NVE CORP /NEW/
Form 10-K
May 20, 2008

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, 2008**

[ ] 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**

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 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 28, 2007, the last business day of the Registrant s most recently completed second fiscal quarter, as reported on the NASDAQ Stock Market, was approximately $125 million.

The number of shares of the registrant s Common Stock (par value $0.01) outstanding as of May 15, 2008 was 4,638,683.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for our 2008 Annual Meeting of Stockholders 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 on 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 adverse economic conditions, competition including entry of new competitors, progress in research and development activities by us and others, variations in costs that are beyond our control, adverse legal proceedings, lower sales, failure of suppliers to meet our requirements, failure to obtain new customers, inability to carry out marketing and sales plans, inability to meet customer technical requirements, inability to consummate license agreements, ineligibility for SBIR awards, loss of key executives, and other specific risks that may be alluded to in this Report or in the documents incorporated by reference in this Report. For further 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 recognized pioneer in spintronics. 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 to detect the position or speed of robotics and mechanisms, or for communication 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 anti-tamper applications. As its density increases and cost per bit decreases, MRAM could replace semiconductor memories in cellphones, computers, and other electronic devices enabling smaller, faster, and more power-efficient electronics.

Our Enabling Technology

Our designs use one of two nano-scale spintronic structures: giant magnetoresistors or spin-dependent tunnel junctions. Both 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 are generally less than two nanometers or five atomic layers thick.

The second type of spintronic structure we use is spin-dependent tunnel junctions, which are also known as SDT junctions, Magnetic Tunnel Junctions (MTJs), or Tunneling Magnetic Junctions (TMJs). 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 are in the range of one to four nanometers (less than ten molecules). Technological advances in recent years have made it practical to manufacture such small dimensions.

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 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.

Our Products and Markets

We operate in one reportable segment. For financial information concerning this segment see Note 7 - Segment Information of the Financial Statements included elsewhere in this Report.

Sensor Products and Markets

Our sensor products detect the presence of a magnet or metal 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. These advantages have allowed us to establish a presence in the industrial, scientific, and medical (ISM) market.

Standard sensors

Our standard or catalog sensors are generally used to detect the presence of a magnet or metal 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 multi-sensor elements configuration. Future custom sensor target markets include consumer electronics.

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 much faster than the fastest optical couplers.

We have two main series of couplers: the original IsoLoop 700 Series, and the newer, award-winning IsoLoop 600 Series. The newer couplers use spintronic input stages while our original products use semiconductor input stages. Our couplers are sold primarily for factory and industrial networks. Automotive markets are a possible future growth market.

MRAM Products and Markets

MRAM uses spintronics to store data, combining the speed of semiconductor memory with the nonvolatility of magnetic disk drives. MRAM is inherently nonvolatile, meaning the data remains even if power is removed. MRAM has been called the ideal or universal memory because it has the 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. In MRAMs, the spin of the electrons is set with tiny bursts of energy. We have invented several types of MRAM memory cells and modes of operation.

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Advanced MRAM designs that we are developing or have developed include Vertical transport MRAM (also known as VMRAM), magnetothermal MRAM, and spin-momentum transfer MRAM. We believe such design approaches have the potential to increase the scalability of MRAM.

In the near term, MRAM could replace battery-backed-up SRAMs in mission-critical systems such as military, factory control, point-of-sale terminals, and gaming electronics. MRAM has the potential advantages of being simpler, lower cost, and more reliable than battery/memory systems. Long term, MRAM could address the market for ubiquitous high-density memory.

Product Manufacturing

Our fabrication facility is a clean-room area with specialized equipment to deposit, pattern, etch, and process spintronic materials. Most of our products are fabricated in our facility using either raw 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 wafers are sent to Asia for dicing and packaging. Packaged parts are returned to us to be tested, inventoried, and shipped.

Sales and Product Distribution

We rely on distributors who stock and sell our products in more than 75 countries. Distributors of our products include two of the largest electronic component distributors in the world: Digi-Key Corporation and the Premier Farnell Group. 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 in June 2010.

New Product Status

In the past year we began marketing several new products including:

- a new line of spintronic couplers with industry-standard network protocol functions in a very small package;
- signal processing integrated circuits for sensors; and
- nanopower spintronic sensors with integrated signal processing.

Our Competition

Industrial Sensor Competition

A limited number of other companies claim to either make or have the capability to make GMR 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 or precise as our GMR sensors.

Medical Sensor Competition

Our sensors for medical devices face competition from other solid-state magnetic sensors and from electromechanical magnetic sensors. Compared to other solid-state magnetic sensors, we believe our medical sensors have small size, high sensitivity to small magnetic fields, simpler electrical interfaces, and inherent reliability. Electromechanical magnetic sensors such as reed switches have been in use for several decades. Electromechanical competitors include 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.

Coupler Competition

Competing digital coupler technologies include optical couplers, inductive couplers (transformers), and capacitive 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, NEC Corporation, Sharp Corporation, Toshiba Corporation, and Vishay Intertechnology. We believe our couplers are faster than optical couplers.

Inductive couplers are made by a number of companies including Analog Devices, Inc. and Silicon Laboratories Inc. Unlike our IsoLoop couplers, inductive couplers require special encoding to transmit logic signals. Furthermore, IsoLoop couplers require much less board space than most optical or inductive couplers. MEMS inductive couplers are smaller than other inductive couplers, but we believe our devices generally have higher channel density per area, higher speed, less signal distortion, and generate less noise. Manufacturers of capacitive couplers include Texas Instruments Incorporated. We believe we have a broader product line and higher channel density than is available for capacitive couplers.

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We make several network signal couplers that combine spintronics coupling with network protocol functions such as RS-485 (also known as TIA-485 or EIA-485), in a single package. Competitive network signal couplers are available from Analog Devices; Linear Technology Corporation; and Maxim Integrated Products, Inc. Based on a comparison of published specifications, we believe our devices have speed, miniaturization, and product-line breadth advantages over other network signal couplers.

MRAM Competition

Most currently available memories are volatile, meaning data is lost when power is removed. Memories in this category include dynamic random access memory (DRAM) and static random access memory (SRAM). MRAM has the potential to match or exceed the speed of such memories without the volatility. Currently available nonvolatile memories include flash memory and ferroelectric random access memory (FRAM). MRAM is potentially faster and uses less power than existing nonvolatile memories. Furthermore, existing nonvolatile memories can be written only a limited number of times before they wear out, while MRAM has virtually unlimited life. Additionally, flash memory may be subject to scalability limitations that could limit its density in coming years. We do not believe MRAM is subject to those limitations.

Battery-backed-up SRAM uses stored energy to preserve data after the main power has been removed. We believe that MRAM has the potential of being simpler, lower cost, and more reliable than battery-backed-up SRAM. Battery-backed-up SRAM manufacturers include Maxim.

Emerging technologies competing with MRAM include carbon nanotubes, phase-change memory (PCM; also known as PRAM, chalcogenide, CRAM, or Ovonic memory), and ferroelectric random access memory (FRAM). We believe that MRAM has advantages over these technologies in some or all of the following areas: manufacturability, speed, and endurance. Companies developing carbon nanotube memory include Nantero, Inc. A number of companies are developing PCM, and there are several current and potential FRAM manufacturers.

Other companies that may compete with us for MRAM research and development or service business, or that may be attempting to develop MRAM intellectual property with the intention of licensing to others include Crocus Technology SA (Grenoble, France), Grandis, Inc., Spintec (Grenoble, France), Spintron (Marseille, France), and Spintronics Plc (London, UK).

Principal Suppliers and Raw Materials

Our principal suppliers include manufacturers of semiconductor wafers that are incorporated into our products. These include Advanced Semiconductor Manufacturing Corporation of Shanghai (China); AMI Semiconductor, Inc.; Intersil Corporation; Silicon Quest International, Inc.; Taiwan Semiconductor Manufacturing Corporation; and Texas Instruments Inc. Other companies provide device packaging services, including Circuit Electronics Industries (Ayutthaya, Thailand); United Test and Assembly Center Ltd., (Singapore); and SPEL Semiconductor Limited (Chennai, India).

Intellectual Property

Patents

As of March 31, 2008 we had 45 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. Our technology is protected by more than 100 patents worldwide either issued, pending or licensed from others. We are continuing to develop inventions and expect to add to our patent portfolio. There are no patents we regard as critical to our 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 MRAM cells with transistor selection for data retrieval, which we believe may be necessary for successful high-density, high-performance MRAMs. We believe our 6,275,411 and 6,349,053 U.S. patents, both titled Spin Dependent Tunneling Memory, are particularly important. Both patents cover MRAMs using arrays of Spin Dependent Tunnel Junctions. Based on their public disclosures, we believe several companies are pursuing the approach described in these patents. The 6,275,411 patent expires in 2019 and the 6,349,053 patent expires in 2021. 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 include AT-MRAM, GMR Switch, and GT Sensor.

Licenses

We have licensed certain of our MRAM intellectual property to several companies, including Cypress, Honeywell, and Motorola, Inc.

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Agreements with Honeywell

We have agreements and amendments to agreements with Honeywell dating back approximately to our founding. Under these agreements we have not paid royalties to Honeywell for the use of their intellectual property, and Honeywell has intellectual property rights to certain of our earlier-developed MRAM technology.

Motorola License

We granted Motorola a non-exclusive, non-transferable, and non-assignable license to our MRAM intellectual property and received advance payments in conjunction with the agreement. Motorola has since separated Freescale. Motorola and Freescale asked us to consent to Motorola s assignment of the Patent License Option Agreement to Freescale. We have declined to provide such consent without additional consideration. We believe the Motorola agreement likely terminated in 2005 because Motorola transferred manufacturing to Freescale.

Royalty Agreement

We have licensed rights to another organization s GMR-related patent family, and that agreement calls for us to pay royalties on our sales of certain products. Payments under this agreement have been less than $5,000 for each of the most recent three fiscal years. The agreement remains in force until the expiration of the last patent, which is in 2009, or until cumulative royalties of $1.2 million have been paid, whichever is earlier.

Other Licenses

We have a technology exchange agreement with Cypress Semiconductor Corporation and rights to license certain patents that originated at a university. None of the rights we have under these agreements is currently important to our business.

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 historically deployed significant capital in inventories to have products available from stock, to receive more favorable pricing for raw materials, and to guard against raw material shortages.

Major Customers

We rely on several large customers for a large percentage of our revenue. These include: Avago Technologies; St. Jude Medical, Inc.; Starkey Laboratories, Inc.; the U.S. Government; and certain distributors. The loss of any one or more of these customers could have a material adverse effect on us. For the purposes of this disclosure, all agencies of the U.S. Government are considered a single customer.

Backlog

As of March 31, 2008 we had $898,101 of contract research and development backlog we believed to be firm, compared to $1,417,844 as of March 31, 2007. We expect most of the firm backlog as of March 31, 2008 to be filled in fiscal 2009. Approximately 96% of our backlog as of March 31, 2008 and 98% as of March 31, 2007 was from agencies of the U.S. Government. U.S. Government orders that are not yet funded, or contracts awarded but not yet signed, are not included in firm backlog. The portion of orders already included in operating revenues on the basis of percentage of completion or program accounting are excluded. We do not believe any material portion of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. Government. There can be no assurance, however, of additional contracts or follow-on contracts for expired or completed U.S. Government contracts.

We do not believe product sales backlog as of any particular date is indicative of future results. Our product sales are made primarily under standard purchase orders for delivery of standard products. We 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. Shipment schedules and quantities actually purchased by customers are often revised to reflect changes in customers needs. In light of semiconductor industry practice and our experience, we do not believe that such agreements are meaningful for determining backlog amounts. We believe that only a small portion of our product order backlog is non-cancelable and that the dollar amount associated with the non-cancelable portion is not significant.

Seasonality

In each of the three most recent fiscal years, our product sales have been less in quarters ended December 31 than the immediately preceding or subsequent quarters. This may have been due in part to distributor ordering patterns or customer vacations and shutdowns late in calendar years. We do not know if this pattern will continue.

Research and Development Activities

We spent $1,202,504 for fiscal 2008, $1,789,844 for fiscal 2007, and $1,096,970 for fiscal 2006 in company-sponsored research and development activities. Over the past three fiscal years these activities have included development of new sensors

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and couplers, and lower-cost product designs. Additionally, we spent $2,139,059 during fiscal 2008, $2,090,200 during fiscal 2007, and $3,817,378 during fiscal 2006 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 with other companies.

Government Regulations

We are subject to various local, state, and federal laws, regulations and agencies that affect businesses generally. These include regulations promulgated by federal and state environmental and health agencies, the federal Occupational Safety and Health Administration, and laws pertaining to the hiring, treatment, safety, and discharge of employees. Compliance with these laws and regulations has not had a material effect on our capital expenditures, earnings, or competitive position.

Number of Employees

We had 50 employees as of March 31, 2008 compared to 48 as of March 31, 2007. A shift in revenue mix toward product sales and increased manufacturing productivity allowed us to increase our revenue per employee. Our employment can fluctuate due to a variety of factors. None of our employees is represented by a labor union or is subject to a collective bargaining agreement, and we believe we maintain good relations with our employees.

Financial Information About Geographical Areas

Foreign sales accounted for approximately 47% of our revenue in fiscal 2008, 40% in fiscal 2007, and 32% in fiscal 2006. The increases in the proportion of sales from outside the U.S. is due in part to a shift in our revenue mix toward product sales, which tend to be worldwide, from contract research and development, which is primarily domestic. More information about geographical areas is contained in Note 7 - Segment Information of the Financial Statements included elsewhere in this Report.

Environmental Matters

We are subject to environmental laws and regulations, particularly with respect to industrial waste. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, or competitive position.

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 on Schedule 14A, as well as any amendments to those reports, are accessible at no cost through the Investors section of our Website (www.nve.com). 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.

Risks Related to Our Business

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

We rely on several large customers for a large percentage of our revenue. These large customers include Avago Technologies; St. Jude Medical, Inc.; Starkey Laboratories, Inc.; the U.S. Government; and certain distributors. Orders from these large customers could be cancelled, postponed, or reduced, and the loss of any of these customers could have a significant impact on our revenue and our profitability.

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

Although U.S. Government contract revenue was less than 10% of our total revenue in fiscal 2008, a material decrease in U.S. Government funding research or disqualification as a vendor to the U.S. Government for any reason would likely hamper future research and development activity and decrease related revenue. U.S. Government funding is dependent upon adequate continued funding of the agencies and their programs. A significant portion of our U.S. Government funding is through Small Business Innovation Research (SBIR) contracts. SBIR budgets may be changed by legislation or by agencies such as the Department of Defense. Changes in the U.S. presidential administration or Congress could affect government spending priorities. Furthermore, government spending priorities over which we have no control, such as the wars in Iraq and Afghanistan, may affect availability of U.S. Government funds in general and SBIR funds in particular.

Failure to qualify as a small business under federal regulations could make us ineligible for some government-funded research contracts, which could have a significant adverse impact on our revenue and our ability to make research and development progress.

We received approximately $1.25 million in Small Business Innovation Research (SBIR) contract awards in fiscal 2008. Federal regulations place a number of criteria for a business to be eligible to compete for SBIR awards. Those criteria currently include number of employees and ownership structure. While we believe we meet the eligibility criteria, changes in our ownership beyond our control could cause us to lose our eligibility to compete for SBIR awards, which in turn could have a material adverse effect on our revenue, profits, and research and development efforts. In addition, SBIR eligibility requirements could be changed at any time.

Our backlog may not result in future revenue.

While we evaluate each order to determine qualification for inclusion in our firm backlog, there can be no assurance that amounts included in our firm backlog ultimately will result in future revenue. A reduction in our firm backlog during any particular period, or the failure of our firm backlog to result in future revenue, could harm our business and revenue.

We face an uncertain economic environment in our industry that could adversely affect our business and operations.

The semiconductor market, which is the primary market for our products, has been subject to sudden downturns in the past. Any future downturn in the economic environment would likely have a material adverse impact on our business and revenue.

Our reputation could be damaged and we could lose revenue if we fail to meet technical challenges required to produce marketable products.

Our products use new technology and we are continually researching and developing product designs and production processes. Our production processes require control of magnetic and other parameters that are not required in conventional semiconductor processes. If we are unable to develop stable designs and production processes, we may not be able to produce products that meet our customers requirements, which could cause damage to our reputation and loss of revenue.

Our failure to meet stringent customer technical requirements could result in the loss of key customers and potentially reduce our sales.

Some of our customers, including Avago Technologies, St. Jude Medical, and Starkey Laboratories, have stringent technical requirements which require our products to pass certain test and qualification criteria before they are accepted by such customers. Failure to meet those criteria could result in the loss of current sales revenue, customers, and future sales.

Our sensors 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 sensor products are used in medical devices, including devices that help sustain human life. We are also marketing our sensor technology to other manufacturers of cardiac pacemakers and ICDs. Although we have indemnification agreements with certain customers with 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. 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.

Federal legislation may not protect us against liability for the use of our sensors 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 sensors in existing medical devices could lead to the need to recall devices incorporating our sensors from the market, which may be harmful to our reputation and cause a significant loss of revenue.

Any malfunction of our sensors could lead to the need to recall existing medical devices incorporating our sensors from the market, which may be harmful to our reputation because it is dependent on product safety and efficacy. Even if assertions that our sensors 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.

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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 very thin metal 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 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. Any 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 photoresists, polymers, metals, and alloys. We maintain inventory of critical chemicals and materials, but in many cases we are dependant on single sources, and some of the materials could be discontinued by their suppliers at any time. Any 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 from any of our single-source packaging vendors could impact our ability to produce and deliver products and cause loss of revenue.

We are dependent on our packaging vendors including Circuit Electronic Industries Public Co., Ltd. (CEI) of Ayutthaya, Thailand. 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. CEI has been operating under voluntary debt rehabilitation under Thailand law since 2005. We have identified potential alternate vendors in case CEI s ability to serve our needs becomes impaired, but it could prove expensive, time-consuming, or technically challenging to convert to an alternate vendor. If one of our packaging vendors were to become insolvent we might not be able to recover work in process or finished goods in their possession. 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.

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

Foreign sales have been an increasing portion of our revenue, and we expect foreign sales to continue to represent a significant portion of our revenue in the future. Approximately 47% of our revenue for fiscal 2008, 40% for fiscal 2007, and 32% for fiscal 2006 was from foreign customers. Furthermore, we rely on suppliers in China, India, Taiwan, Thailand, and other foreign countries. Risks relating to or arising from operating in foreign markets that could impair our results of operations include economic and political instability; 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 the jurisdictions where we do business.

Because we are significantly smaller than the many of our competitors, we may lack the financial resources needed to increase our market share and future revenue.

Our 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 Inc.; Toshiba

Corporation; Vishay Intertechnology; and others. Many of our competitors and potential competitors are established companies that have significantly greater financial, technical, and marketing resources than us. We believe that our competition is increasing as the technology matures. 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 our future competitiveness will depend on our ability to develop new products and reduce our product costs. While we believe that our products have important competitive advantages, our competitors may succeed in developing and marketing products that perform better or are less expensive than ours, or that would render our products and technology obsolete or noncompetitive.

Our business may suffer because we have limited influence over the rate of adoption of our technology, and MRAM technology may not build into a large or significant market.

A significant portion of our future revenue and profits is dependent on our licensees introducing MRAM products. Production difficulties, technical barriers, high production costs, poor market reception, or other problems, almost all of which are outside our control, could prevent the deployment of MRAM or limit its market potential. In addition, our licensees may have other priorities that detract attention and resources from introduction of MRAM products using our technology. Furthermore, competing technologies could prevent or supplant MRAM from becoming an important memory technology.

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Our future business may suffer because we may not be able to consummate additional MRAM license agreements.

Although there are potential licensees for our MRAM intellectual property in addition to our current licensees, we may never be able to consummate additional license agreements. Potential licensees for our MRAM intellectual property might not be interested unless and until the commercial viability of the technology is demonstrated. Potential licensees could also use their own or a third party s MRAM intellectual property rather than ours.

We may not be able to enforce our intellectual property rights or our technology may prove to infringe upon patents or rights owned by others, which may prevent the future sale of our products or increase the cost of such sales.

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 sensor, coupler, and MRAM technology. These patent rights may be challenged, rendered unenforceable, invalidated or circumvented. In addition, rights granted under the patents or under licensing agreements may not provide a competitive advantage to us. At least several potential MRAM competitors have described designs that we believe would infringe on our patents if such designs were to be commercialized. Efforts to legally enforce patent rights can involve substantial expense, which we may not be able to afford and in any case may not be successful. Further, others may independently develop similar, superior, or parallel technologies to any technology developed by us, or our technology may prove to infringe upon 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 negotiate a new MRAM licensing agreement with Freescale.

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. We believe we are free to negotiate a new agreement with Freescale or an assignment of the Motorola Patent License Option Agreement to Freescale, but we have said we would do so only with amendments thereto. We have notified Freescale that we believe that MRAM products it has sold come within the scope of claims of a number of our patents. There can be no assurance, however, that any agreement can be reached with Freescale, or that any such agreement with Freescale would be on more favorable terms to NVE than our agreement with Motorola, or that NVE would receive any value under the existing agreement with Motorola or any value under any such further agreement with Freescale.

Our future business may suffer if we are unable to enforce our intellectual property rights with existing licensees.

Our existing license agreements have not generated royalties and may never become active or generate significant royalties. Furthermore, our success in enforcing our intellectual property rights may be dependent on our ability to enforce our contract rights under existing license agreements. Our existing licensees could claim without merit that they do not use our intellectual property or claim that one or more of our patents are invalid. In 2000 we were forced to resort to litigation to enforce our intellectual property rights with Motorola, and we plan to continue to vigorously defend our intellectual property rights. Our limited capital resources could put us at a disadvantage if we take legal action to enforce our intellectual property rights.

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

We have no employment agreements with any of our management other than our Chief Executive Officer and Chief Financial Officer, and have no key-person insurance covering employees. Competition for highly qualified management and technical personnel is generally 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.

We are presently involved in class action litigation.

On February 10, 2006 the first of three lawsuits was filed in the U.S. District Court for the District of Minnesota against NVE and certain of its current and former executive officers and directors by individual shareholders seeking to represent a class of purchasers of our common stock. These lawsuits were subsequently consolidated into a single case and a consolidated complaint was filed seeking unspecified damages. On July 3, 2007 the U.S. District Court granted our motion to dismiss these consolidated lawsuits, with prejudice. The plaintiffs filed an appeal from the Court s order and the appeal is still pending. Two related actions brought by individual shareholders who seek to represent NVE derivatively were filed in Hennepin County District Court. These related actions were subsequently consolidated into a single case and an amended derivative complaint was filed. The derivative action has been stayed pending a resolution of the appeal from the U.S. District Court s order. We believe the lawsuits are wholly without merit and intend to vigorously defend the actions. We have incurred legal expenses related to these lawsuits and could incur additional expenses. Furthermore, if we do not prevail in these lawsuits, we may be required to pay substantial amounts, which could have a material adverse impact on our future results of operation and financial condition.

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Risks Related to Buying Our Stock

Our stock has been more volatile than other technology sector stocks.

The market price of our common stock has experienced significant fluctuations and may continue to fluctuate in the future. Depending on the metric used, we believe this volatility is more than the overall market or other technology-sector stocks.

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, our licensees, or our competitors;
-   the announcement of new products, product enhancements, contracts, or license agreements by us, our licensees, or our competitors;
-   the announcement of changes in strategy or discontinuation of products by us or licensees;
-   changes in requirements or demands for our products or technology;
-   changes in prices of our products and services or our competitors products and services;
-   quarterly variations in our operating results;
-   changes in our revenue or revenue growth rates;
-   changes in revenue estimates, earnings estimates, or market projections by market analysts, speculation in the press or analyst community;
-   short selling and covering of short positions in our stock; and
-   general market conditions or market conditions specific to particular industries served by us, our customers, or our licensees.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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 and managed by Carlson Real Estate Company, Inc. In 2007 we executed a third amendment to our lease agreement to extend the lease through December 31, 2015, with a one-time right to cancel the lease at our option on December 31, 2012. We plan to expand our production clean room within the facility and we believe the facility is adequate to support our needed production capacity. We hold no investments in real estate.

ITEM 3. LEGAL PROCEEDINGS. See Note 8 - Commitments and Contingencies - Other Contingencies of the Financial Statements included elsewhere in this Report for information about a legal proceeding in which we are involved.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to our shareholders during the quarter ended March 31, 2008.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

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							
	3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	12/31/06	9/30/06	6/30/06
High	$ 31.73	$ 32.70	$ 41.95	$ 37.67	$ 32.30	$ 46.35	$ 39.85	$ 17.75
Low	$ 19.50	$ 22.44	$ 29.44	$ 25.30	$ 20.75	$ 26.82	$ 14.06	$ 12.36

Shareholders and Dividends

We had approximately 129 shareholders of record and 7,448 total shareholders as of May 8, 2008. We have never paid or declared any cash dividends on our Common Stock. We do not anticipate paying dividends in the foreseeable future, as we intend to retain any earnings we may generate if needed to provide for the expansion of our business or for the possible defense of our intellectual property.

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Stock Price Performance Graph

The graph below compares the performance of our Common Stock to the cumulative five-year performance of the NASDAQ Industrial Index and the Global Crown Capital Nanotechnology Index. NVE is included in both indices. We presented the Merrill Lynch Nanotech Index in our previous year s report on Form 10-K, however that index was discontinued effective December 27, 2007. The NASDAQ Industrial Index includes NASDAQ domestic and international based common-type stocks. The graph and table assume $100 was invested on March 31, 2003 in each of our Common Stock, the NASDAQ Industrial Index, the Global Crown Capital Nanotechnology Index, and the Merrill Lynch Nanotech Index, with reinvestment of dividends.

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				
	2008	**2007**	**2006**	**2005**	**2004**
Cash, cash equivalents, and marketable securities	$ 24,736,874	$ 18,289,191	$ 10,891,326	$ 7,717,264	$ 7,544,643
Working capital and marketable securities	$ 30,148,080	$ 22,850,508	$ 15,535,200	$ 11,342,300	$ 9,394,741
Total assets	$ 32,768,128	$ 25,010,494	$ 17,758,919	$ 14,190,004	$ 12,419,727
Total liabilities	$ 1,254,646	$ 1,122,239	$ 980,808	$ 1,153,423	$ 1,686,483
Total shareholders equity	$ 31,513,482	$ 23,888,255	$ 16,778,111	$ 13,036,581	$ 10,733,244

	Income Statement Data for Years Ended March 31				
	2008	**2007**	**2006**	**2005**	**2004**
Revenue					
Product sales	$ 18,505,650	$ 14,425,632	$ 8,345,967	$ 5,522,250	$ 5,393,540
Contract research	2,023,162	2,035,198	3,824,559	6,093,320	6,617,311

and development					
Total revenue	$ 20,528,812	$ 16,460,830	$ 12,170,526	$ 11,615,570	$ 12,010,851
Gross profit	$ 13,695,504	$ 10,673,172	$ 5,951,993	$ 4,604,836	$ 4,565,945
Income before taxes	$ 11,080,004	$ 7,191,803	$ 2,840,779	$ 1,619,850	$ 1,874,698
Net income	$ 7,187,384	$ 4,780,783	$ 1,797,746	$ 1,758,254	$ 2,107,720
Net income per share – diluted	$ 1.51	$ 1.00	$ 0.39	$ 0.37	$ 0.45
Weighted average shares outstanding – diluted	4,763,101	4,771,297	4,667,994	4,733,955	4,726,759

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

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 are also 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.

Research and Development Contract Percentage of Completion Estimation

We recognize research and development contract revenue and gross profit as work is performed, based on actual costs incurred. We apply the percentage-of-completion method to firm-fixed-price contracts. This requires us to make estimates of the percentage of completion of firm-fixed-price contracts. If increases in projected costs-to-complete are sufficient to create a loss contract, the entire estimated loss is charged to operations in the period the loss first becomes known. This estimate has not affected our financial statements in fiscal years 2008, 2007, or 2006. Increases in projected costs to complete contracts could materially impact our future results, however.

Product Warranty Estimation

We maintain a reserve for warranty claims based on the trend in the historical ratio of claims to sales, releases of new products and other factors. The warranty period for our products is generally one year. Although we believe the likelihood to be relatively low, claims experience could be materially different from actual results because of the introduction of new products, manufacturing changes that could impact product quality, or as yet unrecognized defects in products sold. As of March 31, 2008 and 2007 our reserve for estimated warranty claims was not material to our financial statements.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first in, first out method, or net realizable value. 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 sales trends, turnover, competition, and other market factors, and 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 reserve are made. Our inventory reserve was $280,000 at March 31, 2008 and $240,000 at March 31, 2007.

Allowance for Doubtful Accounts Estimation

We must make estimates of the uncollectibility of our accounts receivable. The most significant risk is the risk of sudden unexpected deterioration in financial condition of a significant customer that is not considered in the allowance. We specifically analyze accounts receivable, historical bad debts, and customer credit-worthiness when evaluating the adequacy of the allowance for doubtful accounts. Our results could be materially impacted if the financial condition of a significant customer deteriorated and related accounts receivable are deemed uncollectible.

Our allowance for doubtful accounts was $15,000 at March 31, 2008 and 2007. Our allowance for doubtful accounts is a relatively small percentage of our accounts receivable because our revenues are primarily from large customers, distributors, and U.S. Government agencies, all of which we consider generally credit-worthy. Our allowance for doubtful accounts could increase in the future if larger portions of our sales come from small end-user customers.

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, 2008 our deferred tax assets were $453,405 compared to $1,328,106 as of March 31, 2007. Deferred tax assets included $99,962 of stock-based compensation deductions as of March 31, 2008 and $527,442 in stock-based compensation deductions as of March 31, 2007. Our deferred tax assets could be subject to an Internal Revenue Code Section 382 limitation.

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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	
	2008	2007	2006	2007 to 2008	2006 to 2007
Revenue					
Product sales	90.1%	87.6%	68.6%	28.3 %	72.8 %
Contract research and development	9.9%	12.4%	31.4%	(0.6)%	(46.8)%
Total revenue	100.0%	100.0%	100.0%	24.7 %	35.3 %
Cost of sales	33.3%	35.2%	51.1%	18.1 %	(6.9)%
Gross profit	66.7%	64.8%	48.9%	28.3 %	79.3 %
Expenses					
Selling, general, and administrative	10.5%	11.9%	14.4%	10.7 %	11.1 %
Research and development	7.2%	13.2%	14.2%	(31.6)%	26.2 %
Total expenses	17.7%	25.1%	28.6%	(11.7)%	18.6 %
Income from operations	49.0%	39.8%	20.3%	53.5 %	164.9 %
Net interest and other income	5.0%	3.9%	3.0%	59.6 %	74.8 %
Income before taxes	54.0%	43.7%	23.3%	54.1 %	153.2 %
Income tax provision	19.0%	14.7%	8.5%	61.5 %	131.2 %
Net income	35.0%	29.0%	14.8%	50.3 %	165.9 %

Total revenue for fiscal 2008 increased 25% to $20,528,812 compared to $16,460,830 for fiscal 2007, and increased 35% in fiscal 2007 compared to $12,170,526 for fiscal 2006. The increases in both fiscal years were due to increases in product sales, partially offset in fiscal 2007 by a decrease in contract research and development revenue. Furthermore, the increases in total revenue for both fiscal 2008 and 2007 were primarily due to increases outside the U.S. In fiscal 2008, revenue increased 68% in Europe and 27% in Asia. In fiscal 2007, revenue increased 65% in Europe and 78% in Asia.

Product sales increased 28% to $18,505,650 compared to $14,425,632 in fiscal 2007. Fiscal 2007 product sales increased 73% from $8,345,967 in fiscal 2006. The increases in both years were due to increased sales of both spintronic sensors and spintronic couplers due to both the addition of new customers and increased purchases by existing customers.

Contract research and development revenue decreased by less than 1% for fiscal 2008 compared to fiscal 2007, following a 47% decrease for fiscal 2007 compared to fiscal 2006. The decrease for fiscal 2007 compared to fiscal 2006 was due to a decrease in U.S. Government contract awards to us, due to what we believe is a more challenging Government funding environment and our strategy to concentrate on product sales.

Gross profit margin increased to 67% of revenue for fiscal 2008 compared to 65% for fiscal 2007 and 49% for fiscal 2006. The increase in gross profit margin in fiscal 2008 from fiscal 2007 was due to a more profitable revenue mix consisting of a higher percentage of product sales. The increase in gross profit margin in fiscal 2007 from fiscal 2006 was due to a more profitable revenue mix consisting of a higher percentage of product sales and increased product margins. The increased product margins in fiscal 2007 were due to price increases and deployment of lower-cost coupler designs. Increases in gross profit margin might not continue because we may not have additional opportunities to increase prices or decrease product costs. Furthermore, successfully implementing our long-term strategy of expanding into large markets such as consumer or automotive might result in increased revenue but decreased gross profit margin.

Selling, general, and administrative expense for fiscal 2008 increased 11% to $2,158,818 compared to $1,950,999 for fiscal 2007, and also increased 11% for fiscal 2007 from fiscal 2006. The increase for fiscal 2008 was primarily due to increased expenses relating to commissions on product sales and incentive compensation, and a $33,236 increase in the effect of SFAS No. 123(R). The increase in the effect of SFAS No. 123(R) was primarily due to a higher market stock price at the date of automatic grant of stock options to our non-employee directors on their reelection to our Board compared to the market stock price at the prior-year date of grant. The increase in selling, general, and administrative expense for fiscal 2007 was primarily due to $136,370 in non-cash effects of stock-based compensation under SFAS No. 123(R), expenses related to preparation for our first Sarbanes-Oxley Act Section 404 controls-based audit, and increased legal expenses. Of the $136,370 effect of SFAS No. 123(R) in fiscal 2007, $126,094 was attributable to the automatic award of options to our directors on their election or reelection at our 2006 Annual Meeting of Shareholders. Increased legal expenses for fiscal 2007 were primarily related to class-action lawsuits.

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Research and development expense decreased 32% for fiscal 2008 compared to fiscal 2007 due to the completion of certain research and development projects. This decrease may not be representative of future expense trends. Our research and development expense can fluctuate significantly depending on staffing, project requirements, and contract research and development obligations. Research and development expense increased 26% for fiscal 2007 compared to fiscal 2006 due to our efforts to develop new and improved products and a shift to company-funded research from contract-funded research.

Net interest and other income for fiscal 2008 increased 60% to $1,031,225 compared to $646,234 for fiscal 2007. Net interest and other income increased 75% for fiscal 2007 from $369,753 for fiscal 2006. The increase for fiscal 2008 was primarily due to an increase in interest income from a larger portfolio of marketable securities and an increase in other income primarily from net gains on sales of marketable securities. These increases were partially offset by a decline in interest income as a percentage of marketable securities due to lower prevailing interest rates and a shift toward federally tax-free investments with lower pretax yields. The increase in net interest and other income in fiscal 2007 from fiscal 2006 was due to an increase in interest-bearing marketable securities and a decrease in interest expense due to the reduction and elimination of our debt in fiscal 2007.

The effective income tax rate in fiscal 2008 was 35.1% of income before taxes compared to 33.5% in fiscal 2007 and 36.7% in fiscal 2006. The tax rate was less in fiscal 2007 than the prior or subsequent years primarily due to our assessment that it was more likely than not that we would realize certain deferred tax assets. Our tax rate can fluctuate due to a number of factors, including the mix between taxable and tax-exempt securities in our marketable securities and deductions related to disqualifying dispositions of our common stock. We did not pay significant cash taxes for fiscal 2007 or 2006 because of stock-based compensation deductions. We exhausted our available stock-based compensation deductions during fiscal 2008 and began accruing and paying cash-tax obligations.

Net income increased 50% in fiscal 2008 compared to fiscal 2007 due to increases in revenue, gross profit as a percentage of revenue, interest income, and a decrease in total expenses. Net income increased 166% for fiscal 2007 compared to fiscal 2006 due to increases in revenue, gross profit as a percentage of revenue, and interest income, as well as a decrease in the effective income tax rate.

Liquidity and Capital Resources

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	$ 1,931,517	$ 232,491	$ 486,839	$ 755,788	$ 456,399
Purchase Obligations	138,350	138,350	-	-	-
Total	$ 2,069,867	$ 370,841	$ 486,839	$ 755,788	$ 456,399

Note 8 - Commitments and Contingencies provides additional information about our lease obligations.

Purchase obligations as of March 31, 2008 consisted of fixed asset purchase commitments. Such commitments were to increase manufacturing capacity. We expect to meet these commitments from cash, marketable securities, or cash provided by operating activities. We currently expect capital expenditures to decrease in fiscal 2009 compared to fiscal 2008 because much of the near-term investments we have identified have already been made. We plan to continue to evaluate capital expenditures as needs and opportunities arise, and our actual capital expenditures could vary significantly from our current expectations.

Purchases of fixed assets increased to $817,596 in fiscal 2008 compared to $321,997 in fiscal 2007 and $74,110 in fiscal 2006. Purchases for fiscal 2008 were primarily for capital equipment to increase our production capacity. Purchases of fixed assets in fiscal 2007 were primarily for capital equipment to increase our production capacity. We financed purchases of fixed assets in all three fiscal years with cash provided by operating activities.

Our primary sources of working capital for fiscal years 2006 through 2008 were product sales and research and development contract revenue. At March 31, 2008 we had $24,736,874 in cash plus short-term and long-term marketable securities compared to $18,289,191 at March 31, 2007. The increase in cash and marketable securities was primarily due to $6,909,226 in net cash provided by operating activities, partially offset by purchases of fixed assets of $817,596.

We reinvested proceeds from the maturities and sales of marketable securities primarily into municipal notes and bonds exempt from federal income tax as part of a strategy to reduce our taxes.

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Net cash provided by operating activities was due to net income, partially offset by increases in accounts receivable and inventories. The increase in receivables was due to the increase in revenue and the weighting of the increase toward late in the fiscal year. The increase in inventories was primarily to support increased product sales, and we currently expect inventories to increase if product sales continue to increase.

Cash paid for income taxes increased $3,210,013 in fiscal 2008 compared to fiscal 2007 as we began paying regular income taxes in fiscal 2008 because our stock-based compensation deductions and tax credits were fully utilized. We did not pay cash taxes other than Alternative Minimum Taxes for fiscal 2007 or 2006 because of stock-based compensation deductions.

We believe our working capital and cash generated from operations will be adequate for our needs at least through fiscal 2009.

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.

Inflation

Inflation has not had a significant impact on our operations since our inception. Prices for our products and for the materials and labor going into those products are governed by market conditions. It is possible that inflation in future years could impact both materials and labor in the production of our products.

Off-Balance-Sheet Arrangements

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

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

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 a variety of securities including government agency obligations, 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, 2008 had remaining maturities between 16 weeks and 58 months. Marketable securities had a market value of $22,851,007 at March 31, 2008, representing approximately 70% of our total assets. We have not used derivative financial instruments in our investment portfolio.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements and accompanying notes are in this Report beginning on page F-1. Selected unaudited quarterly financial data for fiscal 2008 and 2007, presented as supplementary financial information, are as follows:

	Unaudited; Quarter Ended			
	March 31, 2008	**Dec. 31, 2007**	**Sept. 30, 2007**	**June 30, 2007**
Revenue				
Product sales	$ 5,674,879	$ 4,249,809	$ 4,311,862	$ 4,269,100
Contract research and development	374,505	515,716	692,758	440,183
Total revenue	6,049,384	4,765,525	5,004,620	4,709,283
Cost of sales	1,876,335	1,663,045	1,850,960	1,442,968
Gross profit	4,173,049	3,102,480	3,153,660	3,266,315
Expenses				
Selling, general, and administrative	526,882	492,771	575,422	563,743
Research and development	318,889	347,344	314,037	507,637
Total expenses	845,771	840,115	889,459	1,071,380
Income from operations	3,327,278	2,262,365	2,264,201	2,194,935
Income before taxes	3,564,330	2,585,160	2,511,058	2,419,456
Net income	$ 2,252,982	$ 1,702, 293	$ 1,644,774	$ 1,587,335
Net income per share – diluted	$ 0.47	$ 0.36	$ 0.34	$ 0.33

	Unaudited; Quarter Ended			
	March 31, 2007	**Dec. 31, 2006**	**Sept. 30, 2006**	**June 30, 2006**
Revenue				
Product sales	$ 4,192,307	$ 3,402,937	$ 3,777,060	$ 3,053,328
Contract research and development	372,911	459,112	621,308	581,867
Total revenue	4,565,218	3,862,049	4,398,368	3,635,195
Cost of sales	1,563,493	1,385,163	1,439,181	1,399,821
Gross profit	3,001,725	2,476,886	2,959,187	2,235,374
Expenses				
Selling, general, and administrative	529,667	479,387	535,213	406,732
Research and development	534,967	544,779	566,246	530,612
Total expenses	1,064,634	1,024,166	1,101,459	937,344
Income from operations	1,937,091	1,452,720	1,857,728	1,298,030

Income before taxes		2,139,985		1,610,057		2,032,414		1,409,347
Net income	$	1,553,953	$	1,051,553	$	1,283,471	$	891,806
Net income per share – diluted	$	0.33	$	0.22	$	0.27	$	0.19

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 (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities 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, 2008, our disclosure controls and procedures were effective.

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Management s Annual 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, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*.

Based on our assessment using the criteria set forth by COSO in *Internal Control - Integrated Framework*, management concluded that our internal control over financial reporting was effective as of March 31, 2008. Our internal control over financial reporting as of March 31, 2008 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report.

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.

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2008 that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Shareholder Proposals for Nominations to Our Board

The discussion under the section titled Corporate Governance - Shareholder Nominees to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders is incorporated by reference into this section.

Directors and Executive Officers

Each NVE director is elected annually and serves for a term of approximately one year or until his or her successor is duly elected and qualified. The section titled Proposal 1. Election of Board of Directors to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders sets forth certain information regarding our directors required by Item 10, and the section titled Executive Officers of the Company sets forth information regarding our executive officers required by Item 10. Both sections are incorporated by reference into this section.

Audit Committee Financial Experts

Our Board of Directors has determined that Terrence W. Glarner, James D. Hartman, and Patricia M. Hollister qualify as audit committee financial experts as that term is defined under Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC in furtherance of Section 407. Furthermore, Ms. Hollister, Mssrs. Glarner and Hartman, and Robert H. Irish are independent as that term is defined under the corporate governance rules of the NASDAQ Stock Market.

Audit Committee

The discussion under the section titled Board Committees - Corporate Governance - Audit Committee to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders is incorporated by reference into this section.

Code of Ethics

We have adopted a Policy on Ethics and Business Conduct that applies to all officers, directors, and employees of the Company. The Policy is available from the Investors section of our Website (www.nve.com). We intend to disclose future amendments to the Policy, or waivers of such provisions granted to executive officers and directors, on our Website within four business days following the date of such amendment or waiver.

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Section 16(a) Beneficial Ownership Reporting Compliance

The discussion under the section titled Security Ownership - Section 16(a) Beneficial Ownership Reporting Compliance to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders is incorporated by reference in this section.

ITEM 11. EXECUTIVE COMPENSATION.

The information appearing under the sections Executive Compensation, Compensation Discussion and Analysis, Corporate Governance - Board Committees - Compensation Committee Interlocks and Insider Participation, Compensation Committee Report, and Directors Compensation to be included in our Proxy Statement for our 2008 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 to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders in the section titled Security Ownership is incorporated by reference into this section.

The following table summarizes Common Stock that may be issued as of March 31, 2008 on the exercise of options under our 2000 Stock Option Plan, as amended. Information regarding the material features of the Plan is contained in Note 5 to the Financial Statements included elsewhere in this Report.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options,Warrants, and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equtiy Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by security holders	308,400	$16.09	178,230
Equity compensation plans not approved by security holders	-	-	-
Total at March 31, 2008	308,400	$16.09	178,230

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

The information to be included in our Proxy Statement for our 2008 Annual Meeting in the sections titled Security Ownership - Transactions With Related Persons, Promoters, and Certain Control Persons and Corporate Governance - Board Composition, Independence, and Meeting Attendance is incorporated by reference into this section.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information to be included in our Proxy Statement for our 2008 Annual Meeting of Shareholders in the sections titled Audit Committee Disclosure - Fees Billed to Us by Ernst & Young During Fiscal 2008 and 2007 and Audit Committee Disclosure - Audit Committee Pre-Approval Policy is incorporated by reference into this section.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements and Schedules

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

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(b) Exhibits

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 our Quarterly Report on 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 our Current Report on Form 8-K filed December 19, 2007).
4	Form of Common Stock Certificate (incorporated by reference to our Registration Statement on Form S-8 filed July 20, 2001).
10.1	Lease dated October 1, 1998 between the company and Glenborough Properties, L.P. (incorporated by reference to our Quarterly Report on Form 10-QSB for the period ended September 30, 2002).
10.2	First amendment to lease between the company and Glenborough Properties, L.P. dated September 18, 2002 (incorporated by reference to our Quarterly Report on Form 10-QSB for the period ended September 30, 2002).
10.3	Second amendment to lease between the company and Glenborough Properties, L.P. dated December 1, 2003 (incorporated by reference to our Quarterly Report on Form 10-QSB for the period ended December 31, 2003).
10.4	Notification from Glenborough Properties, L.P. relating to change in building ownership (incorporated by reference to our Current Report on Form 8-K filed October 11, 2005).
10.5	Notification from Carlson Real Estate Company, Inc. relating to change in building ownership (incorporated by reference to our Current Report on Form 8-K filed October 11, 2005).
10.6	Third amendment to lease between the company and Carlson Real Estate Company, Inc. dated December 17, 2007 (incorporated by reference to our Current Report on Form 8-K/A filed December 20, 2007).
10.7*	Employment Agreement between the company and Daniel A. Baker dated January 29, 2001 (incorporated by reference to our Annual Report on Form 10-KSB for the year ended March 31, 2001).
10.8*	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).
10.9+	Agreement between the company and Agilent Technologies, Inc. dated September 27, 2001 (incorporated by reference to our Quarterly Report on Form 10-QSB for the period ended September 30, 2001).
10.10	Amendment dated October 18, 2002 to Agreement between the company and Agilent Technologies, Inc. (incorporated by reference to our Quarterly Report on Form 10-QSB for the period ended December 31, 2002).
10.11	Notification from Agilent Technologies of planned sale of Agilent s Semiconductor Product Group (incorporated by reference to our Current Report on Form 8-K filed October 19, 2005).
10.12	Report of completion of the divestiture of Agilent s Semiconductor Products business (incorporated by reference to our Current Report on Form 8-K/A filed December 6, 2005).
10.13	Amendment Number 2 to OEM Purchase Agreement dated September 10, 2007 to Agreement between Agilent Technologies, Inc. (and subsequently assigned to Avago Technologies, Inc.) and the company (incorporated by reference to our Exhibit 10.5 filed with our Current Report on Form 8-K/A filed September 11, 2007).
10.14*	Amendment No. 1 dated March 28, 2005 to Stock Option Agreement dated May 7, 2004 between the Company and Daniel A. Baker (incorporated by reference to our Current Report on Form 8-K filed March 30, 2005).
10.15	Amendment No. 1 dated March 28, 2005 to Stock Option Agreement dated August 17, 2004 between the Company and Patricia M. Hollister (incorporated by reference to our Current Report on Form 8-K filed March 30, 2005).
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 our Current Report on Form 8-K filed September 27, 2005).
10.17+	Supplier Partnering 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 our Current Report on Form 8-K filed January 4, 2006).
10.18+	Amendment Number 1 to Supplier Partnering Agreement dated September 6, 2007 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 our Current Report on Form 8-K/A filed September 10, 2007).
10.19*	Verbal agreement with Curt A. Reynders (incorporated by reference to Item 1.01 of our Current Report on Form 8-K filed January 18, 2006).
23	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, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Indicates a management contract or compensatory plan or arrangement.

+Confidential portions of this exhibit have been deleted and filed separately with the SEC under a request for confidential treatment pursuant to Rule 24b-2 or Rule 406.

Copies of documents filed as exhibits to our Form 10-K may be accessed from the Investors section of our Website (www.nve.com), or obtained by making a written request to Curt A. Reynders, our Chief Financial Officer.

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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 19, 2008

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 19, 2008
/s/ Daniel A. Baker Daniel A. Baker	Director, President & Chief Executive Officer (Principal Executive Officer)	May 19, 2008
/s/ Curt A. Reynders Curt A. Reynders	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	May 19, 2008
/s/ James D. Hartman James D. Hartman	Director	May 19, 2008
/s/ Patricia M. Hollister Patricia M. Hollister	Director	May 19, 2008
/s/ Robert H. Irish Robert H. Irish	Director	May 19, 2008

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NVE CORPORATION
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of NVE Corporation

We have audited NVE Corporation s internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). NVE Corporation 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 report of management entitled Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on NVE Corporation 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, NVE Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of NVE Corporation as of March 31, 2008 and 2007, and the related statements of income, shareholders equity, and cash flows for each of the three years in the period ended March 31, 2008, and our report dated May 14, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
May 14, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of NVE Corporation

We have audited the accompanying balance sheets of NVE Corporation as of March 31, 2008 and 2007, and the related statements of income, shareholders equity, and cash flows for each of the three years in the period ended March 31, 2008. 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 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 at March 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2, Summary of Significant Accounting Policies, to the financial statements, effective April 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* using the modified prospective method.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NVE Corporation s internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 14, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
May 14, 2008

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NVE CORPORATION
BALANCE SHEETS
MARCH 31, 2008 and 2007

	March 31 2008	March 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,885,867	$ 397,423
Marketable securities, short term	795,728	982,415
Accounts receivable, net of allowance for uncollectible accounts of $15,000	3,226,027	2,005,005
Inventories	2,456,804	2,016,858
Deferred tax assets	453,405	1,328,106
Prepaid expenses and other assets	529,616	333,587
Total current assets	9,347,447	7,063,394
Fixed assets		
Machinery and equipment	5,205,288	4,458,948
Leasehold improvements	436,794	413,482
	5,642,082	4,872,430
Less accumulated depreciation	4,276,680	3,834,683
Net fixed assets	1,365,402	1,037,747
Marketable securities, long term	22,055,279	16,909,353
Total assets	$ 32,768,128	$ 25,010,494
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 434,808	$ 502,595
Accrued payroll and other	632,338	590,287
Deferred revenue	187,500	29,357
Total current liabilities	1,254,646	1,122,239
Shareholders equity		
Common stock	46,387	46,274
Additional paid-in capital	18,539,538	18,289,248
Accumulated other comprehensive income (loss)	103,158	(84,282)
Retained earnings	12,824,399	5,637,015
Total shareholders equity	31,513,482	23,888,255
Total liabilities and shareholders equity	$ 32,768,128	$ 25,010,494

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2008, 2007, and 2006

	Year Ended March 31		
	2008	**2007**	**2006**
Revenue			
Product sales	$ 18,505,650	$ 14,425,632	$ 8,345,967
Contract research and development	2,023,162	2,035,198	3,824,559
Total revenue	20,528,812	16,460,830	12,170,526
Cost of sales	6,833,308	5,787,658	6,218,533
Gross profit	13,695,504	10,673,172	5,951,993
Expenses			
Selling, general, and administrative	2,158,818	1,950,999	1,756,142
Research and development	1,487,907	2,176,604	1,724,825
Total expenses	3,646,725	4,127,603	3,480,967
Income from operations	10,048,779	6,545,569	2,471,026
Interest income	974,990	621,577	332,784
Interest expense	-	(589)	(6,051)
Other income	56,235	25,246	43,020
Income before taxes	11,080,004	7,191,803	2,840,779
Provision for income taxes	3,892,620	2,411,020	1,043,033
Net income	$ 7,187,384	$ 4,780,783	$ 1,797,746
Net income per share – basic	$ 1.55	$ 1.03	$ 0.39
Net income per share – diluted	$ 1.51	$ 1.00	$ 0.39
Weighted average shares outstanding			
Basic	4,635,470	4,620,371	4,580,684
Diluted	4,763,101	4,771,297	4,667,994

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF SHAREHOLDERS EQUITY
YEARS ENDED MARCH 31, 2008, 2007, and 2006

	Common Stock		Additional Paid-In	Accumulated Other Comprehen-sive Income	Retained Earnings	
	Shares	Amount	Capital	(Loss)	(Deficit)	Total
Balance at March 31, 2005	4,569,784	$ 45,698	$ 14,064,625	$ (132,228)	$ (941,514)	$ 13,036,581
Exercise of stock options and warrants	38,720	387	173,547	-	-	173,934
Shares issued pursuant to employee stock purchase plan	6,449	65	79,967	-	-	80,032
Comprehensive income:						
Unrealized loss on marketable securities	-	-	-	(34,680)		(34,680)
Net income	-	-	-	-	1,797,746	1,797,746
Total comprehensive income						1,763,066
Tax benefit of stock-based compensation			1,724,498			1,724,498
Balance at March 31, 2006	4,614,953	46,150	16,042,637	(166,908)	856,232	16,778,111
Exercise of stock options and warrants	12,430	124	26,355	-	-	26,479
Comprehensive income:						
Unrealized gain on marketable securities	-	-	-	82,626		82,626
Net income	-	-	-	-	4,780,783	4,780,783
Total comprehensive income						4,863,409
Stock-based compensation			136,370			136,370
Tax benefit of stock-based compensation			2,083,886			2,083,886
Balance at March 31, 2007	4,627,383	46,274	18,289,248	(84,282)	5,637,015	23,888,255