fiscal 2013.

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EXHIBIT INDEX

Exhibit #	Description
23.1	Consent of Grant Thornton LLP.
23.2	Consent of Ernst & Young LLP.
31.1	Certification by Daniel A. Baker pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification by Curt A. Reynders pursuant to Rule 13a-14(a)/15d-14(a).
32	Certification by Daniel A. Baker and Curt A. Reynders pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document