KEMET CORP
Form 10-K
June 01, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark
One)

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

For the fiscal year ended March 31, 2017
Or

o	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: 001-15491

KEMET Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	57-0923789 (I.R.S. Employer Identification No.)
2835 Kemet Way, Simpsonville, South Carolina (Address of principal executive offices)	29681 (Zip Code)

Registrant's telephone number, including area code: (864) 963-6300
Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of Exchange on which registered)
Common Stock, par value $0.01	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý
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 o No ý
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 ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of 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. ý

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 (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)
	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

The aggregate market value of voting common stock held by non-affiliates of the registrant as of September 30, 2016 computed by reference to the closing sale price of the registrant's common stock was approximately $160,510,185.

The number of shares of each class of common stock, $0.01 par value, outstanding as of May 25, 2017 was 47,505,958.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held August 2, 2017 are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS

Background of Company

KEMET Corporation (“we,” “us,” “our,” “KEMET” and the “Company”), is a global manufacturer of passive electronic components. We first began manufacturing tantalum capacitors in 1958 as a division of Union Carbide Corporation (“UCC”) and became a stand-alone legal entity in 1990 following a management buyout from UCC. In 1992, we publicly issued shares of our common stock. Since then, we have made the following acquisitions:

Business Group	Fiscal Year	Business
Solid Capacitors Business Group (“Solid Capacitors”)	2007	Tantalum Business Unit of EPCOS AG
Film and Electrolytic Business Group (“Film and Electrolytic”)	2008	Evox Rifa Group Oyj
Film and Electrolytic	2008	Arcotronics Italia S.p.A.
Film and Electrolytic	2012	Cornell Dubilier Foil, LLC (renamed KEMET Foil Manufacturing, LLC (“KEMET Foil”))
Solid Capacitors	2012	Niotan Incorporated (renamed KEMET Blue Powder Corporation (“Blue Powder”))
Corporate	2013	34% economic interest in TOKIN Corporation (“TOKIN”)*
Corporate	2016	IntelliData, Inc. (“IntelliData”)

Through the above acquisitions and organic growth we have expanded our product base to include multilayer ceramic, solid & electrolytic aluminum and film capacitors.

* In fiscal year 2013, our subsidiary, KEMET Electronics Corporation (“KEC”) acquired a 34% economic interest in TOKIN as calculated based on the number of common shares held by KEC, directly and indirectly, in proportion to the aggregate number of common and preferred shares of TOKIN outstanding as of such date. The Company accounted for its investment in TOKIN using the equity method for a non-consolidated variable interest entity since KEC did not have the power to direct significant activities of TOKIN. KEMET entered into a Definitive NEC TOKIN Stock Purchase Agreement (the “TOKIN Purchase Agreement”) with NEC Corporation (“NEC”), to acquire all of the outstanding shares of common stock and preferred stock of TOKIN not already held by KEMET. The transaction closed on April 19, 2017 and on that date TOKIN became a 100% owned subsidiary of KEMET.

General

We compete in the passive electronic component industry, specifically multilayer ceramic, tantalum, film and aluminum (solid & electrolytic) capacitors. Product offerings include surface mount, which are attached directly to the circuit board; leaded capacitors, which are attached to the circuit board using lead wires; and chassis-mount and other pin-through-hole board-mount capacitors, which utilize attachment methods such as screw terminal and snap-in. Capacitors are electronic components that store, filter, and regulate electrical energy and current flow. As an essential passive component used in nearly all circuit boards, capacitors are typically used for coupling, decoupling, filtering, oscillating and wave shaping and are used in communication systems, servers, personal computers, tablets, cellular phones, automotive electronic systems, defense and aerospace systems, consumer electronics, power management systems and many other electronic devices and systems (basically anything that plugs in or has a battery).

Our product line consists of many distinct part configurations distinguished by various attributes, such as dielectric (or insulating) material, configuration, encapsulation, capacitance (at various tolerances), voltage, performance characteristics and packaging. Most of our customers have multiple capacitance requirements, often within each of their products. Our broad product offering allows us to meet the majority of those needs independent of application and end use.

We believe the long-term demand for the various types of capacitors we offer will grow on a regional and global basis due to a variety of factors, including increasing demand for and complexity of electronic products, growing demand for technology in emerging markets and the ongoing development of new solutions for energy generation and conservation. Our customer base includes most of the world’s major electronics original equipment manufacturers (“OEMs”) (including Alcatel-Lucent USA, Inc., Bosch Group, Cisco Systems, Inc., Continental AG, Dell Inc., HP Inc., International Business Machines Corporation, Motorola Solutions, L.M. Ericsson, Siemens AG and TRW Automotive), electronics manufacturing services

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providers ("EMSs") (including Celestica Inc., Flextronics International LTD, Jabil Circuit, Inc. and Sanmina-SCI Corporation) and distributors (including TTI, Inc., Arrow Electronics, Inc. and Avnet, Inc.).

Solid Capacitors products are commonly used in conjunction with integrated circuits, and the same circuit may, and frequently does, contain both ceramic and tantalum capacitors. Tantalum capacitors are a popular choice because of their ability for high capacitance in a small volume package. While ceramic capacitors are more cost-effective at lower capacitance values, tantalum capacitors are more cost-effective at higher capacitance values while solid aluminum capacitors can be more effective in special applications. Film, paper and aluminum electrolytic capacitors can be used to support integrated circuits, but also are used in the field of power electronics to provide energy for applications such as motor starts, power conditioning, electromagnetic interference filtering safety and inverters. Capacitors account for the largest market within the passive component product grouping.

Our Industry

We compete with others that manufacture and distribute capacitors both domestically and globally and our success in the market is influenced by many factors, including price, availability, engineering specifications, quality and breadth of offering, performance characteristics, customer service and geographic location of our manufacturing sites. As in all manufacturing industries, there is ongoing pressure on average unit selling prices for capacitors. To help mitigate this effect, KEMET, as well as many of our larger competitors, have relocated their manufacturing operations to low cost regions and locations in closer proximity to our respective customers.

According to a March 2017 report entitled "Passive Electronic Components: World Market Outlook: 2017-2022" by Paumanok Publications, Inc. ("Paumanok"), a market research firm concentrating on the passive components industry, the global capacitor market in fiscal year 2017 (fiscal year ending March 2017) was estimated to be $18.9 billion in revenues and 1.93 trillion units. The Paumanok report estimates that the global capacitor market will improve substantially and achieve revenue and unit volume increases of 20% and 13%, respectively, by fiscal year 2022. According to Paumanok, the forecast of the capacitor industry for fiscal year 2017 and the expected growth to fiscal year 2022 are as follows (amounts in billions):

	Fiscal Year 2017	Fiscal Year 2022
Tantalum	$1.7	$2.0
Ceramic	11.1	13.3
Aluminum	3.8	4.3
Paper and plastic film	1.7	2.2
Other	0.6	0.8
	$18.9	$22.6

Because capacitors are a fundamental component of electronic circuits, demand for capacitors tends to reflect the general demand for electronic products, as well as integrated circuits, which, though cyclical, continues to grow. We believe growth in the electronics market and the resulting growth in demand for capacitors will be driven primarily by a number of recent trends which include:

- the development of new products and applications, such as alternative and renewable energy systems, hybrid transportation systems, electronic controls for engines and industrial machinery, smart phones and mobile personal computing devices;
- the "internet-of-things" products;
- the next generation of automotive electronics to support advance driver assistance systems, as well as the connected car;
- the increase in the electronic content of existing products, such as home appliances, medical equipment and automobiles;
- consumer desire for mobility and connectivity; and

- the enhanced functionality, complexity and convergence of electronic devices that use state-of-the-art microprocessors.

The acquisition of TOKIN increases our market opportunity through the Electro-Magnetic Compatible (“EMC”)Devices and Sensor & Actuator markets.

Markets and Customers

Our products are sold to a variety of OEMs in a broad range of industries including the computer, communications, automotive, military, consumer, industrial and aerospace industries. We also sell products to EMS providers, which also serve

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OEMs in these industries. Electronics distributors are an important channel of distribution in the electronics industry and represent the largest channel through which we sell our capacitors. One electronics distributor accounted for over 10% of our net sales in fiscal years 2017, 2016 and 2015. If our relationship with this customer were to terminate, we would need to determine alternative means of delivering our products to the end-customers served by them. Our top 50 customers accounted for 86.7% of our net sales during fiscal year 2017.

While we are seeing a merging of major segments as connectivity and "internet-of-things" grow, the following table presents an overview of the diverse industries that incorporate our capacitors into their products and the general nature of those products.

Industry	Products
Automotive	Adaptive cruise control, High intensity discharge headlamps, Light emitting diode electronic modules, Lane departure warning, Camera systems, Audio systems, Tire pressure monitoring, Power train electronics, Instrumentation, Airbag systems, Anti-lock braking and stabilization systems, Hybrid and electric drive vehicles, Electronic engine control modules, Driver comfort controls, Security systems, Radar, Connectivity systems and Advance driver assistance gear
Communications	Smart phones, Telephones, Switching equipment, Relays, Base stations, and Wireless infrastructure
Computer-related	Personal computers (laptops, tablets, netbooks), Workstations, Servers, Mainframes, Computer peripheral equipment, Power supplies, Solid state drives, and Local area networks
Industrial	Electronic controls, Measurement equipment, Instrumentation, Solar and wind energy generation, Down-hole drilling and Medical electronics
Consumer	Digital media devices, Game consoles, Televisions, Audio devices, and Global positioning systems
Military/Aerospace	Avionics, Radar, Guidance systems, and Satellite communications
Alternative Energy	Wind generation systems, Solar generation systems, Geothermal generation systems, Tidal generation systems and Electric drive vehicles

We produce a small percentage of capacitors under military specification standards sold for both military and commercial uses. We do not sell any capacitors directly to the United States government. Certain of our customers purchase capacitors for products in the military and aerospace industries.

It is impracticable to report revenues from external customers for each of the above noted products primarily because approximately 46% of our external sales were to electronics distributors for fiscal year 2017.

TOKIN increases our position in the following industries that incorporate EMC and sensors and actuators into their products:

Industry	Products
Telecom Infrastructure	Switching equipment, Base stations, and Wireless infrastructure
Gaming	Consoles, Displays, Power management
Consumer	Battery chargers/AC adapters, Power supply, Refrigerators, Inductive cooking and Air conditioning
Automotive	Infotainment and Power supply
Medical	Test and Diagnostic

KEMET in the United States

Our corporate headquarters is located near Greenville, South Carolina.

Commodity manufacturing previously located in the United States has been substantially relocated to our lower-cost manufacturing facilities in Mexico, China and Europe. Production remaining in the United States focuses primarily on early-stage manufacturing of new products and other specialty products for which customers are predominantly located in North America.

On February 21, 2012, we completed the acquisition of all of the outstanding shares of Blue Powder, a leading manufacturer of tantalum powders. Blue Powder had been a significant supplier of tantalum powder to KEMET for several years. Blue Powder's principal operating location is in Carson City, Nevada.

To accelerate the pace of innovations, KEMET maintains an Innovation Center for Solid Capacitors near Greenville, South Carolina. The primary objectives of the KEMET Innovation Center are to ensure the flow of new product platforms, material sets, and processes that are expected to keep us at the forefront of our customers' product designs, while enabling these products to be transferred rapidly to the most appropriate KEMET manufacturing location in the world for low-cost, high-volume production.

KEMET in Mexico

We believe our operations in Mexico are among the most cost efficient in the world, and we expect they will continue to be our primary production facilities supporting North American and European customers for Solid Capacitors. One of the strengths of KEMET Mexico is that it is a local operation, including local management and workers. These facilities are responsible for maintaining KEMET's tradition of excellence in quality, service, and delivery, while driving costs down. The facilities in Victoria and Matamoros are focused primarily on tantalum capacitors, while the facilities in Monterrey are focused on ceramic capacitors.

KEMET in Asia Pacific

We have a well-established manufacturing, sales and logistics network in Asia to support our customers' Asian operations. We currently manufacture tantalum and aluminum polymer and Electrolytic products in China. As a result of the acquisition of TOKIN on April 19, 2017, we now manufacture electromagnetic compatibility and sensor and actuator products in China, Japan and Vietnam and tantalum capacitors in Thailand and Japan. The vision for KEMET operations in China is to be a local operation, with local management and workers, to help achieve our objective of being a global company. These facilities are responsible for maintaining our tradition of excellence in quality, service, and delivery, while accelerating cost-reduction efforts and supporting efforts to grow our customer base in Asia.

KEMET in Europe

We currently have one or more manufacturing locations in each of the following countries: Bulgaria, Finland, Italy, Macedonia, Portugal, and Sweden. In addition, we operate product innovation centers in Italy, Portugal and Sweden. We continue to maintain and enhance our strong European sales and customer service infrastructure, allowing us to continue to meet the local preferences of European customers who remain an important focus for KEMET.

Global Sales and Logistics

KEMET serves the needs of our global customer base through three geographic regions: North America and South America ("Americas"), Europe, the Middle East and Africa ("EMEA") and Asia and the Pacific Rim ("APAC"). We also have independent sales representatives located in several countries worldwide including: Brazil, Israel, Canada, and the United States.

In our major markets, we market and sell our products primarily through a direct sales force. With a global sales organization that is customer-focused, our direct sales personnel from around the world serve on KEMET Global Account Teams committed to serving any customer location in the world with a dedicated KEMET representative. The traditional sales team is supported by regional Field Application Engineers who are experts in electronic engineering and market all of KEMET's products by assisting customers with the resolution of capacitor application issues. We believe our direct sales force creates a distinct advantage in the marketplace by enabling us to establish and maintain strong relationships with our customers to efficiently process simple repeat business as well as to consult with customers on new and technically complex custom applications. In addition, where appropriate, we use independent commissioned representatives. This approach requires a blend of accountability and responsibility for specific customer locations, guided by an overall account strategy for each customer. Our sales team works with the customers throughout the entire purchasing process, following opportunities as they progress through concept, design, validation and, finally, mass production. In Japan, we market and sell directly and through manufacturers agents, who sell exclusively for KEMET or TOKIN, and do not carry competitor products. These manufacturers agents create unique custom solutions integrating our products which help pull our products though the channel.

Electronics distributors are an important distribution channel in the electronics industry and accounted for 46%, 42%, and 45% of our net sales in fiscal years 2017, 2016 and 2015, respectively. A portion of our net sales to distributors are made under agreements allowing certain rights of return and price protection on unsold merchandise held by distributors. In addition, our distributor policy includes inventory price protection and “ship-from-stock and debit” (“SFSD”) programs common in the industry.

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Sales by Geography

In fiscal years 2017 and 2016, net sales by region were as follows (dollars in millions):

	Fiscal Year 2017			Fiscal Year 2016	
	Net Sales	% of Total		Net Sales	% of Total
Americas	$224.1	30 %	Americas	$225.7	31 %
APAC	295.8	39 %	APAC	275.8	37 %
EMEA	237.9	31 %	EMEA	233.3	32 %
Total	$757.8		Total	$734.8	

We believe our regional balance of revenues is a benefit to our business. The geographic diversity of our net sales diminishes the impact of regional sales decreases caused by various holiday seasons. While sales in the Americas are the lowest of the three regions, the Americas remains the leading region in the world for product design in activity where engagement with OEM design engineers determines product placement independent of the region of the world where the final product is manufactured. Please see Note 6, “Segment and Geographic Information” to our consolidated financial statements.

Inventory and Backlog

Our customers often encounter uncertain or changing demand for their products. They historically order products from us based on their forecast and if demand does not meet their forecasts, they may cancel or reschedule the shipments included in our backlog, in many instances without penalty. Additionally, many of our customers have started to require shorter lead times and “just in time” delivery. Consequently, the twelve month order backlog is not a meaningful trend indicator for us.

Although we manufacture and inventory standardized products, a portion of our products are produced to meet specific customer requirements. Cancellations by customers of orders already in production could have an impact on inventories. Historically, however, cancellations have not been significant.

Competition

The capacitor industry is characterized by, among other factors, a long-term trend toward lower prices, low transportation costs, and few import barriers. Competitive factors influencing the market for our products include: product quality, customer service, technical innovation, pricing, and timely delivery. We believe we compete favorably on the basis of each of these factors.

Our major global competitors include AVX Corporation, Coilcraft Inc., Elna Co., Ltd., Panasonic Corporation, Littelfuse, Inc., Murata Manufacturing Co., Ltd., Samsung, Taiyo Yuden Co., Ltd., Schaffner Group, TDK-EPC Corporation, WIMA GmbH & Co., KG, Vishay Intertechnology, Inc. (“Vishay”) and 3M Company.

Raw Materials

The principal raw materials used in the manufacture of our products are tantalum powder, tantalum ore, palladium, aluminum, silver, copper, nickel and tin. These materials are considered commodities and are subject to price volatility. Additionally, any delays in obtaining raw materials for our products could hinder our ability to manufacture our products, negatively impacting our competitive position and our relationships with our customers.

Tantalum is mined principally in the Democratic Republic of Congo, Australia, Brazil, Canada, Mozambique and Rwanda. As a result of our tantalum vertical integration program which began in fiscal year 2012, we have reduced our exposure to price volatility and supply uncertainty in the tantalum supply chain. A majority of our tantalum needs are now met through our direct sourcing of conflict free tantalum ore or tantalum scrap reclaim, which is then processed into the intermediate product potassium heptafluorotantalate (commonly known as K-salt) at our own facility in Mexico or at third party locations, before final processing into tantalum powder at Blue Powder. Price increases for tantalum ore, or for the remaining tantalum powder that we source from third parties, could impact our financial performance as we may not be able to pass all such price increases on to our customers.

Silver and aluminum have generally been available in sufficient quantities, and we believe there are a sufficient number of suppliers from which we can purchase our requirements. An increase in the price of silver and aluminum that we are unable to pass on to our customers, could, however, have an adverse effect on our profitability.

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Patents and Trademarks

As of March 31, 2017, we held the following number of patents and trademarks:

	Patents	Trademarks
United States	135	7
Foreign	66	112

We believe the success of our business is not materially dependent on the existence or duration of any individual patent, license, or trademark other than the trademarks “KEMET” and “KEMET Charged”. Our engineering and research and development staffs have developed and continue to develop proprietary manufacturing processes and equipment designed to enhance our manufacturing facilities and reduce costs.

Research and Development

Research and development expenses were $27.6 million, $25.0 million and $25.8 million for fiscal years 2017, 2016 and 2015, respectively. These amounts include expenditures for product development and the design and development of machinery and equipment for new processes and cost reduction efforts. We continue to invest in new technology to improve product performance and production efficiencies.

Segment Reporting

We are organized into two business groups: Solid Capacitors and Film and Electrolytic. Each business group is responsible for the operations of certain manufacturing sites as well as all related research and development efforts. The sales, marketing and corporate functions are shared by each of the business groups. See Note 6, “Segment and Geographic Information” to our consolidated financial statements.

Solid Capacitors Business Group

As of March 31, 2017, Solid Capacitors operated nine capacitor manufacturing sites in the United States, Mexico, China, and a product innovation center in the United States and primarily produces tantalum, aluminum, polymer and ceramic capacitors which are sold globally. Solid Capacitors also produces tantalum powder used in the production of tantalum capacitors. Subsequent to the acquisition of TOKIN, on April 19, 2017, we added two capacitor manufacturing sites in Thailand and Japan, a product innovation center in Japan and an additional product, electric double layer capacitors. After the acquisition of TOKIN, Solid Capacitors employs over 7,300 employees worldwide. For fiscal years 2017, 2016 and 2015, Solid Capacitors had consolidated net sales of $575.1 million, $556.3 million and $621.3 million, respectively.

We continue to make significant investments in tantalum production within Solid Capacitors and, based on net sales, we believe we are the largest tantalum capacitor manufacturer in the world. We believe we have one of the broadest lines of tantalum product offerings and are one of the leaders in the growing market for high-frequency surface mount tantalum and aluminum polymer capacitors. On February 21, 2012, we acquired Blue Powder which we believe is the largest production facility for tantalum powder in the western hemisphere. The Company continues to review its cost structure and may take actions to improve the cost structure if the anticipated result is advantageous.

Tantalum’s broad product portfolio, industry leading process and materials technology, global manufacturing base and on-time delivery capabilities allow us to serve a wide range of customers in a diverse group of end markets, including computing, telecommunications, consumer, medical, military, automotive and general industries.

Our ceramic product line offers an extensive line of multilayer ceramic capacitors in a variety of sizes and configurations. We are one of the two leading ceramic capacitor manufacturers headquartered in the United States and among the ten largest manufacturers worldwide.

Ceramic’s high temperature and capacitance stable product lines provide us with what we believe to be a significant advantage over many of our competitors, especially in high reliability markets, such as medical, industrial, defense and aerospace. Our other significant end-markets include computing, telecommunications, automotive and general industries.

Film and Electrolytic Business Group

Our Film and Electrolytic Business Group produces film, paper and wet aluminum electrolytic capacitors. In addition, the business group designs and produce EMI filters. Film capacitors can be used for applications requiring high power and high voltages. Whereas aluminum electrolytic capacitors can be used for applications requiring high energy at a reasonable price. EMI filters consist of capacitive and inductive elements that reduce electromagnetic disturbance in the frequency range desired.

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We believe we are one of the world's largest suppliers of direct current film capacitors and one of the leaders in wet aluminum electrolytic capacitors. For fiscal years 2017, 2016 and 2015, our Film and Electrolytic Business Group had consolidated net sales of $182.7 million, $178.5 million and $201.9 million, respectively. Film and Electrolytic's business is concentrated in Europe, and as such, is impacted by the change in the exchange rate for the Euro to the U.S. dollar as evidenced by the decline in net sales in fiscal year 2016 from fiscal year 2015.

Our Film and Electrolytic Business Group primarily serves the industrial and automotive markets. We believe our Film and Electrolytic Business Group's product portfolio, technology and experience allow us to significantly benefit from the continued growth in alternative energy solutions and energy efficiency solutions within both the automotive and industrial markets especially for demanding applications such as humidity, temperature, voltage, etc. We operate nine film and electrolytic manufacturing sites throughout Europe and Asia and maintain product innovation centers in Italy, Portugal and Sweden. Our Film and Electrolytic Business Group employs approximately 1,900 employees worldwide.

As part of our restructuring efforts for Film and Electrolytic, we have been executing our plan to reduce the number of operations and headcount. The restructuring plan is now substantially complete even though the full effects of these actions have not been reflected in the income statement yet and a few actions are still being completed. During fiscal year 2017, three operations were ceased and we reduced headcount by approximately 44 employees. The total closing, severance, and startup expenses incurred in fiscal year 2017 were approximately $4.2 million. These actions resulted in approximately a $5.4 million reduction in our operating costs in fiscal year 2017. We expect an additional $0.3 million of savings in fiscal year 2018 as a result of our plan.

Other TOKIN Product Lines

The EMC business offers a broad line of noise management products. As circuits become more complex within a device, and the amount of information being communicated between devices increases at a dramatic rate, the quality of electronic signals becomes key to the integrity of the information being communicated. TOKIN EMC products play a key role in maintaining signal integrity across a number of end-markets including telecommunications, mobile computing, automotive and general industries.

The sensor and actuator business manufactures products that sense and respond to human activity, physical vibration, and electric current. These products are found in home appliances, consumer devices industrial electrical equipment. In addition, electromechanical actuation devices that are critical to the manufacture of semiconductor devices and the management of industrial and chemical gas flow are manufactured by the TOKIN subsidiary of KEMET. Sensors are an important family of devices as the "internet-of-things" continues to permeate everyday life.

Environmental and Regulatory Compliance

We are subject to various North American, European, and Asian national, state, and local environmental laws and regulations relating to the protection of the environment, including those governing the handling and management of certain chemicals and materials used and generated in manufacturing electronic components. Based on the annual costs incurred over the past several years, we do not believe compliance with these laws and regulations will have a material adverse effect on our capital expenditures, earnings, or competitive position. We believe, however, it is reasonably likely the trend in environmental litigation, laws, and regulations will continue to be toward stricter standards. Such changes in the laws and regulations may require us to make additional capital expenditures which, while not currently estimable with certainty, are not presently expected to have a material adverse effect on our financial condition.

We are strongly committed to economic, environmental, and socially sustainable development. As a result of this commitment, we have adopted the Electronic Industry Citizenship Coalition ("EICC") Code of Conduct. The EICC Code of Conduct is a comprehensive code of conduct that addresses all aspects of corporate responsibility including labor, health and safety, the environment, business ethics, and related management system elements. It outlines standards to ensure working conditions in the electronic industry supply chain are safe, workers are treated with respect and dignity, manufacturing processes are environmentally sustainable and materials are sourced responsibly.

Policies, programs, and procedures implemented throughout KEMET ensure compliance with legal and regulatory requirements, the content of the EICC Code of Conduct, and customer contractual requirements related to social and environmental responsibility.

We fully support the position of the EICC, the Global e-Sustainability Initiative (“GeSI”), and the Tantalum-Niobium International Study Center (“TIC”) in avoiding the use of conflict minerals which directly or indirectly finance or benefit armed groups in the Democratic Republic of Congo and its adjoining countries, or in any region determined to be a conflict affected and high risk area. This policy and requirement has been communicated to all suppliers of conflict minerals and this policy is communicated publicly on our website. Our tantalum supply base has been and continues to be validated as compliant to the

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EICC/GeSI Conflict Free Smelter Program ("CFSP") program. We will continue to work through the EICC and GeSI Conflict Free Sourcing Initiative ("CFSI"), and TIC towards the goal of greater transparency in the supply chain.

Summary of Activities to Develop a Transparent Supply Chain

We are actively involved in developing a transparent supply chain through our membership in the EICC/GeSI Conflict-Free Sourcing Initiative. We were a member of the EICC/GeSI working group that developed the original CFSP assessment protocols and participated in the pilot implementation phase of the Organization for Economic Cooperation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We participate in smelter engagement to increase the number of conflict-free validated smelters globally, the development of due diligence guidance documents and the advancement of the industry adopted conflict minerals reporting template. We will rely on the EICC/GeSI Conflict-Free Smelter Program independent third party audits to supplement our internal due diligence of conflict mineral suppliers and are monitoring the progress of these audits to ensure our supply chain is conflict free. We fully support section 1502 "Conflict Minerals" of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and will comply with all reporting requirements.

Global Code of Conduct and Mission, Vision and Values

KEMET maintains a Global Code of Conduct ("Code of Conduct"), which became effective August 1, 2010, as well as mission ("Mission"), vision ("Vision") and values ("Values") statements along with a set of core values, which became effective in June 2011. KEMET's Mission is to help make the world a better, safer, more connected place to live. KEMET's Vision is to be the world's most trusted partner for innovative component solutions. KEMET's Values embody the key expectations of how our employees should approach the work they do every day: One KEMET, Unparalleled Customer Experience, Ethics and Integrity, Talent Oriented, No Politics, The Math Must Work and Speed. The Global Code of Conduct and Mission, Vision and Values are applicable to all employees, officers, and directors of the Company. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from a provision of our Code of Conduct, Mission, Vision and Values by posting such information on our website at http://www.kemet.com.

KEMET supports the Kisengo Foundation and certain other charitable endeavors in the Democratic Republic of Congo with periodic monetary donations. Funds have been used toward building and supporting a new hospital and school. Additionally, these donations have contributed to the installation of fresh water wells, solar street lighting, infrastructure improvements and a micro-agriculture project.

Employees

We have approximately 9,100 employees as of March 31, 2017 in the following locations:

Mexico	5,350
Asia	1,800
Europe	1,450
United States	500

The number of employees represented by labor organizations at KEMET locations in each of the following countries is as follows:

Mexico	3,600
Indonesia	350
Italy	300
Bulgaria	150
Finland	150
Sweden	100
Macedonia	50

In fiscal year 2017, we did not experience any major work stoppages. Our labor costs in Mexico, Asia and various locations in Europe are denominated in local currencies, and a significant depreciation or appreciation of the United States dollar against the local currencies would increase or decrease our labor costs.

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Securities Exchange Act of 1934 (“Exchange Act”) Reports

We maintain an Internet website at the following address: http://www.kemet.com. KEMET makes available on or through our Internet website certain reports and amendments to those reports filed or furnished to the Securities and Exchange Commission (“SEC”) pursuant to Section 13(a) or 15(d) of the Exchange Act. These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and beneficial ownership reports on Forms 3, 4 and 5. This information is available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS.

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects,” “anticipates,” “believes,” “estimates” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could” are intended to identify such forward-looking statements. Readers of this report should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report. The statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. We face risks inherent in the businesses and the market places in which we operate. While management believes these forward-looking statements are accurate and reasonable, uncertainties, risks and factors, including those described below, could cause actual results to differ materially from those reflected in our forward-looking statements.

Factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, the following: (i) adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate and cause a write down of long-lived assets or goodwill; (ii) an increase in the cost or a decrease in the availability of our principal or single-sourced purchased raw materials; (iii) changes in the competitive environment; (iv) uncertainty of the timing of customer product qualifications in heavily regulated industries; (v) economic, political, or regulatory changes in the countries in which we operate; (vi) difficulties, delays or unexpected costs in completing the restructuring plans; (vii) acquisitions and other strategic transactions expose us to a variety of risks; (viii) acquisition of TOKIN may not achieve all of the anticipated results; (ix) our business could be negatively impacted by increased regulatory scrutiny and litigation; (x) difficulties associated with retaining, attracting and training effective employees and management; (xi) the need to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (xii) exposure to claims alleging product defects; (xiii) the impact of laws and regulations that apply to our business, including those relating to environmental matters; (xiv) the impact of international laws relating to trade, export controls and foreign corrupt practices; (xv) changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations; (xvi) volatility of financial and credit markets affecting our access to capital; (xvii) the need to reduce the total costs of our products to remain competitive; (xviii) potential limitation on the use of net operating losses to offset possible future taxable income; (xix) restrictions in our debt agreements that could limit our flexibility in operating our business; (xx) disruption to our information technology systems to function properly or control unauthorized access to our systems may cause business disruptions; (xxi) additional exercise of the warrant by K Equity, LLC which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions; (xxii) fluctuation in distributor sales could adversely affect our results of operations, (xxiii) earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial

condition and results of operations.
Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and could cause actual results to differ materially from those included, contemplated or implied by forward-looking statements made in this report, and the reader should not consider the above list of factors to be a complete set of all potential risks or uncertainties.
Adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines; and such conditions could adversely affect our liquidity, ability to continue to operate and could cause the write down of long-lived assets or goodwill.
While our operating plans provide for cash generated from operations to be sufficient to cover our future operating requirements, many factors, including reduced demand for our products, currency exchange rate fluctuations, increased raw

material costs, and other adverse market conditions we cannot predict could cause a shortfall in net cash generated from operations. As an example, the electronics industry is a cyclical industry with demand for capacitors reflecting the demand for products in the electronics market. Customers' requirements for our capacitors fluctuate as a result of changes in general economic activity and other factors affecting the demand for their end-products. During periods of increasing demand for their products, they typically seek to increase their inventory of our products to avoid production bottlenecks. When demand for their products peaks and begins to decline, they may rapidly decrease orders for our products while they use accumulated inventory. Business cycles vary somewhat in different geographical regions, such as Asia, and within customer industries. We are also vulnerable to general economic events beyond our control and our sales and profits may suffer in periods of weak demand.

Our ability to realize operating plans is also dependent upon meeting our payment obligations. If cash generated from operating, investing and financing activities is insufficient to pay for operating requirements and to cover interest payment obligations under debt instruments, planned operating and capital expenditures may need to be reduced. Additionally, long-lived assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of a long-lived asset or group of assets may not be recoverable. Also, goodwill is reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. In the event the tests show the carrying value of certain long-lived assets is impaired, we would be required to take an impairment charge to earnings under U.S. generally accepted accounting principles. However, such a charge would have no direct effect on our cash. If the economic conditions decline we could incur impairment charges in the future.

An increase in the cost or decrease in the availability of our principal or single-sourced purchased raw materials could adversely affect profitability.

The principal raw materials used in the manufacture of our products are tantalum powder, tantalum ore, palladium, aluminum, silver, copper, nickel and tin. These materials are considered commodities and are subject to price volatility. Additionally, any delays in obtaining raw materials for our products could hinder our ability to manufacture our products, negatively impacting our competitive position and our relationships with our customers.

Tantalum is mined principally in the Democratic Republic of Congo, Australia, Brazil, Canada, Mozambique and Rwanda. As a result of our tantalum vertical integration program which began in fiscal year 2012, we have reduced our exposure to price volatility and supply uncertainty in the tantalum supply chain. A majority of our tantalum needs are now met through our direct sourcing of conflict free tantalum ore or tantalum scrap reclaim, which is then processed into the intermediate product potassium heptafluorotantalate (commonly known as K-salt) at our own facility in Mexico or at third party locations, before final processing into tantalum powder at Blue Powder. Price increases for tantalum ore, or for the remaining tantalum powder that we source from third parties, could impact our financial performance as we may not be able to pass all such price increases on to our customers.

Silver and aluminum have generally been available in sufficient quantities, and we believe there are a sufficient number of suppliers from which we can purchase our requirements. An increase in the price of silver and aluminum that we are unable to pass on to our customers, could, however, have an adverse effect on our profitability.

Changes in the competitive environment could harm our business.

The capacitor business is competitive worldwide, with low transportation costs and few import barriers. Competition is based on factors such as product quality and reliability, availability, customer service, technical innovation, timely delivery and price. The industry has become increasingly consolidated and globalized in recent years, and our primary U.S. and non-U.S. competitors, some of which are larger than us, have significant financial resources. The greater financial resources of such competitors may enable them to commit larger amounts of capital in response to changing market conditions. Some competitors may also have the ability to use profits from other operations to subsidize losses sustained in their businesses with which we compete. Certain competitors may also develop product or service innovations that could put us at a disadvantage.

Uncertainty of the timing of customer product qualifications in heavily regulated industries could affect the timing of product revenues and profitability arising from these industries.

Our capacitors are incorporated into products used in diverse industries. Certain of these industries, such as military, aerospace and medical, are heavily regulated, with long and sometimes unpredictable product approval and qualification processes. Due to such regulatory compliance issues, there can be no assurances as to the timing of product revenues and profitability arising from our product development and sales efforts in these industries.

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We manufacture many capacitors in Europe, Mexico and Asia and economic, political or regulatory changes in any of these regions could adversely affect our profitability.

Our international operations are subject to a number of special risks, in addition to the same risks as our domestic business. These risks include currency exchange rate fluctuations, differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, domestic and foreign customs and tariffs, current and changing regulatory regimes, differences in the availability and terms of financing, political instability and potential increases in taxes. These factors could impact our production capability or adversely affect our results of operations or financial condition.

We may experience difficulties, delays or unexpected costs in completing our restructuring plan and may not realize all of the expected benefits from our restructuring plan.

During fiscal year 2017, we continued our restructuring plan for Film and Electrolytic and three operations were ceased and we reduced headcount by approximately 44 employees, we may further reduce headcount in fiscal year 2018. Solid Capacitors took actions to consolidate manufacturing in Victoria, Mexico and Matamoros, Mexico in fiscal year 2017. The full benefits of this restructuring activity are expected to be realized in fiscal year 2018. We may not realize, in full or in part, the anticipated benefits of the restructuring plan without encountering difficulties, which may include complications in the transfer of production knowledge, loss of key employees and/or customers, the disruption of ongoing business, possible inconsistencies in standards, controls and procedures and potential difficulty in meeting customer demand in the event the market dramatically improves. We are party to collective bargaining agreements in certain jurisdictions in which we operate which could potentially prevent or delay execution of parts of our restructuring plan.

Acquisitions and other strategic transactions expose us to a variety of operational and financial risks.

Our ability to realize the anticipated benefits of acquisitions depends, to a large extent, on our ability to integrate the acquired companies with our own. Our management devotes significant attention and resources to these efforts, which may disrupt the business of each of the companies and, if executed ineffectively, could preclude realization of the full benefits we expect. Failure to realize the anticipated benefits of our acquisitions could cause an interruption of, or a loss of momentum in, the operations of the acquired company. In addition, the efforts required to realize the benefits of our acquisitions may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, the diversion of management’s attention, and may cause our stock price to decline.

Additionally, we may finance acquisitions or future payments with cash from operations, additional indebtedness and/or the issuance of additional securities, any of which may impair the operation of our business or present additional risks, such as reduced liquidity or increased interest expense. Such acquisition financing could result in a decrease of our ratio of earnings to fixed charges. We may also seek to restructure our business in the future by disposing of certain of our assets, which may harm our future operating results, divert significant managerial attention from our operations and/or require us to accept non-cash consideration, the market value of which may fluctuate. Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have an adverse effect on our business, financial condition and results of operations.

We may not realize the anticipated synergies and revenue expansion expected to result from the acquisition of TOKIN and we may experience difficulties in integrating TOKIN’s business which may adversely affect our financial performance.

There can be no assurance we will realize the anticipated operating synergies, tax benefits and revenue expansion from the acquisition of TOKIN or we will not experience difficulties in integrating the operations of TOKIN with our operations. For example, the integration of TOKIN will require the experience and expertise of certain of our key managers and key managers of TOKIN. There can be no assurance, however, that these managers will remain with us for the time period necessary to successfully integrate the operations of TOKIN with our operations. In addition, the acquisition of TOKIN may present significant challenges for our management due to the increased time and resources required to properly integrate our management, employees, information systems, accounting controls, personnel and administrative functions with those of TOKIN and to manage the combined company on a going forward basis. There can be no assurance we will be able to successfully integrate and streamline overlapping functions or, if successfully accomplished, that such integration will not be more costly to accomplish than presently contemplated or that we will not encounter difficulties in managing the combined company due to its increased size and scope. Furthermore, expansions or acquisitions into new geographic markets and services may require us to comply with new and unfamiliar legal and regulatory requirements, which could impose substantial obligations on us and our management, cause us to expend additional time and resources and increase our exposure to penalties or fines for non-compliance with such requirements.

Furthermore, there can be no assurance that, as a combined company, we will continue to maintain all of the supplier and customer relationships we and TOKIN enjoyed as separate companies. As a combined company, we may encounter difficulties managing relationships with our suppliers and our customers due to our increased size and scope and to the increased number of relationships we will have with suppliers and customers.

We are currently subject to increased regulatory scrutiny and litigation that may negatively impact our business.

The growth of our Company and our expansion into a variety of new products expose us to a variety of new regulatory issues, and we have experienced increased regulatory scrutiny as we have grown. We are subject to various federal, foreign and state laws, including antitrust laws, violations of which can involve civil or criminal sanctions. Beginning in March 2014, TOKIN and certain of its subsidiaries have received inquiries, requests for information and other communications from government authorities in China, the United States, the European Commission, Japan, South Korea, Taiwan, Singapore and Brazil concerning alleged anti-competitive activities within the capacitor industry, and TOKIN has subsequently received significant fines from the United States Department of Justice and the Taiwan Fair Trade Commission arising out of their respective investigations. Given our leading position within several segments of the capacitor industry and our acquisition of TOKIN on April 19, 2017, these investigations have exposed us to civil litigation costs and could interfere with our ability to meet certain business objectives. As of March 31, 2017, TOKIN's accrual for antitrust and civil litigation totaled $83.4 million. This amount includes the best estimate of losses which may result from the ongoing antitrust investigations, civil litigation and claims. However, the actual outcomes could differ from what has been accrued.

Various purported antitrust class actions as described in "Item 3. Legal Proceedings," have been filed in United States district courts and Canada alleging collusion and restraint of trade in capacitors by the named defendants, including KEMET Corporation, KEC and TOKIN.

Except for the TOKIN accrual described above, the Company has not recorded any accrual concerning these antitrust class action suits.

The impact of these and other investigations could have a material adverse effect on our financial position, liquidity and results of operations.

If we are unable to attract, train or retain key employees, management or a highly skilled and diverse workforce, it could have a negative impact on our business, financial condition or results of operations.

Our success depends upon the continued contributions of our executive officers and certain other employees, many of whom have many years of experience with us and would be extremely difficult to replace. We must also attract and retain experienced and highly skilled engineering, sales and marketing and managerial personnel. Competition for qualified personnel is intense in our industry, and we may not be successful in hiring and retaining these people. If we lost the services of our executive officers or our other highly qualified and experienced employees or cannot attract and retain other qualified personnel, our business could suffer through less effective management due to loss of accumulated knowledge of our business or through less successful products due to a reduced ability to design, manufacture and market our products.

We must continue to develop innovative products to maintain relationships with our customers and to offset potential price erosion in older products.

While most of the fundamental technologies used in the passive components industry have been available for a long time, the market is nonetheless characterized by rapid changes in product designs and technological advances allowing for better performance, smaller size and/or lower cost. New applications are frequently found for existing technologies, and new technologies occasionally replace existing technologies for some applications or open up new business opportunities in other areas of application. We believe successful innovation is critical for maintaining profitability in order to offset potential erosion of selling prices for existing products and to ensure the flow of new products and robust manufacturing processes that will keep us at the forefront of our customers' product designs.

Non-customized commodity products are especially vulnerable to price pressure, but customized products have also experienced price pressure in recent years. Developing and marketing new products requires start-up costs that may not be recouped if these products or production techniques are not successful. There are numerous risks inherent in product development, including the risks we will be unable to anticipate the direction of technological change or we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our results of operations.

We may be exposed to claims alleging product defects.

Our business exposes us to claims alleging product defects or nonconformance with product specifications. We may be held liable for, or incur costs related to, such claims if any of our products, or products in which our products are incorporated,

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are found to have caused end market product application failures, product recalls, property damage or personal injury. Provisions in our customer and distributor agreements are designed to limit our exposure to potential material product defect claims, including warranty, indemnification, waiver and limitation of liability provisions, but such provisions may not be effective under the laws of some jurisdictions. If we cannot successfully defend ourselves against product defect claims, we may incur substantial liabilities. Regardless of the merits or eventual outcome, defect claims could entail substantial expense and require the time and attention of key management personnel.

Our insurance program may not be adequate to cover all liabilities arising out of product defect claims and, at any time, insurance coverage may not be available on commercially reasonable terms or at all. If liability coverage is insufficient, a product defect claim could result in liability to us, which could materially and adversely affect our results of operations or financial condition. Even if we have adequate insurance coverage, product defect claims or recalls could result in negative publicity or force us to devote significant time and attention to those matters.

Various laws and regulations that apply to our business, including those relating to conflict minerals and environmental matters, could limit our ability to operate as we are currently and could result in additional costs.

We are subject to various laws and regulations of national, state and local authorities in the countries in which we operate regarding a wide variety of matters, including conflict minerals, environmental, employment, land use, antitrust, and others that affect the day-to-day operations of our business. The liabilities and requirements associated with the laws and regulations that affect us may be costly and time-consuming. There can be no assurance we have been or will be at all times in compliance with such applicable laws and regulations. Failure to comply may result in the assessment of administrative, civil and criminal penalties, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting our operations. If we are pursued for sanctions, costs or liabilities in respect of these matters, our operations and, as a result, our profitability could be materially and adversely affected.

The SEC requires issuers for whom tantalum, tin, tungsten and gold are necessary to the functionality or production of a product manufactured, or contracted to be manufactured, by such person to disclose annually whether any of those minerals originated in the Democratic Republic of Congo or an adjoining country. As defined by the SEC, tantalum, tin, tungsten and gold are commonly referred to as “conflict minerals” or “3TG”. If an issuer’s conflict minerals originated in those countries, the rule requires the issuer to submit a report to the Commission that includes a description of the measures it took to exercise due diligence on the conflict minerals’ source and chain of custody. We use tantalum, tin and, to a lesser degree, other of the 3TG minerals in our production processes and in our products. We have exercised due diligence on the source and chain of custody during the reporting period and, as required under the rule, will disclose a description of these measures and certain of our findings in a special disclosure on Form SD. Disclosure in accordance with the rule may cause changes to the pricing of 3TG minerals, which could adversely affect our profitability. In addition, it is possible some of our disclosures pursuant to the rule related to our inquiries and supply chain custody diligence could cause reputational harm and cause the company to lose customers or sales.

In addition, we are subject to a variety of U.S. federal, state and local, as well as foreign, environmental laws and regulations relating, among other things, to wastewater discharge, air emissions, handling of hazardous materials, disposal of solid and hazardous wastes, and remediation of soil and groundwater contamination. We use a number of chemicals or similar substances and generate waste that are considered hazardous. We are required to hold environmental permits to conduct many of our operations. Violations of environmental laws and regulations could result in substantial fines, penalties, and other sanctions. Changes in environmental laws or regulations (or in their enforcement) affecting or limiting, for example, our chemical uses, certain of our manufacturing processes, or our disposal practices, could restrict our ability to operate as we are currently operating or impose additional costs. In addition, we may experience releases of certain chemicals or discover existing contamination, which could cause us to incur material cleanup costs or other damages.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable export control laws and regulations of the United States and other countries. United States laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations ("EAR") and the trade and trade sanctions laws and regulations administered by the Office of the United States Trade Representative ("OFTR") and the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC"). The import and export of our products from each of our United States and international manufacturing facilities and distribution hubs are subject to international trade agreements, the modification or repeal of which could impact our business. We must comply with the requirements of OFTR and non-U.S. trade representative offices in order to benefit from existing trade agreements. EAR restricts the export of dual-use products and technical data to certain countries, while ITAR restricts the export of defense products, technical data and defense services. The U.S. government agencies responsible for administering EAR and ITAR have significant discretion in the interpretation and

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enforcement of these regulations. We also cannot provide services to certain countries subject to United States trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act and other anti-bribery laws that, generally, bar bribes or unreasonable gifts to foreign governments or officials.

Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, more extensive debarments from export privileges, loss of authorizations needed to conduct aspects of our international business and criminal penalties and may harm our ability to enter contracts with customers who have contracts with the U.S. government. A violation of the laws or the regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

Changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations.

A significant portion of our business activities are conducted in foreign countries, including Mexico and China. Our business benefits from free trade agreements such as the North American Free Trade Agreement ("NAFTA") and we also rely on various U.S. corporate tax provisions related to international commerce as we build, market and sell our products globally. Changes in trade treaties and corporate tax policy could impact U.S. trade relations with other countries such as Mexico, and adversely affect our financial condition and results of operations.

Volatility of financial and credit markets could affect our access to capital.

Uncertainty in the global financial and credit markets could impact our ability to implement new financial arrangements or to modify our existing financial arrangements. An inability to obtain new financing or to further modify existing financing could adversely impact the execution of our restructuring plans and delay the realization of the expected cost reductions. Our ability to generate adequate liquidity will depend on our ability to execute our operating plans and to manage costs in light of developing economic conditions. An unanticipated decrease in sales, or other factors that would cause the actual outcome of our plans to differ from expectations, could create a shortfall in cash available to fund our liquidity needs. Being unable to access new capital, experiencing a shortfall in cash from operations to fund our liquidity needs and the failure to implement an initiative to offset the shortfall in cash would likely have a material adverse effect on our business.

We must consistently reduce the total costs of our products to remain competitive.

Our industry is intensely competitive and prices for existing commodity products tend to decrease steadily over their life cycle. There is substantial and continuing pressure from customers to reduce the total cost of capacitors. To remain competitive, we must achieve continuous cost reductions through process and product improvements.

We must also be in a position to minimize our customers' shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our growth and the profit margins of our products will suffer if our competitors are more successful in reducing the total cost to customers of their products than we are. We must also continue to introduce new products that offer performance advantages over our existing products and can thereby achieve premium prices, offsetting the price declines in our more mature products.

Our use of net operating losses to offset possible future taxable income could be limited by ownership changes.

In addition to the general limitations on the carryback and carryforward of net operating losses under Section 172 of the Internal Revenue Code (the "Code"), Section 382 of the Code imposes further limitations on the utilization of net operating losses by a corporation following ownership changes which result in more than a 50 percentage point change in ownership of a corporation within a three-year period. If Section 382 applies, the post-ownership change utilization of our net operating losses may be subject to limitation for federal income tax purposes related to regular and alternative minimum tax. The application of Section 382 of the Code now or in the future could limit a substantial part of our future utilization of available net operating losses. Such limitation could require us to pay substantial additional income taxes and adversely affect our liquidity and financial position.

We do not believe we have experienced an ownership change to date. However, the Section 382 rules are complex and there is no assurance our view is correct. For example, the issuance of a warrant (the "Platinum Warrant") in May 2009 to K Financing, LLC (“K Financing”), in connection with the entry into a credit facility (the “Platinum Credit Facility”) with K Financing, may be deemed to have resulted in an “ownership change” for purposes of Section 382 of the Code. If such an ownership change is deemed to have occurred, the amount of our post-ownership change taxable income that could be offset by our pre-ownership change net operating loss carryforwards would be severely limited. While we believe the issuance of the Platinum Warrant did not result in an ownership change for purposes of Section 382 of the Code, there is no assurance our view will be unchallenged.

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Even if we have not experienced an ownership change to date, we could experience an ownership change in the near future if there are certain significant purchases of our common stock or other events outside our control.

Our debt agreements contain restrictions that could limit our flexibility in operating our business.

Our debt agreements contain various covenants that, subject to exceptions, may limit our ability to, among other things: incur additional indebtedness; create liens on assets; make capital expenditures; engage in mergers, consolidations, liquidations and dissolutions; sell assets (including pursuant to sale leaseback transactions); pay dividends and distributions on or repurchase capital stock; make investments (including acquisitions), loans, or advances; prepay certain junior indebtedness; engage in certain transactions with affiliates; enter into restrictive agreements; amend material agreements governing certain junior indebtedness; and change lines of business. The agreement governing our revolving credit facility also includes a fixed charge coverage ratio covenant that we must satisfy if an event of default occurs or in the event we do not meet certain excess availability requirements under our revolving credit facility. Our ability to comply with this covenant is dependent on our future performance, which may be subject to many factors, some of which are beyond our control.

If our information technology systems fail to function properly it may cause business disruptions.

As a global company we depend on our information technology systems to support our business. Any inability to successfully manage the procurement, development, implementation, execution or maintenance of our information systems, including matters related to system and data security, reliability, compliance or performance could have an adverse effect on our business including our results of operation and timeliness of financial reporting.

In the ordinary course of business, we collect and store sensitive data and information, including our proprietary and regulated business information, as well as personally identifiable information about our employees, in addition to other information upon which our business processes rely. Our information systems, like those of other companies, are susceptible to malicious damage, intrusions and outages due to, among other events, viruses, breaches of security, natural disasters, power loss or telecommunications failures. We have taken steps to maintain adequate data security and address these risks and uncertainties by implementing security technologies, internal controls, network and data center resiliency and recovery processes. However, any operational failure could lead to the loss or disclosure of confidential and other important information which could have the following implications: loss of intellectual property, significant remediation costs, disruption to key business operations and diversion of management’s attention and key informational technology resources.

K Equity may obtain significant influence over all matters submitted to a stockholder vote if they exercise Platinum Warrant and retain ownership of the shares, which may limit the ability of other shareholders to influence corporate activities and may adversely affect the market price of our common stock.

As part of the consideration for entering into the Platinum Credit Facility on May 5, 2009, K Financing received the Platinum Warrant to purchase up to 26,848,484 shares of our common stock (subject to certain adjustments), representing 49.9% of our outstanding common stock at the time of issuance on a post-exercise basis. This Platinum Warrant was subsequently transferred to K Equity, LLC (“K Equity”), an affiliate of K Financing. As of March 31, 2017, 8,416,815 shares remain subject to the Platinum Warrant. To the extent K Equity exercises the remainder of the Platinum Warrant in whole or in part but does not sell all or a significant part of the shares it acquires upon exercise, K Equity may own up to 18.0% of our outstanding common stock. As a result, K Equity may have substantial influence over the outcome of votes on all matters requiring approval by our stockholders, including the election of directors, the adoption of amendments to our restated certificate of incorporation and by-laws and approval of significant corporate transactions. This concentration of stock ownership may make it difficult for stockholders to replace management. In addition, this significant concentration of stock ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. This concentration of control could be disadvantageous to other stockholders with interests different from those of our officers, directors and principal stockholders, and the trading price of shares of our common stock could be adversely affected.

If economic and demographic experience for pension and other post-retirement benefit plans are less favorable than our assumptions (e.g., discount rates or return on investments), then it may affect our financial condition and results of operations.

The measurement of our obligations, costs, and liabilities associated with benefits pursuant to our pension and other post-retirement benefit plans requires that we estimate the present value of projected future payments to all participants. We use many assumptions in calculating these estimates, including assumptions related to discount rates, return on investments on designated plan assets, and demographic experience (e.g., mortality and retirement rates). To the extent actual results are less favorable than our assumptions, there could be a substantial adverse impact on our financial condition and results of operations. For instance, significant decreases in market interest rates could lead to increases in annual pension expense. Further, decreases

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in the value of plan assets could lead to an increased use of cash for plan contributions. For discussion of our assumptions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in Item 7 and Note 10 to the consolidated financial statements.

Sales to distribution channel customers may fluctuate and adversely affect our results of operations.
From time-to-time, if end customer demand decreases, our sales to distributors also decrease while the distributors reduce their inventory levels. In addition, a single customer, a distributor, accounted for over 10% of our net sales in fiscal years 2017, 2016 and 2015. If our relationship with this customer were to terminate, we would need to determine alternative means of delivering our products to the end-customers served by it.
Earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

Several of our facilities in Japan (through the acquisition of TOKIN on April 19, 2017) are located in regions that are subject to earthquakes and other natural disasters. Our production facilities located in Japan are in areas with above average seismic activity and some have been affected by other natural disasters such as tsunami. If any of our facilities in Japan or elsewhere were to experience a catastrophic earthquake or other natural disaster, such event could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace the facility or facilities. While KEMET has property insurance to partially reimburse it for losses caused by windstorm and earth movement, such insurance would not cover all possible losses. In addition, our existing disaster recovery and business continuity plans (including those relating to our information technology systems) may not be fully responsive to, or minimize losses associated with, catastrophic events.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We are headquartered in Simpsonville, South Carolina, and, as of March 31, 2017, had 18 manufacturing plants located in North America, Europe and Asia. Our manufacturing and research facilities include approximately 3.0 million square feet of floor space and use proprietary manufacturing processes and equipment. Through the acquisition of TOKIN we added 6 manufacturing plants located in Asia which include approximately 1.8 million square feet of floor space and use proprietary manufacturing processes and equipment.
Our facilities in Mexico operate under the Maquiladora program. In general, a company that operates under this program is afforded certain duty and tax preferences and incentives on products brought into the United States. Our manufacturing standards, including compliance with worker safety laws and regulations, are essentially identical in North America, Europe and Asia. Our operations in Mexico, Europe and Asia, similar to our United States operations, have won numerous quality, environmental and safety awards.
We believe substantially all of our property and equipment is in good condition, and overall, we have sufficient capacity to meet our current and projected manufacturing and distribution needs.

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The following table provides certain information regarding our principal facilities:

Location	Square Footage (in thousands)	Type of Interest	Description of Use
Simpsonville, South Carolina U.S.A.	382	Owned	Headquarters, Innovation Center, Advanced Tantalum Manufacturing
Solid Capacitor Business Group			
Matamoros, Mexico (1)	384	(1)	(1)
Monterrey, Mexico (2)	532	Owned	Manufacturing
Suzhou, China (2)	353	Leased	Manufacturing
Ciudad Victoria, Mexico	265	Owned	Manufacturing
Carson City, Nevada U.S.A.	89	Owned	Manufacturing
Nyuzen, Toyama Japan (3)	202	Owned	Innovation Center
Chachoengsao, Thailand (3)	141	Owned	Manufacturing
Film and Electrolytic Business Group			
Evora, Portugal	233	Owned	Manufacturing and Innovation Center
Skopje, Macedonia	126	Owned	Manufacturing
Granna, Sweden	132	Owned	Manufacturing
Suomussalmi, Finland	56	Leased	Manufacturing
Batam, Indonesia	86	Owned	Manufacturing
Kyustendil, Bulgaria (4)	83	(4)	(4)
Pontecchio, Italy	226	Owned	Manufacturing and Innovation Center
Anting, China	38	Owned	Manufacturing
Farjestaden, Sweden	28	Leased	Manufacturing and Innovation Center
Other TOKIN Product Lines (3)			
Shiroishi, Miyagi Japan	524	Owned	Manufacturing
Sendai, Miyagi Japan	377	Owned	Manufacturing and Innovation Center
Bien Hoa City Dong Nai Province, Vietnam	174	Owned	Manufacturing
Xiamen, China	430	Owned	Manufacturing

(1) Includes two manufacturing facilities, one owned and one leased facility. The leased facility processes raw materials, and is being relocated to our owned facility in Matamoros, Mexico. Leased location will be vacated early fiscal year 2018.
(2) Includes two manufacturing facilities.
(3) Properties were added subsequent to March 31, 2017 related to the acquisition of TOKIN on April 19, 2017.
(4) Includes one owned manufacturing facility and one leased warehouse facility.

ITEM 3. LEGAL PROCEEDINGS.

We or our subsidiaries may at any one time be parties to lawsuits arising out of their respective operations, including workers' compensation or work place safety cases, some of which involve claims of substantial damages. Although there can be no assurance, based upon information known to us, we do not believe that any liability which might result from an adverse determination of such lawsuits would have a material adverse effect on our financial condition or results of operations.

As previously reported, KEMET Corporation and KEC, along with more than 20 other capacitor manufacturers and subsidiaries (including TOKIN, as described below), are defendants in a purported antitrust class action complaint, In re: Capacitors Antitrust Litigation, No. 3:14-cv-03264-JD, filed on December 4, 2014 with the United States District Court, Northern District of California (the “U.S. Class Action Complaint”). The complaint alleges a violation of Section 1 of the Sherman Act, for which it seeks injunctive and equitable relief and money damages. The complaint is currently in the factual discovery phase. In addition, KEMET Corporation and KEC, along with more than 20 other capacitor manufacturers and subsidiaries, have been named as defendants in two suits by plaintiffs who have chosen not to participate in the U.S. Class Action Complaint (collectively with the U.S. Class Action Complaint, the “U.S. Complaints”): AASI Beneficiaries’ Trust v. AVX

Corporation, et al., filed on August 29, 2016 in the United States District Court, Southern District of Florida, and Benchmark Electronics, Inc., et al. v. AVX Corporation, et al., filed on April 18, 2017 in the United States District Court, Southern District of Texas. The AASI and Benchmark complaints allege generally the same violations as the U.S. Class Action Complaint.

In addition, as previously reported, KEMET Corporation and KEC, along with certain other capacitor manufacturers and subsidiaries, were named as defendants in several additional suits that were filed in Canada (collectively, the “Canadian Complaints”): Badashmin v. Panasonic Corporation, et al., filed August 6, 2014 in the Superior Court, Province of Quebec, District of Montreal; Herard v. Panasonic Corporation, et al., filed August 6, 2014 in the Superior Court, Province of Quebec, District of Montreal; Cygnus Electronics Corporation v. Panasonic Corporation, et al., filed August 6, 2014 in the Superior Court of Justice, Province of Ontario; LeClaire v. Panasonic Corporation, et al., filed August 6, 2014 in the Superior Court, Province of Quebec, District of Montreal; Taylor v Panasonic Corporation, et al., filed August 11, 2014 in the Superior Court of Justice, Province of Ontario; Ramsay v. Panasonic Corporation, et al., filed August 14, 2014 in the Supreme Court, Province of British Columbia; Martin v. Panasonic Corporation, et al., filed September 25, 2014 in the Superior Court, Province of Quebec, District of Montreal; Parikh v. Panasonic Corporation, et al., filed October 3, 2014 in the Superior Court of Justice, Province of Ontario; Fraser v. Panasonic Corporation, et al., filed October 3, 2014 in the Court of Queen’s Bench, Province of Saskatchewan; Pickering v. Panasonic Corporation, et al., filed October 6, 2014 in the Supreme Court, Province of British Columbia; McPherson v Panasonic Corporation et al., filed on November 6, 2014 in the Court of Queen’s Bench, Province of Manitoba; and Allott v AVX Corporation, et al., filed on May 13, 2016 in the Superior Court of Justice, Province of Ontario. The Canadian Complaints generally allege the same unlawful acts as in the U.S. Complaints, assert claims under Canada’s Competition Act as well as various civil and common law causes of action, and seek injunctive and equitable relief and money damages.

Except for the TOKIN accrual described below and certain attorneys’ fees, the Company has not recorded any accrual concerning the U.S. Complaints and the Canadian Complaints.

Beginning in March 2014, TOKIN and certain of its subsidiaries have received inquiries, requests for information and other communications from government authorities in China, the United States, the European Union, Japan, South Korea, Taiwan, Singapore and Brazil concerning alleged anti-competitive activities within the capacitor industry.

On September 2, 2015, the United States Department of Justice announced a plea agreement with TOKIN in which TOKIN agreed to plead guilty to a one-count felony charge of unreasonable restraint of interstate and foreign trade and commerce in violation of Section 1 of the Sherman Act, and to pay a criminal fine of $13.8 million. The plea agreement was approved by the United States District Court, Northern District of California, on January 21, 2016. The fine is payable over 5 years in six installments of $2.3 million each, plus accrued interest. The first and second payments were made in February 2016 and January 2017, respectively, while the next payment is due in January 2018.

On December 9, 2015, the Taiwan Fair Trade Commission (“TFTC”) publicly announced that TOKIN would be fined 1,218.2 million New Taiwan dollars (“NTD”) (approximately U.S. $40.2 million) for violations of the Taiwan Fair Trade Act. Subsequently, the TFTC indicated the fine would be reduced to NTD609.1 million (approximately U.S. $20.1 million). In February 2016, TOKIN commenced an administrative suit in Taiwan, challenging the validity of the amount of the fine.

On March 29, 2016, the Japan Fair Trade Commission published an order by which TOKIN was fined ¥127.2 million (approximately U.S. $1.1 million) for violation of the Japanese Antimonopoly Act. Payment of the fine was made in October 2016.

On July 27, 2016, Brazil’s Administrative Council for Economic Defense approved a cease and desist agreement with TOKIN in which TOKIN made a financial contribution of Brazilian real 601 thousand (approximately U.S. $0.2 million) to Brazil’s Fund for Defense of Diffuse Rights.

On May 2, 2016, TOKIN reached a preliminary settlement, followed by definitive settlement agreements on July 15, 2016, in two antitrust suits pending in the United States District Court, Northern District of California as In re: Capacitors Antitrust Litigation, No. 3:14-cv-03264-JD (the “Class Action Suits”), which was approved by the court on April 6, 2017 (for the purported direct purchaser plaintiffs), or is subject to court approval (for the purported indirect purchaser plaintiffs). Pursuant to the terms of the settlement, in consideration of the release of TOKIN and its subsidiaries (including TOKIN America, Inc.) from claims asserted in the Class Action Suits, TOKIN will pay an aggregate $37.3 million to a settlement class of direct purchasers of capacitors and a settlement class of indirect purchasers of capacitors. Each of the respective class payments is payable in five installments, the first of which became due on July 29, 2016, the next three of which are due each year thereafter on the anniversary of the initial payment, and the final payment is due by December 31, 2019. TOKIN has paid the initial installment payments into the two plaintiff classes’ respective escrow accounts.

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In the fiscal year ended March 31, 2017, KEMET incurred a loss of $7.1 million related to TOKIN's antitrust and civil litigation fines and legal fees, based upon its 34% economic interest in TOKIN, which is included in the line item "Equity income (loss) from TOKIN" on the Consolidated Statements of Operations.

The remaining governmental investigations are continuing at various stages. As of March 31, 2017, TOKIN's accrual for antitrust and civil litigation totaled $83.4 million. This amount includes the best estimate of losses which may result from the ongoing antitrust investigations, civil litigation and claims. However, the actual outcomes could differ from what has been accrued. Additionally, under the terms of the TOKIN Purchase Agreement (as hereinafter defined), TOKIN will be responsible for defending all suits, paying all expenses and satisfying all judgments to the extent arising out of or related the capacitor antitrust investigations and related litigation described above.

ITEM 4. MINE SAFTETY DISCLOSURES.

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age, business experience, positions and offices held and period served in such positions or offices for each of the executive officers and certain key employees of the Company are listed below. There are no family relationships among our executive officers and directors.

Name	Age	Position	Years with Company
Per-Olof Lööf	66	Chief Executive Officer and Director	12
William M. Lowe, Jr.	64	Executive Vice President and Chief Financial Officer	9
Charles C. Meeks, Jr.	55	Executive Vice President, Solid Capacitor Business Group	33
R. James Assaf	57	Senior Vice President, General Counsel and Secretary	9
Claudio Lollini	37	Senior Vice President of Global Sales and Marketing	12
Stefano Vetralla	54	Senior Vice President and Chief Human Resources Officer	9
Susan B. Barkal	54	Senior Vice President Quality, Chief Compliance Officer and Chief of Staff	17
Dr. Phillip M. Lessner	58	Senior Vice President and Chief Technology Officer	21
Andreas Meier	49	Senior Vice President, Film and Electrolytic Business Group	19
Michael L. Raynor	51	Vice President and Corporate Controller	9
Richard J. Vatinelle	53	Vice President and Treasurer	4
Robert S. Willoughby	56	Senior Vice President, Global Supply Chain	31

Executive Officers

Per-Olof Lööf, Chief Executive Officer and Director, was named such in April 2005. Mr. Lööf was previously the Managing Partner of QuanStar Group, LLC, a management consulting firm and had served in such capacity since December 2003. Prior thereto, he served as Chief Executive Officer of Sensormatic Electronics Corporation and in various management roles with Andersen Consulting, Digital Equipment Corporation, AT&T and NCR. Mr. Lööf also serves on several charity boards including the Boca Raton Regional Hospital and the International Centre for Missing & Exploited Children. He received a "civilekonom examen" degree in economics and business administration from the Stockholm School of Economics.

William M. Lowe, Jr., Executive Vice President and Chief Financial Officer, was named such in July 2008. Mr. Lowe was previously the Vice President, Chief Operating Officer and Chief Financial Officer of Unifi, Inc., a producer and processor of textured synthetic yarns from January 2004 to October 2007. Prior to holding that position, he was Executive Vice President and Chief Financial Officer for Metaldyne, an automotive components manufacturer. He also held various financial management positions with ArvinMeritor, Inc., a premier global supplier of integrated automotive components. He received his B.S. degree in business administration with a major in accounting from Tri-State University and is a Certified Public Accountant in the state of Ohio.

Charles C. Meeks, Jr., Executive Vice President, Solid Capacitor Business Group, was named such in May 2013. He joined KEMET in December 1983 in the position of Process Engineer, and has held various positions of increased responsibility including the positions of Plant Manager and Director of Operations, Ceramic Business Group. He was named Vice President, Ceramic Business Group in June 2005, Senior Vice President, Ceramic Business Group in October 2007, Senior Vice President, Ceramic and Film and Electrolytic Business Group in March 2010 and Executive Vice President Ceramic and

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Film and Electrolytic Business Group in May 2011 prior to his appointment to his current position. In addition, since January 2000, Mr. Meeks has served as President of Top Notch Inc., a private company that offers stress management therapy services. Mr. Meeks received a Masters of Business Administration degree and a Bachelor of Science degree in Ceramic Engineering from Clemson University.

R. James Assaf, Senior Vice President, General Counsel and Secretary, was named such in February 2014. Mr. Assaf joined KEMET as Vice President, General Counsel in March 2008, and was appointed Vice President, General Counsel and Secretary in July 2008 prior to his appointment to his current position. Before joining KEMET, Mr. Assaf served as General Manager for InkSure Inc., a start-up seller of product authentication solutions. He had also previously held several positions with Sensormatic Electronics Corporation, including Associate General Counsel and Director of Business Development, Mergers & Acquisitions. Prior to Sensormatic, Mr. Assaf served as an Associate Attorney with the international law firm Squire Sanders & Dempsey. Mr. Assaf received his Bachelor of Arts degree from Kenyon College and his Juris Doctor degree from Case Western Reserve University School of Law.

Claudio Lollini, Senior Vice President of Global Sales and Marketing, was named such in July 2015. He joined KEMET in October 2007 through the Company's acquisition of Arcotronics Italia S.p.A., where he served as Manager, Sales - Greater China. Mr. Lollini was appointed Director of Product Management for Film & Electrolytic in January 2009, Director of Sales Taiwan in June 2012, and Vice President, Sales - Asia Pacific in May 2013 prior to his appointment to his current position. Mr. Lollini holds a Bachelor of Science degree in Engineering Management from the University of Bologna and a Master of Business Administration from the Kellogg School of Management, and is a 2011 graduate of the KEMET Leadership Forum.

Stefano Vetralla, Senior Vice President and Chief Human Resources Officer, was named such in July 2015. He joined KEMET in May 2008 as Director - HR, Film and Electrolytic Business Group. Mr. Vetralla was appointed Director - HR, Global Sales and Film and Electrolytic Business Group in January 2011; Senior Director HR, Global Sales and Film and Electrolytic Business Group in January 2012; Senior Director - HR, Field in September 2012; Vice President - Global HR Operations in September 2013; and Vice President - Global HR and Chief Human Resources Officer in May 2014 prior to his current appointment. Prior to KEMET, he held Human Resources positions of increasing responsibility in international corporations including Hewlett-Packard Company, 3Com Corporation and Telindus /Belgacom. Mr. Vetralla holds a Law Degree from the State University of Milan and is a 2011 graduate of the KEMET Leadership Forum.

Other Key Employees

Susan B. Barkal, Senior Vice President Quality, Chief Compliance Officer and Chief of Staff, was named such in February 2014. Ms. Barkal joined KEMET in November 1999, and has served as Quality Manager for the Tantalum Business Group (now a part of Solid Capacitors), Technical Product Manager for all Tantalum product lines and Director of Tantalum Product Management. Ms. Barkal was appointed Vice President of Quality and Chief Compliance Officer in December 2008 prior to her appointment to her current position. Ms. Barkal holds a Bachelor of Science degree in Chemical Engineering from Clarkson University, a Master of Science degree in Mechanical Engineering from California Polytechnic University and is a 2007 graduate of the KEMET Leadership Forum.

Dr. Philip M. Lessner, Senior Vice President and Chief Technology Officer, was named such in February 2014. He joined KEMET in March 1996 as a Technical Associate in the Tantalum Technology Group. He has held several positions of increasing responsibility in the Technology and Product Management areas including Senior Technical Associate, Director Tantalum Technology, Director Technical Marketing Services and Vice President Tantalum Technology. Dr. Lessner was named Vice President, Chief Technology Officer and Chief Scientist in December 2006, Senior Vice President, Chief Technology Officer and Chief Scientist in May 2011 and Senior Vice President and Chief Technology and Marketing Officer in November 2012 prior to his appointment to his current position.

Dr. Lessner received a PhD in Chemical Engineering from the University of California, Berkeley and a Bachelor of Engineering in Chemical Engineering from Cooper Union.

Andreas Meier, Senior Vice President-Film and Electrolytic Business Group, was named such in May 2016. Mr. Meier joined KEMET in January 1998 and has held several positions of increasing responsibility in the Sales and Product Management areas. Mr. Meier was named Vice President - Product Management, Film and Electrolytic Business Group in January, 2010 and Vice President, Sales - EMEA in December, 2012 prior to his appointment to his current position. Mr. Meier holds a degree in Electronic Engineering from the University of Paderborn in Germany.

Michael L. Raynor, Vice President and Corporate Controller, was named such in November 2012. Mr. Raynor joined the Company in July 2007 as the Assistant Corporate Controller; in November of 2008 Mr. Raynor was named Director of Financial Planning & Analysis prior to his appointment to his current position. Prior to joining KEMET, Mr. Raynor held various controller level positions with distribution and manufacturing companies. Mr. Raynor received a Bachelor of Arts

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degree in Economics and a Masters of Accounting from the University of North Carolina at Chapel Hill, is a Certified Public Accountant in the state of North Carolina and is a 2015 graduate of the KEMET Leadership Forum.

Richard J. Vatinelle, Vice President and Treasurer, was named such in March 2014. Mr. Vatinelle joined the Company in November 2012 as Controller - Tantalum Business Group. Prior to joining KEMET, Mr. Vatinelle served for two years as Regional Controller - Latin America for Leo Pharma A/S, a global manufacturer of pharmaceutical products. From 2007 to 2009 he served as Director of Finance, Policies and Reporting, for Stiefel Laboratories, a pharmaceutical company specialized in dermatology. Mr. Vatinelle's career in finance includes eight years with Conagra Foods Inc., where he held various international finance roles, and eleven years with Banque Sudameris, an international banking group where he began his career. Mr. Vatinelle holds a Bachelor of Science degree in Finance and International Management from Georgetown University and is a 2015 graduate of the KEMET Leadership Forum.

Robert S. Willoughby, Senior Vice President-Global Supply Chain, was named such in May 2016. He joined KEMET in December 1985 and has held positions of increasing responsibility within Diagnostic, Quality, New Product and Process Engineering. Mr. Willoughby served as Director - Ceramic Operations from July 2007 until March 2010; served as Vice President of Operations - Film and Electrolytic Business Unit from March 2010 until May 2013; served as Vice President, Film and Electrolytic Business Group from May 2013 through December 2014; and served as Senior Vice President-Film and Electrolytic Business Group from January 2015 through April 2016. He holds a Bachelor of Science degree in Industrial Engineering from Clemson University and is a 2007 graduate of the KEMET Leadership Forum.

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PART II

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

Market for Common Stock of the Company

Our common stock trades on the NYSE under the ticker symbol "KEM" (NYSE: KEM). We had 110 stockholders of record as of May 25, 2017. The following table represents the high and low sale prices of our common stock for the periods indicated:

	Fiscal Year 2017		Fiscal Year 2016	
Quarter	High	Low	High	Low
First	$2.98	$1.76	$4.62	$2.81
Second	3.62	2.66	2.93	1.48
Third	6.99	3.45	3.00	1.85
Fourth	12.65	5.78	2.44	1.26

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our initial public offering in October 1992. We do not anticipate paying dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board and will depend upon, among other factors, the capital requirements, operating results, and our financial condition. In addition, under the terms of the Term Loan Credit Agreement (as hereinafter defined) which was entered into subsequent to March 31, 2017, we are restricted from paying cash dividends in an amount greater than $5 million in the aggregate per year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

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PERFORMANCE GRAPH

The following graph compares our cumulative total stockholder return for the past five fiscal years, beginning on March 31, 2012, with the Russell 3000 and a peer group (the “Peer Group”) comprised of certain companies which manufacture capacitors and with which we generally compete. The Peer Group is comprised of AVX Corporation, Littelfuse, Inc. and Vishay Intertechnology, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among KEMET Corporation, the Russell 3000 Index,
and a Peer Group

*$100 invested on 3/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

RETURNS

Years Ending March 31,

	2012	2013	2014	2015	2016	2017
KEMET Corporation	100.00	66.77	62.07	44.23	20.62	128.21
Russell 3000	100.00	112.16	134.87	148.70	145.21	168.03
Peer Group	100.00	103.13	124.41	131.66	138.72	195.57

Unregistered Sales of Equity Securities

We did not sell any of our equity securities during fiscal year 2017 that were not registered under the Securities Act of 1933, as amended (the “Securities Act”).

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Repurchase of Equity Securities

The following table provides information relating to our purchase of shares of our common stock during the quarter ended March 31, 2017 (amounts in thousands, except per share price):

Periods	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Number of Shares that may yet be Purchased Under the Programs
January 1 to January 31, 2017	—	$ —	—	—
February 1 to February 28, 2017	13	7.09	—	—
March 1 to March 31, 2017	10	11.85	—	—
Total for Quarter Ended March 31, 2017	23	$ 9.16		

(1) Represents shares withheld by the Company upon vesting of restricted stock to pay taxes due. The Company does not currently have a publicly announced share repurchase plan or program.

Equity Compensation Plan Disclosure

The following table summarizes equity compensation plans approved by stockholders and equity compensation plans that were not approved by stockholders as of March 31, 2017:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights		(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	3,967,172	(1)	$ 8.61	285,656
Equity compensation plans not approved by stockholders	—		—	—
Total	3,967,172		$ 8.61	285,656

(1) Includes 1,090,394 shares subject to outstanding LTIP Awards (time-based), 447,830 shares subject to outstanding LTIP Awards (performance-based) and 1,381,570 outstanding non-vested restricted shares of Common Stock; the

weighted-average exercise price does not take into account these shares as they have no exercise price.

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ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes our selected historical consolidated financial information for each of the last five years. The selected financial information under the captions "Income Statement Data," "Per Share Data," "Balance Sheet Data," and "Other Data" shown below has been derived from our audited consolidated financial statements. This table should be read in conjunction with other consolidated financial information of KEMET, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, included elsewhere herein. The data set forth below may not be indicative of our future financial condition or results of operations (see Item 1A, "Risk Factors") (amounts in thousands except per share amounts):

	Fiscal Years Ended March 31,				
	2017	2016	2015	2014	2013
Income Statement Data:					
Net sales	$757,791	$734,823	$823,192	$833,666	$823,903
Operating income (loss)	34,540	32,326	22,378	(18,211)	(35,080)
Interest income	(24)	(14)	(15)	(195)	(139)
Interest expense	39,755	39,605	40,701	40,962	41,331
Income (loss) from continuing operations	47,989	(53,629)	(19,522)	(64,869)	(78,512)
Income (loss) from discontinued operations, net of income tax expense (benefit)	—	—	5,379	(3,634)	(3,670)
Net income (loss)	47,989	(53,629)	(14,143)	(68,503)	(82,182)
Per Share Data:					
Net income (loss) per basic share:					
Income (loss) from continuing operations	$1.03	$(1.17)	$(0.43)	$(1.44)	$(1.75)
Income (loss) from discontinued operations, net of income tax expense (benefit)	$—	$—	$0.12	$(0.08)	$(0.08)
Net income (loss)	$1.03	$(1.17)	$(0.31)	$(1.52)	$(1.83)
Net income (loss) per diluted share:					
Income (loss) from continuing operations	$0.87	$(1.17)	$(0.43)	$(1.44)	$(1.75)
Income (loss) from discontinued operations, net of income tax expense (benefit)	$—	$—	$0.12	$(0.08)	$(0.08)
Net income (loss)	$0.87	$(1.17)	$(0.31)	$(1.52)	$(1.83)
Balance Sheet Data:					
Total assets (2)	$734,528	$699,780	$742,604	$836,193	$903,116
Working capital	248,873	228,793	228,478	227,070	257,801
Long-term debt, less current portion(1)(2)	386,211	385,833	386,320	385,877	365,966
Other non-current obligations	60,131	74,892	57,131	55,864	69,022
Stockholders' equity	154,675	112,481	164,682	221,884	276,916
Other Data:					
Cash flow provided by (used in) operating activities	$71,667	$32,365	$24,402	$(6,746)	$(22,827)
Capital expenditures	25,617	20,469	22,232	32,147	46,174
Research and development	27,629	24,955	25,802	24,466	26,876

(1) In fiscal year 2013, the Company issued $15.0 million of 10.5% Senior Notes. In fiscal year 2013, the Company received a $24.0 million advance payment from an original equipment manufacturer and in fiscal year 2015 this advance payment was repaid in full. In fiscal years 2017, 2016 and 2015, the Company had $33.9 million, $33.9 million and $33.5 million, respectively, outstanding under a Loan and Security Agreement (the "Loan and Security Agreement") with Bank of America, N.A.

(2) Fiscal years 2013 through 2016 have been restated due to the retroactive adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30); Simplifying the Presentation of Debt Issuance Costs.

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

The following discussion and analysis provides information that we believe is useful in understanding our operating results, cash flows, and financial condition for the three fiscal years ended March 31, 2017, 2016, and 2015. The discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes appearing elsewhere in this report. The discussions in this document contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties. Our actual future results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the Item 1A, "Risk Factors" and, from time to time, in our other filings with the Securities and Exchange Commission.

Our Competitive Strengths

We believe that our Company benefits from the following competitive strengths:

Strong Customer Relationships

We have a large and diverse customer base. We believe that our emphasis on quality control and our performance history establishes loyalty with OEMs, EMSs and distributors. Our customer base includes most of the world's major electronics OEMs (including Alcatel-Lucent USA, Inc., Bosch Group, Cisco Systems, Inc., Continental AG, Dell Inc., HP Inc., International Business Machines Corporation, Motorola Solutions, L.M. Ericsson, Siemens AG and TRW Automotive), EMSs (including Celestica Inc., Flextronics International LTD, Jabil Circuit, Inc. and Sanmina-SCI Corporation) and distributors (including TTI, Inc., Arrow Electronics, Inc. and Avnet, Inc.). Our strong, extensive and efficient worldwide distribution network is one of our differentiating factors. We believe our ability to provide innovative and flexible service offerings, superior customer support and focus on speed-to-market results in a more rewarding customer experience, earning us a high degree of customer loyalty.

Breadth of Our Diversified Product Offering and Markets

We believe that we have the most complete line of primary capacitor types spanning a full spectrum of dielectric materials including tantalum, multilayer ceramic, solid and electrolytic aluminum and film capacitors. As discussed below, our acquisition, on April 19, 2017, of (and previous private label partnership with) TOKIN, has expanded our product offerings and markets. As a result, we believe we can satisfy virtually all of our customers' capacitance needs, thereby strengthening our position as their supplier of choice. In addition, through our acquisition of TOKIN, we have products to assist in the management of electronic noise within a device and in communications between devices, as well as products that can sense and respond to human activity, physical vibration, and electric current. We sell our products into a wide range of end-markets, including computing, industrial, telecommunications, transportation, consumer, defense and healthcare across all geographical regions. No single industry accounted for more than 30% of net sales; although, one customer, an electronics distributor, accounted for more than 10% of our net sales in fiscal year 2017. No single end-use customer accounted for more than 5% of our net sales in fiscal year 2017. We believe that well-balanced product, geographic and customer diversification helps us mitigate some of the negative financial impact through economic cycles.

Leading Market Positions and Operating Scale

Based on net sales, we believe that we are the largest manufacturer of tantalum capacitors in the world and one of the largest manufacturers of direct current film capacitors in the world and have a substantial market position in the specialty ceramic and custom wet aluminum electrolytic markets. As discussed below, our acquisition of (and previous private label partnership with) TOKIN allows us to achieve true scale in operations to manage raw materials sourcing as well as maximize efficiencies. We believe that our leading market positions and operating scale allow us to realize production efficiencies, leverage economies of scale and capitalize on growth opportunities in the global capacitor market.

Strong Presence in Specialty Products

We engage in design collaboration with our customers in order to meet their specific needs and provide them with customized products satisfying their engineering specifications. Whether at the concept or design stage, KEMET provides engineering tools and samples to our customers to enable them to make the best product selections. KEMET's Field Application Engineers (experts in electrical circuits) and Technical Product Managers (experts in product applications) assist our Sales team as they navigate the product selection process with our customers. During fiscal years 2017 and 2016, respectively, specialty products accounted for 40.7% and 41.3% of our revenue. By allocating an increasing portion of our management resources and research and development ("R&D") investment particularly through our acquisition of (and previous partnership with) TOKIN to specialty products, we have established ourselves as one of the leading innovators in this

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fast growing, emerging segment of the market, including healthcare, renewable energy, telecommunication infrastructure and oil and gas.

Low-Cost and Strategic Locations

We believe our plants in China, Mexico, Bulgaria and Macedonia are some of the lowest cost production facilities in the industry. Many of our key customers have relocated their production facilities to Asia, particularly China. We believe our manufacturing facilities in China are in close proximity to the large and growing Chinese market. In addition, we have the ability to increase capacity and change product mix to meet our customers' needs.

Our Brand

Founded by Union Carbide in 1919 as KEMET Laboratories, we believe that we have established a reputation as a high quality, efficient and affordable partner that sets our customers' needs as the top priority. This has allowed us to successfully attract loyal clientele and enabled us to expand our operations and market share over the past few years. We believe our commitment to addressing the needs of the industry in which we operate has differentiated us from our competitors. In addition to our traditional reputation of being the "Easy-To-Buy-From" company by providing excellent customer service and on-time delivery, we have now evolved to being the "Easy-To-Design-In" company with the addition of technical resources like KEMET's online Engineering Center and capacitor selection simulation tools.

Our People

We believe that we have successfully developed a unique corporate culture based on innovation, customer focus and commitment. We have a strong, highly experienced and committed team in each of our markets. Many of our professionals have developed unparalleled experience in building leadership positions in new markets, as well as successfully integrating acquisitions. Our 17 member senior management team has an average of 16 years of experience with us and an average of 25 years of experience in the manufacturing industry.

Business Strategy

Our strategy is to use our position as a leading, high-quality manufacturer of capacitors to capitalize on the increasingly demanding requirements of our customers. Key elements of our strategy include:

One KEMET Campaign.

We continue to focus on improving our commercial and technological capabilities through various initiatives that all fall under our One KEMET campaign. The One KEMET campaign aims to ensure that we, as a company, are focused on the same goals and working with the same processes and systems to ensure consistent quality and service that allow us to provide our customers with the technologies they require at a competitive "total cost of ownership." This effort was launched to ensure that, as we continue to grow, we not only remain grounded in our core principles but that we also use those principles, operating procedures and systems as the foundation from which to expand. These initiatives include our Lean and Six Sigma culture evolution, our global customer accounts management program and our evolution toward a philosophy of being "easy to design-in."

Develop Our Significant Customer Relationships and Industry Presence.

We continue to focus on our responsiveness to our customers' needs and requirements by making order entry and fulfillment easier, faster, more flexible and more reliable for our customers. This will be accomplished by focusing on building products around customers' needs and by giving decision-making authority to customer-facing personnel and by providing purpose-built systems and processes.

Leverage Our Technological Competence and Expand Our Leadership in Specialty Products

We continue to leverage our technological competence and our acquisition, on April 19, 2017, of (and previous partnership with) TOKIN, by introducing new products in a timely and cost-efficient manner. This allows us to generate an increasing portion of our sales from new and customized solutions that meet our customers' varied and evolving capacitor needs as well as to improve our financial performance. We believe that by continuing to build on our strength in the higher growth and higher margin specialty segments of the capacitor market, we will be well-positioned to achieve our long-term growth objectives while also improving our profitability. During fiscal year 2017, excluding TOKIN, we introduced 12,615 new products of which 1,404 were first to market, and specialty products accounted for 40.7% of our revenue over this period.

Further Expand Our Broad Capacitance Capabilities

We identify ourselves as the "Electronic Components" company and strive to be the supplier of choice for all our customers' capacitance needs across the full spectrum of dielectric materials including tantalum, multilayer ceramic, solid and electrolytic aluminum, film and paper. While we believe we have the most complete line of capacitor technologies across these primary capacitor types, we intend to continue to research and pursue additional capacitance technologies and solutions in order to maximize the breadth of our product offerings. As discussed below, through our acquisition of (and previous partnership with) TOKIN we have further expanded our product offerings to electric double layer capacitors, electro-magnetic devices, sensors and actuators.

Selectively Target Complementary Acquisitions and Equity Investments

As strategic opportunities are identified, we will evaluate and possibly pursue them if they would enable us to enhance our competitive position and expand our market presence. Our strategy is to acquire complementary capacitor and other related businesses allowing us to leverage our business model, potentially including those involved in other passive components that are synergistic with our customers’ technologies and our current product offerings. For example, in fiscal year 2012, we acquired KEMET Blue Powder which has allowed us to vertically integrate certain manufacturing processes within Solid Capacitors. In addition, on February 1, 2013, KEC, a wholly owned subsidiary of the Company, acquired a 34% economic interest in TOKIN, a manufacturer of tantalum capacitors and electro-magnetic and access devices. As discussed further below, on April 19, 2017, KEC acquired the remaining 66% economic interest in TOKIN. Subsequent to acquisition, NEC TOKIN Corporation has changed its name to TOKIN Corporation and is a 100% owned subsidiary of KEMET.

Promote the KEMET Brand Globally

We are focused on promoting the KEMET brand globally by highlighting the high-quality and high reliability of our products and our superior customer service. We will continue to market our products to new and existing customers around the world in order to expand our business. We continue to be recognized by our customers as a leading global supplier. For example, in calendar year 2016, we received the “Global Operations Excellence Award” from TTI, Inc.

Global Sales & Marketing Strategy

Our motto “Think Global, Act Local” describes our approach to sales and marketing. Each of our three sales regions (Americas, EMEA and APAC) have account managers, field application engineers and strategic marketing managers. In addition, we also have local customer and quality-control support in each region. This organizational structure allows us to respond to the needs of our customers on a timely basis and in their native language. The regions are managed locally and report to a senior manager who is on the KEMET Leadership Team. Furthermore, this organizational structure ensures the efficient communication of our global goals and strategies and allows us to serve the language, cultural and other region-specific needs of our customers.

TOKIN

Through our acquisition of TOKIN on April 19, 2017 and previous cross licensing agreement and Amended and Restated Private Label Agreement with TOKIN, we have expanded product offerings and markets for both KEMET and TOKIN. KEMET’s strong presence in the western hemisphere and TOKIN's excellent position in Japan and Asia significantly enhances the customer reach for both companies. Through TOKIN we believe we can achieve true scale in operations allowing us to manage raw materials sourcing as well as maximize efficiencies and best practices in manufacturing and product development. We believe that the international management team of KEMET and TOKIN allows us to be more sensitive and aware of region-specific business needs compared to our competitors. Combining our R&D capabilities and university relationships will allow us to be on the forefront of new developments and technological advancements in the capacitor industry. Leveraging R&D investment in both Japan and the U.S. enables KEMET to diversify beyond capacitors in the passives market as a result of the TOKIN acquisition (and previous partnership).

Recent Developments and Trends

Equity Investment

Since 2013, KEMET, through its wholly-owned subsidiary, KEC, has held a 34% economic interest in TOKIN, which was operated as a joint venture with NEC. Subsequent to year-end, on April 19, 2017, KEC completed its acquisition of the remaining 66% economic interest in TOKIN, as a result of which TOKIN is now a 100% owned indirect subsidiary of KEMET. The acquisition was made possible in part by the sale of TOKIN's electro-mechanical devices ("EMD") business as described below.

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Under the terms of the TOKIN Purchase Agreement between KEC and NEC, dated as of February 23, 2017, KEC paid NEC JPY 16.2 billion, or approximately $148.8 million (using the April 19, 2017 exchange rate of 108.751 Japanese Yen to 1.00 U.S. Dollar), for all of the outstanding shares of TOKIN it did not already own. The preliminary purchase price was comprised of JPY 6.0 billion, or approximately $55.2 million (using the April 19, 2017 exchange rate of 108.751 Japanese Yen to 1.00 U.S. Dollar) plus one-half of an amount determined to be the excess net cash proceeds ("Excess Cash" as defined in the TOKIN Purchase Agreement) from the sale of TOKIN's EMD business discussed below. The Excess Cash is subject to working capital adjustments pursuant to the Master Sale Agreement. The acquisition of TOKIN improves KEMET's liquidity by adding $216.6 million of cash on the date of acquisition. In addition, we expect our net sales (including TOKIN) to be within the $278 million to $288 million range (using a exchange rate of 112 Japanese Yen to 1.00 U.S. Dollar) for the first quarter of fiscal year 2018. Combined gross margin may decline slightly from the KEMET standalone level and should be in a narrow band between 25.5% and 26.8%. Combined SG&A is expected to be in the range of $38.5 million to $40.5 million. And R&D is expected to be approximately $9 million in the quarter. Interest expense for the June quarter should be in the $10.7 million range, due to the refinancing of our debt which resulted in 1 month of interest expense for both the 10.5% Senior Notes and the $345 million Term Loans (as discussed below). In future quarters we expect interest expense to be approximately $6.6 million per quarter.

We believe the acquisition of TOKIN will expand KEMET's geographic presence, combining KEMET's presence in the western hemisphere and TOKIN's excellent position in Asia to enhance customer reach and create an entrance into Japan for KEMET. We believe TOKIN's product portfolio is a strong complement to KEMET's existing product portfolio. We believe the combination creates a leader in the combined polymer and tantalum capacitors market. The acquisition also enhances KEMET's product diversification with entry into EMC and sensors. With the increased scale, the Company anticipates optimizing costs through competitive raw materials sourcing and maximizing operating efficiencies. The acquisition is also expected to be accretive to earnings with improvement in Adjusted EBITDA and cash flow.

Prior to the closing of the TOKIN Purchase Agreement, on April 14, 2017, TOKIN closed on the sale of its EMD business to NTJ Holdings 1 Ltd. ("NTJ"), pursuant to a master sale and purchase agreement (the "Master Sale Agreement"). EMD manufactures signal and power relays and is primarily located in Calamba, Laguna, Philippines. The selling price was JPY 49.6 billion or approximately $442.7 million (using the April 14, 2017 exchange rate of 108.874 Japanese Yen to 1.00 U.S. Dollar) and is subject to certain working capital adjustments pursuant to the Master Sale Agreement. The Master Sale Agreement was amended on April 7, 2017 and April 14, 2017 to adjust the closing date and adjust the net proceeds by JPY 99 million.

In the first quarter of fiscal year 2018, TOKIN will recognize a gain on the sale of its EMD business. The following gain calculation is based upon preliminary estimates of the sales price (prior to working capital adjustments as outlined in the Master Sale Agreement), carrying amount of the EMD net assets, the tax impact of the transaction and transaction fees. KEMET's proportionate share of TOKIN's gain on the sale of the EMD business is calculated as follows:

	Oku-Yen	$USD (in millions)*
Sales price	¥495.8	$ 443.4
Less:		
Carrying amount of EMD net assets	77.1	69.0
Remove AOCI	5.2	4.6
Transaction related fees and taxes	6.8	6.1
Deferred tax asset	13.8	123.1
Gain on sale	392.9	240.6
KEMET's equity interest	34 %	34 %

KEMET's gain on sale (1)	¥133.6	$ 81.8

*Utilizing an exchange rate as of March 31, 2017 of 111.82 Japanese Yen to 1.00 U.S. Dollar.

TOKIN fiscal year 2017 results

In the fiscal year ended March 31, 2017, we incurred net income from TOKIN of $41.6 million primarily due to TOKIN's reversal of a deferred tax valuation allowance of $41.0 million and $8.2 million in net income from operations, partially offset by $7.1 million accrued for antitrust fines and civil litigation expenses as described in Note 5, "Investment in TOKIN." As noted in the table above, the impact of the deferred tax valuation allowance is expected to reverse in the first quarter of fiscal year 2018 when the gain on the sale of the EMD business is recognized.

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In addition, the Company marked NEC's Put Option (as defined in Note 5, "Investment in NEC TOKIN") to fair value and in the fiscal year ended March 31, 2017 recognized a $10.7 million gain, which is included on the line item "Change in value of NEC TOKIN options" in the Consolidated Statement of Operations. The line item "Other non-current obligations" on the Consolidated Balance Sheets includes $9.9 million as of March 31, 2017 related to the Put Option.
See Note 5, "Investment in NEC TOKIN" for further discussion of the NEC TOKIN Equity Investment.
Write down of long-lived assets:
During fiscal year 2017, we recorded a write down of long-lived assets of $10.3 million due to the following:
In fiscal year 2017, Film and Electrolytic incurred impairment charges totaling $8.2 million ($0.18 per basic share and $0.15 per diluted share). The impairment charges consisted of the following two actions.
On August 31, 2016, KEC made the decision to shut-down operations of its wholly-owned subsidiary, KFM. Operations at KFM's Knoxville, Tennessee plant ceased as of October 31, 2016. KFM supplied formed foil to the Company's Film and Electrolytic business, as well as to certain third party customers. The Company anticipates that Film and Electrolytic will achieve raw material cost savings by purchasing its formed foil from suppliers that have the advantage of lower utility costs. The Company recorded impairment charges related to KFM totaling $4.1 million comprising of $3.0 million for the write down of property, plant and equipment and $1.1 million for the write down of intangible assets. In addition, the Company accrued severance charges and restructuring costs described in Note 3, "Restructuring Charges."
The Company has also recorded impairment charges of $4.1 million related to a decline in real estate market conditions related to its vacated Sasso Marconi, Italy manufacturing facility. KEMET used a capitalization of income method to estimate the fair value of the property. Due to the operating loss incurred by Film and Electrolytic in the twelve-month period ending March 31, 2017, we tested its long-lived assets for impairment as of March 31, 2017 and concluded that the remaining long-lived assets for Film and Electrolytic were not impaired.
In fiscal year 2017, Solid Capacitors incurred impairment charges totaling $2.1 million ($0.04 per basic share and $0.04 per diluted share) related to the relocation of our leased K-salt facility to our existing Matamoros, Mexico facility. In addition, the Company accrued severance charges described in Note 3 "Restructuring Charges" and incurred equipment relocation costs of approximately $0.6 million during fiscal year 2017 and expects to incur an additional $0.7 million through June of 2017.
Restructuring
In the fiscal year ended March 31, 2017 we incurred $5.4 million in restructuring charges including $2.2 million related to personnel reduction costs and $3.2 million of manufacturing relocation costs.
Subsequent Event
In addition to the subsequent events for TOKIN noted above, the Company successfully refinanced its long term debt.
Long-term debt
On April 28, 2017, KEMET entered into a Term Loan Credit Agreement (the "Term Loan Credit Agreement") by and among the Company, KEC (together with the Company, the "Borrowers"), Bank of America, N.A. as the Administrative Agent and Collateral Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and bookrunner, and various lenders party thereto from time to time. The Term Loan Credit Agreement provides for a $345 million term loan facility. In addition, the Borrowers may request incremental term loan commitments in an aggregate amount not to exceed $50 million (together with the initial $345 million term loan, the "Term Loans"). The proceeds are being used, together with cash on hand, to fund the redemption of all of KEMET's outstanding 10.5% Senior Notes, which were also called for redemption on April 28, 2017. The initial Term Loan was made with an original issue discount of 300 basis points. At the Company's election, the Term Loans may be made as either Base Rate Term Loans or LIBO Rate Term Loans (each as defined in the Term Loan Credit Agreement). The applicable margin for term loans is 5.0% for Base Rate Term Loans and 6.0% for LIBO Rate Term Loans. All LIBO Rate Term Loans are subject to a pre-margin floor of 1.00%. The Term Loan Credit Agreement contains customary covenants

and events of default. The Company also entered into the Term Loan Security Agreement dated as of April 28, 2017 (the “Security Agreement”), among the Company, KEC, the other grantors party thereto, and Bank of America, N.A., as collateral agent, pursuant to which the Company’s obligations under the Term Loan Credit Agreement are secured by a pledge of 65% of the outstanding voting stock of certain first-tier subsidiaries organized in Italy, Japan, Mexico and Singapore, and a second lien pledge on the collateral securing KEMET’s revolving credit facility. The obligations of the Company under the

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Term Loan Credit Agreement are guaranteed by certain of its subsidiaries, including KRC Trade Corporation, KEMET Services Corporation, KEMET Blue Powder Corporation and The Forest Electric Company. The Term Loans mature April 28, 2024, and may be extended in accordance with the Term Loan Credit Agreement. The Company may prepay loans under the Term Loan Credit Agreement at any time, subject to certain notice requirements and certain prepayment premiums during the first two years. On a quarterly basis the Company must repay 1.25% of the aggregate principle amount of all initial term loans, or $4.3 million, beginning September 29, 2017.

In connection with the closing of the new Term Loan Credit Agreement, KEC also entered into Amendment No. 9 to Loan and Security Agreement, Waiver and Consent, dated as of April 28, 2017, by and among KEC, the other borrowers named therein, the financial institutions party thereto as lenders and Bank of America, N.A., as agent for the lenders (the "Loan Amendment"). The Loan Amendment increases the facility amount to $75 million and provides KEC with lower applicable interest rate margins and permitted us to complete the refinancing.

Off-Balance Sheet Arrangements

As of March 31, 2017, other than operating lease commitments as described in Note 16, "Commitments and Contingencies", we are not a party to any off-balance sheet financing arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

Our accounting policies are summarized in Note 1, "Organization and Significant Accounting Policies" to the consolidated financial statements. The following identifies a number of policies which require significant judgments and estimates, or are otherwise deemed critical to our financial statements.

Our estimates and assumptions are based on historical data and other assumptions that we believe are reasonable. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period.

Our judgments are based on our assessment as to the effect certain estimates, assumptions, or future trends or events may have on the financial condition and results of operations reported in the consolidated financial statements. Readers should understand that actual future results could differ from these estimates, assumptions, and judgments.

A quantitative sensitivity analysis is provided where that information is reasonably available, can be reliably estimated and provides material information to investors. The amounts used to assess sensitivity (i.e., 1%, 10%, etc.) are included to allow readers of this Annual Report on Form 10-K to understand a general cause and effect of changes in the estimates and do not represent our predictions of variability. For these estimates, it should be noted that future events rarely develop exactly as forecast, and estimates require regular review and adjustment. We believe the following critical accounting policies contain the most significant judgments and estimates used in the preparation of the consolidated financial statements:

REVENUE RECOGNITION. We ship products to customers based upon firm orders and revenue is recognized when the sales process is complete. This occurs when products are shipped to the customer in accordance with the terms of an agreement of sale, there is a fixed or determinable selling price, title and risk of loss have been transferred and collectability is reasonably assured. Based on product availability, customer requirements and customer consent, KEMET may ship products earlier than the initial planned ship date. Shipping and handling costs are included in cost of sales.

A portion of sales is related to products designed to meet customer specific requirements. These products typically have stricter tolerances making them useful to the specific customer requesting the product and to customers with similar or less stringent requirements. We recognize revenue when title to the products transfers to the customer.

A portion of sales is made to distributors under agreements allowing certain rights of return and price protection on unsold merchandise held by distributors. Our distributor policy includes inventory price protection and SFSD programs common in the industry. The price protection policy protects the value of the distributors' inventory in the event we reduce our published selling price to distributors. This program allows the distributor to debit us for the difference between our list price and the lower authorized price for specific parts. We establish price protection reserves on specific parts residing in distributors' inventories in the period that the price protection is formally authorized by KEMET.

KEMET's SFSD program provides authorized distributors with the flexibility to meet marketplace prices by allowing them, upon a case-by-case pre-approved basis, to adjust their purchased inventory cost to correspond with current market demand. Requests for SFSD adjustments are considered on an individual basis, require a pre-approved cost adjustment quote from their local KEMET sales representative and apply only to a specific customer, part, a specified special price amount, a specified quantity, and is only valid for a specific period of time. To estimate potential SFSD adjustments corresponding with current period sales, KEMET records a sales reserve based on historical SFSD credits, distributor inventory levels, and certain accounting assumptions, all of which are reviewed quarterly. We believe this methodology enables us to make reliable estimates of future adjustments under the SFSD program. If the historical SFSD run rates used in our calculation changed by 1% in fiscal year 2017, net sales would be impacted by $0.8 million.

The establishment of these reserves is recognized as a component of the line item "Net sales" on the Consolidated Statements of Operations, while the associated reserves are included in the line item "Accounts receivable" on the Consolidated Balance Sheets. Estimates used in determining sales allowances are subject to various factors. This includes, but is not limited to, changes in economic conditions, pricing changes, product demand, inventory levels in the supply chain, the effects of technological change, and other variables that might result in changes to our estimates.

INVENTORIES. Inventories are valued at the lower of cost or market. For most of the inventory, cost is determined under the first-in, first-out method. For tool crib, a component of our raw material inventory, cost is determined under the average cost method. The valuation of inventories requires us to make estimates. We also must assess the prices at which we believe the finished goods inventory can be sold compared to its cost. A sharp decrease in demand could adversely impact earnings as the reserve estimates could increase.

PENSION AND POST-RETIREMENT BENEFITS. Our management, with the assistance of actuarial firms, performs actuarial valuations of the fair values of our pension and post-retirement plans' benefit obligations. We make certain assumptions that have a significant effect on the calculated fair value of the obligations such as the:

- discount rate—used to arrive at the net present value of the obligation; and
- salary increases—used to calculate the impact future pay increases will have on post-retirement obligations.

We understand that these assumptions directly impact the actuarial valuation of the obligations recorded on the Consolidated Balance Sheets and the income or expense that flows through the Consolidated Statements of Operations.

We base our assumptions on either historical or market data that we consider reasonable. Variations in these assumptions could have a significant effect on the amounts reported in Consolidated Balance Sheets and the Consolidated Statements of Operations. The most critical assumption relates to the discount rate. A 25 basis point increase or decrease in the weighted average discount rate would result in changes to the projected benefit obligation of $(1.8) million and $2.1 million, respectively.

GOODWILL AND LONG-LIVED ASSETS. Goodwill, which represents the excess of purchase price over fair value of net assets acquired, and intangible assets with indefinite useful lives are tested for impairment at least on an annual basis. We perform our impairment test during the fourth quarter of each fiscal year and when otherwise warranted.

We evaluate our goodwill on a reporting unit basis. This requires us to estimate the fair value of the reporting units based on the future net cash flows expected to be generated. The impairment test involves a comparison of the fair value of each reporting unit, with the corresponding carrying amounts. If the reporting unit's carrying amount exceeds its fair value, then an indication exists that the reporting unit's goodwill may be impaired. The impairment to be recognized is measured by the amount by which the carrying value of the reporting unit's goodwill being measured exceeds its implied fair value. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the sum of the amounts assigned to identified net assets. As a result, the implied fair value of goodwill is generally the residual amount that results from subtracting the value of net assets including all tangible assets and identified intangible assets from the fair value of the reporting unit's fair value. We determine the fair value of our reporting units using an income-based, discounted cash flow ("DCF") analysis, and market-based approaches (Guideline Publicly Traded Company Method and Guideline Transaction Method) which examine transactions in the marketplace involving the sale of the stocks of similar publicly-owned companies, or the sale of entire companies engaged in operations similar to KEMET. In addition to the above described reporting unit valuation techniques, our goodwill impairment assessment also considers our aggregate fair value based upon the value of our outstanding shares of common stock.

Our goodwill balance of $40.3 million is comprised of $35.6 million related to Blue Powder, which is within the Tantalum product line of the Solid Capacitors Business Group, and $4.7 million related to IntelliData (see Note 8, “Acquisitions”) which is a corporate asset. As part of our annual impairment testing, we determine the fair value of the relevant reporting unit(s) using an income-based, DCF analysis for Blue Powder at the Tantalum product line level, and an internal rate of return analysis for IntelliData.

Significant assumptions used in the DCF analysis are:

- the discount rate based on the weighted average cost of capital ("WACC"),
- estimated sales growth rates, and
- the estimated market price and production cost for tantalum products

Our WACC is determined through market comparisons combined with small stock and equity risk premiums. Tantalum's sales growth rates are estimated through KEMET's three-year strategic plan.

Long-lived assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset or group of assets may not be recoverable. A long-lived asset classified as held for sale is initially measured and reported at the lower of its carrying amount or fair value less cost to sell.

Long-lived assets to be disposed of other than by sale are classified as held and used until the long-lived asset is disposed of.

Tests for the recoverability of a long-lived asset to be held and used are performed by comparing the carrying amount of the long-lived asset to the sum of the estimated future undiscounted cash flows expected to be generated by the asset. In estimating the future undiscounted cash flows, we use future projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the assets. These assumptions include, among other estimates, periods of operation and projections of sales and cost of sales. Changes in any of these estimates could have a material effect on the estimated future undiscounted cash flows expected to be generated by the asset. If it is determined that the book value of a long-lived asset is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset over its fair value. The fair value is calculated as the discounted cash flows of the underlying assets.

The operating losses for Film and Electrolytic is a potential indication the carrying amount of certain long-lived asset groups might not be fully recoverable. Therefore, the Company tested long-lived assets for Film and Electrolytic for impairment as of March 31, 2017 and concluded that they were not impaired. The Company will monitor the Film and Electrolytic long-lived assets in future periods as material changes in certain assumptions could have a material effect on the estimated future undiscounted cash flows expected to be generated by the assets. This, in turn, could result in Film and Electrolytic not passing step one of the impairment test which would require the Company to perform a discounted cash flow analysis to determine the impairment amount (if any).

We evaluate the value of our other indefinite-lived intangible assets (trademarks) using an income-based, relief from royalty analysis.

The Company completed its impairment test on goodwill and intangible assets with indefinite useful lives as of January 1, 2017 and concluded that goodwill and indefinite-lived assets were not impaired nor were they at risk of failing step one of the impairment test as the fair value of each of the assets exceeds the carrying value by more than 10%. The type of events that could result in a future goodwill impairment could include an increase of over 100 basis points in the Company's derived weighted-average cost of capital, which could be driven by stock price volatility, increases in government or corporate bond market rates, or other factors. A one percent increase or decrease in the discount rate used in the goodwill and indefinite-lived assets valuation would have resulted in changes in fair value in the following amounts, and would not have resulted in an impairment charge:

	Discount Rate Sensitivity, in millions	
Fair Value in Excess of Carrying Value, %	+1%	-1%

Goodwill - Blue Powder	39 %	$(21.1)	$25.5
Trademarks	808 %	(5.2)	6.2
Goodwill - IntelliData	14 %	(0.8)	1.0

INCOME TAXES. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. Valuation allowances are recognized to reduce deferred tax assets to the amount that is more likely than not to be realized.

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We believe that it is more likely than not that a portion of the deferred tax assets in various jurisdictions will not be realized, based on the scheduled reversal of deferred tax liabilities, the recent history of cumulative losses, and the insufficient evidence of projected future taxable income to overcome the loss history. We have provided a valuation allowance related to any benefits from income taxes resulting from the application of a statutory tax rate to the deferred tax assets. We continue to have net deferred tax assets (future tax benefits) in several jurisdictions which we expect to realize, assuming, based on certain estimates and assumptions, sufficient taxable income can be generated to utilize these deferred tax benefits. If these estimates and related assumptions change in the future, we may be required to reduce the value of the deferred tax assets resulting in additional tax expense.

The accounting rules require that we recognize, in our financial statements, the impact of a tax position, if that position is “more likely than not” of being sustained on audit, based on the technical merits of the position. Any accruals for estimated interest and penalties would be recorded as a component of income tax expense.

To the extent that the provision for income taxes changed by 1% of income before income taxes, consolidated net income would change by $0.1 million in fiscal year 2017.

Results of Operations

Historically, revenues and earnings may or may not be representative of future operating results due to various economic and other factors. The following table sets forth the Consolidated Statements of Operations for the periods indicated (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net sales	$757,791	$734,823	$823,192
Operating costs and expenses:			
Cost of sales	571,679	571,543	663,683
Selling, general and administrative expenses	107,868	101,446	98,533
Research and development	27,629	24,955	25,802
Restructuring charges	5,404	4,178	13,017
Write down of long-lived assets	10,279	—	—
Net (gain) loss on sales and disposals of assets	392	375	(221)
Operating (loss) income	34,540	32,326	22,378
Interest income	(24)	(14)	(15)
Interest expense	39,755	39,605	40,701
Change in value of TOKIN options	(10,700)	26,300	(2,100)
Other (income) expense, net	(5,127)	(2,348)	(4,082)
Income (loss) from continuing operations before income taxes and equity income (loss) from TOKIN	10,636	(31,217)	(12,126)
Income tax expense (benefit)	4,290	6,006	5,227
Income (loss) from continuing operations before equity income (loss) from TOKIN	6,346	(37,223)	(17,353)
Equity income (loss) from TOKIN	41,643	(16,406)	(2,169)
Income (loss) from continuing operations	47,989	(53,629)	(19,522)
Income (loss) from discontinued operations, net of income tax expense (benefit) of $0, $0, and $1,976, respectively	—	—	5,379
Net income (loss)	$47,989	$(53,629)	$(14,143)

Consolidated Comparison of Fiscal Year 2017 to Fiscal Year 2016

Net sales:

Net sales of $757.8 million in fiscal year 2017 increased 3.1% from $734.8 million in fiscal year 2016. Solid Capacitor and Film and Electrolytic sales increased by $18.8 million and $4.2 million, respectively. The overall Solid Capacitors net sales increase was primarily driven by an increase in net sales to the APAC and EMEA distribution channel driven by increases in volume which offset typical market price erosion.

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The overall Film and Electrolytic net sales increase was driven by an increase in net sales in the Distributor channel through all regions. This increase was partially offset by a decrease in net sales in the OEM channel for the Americas and EMEA region, primarily related to increased sales in the prior year in anticipation of the relocation of our manufacturing line from Germany to Macedonia. A portion of the OEM declines were offset by an increase in APAC due to increased sales to a customer that relocated from EMEA. In addition, there was an unfavorable impact of $0.5 million from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar.

In fiscal years 2017 and 2016, net sales by region were as follows (dollars in millions):

	Fiscal Year 2017			Fiscal Year 2016	
	Net Sales	% of Total		Net Sales	% of Total
Americas	$224.1	30 %	Americas	$225.7	31 %
APAC	295.8	39 %	APAC	275.8	37 %
EMEA	237.9	31 %	EMEA	233.3	32 %
Total	$757.8		Total	$734.8	

In fiscal years 2017 and 2016, the percentages of net sales by channel to total net sales were as follows:

	Fiscal Year 2017			Fiscal Year 2016	
	Net Sales	% of Total		Net Sales	% of Total
Distributors	$354.6	46 %	Distributors	$308.1	42 %
EMS	156.3	21 %	EMS	155.5	21 %
OEM	246.9	33 %	OEM	271.2	37 %
Total	$757.8		Total	$734.8	

Gross margin:

Gross margin for the fiscal year ended March 31, 2017 of $186.1 million (24.6% of net sales) increased $22.8 million or 14.0% from $163.3 million (22.2% of net sales) in the prior fiscal year. Gross margin as a percentage of net sales improved 240 basis points. The primary contributor to the increase was an increase in Solid Capacitor gross margin of $20.2 million due to an increase in net sales, cost improvements in vertical integration, favorable foreign currency impact to manufacturing costs, and manufacturing process improvements resulting from annual cost reduction activities as well as our partnership with TOKIN. In addition, Film and Electrolyic's gross margin improved $2.7 million due the increase in net sales as well as cost reductions achieved through headcount reductions, manufacturing relocations, operating efficiencies and actions taken to reduce raw material costs across all plants.

Selling, general and administrative expenses (“SG&A”):

SG&A expenses of $107.9 million (14.2% of net sales) for fiscal year 2017 increased $6.4 million or 6.3% compared to $101.4 million (13.8% of net sales) for fiscal year 2016. The increase consists primarily of the following items: a $5.4 million increase in payroll, commissions, and related expenses and benefits; a $1.4 million increase in ERP integration and technology transition costs; a $1.0 million increase in consulting and contractor expenses; and a $0.4 million increase in professional fees. Partially offsetting these increases was a $0.9 million decrease related to the change in the allocation of IT resources and other costs between SG&A and cost of goods sold; a $0.4 million decrease in legal expenses related to ongoing antitrust lawsuits; and a $0.5 million decrease in travel and training expenses.

Research and development:

R&D expenses of $27.6 million (3.6% of net sales) for fiscal year 2017 increased $2.7 million or 10.7% compared to $25.0 million (3.4% of net sales) for fiscal year 2016 due to additional projects within the Tantalum product line related to demand from customers for new part types.

Write down of long-lived assets:

During fiscal year 2017 the Company incurred impairment charges of $10.3 million. During fiscal years 2016 and 2015, the Company incurred no impairment charges. The impairment charges are recorded on the Consolidated Statements of Operations line item “Write down of long-lived assets” in fiscal year 2017.

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In fiscal year 2017, Film and Electrolytic incurred impairment charges totaling $8.2 million ($0.18 per basic share and $0.15 per diluted share). The impairment charges consisted of the following two actions.

On August 31, 2016, KEMET Electronics Corporation, a wholly-owned subsidiary of KEMET made the decision to shut-down operations of its wholly-owned subsidiary, KFM. Operations at KFM's Knoxville, Tennessee plant ceased as of October 31, 2016. KFM supplied formed foil to the Company's Film and Electrolytic Business Group, as well as to certain third party customers. The Company anticipates that Film and Electrolytic will achieve raw material cost savings by purchasing its formed foil from suppliers that have the advantage of lower utility costs. The Company recorded impairment charges related to KFM totaling $4.1 million comprised of $3.0 million for the write down of property plant and equipment and $1.1 million for the write down of intangible assets. In addition, the Company has accrued severance charges and restructuring costs described in Note 3, "Restructuring Charges."

The Company has also recorded impairment charges of $4.1 million related to a decline in real estate market conditions surrounding its vacated Sasso Marconi, Italy manufacturing facility. KEMET used a capitalization of income method to estimate fair value taking into account the surface area of the property, the lease price per unit of surface area, and a weighted average cost of capital. The measurements utilized to determine the fair value of the property represent inputs that are observable or can be corroborated by observable market data (Level 2) in accordance with the fair value hierarchy. Due to the operating loss incurred by Film and Electrolytic in the twelve-month period ending March 31, 2017, we tested its long-lived assets for impairment as of March 31, 2017 and concluded that the long-lived assets for Film and Electrolytic were not impaired.

In fiscal year 2017, Solid Capacitors incurred impairment charges totaling $2.1 million ($0.04 per basic share and $0.04 per diluted share) related to the relocation of our leased K-salt facility to our existing Matamoros, Mexico facility. In addition, the Company has accrued severance charges described in Note 3 "Restructuring Charges" and has incurred equipment relocation costs of approximately $0.6 million during fiscal year 2017 and expects to incur an additional $0.7 million through June of 2017.

Restructuring charges:

Restructuring charges of $5.4 million in fiscal year 2017 increased $1.2 million or 29.3% from $4.2 million in fiscal year 2016.

Restructuring charges in the fiscal year ended March 31, 2017 included $2.2 million of personnel reduction costs and $3.2 million of relocation costs. The personnel reduction costs correspond with the following: $0.3 million related to the consolidation of certain Solid Capacitor manufacturing in Matamoros, Mexico, $0.4 million for headcount reductions related to the shut-down of operations for KFM in Knoxville, Tennessee, $0.3 million related to headcount reductions in Europe (primarily Italy and Landsberg, Germany) corresponding with the relocation of certain production lines and laboratories to lower cost regions, $0.3 million for overhead reductions in Sweden, $0.3 million in U.S. headcount reductions related to the relocation of global marketing functions to the Company's Fort Lauderdale, Florida office, $0.3 million in headcount reductions related to the transfer of certain Tantalum production from Simpsonville, South Carolina to Victoria, Mexico, $0.2 million in overhead reductions for the relocation of R&D operations from Weymouth, England to Evora, Portugal, and $0.1 million in manufacturing headcount reductions related to the relocation of the K-Salt operations to the existing Matamoros, Mexico plant.

The manufacturing relocation costs of $3.2 million include $1.9 million in expenses related to contract termination costs related to the shut-down of operations for KFM, $0.6 million in expenses related to the relocation of the K-Salt operations to the existing Matamoros, Mexico plant, $0.6 million for transfers of Film and Electrolytic production lines and R&D functions to lower cost regions, and $0.1 million related to the transfer of certain Tantalum production from Simpsonville, South Carolina to Victoria, Mexico.

Restructuring charges in the fiscal year ended March 31, 2016 included $1.8 million related to personnel reduction costs and $2.4 million of relocation costs. The personnel reduction costs are primarily comprised of the following: $0.9 million for headcount reductions in Matamoros, Mexico related to the relocation of certain Solid Capacitor manufacturing from Matamoros, Mexico to Victoria, Mexico, $0.6 million related to a headcount reduction in Suzhou, China for the Film & Electrolytic production line transfer from Suzhou, China to Anting, China, $0.5 million related to the consolidation of certain Solid Capacitor manufacturing in Victoria, Mexico, $0.5 million for headcount reductions related to the outsourcing of the Company's information technology function and overhead reductions in North America and Europe, and $0.3 million for headcount reductions in Europe (primarily Landsberg, Germany). These personnel reduction costs were partially offset by a $1.0 million credit to expense in Italy due to the partial reversal of a severance accrual. The Company originally recorded the accrual in the third quarter of fiscal year 2015 corresponding with a plan to reduce headcount by 50 employees. Under the plan, 24 employees were terminated. However, due to unexpected workforce attrition combined with achieving other cost reduction goals, the Company decided not to complete the remaining headcount reduction. Consequently, the Company reversed the remaining accrual during the second quarter of fiscal year 2016.

The $2.4 million relocation costs include $1.1 million for the Landsberg, Germany shut-down including relocating equipment to Pontecchio, Italy and Skopje, Macedonia; $0.4 million for the relocation of certain Solid Capacitor manufacturing equipment in Victoria, Mexico; $0.4 million for the exit of Film & Electrolytic manufacturing from Suzhou, China; and $0.5 million for other costs related to shut-downs in Europe, North America, and Asia.

Operating income (loss):

Operating income for fiscal year 2017 of $34.5 million increased $2.2 million compared to operating income of $32.3 million in fiscal year 2016. The improvement was primarily due to a $22.8 million increase in gross margin. These improvements were partially offset by a $10.3 million increase in write-down of long lived assets, a $6.4 million increase in SG&A expenses, a $2.7 million increase in R&D expenses, and a $1.2 million increase in restructuring charges.

Non-operating (income) expense, net:

Non-operating (income) expense, net was a net expense of $23.9 million in fiscal year 2017 compared to a net expense of $63.5 million in fiscal year 2016. The $39.6 million decrease is primarily attributable to a $10.7 million increase in the value of the TOKIN options recognized in fiscal year 2017 compared to a $26.3 million decrease in fiscal year 2016, which was primarily attributable to the expiration of KEMET's call option and from the TOKIN antitrust and civil litigation. In addition, we incurred a $3.8 million foreign exchange gain in fiscal year 2017 compared to a $3.0 million foreign exchange gain in fiscal year 2016 and received $0.4 million in insurance proceeds in fiscal year 2017.

Income taxes:

The income tax expense from continuing operations was $4.3 million in fiscal year 2017 compared to an income tax expense of $6.0 million in fiscal year 2016. The change was primarily driven by tax law changes in foreign jurisdictions and an inflation adjustment for the Mexican Peso. Fiscal year 2017 income tax expense is comprised of $4.3 million in foreign income tax expense. No U.S. federal income tax benefit is recognized for the U.S. taxable loss for fiscal year 2017 due to a valuation allowance provided for U.S. net operating losses.

Equity gain (loss) from TOKIN:

In fiscal year 2017, we incurred an equity gain related to our 34% economic interest in TOKIN of $41.6 million compared to a loss of $16.4 million in fiscal year 2016. The change was primarily comprised of the following: a $41.0 million reversal of a deferred tax valuation allowance due to the gain on the sale of the EMD business to be recognized in fiscal year 2018, a $12.0 million decrease in additional charge of antitrust and civil litigation fines and a $6.4 million increase in gross margin (including a $3.9 million favorable impact from foreign currency exchange fluctuation) during fiscal year 2017 compared to fiscal year 2016. The actual improvement in gross margin excluding foreign currency exchange impact was driven primarily by sales mix improvement, improvements in manufacturing efficiencies and reduction of fixed costs. Partially offsetting these favorable items was a $0.5 million unfavorable change in the foreign currency translation gains (losses). In addition, there was a $1.0 million favorable legal settlement in Hong Kong for fiscal year 2016 and no similar activity in fiscal year 2017.

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Segment Comparison of Fiscal Year 2017 to Fiscal Year 2016:

The following table sets forth the operating income (loss) for each of our business segments for the fiscal years 2017 and 2016. The table also sets forth each of the segments' net sales as a percentage of total net sales and total operating income (loss) as a percentage of total net sales (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2017		March 31, 2016	
	Amount	% to Total Sales	Amount	% to Total Sales
Net sales				
Solid Capacitors	$575,110	75.9 %	$556,303	75.7 %
Film and Electrolytic	182,681	24.1 %	178,520	24.3 %
Total	$757,791	100.0%	$734,823	100.0%
Operating income (loss)				
Solid Capacitors	$146,694		$129,909	
Film and Electrolytic	(8,278)		(71)	
Corporate	(103,876)		(97,512)	
Total	$34,540	4.6 %	$32,326	4.4 %

Solid Capacitors

The table below sets forth Net sales, Operating income and Operating income as a percentage of net sales for Solid Capacitors for fiscal years 2017 and 2016 (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2017		March 31, 2016	
	Amount	% to Net Sales	Amount	% to Net Sales
Tantalum product line net sales	$342,184		$337,392	
Ceramic product line net sales	232,926		218,911	
Net sales	575,110		556,303	
Segment operating income	146,694	25.5%	129,909	23.4%

Net sales:

Net sales of $575.1 million in fiscal year 2017 increased $18.8 million or 3.4% from $556.3 million in fiscal year 2016. Tantalum product line net sales of $342.2 million in fiscal year 2017 increased $4.8 million or 1.4% from $337.4 million in fiscal year 2016. Ceramic product line net sales of $232.9 million in fiscal year 2017 increased $14.0 million or 6.4% from $218.9 million in fiscal year 2016.

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The overall Solid Capacitors net sales increase was primarily driven by an increase in net sales to the APAC and EMEA distribution channel (as shown in the table below) driven by increases in volume which offset typical market price erosion (amounts in thousands):

	For the Fiscal Years Ended		
	March 31, 2017	March 31, 2016	
Solid Capacitor Distributor Sales by Region	Amount	Amount	Change in Sales
Americas	$ 103.3	$ 99.6	$ 3.7
EMEA	73.6	65.0	8.6
APAC	98.6	73.1	25.5
Solid Capacitor distributor net sales	$ 275.6	$ 237.7	$ 37.9

Segment Operating Income:

Segment operating income of $146.7 million for fiscal year 2017 increased $16.8 million or 12.9% from $129.9 million for fiscal year 2016. The increase in segment operating income is primarily attributable to the following: an increase in gross margin of $20.2 million, a decrease in restructuring charges of $0.6 million and a $0.3 million decreased loss on disposal of assets. Our gross margin improvement was due to an increase in net sales, cost improvements in vertical integration, favorable foreign currency impact to manufacturing costs, and manufacturing process improvements resulting from annual cost reduction activities as well as our partnership with TOKIN. These items were partially offset by a $2.2 million increase in R&D expenses and a $2.1 million in non-cash impairment charges resulting from the plan to relocate the K-Salt facility equipment to the existing Matamoros, Mexico plant.

Film and Electrolytic

The table below sets forth Net sales, Operating loss and Operating loss as a percentage of net sales for Film and Electrolytic for the fiscal years 2017 and 2016 (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2017		March 31, 2016	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales	$ 182,681		$ 178,520	
Segment operating loss	(8,278)	(4.5)%	(71)	—%

Net sales:

Net sales of $182.7 million in fiscal year 2017 increased $4.2 million or 2.3% from $178.5 million in fiscal year 2016. Capacitor unit sales volume for fiscal year 2017 increased 19.5% with a shift in product line mix that lowered the overall average selling price by 13.1% compared to fiscal year 2016. The increase was driven by a increase in net sales in the Distributor channel through all regions. This increase was partially offset by an decrease in net sales in the OEM channel for the Americas and the EMEA region, primarily related to increased sales in the prior year in anticipation of the relocation of our manufacturing line from Germany to Macedonia. A portion of the OEM declines were offset by an increase in the APAC region due to increased sales to a customer that relocated from EMEA. In addition, there was an unfavorable impact of $0.5 million from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar.

Segment Operating loss:

Segment operating loss of $8.3 million in fiscal year 2017 increased $8.2 million from $0.1 million of segment operating loss in fiscal year 2016. The increase in the size of the operating loss was primarily attributable to a $8.2 million write down to long-lived assets, a $2.0 million increase in restructuring charges, a $0.4 million decrease in the gain on disposals of fixed assets for fiscal year 2017 compared to fiscal year 2016 and a $0.3 million increase in SG&A expenses. These unfavorable items were partially offset by a $2.7 million improvement in gross margin and a $0.1 million decrease in R&D expenses. The improvement in gross margin is mainly driven by the increase in net sales as well as cost reductions achieved through headcount reductions, manufacturing relocations, operating efficiencies and actions taken to reduce raw material costs across all plants.

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Consolidated Comparison of Fiscal Year 2016 to Fiscal Year 2015

Net sales:

Net sales of $734.8 million for fiscal year 2016 decreased 10.7% from $823.2 million for fiscal year 2015. Solid Capacitor and Film and Electrolytic sales decreased by $65.0 million and $23.4 million, respectively. The overall Solid Capacitors net sales decrease was primarily driven by a decrease in net sales to the Americas and EMEA distribution channel, typical market price erosion and changes in product line mix. In addition, Solid Capacitor net sales were unfavorably impacted by $12.0 million from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar for the fiscal year 2016 compared to fiscal year 2015. The overall Film and Electrolytic net sales included a $18.9 million unfavorable impact from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar. Excluding the foreign exchange impact, Film and Electrolytic net sales decreased by $4.4 million primarily driven by decreased net sales in the APAC and Americas regions partially offset by the marginally improved net sales in the EMEA region.

In fiscal years 2016 and 2015, net sales by region were as follows (dollars in millions):

	Fiscal Year 2016			Fiscal Year 2015	
	Net Sales	% of Total		Net Sales	% of Total
Americas	$225.7	31 %	Americas	$260.0	32 %
APAC	275.8	37 %	APAC	281.8	34 %
EMEA	233.3	32 %	EMEA	281.4	34 %
Total	$734.8		Total	$823.2	

In fiscal years 2016 and 2015, the percentages of net sales by channel to total net sales were as follows:

	Fiscal Year 2016			Fiscal Year 2015	
	Net Sales	% of Total		Net Sales	% of Total
Distributors	$308.1	42 %	Distributors	$366.3	45 %
EMS	155.5	21 %	EMS	151.2	18 %
OEM	271.2	37 %	OEM	305.7	37 %
Total	$734.8		Total	$823.2	

Gross margin:

Gross margin for the fiscal year ended March 31, 2016 of $163.3 million (22.2% of net sales) increased $3.8 million or 2.4% from $159.5 million (19.4% of net sales) in the prior fiscal year. Despite the decrease in net sales, gross margin as a percentage of net sales improved 280 basis points. This improvement was driven by cost reductions achieved through headcount reductions, manufacturing relocations previously completed as part of our restructuring plans, cost reduction activities, vertical integration, the favorable foreign currency impact to manufacturing costs, and manufacturing process improvements as a result of our partnership with TOKIN.

Selling, general and administrative expenses (“SG&A”):

SG&A expenses of $101.4 million (13.8% of net sales) for fiscal year 2016 increased $2.9 million or 3.0% compared to $98.5 million (12.0% of net sales) for fiscal year 2015. The increase consisted primarily of the following items: a $2.5 million increase in consulting and contractor expenses; a $2.4 million increase in ERP integration and technology transition costs; a $2.3 million increase in legal expenses, which were primarily related to ongoing antitrust lawsuits; and a $0.4 million increase in non-income-related taxes. Partially offsetting these increases was a $1.2 million decrease in software expenses; a $1.1 million decrease in professional fees; a $1.1 million decrease in payroll, commissions, and related expenses and benefits; a $0.9 million decrease related to the change in the allocation of IT and other costs between SG&A and cost of goods sold following an internal usage study; and a $0.4 million decrease in director fees.

Research and development:

R&D expenses of $25.0 million (3.4% of net sales) for fiscal year 2016 decreased $0.8 million or 3.3% compared to $25.8 million (3.1% of net sales) for fiscal year 2015.

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Restructuring charges:

Restructuring charges of $4.2 million in fiscal year 2016 decreased $8.8 million or 67.9% from $13.0 million in fiscal year 2015.

Restructuring charges in the fiscal year ended March 31, 2016 included $1.8 million of personnel reduction costs and $2.4 million of relocation costs. The personnel reduction costs were due to the following: $0.9 million for headcount reductions in Matamoros, Mexico related to the relocation of certain Solid Capacitor manufacturing from Matamoros, Mexico to Victoria, Mexico, $0.6 million related to a headcount reduction in Suzhou, China for the Film & Electrolytic production line transfer from Suzhou, China to Anting, China, $0.5 million related to the consolidation of certain Solid Capacitor manufacturing in Victoria, Mexico, $0.5 million for headcount reductions related to the outsourcing of the Company's information technology function and overhead reductions in North America and Europe, and $0.3 million for headcount reductions in Europe (primarily Landsberg, Germany). These personnel reduction costs were partially offset by a $1.0 million credit to expense in Italy due to the partial reversal of a severance accrual. The Company originally recorded the accrual in the third quarter of fiscal year 2015 corresponding with a plan to reduce headcount by 50 employees. Under the plan, 24 employees were terminated. However, due to unexpected workforce attrition combined with achieving other cost reduction goals, the Company decided not to complete the remaining headcount reduction. Consequently, the Company reversed the remaining accrual during the second quarter of fiscal year 2016.

The $2.4 million relocation costs include $1.1 million for the Landsberg, Germany shut-down including relocating equipment to Pontecchio, Italy and Skopje, Macedonia; $0.4 million for the relocation of certain Solid Capacitor manufacturing equipment in Victoria, Mexico; $0.4 million for the exit of Film & Electrolytic manufacturing from Suzhou, China; and $0.5 million for other costs related to shut-downs in Europe, North America, and Asia.

Restructuring charges in the fiscal year ended March 31, 2015 included $10.3 million related to personnel reduction costs which is primarily comprised of the following: $4.1 million related to headcount reductions in Europe (primarily Landsberg, Germany) as the Company relocates production to lower cost regions; $3.2 million is related to a headcount reduction of 50 employees due to the consolidation of manufacturing facilities in Italy; $1.9 million related to the reduction of certain Solid Capacitor production workforce from Matamoros, Mexico to Victoria, Mexico; and $1.1 million related to headcount reductions taken as the Company began to outsource its information technology function.

In addition to these personnel reduction costs, the Company incurred manufacturing relocation costs of $2.7 million comprised of the following: $1.4 million for the exit of solid capacitors in Evora, Portugal and the relocation of certain Solid Capacitors manufacturing operations from Evora, Portugal to Victoria, Mexico; $0.4 million for the Landsberg, Germany shut-down including relocating equipment to Pontecchio, Italy; $0.3 million for the relocation of certain Film & Electrolytic lines from Monterrey, Mexico and Skopje, Macedonia to Suzhou China and $0.5 million for other costs related to shut-downs in Europe and Asia.

Operating income (loss):

Operating income for fiscal year 2016 of $32.3 million improved $9.9 million compared to operating income of $22.4 million in fiscal year 2015. The improvement was primarily due to a $8.8 million decrease in restructuring charges, a $3.8 million increase in gross margin, and a $0.8 million decrease in R&D expenses. These improvements were partially offset by a $2.9 million increase in SG&A expenses and a $0.6 million unfavorable change in gains or losses on disposals of fixed assets.

Non-operating (income) expense, net:

Non-operating (income) expense, net was a net expense of $63.5 million in fiscal year 2016 compared to a net expense of $34.5 million in fiscal year 2015. The $29.0 million increase was primarily attributable to a $26.3 million decrease in the value of the TOKIN options recognized in fiscal year 2016, the change in value which was primarily attributable to the expiration of KEMET's call option and resulting from the TOKIN antitrust and civil litigation, compared to a $2.1 million increase in fiscal year 2015. In addition, we incurred a $3.0 million foreign exchange gain in fiscal year 2016 compared to a $4.2 million foreign exchange gain in fiscal year 2015, and a $1.0 million gain from the extinguishment of an advance payment from an OEM debt in fiscal year 2015. Partially offsetting these unfavorable items was $1.1 million in professional fees related to financing activities during fiscal year 2015 that did not repeat in fiscal year 2016.

Income taxes:

The income tax expense from continuing operations was $6.0 million in fiscal year 2016 compared to an income tax expense of $5.2 million in fiscal year 2015. Fiscal year 2016 income tax expense was comprised of $6.4 million and $0.2 million in foreign and state income tax expense, respectively, partially offset by $0.6 million of U.S. income tax benefit. No

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U.S. federal income tax benefit is recognized for the U.S. taxable loss for fiscal year 2016 due to a valuation allowance provided for U.S. net operating losses.

Equity loss from TOKIN:

In fiscal year 2016, we incurred an equity loss related to our 34% economic interest in TOKIN of $16.4 million compared to a loss of $2.2 million in fiscal year 2015. The change was primarily comprised of the following: a $15.7 million increase in accrued antitrust and civil litigation fines and a $2.7 million unfavorable change in the foreign exchange rate. Partially offsetting these unfavorable items were: a $1.7 million improvement in gross margin and a $1.2 million decrease in business restructuring expenses. The improvement in gross margin was driven primarily by sales mix improvement, improvements in manufacturing efficiencies, and a reduction of personnel costs.

Segment Comparison of Fiscal Year 2016 to Fiscal Year 2015:

The following table sets forth the operating income (loss) for each of our business segments for the fiscal years 2016 and 2015. The table also sets forth each of the segments' net sales as a percentage of total net sales and the operating income (loss) components as a percentage of total net sales (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2016		March 31, 2015	
	Amount	% to Total Sales	Amount	% to Total Sales
Net sales				
Solid Capacitors	$556,303	75.7 %	$621,275	75.5 %
Film and Electrolytic	178,520	24.3 %	201,917	24.5 %
Total	$734,823	100.0%	$823,192	100.0%
Operating income (loss)				
Solid Capacitors	$129,909		$135,946	
Film and Electrolytic	(71)		(16,685)	
Corporate	(97,512)		(96,883)	
Total	$32,326		$22,378	

Solid Capacitors

The table sets forth Net sales, Operating income and Operating income as a percentage of net sales for Solid Capacitors for the fiscal years 2016 and 2015 (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2016		March 31, 2015	
	Amount	% to Net Sales	Amount	% to Net Sales
Tantalum product line net sales	$337,391		$377,893	
Ceramic product line net sales	218,912		243,382	
Net sales	$556,303		$621,275	
Segment operating income	129,909	23.4%	135,946	21.9%

Net sales:

Net sales of $556.3 million in fiscal year 2016 decreased $65.0 million or 10.5% from $621.3 million in fiscal year 2015. Tantalum product line net sales of $337.4 million in fiscal year 2016 decreased $40.5 million or 10.7% from $377.9 million in fiscal year 2015. Ceramic product line net sales of $218.9 million in fiscal year 2016 decreased $24.5 million or 10.1% from $243.4 million in fiscal year 2015. Included in the decrease in net sales was an unfavorable impact of $12.0 million from foreign currency exchange primarily due to the change in the value of the

Euro compared to the U.S. dollar.

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The overall Solid Capacitors net sales decrease was primarily driven by a decrease in net sales to the Americas and EMEA distribution channel (as shown in the table below), typical market price erosion and changes in product line mix (amounts in thousands):

	For the Fiscal Years Ended		
	March 31, 2016	March 31, 2015	
Solid Capacitor Distributor Sales by Region	Amount	Amount	Change in Sales
Americas	$99.6	$ 121.3	$(21.7)
EMEA	65.0	87.7	(22.7)
APAC	73.1	81.8	(8.7)
Solid Capacitor distributor net sales	$237.7	$ 290.8	$(53.1)

Segment operating income:

Segment operating income of $129.9 million for fiscal year 2016 decreased $6.0 million or 4.4% from $135.9 million for fiscal year 2015; however operating income as a percentage of net sales improved 150 basis points. The decrease in segment operating income is primarily attributable to the following: a decrease in gross margin of $6.5 million and a $1.1 million increase in SG&A expenses. Despite the decrease in net sales, our gross margin decrease was mitigated by vertical integration, the favorable foreign currency impact to manufacturing costs, and manufacturing process improvements as a result of our partnership with TOKIN. These items were partially offset by a decrease in restructuring charges of $1.4 million, a $0.1 million decrease loss on disposal of assets and a $0.1 million decrease in R&D expenses.

Film and Electrolytic

The table sets forth Net sales, Operating income (loss) and Operating income (loss) as a percentage of net sales for Film and Electrolytic for the fiscal years 2016 and 2015 (amounts in thousands, except percentages):

	For the Fiscal Years Ended			
	March 31, 2016		March 31, 2015	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales	$178,520		$201,917	
Segment operating (loss) income	(71)	—%	(16,701)	(8.3)%

Net sales:

Net sales of $178.5 million in fiscal year 2016 decreased $23.4 million or 11.6% from $201.9 million in fiscal year 2015. Capacitor unit sales volume for fiscal year 2016 decreased 5.7% compared to fiscal year 2015. The decrease in net sales included an $18.9 million unfavorable impact from foreign currency exchange primarily due to the change in the value of the Euro compared to the U.S. dollar. In addition to the foreign exchange impact, net sales decreased by $4.4 million primarily driven by decreased net sales in the APAC and Americas regions partially offset by the marginal improvement in net sales in the EMEA region.

Segment operating loss:

Segment operating loss of $0.1 million in fiscal year 2016 improved $16.6 million from $16.7 million of segment operating loss in fiscal year 2015 and operating income as a percentage of net sales improved 820 basis points. The improvement was attributable to a $10.2 million improvement in gross margin, a $6.5 million decrease in restructuring charges, a $0.4 million decrease in SG&A expenses, and a $0.2 million decrease in R&D expenses. The improvement in gross margin is mainly driven by the headcount reductions and manufacturing relocations previously completed as part of our restructuring plan and cost reduction actions across all plants. The improvements were partially offset by a $0.7 million decrease in the gain on disposals of fixed assets for fiscal year 2016 compared to fiscal year 2015.

Liquidity and Capital Resources

Our liquidity needs arise from working capital requirements, acquisitions, capital expenditures, principal and interest payments on debt, and costs associated with the implementation of our restructuring plan. Historically, these cash needs have been met by cash flows from operations, borrowings under credit agreements and existing cash and cash equivalents balances.

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Issuance of 10.5% Senior Notes

On May 5, 2010, we completed the issuance of our 10.5% Senior Notes with an aggregate principal amount of $230.0 million which resulted in net proceeds to the Company of $222.2 million. In addition, on March 27, 2012 and April 3, 2012, the Company completed the sale of $110.0 million and $15.0 million aggregate principal amount of its 10.5% Senior Notes due 2018, respectively, at an issue price of 105.5% of the principal amount plus accrued interest from November 1, 2011. The issuance resulted in a debt premium of $6.1 million which is being amortized over the term of the 10.5% Senior Notes. These Senior Notes were issued as additional notes under the indenture, dated May 5, 2010, as amended, among the Company, the Guarantor Subsidiaries party thereto and Wilmington Trust Company, as trustee. In total, debt issuance costs related to the 10.5% Senior Notes, net of amortization, were $1.4 million and $2.8 million as of March 31, 2017 and 2016; these costs will be written off in the first quarter of fiscal year 2018 upon the extinguishment of the 10.5% Senior Notes (see Note 19, “Subsequent Events” for additional information).

The 10.5% Senior Notes were issued pursuant to a 10.5% Senior Notes Indenture, dated as of May 5, 2010, by and among us, our domestic restricted subsidiaries (the “Guarantor Subsidiaries”) and Wilmington Trust Company, as trustee (the “Trustee”). The 10.5% Senior Notes had a maturity date of May 1, 2018, and bore interest at a stated rate of 10.5% per annum, payable semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on November 1, 2010. The 10.5% Senior Notes were our senior obligations and were guaranteed by each of the Guarantor Subsidiaries and secured by a first priority lien on 51% of the capital stock of certain of our foreign restricted subsidiaries. In connection with our entry into the Term Loan Credit Agreement, we called the 10.5% Senior Notes for redemption on April 28, 2017 for 100% of the Principal Amount and all such notes were redeemed as of May 28, 2017.

Term Loan Credit Agreement

As discussed above under “Subsequent Event.” on April 28, 2017, KEMET entered into the Term Loan Credit Agreement by and among the Company, KEC, the subsidiary guarantors party thereto, the lenders party thereto, Bank of America, N.A. as the Administrative Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and bookrunner and various lenders thereto from time to time. The Term Loan Credit Agreement provides for a $345 million term loan facility. In addition, the Borrowers may request incremental term loan commitments in an aggregate amount not to exceed $50 million.

Revolving Line of Credit

On September 30, 2010, KEC and KEMET Electronics Marketing (S) Pte Ltd. (“KEMET Singapore”) (each a “LOC Borrower” and, collectively, the “LOC Borrowers”) entered into a Loan and Security Agreement (the “Loan and Security Agreement”), with Bank of America, N.A, as the administrative agent and the initial lender. A portion of the U.S. facility and the Singapore facility can be used to issue letters of credit. On December 19, 2014, the Loan and Security Agreement was amended and as a result the expiration was extended to December 19, 2019. On May 2, 2016, the Loan and Security Agreement was further amended. Under the terms of the amended Loan and Security Agreement, the revolving credit facility has increased to $65.0 million, which is bifurcated into a U.S. facility (for which KEC is the LOC Borrower) and a Singapore facility (for which KEMET Singapore is the LOC Borrower). The amendment contains an accordion feature permitting the U.S. LOC Borrowers to increase commitments under the facility by an aggregate principal amount up to $15.0 million (for a total facility of $75.0 million), subject to terms and documentation acceptable to the Agent and/or the Lenders. In addition, KEMET Foil, Blue Powder and The Forest Electric Company were included as LOC Borrowers under the U.S. facility. The principal features of the Loan and Security Agreement as amended are reflected in the description below.

The size of the U.S. facility and Singapore facility can fluctuate as long as the Singapore facility does not exceed $30.0 million and the total facility does not exceed $65.0 million.

Borrowings under the U.S. and Singapore facilities are subject to a borrowing base consisting of:

- in the case of the U.S. facility, (A) 85% of KEC’s accounts receivable that satisfy certain eligibility criteria plus (B) the lesser of (i) $6.0 million and (ii) (a) on or prior to agent’s receipt of an updated inventory appraisal and agent’s approval thereof, 40% of the value of Eligible Inventory (as defined in the Loan and Security Agreement) and (b) upon agent's receipt of an updated inventory appraisal, 85% of the net orderly liquidation value of the Eligible Inventory (as defined in the Loan and Security Agreement) plus (C) the lesser of $5.1 million and 80% of the net orderly liquidation percentage of the appraised value of equipment that satisfies certain eligibility criteria, as reduced on the first day of each fiscal quarter occurring after April 30, 2014 in an amount equal to one-twentieth (1/20) of such appraised value less (D) certain reserves, including certain reserves imposed by the administrative agent in its permitted discretion; and

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- in the case of the Singapore facility, (A) 85% of KEMET Singapore's accounts receivable that satisfy certain eligibility criteria as further specified in the Loan and Security Agreement less (B) certain reserves, including certain reserves imposed by the administrative agent in its permitted discretion.

Interest is payable on borrowings monthly at a rate equal to the London Interbank Offer Rate ("LIBOR") or the base rate, plus an applicable margin, as selected by the LOC Borrower. Depending upon the fixed charge coverage ratio of KEMET Corporation and its subsidiaries on a consolidated basis as of the latest test date, the applicable margin under the U.S. facility varies between 2.00% and 2.50% for LIBOR advances and 1.00% and 1.50% for base rate advances, and under the Singapore facility varies between 2.25% and 2.75% for LIBOR advances and 1.25% and 1.75% for base rate advances.

The base rate is subject to a floor that is 100 basis points above LIBOR.

An unused line fee is payable monthly in an amount equal to a per annum rate equal to (a) 0.50%, if the average daily balance of revolver loans and stated amount of letters of credit was 50% or less of the revolver commitments during the preceding calendar month, or (b) 0.375%, if the average daily balance of revolver loans and stated amount of letters of credit was more than 50% of the Revolver Commitment during the preceding calendar month. A customary fee is also payable to the administrative agent on a quarterly basis.

KEC's ability to draw funds under the U.S. facility and KEMET Singapore's ability to draw funds under the Singapore facility are conditioned upon, among other matters:

- the absence of the existence of a Material Adverse Effect (as defined in the Loan and Security Agreement);
- the absence of the existence of a default or an event of default under the Loan and Security Agreement; and
- the representations and warranties made by KEC and KEMET Singapore in the Loan and Security Agreement continuing to be correct in all material respects.

KEMET and the Guarantor Subsidiaries guarantee the U.S. facility obligations and the U.S. facility obligations are secured by a lien on substantially all of the assets of KEC and the Guarantor Subsidiaries (other than assets that secure the 10.5% Senior Notes due 2018). The collection accounts of the LOC Borrowers and Guarantor Subsidiaries are subject to a daily sweep into a concentration account and the concentration account will become subject to full cash dominion in favor of the administrative agent (i) upon an event of default, (ii) if for five consecutive business days, aggregate availability of all facilities has been less than the greater of (A) 12.5% of the aggregate revolver commitments at such time and (B) $7.5 million, or (iii) if for five consecutive business days, availability of the U.S. facility has been less than $3.75 million (each such event, a "Cash Dominion Trigger Event").

KEC and the Guarantor Subsidiaries guarantee the Singapore facility obligations. In addition to the assets that secure the U.S. facility, the Singapore obligations are also secured by a pledge of 100% of the stock of KEMET Singapore and a security interest in substantially all of KEMET Singapore's assets. KEMET Singapore's bank accounts are maintained at Bank of America and upon a Cash Dominion Trigger Event will become subject to full cash dominion in favor of the administrative agent.

A fixed charge coverage ratio of at least 1.0 :1.0 must be maintained as of the last day of each fiscal quarter ending immediately prior to or during any period in which any of the following occurs and is continuing until none of the following occurs for a period of at least forty-five consecutive days: (i) an event of default, (ii) aggregate availability of all facilities has been less than the greater of (A) 12.5% of the aggregate revolver commitments at such time and (B) $7.5 million, or (iii) availability of the U.S. facility has been less than $3.75 million. The fixed charge coverage ratio tests the EBITDA and fixed charges of KEMET and its subsidiaries on a consolidated basis.

In addition, the Loan and Security Agreement includes various covenants that, subject to exceptions, limit the ability of KEMET and its direct and indirect subsidiaries to, among other things: incur additional indebtedness; create liens on assets; engage in mergers, consolidations, liquidations and dissolutions; sell assets (including pursuant to sale leaseback transactions); pay dividends and distributions on or repurchase capital stock; make investments (including acquisitions), loans, or advances; prepay certain junior indebtedness; engage in certain transactions with affiliates; enter into restrictive agreements; amend material agreements governing certain junior indebtedness; and change its

lines of business. The Loan and Security Agreement includes certain customary representations and warranties, affirmative covenants and events of default, which are set forth in more detail in the Loan and Security Agreement.
In connection with the closing of the new Term Loan Credit Agreement described below, KEC also entered into Amendment No. 9 to Loan and Security Agreement, Waiver and Consent, dated as of April 28, 2017, by and among KEC, the other borrowers named therein, the financial institutions party thereto as lenders and Bank of America, N.A., a national banking association, as agent for the lenders (the “Loan Amendment”). The Loan Amendment increases the facility amount to $75 million and provides KEC with lower applicable interest rate margins and the ability to complete the refinancing pursuant to

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the new Term Loan Credit Agreement. As part of the overall refinancing, KEC also repaid all amounts outstanding under the Loan Amendment.

The Company had the following activity for the twelve month period ended March 31, 2017 and resulting balances under the revolving line of credit (amounts in millions, excluding percentages):

	March 31, 2016	Twelve Month Period Ended March 31, 2017		March 31, 2017		
	Outstanding Borrowings	Additional Borrowings	Repayments	Outstanding Borrowings	Rate (1) (2)	Due Date
U.S. Facility	$ 19,881	$12,000	$ —	$31,881	5.000%	December 19, 2019
Singapore Facility						
Singapore Borrowing 1	12,000	—	12,000	—	— %	—
Singapore Borrowing 2 (3)	2,000	—	—	2,000	3.375%	April 10, 2017
Total Facilities	$ 33,881	$12,000	$ 12,000	$33,881		

(1)For U.S. borrowings, Base Rate plus 1.5%, as defined in the Loan and Security Agreement.
(2)For Singapore borrowings, LIBOR plus a spread of 2.50% as of March 31, 2017.
(3)The Company repaid the Singapore Borrowing 2 in full on the due date of April 10, 2017.

These were the only borrowings under the revolving line of credit, and the Company's available borrowing capacity under the Loan and Security Agreement was $29.2 million as of March 31, 2017. The borrowing capacity has increased from the prior year due to an improvement in the fixed charged coverage ratio and an increase in the eligible account receivable collateral.

Other Debt

In January 2017, KEMET Electronics Portugal, S.A., a wholly owned subsidiary received an interest free loan from the Portuguese Government in the amount of EUR 2.2 million (or $2.4 million) to be used for fixed asset purchases. The loan has a total term of eight years ending February 1, 2025. The loan will be repaid through semi-annual payments in the amount of EUR 185 thousand (or $198 thousand) beginning on August 1, 2019. Since the debt is non-interest bearing, we have created a debt discount in the amount of EUR 0.5 million (or $0.6 million) with an offsetting reduction to fixed assets. This discount will be amortized over the life of the loan through interest expense. If certain conditions are met such as increased headcount, increased revenue and increased gross value added, a portion of the loan could be forgiven during fiscal year 2020.

Short-term Liquidity

Cash and cash equivalents totaled $109.8 million as of March 31, 2017, representing an increase of $44.8 million compared to $65.0 million as of March 31, 2016. Upon acquisition of TOKIN, on April 19, 2017, the cash balance will increase by $216.6 million. Our net working capital (current assets less current liabilities) increased $20.1 million, with the balance as of March 31, 2017 of $248.9 million compared to $228.8 million of net working capital as of March 31, 2016. Cash and cash equivalents held by our foreign subsidiaries totaled $35.0 million and $28.2 million at March 31, 2017 and March 31, 2016, respectively. Our operating income outside the U.S. is no longer deemed to be permanently reinvested in foreign jurisdictions. As a result, we set up a deferred tax liability on the undistributed foreign earnings which was offset by a reduction to the valuation allowance for deferred tax assets. However, we currently do not intend nor foresee a need to repatriate cash and cash equivalents held by foreign subsidiaries which is subject to withholding tax. If additional funds are needed in the U.S. for our operations, we may be required to accrue U.S. withholding taxes on the distributed foreign earnings. Based on our current operating plans we believe that cash generated from operations, domestic cash and cash equivalents and cash from the revolving line of credit will continue to be sufficient to cover our operating requirements for the next twelve months.

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Our cash and cash equivalents increased by $44.8 million during the year ended March 31, 2017, increased $8.6 million during the year ended March 31, 2016 and decreased $1.6 million during the year ended March 31, 2015 as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net cash provided by (used in) operating activities	$71,667	$32,365	$24,402
Net cash provided by (used in) investing activities	(25,598)	(20,588)	3,629
Net cash provided by (used in) financing activities	(125)	(3,803)	(26,868)
Effect of foreign currency fluctuations on cash	(1,174)	668	(2,730)
Net increase (decrease) in cash and cash equivalents	$44,770	$8,642	$(1,567)

Fiscal Year 2017 compared to Fiscal Year 2016

Operations

In fiscal year 2017, cash provided by operating activities totaled $71.7 million, representing a $39.3 million improvement compared to cash provided by operating activities of $32.4 million in fiscal year 2016. Contributing to the positive changes in cash was a $13.5 million increase in operating cash flows led by an improvement in net income (loss) net of the following non-cash income statement items: depreciation and amortization, change in value of TOKIN options, equity (income) loss from TOKIN, write down of long-lived assets, non-cash debt and financing costs, stock-based compensation expense, receivable write down, net (gain) loss on sales and disposals of assets, pension and other post-retirement benefits, and deferred income taxes for fiscal year 2017 compared to fiscal year 2016.

Also contributing to the positive changes in cash was a $25.4 million improvement in cash from operating liabilities, excluding foreign currency exchange, primarily due to using $13.8 million of cash to reduce accrued expenses during fiscal year 2016 compared to only using $1.1 million of cash to reduce accrued expenses during fiscal year 2017. The primary reason for the change in accrued expenses is due to a $7.7 million increase for our incentive-based compensation largely related to performance improvements. Additionally, accounts payable increased by $6.2 million in fiscal year 2017, whereas in fiscal year 2016, accounts payable decreased by $6.0 million, primarily due to the timing of supplier payments.

A final driver to the positive changes in cash was a $0.4 million improvement in cash from operating assets, excluding foreign currency exchange, primarily due to a decrease in inventory of $16.8 million for fiscal year 2017, compared to a $3.3 million decrease for fiscal year 2016. The decrease in inventory for fiscal year 2017 was primarily related to continued improvements related to vertical integration of the Tantalum product line supply chain. Offsetting this improvement, prepaid and other current assets increased by $1.8 million in fiscal year 2017, whereas in fiscal year 2016, prepaid expenses and other current assets decreased by $13.6 million, primarily driven by a decrease in value-added-tax receivable.

Investing

Cash used in investing activities was $25.6 million in fiscal year 2017 compared to cash used in investing activities of $20.6 million in fiscal year 2016.

Cash used in investing activities in fiscal year 2017 included capital expenditures of $25.6 million, primarily related to expanding capacity at our manufacturing facilities in Monterrey and Matamoros, Mexico; Pontecchio, Italy; Evora, Portugal; and Suzhou, China.

Cash used for investing activities in fiscal year 2016 included capital expenditures of $20.5 million, and $2.9 million in acquisition payments net of cash received related to the acquisition of Intellidata. Capital expenditures were primarily related to expanding capacity at our manufacturing facilities in Suzhou, China; Pontecchio, Italy; Gränna, Sweden; Matamoros, Mexico; and Evora, Portugal as well as information technology capital projects. Offsetting these uses of cash were $1.8 million due to the release of restricted cash and $1.0 million in proceeds from the sale of assets.

Financing

Cash used in financing activities of $0.1 million in fiscal year 2017 decreased $3.7 million from cash used in financing activities of $3.8 million in fiscal year 2016.
In fiscal year 2017, we used $0.1 million for net payments of long-term debt, used $1.1 million for purchase of treasury stock and generated $1.1 million from exercise of stock options.

In fiscal year 2016, we used $3.0 million for deferred acquisition payments related to the Intellidata acquisition, $0.5 million for payments of long term debt, and $0.7 million for purchase of treasury stock, and received $0.4 million in net proceeds from the revolving line of credit.

Commitments

At March 31, 2017, we had contractual obligations in the form of non-cancelable operating leases and debt, including interest payments (see Note 2, "Debt" and Note 16, "Commitments and Contingencies" to our consolidated financial statements), European social security, pension benefits, other post-retirement benefits, inventory purchase obligations, fixed asset purchase obligations, acquisition related obligations, and construction obligations as follows (amounts in thousands):

	Payment Due by Period				
Contractual obligations	Total	Year 1	Years 2 - 3	Years 4 - 5	More than 5 years
Debt obligations (1)	$389,256	$2,000	$385,277	$792	$1,187
Interest obligations (1)	45,103	38,750	6,353	—	—
Operating lease obligations	14,092	5,980	6,190	1,337	585
TOKIN acquisition (2)	148,829	148,829	—	—	—
Pension and other post-retirement benefits (3)	19,345	1,520	3,278	3,317	11,230
Employee separation liability	8,685	280	641	641	7,123
Restructuring liability	999	984	15	—	—
Purchase commitments	7,132	6,902	230	—	—
Capital lease obligations	1,191	714	452	19	6
Total	$634,632	$205,959	$402,436	$6,106	$20,131

(1) Does not reflect changes resulting from the entry into the Term Loan Credit Agreement or the redemption of our 10.5% Senior Notes, both of which occurred subsequent to the end of the fiscal year ended March 31, 2017. The Term Loans mature April 28, 2024 and the applicable margin for the term loans is 5.0% for Base Rate Term Loans (as defined in the Term Loan Credit Agreement) and 6.0% for LIBO Rate Term Loans (as defined in the Term Loan Credit Agreement), see Note 19, "Subsequent Events" for additional information.

(2) Includes "Excess cash" as defined in the TOKIN Purchase Agreement of approximately $93.6 million to be paid from proceeds from the sale of TOKIN's EMD business, net acquisition price is $55.2 million. See Note 19, "Subsequent Events" for additional information.

(3) Reflects expected benefit payments through 2023.

Derivative Investments

Certain operating expenses at the Company's Mexican facilities are paid in Mexican Pesos or Japanese Yen, and certain sales are made in Euros. In order to hedge these forecasted cash flows, the Company may decide to purchase foreign exchange contracts to buy Mexican Pesos, buy Japanese Yen, or sell Euros for periods and amounts consistent with the underlying cash flow exposures. At March 31, 2017, the Company had outstanding forward exchange contracts with maturities of less than twelve months to purchase Mexican Pesos with notional amounts of $49.1 million. The fair value of these contracts at March 31, 2017 totaled $2.9 million and was recorded as a derivative asset on the Consolidated Balance Sheets under the line item "Other Current Assets." As of March 31, 2017, KEMET does not have any contracts outstanding for Japanese Yen, or Euros. See Note 13, "Derivatives" for further discussion of derivative financial instruments.

Uncertain Income Tax Positions

We have recognized a liability for our unrecognized uncertain income tax positions of approximately $2.9 million as of March 31, 2017. The ultimate resolution and timing of payment for remaining matters continues to be uncertain and

are, therefore, excluded from the above table.
Non-GAAP Financial Measures
To complement our consolidated statements of operations and cash flows, we use non-GAAP financial measures of Adjusted gross margin, Adjusted operating income (loss), Adjusted net income (loss) and Adjusted EBITDA. We believe that Adjusted gross margin, Adjusted operating income (loss), Adjusted net income (loss) and Adjusted EBITDA are complements to U.S. GAAP amounts and such measures are useful to investors. The presentation of these non-GAAP measures is not meant

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to be considered in isolation or as an alternative to net income (loss) as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity.

The following table provides a reconciliation from U.S. GAAP Gross margin to Non-U.S. GAAP Adjusted gross margin (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net sales	$757,791	$734,823	$823,192
Cost of sales	571,679	571,543	663,683
Gross Margin (U.S. GAAP)	186,112	163,280	159,509
Gross margin as a % of net sales	24.6 %	22.2 %	19.4 %
Non-U.S. GAAP-adjustments:			
Plant shut-down costs	—	372	889
Plant start-up costs	427	861	4,556
Stock-based compensation expense	1,384	1,418	1,576
Adjusted gross margin (non-GAAP)	$187,923	$165,931	$166,530
Adjusted gross margin as a % of net sales	24.8 %	22.6 %	20.2 %

Adjusted operating income (loss) is calculated as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Operating income (loss)	$34,540	$32,326	$22,378
Adjustments:			
Write down of long-lived assets	10,279	—	—
ERP integration costs/IT transition costs	7,045	5,677	3,248
Stock-based compensation	4,720	4,774	4,512
Restructuring charges	5,404	4,178	13,017
Legal expenses related to antitrust class actions	2,640	3,041	844
TOKIN investment related expenses	1,101	900	1,778
Plant start-up costs	427	861	4,556
Net (gain) loss on sales and disposals of assets	392	375	(221)
Plant shut-down costs	—	372	889
Pension plan adjustment	—	312	—
Adjusted operating income (loss)	$66,548	$52,816	$51,001

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Adjusted net income (loss) is calculated as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net income (loss)	$47,989	$(53,629)	$(14,143)
Adjustments:			
Equity (gain) loss from TOKIN	(41,643)	16,406	2,169
Change in value of TOKIN options	(10,700)	26,300	(2,100)
Write down of long-lived assets	10,279	—	—
Restructuring charges	5,404	4,178	13,017
ERP integration costs/IT transition costs	7,045	5,677	3,248
Stock-based compensation	4,720	4,774	4,512
Legal expenses related to antitrust class actions	2,640	3,041	844
Net foreign exchange (gain) loss	(3,758)	(3,036)	(4,249)
TOKIN investment related expenses	1,101	900	1,778
Income tax effect on pension curtailment	—	875	—
Plant start-up costs	427	861	4,556
Amortization included in interest expense	761	859	1,814
Net (gain) loss on sales and disposals of assets	392	375	(221)
Plant shut-down costs	—	372	889
Pension plan adjustment	—	312	—
Income tax effect of non-GAAP adjustments (1)	(741)	652	84
(Income) loss from discontinued operations	—	—	(5,379)
(Gain) loss on early extinguishment of debt	—	—	(1,003)
Professional fees related to financing activities	—	—	1,142
Adjusted net income (loss)	$23,916	$8,917	$6,958

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Adjusted EBITDA is calculated as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net income (loss)	$47,989	$(53,629)	$(14,143)
Adjustments:			
Income tax expense (benefit)	4,290	6,006	5,227
Interest expense, net	39,731	39,591	40,686
Depreciation and amortization	37,338	39,016	40,768
Equity (gain) loss from TOKIN	(41,643)	16,406	2,169
Change in value of TOKIN options	(10,700)	26,300	(2,100)
Write down of long-lived assets	10,279	—	—
ERP integration costs/IT transition costs	7,045	5,677	3,248
Stock-based compensation	4,720	4,774	4,512
Restructuring charges	5,404	4,178	13,017
Legal expenses related to antitrust class actions	2,640	3,041	844
Net foreign exchange (gain) loss	(3,758)	(3,036)	(4,249)
TOKIN investment related expenses	1,101	900	1,778
Plant start-up costs	427	861	4,556
Net (gain) loss on sales and disposals of assets	392	375	(221)
Plant shut-down costs	—	372	889
Pension plan adjustment	—	312	—
(Income) loss from discontinued operations	—	—	(5,379)
(Gain) loss on early extinguishment of debt	—	—	(1,003)
Professional fees related to financing activities	—	—	1,142
Adjusted EBITDA	$105,255	$91,144	$91,741

Adjusted gross margin represents net sales less cost of sales excluding adjustments which are outlined in the quantitative reconciliation provided above. Management uses Adjusted gross margin to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided above which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted gross margin is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. Adjusted gross margin should not be considered as an alternative to gross margin or any other performance measure derived in accordance with U.S. GAAP.

Adjusted operating income (loss) represents operating income (loss), excluding adjustments which are outlined in the quantitative reconciliation provided above. We use Adjusted operating income (loss) to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided above which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted operating income (loss) is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and allows investors to monitor and understand changes in our ability to generate income from ongoing operations. Adjusted operating income (loss) should not be considered as an alternative to operating income (loss) or any other performance measure derived in accordance with U.S. GAAP.

Adjusted net income (loss) represents net income (loss), excluding adjustments which are outlined in the quantitative reconciliation provided above. We use Adjusted net income (loss) to evaluate the Company's operating performance by excluding the items outlined in the quantitative reconciliation provided above which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The

Company believes that Adjusted net income (loss) is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and allows investors to monitor and understand changes in our ability to generate income from ongoing operations. Adjusted net income (loss) should not be considered as an alternative to net income (loss), operating income (loss) or any other performance measures derived in accordance with U.S. GAAP.

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Adjusted EBITDA represents net income (loss) before income tax expense, interest expense, net, and depreciation and amortization, excluding adjustments which are outlined in the quantitative reconciliation provided above. We present Adjusted EBITDA as a supplemental measure of our performance and ability to service debt. We also present Adjusted EBITDA because we believe such measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

We believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation and amortization are non-cash charges. The other items excluded from Adjusted EBITDA are excluded in order to better reflect our continuing operations.

In evaluating Adjusted EBITDA, one should be aware that in the future we may incur expenses similar to the adjustments noted above. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these types of adjustments. Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income (loss), operating income (loss) or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

Our Adjusted EBITDA measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- it does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and our Adjusted EBITDA measure does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- it does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- it does not reflect limitations on or costs related to transferring earnings from our subsidiaries to us; and
- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementally.

Recent Accounting Pronouncements

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The update requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of Operating income. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires retrospective application to all periods presented. The Company plans to adopt this guidance in the first quarter of fiscal year 2018, and is currently performing its assessment of the impact of adopting the guidance; however, based on its expectations for the fiscal year ended March 31, 2018, the Company believes it will likely have a material impact due to the reclassification of pension and post-retirement benefit cost from Operating income to Non-operating income. Excluding the service costs, the net periodic pension and post-retirement benefit cost for the fiscal year ended March 31, 2018 is expected to be $1.3 million.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other. The update eliminates the requirement to calculate the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. Under the update, the goodwill impairment loss would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date of this update is for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements, however the adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial position, results of operations, or cash flows.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory. The update requires entities to recognize the income tax consequences of many intercompany asset transfers at the transaction date. The seller and buyer will immediately recognize the current and deferred income tax consequences of an intercompany transfer of an asset other than inventory. The tax consequences were previously deferred. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires modified retrospective transition method which is a cumulative effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company plans to adopt this guidance in the first quarter of fiscal year 2018, however the impact of the adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update clarifies how cash receipts and cash payments in certain transactions are presented and classified in the statement of cash flows. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires retrospective application to all periods presented but may be applied prospectively if retrospective application is impracticable. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation. This guidance changes several aspects of the accounting for share-based payment award transactions, including: (1) Accounting and Cash Flow Classification for Excess Tax Benefits and Deficiencies, (2) Forfeitures, and (3) Tax Withholding Requirements and Cash Flow Classification. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early application is permitted, and KEMET adopted ASU No. 2016-09 as of April 1, 2016. The Company elected to discontinue estimating forfeitures that are expected to occur and recorded a cumulative effect adjustment to retained earnings of $130,000 as of April 1, 2016. There was no cumulative adjustment related to the excess tax benefits as the Company did not have an additional paid in capital pool of excess tax benefits. The adoption did not have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, as modified by ASU 2017-03, Transition and Open Effective Date Information. The ASU requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than short-term leases). The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. Early application is permitted. We are currently in the process of assessing the impact the adoption of this guidance will have on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The ASU requires an entity that uses first-in, first-out or average cost to measure its inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 was effective for interim and annual reporting periods beginning April 1, 2016. The adoption of ASU 2015-11 did not materially impact the Company's operating results and financial position.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. In August 2015, the FASB issued ASU No.

2015-15, Interest - Imputation of Interest (Subtopic 835-30) - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the treatment of debt issuance costs associated with line-of-credit arrangements that were not specifically addressed in ASU 2015-03. ASU 2015-15 states that entities may elect to continue to treat debt issuance costs associated with lines of credit as an asset, consistent with current treatment. The Company adopted these ASUs in the first quarter of 2017. The ASUs did not impact the Company’s results of operations or liquidity.

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The balance sheet as of March 31, 2016 has been adjusted to reflect retrospective application of the new accounting guidance for ASU No. 2015-03 as follows (amounts in thousands):

	As Previously Reported	Retrospective Adjustment	As Adjusted
Other assets	$ 5,832	$ (2,764)	$ 3,068
Total assets	702,544	(2,764)	699,780
Long-term debt, less current portion	388,597	(2,764)	385,833
Total liabilities and stockholders' equity	702,544	(2,764)	699,780

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern. The new guidance requires management to assess if there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim period. If conditions or events give rise to substantial doubt, disclosures are required. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter; early application is permitted. This new guidance did not have a material impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes existing accounting standards for revenue recognition and creates a single framework. The new guidance requires either a retrospective or a modified retrospective approach at adoption. Additional updates to Topic 606 issued by the FASB in 2015 and 2016 include the following:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of the new guidance such that the new provisions will now be required for fiscal years, and interim periods within those years, beginning after December 15, 2017 (ASU 2015-14 is effective for the Company's fiscal year that begins on April 1, 2018 and interim periods within that fiscal year).
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations (reporting revenue gross versus net).
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and classifying licensing arrangements.
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which clarifies the implementation guidance in a number of other areas.
- ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.
- ASU No. 2017-03, Overall Transition and Open Effective Date Information.

The effective date of this guidance is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, but not before the Company's fiscal year that begins on April 1, 2017 (the original effective date of the ASU). The Company plans to adopt the requirements of the new standard in the first quarter of fiscal year 2019 and anticipate using the full retrospective transition method. The Company is currently in the process of assessing the impact the adoption of the new revenue standards will have on its consolidated financial statements and related disclosures.

There are currently no other accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations or cash flows upon adoption.

Effect of Inflation

Inflation generally affects us by increasing the cost of labor, equipment, and raw materials. We do not believe that inflation has had any material effect on our business over the past three fiscal years except for the following discussion in Commodity Price Risk.

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

Interest Rate Risk

On April 28, 2017, KEMET entered into a Term Loan Credit Agreement, which provides for a $345 million term loan facility and has a variable interest rate. We are exposed to interest rate risk through the Term Loan, and a 1% change in the interest rate would yield a $3.5 million change in interest expense.

Foreign Currency Exchange Rate Risk

Given our international operations and sales, we are exposed to movements in foreign exchange rates. Of these, the most significant are currently the Euro and the Mexican Peso. A portion of our sales to our customers and operating costs in Europe are denominated in Euro creating an exposure to foreign currency exchange rates. Also, a portion of our costs in our operations in Mexico are denominated in Mexican Pesos, creating an exposure to foreign currency exchange rates. Additionally, certain of our non-U.S. subsidiaries make sales denominated in U.S. dollars which expose them to foreign currency transaction gains and losses. Historically, in order to minimize our exposure, we periodically entered into forward foreign exchange contracts in which the future cash flows were hedged against the U.S. dollar (see Note 13, “Derivatives” to the consolidated financial statements).

A 10 percent increase or decrease in foreign exchange rates would have resulted in changes in net income (loss) of $17.1 million and $(19.0) million, respectively.

Commodity Price Risk

As a result of our tantalum vertical integration efforts which began in fiscal year 2012, we have reduced our exposure to price volatility and supply uncertainty in the tantalum supply chain. A majority of our tantalum needs are now met through our direct sourcing of conflict free tantalum ore or tantalum scrap reclaim, which is then processed into the intermediate product potassium heptafluorotantalate (commonly known as K-salt) at our own facility in Mexico, before final processing into tantalum powder at Blue Powder. Price increases for tantalum ore, or for the remaining tantalum powder that we source from third parties, could impact our financial performance as we may be unable to pass all such price increases on to our customers.

Silver and aluminum have generally been available in sufficient quantities, and we believe there are a sufficient number of suppliers from which we can purchase our requirements. An increase in the price of silver and aluminum that we are unable to pass on to our customers, however, could have an adverse effect on our profitability.

To evaluate the impact of price changes in precious metals on net income (loss) we used the following assumptions: the selling prices of our products would not be impacted, all the precious metals change in the same direction at the same time and we do not have commitment contracts in place. Under these assumptions, a 10 percent increase or decrease in the cost of precious metals would result in approximately $9.9 million of increase or decrease to our net income (loss). We believe we have partially mitigated this risk through our vertical integration efforts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The response to this item is submitted as a separate section of this Form 10-K. See Item 15.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of March 31, 2017, an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the

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Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). Internal control over financial reporting is a process, designed by, or under the supervision of, an entity's principal executive and principal financial officers, and effected by an entity's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. 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 the dispositions of the assets of the entity; (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 entity are being made only in accordance with authorizations of the management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on its consolidated 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.

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company's management conducted an assessment of the effectiveness of its internal control over financial reporting based on the criteria set forth in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on that assessment, as of March 31, 2017, the Company's management concluded that its internal control over financial reporting was effective. Ernst & Young LLP, our independent registered public accounting firm has issued an attestation report on the Company's internal control over financial reporting, which is on page 67 of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Other than the information under “Executive Officers” and “Other Key Employees” under Part I, Item 4A, the other information required by Item 10 is incorporated by reference from the Company’s definitive proxy statement for its annual stockholders meeting to be held on August 2, 2017 under the headings “Nominees for Board of Directors,” “Continuing Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Information about the Board of Directors.”

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 is incorporated by reference from the Company’s definitive proxy statement for its annual stockholders’ meeting to be held on August 2, 2017 under the headings “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan-Based Awards Table,” “Outstanding Equity Awards at Fiscal Year-End Table,” “Option Exercises and Stock Vested Table,” “Nonqualified Deferred Compensation Table,” “Potential Payments Upon Termination or Change in Control,” “Compensation of Directors,” “Director Compensation Table,” “Report of the Compensation Committee,” and “Compensation Committee Interlocks and Insider Participation.”

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

The information required by Item 12 is incorporated by reference from the Company’s definitive proxy statement for its annual stockholders’ meeting to be held on August 2, 2017 under the heading “Security Ownership,” and from “Equity Compensation Plan Disclosure” in Item 5 hereof.

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

The information required by Item 13 is incorporated by reference from the Company’s definitive proxy statement for its annual stockholders’ meeting to be held on August 2, 2017 under the headings “Review, Approval or Ratification of Transactions with Related Persons” and “Information about the Board of Directors.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by Item 14 is incorporated by reference from the Company’s definitive proxy statement for its annual stockholders’ meeting to be held on August 2, 2017 under the heading “Audit and Non-Audit Fees.”

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

The following financial statements are filed as a part of this report:

(a)(2) Financial Statement Schedules

Financial statement schedules are omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

(a)(3) List of Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the SEC:

2.1	Stock Purchase Agreement, dated as of February 2, 2012, by and among KEMET Corporation, Niotan Incorporated and Niotan Investment Holdings LLC (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on February 2, 2012)
2.2	Stock Purchase Agreement, dated as of March 12, 2012, by and among KEMET Electronics Corporation, NEC Corporation and NEC TOKIN Corporation (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on March 15, 2012)
2.3	Amendment No. 1 to the Stock Purchase Agreement dated as of December 12, 2012, by and among KEMET Electronics Corporation, NEC Corporation and NEC TOKIN Corporation (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on December 14, 2012)
2.4	Definitive NEC TOKIN Stock Purchase Agreement dated as of February 23, 2017, by and between KEMET Electronics Corporation and NEC Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on form 8-K (File No. 1-15491) filed on February 23, 2017)
2.5	Master Sale and Purchase Agreement, dated February 23, 2017 between NEC TOKIN Corporation, NTJ Holdings 1 Ltd. and Japan Industrial Partner, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 20, 2017)
2.6	Amendment, dated April 7, 2017, to the Master Sale and Purchase Agreement between NEC TOKIN Corporation, NTJ Holdings 1 Ltd. and Japan Industrial Partners, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 20, 2017)
2.7	Amendment, dated April 14, 2017, to the Master Sale and Purchase Agreement between NEC TOKIN Corporation, NTJ Holdings 1 Ltd. and Japan Industrial Partners, Inc. (incorporated by reference to

	Exhibit 2.3 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 20, 2017)
3.1	Second Restated Certificate of Incorporation of the Company, as amended to date (incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q (File No. 1-15491) for the quarter ended June 30, 2011)
3.2	Amended and Restated By-laws of KEMET Corporation, effective June 5, 2008 (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K (File No. 1-15491) filed on June 5, 2008)

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4.1	Indenture, dated May 5, 2010, by and among the Company, certain subsidiary guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 5, 2010)
4.2	Registration Rights Agreement, dated May 5, 2010, by and among the Company, certain subsidiary guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 5, 2010)
4.3	Supplemental Indenture, dated as of August 10, 2011, among KEMET Foil Manufacturing LLC (f/k/a Cornell Dubilier Foil, LLC), KEMET Corporation, the other Guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-15491) for the quarter ended September 30, 2011)
4.4	Registration Rights Agreement, dated March 27, 2012, among KEMET Corporation, the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as initial purchasers (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on March 28, 2012)
4.5	Registration Rights Agreement, dated as of April 3, 2012, among KEMET Corporation, the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as initial purchasers (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 4, 2012)
4.6	Supplemental Indenture, dated April 17, 2012, among KEMET Corporation, the guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 18, 2012)
4.7	Form of 10 1/2% Senior Note due 2018 (included in Exhibit 4.1)
10.1	Registration Agreement, dated as of December 21, 1990, by and among the Company and each of the investors and executives listed on the schedule of investors and executives attached thereto (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (Reg. No. 33-48056))
10.2	Form of Amendment No. 1 to Registration Agreement, dated as of April 28, 1994 (incorporated by reference to Exhibit 10.3.1 to the Company's Registration Statement on Form S-1 (Reg. No. 33-61898))
10.3	1995 Executive Stock Option Plan by and between the Company and each of the executives listed on the schedule attached thereto (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 1996)*
10.4	Executive Bonus Plan by and between the Company and each of the executives listed on the schedule attached thereto (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 1996)*
10.5	1992 Key Employee Stock Option Plan (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 2009)*

10.6	Amendment No. 1 to KEMET Corporation 1992 Key Employee Stock Option Plan effective October 23, 2000 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-15491) for the quarter ended December 31, 2000)*
10.7	2004 Long-Term Equity Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Reg. No. 333-123308))*
10.8	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 23, 2009)*
10.9	Warrant to Purchase Common Stock, dated June 30, 2009, issued by the Company to K Financing, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on June 30, 2009)

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10.10	Investor Rights Agreement, dated June 30, 2009, between the Company and K Financing, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on June 30, 2009)
10.11	Purchase Agreement, dated April 21, 2010, by and among the Company, certain subsidiary guarantors named therein and Banc of America Securities LLC, as representative of the several initial purchasers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on April 22, 2010)
10.12	Second Amended and Restated KEMET Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.56 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 2009)*
10.13	Loan and Security Agreement, dated as of September 30, 2010, by and among KEMET Electronics Corporation, KEMET Electronics Marketing (S) Pte Ltd., and Bank of America, N.A., as agent and Banc of America Securities LLC, as lead arranger and bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on October 5, 2010)
10.14	KEMET Executive Secured Benefit Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-15491) for the quarter ended December 31, 2010)*
10.15	Form of Change in Control Severance Compensation Agreement, entered into with executive officers of the Company*
10.16	Option Agreement, dated as of March 12, 2012, by and among NEC Corporation and KEMET Electronics Corporation (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on March 15, 2012)
10.17	Stockholders' Agreement, dated as of March 12, 2012, by and among KEMET Electronics Corporation, NEC Corporation and NEC TOKIN Corporation (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on March 15, 2012)
10.18	Form of Restricted Stock Unit Grant Agreement for Employees (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 2012)*
10.19	Form of Restricted Stock Unit Grant Agreement for Directors (incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 2012)*
10.20	Amendment No. 1 to Loan and Security Agreement, Waiver and Consent, dated as of March 19, 2012, by and among KEMET Electronics Corporation, KEMET Electronics Marketing (S) Pte Ltd., the financial institutions party thereto as lenders and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K (File No. 1-15491) for the year ended March 31, 2012)
10.21	Development and Cross-Licensing Agreement between NEC TOKIN Corporation and KEMET Electronics Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 8, 2013)

10.22	Form of Long-Term Incentive Plan Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-15491) filed on August 3, 2016)*
10.23	Consolidated Amendment to Loan and Security Agreement, dated as of July 8, 2013, by and among KEMET Electronics Corporation, KEMET Foil Manufacturing, LLC, KEMET Blue Powder Corporation, KEMET Electronics Marketing (S) PTE LTD., the financial institutions party thereto as lenders and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-15491) filed on August 2, 2013)
10.24	Amendment No. 5 to Loan and Security Agreement, dated April 30, 2014, among KEMET Electronics Corporation and its subsidiaries KEMET Foil Manufacturing, LLC, KEMET Blue Powder Corporation, and KEMET Electronics Marketing (S) PTE LTD., as Borrowers, and Bank of America, N.A., as agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 5, 2014)

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10.25	2014 Amendment and Restatement of the 2014 KEMET Corporation 2011 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on July 24, 2014)*
10.26	Amendment No. 1 to Option Agreement, dated as of August 29, 2014, between KEMET Electronics Corporation and NEC Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-15491) filed on September 4, 2014)
10.27	Incentive Award, Severance and Non-Competition Agreement, dated as of December 1, 2014, between KEMET Corporation and William M. Lowe, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on December 5, 2014)*
10.28	Incentive Award and Non-Competition Agreement, dated as of December 1, 2014, between KEMET Corporation and Charles C. Meeks, Jr. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on December 5, 2014)*
10.29	Amendment No. 6 to Loan and Security Agreement, Waiver and Consent dated December 19, 2014, among KEMET Electronics Corporation, KEMET Foil Manufacturing, LLC, KEMET Blue Powder Corporation, The Forest Electric Company and KEMET Electronics Marketing (S) PTE LTD., as Borrowers, the financial institutions party thereto, as Lenders, and Bank of America, N.A., as agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on December 22, 2014)
10.30	Amendment No. 7 to Loan and Security Agreement, dated March 27, 2015, among KEMET Electronics Corporation, KEMET Foil Manufacturing, LLC, KEMET Blue Powder Corporation, The Forest Electric Company and KEMET Electronics Marketing (S) PTE LTD., as Borrowers, the financial institutions party thereto, as Lenders, and Bank of America, N.A., as agent for the Lenders
10.31	Third Supplemental Indenture dated May 21, 2015, among KEMET Corporation, IntelliData, Inc., the other guarantors named therein and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 26, 2015)
10.32	Amended and Restated Employment Agreement between KEMET Corporation and Per-Olof Lööf, dated June 29, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on July 6, 2015)*
10.33	Amendment No. 8 to Loan and Security Agreement, dated May 2, 2016, among KEMET Electronics Corporation, KEMET Foil Manufacturing, LLC, KEMET Blue Powder Corporation, The Forest Electric Company and KEMET Electronics Marketing (S) PTE LTD., as Borrowers, the financial institutions party thereto, as Lenders, and Bank of America, N.A., as agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 5, 2016)
10.34	Employee Transfer Agreement, dated as of December 5, 2016, between KEMET Corporation and Claudio Lollini (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-15491) filed on February 2, 2017)*

10.35	Term Loan Credit Agreement, dated as of April 28, 2017, by and among KEMET Corporation, KEMET Electronics Corporation, the subsidiary guarantors party thereto, the lenders party thereto, Bank of America, N.A. as the Administrative Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on form 8-K (File No. 1-15491) filed on May 1, 2017)
10.36	Term Loan Credit Agreement, dated as of April 28, 2017, by and among KEMET Corporation, KEMET Electronics Corporation, the other guarantors party thereto, and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on form 8-K (File No. 1-15491) filed on May 1, 2017)

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10.37	Amendment No. 9 to Loan and Security Agreement, Waiver and Consent, dated as of April 28, 2017, by and among KEMET Corporation, the other borrowers named therein, the financial institutions party thereto as lenders and Bank of America, N.A., a national banking association, as agent for the lenders (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-15491) filed on May 1, 2017)
21.1	Subsidiaries of KEMET Corporation
23.1	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP
23.2	Consent of Paumanok Publications, Inc.
23.3	Consent of Independent Registered Public Accounting Firm, Ernst & Young ShinNihon LLC
31.1	Certification of the Chief Executive Officer Pursuant to Section 302
31.2	Certification of the Chief Financial Officer Pursuant to Section 302
32.1	Certification of the Chief Executive Officer Pursuant to Section 906
32.2	Certification of the Chief Financial Officer Pursuant to Section 906
99.1	NEC TOKIN Financial Statements as of March 31, 2017 and March 21, 2016 and for NEC TOKIN's fiscal years ended March 31, 2017, 2016 and 2015
101	The following financial information from KEMET Corporation's Annual Report on Form 10-K for the year ended March 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2017, and March 31, 2016, (ii) Consolidated Statements of Income for the years ended March 31, 2017, 2016 and 2015, (iii) Consolidated Statements of Comprehensive Income for the years ended March 31, 2017, 2016 and 2015, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended March 31, 2017, 2016 and 2015, (v) Consolidated Statements of Cash Flows for the years ended March 31, 2017, 2016 and 2015 and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text

*Exhibit is a management contract or a compensatory plan or arrangement.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of KEMET Corporation

We have audited the accompanying consolidated balance sheets of KEMET Corporation and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the three years in the period ended March 31, 2017. 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 consolidated financial position of KEMET Corporation and subsidiaries at March 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the three years ended March 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), KEMET Corporation's internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 1, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Greenville, South Carolina

June 1, 2017

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of KEMET Corporation

We have audited KEMET Corporation and subsidiaries' internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). KEMET Corporation and subsidiaries' 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 Managements' Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, KEMET Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of KEMET Corporation and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended March 31, 2017 of KEMET Corporation and subsidiaries and our report dated June 1, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Greenville, South Carolina

June 1, 2017

KEMET CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(Amounts in thousands except per share data)

	March 31, 2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$109,774	$65,004
Accounts receivable, net	92,526	93,168
Inventories, net	147,955	168,879
Prepaid and other current assets	28,759	25,496
Total current assets	379,014	352,547
Property, plant and equipment, net	209,311	241,839
Goodwill	40,294	40,294
Intangible assets, net	29,781	33,301
Investment in NEC TOKIN	63,416	20,334
Deferred income taxes	8,593	8,397
Other assets	4,119	3,068
Total assets	$734,528	$699,780
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$2,000	$2,000
Accounts payable	69,674	70,981
Accrued expenses	57,752	50,320
Income taxes payable	715	453
Total current liabilities	130,141	123,754
Long-term debt	386,211	385,833
Other non-current obligations	60,131	74,892
Deferred income taxes	3,370	2,820
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.01, authorized 10,000 shares, none issued	—	—
Common stock, par value $0.01, authorized 175,000 shares, issued 46,689 and 46,508 shares at March 31, 2017 and 2016, respectively	467	465
Additional paid-in capital	447,671	452,821
Retained deficit	(251,651)	(299,510)
Accumulated other comprehensive income (loss)	(41,812)	(31,425)
Treasury stock, at cost (0 and 611 shares at March 31, 2017 and 2016, respectively)	—	(9,870)
Total stockholders' equity	154,675	112,481
Total liabilities and stockholders' equity	$734,528	$699,780

See accompanying notes to consolidated financial statements.

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KEMET CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(Amounts in thousands except per share data)

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net sales	$757,791	$734,823	$823,192
Operating costs and expenses:			
Cost of sales	571,679	571,543	663,683
Selling, general and administrative expenses	107,868	101,446	98,533
Research and development	27,629	24,955	25,802
Restructuring charges	5,404	4,178	13,017
Write down of long-lived assets	10,279	—	—
Net (gain) loss on sales and disposals of assets	392	375	(221)
Total operating costs and expenses	723,251	702,497	800,814
Operating income (loss)	34,540	32,326	22,378
Other (income) expense:			
Interest income	(24)	(14)	(15)
Interest expense	39,755	39,605	40,701
Change in value of TOKIN options	(10,700)	26,300	(2,100)
Non-operating (income) expense, net	(5,127)	(2,348)	(4,082)
Income (loss) from continuing operations before income taxes and equity income (loss) from TOKIN	10,636	(31,217)	(12,126)
Income tax expense (benefit)	4,290	6,006	5,227
Income (loss) from continuing operations before equity income (loss) from TOKIN	6,346	(37,223)	(17,353)
Equity income (loss) from TOKIN	41,643	(16,406)	(2,169)
Income (loss) from continuing operations	47,989	(53,629)	(19,522)
Income (loss) from discontinued operations, net of income tax expense (benefit) of $0, $0, and $1,976, respectively	—	—	5,379
Net income (loss)	$47,989	$(53,629)	$(14,143)
Net income (loss) per basic share:			
Income (loss) from continuing operations	$1.03	$(1.17)	$(0.43)
Income (loss) from discontinued operations, net of income tax expense (benefit)	$—	$—	$0.12
Net income (loss)	$1.03	$(1.17)	$(0.31)
Net income (loss) per diluted share:			
Income (loss) from continuing operations	$0.87	$(1.17)	$(0.43)
Income (loss) from discontinued operations, net of income tax expense (benefit)	$—	$—	$0.12
Net income (loss)	$0.87	$(1.17)	$(0.31)
Weighted-average shares outstanding:			
Basic	46,552	46,004	45,381
Diluted	55,389	46,004	45,381

See accompanying notes to consolidated financial statements.

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KEMET CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net income (loss)	$47,989	$(53,629)	$(14,143)
Other comprehensive income (loss):			
Foreign currency translation gains (losses), net of tax	(15,284)	1,860	(35,467)
Defined benefit pension plans, net of tax	163	5,202	(12,977)
Defined benefit post-retirement plan adjustments	20	(45)	(305)
Equity interest in investee’s other comprehensive income (loss)	1,440	(8,276)	766
Foreign exchange contracts	3,274	(1,370)	1,003
Other comprehensive income (loss)	(10,387)	(2,629)	(46,980)
Total comprehensive income (loss)	$37,602	$(56,258)	$(61,123)

See accompanying notes to consolidated financial statements.

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KEMET CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
(Amounts in thousands)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at March 31, 2014	45,207	$ 465	$465,027	$(231,738)	$ 18,184	$(30,054)	$ 221,884
Net income (loss)	—	—	—	(14,143)	—	—	(14,143)
Other comprehensive income (loss)	—	—	—	—	(46,980)	—	(46,980)
Issuance of restricted shares	239	—	(8,238)	—	—	7,623	(615)
Stock-based compensation	—	—	4,512	—	—	—	4,512
Exercise of stock options	6	—	(110)	—	—	134	24
Balance at March 31, 2015	45,452	465	461,191	(245,881)	(28,796)	(22,297)	164,682
Net income (loss)	—	—	—	(53,629)	—	—	(53,629)
Other comprehensive income (loss)	—	—	—	—	(2,629)	—	(2,629)
Issuance of restricted shares	445	—	(13,144)	—	—	12,427	(717)
Stock-based compensation	—	—	4,774	—	—	—	4,774
Exercise of stock options	—	—	—	—	—	—	—
Balance at March 31, 2016	45,897	465	452,821	(299,510)	(31,425)	(9,870)	112,481
Net income (loss)	—	—	—	47,989	—	—	47,989
Other comprehensive income (loss)	—	—	—	—	(10,387)	—	(10,387)
Issuance of restricted shares	588	—	(10,860)	—	—	9,599	(1,261)
Stock-based compensation	—	—	4,720	—	—	—	4,720
Adoption of ASU No. 2016-09	—	—	130	(130)	—	—	—
Exercise of stock options	204	2	860	—	—	271	1,133
Balance at March 31, 2017	46,689	$ 467	$447,671	$(251,651)	$ (41,812)	$—	$ 154,675

See accompanying notes to consolidated financial statements.

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KEMET CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Fiscal Years Ended March 31,		
	2017	2016	2015
Sources (uses) of cash and cash equivalents			
Operating activities:			
Net income (loss)	$47,989	$(53,629)	$(14,143)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Gain on sale of discontinued operations	—	—	(5,644)
Net cash provided by (used in) operating activities of discontinued operations	—	—	(679)
Depreciation and amortization	37,338	39,016	40,768
Non-cash debt and financing costs	761	859	2,032
Gain on early extinguishment of debt	—	—	(1,003)
Equity (income) loss from NEC TOKIN	(41,643)	16,406	2,169
Change in value of NEC TOKIN options	(10,700)	26,300	(2,100)
Net (gain) loss on sales and disposals of assets	392	375	(221)
Stock-based compensation expense	4,720	4,774	4,512
Non-cash pension and other post-retirement benefits	2,543	3,013	2,742
Deferred income taxes	(19)	495	(2,084)
Write down of long-lived assets	10,279	—	—
Write down of receivables	64	24	52
Other, net	(327)	306	(7)
Changes in assets and liabilities:			
Accounts receivable	(12)	(2,346)	8,220
Inventories	16,805	3,338	8,559
Prepaid expenses and other assets	(1,769)	13,588	(8,404)
Accounts payable	6,170	(5,982)	(2,879)
Accrued income taxes	144	(382)	(232)
Other operating liabilities	(1,068)	(13,790)	(7,256)
Net cash provided by (used in) operating activities	71,667	32,365	24,402
Investing activities:			
Capital expenditures	(25,617)	(20,469)	(22,232)
Change in restricted cash	—	1,802	11,509
Acquisitions, net of cash received	—	(2,892)	—
Proceeds from sale of discontinued operations	—	—	9,564
Proceeds from sale of assets	19	971	4,788
Net cash provided by (used in) investing activities	(25,598)	(20,588)	3,629

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Consolidated Statements of Cash Flows (Continued)

	Fiscal Years Ended March 31,		
	2017	2016	2015
Financing activities:			
Proceeds from revolving line of credit	$12,000	$10,000	$42,340
Payments of revolving line of credit	(12,000)	(9,600)	(27,342)
Proceeds from issuance of debt	2,314	—	—
Deferred acquisition payments	—	(3,000)	(19,527)
Payment of long-term debt	(2,428)	(481)	(21,733)
Proceeds from exercise of stock options	1,133	—	24
Purchase of treasury stock	(1,144)	(722)	(630)
Net cash provided by (used in) financing activities	(125)	(3,803)	(26,868)
Net increase (decrease) in cash and cash equivalents	45,944	7,974	1,163
Effect of foreign currency fluctuations on cash	(1,174)	668	(2,730)
Cash and cash equivalents at beginning of fiscal year	65,004	56,362	57,929
Cash and cash equivalents at end of fiscal year	$109,774	$65,004	$56,362
Supplemental Cash Flow Statement Information:			
Interest paid, net of capitalized interest	$38,922	$39,091	$39,008
Income taxes paid	$4,153	$4,892	$6,611

See accompanying notes to consolidated financial statements.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Note 1: Organization and Significant Accounting Policies
Nature of Business and Organization
KEMET Corporation, which together with its subsidiaries is referred to herein as "KEMET" or the "Company" is a leading manufacturer of tantalum capacitors, multilayer ceramic capacitors, film capacitors, electrolytic capacitors, paper capacitors and solid aluminum capacitors. The Company is headquartered in Simpsonville, South Carolina, which is part of the greater Greenville metropolitan area, and has manufacturing plants and distribution centers located in the United States, Mexico, Europe and Asia. Additionally, the Company has wholly-owned foreign subsidiaries which primarily provide sales support for KEMET's products in foreign markets.
KEMET is organized into two business groups: the Solid Capacitor Business Group ("Solid Capacitors") and the Film and Electrolytic Business Group ("Film and Electrolytic"). Each business group is responsible for the operations of certain manufacturing sites as well as related research and development efforts.
Basis of Presentation
Certain amounts for the condensed consolidating balance sheet for fiscal year 2016 have been revised to conform with the fiscal year 2017 presentation.
Principles of Consolidation
The accompanying consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Investment in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the consolidated balance sheets.
Cash Equivalents
Cash equivalents of $2.1 million and $0.7 million at March 31, 2017 and 2016, respectively, consist of money market accounts with an original term of three months or less. The Company considers all liquid debt instruments with original maturities of three months or less to be cash equivalents.
Inventories
Inventories are stated at the lower of cost or market. The carrying value of inventory is reviewed and adjusted based on slow moving and obsolete items, historical shipments, customer forecasts and backlog and technology developments. Inventory costs include material, labor and manufacturing overhead and most inventory costs are determined by the "first-in, first-out" ("FIFO") method. For tool crib, a component of the Company's raw material inventory, cost is determined under the average cost method. The Company has consigned inventory at certain customer locations totaling $8.8 million and $8.5 million at March 31, 2017 and 2016, respectively.
Property, Plant and Equipment
Property and equipment are carried at cost. Depreciation is calculated principally using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the respective leases. Maintenance costs are expensed; expenditures for renewals and improvements are generally capitalized. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed and any gain or loss is recognized. A long-lived asset classified as held for sale is initially measured and reported at the lower of its carrying amount or fair value less cost to sell. Long-lived assets to be disposed of other than by sale are classified as held and used until the long-lived asset is disposed of. Depreciation expense, including amortization of capital leases, was $35.0 million, $36.9 million and $38.7 million for the fiscal years ended March 31, 2017, 2016 and 2015, respectively.
The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Reviews are regularly performed to determine whether facts and

circumstances exist which indicate the carrying amount of assets may not be recoverable. The Company assesses the recoverability of its assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. If it is determined that the book value of a long-lived asset or asset group is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset over its fair value. The fair value is calculated as the discounted cash flows of the underlying assets or appraisal values. The Company has to make certain assumptions as to the future cash flows to be generated by the underlying assets. Those assumptions include the amount of volume increases, average selling price decreases, anticipated cost reductions, and the estimated remaining useful life of the equipment. Future changes in assumptions may negatively impact future valuations. Fair market value is based on the undiscounted cash flows that the assets will generate over their remaining useful lives or other valuation techniques. In future tests for recoverability, adverse changes in undiscounted cash flow assumptions could result in an impairment of certain long-lived assets that would require a non-cash charge to the Consolidated Statements of Operations and may have a material effect on the Company’s financial condition and operating results. See Note 9 “Impairment Charges” for further discussion of property, plant and equipment impairment charges.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite useful lives are not amortized but are subject to annual impairment tests during the fourth quarter of each fiscal year and when otherwise warranted. The Company evaluates its goodwill on a reporting unit basis which requires the Company to estimate the fair value of the reporting units based on the future net cash flows expected to be generated. The impairment test involves a comparison of the fair value of each reporting unit, with the corresponding carrying amounts. If the reporting unit’s carrying amount exceeds its fair value, then an indication exists that the reporting unit’s goodwill and intangible asset with indefinite useful lives may be impaired. The impairment to be recognized is measured by the amount by which the carrying value of the reporting unit’s goodwill being measured exceeds its implied fair value. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the sum of the amounts assigned to identified net assets. As a result, the implied fair value of goodwill is generally the residual amount that results from subtracting the value of net assets including all tangible assets and identified intangible assets from the fair value of the reporting unit’s fair value. The Company determined the fair value of its reporting units using an income-based, discounted cash flow (“DCF”) analysis, and market-based approaches (Guideline Publicly Traded Company Method and Guideline Transaction Method) which examine transactions in the marketplace involving the sale of the stocks of similar publicly owned companies, or the sale of entire companies engaged in operations similar to KEMET. The Company evaluates the value of its other indefinite-lived intangible assets (trademarks) using an income-based, relief from royalty analysis. In addition to the previously described reporting unit valuation techniques, the Company’s goodwill and intangible assets with indefinite useful lives impairment assessment also considers the Company’s aggregate fair value based upon the value of the Company’s outstanding shares of common stock.

The impairment review of goodwill and intangible assets with indefinite useful lives are subjective and involve the use of estimates and assumptions in order to calculate the impairment charges. Estimates of business enterprise fair value use discounted cash flow and other fair value appraisal models and involve making assumptions for future sales trends, market conditions, growth rates, cost reduction initiatives and cash flows for the next several years. Future changes in assumptions may negatively impact future valuations.

Equity Method Investment

Investments and ownership interests are accounted for under the equity method of accounting if the Company has the ability to exercise significant influence, but not control, over the entity. Investments accounted for under the equity method are initially recorded at cost, and the difference between the basis of the Company’s investment and the underlying equity in the net assets of the company at the investment date, is amortized over the lives of the related assets that gave rise to the difference. The Company’s share of earnings or losses under the equity method investments and basis difference amortization is reported in the consolidated statements of operations as “Equity income (loss) from TOKIN.” The Company reviews its investments and ownership interests accounted for under the equity method of accounting for impairment whenever events or changes in circumstances indicate a loss in the value of the investment may be other than temporary.

Deferred Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Stock-based Compensation

Stock-based compensation for stock options is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model takes into account volatility in the price of the Company’s stock, the risk-free interest rate, the estimated life of the equity-based award, the closing market price of the Company’s stock on the grant date and the exercise price. The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. Stock-based compensation cost for restricted stock is measured based on the closing fair market value of the Company’s common stock on the date of grant. The Company recognizes stock-based compensation cost for arrangements with cliff vesting as expense ratably on a straight-line basis over the requisite service period. The Company recognizes stock-based compensation cost for arrangements with graded vesting as expense on an accelerated basis over the requisite service period.

Concentrations of Credit and Other Risks

The Company sells to customers globally. Credit evaluations of its customers’ financial condition are performed periodically, and the Company generally does not require collateral from its customers. One customer, TTI, Inc., an electronics distributor, accounted for $104.4 million, $99.3 million and $124.4 million of the Company’s net sales in fiscal years ended March 31, 2017, 2016, and 2015, respectively. There were no customers’ accounts receivable balances exceeding 10% of gross accounts receivable at March 31, 2017 or March 31, 2016.

Consistent with industry practice, the Company utilizes electronics distributors for a large percentage of its sales. Electronics distributors are an effective means to distribute the products to end-users. For fiscal years ended March 31, 2017, 2016, and 2015, net sales to electronics distributors accounted for 46%, 42% and 45%, respectively, of the Company’s total net sales.

Foreign Subsidiaries

Financial statements of certain of the Company’s foreign subsidiaries are prepared using the U.S. dollar as their functional currency. Translation of these foreign operations, as well as gains and losses from non-U.S. dollar foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are reported in the Consolidated Statements of Operations.

Translation of other foreign operations to U.S. dollars occurs using the current exchange rate for balance sheet accounts and an average exchange rate for results of operations. Such translation gains or losses are recognized as a component of equity in accumulated other comprehensive income (“AOCI”).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss), currency translation gains (losses), defined benefit plan adjustments including those adjustments which result from changes in net prior service credit and actuarial gains (losses), equity interest in investee’s other comprehensive income (loss), and gains (losses) on derivatives held as cash flow hedges, and is presented in the Consolidated Statements of Comprehensive Income (Loss).

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Organization and Significant Accounting Policies (Continued)

The following summary sets forth the components of accumulated other comprehensive income (loss) contained in the stockholders' equity section of the Consolidated Balance Sheets (amounts in thousands):

	Foreign Currency Translation Gains (Losses)	Defined Benefit Post-retirement Plan Adjustments	Defined Benefit Pension Plans (3)	Ownership Share of Equity Method Investees' Other Comprehensive Income (Loss)	Foreign Exchange Contracts	Net Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2015	$(12,132)	$ 1,159	$(20,363)	$ 1,537	$ 1,003	$ (28,796)
Other comprehensive income (loss) before reclassifications (1)	1,860	146	3,865	(8,276)	2,618	213
Amounts reclassified in (out) of AOCI (1)	—	(191)	1,337	—	(3,988)	(2,842)
Other comprehensive income (loss)	1,860	(45)	5,202	(8,276)	(1,370)	(2,629)
Balance at March 31, 2016	(10,272)	1,114	(15,161)	(6,739)	(367)	(31,425)
Other comprehensive income (loss) before reclassifications (2)	(15,284)	228	(536)	1,440	8,444	(5,708)
Amounts reclassified in (out) of AOCI (2)	—	(208)	699	—	(5,170)	(4,679)
Other comprehensive income (loss)	(15,284)	20	163	1,440	3,274	(10,387)
Balance at March 31, 2017	$(25,556)	$ 1,134	$(14,998)	$ (5,299)	$ 2,907	$ (41,812)

(1) Activity within foreign currency translation gains and defined benefit pension plans are net of a tax expense of zero and $0.3 million, respectively.

(2) Activity within foreign currency translation losses and defined benefit pension plans are net of a tax benefit of zero and $0.7 million, respectively.

(3) Balance is net of a tax benefit of $2.7 million, $2.0 million, and $2.3 million as of March 31, 2017, March 31, 2016, and March 31, 2015, respectively.

Stock Warrant

Concurrent with the consummation of a credit facility in May 2009, the Company issued K Financing, LLC ("K Financing") a warrant (the "Platinum Warrant") to purchase up to 26,848,484 shares of the Company's common stock, subject to certain adjustments, representing approximately 49.9% of the Company's outstanding common stock at the time of issuance on a post-exercise basis. The Platinum Warrant was subsequently transferred to K Equity, LLC ("K Equity"). The Platinum Warrant is exercisable at a purchase price of $1.05 per share. The Platinum Warrant may be exercised in exchange for cash, by means of net settlement of a corresponding portion of amounts owed by the Company under the Revised Amended and Restated Platinum Credit Facility, by cashless exercise to the extent of appreciation in the value of the Company's common stock above the exercise price of the Platinum Warrant, or by combination of the preceding alternatives.

Warrants may be classified as assets or liabilities (derivative accounting), temporary equity, or permanent equity, depending on the terms of the specific warrant agreement. The Platinum Warrant issued to K Financing under the Platinum Credit Facility (as defined below) does not meet the definition of a derivative as it is indexed to the Company's own stock, as such, the Platinum Warrant is classified as a component of equity.

There were 8,416,815 shares subject to the Platinum Warrant as of March 31, 2017. The Platinum Warrant expires on June 30, 2019.

Fair Value Measurement

The Company utilizes three levels of inputs to measure the fair value of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's consolidated financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Organization and Significant Accounting Policies (Continued)

The first two inputs are considered observable and the last is considered unobservable. The levels of inputs are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are measured at fair value on a recurring basis as of March 31, 2017 and 2016 are as follows (amounts in thousands):

	Carrying Value March 31, 2017	Fair Value March 31, 2017	Fair Value Measurement Using		
			Level 1	Level 2 (2)	Level 3
Assets and Liabilities:					
Money markets (1)	$ 2,055	$ 2,055	$ 2,055	$ —	$ —
Total debt	(388,211)	(385,251)	(353,000)	(32,251)	—
TOKIN options, net (3)	(9,900)	(9,900)	—	—	(9,900)

	Carrying Value March 31, 2016	Fair Value March 31, 2016	Fair Value Measurement Using		
			Level 1	Level 2 (2)	Level 3
Assets and Liabilities:					
Money markets (1)	$ 738	$ 738	$ 738	$ —	$ —
Total debt	(387,833)	(284,261)	(254,713)	(29,548)	—
TOKIN options, net (3)	(20,600)	(20,600)	—	—	(20,600)

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(1) Included in the line item "Cash and cash equivalents" on the Consolidated Balance Sheets.

(2) The valuation approach used to calculate fair value was a discounted cash flow based on the borrowing rate for each respective debt facility.

(3) See Note 5, "Investment in TOKIN," for a description of the TOKIN options. The value of the options is interrelated and depends on the enterprise value of TOKIN Corporation and its EBITDA over the duration of the instruments. Therefore, the options have been valued using option pricing methods in a Monte Carlo simulation. Changes to the Monte Carlo simulation inputs could have a material effect on the value of the TOKIN options.

The table below summarizes TOKIN options valuation activity using significant unobservable inputs (Level 3) (amounts in thousand):

March 31, 2015	$ 5,700
Change in value of TOKIN options	(26,300)
March 31, 2016	$ (20,600)
Change in value of TOKIN options	10,700
March 31, 2017	$ (9,900)

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Organization and Significant Accounting Policies (Continued)

Revenue Recognition

The Company ships products to customers based upon firm orders and revenue is recognized when the sales process is complete. This occurs when products are shipped to the customer in accordance with the terms of an agreement of sale, there is a fixed or determinable selling price, title and risk of loss have been transferred and collectability is reasonably assured. Based on product availability, customer requirements and customer consent, KEMET may ship products earlier than the initial planned ship date. Shipping and handling costs are included in cost of sales.

A portion of sales is related to products designed to meet customer specific requirements. These products typically have stricter tolerances making them useful to the specific customer requesting the product and to customers with similar or less stringent requirements. The Company recognizes revenue when title to the products transfers to the customer.

A portion of sales is made to distributors under agreements allowing certain rights of return and price protection on unsold merchandise held by distributors. The Company’s distributor policy includes inventory price protection and “ship-from-stock and debit” (“SFSD”) programs common in the industry.

KEMET’s SFSD program provides authorized distributors with the flexibility to meet marketplace prices by allowing them, upon a case-by-case pre-approved basis, to adjust their purchased inventory cost to correspond with current market demand. Requests for SFSD adjustments are considered on an individual basis, require a pre-approved cost adjustment quote from their local KEMET sales representative and apply only to a specific customer, part, a specified special price amount, a specified quantity, and is only valid for a specific period of time. To estimate potential SFSD adjustments corresponding with current period sales, KEMET records a sales reserve based on historical SFSD credits, distributor inventory levels, and certain accounting assumptions, all of which are reviewed quarterly.

Most of the Company’s distributors have the right to return to KEMET a certain portion of the purchased inventory, which, in general, does not exceed 6% of their purchases from the previous fiscal quarter. KEMET estimates future returns based on historical patterns of the distributors and records an allowance on the Consolidated Balance Sheets.

The Company also offers volume-based rebates on a case-by-case basis to certain customers in each of the Company’s sales channels.

The establishment of sales allowances is recognized as a component of the line item “Net sales” on the Consolidated Statements of Operations, while the associated reserves are included in the line item “Accounts receivable, net” on the Consolidated Balance Sheets. Estimates used in determining sales allowances are subject to various factors. This includes, but is not limited to, changes in economic conditions, pricing changes, product demand, inventory levels in the supply chain, the effects of technological change, and other variables that might result in changes to the Company’s estimates.

The Company provides a limited warranty to customers that the Company’s products meet certain specifications. The warranty period is generally limited to one year, and the Company’s liability under the warranty is generally limited to a replacement of the product or refund of the purchase price of the product. Warranty costs were less than 1% of net sales for the fiscal years ended March 31, 2017, 2016 and 2015. The Company recognizes warranty costs when losses are both probable and reasonably estimable.

Allowance for Doubtful Accounts

The Company evaluates the collectability of trade receivables through the analysis of customer accounts. When the Company becomes aware that a specific customer has filed for bankruptcy, has begun closing or liquidation proceedings, has become insolvent or is in financial distress, the Company records a specific allowance for the doubtful account to reduce the related receivable to the amount the Company believes is collectible. If circumstances related to specific customers change, the Company’s estimates of the recoverability of receivables could be adjusted. Accounts are written off after all means of collection, including legal action, have been exhausted.

Shipping and Handling Costs

The Company’s shipping and handling costs are reflected in the line item “Cost of sales” on the Consolidated Statements of Operations. Shipping and handling costs were $16.4 million, $16.1 million, and $17.9 million in the fiscal years ended March 31, 2017, 2016 and 2015, respectively.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Organization and Significant Accounting Policies (Continued)

Income (Loss) per Share
Basic income (loss) per share is computed using the weighted-average number of shares outstanding. Diluted income (loss) per share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to the Platinum Warrant, outstanding employee stock grants if such effects are dilutive.
Environmental Cost
The Company recognizes liabilities for environmental remediation when it is probable that a liability has been incurred and can be reasonably estimated. The Company determines its liability on a site-by-site basis, and it is not discounted or reduced for anticipated recoveries from insurance carriers. In the event of anticipated insurance recoveries, such amounts would be presented on a gross basis in other current or non-current assets, as appropriate. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized.
Derivative Financial Instruments
Derivative financial instruments have been utilized by the Company to reduce exposures to volatility of foreign currencies impacting the sales and costs of its products.
The Company accounts for derivatives and hedging activities in accordance with Accounting Standards Codification 815 (“ASC 815”), “Derivatives and Hedging.” See Note 13 for further discussion of derivative financial instruments.
Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include impairment of property and equipment, intangibles and goodwill; allowances for doubtful accounts, price protection and customers’ returns, and deferred income taxes; and assets and obligations related to employee benefits. Actual results could differ from these estimates and assumptions.
Impact of Recently Issued Accounting Standards
In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The update requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of Operating income. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires retrospective application to all periods presented. The Company plans to adopt this guidance in the first quarter of fiscal year 2018, and is currently performing its assessment of the impact of adopting the guidance; however, based on its expectations for the fiscal year ended March 31, 2018, the Company believes it will likely have a material impact due to the reclassification of pension and post-retirement benefit cost from Operating income to Non-operating income. Excluding the service costs, the net periodic pension and post-retirement benefit cost for the fiscal year ended March 31, 2018 is expected to be $1.3 million.
In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other. The update eliminates the requirement to calculate the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. Under the update, the goodwill impairment loss would be measured as the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date of this update is for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on the Company’s consolidated financial statements, however the adoption of this guidance is not expected to have a

significant effect on the Company's consolidated financial position, results of operations, or cash flows.
In October 2016, the FASB issued ASU No. 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory. The update requires entities to recognize the income tax consequences of many intercompany asset transfers at the transaction date. The seller and buyer will immediately recognize the current and deferred income tax consequences of an

intercompany transfer of an asset other than inventory. The tax consequences were previously deferred. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires modified retrospective transition method which is a cumulative effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company plans to adopt this guidance in the first quarter of fiscal year 2018, however the impact of the adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update clarifies how cash receipts and cash payments in certain transactions are presented and classified in the statement of cash flows. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires retrospective application to all periods presented but may be applied prospectively if retrospective application is impracticable. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation. This guidance changes several aspects of the accounting for share-based payment award transactions, including: (1) Accounting and Cash Flow Classification for Excess Tax Benefits and Deficiencies, (2) Forfeitures, and (3) Tax Withholding Requirements and Cash Flow Classification. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early application is permitted, and KEMET adopted ASU No. 2016-09 as of April 1, 2016. The Company elected to discontinue estimating forfeitures that are expected to occur and recorded a cumulative effect adjustment to retained earnings of $130,000 as of April 1, 2016. There was no cumulative adjustment related to the excess tax benefits as the Company did not have an additional paid in capital pool of excess tax benefits. The adoption did not have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, as modified by ASU 2017-03, Transition and Open Effective Date Information. The ASU requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than short-term leases). The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. Early application is permitted. The Company is currently in the process of assessing the impact the adoption of this guidance will have on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The ASU requires an entity that uses first-in, first-out or average cost to measure its inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 was effective for interim and annual reporting periods beginning April 1, 2016. The adoption of ASU 2015-11 did not materially impact the Company's operating results and financial position.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30) - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the treatment of debt issuance costs associated with line-of-credit arrangements that were not specifically addressed in ASU 2015-03. ASU 2015-15 states that entities may elect to continue to treat debt issuance costs associated with lines of credit as an asset, consistent with current treatment. The Company adopted these ASUs in the first quarter of fiscal year 2017. The ASUs did not impact the Company's results of operations or liquidity. The balance sheet as of March 31, 2016 has been adjusted to reflect retrospective application of the new accounting guidance as follows (amounts in thousands):

	As Previously Reported	Retrospective Adjustment	As Adjusted
Other assets	$ 5,832	$ (2,764)	$ 3,068
Total assets	702,544	(2,764)	699,780
Long-term debt, less current portion	388,597	(2,764)	385,833
Total liabilities and stockholders’ equity	702,544	(2,764)	699,780

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Organization and Significant Accounting Policies (Continued)

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern. The new guidance requires management to assess if there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim period. If conditions or events give rise to substantial doubt, disclosures are required. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter; early application is permitted. This new guidance did not have a material impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes existing accounting standards for revenue recognition and creates a single framework. The new guidance requires either a retrospective or a modified retrospective approach at adoption. Additional updates to Topic 606 issued by the FASB in 2015 and 2016 include the following:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of the new guidance such that the new provisions will now be required for fiscal years, and interim periods within those years, beginning after December 15, 2017 (ASU No. 2015-14 is effective for the Company's fiscal year that begins on April 1, 2018 and interim periods within that fiscal year).
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations (reporting revenue gross versus net).
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and classifying licensing arrangements.
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which clarifies the implementation guidance in a number of other areas.
- ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.
- ASU No. 2017-03, Overall Transition and Open Effective Date Information.

The effective date of this guidance is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, but not before the Company's fiscal year that begins on April 1, 2017 (the original effective date of the ASU). The Company plans to adopt the requirements of the new standard in the first quarter of fiscal year 2019 and anticipate using the full retrospective transition method. The Company is currently in the process of assessing the impact the adoption of the new revenue standards will have on its consolidated financial statements and related disclosures.

There are currently no other accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations or cash flows upon adoption.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 2: Debt
A summary of debt is as follows (amounts in thousands):

	March 31,	
	2017	2016
10.5% Senior Notes, net (1)	$352,472	$353,952
Revolving line of credit	33,881	33,881
Other, net (2)	1,858	—
Total debt	388,211	387,833
Current maturities	(2,000)	(2,000)
Total long-term debt	$386,211	$385,833

(1) As noted in Note 1, "Basis of Financial Statements Presentation," ASU No. 2015-03, Interest - Imputation of Interest, was adopted as of April 1, 2016. As such, debt issuance cost, if any, is included within the respective debt balance. Amounts shown are net of premium and debt issuance costs of $0.5 million and $1.0 million as of March 31, 2017 and March 31, 2016, respectively which reduce the 10.5% Senior Notes balance.
(2) The amount shown is net of discount of $0.5 million as of March 31, 2017.

The line item "Interest expense" on the Consolidated Statements of Operations for the fiscal years 2017, 2016 and 2015, respectively, is as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Contractual interest expense	$38,825	$39,087	$38,953
Capitalized interest	(154)	(509)	(237)
Amortization of debt issuance costs	1,390	1,392	1,480
Amortization of debt (premium) discount	(788)	(745)	(407)
Imputed interest on acquisition related obligations	159	212	741
Interest expense on capital leases	323	168	171
Total interest expense	$39,755	$39,605	$40,701

Revolving Line of Credit

On September 30, 2010, KEMET Electronics Corporation ("KEC") and KEMET Electronics Marketing (S) Pte Ltd. ("KEMET Singapore") (each a "Borrower" and, collectively, the "Borrowers") entered into a Loan and Security Agreement (the "Loan and Security Agreement"), with Bank of America, N.A, as the administrative agent and the initial lender. The Loan and Security Agreement provides a $50.0 million revolving line of credit, which is bifurcated into a U.S. facility (for which KEC is the Borrower) and a Singapore facility (for which KEMET Singapore is the Borrower). A portion of the U.S. facility and the Singapore facility can be used to issue letters of credit. On December 19, 2014, the Loan and Security Agreement was amended and as a result the expiration was extended to December 19, 2019. Under the terms of amended Loan and Security Agreement, the revolving credit facility has increased to $60.0 million, bifurcated into a U.S. facility (for which KEC is the Borrower) and a Singapore facility (for which KEMET Singapore is the Borrower). The amendment contains an accordion feature permitting the U.S. Borrowers to increase commitments under the facility by an aggregate principal amount up to $15.0 million (for a total facility of $75.0 million), subject to terms and documentation acceptable to the Agent and/or the Lenders. In addition, KEMET Foil Manufacturing, LLC ("KEMET Foil"), KEMET Blue Powder Corporation ("KEMET Blue Powder") and The Forest Electric Company were included as Borrowers under the U.S. facility. The principal features of the Loan and Security Agreement as amended are reflected in the description below.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 2: Debt (continued)

The size of the U.S. facility and Singapore facility can fluctuate as long as the Singapore facility does not exceed $30.0 million and the total facility does not exceed $60.0 million.
Borrowings under the U.S. and Singapore facilities are subject to a borrowing base consisting of:

- in the case of the U.S. facility, (A) 85% of KEC's accounts receivable that satisfy certain eligibility criteria plus (B) the lesser of (i) $6.0 million and (ii) (a) on or prior to agent's receipt of an updated inventory appraisal and agent's approval thereof, 40% of the value of Eligible Inventory (as defined in the agreement) and (b) upon agent's receipt of an updated inventory appraisal, 85% of the net orderly liquidation value of the Eligible Inventory (as defined in the agreement) plus (C) the lesser of $5.1 million and 80% of the net orderly liquidation percentage of the appraised value of equipment that satisfies certain eligibility criteria, as reduced on the first day of each fiscal quarter occurring after April 30, 2014 in an amount equal to one-twentieth (1/20) of such appraised value less (D) certain reserves, including certain reserves imposed by the administrative agent in its permitted discretion; and
- in the case of the Singapore facility, (A) 85% of KEMET Singapore's accounts receivable that satisfy certain eligibility criteria as further specified in the Loan and Security Agreement, less (B) certain reserves, including certain reserves imposed by the administrative agent in its permitted discretion.

Interest is payable on borrowings monthly at a rate equal to the London Interbank Offer Rate ("LIBOR") or the base rate, plus an applicable margin, as selected by the Borrower. Depending upon the fixed charge coverage ratio of KEMET Corporation and its subsidiaries on a consolidated basis as of the latest test date, the applicable margin under the U.S. facility varies between 2.00% and 2.50% for LIBOR advances and 1.00% and 1.50% for base rate advances, and under the Singapore facility varies between 2.25% and 2.75% for LIBOR advances and 1.25% and 1.75% for base rate advances.
The base rate is subject to a floor that is 100 basis points above LIBOR.
An unused line fee is payable monthly in an amount equal to a per annum rate equal to (a) 0.50%, if the average daily balance of revolver loans and stated amount of letters of credit was 50% or less of the revolver commitments during the preceding calendar month, or (b) 0.375%, if the average daily balance of revolver loans and stated amount of letters of credit was more than 50% of the Revolver Commitment during the preceding calendar month. A customary fee is also payable to the administrative agent on a quarterly basis.
KEC's ability to draw funds under the U.S. facility and KEMET Singapore's ability to draw funds under the Singapore facility are conditioned upon, among other matters:

- the absence of the existence of a Material Adverse Effect (as defined in the Loan and Security Agreement);
- the absence of the existence of a default or an event of default under the Loan and Security Agreement; and
- the representations and warranties made by KEC and KEMET Singapore in the Loan and Security Agreement continuing to be correct in all material respects.

KEMET and KEC's 100% owned domestic subsidiaries ("Guarantor Subsidiaries") guarantee the U.S. facility obligations and the U.S. facility obligations are secured by a lien on substantially all of the assets of KEC and the Guarantor Subsidiaries (other than assets that secure the 10.5% Senior Notes due 2018). The collection accounts of the Borrowers and Guarantor Subsidiaries are subject to a daily sweep into a concentration account and the concentration account will become subject to full cash dominion in favor of the administrative agent (i) upon an event of default, (ii) if for five consecutive business days, aggregate availability of all facilities has been less than the greater of (A) 12.5% of the aggregate revolver commitments at such time and (B) $7.5 million, or (iii) if for five consecutive business days, availability of the U.S. facility has been less than $3.75 million (each such event, a "Cash Dominion Trigger Event").
KEC and the Guarantor Subsidiaries guarantee the Singapore facility obligations. In addition to the assets that secure the U.S. facility, the Singapore obligations are also secured by a pledge of 100% of the stock of KEMET Singapore and a security interest in substantially all of KEMET Singapore's assets. KEMET Singapore's bank accounts are maintained at Bank of America and upon a Cash Dominion Trigger Event will become subject to full cash dominion in favor of the administrative agent.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 2: Debt (continued)

A fixed charge coverage ratio of at least 1.0:1.0 must be maintained as of the last day of each fiscal quarter ending immediately prior to or during any period in which any of the following occurs and is continuing until none of the following occurs for a period of at least forty-five consecutive days: (i) an event of default, (ii) aggregate availability of all facilities has been less than the greater of (A) 12.5% of the aggregate revolver commitments at such time and (B) $7.5 million, or (iii) availability of the U.S. facility has been less than $3.75 million. The fixed charge coverage ratio tests the EBITDA and fixed charges of KEMET and its subsidiaries on a consolidated basis.

In addition, the Loan and Security Agreement includes various covenants that, subject to exceptions, limit the ability of KEMET and its direct and indirect subsidiaries to, among other things: incur additional indebtedness; create liens on assets; engage in mergers, consolidations, liquidations and dissolutions; sell assets (including pursuant to sale leaseback transactions); pay dividends and distributions on or repurchase capital stock; make investments (including acquisitions), loans, or advances; prepay certain junior indebtedness; engage in certain transactions with affiliates; enter into restrictive agreements; amend material agreements governing certain junior indebtedness; and change its lines of business. The Loan and Security Agreement includes certain customary representations and warranties, affirmative covenants and events of default, which are set forth in more detail in the Loan and Security Agreement.

Debt issuance costs related to the Loan and Security Agreement, net of amortization, were $0.2 million as of March 31, 2017 and 2016; these costs will be amortized over the term of the Loan and Security Agreement.

The Company had the following activity for the twelve month period ended March 31, 2017 and resulting balances under the revolving line of credit (amounts in thousands, excluding percentages):

	March 31, 2016	Twelve Month Period Ended March 31, 2017		March 31, 2017		
	Outstanding Borrowings	Additional Borrowings	Repayments	Outstanding Borrowings	Rate (1) (2)	Due Date
U.S. Facility	$ 19,881	$12,000	$ —	$31,881	5.000%	December 19, 2019
Singapore Facility						
Singapore Borrowing 1	12,000	—	12,000	—	—	—
Singapore Borrowing 2 (3)	2,000	—	—	2,000	3.375%	April 10, 2017
Total Facilities	$ 33,881	$12,000	$ 12,000	$33,881		

(1) For U.S. borrowings, Base Rate plus 1.5%, as defined in the Loan and Security Agreement.
(2) For Singapore borrowings, LIBOR, plus a spread of 2.50% as of March 31, 2017.
(3) The Company repaid the Singapore Borrowing 2 in full on the due date of April 10, 2017.

These were the only borrowings under the revolving line of credit, and the Company's available borrowing capacity under the Loan and Security Agreement was $29.2 million as of March 31, 2017. The borrowing capacity has increased from the prior year due to an improvement in the fixed charged coverage ratio and and increase in the eligible account receivable collateral.

10.5% Senior Notes

On May 5, 2010, the Company issued 10.5% Senior Notes with an aggregate principal amount of $230.0 million which resulted in net proceeds to the Company of $222.2 million.

The 10.5% Senior Notes were issued pursuant to an Indenture (the "10.5% Senior Notes"), dated as of May 5, 2010, as amended, by and among the Company, Guarantor Subsidiaries and Wilmington Trust Company, as trustee (the "Trustee"). The 10.5% Senior Notes will mature on May 1, 2018, and bear interest at a stated rate of 10.5% per annum, payable semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on November 1, 2010. The 10.5% Senior Notes are senior obligations of the Company and will be guaranteed by each of the Guarantor

Subsidiaries and secured by a first priority lien on 51% of the capital stock of certain of the Company's foreign restricted subsidiaries.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 2: Debt (continued)

The terms of the 10.5% Senior Notes Indenture, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, their capital stock or repurchase their capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets; (v) create liens or use assets as security in other transactions; (vi) enter into sale and leaseback transactions; (vii) merge, consolidate or transfer or dispose of substantially all of their assets; (viii) engage in certain transactions with affiliates; and (ix) designate their subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the 10.5% Senior Notes Indenture. The Company is in compliance with these debt covenants.
At any time, at its option, the Company may redeem the 10.5% Senior Notes, in whole or in part, at the redemption price of 100% of the Principal amount. The Company may also at any time and from time to time purchase 10.5% Senior Notes in the open market, subject to compliance with the Indenture.
Upon the occurrence of a change of control triggering event specified in the 10.5% Senior Notes Indenture, the Company must offer to purchase the 10.5% Senior Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.
The 10.5% Senior Notes Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the 10.5% Senior Notes Indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. The 10.5% Senior Notes Indenture also provides for events of default with respect to the collateral, which include default in the performance of (or repudiation, disaffirmation or judgment of unenforceability or assertion of unenforceability) by the Company or a Guarantor with respect to the provision of security documents under the 10.5% Senior Notes Indenture. These events of default are subject to a number of important qualifications, limitations and exceptions that are described in the 10.5% Senior Notes Indenture. Generally, if an event of default occurs, the Trustee or holders of at least 25% in principal amount of the then outstanding 10.5% Senior Notes may declare the principal of and accrued but unpaid interest, including additional interest, on all the 10.5% Senior Notes to be due and payable.
On March 27, 2012 and April 3, 2012, the Company completed the issuance of $110.0 million and $15.0 million aggregate principal amount of its 10.5% Senior Notes due May 1, 2018, respectively, at an issue price of 105.5% of the principal amount plus accrued interest from November 1, 2011. The issuance resulted in a debt premium of $6.1 million which will be amortized over the term of the 10.5% Senior Notes. The Senior Notes were issued as additional notes under the indenture, dated May 5, 2010, among the Company, the Guarantor Subsidiaries party thereto and Wilmington Trust Company, as trustee.
In total, debt issuance costs related to the 10.5% Senior Notes, net of amortization, were $1.4 million and $2.8 million as of March 31, 2017 and 2016; these costs will be written off in the first quarter of fiscal year 2018 upon the extinguishment of the 10.5% Senior Notes (see Note 19, "Subsequent Events" for additional information). The Company had interest payable related to the 10.5% Senior Notes included in the line item "Accrued expenses" on its Consolidated Balance Sheets of $15.4 million and $15.5 million at March 31, 2017 and 2016, respectively. The effective interest rate for the Senior Notes was 10.2% and 10.3% for the years ended March 31, 2017 and 2016, respectively.
Other Debt
In January 2017, KEMET Electronics Portugal, S.A., a wholly owned subsidiary received an interest free loan from the Portuguese Government in the amount of EUR 2.2 million (or $2.4 million) to be used for fixed asset purchases. The loan has a total term of eight years ending February 1, 2025. The loan will be repaid through semi-annual payments in the amount of EUR 185 thousand (or $198 thousand) beginning on August 1, 2019. Since the debt is non-interest bearing, we have created a debt discount in the amount of EUR 0.5 million (or $0.6 million) with an offsetting reduction to fixed assets. This discount will be amortized over the life of the loan through interest expense. If certain conditions are met such as increased headcount, increased revenue and increased gross value added, a

portion of the loan could be forgiven during fiscal year 2020.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 2: Debt (continued)

The following table highlights the Company's annual cash maturities of debt (amounts in thousands):

	Annual Maturities of Debt Fiscal Years Ended March 31,					
	2018	2019	2020	2021	2022	Thereafter
10.5% Senior Notes (1)	$—	$353,000	$—	$—	$—	$ —
Revolving line of credit	2,000	—	31,881	—	—	—
Other	—	—	396	396	396	1,187
	$2,000	$353,000	$32,277	$396	$396	$ 1,187

(1) Subsequent to year-end, the Company entered into a $345 million Term Loan Credit Agreement. The proceeds, together with cash generated through the TOKIN acquisition, were used to fund the redemption of all of KEMET's outstanding 10.5% Senior Notes due 2018 (the "Senior Notes"). See Note 19, "Subsequent Events" for additional information.

Note 3: Restructuring

The Company has implemented restructuring plans which include programs to increase competitiveness by removing excess capacity, relocating production to lower cost locations, and eliminating unnecessary costs throughout the Company.

A summary of the expenses aggregated on the Consolidated Statements of Operations line item "Restructuring charges" in the fiscal years ended March 31, 2017, 2016 and 2015, is as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Manufacturing and sales office relocation costs	$3,190	$2,375	$2,672
Personnel reduction costs	2,214	1,803	10,345
Restructuring charges	$5,404	$4,178	$13,017

Fiscal Year Ended March 31, 2017

The Company incurred $5.4 million in restructuring charges in the fiscal year ended March 31, 2017 including $2.2 million of personnel reduction costs and $3.2 million of relocation costs.

The personnel reduction costs correspond with the following: $0.3 million related to the consolidation of certain Solid Capacitor manufacturing in Matamoros, Mexico; $0.4 million for headcount reductions related to the shut-down of operations for KEMET Foil Manufacturing, LLC ("KFM") in Knoxville, Tennessee; $0.3 million related to headcount reductions in Europe (primarily Italy and Landsberg, Germany) corresponding with the relocation of certain production lines and laboratories to lower cost regions; $0.3 million for overhead reductions in Sweden; $0.3 million in U.S. headcount reductions related to the relocation of global marketing functions to the Company's Fort Lauderdale, Florida office; $0.3 million in headcount reductions related to the transfer of certain Tantalum production from Simpsonville, South Carolina to Victoria, Mexico; $0.2 million in overhead reductions for the relocation of R&D operations from Weymouth, England to Evora, Portugal; and $0.1 million in manufacturing headcount reductions related to the relocation of the K-Salt operations to the existing Matamoros, Mexico plant.

The manufacturing relocation costs of $3.2 million include $1.9 million in expenses related to contract termination costs related to the shut-down of operations for KFM; $0.6 million in expenses related to the relocation of the K-Salt operations to the existing Matamoros, Mexico plant; $0.6 million for transfers of Film and Electrolytic production lines and R&D functions to lower cost regions; and $0.1 million related to the transfer of certain Tantalum production from Simpsonville, South Carolina to Victoria, Mexico.

Fiscal Year Ended March 31, 2016

The Company incurred $4.2 million in restructuring charges in the fiscal year ended March 31, 2016 including $1.8 million related to personnel reduction costs and $2.4 million of relocation costs.

KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 3: Restructuring (Continued)

The personnel reduction costs correspond with the following: $0.9 million for headcount reductions in Matamoros, Mexico related to the relocation of certain Solid Capacitor manufacturing from Matamoros, Mexico to Victoria, Mexico; $0.6 million related to a headcount reduction in Suzhou, China for the Film & Electrolytic production line transfer from Suzhou, China to Anting, China; $0.5 million related to the consolidation of certain Solid Capacitor manufacturing in Victoria, Mexico; $0.5 million for headcount reductions related to the outsourcing of the Company's information technology function and overhead reductions in North America and Europe; and $0.3 million for headcount reductions in Europe (primarily Landsberg, Germany). These personnel reduction costs were partially offset by a $1.0 million credit to expense in Italy due to the partial reversal of a severance accrual. The Company originally recorded the accrual in the third quarter of fiscal year 2015 corresponding with a plan to reduce headcount by 50 employees. Under the plan, 24 employees were terminated. However, due to unexpected workforce attrition combined with achieving other cost reduction goals, the Company decided not to complete the remaining headcount reduction. Consequently, the Company reversed the remaining accrual during the second quarter of fiscal year 2016. The $2.4 million relocation costs include $1.1 million for the Landsberg, Germany shut-down including relocating equipment to Pontecchio, Italy and Skopje, Macedonia; $0.4 million for the relocation of certain Solid Capacitor manufacturing equipment in Victoria, Mexico; $0.4 million for the exit of Film & Electrolytic manufacturing from Suzhou, China; and $0.5 million for other costs related to shut-downs in Europe, North America, and Asia.
Fiscal Year Ended March 31, 2015
The Company incurred $13.0 million in restructuring charges in the fiscal year ended March 31, 2015 including $10.3 million related to personnel reduction costs which is primarily comprised of the following: $4.1 million related to headcount reductions in Europe (primarily Landsberg, Germany) as the Company relocates production to lower cost regions; $3.2 million is related to a headcount reduction of 50 employees due to the consolidation of manufacturing facilities in Italy; $1.9 million related to the reduction of certain Solid Capacitor production workforce from Matamoros, Mexico to Victoria, Mexico; and $1.1 million related to headcount reductions taken as the Company begins to outsource its information technology function.
In addition to these personnel reduction costs, the Company incurred manufacturing relocation costs of $2.7 million comprised of the following: $1.4 million for the exit of solid capacitors in Evora, Portugal and the relocation of certain Solid Capacitors manufacturing operations from Evora, Portugal to Victoria, Mexico; $0.4 million for the Landsberg, Germany shut-down including relocating equipment to Pontecchio, Italy; $0.3 million for the relocation of certain Film & Electrolytic lines from Monterrey, Mexico and Skopje, Macedonia to Suzhou China; and $0.5 million for other cost related to shut-downs in Europe and Asia.
A reconciliation of the beginning and ending liability balances for restructuring charges included in the line items “Accrued expenses” and “Other non-current obligations” on the Consolidated Balance Sheets were as follows (amounts in thousands):

	Personnel Reductions	Manufacturing and Sales Office Relocation Costs
Balance at March 31, 2014	$ 6,217	$ —
Costs charged to expense	10,345	2,672
Costs paid or settled	(7,995)	(2,672)
Change in foreign exchange	(1,328)	—
Balance at March 31, 2015	7,239	—
Costs charged to expense	1,803	2,375
Costs paid or settled	(8,273)	(2,375)
Change in foreign exchange	207	—

Balance at March 31, 2016	976	—
Costs charged to expense	2,214	3,190
Costs paid or settled	(2,130)	(2,784)
Change in foreign exchange	(61)	—
Balance at March 31, 2017	$ 999	$ 406

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 4: Goodwill and Intangible Assets
The following table highlights the Company’s intangible assets (amounts in thousands):

	March 31, 2017		March 31, 2016	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Indefinite Lived Intangible Assets:				
Trademarks	$7,207	$ —	$7,207	$ —
Amortizing Intangibles:				
Purchased technology, customer relationships and patents (3 - 18 years)	39,527	16,953	43,089	16,995
	$46,734	$ 16,953	$50,296	$ 16,995

For fiscal years ended March 31, 2017, 2016 and 2015 amortization related to intangibles was $2.1 million, $2.2 million and $2.1 million, respectively. The weighted-average useful life of amortized intangibles was 16.6 years in the fiscal years ended March 31, 2017 and 2016. The weighted-average period prior to the next renewal for patents was 0.5 years and 1.5 years in the fiscal years ended March 31, 2017 and March 31, 2016, respectively. Estimated amortization of intangible assets for each of the next five fiscal years is $2.1 million and, thereafter, amortization will total $12.1 million.
For fiscal year 2017, the Company completed its impairment test on goodwill and intangible assets with indefinite useful lives as of January 1, 2017 and concluded that goodwill and indefinite-lived assets were not impaired.
The changes in the carrying amount of goodwill for the years ended March 31, 2017 and 2016 are as follows (amounts in thousands):

	Fiscal Year 2017			Fiscal Year 2016		
	Solid Capacitors	Film and Electrolytic	Corporate (1)	Solid Capacitors	Film and Electrolytic	Corporate (1)
Gross balance at beginning of fiscal year						
Goodwill	$35,584	$ 1,092	$ 4,710	$35,584	$ 1,092	$ —
Accumulated impairment losses	—	(1,092)	—	—	(1,092)	—
Net balance at the end of the year	$35,584	$ —	$ 4,710	$35,584	$ —	$ —
Acquisitions	$—	$ —	$ —	$—	$ —	$ 4,710
Impairment charges	$—	$ —	$ —	$—	$ —	$ —
Balance at the end of the year						
Goodwill	$35,584	$ 1,092	$ 4,710	$35,584	$ 1,092	$ 4,710
Accumulated impairment losses	—	(1,092)	—	—	(1,092)	—
Balance at the end of the year, net	$35,584	$ —	$ 4,710	$35,584	$ —	$ 4,710

(1) Corporate goodwill established as a result of the IntelliData acquisition on April 1, 2015.

Note 5: Investment in TOKIN
On March 12, 2012, KEC, a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with TOKIN and NEC Corporation (“NEC”) (together with its affiliate NEC Capital Solutions Limited, the sole shareholder of TOKIN) to acquire 51% of the common stock of TOKIN (which represented a 34% economic

interest, as calculated based on the number of common shares held by KEC, directly and indirectly, in proportion to the aggregate number of outstanding common and convertible preferred shares of TOKIN as of such date) (the "Initial Purchase"). The transaction closed on February 1, 2013, at which time KEC paid a purchase price of $50.0 million for new shares of common stock of TOKIN (the "Initial Closing"). Through March 31, 2017, the Company accounted for its investment in TOKIN using the equity method for a non-consolidated variable interest entity since KEC did not have the power to direct significant activities of TOKIN. The Company believes that the TOKIN convertible preferred stock represents in-substance common stock of TOKIN and, as a result, its method of calculating KEC's economic basis in TOKIN is the appropriate basis on which to recognize its share of the earnings or loss of TOKIN.

In connection with KEC's execution of the Stock Purchase Agreement, KEC entered into a Stockholders' Agreement (the "Stockholders' Agreement") with TOKIN and NEC, which provided for restrictions on transfers of TOKIN's capital stock, certain tag-along and first refusal rights on transfer, restrictions on NEC's ability to convert the preferred stock of TOKIN held by it, certain management services provided to TOKIN by KEC (or an affiliate of KEC) and certain board representation rights. During fiscal year 2017, KEC held four of seven TOKIN director positions. However, NEC has significant board rights.

Concurrent with the execution of the Stock Purchase Agreement and the Stockholders' Agreement, KEC entered into an Option Agreement (the "Option Agreement") with NEC, which was amended on August 29, 2014, whereby KEC had the right to purchase additional shares of TOKIN common stock from TOKIN for a purchase price of $50.0 million resulting in an economic interest of approximately 49% while maintaining ownership of 51% of TOKIN's common stock (the "First Call Option") by providing notice of the First Call Option between the Initial Closing and April 30, 2015. Upon providing such First Call Option notice, but not before April 1, 2015, KEC could also have exercised a second option to purchase all outstanding capital stock of TOKIN from its stockholders, primarily NEC, for a purchase price based on the greater of six times LTM EBITDA (as defined in the Option Agreement) less the previous payments and certain other adjustments, or the outstanding amount of TOKIN's debt obligation to NEC (the "Second Call Option") by providing notice of the Second Call Option by May 31, 2018. The First and Second Call Options expired on April 30, 2015 without being exercised.

Under the Option Agreement, from April 1, 2015 through May 31, 2018, NEC could have required KEC to purchase all outstanding capital stock of TOKIN from its stockholders, primarily NEC (the "Put Option"), provided that KEC's payment of the Put Option price was permitted under the 10.5% Senior Notes and Loan and Security Agreement.Subsequent to year-end, the Company completed its acquisition of the remaining 66% economic interest in TOKIN and TOKIN became a 100% owned subsidiary of KEMET. See Note 19, "Subsequent Events" for additional information. The Put Option was canceled under the Definitive TOKIN Stock Purchase Agreement, herein defined, for acquisition of the remaining 66% of TOKIN.

The Company has marked these options to fair value and in the fiscal years ended March 31, 2017, 2016 and 2015 recognized a $10.7 million gain, $26.3 million loss, and $2.1 million gain respectively, which was included on the line item "Change in value of the TOKIN options" in the Consolidated Statement of Operations. The line item "Other non-current obligations" on the Consolidated Balance Sheets includes $9.9 million and $20.6 million as of March 31, 2017 and 2016, respectively, related to the options.

KEC's total investment in TOKIN including the net call forward contract described above on February 1, 2013 was $54.5 million which includes $50.0 million cash consideration plus approximately $4.5 million in transaction expenses (fees for legal, accounting, due diligence, investment banking and other various services necessary to complete the transactions). The Company has made an allocation of the aggregate purchase price, which were based upon estimates that the Company believes are reasonable.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 5: Investment in TOKIN (Continued)

Summarized financial information for TOKIN follows (in thousands):

	March 31, 2017	March 31, 2016
Current assets continuing operations	$204,654	$199,527
Assets held for sale (current) (1)	118,983	43,146
Noncurrent assets continuing operations	285,952	188,925
Assets held for sale (noncurrent) (1)	—	72,360
Current liabilities continuing operations	375,433	146,207
Liabilities held for sale (current) (1)	50,008	36,078
Noncurrent liabilities continuing operations	65,657	313,768
Liabilities held for sale (noncurrent) (1)	—	21,720

(1) As discussed in Note 19, “Subsequent Events,” TOKIN sold its EMD business on April 14, 2017.

	Fiscal Year March 31, 2017	Fiscal Year March 31, 2016	Fiscal Year March 31, 2015
Net sales	$328,822	$301,898	$321,540
Gross profit	74,465	67,409	66,722
Net income (loss) from continuing operations	106,103	(54,575)	(43,085)
Net income (loss) from discontinued operations (1)	22,399	11,580	18,994
Net income (loss)	128,502	(42,995)	(24,091)

(1) As discussed in Note 19, “Subsequent Events,” TOKIN sold its EMD business on April 14, 2017.

A reconciliation between TOKIN’s net loss and KEMET’s equity investment income (loss) follows (in thousands):

	Fiscal Year March 31, 2017	Fiscal Year March 31, 2016	Fiscal Year March 31, 2015
TOKIN net income (loss)	$128,502	$(42,995)	$(24,091)
KEMET’s equity ownership %	34%	34%	34%
Equity income (loss) from TOKIN before Adjustments	$43,691	$(14,618)	$(8,191)
Adjustments:			
Amortization and depreciation	(2,210)	(1,625)	(2,270)
Indemnity asset	—	—	8,500
Inventory profit elimination	162	(163)	(208)
Equity income (loss) from TOKIN	$41,643	$(16,406)	$(2,169)

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 5: Investment in TOKIN (Continued)

A reconciliation between TOKIN's net assets and KEMET's equity investment balance follows (amounts in thousands):

	March 31, 2017	March 31, 2016
Investment in TOKIN	$63,416	$20,334
Purchase price accounting basis adjustment:		
Property, plant and equipment (1)	3,080	3,365
Technology (1)	(8,691)	(10,134)
Long-term debt (1)	(1,067)	(1,975)
Goodwill	(7,590)	(7,555)
Indemnity asset for legal investigation	(8,500)	(8,500)
Inventory profit elimination (2)	208	371
Other	(569)	(603)
KEMET's 34% interest of TOKIN's equity	$40,287	$(4,697)

(1) Depreciated or amortized over the estimated lives.
(2) Adjusted each period for any activity.

As of March 31, 2017, KEC's maximum loss exposure as a result of its investments in TOKIN is limited to the aggregate of the carrying value of the investment, any accounts receivable balance due from TOKIN and obligations in the Put Option.

Summarized transactions between KEC and TOKIN are as follows (amounts in thousands):

	Twelve Month Periods Ended March 31, 2017	2016	2015
KEC's sales to TOKIN	$17,100	$21,061	$13,500
TOKIN's sales to KEMET	8,341	5,912	3,605

	March 31, 2017	March 31, 2016
Accounts receivable	$ 2,662	$ 5,220
Accounts payable	1,378	1,019
Management service agreement receivable (1)	775	748

(1) In accordance with the Stockholders' Agreement, KEC entered into a management services agreement with TOKIN to provide services for which KEC is being reimbursed.

Beginning in March 2014, TOKIN and certain of its subsidiaries received inquiries, requests for information and other communications from government authorities in China, the United States, the European Union, Japan, South Korea, Taiwan, Singapore and Brazil concerning alleged anti-competitive activities within the capacitor industry.

On September 2, 2015, the United States Department of Justice announced a plea agreement with TOKIN in which TOKIN agreed to plead guilty to a one-count felony charge of unreasonable restraint of interstate and foreign trade and commerce in violation of Section 1 of the Sherman Act, and to pay a criminal fine of $13.8 million. The plea agreement was approved by the United States District Court, Northern District of California, on January 21, 2016. The fine is payable over 5 years in six installments of $2.3 million each, plus accrued interest. The first and second payments were made in February 2016 and January 2017, respectively, while the next payment is due in January 2018.

On December 9, 2015, the Taiwan Fair Trade Commission ("TFTC") publicly announced that TOKIN would be fined 1,218.2 million New Taiwan dollars ("NTD") (approximately U.S. $40.2 million) for violations of the Taiwan Fair Trade Act. Subsequently, the TFTC indicated the fine would be reduced to NTD609.1 million (approximately U.S. $20.1 million). In February 2016, TOKIN commenced an administrative suit in Taiwan, challenging the validity of the amount of the fine.

On March 29, 2016, the Japan Fair Trade Commission published an order by which TOKIN was fined ¥127.2 million (approximately U.S. $1.1 million) for violation of the Japanese Antimonopoly Act. Payment of the fine was made in October 2016.

On July 27, 2016, Brazil's Administrative Council for Economic Defense approved a cease and desist agreement with TOKIN in which TOKIN made a financial contribution of Brazilian real 601 thousand (approximately U.S. $0.2 million) to Brazil's Fund for Defense of Diffuse Rights.

On May 2, 2016, TOKIN reached a preliminary settlement, followed by definitive settlement agreements on July 15, 2016, in two antitrust suits pending in the United States District Court, Northern District of California as In re: Capacitors Antitrust Litigation, No. 3:14-cv-03264-JD (the "Class Action Suits"), which was approved by the court on April 6, 2017 (for the purported direct purchaser plaintiffs), or is subject to court approval (for the purported indirect purchaser plaintiffs). Pursuant to the terms of the settlement, in consideration of the release of TOKIN and its subsidiaries (including TOKIN America, Inc.) from claims asserted in the Class Action Suits, TOKIN will pay an aggregate $37.3 million to a settlement class of direct purchasers of capacitors and a settlement class of indirect purchasers of capacitors. Each of the respective class payments is payable in five installments, the first of which became due on July 29, 2016, the next three of which are due each year thereafter on the anniversary of the initial payment, and the final payment is due by December 31, 2019. TOKIN has paid the initial installment payments into the two plaintiff classes' respective escrow accounts.

Pursuant to the Stock Purchase Agreement, NEC is required to indemnify TOKIN and/or KEC for any breaches by TOKIN or NEC of certain representations, warranties and covenants in the Stock Purchase Agreement. NEC's aggregate liability for indemnification claims is limited to $25.0 million. Accordingly, KEMET, under equity method accounting, has established an indemnity asset in the amount of $8.5 million (based upon our 34% economic interest in TOKIN). Under the Definitive TOKIN Stock Purchase Agreement, herein defined, for acquisition of the remaining 66% of TOKIN this indemnity was released, and as such in the first quarter of fiscal year 2018 the indemnity asset will be removed.

In the fiscal year ended March 31, 2017, KEMET incurred a loss of $7.1 million related to TOKIN's antitrust and civil litigation, based upon its 34% economic interest in TOKIN, which is included in the line item "Equity income (loss) from TOKIN" on the Condensed Consolidated Statements of Operations.

The remaining governmental investigations are continuing at various stages. As of March 31, 2017, TOKIN's accrual for antitrust and civil litigation totaled $83.4 million. This amount includes the best estimate of losses which may result from the ongoing antitrust investigations, civil litigation and claims. However, the actual outcomes could differ from what has been accrued. Additionally, under the terms of the TOKIN Purchase Agreement (as hereinafter defined), TOKIN will be responsible for defending all suits, paying all expenses and satisfying all judgments to the extent arising out of or related the capacitor antitrust investigations and related litigation described above.

Note 6: Segment and Geographic Information

The Company is organized into two business groups: Solid Capacitors and Film and Electrolytic based primarily on product lines. Each business group is responsible for its respective manufacturing operations and research and development efforts. All research and development expenses are direct costs to the respective business group.

Solid Capacitors

Operating in nine manufacturing sites in the United States, Mexico and China as of March 31, 2017, Solid Capacitors primarily produces tantalum, aluminum, polymer and ceramic capacitors which are sold globally. Solid Capacitors also produces tantalum powder used in the production of tantalum capacitors and has a product innovation center in the United States.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Segment and Geographic Information (Continued)

Film and Electrolytic
Film and Electrolytic operates nine manufacturing sites throughout Europe and Asia and produces film, paper, and electrolytic capacitors which are sold globally. In addition, the business group has product innovation centers in Italy, Portugal and Sweden.
The following tables summarize information about each segment’s net sales, operating income (loss), depreciation and amortization, capital expenditures and total assets (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net sales:			
Solid Capacitors	$575,110	$556,303	$621,275
Film and Electrolytic	182,681	178,520	201,917
	$757,791	$734,823	$823,192
Operating income (loss) (1)(2)(3):			
Solid Capacitors	$146,694	$129,909	$135,946
Film and Electrolytic	(8,278)	(71)	(16,685)
Corporate	(103,876)	(97,512)	(96,883)
	$34,540	$32,326	$22,378
Depreciation and amortization:			
Solid Capacitors	$20,824	$21,318	$21,202
Film and Electrolytic	10,953	11,984	13,886
Corporate	5,561	5,714	5,680
	$37,338	$39,016	$40,768
Capital expenditures:			
Solid Capacitors	$12,300	$10,098	$12,552
Film and Electrolytic	7,955	5,902	7,752
Corporate	5,362	4,469	1,928
	$25,617	$20,469	$22,232

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(1) Restructuring charges included in Operating income (loss) were as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Total restructuring:			
Solid Capacitors	$1,333	$1,916	$3,297
Film and Electrolytic	3,738	1,714	8,221
Corporate	333	548	1,499
	$5,404	$4,178	$13,017

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Segment and Geographic Information (Continued)

(2) Impairment charges and write downs included in Operating income (loss) were as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Impairment and write down of long-lived assets:			
Solid Capacitors	$2,076	$ —	$ —
Film and Electrolytic	8,203	—	—
	$10,279	$ —	$ —

(3) (Gain) loss on sales and disposals of assets included in Operating income (loss) were as follows (amounts in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
(Gain) loss on sales and disposals of assets:			
Solid Capacitors	$227	$536	$606
Film and Electrolytic	136	(270)	(1,008)
Corporate	29	109	181
	$392	$375	$(221)

	March 31,	
	2017	2016
Total assets:		
Solid Capacitors	$439,281	$424,659
Film and Electrolytic	204,407	234,822
Corporate	90,840	40,299
	$734,528	$699,780

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Segment and Geographic Information (Continued)

The following highlights net sales by geographic location (amounts in thousands):

	Fiscal Years Ended March 31,(1)		
	2017	2016	2015
United States	$198,250	$201,878	$238,840
Hong Kong	121,813	133,117	131,109
Germany	104,755	83,589	107,859
Europe (2)	64,316	57,362	58,879
China	71,223	65,043	65,289
Asia Pacific (2)	54,767	61,414	62,864
United Kingdom	33,837	28,083	32,127
Netherlands	32,478	31,218	38,853
Singapore	15,565	16,260	22,516
Italy	15,376	14,391	19,013
Hungary	18,856	17,766	22,745
Mexico	22,424	23,041	21,164
Other Countries (2)	4,131	1,661	1,934
Total Non-United States	$559,541	$532,945	$584,352
	$757,791	$734,823	$823,192

(1) Revenues are attributed to countries or regions based on the location of the customer. Net Sales to one customer exceeded 10% of total net sales as follows: $104.4 million, $99.3 million and $124.4 million in fiscal years 2017, 2016 and 2015, respectively. Solid Capacitor net sales to one customer over 10% were $89.4 million, $85.3 million and $109.1 million in fiscal years 2017, 2016 and 2015, respectively. Film and Electrolytic net sales to one customer over 10% were $14.0 million and $15.3 million in fiscal years 2016 and 2015, respectively; no single customer exceeded 10% of total Film and Electrolytic net sales in fiscal year 2017.
(2) No country included in this caption exceeded 3% of consolidated net sales for fiscal years 2017, 2016 and 2015.

The following geographic information includes Property, plant and equipment, net, based on physical location (amounts in thousands):

	March 31,	
	2017	2016
United States	$46,387	$54,658
Mexico	55,878	61,859
Italy	36,108	44,699
China	23,780	26,705
Portugal	21,637	23,449
Macedonia	12,339	14,131
Sweden	5,851	6,876
Other (1)	7,331	9,462
Total Non-United States	$162,924	$187,181
	$209,311	$241,839

(1) No country included in this caption exceeded 3% of consolidated Property, plant and equipment net for fiscal years 2017, 2016 and 2015.

KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 7. Discontinued Operations
The Film and Electrolytic business group (“Film and Electrolytic”) completed the sale of its machinery division in April 2014, which resulted in a gain of $5.6 million on the sale of the business (after income tax expense) offset by a loss from machinery operations of $0.3 million during the fiscal year ended March 31, 2015 resulting in net income from discontinued operations of $5.4 million.
Net sales and net operating loss from the Company’s discontinued operation for years ended March 31, 2017, 2016 and 2015 were as follows (in thousands):

	Fiscal Years Ended March 31,		
	2017	2016	2015
Net sales	$ —	$ —	$ 104
Operating income (loss)	—	—	(265)

Note 8: Acquisitions
IntelliData
On April 1, 2015, KEMET purchased 100% of the stock of IntelliData, Inc. “IntelliData,” a Greenwood Village, Colorado-based developer of digital solutions supporting discovery, decision support, and the sales and marketing of electronic components. IntelliData had been a key vendor of KEMET for over 15 years and had provided critical software and support to allow the Company’s sales team and customers to use real-time part number search and competitor cross references based on complex capacitor-specific specifications. The primary reason for the purchase of IntelliData was to gain more control over the direction of future iterations of the software and its functionality and to protect this critical link in the sales process from any potential unfavorable changes in IntelliData’s business model in the future. The purchase price was $6.0 million plus an additional $0.1 million per a post-acquisition amendment for a total purchase price of $6.1 million, as amended. KEMET paid $3.0 million at closing, $0.1 million on June 3, 2015, and $3.0 million on January 4, 2016 per the amended agreement. The Company recorded goodwill of $4.7 million and amortizable intangibles of $1.8 million. The allocation of the purchase price to specific assets and liabilities was based on the relative fair value of all assets and liabilities. Factors contributing to the purchase price, which resulted in the goodwill, include the knowledge and expertise of the trained workforce as well as various trademarks. Pro forma results are not presented as the acquisition was not material to the consolidated financial statements.
The following table presents the allocations of the aggregate purchase price based on the estimated fair values of the assets and liabilities (amounts in thousands):

	Fair Value
Cash	$ 233
Accounts receivable	10
Other current assets	6
Property, plant and equipment	3
Goodwill	4,710
Intangible assets	1,820
Current liabilities	(9)
Deferred income taxes	(648)
Total net assets acquired	$ 6,125

The following table presents the amounts assigned to intangible assets (amounts in thousands except useful life data):

	Fair Value	Useful Life (years)
Developed technology	$ 1,820	10

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 8: Acquisitions (Continued)

The useful life of 10 years is based on IntelliData's history with the first major iteration of the underlying technology, including its reliability, performance, and ongoing maintenance requirements. In determining the value of the developed technology, the Company considered any remaining value of the first major iteration of the technology as well as the value of the substantial development work that had already gone into the second major iteration of the technology as of the acquisition date. The second major iteration of the technology was successfully implemented in the third quarter of fiscal year 2017.

Note 9: Impairment Charges

During fiscal year 2017 the Company incurred impairment charges of $10.3 million. During fiscal years 2016 and 2015, the Company incurred no impairment charges. The impairment charges are recorded on the Consolidated Statements of Operations line item "Write down of long-lived assets" in fiscal year 2017.

In fiscal year 2017, Film and Electrolytic incurred impairment charges totaling $8.2 million ($0.18 per basic share and $0.15 per diluted share). The impairment charges consisted of the following two actions.

On August 31, 2016, KEMET Electronics Corporation, a wholly-owned subsidiary of KEMET made the decision to shut-down operations of its wholly-owned subsidiary, KFM. Operations at KFM's Knoxville, Tennessee plant ceased as of October 31, 2016. KFM supplied formed foil to the Company's Film and Electrolytic Business Group, as well as to certain third party customers. The Company anticipates that Film and Electrolytic will achieve raw material cost savings by purchasing its formed foil from suppliers that have the advantage of lower utility costs. The Company recorded impairment charges related to KFM totaling $4.1 million comprised of $3.0 million for the write down of property plant and equipment and $1.1 million for the write down of intangible assets. In addition, the Company has accrued severance charges and restructuring costs described in Note 3, "Restructuring Charges."

The Company has also recorded impairment charges of $4.1 million related to a decline in real estate market conditions surrounding its vacated Sasso Marconi, Italy manufacturing facility. KEMET used a capitalization of income method to estimate fair value taking into account the surface area of the property, the lease price per unit of surface area, and a weighted average cost of capital. The measurements utilized to determine the fair value of the property represent inputs that are observable or can be corroborated by observable market data (Level 2) in accordance with the fair value hierarchy. Due to the operating loss incurred by Film and Electrolytic in the twelve-month period ending March 31, 2017, we tested its long-lived assets for impairment as of March 31, 2017 and concluded that the long-lived assets for Film and Electrolytic were not impaired.

In fiscal year 2017, Solid Capacitors incurred impairment charges totaling $2.1 million ($0.04 per basic share and $0.04 per diluted share) related to the relocation of our leased K-salt facility to our existing Matamoros, Mexico facility. In addition, the Company has accrued severance charges described in Note 3 "Restructuring Charges" and has incurred equipment relocation costs of approximately $0.6 million during fiscal year 2017 and expects to incur an additional $0.7 million through June of 2017.

Note 10: Pension and Other Post-retirement Benefit Plans

The Company sponsors nine defined benefit pension plans: six in Europe, one in Singapore and two in Mexico. The Company funds the pension liabilities in accordance with laws and regulations applicable to those plans.

In addition, the Company maintains two frozen post-retirement benefit plans: health care and life insurance benefits for certain retired United States employees who reached retirement age while working for the Company. The health care plan is contributory, with participants' contributions adjusted annually. The life insurance plan is non-contributory.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Pension and Other Post-retirement Benefit Plans (Continued)

A summary of the changes in benefit obligations and plan assets is as follows (amounts in thousands):

	Pension		Other Benefits	
	2017	2016	2017	2016
Change in Benefit Obligation				
Benefit obligation at beginning of the year	$45,716	$49,342	$623	$846
Service cost	1,298	1,507	—	—
Interest cost	1,297	1,347	11	19
Plan participants’ contributions	—	—	592	464
Plan amendments	—	342	—	—
Actuarial (gain) loss	1,980	(4,922)	(228)	(146)
Foreign currency exchange rate change	(3,732)	221	—	—
Gross benefits paid	(1,120)	(1,425)	(612)	(560)
Curtailments and settlements	(268)	(696)	—	—
Benefit obligation at end of year	$45,171	$45,716	$386	$623
Change in Plan Assets				
Fair value of plan assets at beginning of year	$10,268	$10,483	$—	$—
Actual return on plan assets	1,099	(46)	—	—
Foreign currency exchange rate changes	(1,361)	(242)	—	—
Employer contributions	1,176	1,528	20	96
Settlements	(58)	(30)	—	—
Plan participants’ contributions	—	—	592	464
Gross benefits paid	(1,120)	(1,425)	(612)	(560)
Fair value of plan assets at end of year	$10,004	$10,268	$—	$—
Funded status at end of year				
Fair value of plan assets	$10,004	$10,268	$—	$—
Benefit obligations	(45,171)	(45,716)	(386)	(623)
Amount recognized at end of year	$(35,167)	$(35,448)	$(386)	$(623)

In fiscal year 2016, the Company recognized a curtailment gain of $0.7 million due to headcount reductions in Landsberg, Germany corresponding with the relocation of production to lower cost regions.

The Company expects to contribute $1.6 million to the pension plans in fiscal year 2018, which includes direct contributions to be made for funded plans and benefit payments to be made for unfunded plans.

The Company does not prefund its post-retirement health care and life insurance benefit plans. As a result, the Company is responsible annually for the payment of benefits as incurred by the plans. The Company anticipates making payments of $53 thousand during fiscal year 2018.

Amounts recognized in the Consolidated Balance Sheets consist of the following (amounts in thousands):

	Pension		Other Benefits	
	2017	2016	2017	2016
Current liability	$(827)	$(833)	$(52)	$(82)
Noncurrent liability	(34,340)	(34,615)	(334)	(541)
Amount recognized, end of year	$(35,167)	$(35,448)	$(386)	$(623)

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Pension and Other Post-retirement Benefit Plans (Continued)

Amounts recognized in Accumulated other comprehensive income (loss) consist of the following (amounts in thousands):

	Pension		Other Benefits	
	2017	2016	2017	2016
Net actuarial loss (gain)	$16,196	$15,585	$(1,134)	$(1,114)
Prior service cost	1,500	1,582	—	—
Accumulated other comprehensive (income) loss	$17,696	$17,167	$(1,134)	$(1,114)

Although not reflected in the table above, the tax effect on the balances was $2.7 million and $2.0 million as of March 31, 2017 and 2016, respectively.

Components of benefit costs (credit) consist of the following (amounts in thousands):

	Pension			Other Benefits		
	2017	2016	2015	2017	2016	2015
Net service cost	$1,298	$1,507	$1,286	$—	$—	$—
Interest cost	1,297	1,347	1,819	11	19	29
Expected return on plan assets	(346)	(433)	(499)	—	—	—
Amortization:						
Actuarial (gain) loss	419	704	277	(207)	(191)	(187)
Prior service cost	82	60	17	—	—	—
Recurring activity	2,750	3,185	2,900	(196)	(172)	(158)
One time expense (income)	(11)	—	—	—	—	—
Net periodic benefit cost (credit)	$2,739	$3,185	$2,900	$(196)	$(172)	$(158)

The estimated amounts related to pensions that will be amortized from accumulated other comprehensive income into net periodic benefit costs in fiscal year 2018 are actuarial losses of $362 thousand, and prior service costs of $80 thousand. The estimated amounts related to other benefits that will be amortized from accumulated other comprehensive income into net periodic benefit costs in fiscal year 2018 are actuarial gains of $188 thousand.

The asset allocation for the Company’s defined benefit pension plans at March 31, 2017 and the target allocation for 2017, by asset category, are as follows:

Asset Category	Target Allocation (%)	Plan Assets at March 31, 2017 (%)
Insurance (1)	10	6
International equities	15	18
International bonds	60	63
Other	15	13
Total	100	100

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(1) Comprised of assets held by the defined benefit pension plan in Germany.

The Company’s investment strategy for its defined benefit pension plans is to maximize long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation range for each asset class and the fund is managed within those ranges. The plans use a number of investment approaches including insurance products, equity and fixed income funds in which the underlying securities are marketable in order to achieve this target allocation. Certain plans invest solely in insurance products. The Company continuously monitors the performance of the overall pension asset portfolio, asset allocation policies, and the performance of

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individual pension asset managers and makes adjustments and changes, as required. The Company does not manage any assets internally, does not have any passive investments in index funds, and does not directly utilize futures, options, or other derivative instruments or hedging strategies with regard to the pension plans; however, the investment mandate of some pension asset managers allows the use of the foregoing as components of their portfolio management strategies.

The expected rate of return was determined by modeling the expected long-term rates of return for broad categories of investments held by the plan against a number of various potential economic scenarios.

Other changes in plan assets and benefit obligations recognized in Accumulated other comprehensive income (loss) are as follows (amounts in thousands):

	Pension			Other Benefits		
	2017	2016	2015	2017	2016	2015
Current year actuarial (gain) loss	$1,229	$(5,125)	$12,397	$(228)	$(146)	$118
Amortization of actuarial gain (loss)	(619)	(698)	(258)	208	191	187
Current year prior service cost	—	342	1,006	—	—	—
Amortization of prior service cost	(82)	(60)	(17)	—	—	—
Total recognized in other comprehensive income	$528	$(5,541)	$13,128	$(20)	$45	$305
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$3,267	$(2,356)	$16,028	$(216)	$(127)	$147

Each of these changes has been factored into the following benefit payments schedule for the next ten fiscal years. The Company expects to have benefit payments in the future as follows (amounts in thousands):

	Expected benefit payments					
	2018	2019	2020	2021	2022	2021-2025
Pension benefits	$1,467	$1,562	$1,619	$1,584	$1,651	$11,090
Other benefits	53	50	47	43	39	140
Total	$1,520	$1,612	$1,666	$1,627	$1,690	$11,230

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Pension and Other Post-retirement Benefit Plans (Continued)

The following weighted-average assumptions were used to determine the projected benefit obligation at the measurement date and the net periodic cost for the pension and post-retirement plan (amounts in thousands except percentages):

	Pension				Other Benefits			
	2017		2016		2017		2016	
Projected benefit obligation:								
Discount rate	3.1	%	3.2	%	3.2	%	2.8	%
Rate of compensation increase	3.5	%	3.4	%	—	%	—	%
Health care cost trend on covered charges	—	%	—	%	7.0% decreasing to ultimate trend of 5% in 2021		7.0% decreasing to ultimate trend of 5% in 2021	
Net periodic benefit cost:								
Discount rate	3.1	%	2.8	%	2.8	%	2.9	%
Rate of compensation increase	3.5	%	3.5	%	—	%	—	%
Expected return on plan assets	3.2	%	4.0	%	—	%	—	%
Health care cost trend on covered charges	—	%	—	%	7.0% decreasing to ultimate trend of 5% in 2021		7.0% decreasing to ultimate trend of 5% in 2019	
Sensitivity of retiree welfare results								
Effect of a one percentage point increase in assumed health care cost trend:								
—On total service and interest costs components					$ —		$ —	
—On post-retirement benefits obligation					—		6	

Effect of a one percentage point decrease in assumed health care cost trend:		
—On total service and interest costs components	—	—
—On post-retirement benefits obligation	—	(6)

The measurement date used to determine pension and post-retirement benefits is March 31.

The Company evaluated input from its third-party actuary to determine the appropriate discount rate. The determination of the discount rate is based on various factors such as the rate on bonds, term of the expected payouts, and long-term inflation factors.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Pension and Other Post-retirement Benefit Plans (Continued)

The following table sets forth by level, within the fair value hierarchy as described in Note 1, the pension plan's assets, required to be carried at fair value on a recurring basis as of March 31, 2017 and March 31, 2016 (amounts in thousands):

	Fair Value March 31, 2017	Fair Value Measurement Using			Fair Value March 31, 2016	Fair Value Measurement Using		
		Level 1	Level 2 (1)	Level 3 (2)		Level 1	Level 2	Level 3
Cash and cash equivalents	$ 86	$86	$—	$ —	$ 129	$129	$—	$ —
Equity securities:								
International equities	1,760	—	1,760	—	1,567	—	1,567	—
Fixed income securities:								
International bonds	6,275	—	6,275	—	6,469	—	6,469	—
Insurance contracts	580	—	—	580	611	—	—	611
Diversified growth funds	1,303	—	1,303	—	1,492	—	1,492	—
	$ 10,004	$86	$9,338	$ 580	$ 10,268	$129	$9,528	$ 611

(1) Level 2 plan assets consist of pooled investment funds which are unquoted and have no restriction on redemption. Fair value was determined using daily, weekly, or monthly trading activity which derives the unit price of the pooled fund.

(2) Level 3 plan assets are invested in reinsurance contracts whose value is the sum of the actuarial reserve and the profit participation of each contract. The actuarial reserve is the sum of discounted cash flows associated with future benefits and premiums.

The table below sets forth a summary of changes in the fair value of the defined benefit pension plan's Level 3 assets for the fiscal years ended March 31, 2016 and March 31, 2017 (amounts in thousands):

Balance at March 31, 2015	$576
Actual return on plan assets	14
Employer contributions	189
Benefits paid	(202)
Foreign currency exchange rate change	34
Balance at March 31, 2016	$611
Actual return on plan assets	20
Employer contributions	198
Benefits paid	(211)
Foreign currency exchange rate change	(38)
Balance at March 31, 2017	$580

The Company also sponsors a deferred compensation plan for highly compensated employees. The plan is non-qualified and allows certain employees to contribute to the plan. Company matches, net of gains (losses) related to the deferred compensation plan, were $176 thousand in fiscal year 2017, $5 thousand in fiscal year 2016, and $115 thousand in fiscal year 2015. Total benefits accrued under this plan were $1.8 million and $1.5 million at March 31, 2017 and March 31, 2016, respectively.

In addition, the Company has a defined contribution retirement plan (the "Savings Plan") in which all United States employees who meet certain eligibility requirements may participate. A participant may direct the Company to contribute amounts, based on a percentage of the participant's compensation, to the Savings Plan through the execution of salary reduction agreements. In addition, the participants may elect to make after-tax contributions. The Company matches contributions to the Savings Plan up to 6% of the employee's salary. The Company made matching contributions of $2.4 million, $2.1 million and $2.2 million in fiscal years 2017, 2016, and 2015, respectively.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 11: Stock-Based Compensation
The Company's stock-based compensation plans are broad-based, long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests.
The major components of stock-based compensation expense are as follows (amounts in thousands):

	Fiscal year ended March 31, 2017			Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2015		
	Stock Options	Restricted Stock	LTIPs	Stock Options	Restricted Stock	LTIPs	Stock Options	Restricted Stock	LTIPs
Cost of sales	$21	$ 634	$729	$81	$ 617	$720	$233	$ 269	$1,075
Selling, general and administrative expenses	20	1,490	1,620	78	1,352	1,732	306	787	1,547
Research and development	1	26	179	4	23	167	13	3	279
	$42	$ 2,150	$2,528	$163	$ 1,992	$2,619	$552	$ 1,059	$2,901

Employee Stock Options
As of March 31, 2017, the 2014 Amendment and Restatement of the KEMET Corporation 2011 Omnibus Equity Incentive Plan (the "2011 Incentive Plan"), approved by the Company's stockholders in 2014, is the only plan the Company has to issue equity based awards to executives and key employees. Upon adoption of the 2011 Incentive Plan, no further awards were permitted to be granted under the Company's prior plans, including the 1992 Key Employee Stock Option Plan, the 1995 Executive Stock Option Plan, and the 2004 Long-Term Equity Incentive Plan (collectively, the "Prior Plans").
The 2011 Incentive Plan authorized the grant of up to 7.4 million shares of the Company's Common Stock, comprised of 6.6 million shares under the 2011 Incentive Plan and 0.8 million shares remaining from the Prior Plans and authorizes the Company to provide equity-based compensation in the form of:

- stock options, including incentive stock options, entitling the optionee to favorable tax treatment under Section 422 of the Code;
- stock appreciation rights;
- restricted stock and restricted stock units;
- other share-based awards; and,
- performance awards.

Options issued under these plans vest within one to three years and expire ten years from the grant date. For the stock options granted to the Company's Chief Executive Officer on January 27, 2010, 50% vested on June 30, 2014 and 50% vested on June 30, 2015.
If available, the Company issues shares of Common Stock from treasury stock upon exercise of stock options and vesting of restricted stock units. The Company has no plans to purchase additional shares in conjunction with its employee stock option plans in the near future.

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KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 11: Stock-Based Compensation (Continued)

Employee stock option activity for fiscal year 2017 is as follows:

	Options (in thousands)	Weighted-Average Exercise Price
Outstanding at March 31, 2016	1,254	$ 7.63
Granted	—	—
Exercised	(204)	5.55
Forfeited	—	—
Expired	(86)	16.72
Outstanding at March 31, 2017	964	7.27
Exercisable at March 31, 2017	964	$ 7.27
Remaining weighted average contractual life of options exercisable (years)		4.1
Remaining weighted average contractual life of options outstanding (years)		4.1

Amounts included in the following table are in thousands, except weighted average fair value and weighted average exercise price:

	Fiscal Years Ended March 31,		
	2017	2016	2015
Weighted average grant-date fair value of non-vested shares	$ —	$ 2.72	$ 2.73
Weighted average grant-date fair value of shares			
Granted	—	—	—
Vested	2.72	2.73	3.50
Forfeited	2.72	2.81	3.25
Total estimated fair value of shares vested	223	548	1,000
Intrinsic value			
Stock options exercised	890	—	—
Options outstanding	5,272		
Options currently exercisable	5,272		
Total unrecognized compensation cost, net of estimated forfeitures, non-vested options	—		
Weighted-average period of recognition for unrecognized compensation cost (in years)	N/A		
Weighted average exercise price of stock options expected to vest	N/A		

All option plans provide that options to purchase shares be supported by the Company's authorized but unissued common stock or treasury stock. All restricted stock and performance awards are also supported by the Company's authorized but unissued common stock or treasury stock. The prices of the options granted pursuant to these plans are not less than 100% of the value of the shares on the date of the grant.
Performance Vesting Stock Options
During fiscal year 2006, the Company issued 166,667 performance awards with a weighted-average exercise price of $24.15 to the Chief Executive Officer which entitle him to receive shares of common stock if and when the stock price achieves and maintains certain thresholds. These awards are open ended until they vest and have a ten-year life after vesting or expire on the third year following retirement, whichever comes first. Effective March 4, 2010, 83,333 of

these awards were voluntarily relinquished and no concurrent grant, replacement award or other valuable consideration was provided.

KEMET CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 11: Stock-Based Compensation (Continued)

Restricted Stock Units (“RSU’s”)
Restricted stock unit activity for fiscal year 2017 is as follows (amounts in thousands except fair value):

Shares	Weighted-average Fair Value on