SIGMATRON INTERNATIONAL INC
Form 10-K
July 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

X Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended April 30, 2015.

Or

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 0-23248

SIGMATRON INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	36-3918470
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification Number)
2201 Landmeier Rd., Elk Grove Village, IL	60007
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 847-956-8000

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

ASDAQ Capital Market

Title of each class	Name of each exchange on which registered
Common Stock $0.01 par value per share	The NASDAQ Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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 definition of "accelerated filer" "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated Smaller reporting company

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of October 31, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was $25,246,669 based on the closing sale price of $7.00 per share as reported by Nasdaq Capital Market as of such date.

The number of outstanding shares of the registrant's Common Stock, $0.01 par value, as of July 22, 2015 was 4,162,285.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections or portions of the definitive proxy statement of SigmaTron International, Inc., for use in connection with its 2015 annual meeting of stockholders, which the Company intends to file within 120 days of the fiscal year ended April 30, 2015, are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

CAUTIONARY NOTE:

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. (“SigmaTron”), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (collectively, “SigmaTron China”) and international procurement office SigmaTron Taiwan branch (collectively, the “Company”) and other Items in this Annual Report on Form 10-K contain forward-looking statements concerning the Company’s business or results of operations. Words such as “continue,” “anticipate,” “will,” “expect,” “believe,” “plan,” and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company’s plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company’s business including, but not necessarily limited to, the Company’s continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from the Company’s customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets and goodwill impairment testing; the variability of our customers’ requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company’s business; the turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company’s future business and results of operations are identified throughout the Company’s Annual Report on Form 10-K, and as risk factors, and may be detailed from time to time in the Company’s filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview

SigmaTron is a Delaware corporation, which was organized on November 16, 1993, and commenced operations when it became the successor to all of the assets and liabilities of SigmaTron L.P., an Illinois limited partnership, through a reorganization on February 8, 1994.

The Company operates in one business segment as an independent provider of electronic manufacturing services ("EMS"), which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; and (6) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Company provides manufacturing and assembly services ranging from the assembly of individual components to the assembly and testing of box-build electronic products. The Company has the ability to produce assemblies requiring mechanical as well as electronic capabilities. The products assembled by the

Company are then incorporated into finished products sold in various industries, particularly appliance, consumer electronics, gaming, fitness, industrial electronics, medical/life sciences, semiconductor and telecommunications.

The Company operates manufacturing facilities in Elk Grove Village, Illinois United States of America ("U.S."); Union City, California U.S.; Acuna, Chihuahua and Tijuana, Mexico; Suzhou, China; and Ho Chi Minh City, Vietnam. In addition, the Company maintains materials sourcing offices in Elk Grove Village, Illinois U.S.; Union City, California U.S.; and Taipei, Taiwan. The Company also provides design services in Elgin, Illinois.

In an effort to facilitate the growth of our China operation, the Company established a new Chinese entity in October 2011 that allows the Company to provide services competitively to the domestic market in China and in fiscal year 2015 expanded the Company's manufacturing facility. The Company expects the China operation to continue to grow despite increasing costs of operation.

The Company's international footprint provides our customers with flexibility within the Company to manufacture in China, Mexico, Vietnam or the U.S. We believe this strategy has continued to serve the Company well during these difficult economic times as its customers continuously evaluate their supply chain strategies.

The Company's overall results reflect the choppy economy in both the United States and globally. In the first quarter of 2015, the gross domestic product (GDP) for the United States actually contracted and the Company believes the contraction caused the Company's customers to adjust their orders and requirements, which had a negative impact on the Company's results. The rescheduling of orders negatively impacted what the Company thought would be a much stronger fourth quarter of fiscal year 2015. The Company did however launch new programs in the fourth quarter of fiscal year 2015. The new orders came from both existing and new customers. The Company has seen gains in markets that it has been actively pursuing during the past two fiscal years and believes both revenues and pre-tax income will increase in fiscal year 2016. However, margin pressures continue from both customers and vendors and will likely continue in fiscal year 2016.

Products and Services

The Company provides a broad range of electronic and electromechanical manufacturing related outsourcing solutions for its customers. These solutions incorporate the Company's knowledge and expertise in the EMS industry to provide its customers with the most advanced manufacturing technologies, complete supply chain management, responsive and flexible customer service, as well as product design, test and engineering support. The Company's EMS solutions are available from inception of product concept through the ultimate delivery of a finished product. Such technologies and services include the following:

Manufacturing and Testing Services: The Company's core business is the assembly and testing of all types of electronic printed circuit board assemblies ("PCBA") and often incorporating these PCBAs into electronic modules used in all types of devices and products that depend on electronics for their operation. This assembly work utilizes state of the art manufacturing and test equipment to deliver highly reliable products to the Company's customers. The Company supports new product introduction ("NPI"), low volume / high mix as well as high volume/ low mix assembly work at all levels of complexity. Assembly services include pin-through-hole ("PTH") components, surface mount ("SMT") components, including ball grid array ("BGA"), part-on-part components, conformal coating, parylene coating and others. Test services include and are not limited to, in-circuit, automated optical inspection ("AOI"), functional, burn-in, hi-pot and boundary scan. From simple component assembly through the most complicated industry testing, the Company offers virtually every service required to build electronic devices commercially available in the market today.

Design Services: To compliment the manufacturing services it offers its customers, the Company also offers DFM, design for manufacturing and DFT, design for test review services to help customers ensure that the products they have designed are optimized for production and testing. In addition, through its Spitfire Control division, the Company offers complete product design services for a variety of industries and applications, including appliance controls.

Supply Chain Management: The Company provides complete supply chain management for the procurement of components needed to build customers' products. This includes the procurement and management of all types of electronic components and related mechanical parts such as plastics and metals. The Company's resources supporting this activity are provided both on a plant specific basis as well as globally through its international procurement office ("IPO") in Taipei, Taiwan. Each of its sites is linked together using the same Enterprise Resource Planning ("ERP") system and custom IScore software tools with real-time on-line visibility for customer access. The Company generally procures material from major manufacturers and distributors of electronic parts.

Warehousing and Distribution: The Company provides in-house and third party warehousing, shipping, and customs brokerage for border crossings as part of its service offering. This includes international shipping, drop shipments to the end customer, as well as, support of inventory optimization activities such as kanban and consignment.

Green, Sustainability, and Social Responsible Initiatives: The Company supports initiatives that promote sustainability, green environment and social responsibility. The Company requires its supply chain to meet all government imposed requirements in these areas and helps its customers in achieving effective compliance. This includes, but is not limited to, Restrictions of Hazardous Substances ("RoHS"), Restriction of Chemicals ("Reach") and Conflict Minerals regulations.

Manufacturing Location and Certifications: The Company's manufacturing and warehousing locations are strategically located to support our customers with locations in Elk Grove Village, Illinois U.S.; Union City, California U.S.; Acuna, Chihuahua and Tijuana, Mexico; Suzhou, China and Ho Chi Minh City, Vietnam. The

Company's ability to transition manufacturing to lower cost regions without jeopardizing flexibility and service, differentiates it from many competitors. Manufacturing certifications and registrations are location specific, and include ISO 9001:2008, ISO 14001:2004, Medical ISO 13485:2003, Aerospace AS9100C and International Traffic in Arms Regulations ("ITAR") certifications.

Markets and Customers

The Company's customers are in the appliance, gaming, industrial electronics, fitness, medical/life sciences, semiconductor, telecommunications and consumer electronics industries. As of April 30, 2015, the Company had approximately 115 active customers ranging from Fortune 500 companies to small, privately held enterprises.

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The following table shows, for the periods indicated, the percentage of net sales to the principal end-user markets it serves.

	Percent of Net Sales		
Markets	Typical OEM Application	Fiscal 2015 %	Fiscal 2014 %
Appliances	Household appliance controls	49.9	48.6
Industrial Electronics	Motor controls, power supplies, lighting products, scales, joysticks	31.2	31.2
Fitness	Treadmills, exercise bikes, cross trainers	6.7	7.0
Consumer Electronics	Personal grooming, computers	4.7	5.5
Semiconductor Equipment	Process control and yield management equipment for semiconductor productions	2.9	2.4
Medical/Life Sciences	Clinical diagnostic systems and instruments	2.6	3.0
Telecommunications	Routers, communication	1.7	1.4
Gaming	Slot machines, lighting displays	0.3	0.9
Total		100%	100%

For the fiscal year ended April 30, 2015, the Company's largest two customers, Electrolux and Whirlpool Inc., accounted for 36.8% and 9.9%, respectively, of the Company's net sales. For the fiscal year ended April 30, 2014, Electrolux and Whirlpool Inc., accounted for 31.6% and 12.0%, respectively, of the Company's net sales. Although the Company does not have a long term contract with Electrolux or Whirlpool, the Company expects that Electrolux and Whirlpool will continue to account for a significant percentage of the Company's net sales, although the percentage of net sales may vary from period to period.

Sales and Marketing

The Company markets its services through 9 independent manufacturers' representative organizations that together currently employ 18 sales personnel in the United States and Canada. Independent manufacturers' representatives organizations receive variable commissions based on orders received by the Company and are assigned specific accounts, not territories. Many of the members of the Company's senior management are actively involved in sales and marketing efforts, and the Company has 3 direct sales employees. In addition, the Company markets itself through its website and tradeshows.

Mexico, Vietnam and China Operations

The Company’s wholly-owned subsidiary, Standard Components de Mexico, S.A, a Mexican corporation, is located in Acuna, Coahuila Mexico, a border town across the Rio Grande River from Del Rio, Texas, and is 155 miles west of San Antonio. Standard Components de Mexico, S.A. was incorporated and commenced operation in 1968 and had 825 employees at April 30, 2015. The Company’s wholly-owned subsidiary, AbleMex S.A. de C.V., a Mexican corporation, is located in Tijuana, Baja California Mexico, a border town south of San Diego, California. AbleMex S.A. de C.V. was incorporated and commenced operations in 2000. The operation had 194 employees at April 30, 2015. The Company’s wholly-owned subsidiary, Digital Appliance Controls de Mexico S.A., a Mexican corporation, operates in Chihuahua, Mexico, located approximately 235 miles from El Paso, Texas. Digital Appliance Controls de Mexico S.A. was incorporated and commenced operations in 1997. The operation had 375 employees at April 30, 2015. The Company believes that one of the key benefits to having operations in Mexico is its access to cost-effective labor resources while having geographic proximity to the United States.

The Company's wholly-owned foreign enterprises, Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd., are located in Suzhou, China. The Company has entered into an agreement with governmental authorities in the economic development zone of Wujiang, Jiangsu Province, Peoples Republic of China, pursuant to which the Company became the lessee of a parcel of land of approximately 100 Chinese acres. The term of the land lease is 50 years. The Company built a manufacturing plant, office space and dormitories on this site during 2004. In fiscal 2015, the China facility expanded and added 40,000 square feet in warehouse and manufacturing. The total square footage of the facility is 202,000 and has 537 employees as of April 30, 2015. Both SigmaTron China entities operate at this site.

The Company's wholly-owned subsidiary, Spitfire Controls (Vietnam) Co. Ltd. is located in Amata Industrial Park, Bien Hoa City, Dong Nai Province, Vietnam, and is 18 miles east of Ho Chi Minh City. Spitfire Controls (Vietnam) Co. Ltd. was incorporated and commenced operation in 2005 and had 310 employees as of April 30, 2015.

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnam and Chinese subsidiaries and the Taiwan IPO. The Company provides funding in U.S. dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars, except for the Acuna Mexico operation, which is funded in Pesos. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for the fiscal year ended April 30, 2015 resulted in a net foreign currency gain of $40,000 compared to a net foreign currency loss of $128,000 in the prior year. In fiscal year 2015, the Company paid approximately $52,220,000 to its foreign subsidiaries.

During fiscal year 2014, the Company realized a distribution of approximately $3,006,825 from foreign subsidiaries based in Mexico. The U.S. income tax on the distribution was $333,128 which was reflected in the Company's tax provision for the fiscal year ended April 30, 2014. The Company has not recorded U.S. income taxes on the undistributed earnings of the Company's foreign subsidiaries. Since the earnings of the foreign subsidiaries have been, and under fiscal April 30, 2015 plans, will continue to be indefinitely reinvested, no deferred tax liability has been recorded. With respect to fiscal April 30, 2016, as a result of the uncertainty of the Company's financing arrangements and its domestic liquidity profile, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

During fiscal year 2015, the Company reflected tax expense of $643,708 related to the inability to realize the tax benefit recorded in fiscal year 2014 for potential foreign tax credits related to the above distribution from Mexico. The Company's current estimate of cumulative taxable income during the foreign tax credit carryforward period is insufficient to support that the tax benefit from the foreign tax credit is more likely than not to be realized.

The consolidated financial statements as of April 30, 2015 include the accounts and transactions of SigmaTron, its wholly-owned subsidiaries, Standard Components de Mexico, S.A., AbleMex S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd., and international procurement office, SigmaTron Taiwan Branch. The functional currency of the Mexican and Vietnam subsidiaries, Chinese foreign enterprise and Taiwanese procurement branch is the U.S. dollar. Intercompany transactions are eliminated in the consolidated financial statements.

Competition

The EMS industry is highly competitive and subject to rapid change. Furthermore, both large and small companies compete in the industry, and many have significantly greater financial resources, more extensive business experience and greater marketing and production capabilities than the Company. The significant competitive factors in this industry include price, quality, service, timeliness, reliability, the ability to source raw components, and manufacturing and technological capabilities. The Company believes it can competitively address all of these factors.

Consolidation

As a result of consolidation and other transactions involving competitors and other companies in the Company’s markets, the Company occasionally reviews potential transactions relating to its business, products and technologies. Such transactions could include mergers, acquisitions, strategic alliances, joint ventures, licensing agreements, co-promotion agreements, financing arrangements or other types of transactions. In the future, the Company may choose to enter into these types of or other transactions at any time depending on available sources of financing, and such transactions could have a material impact on the Company’s business, financial condition or operations.

Governmental Regulations

The Company’s operations are subject to certain foreign, federal, state and local regulatory requirements relating to, among others, environmental, waste management, labor and health and safety matters. Management believes that the Company’s business is operated in material compliance with all such regulations, including Restriction of Hazardous Substances (“RoHS”) and Registration, Evaluation, Authorization and Restriction of Chemicals (“REACH"). RoHS prohibits the use of lead, mercury and certain other specified substances in electronics products. The Company has RoHS-dedicated manufacturing capabilities at all of its manufacturing operations. REACH is a European Union Regulation enacted as of December 2006. The regulation imposes information reporting requirements on 163 listed SVHCs (substances of very high concern) as of June 2015. From time-to-time the Company's customers request REACH required information and certifications on the assemblies the Company manufactures for them. These requests require the Company to gather information from component suppliers to verify the presence and level of mass of any SVHCs greater than 0.1% in the assemblies the Company manufactures based on customer specifications. If any SVHCs are present at more than 0.1% of the mass of the item, the specific concentration and mass of the SVHC must be reported to proper authorities by the Company's customer.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) introduced reporting requirements for verification of whether the Company directly (or indirectly through suppliers of components) is purchasing the minerals or metals gold, columbite-tantalite, cassiterite, wolframite and their derivatives (tin, tungsten, and tantalum), that are being provided by sources in the conflict region of the Democratic Republic of Congo ("DRC"). On June 1, 2015, the Company filed Form SD with the Securities and Exchange Commission stating the Company's supply chain remains DRC conflict undeterminable.

To date, the Company's costs of compliance for conflict minerals reporting is estimated to be $550,000. Additional or modified requirements may be imposed in the future. If such additional or modified requirements are imposed, or if conditions requiring remediation are found to exist, the Company may be required to incur additional expenditures.

Backlog

The Company relies on customers' forecasted orders and purchase orders (firm orders) from its customers to estimate backlog. The Company's backlog of firm orders as of April 30, 2015 and 2014 was approximately $142,520,000 and $114,420,000, respectively. The Company anticipates a significant portion of the backlog at April 30, 2015 will ship in fiscal year 2016. Because customers may cancel or reschedule deliveries, backlog may not be a meaningful indicator of future revenue. Variations in the magnitude and duration of contracts, forecasts and purchase orders received by the Company and delivery requirements generally may result in substantial fluctuations in backlog from period to period.

Employees

The Company employed approximately 2,710 people as of April 30, 2015, including 181 engaged in engineering or engineering-related services, 2,154 in manufacturing and 375 in administrative and marketing functions.

The Company has a labor contract with Chemical & Production Workers Union Local No. 30, AFL-CIO, covering the Company's workers in Elk Grove Village, Illinois which expires on November 30, 2015. The Company's Mexican subsidiary, Standard Components de Mexico S.A., has a labor contract with Sindicato De Trabajadores de la Industra Electronica, Similares y Conexos del Estado de Coahuila, C.T.M. covering the Company's workers in Acuna, Mexico which expires on February 1, 2016. The Company's subsidiary located in Tijuana Mexico has a labor contract with Sindicato Mexico Moderno De Trabajadores De La, Baja California, C.R.O.C. The contract does not have an expiration date. The Company's subsidiary located in Ho Chi Minh City, Vietnam, has a labor contract with CONG DOAN CO SO CONG TY TNHH Spitfire Controls Vietnam. The contract expires December 31, 2015.

Since the time the Company commenced operations, it has not experienced any union-related work stoppages. The Company believes its relations with both unions and its other employees are good.

Executive Officers of the Registrant

Name	Age	Position
Gary R. Fairhead	63	President and Chief Executive Officer. Gary R. Fairhead has been the President of the Company since January 1990 and Chairman of the Board of Directors of the Company since August 2011. Gary R. Fairhead is the brother of Gregory A. Fairhead.
Linda K. Frauendorfer	54	Chief Financial Officer, Vice President of Finance, Treasurer and Secretary since February 1994. Director of the Company since August 2011.
Gregory A. Fairhead	59	Executive Vice President and Assistant Secretary. Gregory A. Fairhead has been the Executive Vice President since February 2000 and Assistant Secretary since 1994. Mr. Fairhead was Vice President - Acuna Operations for the Company from February 1990 to February 2000. Gregory A. Fairhead is the brother of Gary R. Fairhead.
John P. Sheehan	54	Vice President, Director of Supply Chain and Assistant Secretary since February 1994.
Daniel P. Camp	66	Vice President, Acuna Operations since 2007. Vice President - China Operations from 2003 to 2007. General Manager / Vice President of Acuna Operations from 1994 to 2003.
Rajesh B. Upadhyaya	60	Executive Vice President, West Coast Operations since 2005. Mr. Upadhyaya was the Vice President of the West Coast Operations from 2001 until 2005.
Hom-Ming Chang	55	Vice President, China Operations since 2007. Vice President – West Coast Materials / Test / IT from 2001 - 2006.

ITEM 1A. RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While the Company believes it has identified and discussed below the key risk factors affecting its business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect its business, operations, industry, financial position and financial performance in the future.

The Company’s ability to secure and maintain sufficient credit arrangements is key to its continued operations.

There is no assurance that the Company will be able to retain or renew its credit agreements and other finance agreements in the future. In the event the business grows rapidly, the uncertain economic climate continues or the Company considers another acquisition, additional financing resources could be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all in the future.

The Company has a senior secured credit facility with Wells Fargo, N.A. with a credit limit up to $30,000,000 and current term through October 31, 2017. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants. Pursuant to the agreement, financial covenants were amended, an unused line fee was added, and the borrowing interest rate was changed. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) or LIBOR plus two and one quarter percent (effectively 2.625% at April 30, 2015). Interest is paid monthly. Under the senior secured credit facility, the Company may borrow up to the lesser of (i) $30,000,000 or (ii) an amount equal to the sum of 85% of the receivable borrowing base plus a percentage of the inventory borrowing base (collectively, “Borrowing Base”, which cannot exceed 50% of combined eligible receivables and inventory). Further, in specific circumstances, the Company is entitled to an over advance of up to $5,000,000 through October 31, 2015; however, at no time can the borrowings under the credit facility exceed $30,000,000. The effective interest rate for the over advance facility was LIBOR plus two and three quarter percent. Effective December 31, 2014, the Company amended its senior secured credit facility agreement to temporarily increase the total Borrowing Base limit to 60% through June 30, 2015 and reverting to 50% of total Borrowing Base after June 30, 2015. Further, the senior secured credit facility agreement was modified to allow specific foreign receivables to become eligible collateral. The receivable modification is effective until June 30, 2015. The Company agreed to an increase in the effective interest rate for the over advance facility and a $5,000 amendment fee. The interest rate for the over advance facility increased from LIBOR plus two and three quarter percent (effectively 3.125% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) to LIBOR plus three and one half percent (effectively 3.875% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015). As of April 30, 2015, there was a $27,416,793 outstanding balance and $2,583,207 of unused availability under the credit facility agreement. At April 30, 2015, the Company was in compliance with its financial covenants.

The Company anticipates that its credit facilities, cash flow from operations and leasing resources are adequate to meet its working capital requirements and capital expenditures for fiscal year 2016 at the Company’s current level of business. The Company has received forecasts from current customers for increased business that would require additional investments in inventory. To the extent that these forecasts come to fruition, the Company intends to meet any increased capital requirements by raising capital from other sources of debt or equity. The Company has selected an investment banker for the purpose of completing a capital raise in the third fiscal quarter of 2016. The capital raise, if successful, may consist of debt, equity or a combination of debt and equity. If the capital raise is not completed, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

In addition, in the event the Company desires to expand its operations, its business grows more rapidly than expected, the current economic climate deteriorates, customers delay payments, or the Company desires to consummate an acquisition, additional financing resources may be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or renew its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist.

Adverse changes in the economy or political conditions could negatively impact the Company's business, results of operations and financial condition.

The Company's sales and gross margins depend significantly on market demand for its customers' products. The uncertainty in the U.S. and international economic and political environment could result in a decline in demand for our customers' products in any industry. Further, any adverse changes in tax rates and laws affecting our customers could result in decreasing gross margins. Any of these factors could negatively impact the Company's business, results of operations and financial condition.

The Company experiences variable operating results.

The Company's results of operations have varied and may continue to fluctuate significantly from period to period, including on a quarterly basis. Consequently, results of operations in any period should not be considered indicative of the results for any future period, and fluctuations in operating results may also result in fluctuations in the price of the Company's common stock.

The Company's quarterly and annual results may vary significantly depending on numerous factors, many of which are beyond the Company's control. Some of these factors include:

- changes in sales mix to customers
- changes in availability and rising component costs
- volume of customer orders relative to capacity
- market demand and acceptance of our customers' products
- price erosion within the EMS marketplace
- capital equipment requirements needed to remain technologically competitive
- volatility in the U.S. and international economic and financial markets

The Company's customer base is concentrated.

Sales to the Company's five largest customers accounted for 62.5% and 60.0% of net sales for the fiscal years ended April 30, 2015 and 2014, respectively. For the year ended April 30, 2015, two customers respectively accounted for 36.8% and 9.9% of net sales of the Company, and 9.6% and 5.5% of accounts receivable at April 30, 2015. For the year ended April 30, 2014, two customers respectively accounted for 31.6% and 12.0% of net sales of the Company and 11.2% and 4.5%, respectively, of accounts receivable at April 30, 2014. Significant reductions in sales to any of the Company's major customers or the loss of a major customer could have a material impact on the Company's operations. If the Company cannot replace canceled or reduced orders, sales will decline, which could have a material impact on the results of operations. There can be no assurance that the Company will retain any or all of its largest customers. This risk may be further complicated by pricing pressures and intense competition prevalent in our industry.

The Company has a significant amount of trade accounts receivable from some of its customers due to customer concentration. If any of the Company's customers have financial difficulties, the Company could encounter delays or defaults in the payment of amounts owed for accounts receivable and inventory obligations. This could have a significant adverse impact on the Company's results of operations and financial condition.

Most of the Company's customers do not commit to long-term production schedules, which makes it difficult to schedule production and achieve maximum efficiency at the Company's manufacturing facilities and to manage inventory levels.

The volume and timing of sales to the Company's customers may vary due to:

- customers' attempts to manage their inventory
- variation in demand for the Company's customers' products
- design changes, or
- acquisitions of or consolidation among customers

Many of the Company's customers do not commit to firm production schedules. The Company's inability to forecast the level of customer orders with certainty can make it difficult to schedule production and maximize utilization of manufacturing capacity and manage inventory levels. The Company could be required to increase or decrease staffing and more closely manage other expenses in order to meet the anticipated demand of its customers. Orders from the Company's customers could be cancelled or delivery schedules could be deferred as a result of changes in our customers' demand, thereby adversely affecting the Company's results of operations in any given quarter.

The Company and its customers may be unable to keep current with the industry's technological changes.

The market for the Company's manufacturing services is characterized by rapidly changing technology and continuing product development. The future success of the Company's business will depend in large part upon our customers' ability to maintain and enhance their technological capabilities, develop and market manufacturing services which meet changing customer needs and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Our customers have competitive challenges, including rapid technological changes, pricing pressure and decreasing demand from their customers, which could adversely affect their business and the Company's.

Factors affecting the industries that utilize our customers' products could negatively impact our customers and the Company. These factors include:

- increased competition among our customers and their competitors
- the inability of our customers to develop and market their products
- recessionary periods in our customers' markets
- the potential that our customers' products become obsolete
- our customers' inability to react to rapidly changing technology

Any such factor or a combination of factors could negatively impact our customers' need for or ability to pay for our products, which could, in turn, affect the Company's results of operations.

Customer relationships with start-up companies present more risk.

A small portion of the Company's current customer base is comprised of start-up companies. Customer relationships with start-up companies may present heightened risk due to the lack of product history. Slow market acceptance of their products could result in demand fluctuations causing inventory levels to rise. Further, the current economic environment could make it difficult for such emerging companies to obtain additional funding. This may result in additional credit risk including, but not limited to, the collection of trade account receivables and payment for their inventory. If the Company does not have adequate allowances recorded, the results of operations may be negatively affected.

The Company faces intense industry competition and downward pricing pressures.

The EMS industry is highly fragmented and characterized by intense competition. Many of the Company's competitors have greater experience, as well as greater manufacturing, purchasing, marketing and financial resources than the Company.

Competition from existing or potential new competitors may have a material adverse impact on the Company's business, financial condition or results of operations. The introduction of lower priced competitive products, significant price reductions by the Company's competitors or significant pricing pressures from its customers could adversely affect the Company's business, financial condition, and results of operations.

The Company has foreign operations that may pose additional risks.

The Company has substantial manufacturing operations in multiple countries. Therefore, the Company's foreign businesses and results of operations are dependent upon numerous related factors, including the stability of the foreign economies, the political climate, relations with the United States, prevailing worker wages, the legal authority of the Company to own and operate its business in a foreign country, and the ability to identify, hire, train and retain qualified personnel and operating management in Mexico, China and Vietnam.

The Company obtains many of its materials and components through its IPO in Taipei, Taiwan. The Company's access to these materials and components is dependent on the continued viability of its Asian suppliers.

Approximately 15.1% and 15.7% of the total non-current consolidated assets of the Company are located in foreign jurisdictions outside the United States as of April 30, 2015 and 2014, respectively.

Disclosure and internal controls may not detect all errors or fraud.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that the Company's disclosure controls and internal controls may not prevent all errors and all fraud. The Company's disclosure controls and internal controls can provide only reasonable assurance that the procedures will meet the control objectives. Controls are limited in their effectiveness by human error, including faulty judgments in decision-making. Further, controls can be circumvented by collusion of two or more people or by management override of controls.

Inadequate internal control over financial reporting could result in a reduction in the value of our common stock.

If the Company identifies and reports a material weakness in its internal control over financial reporting, shareholders and the Company's lenders could lose confidence in the reliability of the Company's financial statements. This could have a material adverse impact on the value of the Company's stock and the Company's liquidity.

There is a risk of fluctuation of various currencies integral to the Company's operations.

The Company purchases some of its material components and funds some of its operations in foreign currencies. From time to time the currencies fluctuate against the U.S. dollar. Such fluctuations could have a material impact on the Company's results of operations and performance. The impact of currency fluctuation for the year ended April 30, 2015 resulted in a net foreign currency gain of approximately $40,000 compared to a net foreign currency loss of $128,000 in the prior year. These fluctuations are expected to continue and could have a negative impact on the Company's results of operations. The Company did not, and is not expected to, utilize derivatives or hedge foreign currencies to reduce the risk of such fluctuations.

The availability of raw components or an increase in their price may affect the Company's operations and profits.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single-sources or a limited number of suppliers. In addition, a customer's specifications may require the Company to obtain components from a single-source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company's results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company's orders are based on the changing needs of its customers.

The Company depends on management and skilled personnel.

The Company depends significantly on its President/CEO and other executive officers. The Company's employees generally are not bound by employment agreements and the Company cannot assure that it will retain its executive officers or skilled personnel. The loss of the services of any of these key employees could have a material impact on the Company's business and results of operations. In addition, despite significant competition, continued growth and expansion of the Company's EMS business will require that the Company attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy such requirements could have a negative impact on the Company's ability to remain competitive in the future.

Favorable labor relations are important to the Company.

The Company currently has labor union contracts with its employees constituting approximately 45% and 48% of its workforce for fiscal years 2015 and 2014, respectively. Although the Company believes its labor relations are good, any labor disruptions, whether union-related or otherwise, could significantly impair the Company's business, substantially increase the Company's costs or otherwise have a material impact on the Company's results of operations.

Failure to comply with environmental regulations could subject the Company to liability.

The Company is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing process. To date, the cost to the Company of such compliance has not had a material impact on the Company's business, financial condition or results of operations. However, there can be no assurance that violations will not occur in the future as a result of human error, equipment failure or other causes. Further, the Company cannot predict the nature, scope or effect of environmental legislation or regulatory requirements that could be imposed or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Company and could have a material impact on the Company's business, financial condition and results of operations. Any failure by the Company to comply with present or future regulations could subject it to future liabilities or the suspension of production which could have a material negative impact on the Company's results of operations.

Conflict minerals regulations may cause the Company to incur additional expenses and could increase the cost of components contained in its products and adversely affect its inventory supply chain.

The Dodd-Frank Act, and the rules promulgated by the Securities and Exchange Commission ("SEC") thereunder, requires the Company to determine and report annually whether any conflict minerals contained in our products originated from the DRC or an adjoining country. The Dodd-Frank Act and these rules could affect our ability to source components that contain conflict minerals at acceptable prices and could impact the availability of conflict minerals, since there may be only a limited number of suppliers of conflict-free conflict minerals. Our customers may require that our products contain only conflict-free conflict minerals, and our revenues and margins may be negatively impacted if we are unable to meet this requirement at a reasonable price or are unable to pass through any increased costs associated with meeting this requirement. Additionally, the Company may suffer reputational harm with our customers and other stakeholders if our products are not conflict-free. The Company could incur significant costs in the event we are unable to manufacture products that contain only conflict-free conflict minerals or to the extent that we are required to make changes to products, processes, or sources of supply due to the foregoing requirements or pressures.

The price of the Company's stock is volatile.

The price of the Company's common stock historically has experienced significant volatility due to fluctuations in the Company's revenue and earnings, other factors relating to the Company's operations, the market's changing expectations for the Company's growth, overall equity market conditions and other factors unrelated to the Company's operations. In addition, the limited float of the Company's common stock and the limited number of market makers also affect the volatility of the Company's common stock. Such fluctuations are expected to continue in the future.

An adverse change in the interest rates for our borrowings could adversely affect our results of operations.

The Company pays interest on outstanding borrowings under its senior secured credit facility and certain other long-term debt obligations at interest rates that fluctuate. An adverse change in the Company's interest rates could have a material adverse effect on its results of operations.

Changes in securities laws and regulations may increase costs.

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and listing requirements subsequently adopted by Nasdaq in response to Sarbanes-Oxley, have required changes in corporate governance practices, internal control policies and securities disclosure and compliance practices of public companies. More recently the Dodd-Frank Act requires changes to our corporate governance, compliance practices and securities disclosures. Compliance following the implementation of these rules has

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increased our legal, financial and accounting costs. The Company expects increased costs related to these new regulations to continue, including, but not limited to, legal, financial and accounting costs. These developments may result in the Company having difficulty in attracting and retaining qualified members of the board or qualified officers. Further, the costs associated with the compliance with and implementation of procedures under these laws and related rules could have a material impact on the Company's results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At April 30, 2015, the Company, operating in one business segment as an independent EMS provider, had manufacturing facilities located in Elk Grove Village, Illinois U.S., Union City, California U.S., Acuna, Chihuahua and Tijuana, Mexico, Ho Chi Minh City, Vietnam and Suzhou, China. In addition, the Company provides materials procurement services through its Elk Grove Village, Illinois U.S., Union City, California U.S, and Taipei, Taiwan offices. The Company provides design services in Elgin, Illinois U.S.

Certain information about the Company's manufacturing, warehouse, purchasing and design facilities is set forth below:

Location	Square Feet	Services Offered	Owned/Leased
Suzhou, China	202,000	Electronic and electromechanical manufacturing solutions	* ***
Elk Grove Village, IL	124,300	Corporate headquarters and electronic and electromechanical manufacturing solutions	Owned
Union City, CA	117,000	Electronic and electromechanical manufacturing solutions	Leased
Acuna, Mexico	115,000	Electronic and electromechanical manufacturing solutions	Owned **
Chihuahua, Mexico	113,000	Electronic and electromechanical manufacturing solutions	Leased
Tijuana, Mexico	112,100	Electronic and electromechanical manufacturing solutions	Leased
Ho Chi Minh City, Vietnam	24,475	Electronic and electromechanical manufacturing solutions	Leased
Del Rio, TX	44,000	Warehousing and distribution	Leased
Taipei, Taiwan	4,685	International procurement office	Leased

Elgin, IL	45,000	Design services	Owned

*The Company’s Suzhou, China building is owned by the Company and the land is leased from the Chinese government for a 50 year term.

**A portion of the facility is leased and the Company has an option to purchase it.

***Total square footage includes 70,000 square feet of dormitories.

The Union City, California, Tijuana and Chihuahua, Mexico, Ho Chi Minh City, Vietnam and Del Rio, Texas properties are occupied pursuant to leases of the premises. The lease agreements for the Del Rio, Texas properties expire December 2016. The lease agreement for the California property expires March 2021. The

Chihuahua, Mexico lease expires July 2017. The Tijuana, Mexico lease expires November 2018. The lease agreement for the Ho Chi Minh City, Vietnam property expires July 2020. The Company's manufacturing facilities located in Acuna, Mexico, Elgin, Illinois and Elk Grove Village, Illinois are owned by the Company, except for a portion of the facility in Acuna, Mexico, which is leased. The Company has an option to buy the leased portion of the facility in Acuna, Mexico. The properties in Elk Grove Village, Illinois and Elgin, Illinois are financed under separate mortgage loan agreements. The Company leases the IPO office in Taipei, Taiwan to coordinate Far East purchasing activities. The Company believes its current facilities are adequate to meet its current needs. In addition, the Company believes it can find alternative facilities to meet its needs in the future, if required.

ITEM 3. LEGAL PROCEEDINGS

In November 2008, the Company received notice of an Equal Employment Opportunity Commission ("EEOC") claim based on allegations of discrimination, sexual harassment, and retaliation filed by Maria Gracia, a former employee. On December 5, 2008, Ms. Gracia's employment as an assembly supervisor was terminated after she knowingly permitted an assembly line to run leaded boards in a lead-free room with lead-free solder, contrary to the customer's specifications and prohibited by Company policy. The use of lead-free solder for leaded components can lead to devices that fail and significant penalties to the Company and its customers from regulatory bodies. The parts were quarantined and were not shipped. Ms. Gracia openly admitted to permitting this to take place.

The EEOC declined to pursue Ms. Gracia's charges against the Company, but on July 26, 2011, Ms. Gracia received a right to sue letter from the EEOC. On October 25, 2011, Ms. Gracia filed suit against the Company in the U.S. District Court for the Northern District of Illinois under Title VII of the Civil Rights Act. The Complaint alleged claims that Ms. Gracia was subject to discrimination, harassment, and hostile work environment based on sex and national origin. In the Complaint, Ms. Gracia alleged that her supervisor engaged in a pattern of unwanted sexual advances and that he sent her emails that were offensive to her gender and national origin. Further, the Complaint also alleged that the Company retaliated by terminating Ms. Gracia's employment after she filed her initial charge of discrimination with the EEOC. Ms. Gracia sought relief in the form of (a) damages sufficient to compensate her injuries; (b) attorney's fees; (c) costs of the action; (d) and equitable remedies.

In the court's October 25, 2013 ruling on the Company's Motion for Summary Judgment, the court limited plaintiff's claims to two: (1) hostile work environment caused by gender (sexual harassment), and (2) retaliation. In December 2014, a jury trial found in favor of the Company with respect to the first claim and for the plaintiff with respect to the second claim, awarding plaintiff damages totaling $307,000. In post-trial motions, the judge reduced the verdict to $300,000. The judge will now consider plaintiff's claim for equitable remedies and attorneys' fees and costs, along with the Company's motion for sanctions, as the plaintiff introduced knowingly altered documents as evidence during the trial which had not been previously disclosed. It is uncertain when these claims will be ruled upon by the court.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

The Company's common stock is traded on the NASDAQ Capital Market System under the symbol SGMA. The following table sets forth the range of quarterly high and low sales price information for the common stock for the periods ended April 30, 2015 and 2014.

Common Stock as Reported

by NASDAQ

Period	High	Low

Fiscal 2015		
Fourth Quarter	$ 8.08	$ 5.84
Third Quarter	8.24	5.55
Second Quarter	11.49	6.29
First Quarter	12.44	8.12
Fiscal 2014		
Fourth Quarter	$ 12.92	$ 7.53
Third Quarter	9.54	5.03
Second Quarter	6.00	4.18
First Quarter	4.49	3.86

As of July 22, 2015, there were approximately 47 holders of record of the Company's common stock, which does not include shareholders whose stock is held through securities position listings. The Company estimates there to be approximately 3,312 beneficial owners of the Company's common stock.

The Company has not paid cash dividends on its common stock since completing its February 1994 initial public offering and does not intend to pay any dividends in the foreseeable future. So long as any indebtedness remains unpaid under the Company's revolving loan facility, the Company is prohibited from paying or declaring any dividends on any of its capital stock, except stock dividends, without the written consent of the lender under the facility.

Equity Compensation Plan Information

For information concerning securities authorized for issuance under our equity compensation plans, see Part III, Item 12 of this Annual Report, under the caption "Security Ownership of Certain Beneficial Owners and

Management and Related Stockholders Matters" as well as the Company's audited financial statements and notes thereto, including Note M, filed herewith and all such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, as defined in Rule 10(f)(1) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is not required to provide the information required by this item.

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

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (collectively, "SigmaTron China") and international procurement office SigmaTron Taiwan branch (collectively, the "Company") and other Items in this Annual Report on Form 10-K contain forward-looking statements concerning the Company's business or results of operations. Words such as "continue," "anticipate," "will," "expect," "believe," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company's business including, but not necessarily limited to, the Company's continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from the Company's customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets and goodwill impairment testing; the variability of our customers' requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company's business; the turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company's future business and results of operations are identified throughout the Company's Annual Report on Form 10-K, and as risk factors, and may be detailed from time to time in the Company's filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview

The Company operates in one business segment as an independent provider of EMS, which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; and (6) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single-sources or a limited number of suppliers. In addition, a customer's specifications may require the Company to obtain components from a single-source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company's results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company's orders are based on the changing needs of its customers.

Sales can be a misleading indicator of the Company's financial performance. Sales levels can vary considerably among customers and products depending on the type of services (turnkey versus consignment) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company's revenue and gross margin levels. Consignment orders accounted for less than 5% of the Company's revenues for each of the fiscal years ended April 30, 2015 and 2014.

In an effort to facilitate the growth of our China operation, the Company established a new Chinese entity in October 2011 that allows the Company to provide services competitively to the domestic market in China and in fiscal year 2015 expanded the Company's manufacturing facility. The Company expects the China operation to continue to grow despite increasing costs of operation.

The Company's international footprint provides our customers with flexibility within the Company to manufacture in China, Mexico, Vietnam or the U.S. We believe this strategy has continued to serve the Company well during these difficult economic times as its customers continuously evaluate their supply chain strategies.

The Company's overall results reflect the choppy economy in both the United States and globally. In the first quarter of 2015, the gross domestic product (GDP) for the United States actually contracted and the Company believes the contraction caused the Company's customers to adjust their orders and requirements, which had a negative impact on the Company's results. The rescheduling of orders negatively impacted what the Company thought would be a much stronger fourth quarter of fiscal year 2015. The Company did however launch new programs in the fourth quarter of fiscal year 2015. The new orders came from both existing and new customers. The Company has seen gains in markets that it has been actively pursuing during the past two fiscal years and believes both revenues and pre-tax income will increase in fiscal year 2016. However, margin pressures continue from both customers and vendors and will likely continue in fiscal year 2016.

Critical Accounting Policies:

Management Estimates and Uncertainties - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Revenue Recognition - Revenues from sales of the Company's electronic manufacturing services business are recognized when the finished good product is shipped to the customer. In general, and except for consignment inventory, it is the Company's policy to recognize revenue and related costs when the finished goods have been shipped from its facilities, which is also the same point that title passes under the terms of the purchase order. Finished goods inventory for certain customers is shipped from the Company to an independent warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer's own facility. Upon the customer's request for finished goods inventory, the inventory is shipped to the customer if the inventory was stored off-site, or transferred from the segregated part of the customer's facility for consumption or use by the customer. The Company recognizes revenue upon such shipment or transfer. The Company does not earn a fee for such arrangements. The Company from time to time may ship finished goods from its facilities, which is also the same point that title passes under the terms of the purchase order, and invoice the customer at the end of the calendar month. This is done only in special circumstances to accommodate a specific customer. Further, from time to time customers request the Company hold finished goods after they have been invoiced to consolidate finished goods for shipping purposes. The Company generally provides a 90 day warranty for workmanship only, except for products with proprietary design and does not have any installation, acceptance or sales incentives (although the Company has negotiated longer warranty terms in certain instances). The Company assembles and tests assemblies based on customers' specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company's standard or extended warranties.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined by an average cost method and the Company allocates labor and overhead to work-in-process and finished goods. In the event of an inventory write-down, the Company records expense to state the inventory at lower of cost or market. The Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company's inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Goodwill - Goodwill represents the purchase price in excess of the fair value of assets acquired in business combinations. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, "Goodwill and other Intangible Assets," requires the Company to assess goodwill and other indefinite-lived intangible assets for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of any reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of any reporting unit is less than its corresponding carrying value, then the Company is not required to take further action. However, if the Company concludes otherwise, then it is required to perform a quantitative impairment test, including computing the fair value of the reporting unit and comparing that value to its carrying value. If the fair value is less than its carrying value, a second step of the test is required to determine if recorded goodwill is impaired. The Company also has the option to bypass the qualitative assessment for goodwill in any period and proceed directly to performing the quantitative impairment test. The Company will be able to resume performing the qualitative assessment in any subsequent period. The Company performed its annual goodwill impairment test as of February 1, 2015 and determined no impairment existed as of that date.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including amortizable intangible assets, for impairment. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company's impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and reviews business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value. As of April 30, 2015, there was no impairment of long-lived assets.

Income Tax - The Company's income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in both the U.S. and several foreign jurisdictions. Significant judgments and estimates by management are required in determining the consolidated income tax expense assessment. The Company has a foreign tax credit carry-forward of $78,100 and $112,327 at April 30, 2015 and 2014, respectively, that will begin to expire in fiscal year April 30, 2024. The Company determined it is more likely than not that it will realize the foreign tax credit due to the reversal of federal deferred tax liabilities.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense and tax credit carry forwards. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company begins with historical results and changes in accounting policies, and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment and estimates by management about the forecasts of future taxable income and are consistent with the plans and estimates the Company uses to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income and/or loss.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on the Company's results of operations, cash flows or financial position.

A tax benefit from an uncertain tax position may only be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

The Company adjusts its tax liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

New Accounting Standards:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, "Revenue from Contracts with Customers." This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption is not permitted. Accordingly, the Company will adopt this ASU on May 1, 2018. Companies may use either a full retrospective or modified retrospective approach to adopt this ASU and the Company is currently evaluating which transition approach to use and the full impact this ASU will have on the Company’s future consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). The amendments in this ASU provide guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. An entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or are available to be issued, when applicable). ASU 2014-15 is effective for the Company beginning with the annual reporting for fiscal 2016, and reports for interim and annual periods thereafter. Early adoption is permitted. The Company does not expect the impact of adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015- 03, "Interest — Imputation of Interest (Subtopic 835-30) — Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 simplifies the presentation of debt issuance costs by requiring that these costs related to a recognized debt liability be presented in the statement of financial condition as a direct reduction from the carrying amount of that liability. ASU No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU No. 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. Adoption will not materially affect the firm's financial condition, results of operations, or cash flows. The Company does not expect the impact of adoption of this ASU to have a material impact on its consolidated financial statements.

Results of Operations:

FISCAL YEAR ENDED APRIL 30, 2015 COMPARED

TO FISCAL YEAR ENDED APRIL 30, 2014

The following table sets forth the percentage relationships of expense items to net sales for the years indicated:

	Fiscal Years	
	2015	2014
Net sales	100.0%	100.0%
Operating expenses:		
Cost of products sold	90.4	89.7
Selling and administrative expenses	8.5	8.7
Total operating expenses	98.9	98.4
Operating income	1.1%	1.6%

Net sales increased 3.5% to $230,237,161 in fiscal year 2015 from $222,485,940 in the prior year. The Company's sales increased in fiscal year 2015 in appliance, telecommunication and semiconductor marketplaces as compared to the prior year. The increase in sales dollars for these marketplaces was partially offset by a decrease in sales dollars in the fitness, medical/life sciences and gaming marketplaces. The modest increase in revenues is from sales to existing customers and new customers and from new programs with various customers that were launched in the fourth quarter of fiscal year 2015. The Company has also seen gains in markets that it has been pursuing during the past two fiscal years and is optimistic revenues in fiscal year 2016 will increase.

The Company's sales in a particular industry are driven by the fluctuating forecasts and end-market demand of the customers within that industry. Sales to customers are subject to variations from period to period depending on customer order cancellations, the life cycle of customer products and product transition. Sales to the Company's five largest customers accounted for 62.5% and 60.0% of net sales for fiscal years 2015 and 2014, respectively.

Gross profit decreased to $22,068,838, or 9.6% of net sales, in fiscal year 2015 compared to $22,826,998, or 10.3% of net sales, in the prior fiscal year. The decrease in gross profit dollars for fiscal year 2015 was the result of product mix and margin pressures. Margin pressures continue from both customers and vendors and will likely continue in fiscal year 2016.

Selling and administrative expenses increased in fiscal year 2015 to $19,431,637, or 8.5% of net sales compared to $19,200,514, or 8.7% of net sales, in fiscal year 2014. The increase was attributable to salaries and other administrative expenses for the Elgin division, increased IT salaries, and increased other general and administration expenses, including an accrual for the aforementioned lawsuit. The increase in the foregoing selling and administrative expenses were partially offset by a decrease in general office salaries and bonus expense.

Interest expense, net, increased to $1,081,323 in fiscal year 2015 compared to $966,038 in fiscal year 2014. Interest expense increased primarily due to the increased borrowings under the Company's banking arrangements, capital lease and mortgage obligations. Interest expense for fiscal year 2016 may increase if interest rates or borrowings, or both, increase during fiscal year 2016.

In fiscal year 2015, the income tax expense was $801,049 compared to an income tax benefit of $133,867 in fiscal year 2014. The effective rate for the years ended April 30, 2015 and 2014 was 47.0% and (4.8%), respectively. The increase in the effective rate for the year ended April 30, 2015 is due to the impact of foreign tax rates, unrealized foreign currency losses and the impact of the Company's inability to utilize a foreign tax credit resulting from a foreign dividend repatriation. Additionally, for the year ended April 30, 2014, the Company realized a tax benefit of $828,175 related to the impact of a change in Mexican Tax Law which became effective on January 1, 2014.

The Company reported net income of $903,412 in fiscal year 2015 compared to $2,918,691 for fiscal year 2014. Basic and diluted earnings per share for fiscal year 2015 were $0.22 each compared to basic and diluted earnings per share of $0.74 and $0.72, respectively, for the year ended April 30, 2014.

Liquidity and Capital Resources:

Operating Activities.

Cash flow used in operating activities was $2,781,680 for the fiscal year ended April 30, 2015 compared to cash flow provided by operating activities of $1,956,831 for the prior fiscal year. Cash flow used in operating activities was primarily the result of increased inventories and accounts receivable and a decrease in accrued expenses and wages. Net cash used in operating activities was partially offset by the result of net income adjusted by the non-cash effects of depreciation and amortization and an increase in accounts payable. The increase in inventory of $14,412,734 and increase in accounts receivable of $913,776 is primarily due to additional customer orders and the startup of new programs. The increase in accounts payable is due to renegotiated vendor terms with several of the Company's largest vendors.

Cash flow provided by operating activities was $1,956,831 for the fiscal year ended April 30, 2014. Cash flow provided by operating activities was primarily the result of net income, adjusted by the non-cash effects of depreciation and amortization. Net cash provided by operations in fiscal year 2014 was partially offset by an increase of inventories of $3,118,520, and a $4,206,275 decrease in accounts payable. The increase in inventory is primarily due to additional customer orders and the reduction of trade accounts payable is due to payments in the ordinary course of business.

Investing Activities.

In fiscal year 2015, the Company purchased approximately $4,800,000 in machinery and equipment to be used in the ordinary course of business. The Company anticipates it may purchase in fiscal year 2016 up to $6,000,000 in machinery and equipment, which will be funded by lease transactions or raising capital from other sources. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. With respect to fiscal 2016, and the uncertainty of the Company's financing arrangements and its domestic liquidity profile, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts.

In fiscal year 2014, the Company purchased approximately $8,400,000 in machinery and equipment to be used in the ordinary course of business. The Company purchases were funded by lease transactions and its bank line of credit.

Financing Activities.

Cash provided by financing activities was $5,011,967 for the fiscal year ended April 30, 2015 compared to cash provided by financing activities of $7,241,796 in fiscal year 2014. Cash provided by financing activities in fiscal year 2015 was primarily the result of increased net borrowings of approximately $4,400,000 under the credit facility, proceeds received from a sale leaseback transaction for machinery and equipment and refinancing the mortgage for the Company's facility in Elk Grove Village, Illinois. The additional borrowings were required to support the increase in inventory.

Cash provided by financing activities was $7,241,796 for the fiscal year ended April 30, 2014. Cash provided by financing activities in fiscal year 2014 was primarily the result of increased net borrowings of $4,500,000 under the credit facility; proceeds received from a sale leaseback transaction for machinery and equipment and proceeds from a mortgage for the Company's facility in Elgin, Illinois. The additional borrowings were required to support the purchases of machinery and equipment, and the increase in inventory.

Financing Summary.

The Company has a senior secured credit facility with Wells Fargo, N.A. with a credit limit up to $30,000,000 and current term through October 31, 2017. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants. Pursuant to the agreement, financial covenants were amended, an unused line fee was added, and the borrowing interest rate was changed. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) or LIBOR plus two and one quarter percent (effectively 2.625% at April 30, 2015). Interest is paid monthly. Under the senior secured credit facility, the Company may borrow up to the lesser of (i) $30,000,000 or (ii) an amount equal to the sum of 85% of the receivable borrowing base plus a percentage of the inventory borrowing base (collectively, "Borrowing Base", which cannot exceed 50% of combined eligible receivables and inventory). Further, in specific circumstances, the Company is entitled to an over advance of up to $5,000,000 through October 31, 2015; however, at no time can the borrowings under the credit facility exceed $30,000,000. The effective interest rate for the over advance facility was LIBOR plus two and three quarter percent. Effective December 31, 2014, the Company amended its senior secured credit facility agreement to temporarily increase the total Borrowing Base limit to 60% through June 30, 2015 and reverting to 50% of total Borrowing Base after June 30, 2015. Further, the senior secured credit facility agreement was modified to allow specific foreign receivables to become eligible collateral. The receivable modification is effective until June 30, 2015. The Company agreed to an increase in the effective interest rate for the over advance facility and a $5,000 amendment fee. The interest rate for the over advance facility increased from LIBOR plus two and three quarter percent (effectively 3.125% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) to LIBOR plus three and one half percent (effectively 3.875% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015). As of April 30, 2015, there was a $27,416,793 outstanding balance and $2,583,207 of unused availability under the credit facility agreement. At April 30, 2015, the Company was in compliance with its financial covenants.

The Company entered into a mortgage agreement on January 8, 2010, in the amount of $2,500,000, with Wells Fargo, N.A. to refinance the property that serves as the Company's corporate headquarters and its Illinois manufacturing facility. The Wells Fargo, N.A. note historically boar interest at a fixed rate of 6.42% per year and was amortized over a sixty month period. A final payment of approximately $2,000,000 was due on or before January 8, 2015. On November 24, 2014, the Company refinanced the mortgage agreement with Wells Fargo, N.A. The note requires the Company to pay monthly principal payments in the amount of $9,500, bears an interest rate of LIBOR plus two and one-quarter percent (effectively 2.625% at April 30, 2015) and is payable over a sixty month period. Final payment of approximately $2,289,500 is due on or before November 8, 2019. The outstanding balance as of April 30, 2014 was $2,075,017. The outstanding balance as of April 30, 2015 was $2,802,500.

On August 20, 2010 and October 26, 2010, the Company entered into two capital leasing transactions (a lease finance agreement and a sale leaseback agreement) with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling $1,150,582. The term of the lease finance agreement, with an initial principal amount of $315,252, extends to September 2016 with monthly payments of $4,973 and a fixed interest rate of 4.28%. The term of the sale leaseback agreement, with an initial principal payment amount of $825,330, extends to August 2016 with monthly payments of $13,207 and a fixed interest rate of 4.36%. At April 30, 2015, $81,809 and $192,296 was outstanding under the lease finance and sale leaseback agreements, respectively. The net book value at April 30, 2015 of the equipment under the lease finance agreement and sale leaseback agreement was $194,843 and $481,805, respectively.

In September 2010, the Company entered into a real estate lease agreement in Union City, CA, to rent 116,993 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through March 2021. The amount of the deferred rent income recorded for the fiscal year ended April 30, 2015 was $33,950. In addition, the landlord provided the Company tenant incentives of $418,000, which are being amortized over the life of the lease.

In November 2010, the Company entered into a capital lease with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling $226,216. The term of the lease agreement extends to October 2016 with monthly payments of $3,627 and a fixed interest rate of 4.99%. At April 30, 2015, the balance outstanding under the capital lease agreement was $62,778. The net book value of the equipment under this lease at April 30, 2015 was $140,676.

On May 31, 2012, the Company entered into a lease agreement in Tijuana, MX, to rent 112,000 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through November 2018. The amount of the deferred rent income for the fiscal year ended April 30, 2015 was $8,353.

On October 3, 2013, the Company entered into two sale leaseback agreements with Associated Bank, National Association in the amount of $2,281,355 to finance equipment purchased in June 2012. The term of the first agreement, with an initial principal amount of $2,201,638, extends to September 2018 with monthly payments of $40,173 and a fixed interest rate of 3.75%. The term of the second agreement, with an initial principal payment amount of $79,717, extends to September 2018 with monthly payments of $1,455 and a fixed interest rate of 3.75%. At April 30, 2015, $1,543,684 and $55,894 was outstanding under the first and second agreements, respectively. The net book value at April 30, 2015 of the equipment under each of the two agreements was $1,736,474 and $61,448, respectively.

The Company entered into a mortgage agreement on October 24, 2013, in the amount of $1,275,000, with Wells Fargo, N.A. to finance the property that serves as the Company's engineering and design center in Elgin, Illinois. The Wells Fargo, N.A. note requires the Company to pay monthly principal payments in the amount of $4,250, bears interest at a fixed rate of 4.51% per year and is payable over a sixty month period. A final payment of approximately $1,030,000 is due on or before October 24, 2018. The outstanding balance as of April 30, 2014 was $1,249,500.

The outstanding balance as of April 30, 2015 was $1,198,500.

On March 6, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $589,083. The term of the lease extends to March 2019 with monthly payments of $10,441 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the capital lease agreement was $486,541. The net book value of the equipment under the lease as of April 30, 2015 was $524,248.

On May 7, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $108,971. The term of the lease extends to May 2019 with monthly payments of $1,931 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the capital lease was $92,996. The net book value of the equipment under the lease as of April 30, 2015 was $99,890.

On August 1, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $609,179. The term of the lease extends to July 2019 with monthly payments of

$10,797 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the capital lease was $536,459. The net book value of the equipment under the lease as of April 30, 2015 was $566,875.

On September 22, 2014, the Company entered into a sale leaseback agreement with Associated Bank, National Association in the amount of $664,676 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $12,163 and a fixed interest rate of 3.87%. At April 30, 2015, the balance outstanding under the lease was $581,419. The net book value of the equipment under the lease as of April 30, 2015 was $567,067.

On September 22, 2014, the Company entered into a sale leaseback agreement with Associated Bank, National Association in the amount of $437,641 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $8,008 and a fixed interest rate of 3.87%. At April 30, 2015, the balance outstanding under the lease was $382,822. The net book value of the equipment under the lease as of April 30, 2015 was $395,868.

On September 22, 2014, the Company entered into a capital lease agreement with Associated Bank, National Association in the amount of $106,346 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $1,947 and a fixed interest rate of 3.89%. At April 30, 2015, the balance outstanding under the lease was $93,030. The net book value of the equipment under the lease as of April 30, 2015 was $99,700.

On October 27, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $501,590. The term of lease extends to October 2019 with monthly payments of $8,890 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the lease was $461,954. The net book value of the equipment under the lease as of April 30, 2015 was $470,460.

On January 16, 2015, the Company entered into a capital lease agreement with Associated Bank, National Association in the amount of $81,030 to finance equipment purchases. The term of lease extends to December 2019 with monthly payments of $1,487 and a fixed interest rate of 4.01%. At April 30, 2015, the balance outstanding under the lease was $75,864. The net book value of the equipment under the lease as of April 30, 2015 was $77,654.

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnam and Chinese subsidiaries and the Taiwan international procurement office. The Company provides funding, as needed, in U.S. dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars, except for the Acuna Mexico operation, which is funded in Pesos. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for the fiscal year ended April 30, 2015 resulted in a net foreign currency gain of $40,000 compared to a net foreign currency loss of approximately $128,000 for the same period in the prior year. During fiscal year 2015, the Company's U.S. operations paid approximately $52,220,000 to its foreign subsidiaries for services provided.

During fiscal year 2014, the Company realized a distribution of approximately $3,006,825 from foreign subsidiaries based in Mexico. The U.S. income tax on the distribution was $333,128 which is reflected in the Company's tax provision for the fiscal year ended April 30, 2014. The Company has not recorded U.S. income taxes on the undistributed earnings of the Company's foreign subsidiaries. Since the earnings of the foreign subsidiaries have been, and under fiscal April 30, 2015 plans, will continue to be indefinitely reinvested, no deferred tax liability has been recorded. With respect to fiscal April 30, 2016, as a result of the uncertainty of the Company's financing arrangements and its domestic liquidity profile, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

During fiscal year 2015, the Company reflected tax expense of $643,708 related to the inability to realize the tax benefit of a foreign tax credit related to this distribution. The Company's estimate of cumulative taxable income during the foreign tax credit carryforward period is insufficient to support that the tax benefit from the foreign tax credit is more likely than not to be realized.

The Company anticipates that its credit facilities, cash flow from operations and leasing resources are adequate to meet its working capital requirements and capital expenditures for fiscal year 2016 at the Company’s current level of business. The Company has received forecasts from current customers for increased business that would require additional investment in inventory. To the extent that these forecasts come to fruition, the Company intends to meet any increased capital requirements by raising capital from other sources of debt or equity. The Company has selected an investment banker for the purpose of completing a capital raise in the third fiscal quarter of 2016. The capital raise, if successful, may consist of debt, equity or a combination of debt and equity. If the capital raise is not completed, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

In addition, in the event the Company desires to expand its operations, its business grows more rapidly than expected, the current economic climate deteriorates, customers delay payments, or the Company desires to consummate an acquisition, additional financing resources may be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or renew its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist.

The impact of inflation on the Company’s net sales, revenues and incomes from continuing operations for the past two fiscal years has been minimal.

Off-balance Sheet Transactions:

The Company has no off-balance sheet transactions.

Tabular Disclosure of Contractual Obligations:

As a smaller reporting company, as defined in Rule 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As a smaller reporting company, as defined in Rule 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is included in Item 15(a) of this Report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls:

The Company's management, including its President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 13a-15(e) and 15(d)-15(e)) as of April 30, 2015. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and its President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of April 30, 2015.

Internal Controls:

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation, management concluded that its internal controls over financial reporting were effective at the reasonable assurance level as of April 30, 2015.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There has been no change in the Company's internal control over financial reporting during the quarter ended April 30, 2015, that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

On May 14, 2013, COSO issued an updated version of its Internal Control - Integrated Framework (the "2013 Framework") which officially superseded the 1992 Framework on December 15, 2014. Originally issued in 1992, the framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. Neither COSO, the Securities and Exchange Commission or any other regulatory body has mandated adoption of the 2013 Framework by a specified date. We intend to perform an analysis to evaluate what changes to our control environment, if any, would be needed to successfully implement the 2013 Framework. Until such time as such analysis and any related transition to the 2013 Framework is complete, we will continue to use the 1992 Framework in connection with our assessment of internal control.

ITEM 9B. OTHER INFORMATION

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended April 30, 2015.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended April 30, 2015.

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

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended April 30, 2015.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended April 30, 2015.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended April 30, 2015.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1)

The financial statements are listed in the Index to Financial Statements filed as part of this Annual Report on Form 10-K beginning on Page F-1.

Index to Exhibits

(a)(2)

(a)(3) and (b)

3.1 Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to Registration Statement on Form S-1, File No. 33-72100, dated February 9, 1994.

3.2 Amended and Restated By-laws of the Company, adopted on September 24, 1999, incorporated herein by reference to Exhibit 3.2 to the Company's Form 10-K for the fiscal year ended April 30, 2000.

10.1 Form of 1993 Stock Option Plan, incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, File No. 33-72100.*

10.2 Form of Incentive Stock Option Agreement for the Company's 1993 Stock Option Plan , incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1, File No. 33-72100.*

10.3 Form of Non-Statutory Stock Option Agreement for the Company's 1993 Stock Option Plan, incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1, File No. 33-72100.*

10.4 2004 Directors' Stock Option Plan, incorporated herein by reference to Appendix C to the Company's 2004 Proxy Statement filed on August 16, 2004.*

10.5 2004 Employee Stock Option Plan, incorporated herein by reference to Appendix B to the Company's 2004 Proxy Statement filed on August 16, 2004. *

10.6 Revolving Line of Credit Note issued by SigmaTron International, Inc. to Wells Fargo International Banking and Trade Solutions (IBTS), dated January 8, 2010 incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 14, 2010.

10.7 Promissory Note issued by SigmaTron International, Inc. to Wells Fargo International Banking and Trade Solutions (IBTS), dated January 8, 2010, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on January 14, 2010.

10.8 SigmaTron International, Inc. 2011 Employee Stock Option Plan dated September 16, 2011, incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-8 filed on December 14, 2011.*

10.9 Purchase Agreement between SigmaTron International, Inc., and its nominees and Spitfire Control, Inc., dated as of May 31, 2012, incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on June 4, 2012.

10.10 SigmaTron International, Inc. 2014 Employee Bonus Plan dated May 21, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 23, 2013.*

10.11 SigmaTron International, Inc. 2013 Employee Stock Purchase Plan dated September 20, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on September 25, 2013.*

10.12 SigmaTron International, Inc. 2013 Non-Employee Director Restricted Stock Plan dated September 20, 2013, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on September 25, 2013.*

10.13 Mortgage and Assignment of Rents and Leases executed as of October 24, 2013, by SigmaTron International, Inc., to Wells Fargo Bank, National Association, incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-Q filed on December 13, 2013.

10.14 Second Amended and Restated Credit Agreement entered into as of October 24, 2013, by and between SigmaTron International, Inc., and Wells Fargo Bank, National Association, incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-Q filed on December 13, 2013.

10.15 Master Lease Agreement # 2170 entered into between Associated Bank, National Association, a national banking association and SigmaTron International, Inc., dated October 3, 2013, incorporated herein by reference to Exhibit 10.20 to the Company's Form 10-Q filed on December 13, 2013.

10.16 SigmaTron International, Inc. Amended and Restated Change in Control Severance Payment Plan dated March 11, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K/A filed on March 14, 2014.*

10.17 Master Lease Number 81344 entered into between CIT Finance LLC and SigmaTron International, Inc., dated March 6, 2014, incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K filed on July 24, 2014.

10.18 Schedule # 1217927 to Master Lease Agreement Number 81344 entered into between CIT Finance LLC and SigmaTron International, Inc. dated May 7, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q filed on September 11, 2014.

10.19 Third Amended and Restated Credit Agreement entered into as of October 31, 2014, by and between SigmaTron International, Inc., and Wells Fargo Bank, National Association, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 10, 2014.

10.20 Second Amended and Restated Promissory Note dated November 24, 2014 issued by the Company to Wells Fargo Bank, National Association, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on December 10, 2014.

10.21 Schedule # 1223197 to Master Lease Agreement Number 81344 entered into by and between CIT Finance LLC and SigmaTron International, Inc. dated August 1, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q filed on December 12, 2014.

10.22 Lease No. 003 is an attachment to Master Lease No. 2170 dated October 17, 2013 by and between Associated Bank, National Association and SigmaTron International, Inc. dated September 22, 2014, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q filed on December 12, 2014.

10.23 Lease No. 004 is an attachment to Master Lease No. 2170 dated October 17, 2013 by and between Associated Bank, National Association and SigmaTron International, Inc. dated September 22, 2014, incorporated herein by reference to Exhibit 10.3 to the Company's Form 10-Q filed on December 12, 2014.

10.24

Lease No. 005 is an attachment to Master Lease No. 2170 dated October 17, 2013 by and between Associated Bank, National Association and SigmaTron International, Inc. dated September 22, 2014, incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q filed on December 12, 2014.

10.25 Schedule # 1246045 to Master Lease Agreement Number 81344 entered into by and between CIT Finance LLC and SigmaTron International, Inc. dated October 27, 2014, incorporated herein by reference to Exhibit 10.5 to the Company's Form 10-Q filed on December 12, 2014.

10.26 First Amendment to Third Amended and Restated Credit Agreement entered into as of March 7, 2015, by and between SigmaTron International, Inc. and Wells Fargo Bank, National Association, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 12, 2015.

10.27 Lease No. 006 is an attachment to Master Lease No. 2170 dated October 17, 2013 by and between Associated Bank, National Association and SigmaTron International, Inc. dated January 16, 2015, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q filed on March 16, 2015.

10.28 SigmaTron International, Inc. Employee Bonus Plan for Fiscal Year 2016 dated July 9, 2015, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 10, 2015.*

10.29 Schedule # 1284094 to Master Lease Agreement Number 81344 entered into by and between CIT Finance LLC and SigmaTron International, Inc. dated June 2, 2015.**

21.0 Subsidiaries of the Registrant, incorporated herein by reference to Exhibit 21 to the Company's Form 10-K for the fiscal year ended April 30, 2014, filed on July 24, 2014.

23.1 Consent of BDO USA, LLP.**

24.0 Power of Attorney of Directors and Executive Officers (included on the signature page of this Form 10-K for the fiscal year ended April 30, 2015).**

31.1 Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

31.2 Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

32.1 Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).**

32.2 Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).**

101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Extension Scheme Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan.

** Filed herewith

(c) Exhibits

The Company hereby files as exhibits to this Report the exhibits listed in Item 15(a)(3) above, which are attached hereto or incorporated herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGMATRON INTERNATIONAL, INC.

By: /s/ Gary R. Fairhead

Gary R. Fairhead, President and Chief Executive Officer,
Principal Executive Officer and Director

Dated: July 24, 2015

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned directors and officers of SigmaTron International, Inc., a Delaware corporation, which is filing an Annual Report on Form 10-K with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934 as amended, hereby constitute and appoint Gary R. Fairhead and Linda K. Frauendorfer, and each of them, each of their true and lawful attorneys-in fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in all capacities, to sign any or all amendments to the report to be filed with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as each of them might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Gary R. Fairhead Gary R. Fairhead	Chairman of the Board of Directors, President and Chief Executive Officer, (Principal Executive Officer) and Director	July 24, 2015
/s/ Linda K. Frauendorfer Linda K. Frauendorfer	Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal	July 24 2015

	Accounting Officer) and Director	
/s/ Thomas W. Rieck Thomas W. Rieck	Director	July 24, 2015
/s/ Dilip S. Vyas Dilip S. Vyas	Director	July 24, 2015
/s/ Paul J. Plante Paul J. Plante	Director	July 24, 2015
/s/ Barry R. Horek Barry R. Horek	Director	July 24, 2015
/s/ Bruce J. Mantia Bruce J. Mantia	Director	July 24, 2015

INDEX TO FINANCIAL STATEMENTS

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SigmaTron International, Inc. and Subsidiaries

Financial statement schedules are omitted because they are not applicable or required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

SigmaTron International, Inc.

Elk Grove Village, Illinois

We have audited the accompanying consolidated balance sheets of SigmaTron International, Inc. as of April 30, 2015 and 2014 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SigmaTron International, Inc. at April 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Chicago, Illinois

July 24, 2015

SigmaTron International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

APRIL 30, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 2,868,217	$ 5,440,319
Accounts receivable, less allowance for doubtful accounts of $186,844 and $150,000 at April 30, 2015 and 2014, respectively	20,170,723	19,293,791
Inventories, net	68,669,709	53,728,377
Prepaid expenses and other assets	2,103,367	1,826,254
Deferred income taxes	2,179,178	2,524,993
Other receivables	486,085	356,746
Total current assets	96,477,279	83,170,480
PROPERTY, MACHINERY AND EQUIPMENT, NET	33,864,527	32,692,908
OTHER LONG-TERM ASSETS		
Intangible assets, net of amortization of $3,737,856 and $3,309,246 at April 30, 2015 and 2014, respectively	5,174,144	5,602,754
Goodwill	3,222,899	3,222,899
Other assets	1,319,901	790,390
Total other long-term assets	9,716,944	9,616,043
TOTAL ASSETS	$ 140,058,750	$ 125,479,431

The accompanying notes are an integral part of these statements.

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SigmaTron International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS - CONTINUED

APRIL 30, 2015 and 2014

LIABILITIES AND STOCKHOLDERS' EQUITY	2015	2014
CURRENT LIABILITIES		
Trade accounts payable	$ 35,838,275	$ 27,141,079
Accrued expenses	592,644	584,050
Accrued wages	5,140,851	5,969,024
Income taxes payable	302	80,936
Current portion of long-term debt	165,000	2,126,017
Current portion of capital lease obligations	1,245,632	765,961
Current portion of contingent consideration	275,288	331,429
Current portion of deferred rent	150,594	12,302
Total current liabilities	43,408,586	37,010,798
Long-term debt, less current portion	31,252,793	24,198,500
Capital lease obligations, less current portion	3,401,913	2,423,001
Contingent consideration, less current portion	1,223,697	1,533,571
Other long-term liabilities	536,209	525,739
Deferred rent, less current portion	999,929	1,163,819
Deferred income taxes	2,550,236	3,217,660
Total long-term liabilities	39,964,777	33,062,290
Total liabilities	83,373,363	70,073,088
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 500,000 shares authorized, none issued or outstanding	-	-
Common stock, $.01 par value; 12,000,000 shares authorized, 4,075,785 and 4,012,319 shares issued and outstanding at April 30, 2015 and 2014, respectively	40,703	40,215
Capital in excess of par value	21,239,641	20,864,497
Retained earnings	35,405,043	34,501,631

Total stockholders’ equity	56,685,387	55,406,343
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 140,058,750	$ 125,479,431

The accompanying notes are an integral part of these statements.

SigmaTron International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended April 30, 2015 and 2014

	2015	2014
Net sales	$ 230,237,161	$ 222,485,940
Cost of products sold	208,168,323	199,658,942
Gross profit	22,068,838	22,826,998
Selling and administrative expenses	19,431,637	19,200,514
Operating income	2,637,201	3,626,484
Other income	(148,583)	(124,378)
Interest expense	1,081,323	966,038
Income before income tax expense	1,704,461	2,784,824
Income tax expense (benefit)	801,049	(133,867)
NET INCOME	$ 903,412	$ 2,918,691
Earnings per common share		
Basic	$ 0.22	$ 0.74
Diluted	$ 0.22	$ 0.72
Weighted-average shares of common stock outstanding		
Basic	4,046,988	3,969,391
Diluted	4,116,424	4,074,487

The accompanying notes are an integral part of these statements.

SigmaTron International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended April 30, 2015 and 2014

	Preferred stock	Common stock	Capital in excess of par value	Retained earnings	Total stockholders' equity
Balance at May 1, 2013	$ -	$ 39,779	$ 20,361,012	$ 31,582,940	$ 51,983,731
Recognition of stock-based compensation	-	-	89,219	-	89,219
Exercise of stock options	-	436	158,357	-	158,793
Issuance and vesting of restricted stock	-	-	54,997	-	54,997
Tax benefit from exercise of options	-	-	200,912	-	200,912