UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 2016

or

o TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-34992

SemiLEDs Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-2735523** (I.R.S. Employer Identification Number)
3F, No. 11 Ke Jung Rd., Chu-Nan Site, Hsinchu Science Park, Chu-Nan 350, Miao-Li County, Taiwan, R.O.C. (Address of principal executive offices)	**350** (Zip Code)

+886-37-586788
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 29,068,685 shares of common stock, par value $0.0000056 per share, outstanding as of April 7, 2016.

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SEMILEDS CORPORATION

FORM 10-Q for the Quarter Ended February 29, 2016

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

SEMILEDS CORPORATION AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

(In thousands of U.S. dollars and shares, except par value)

		February 29, 2016		August 31, 2015
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	5,306	$	4,808
Accounts receivable (including related parties), net of allowance for doubtful accounts of $566 and $586 as of February 29, 2016 and August 31, 2015, respectively		1,185		2,049
Inventories		4,964		5,924
Prepaid expenses and other current assets		1,025		891
Total current assets		12,480		13,672
Property, plant and equipment, net		17,962		20,779
Intangible assets, net		1,262		1,353
Goodwill		53		54
Investments in unconsolidated entities		1,982		2,014
Other assets		607		648
TOTAL ASSETS	$	34,346	$	38,520
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Current installments of long-term debt	$	509	$	1,068
Accounts payable		1,528		1,650
Accrued expenses and other current liabilities		3,506		3,597
Total current liabilities		5,543		6,315
Long-term debt, excluding current installments		2,627		2,839
Other liability		2,955		
Total liabilities		11,125		9,154
Commitments and contingencies (Note 5)				
EQUITY:				
SemiLEDs stockholders equity				
Common stock, $0.0000056 par value 75,000 shares authorized; 29,069 shares and 29,052 shares issued and outstanding as of February 29, 2016 and August 31, 2015, respectively				
Additional paid-in capital		172,317		172,117
Accumulated other comprehensive income		2,596		3,083
Accumulated deficit		(151,755)		(145,904)
Total SemiLEDs stockholders equity		23,158		29,296
Noncontrolling interests		63		70
Total equity		23,221		29,366
TOTAL LIABILITIES AND EQUITY	$	34,346	$	38,520

See notes to unaudited condensed consolidated financial statements.

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SEMILEDS CORPORATION AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(In thousands of U.S. dollars and shares, except per share data)

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Revenues, net	$ 2,916	$ 4,566	$ 5,879	$ 7,494
Cost of revenues	3,711	5,217	8,118	9,688
Gross loss	(795)	(651)	(2,239)	(2,194)
Operating expenses:				
Research and development	622	612	1,223	1,360
Selling, general and administrative	1,203	1,876	2,290	4,027
Employee termination benefits	148		148	
Loss (gain) on disposals of long-lived assets, net	2	(287)	2	(287)
Total operating expenses	1,975	2,201	3,663	5,100
Loss from operations	(2,770)	(2,852)	(5,902)	(7,294)
Other income (expenses):				
Equity in gain (loss) from unconsolidated entities	8	(21)		(56)
Interest expenses, net	(13)	(24)	(29)	(48)
Other income, net	27	29	53	59
Foreign currency transaction gain (loss), net	203	(36)	18	64
Total other income (expenses), net	225	(52)	42	19
Loss before income taxes	(2,545)	(2,904)	(5,860)	(7,275)
Income tax expense		1		1
Net loss	(2,545)	(2,905)	(5,860)	(7,276)
Less: Net loss attributable to noncontrolling interests	(6)	(3)	(9)	(43)
Net loss attributable to SemiLEDs stockholders	$ (2,539)	$ (2,902)	$ (5,851)	$ (7,233)
Net loss per share attributable to SemiLEDs stockholders:				
Basic and diluted	$ (0.09)	$ (0.10)	$ (0.20)	$ (0.25)
Shares used in computing net loss per share attributable to SemiLEDs stockholders:				
Basic and diluted	29,084	28,483	29,070	28,465

See notes to unaudited condensed consolidated financial statements.

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SEMILEDS CORPORATION AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Comprehensive Loss

(In thousands of U.S. dollars)

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net loss	$ (2,545)	$ (2,905)	$ (5,860)	$ (7,276)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments, net of tax of $0 for all periods presented	(421)	(489)	(485)	(1,645)
Comprehensive loss	$ (2,966)	$ (3,394)	$ (6,345)	$ (8,921)
Comprehensive loss attributable to noncontrolling interests	$ (4)	$ (2)	$ (7)	$ (41)
Comprehensive loss attributable to SemiLEDs stockholders	$ (2,962)	$ (3,392)	$ (6,338)	$ (8,880)

See notes to unaudited condensed consolidated financial statements.

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SEMILEDS CORPORATION AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Equity

(In thousands of U.S. dollars and shares)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total SemiLEDs Stockholders Equity	Non-Controlling Interests	Total Equity
	Shares	Amount						
BALANCE September 1, 2015	29,052	$	$ 172,117	$ 3,083	$ (145,904)	$ 29,296	$ 70	$ 29,366
Issuance of common stock under equity incentive plans	17							
Stock-based compensation			200			200		200
Comprehensive loss:								
Other comprehensive income (loss)				(487)		(487)	2	(485)
Net loss					(5,851)	(5,851)	(9)	(5,860)
BALANCE February 29, 2016	29,069	$	$ 172,317	$ 2,596	$ (151,755)	$ 23,158	$ 63	$ 23,221

See notes to unaudited condensed consolidated financial statements.

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SEMILEDS CORPORATION AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

	Six Months Ended February 29, 2016	Six Months Ended February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,860)	$ (7,276)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,601	2,509
Stock-based compensation expense	200	825
Provisions for inventory write-downs	565	386
Equity in loss from unconsolidated entities		56
Loss (gain) on disposals of long-lived assets, net	2	(287)
Changes in:		
Accounts receivable, net	827	(851)
Inventories	(48)	943
Prepaid expenses and other	(148)	291
Accounts payable	251	(294)
Accrued expenses and other current liabilities	34	(334)
Net cash used in operating activities	(1,576)	(4,032)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(483)	(1,024)
Payments for development of intangible assets	(30)	(27)
Decrease in restricted cash		347
Other investing activities		8
Net cash used in investing activities	(513)	(696)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(691)	(918)
Cash received for potential sale of building	3,000	
Net cash provided by (used in) financing activities	2,309	(918)
Effect of exchange rate changes on cash and cash equivalents	278	(269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	498	(5,915)
CASH AND CASH EQUIVALENTS Beginning of period	4,808	12,649
CASH AND CASH EQUIVALENTS End of period	$ 5,306	$ 6,734
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrual related to property, plant and equipment	$ 176	$ 788
Proceeds from sale of property, plant and equipment included in other current liabilities	$	$ 884

See notes to unaudited condensed consolidated financial statements.

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SEMILEDS CORPORATION AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

1. Business

SemiLEDs Corporation (SemiLEDs or the parent company) was incorporated in Delaware on January 4, 2005 and is a holding company for various wholly and majority owned subsidiaries. SemiLEDs and its subsidiaries (collectively, the Company) develop, manufacture and sell high performance light emitting diodes (LEDs). The Company s core products are LED chips and LED components, as well as lighting products. LED components have become the most important part of the Company s business. A portion of the Company s business consists of the sale of contract manufactured LED products. The Company s customers are concentrated in a few select markets, including Taiwan, the United States and China.

As of February 29, 2016, SemiLEDs had seven wholly owned subsidiaries and a 93% equity interest in Ning Xiang Technology Co., Ltd. (Ning Xiang), a company engaged in the design, manufacture and sale of lighting fixtures and systems. The most significant of these consolidated subsidiaries is SemiLEDs Optoelectronics Co., Ltd. (Taiwan SemiLEDs) located in Hsinchu, Taiwan where a substantial portion of research, development, manufacturing, marketing and sales activities currently takes place and where a substantial portion of the assets is held and located. Taiwan SemiLEDs owns a 100% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., formerly known as Silicon Base Development, Inc., which is engaged in the research, development, manufacture, marketing and sale of LED components.

SemiLEDs common stock began trading on the NASDAQ Global Select Market under the symbol LEDS on December 8, 2010 and was transferred to the NASDAQ Capital Market effective November 5, 2015 where it continues to trade under the same symbol.

2. Summary of Significant Accounting Policies

Basis of Presentation The Company s unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and applicable provisions of the rules and regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the rules and regulations of the SEC. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K filed with the SEC on December 15, 2015. The unaudited condensed consolidated balance sheet as of August 31, 2015 included herein was derived from the audited consolidated financial statements as of that date.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company s consolidated balance sheet as of February 29, 2016, the statements of operations and comprehensive loss for the three and six months ended

February 29, 2016 and February 28, 2015, the statement of changes in equity for the six months ended February 29, 2016, and the statements of cash flows for the six months ended February 29, 2016 and February 28, 2015. The results for the three or six months ended February 29, 2016 are not necessarily indicative of the results to be expected for the year ending August 31, 2016.

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company s ability to operate profitably, to generate cash flows from operations, and to pursue financing arrangements to support its working capital requirements.

The Company has suffered losses from operations of $13.3 million and $24.8 million, gross losses on product sales of $4.1 million and $11.3 million, and net cash used in operating activities of $4.5 million and $15.7 million for the years ended August 31, 2015 and 2014, respectively. Loss from operations for the three and six months ended February 29, 2016 were $2.8 million and $5.9 million, respectively. Gross loss on product sales for the three and six months ended February 29, 2016 were $0.8 million and $2.2 million, respectively. Although the Company s cash and cash equivalents increased to $5.3 million as of February 29, 2016 due to the receipt of the $3 million initial installment of cash consideration for the potential sale of its headquarters building, net cash used in operating activities remains the primary factor driving the decrease in its cash position. These facts and conditions raise substantial doubt about the Company s ability to continue as a going concern. However, management believes that it has developed a liquidity plan, as summarized below, that, if executed successfully, should provide sufficient liquidity to meet the Company s obligations as they become due for a reasonable period of time, and allow the development of its core business.

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• Entered into an agreement in December 2015 with a strategic partner for the potential sale of the headquarters building located at Miao-Li, Taiwan. The total cash consideration for the potential sale is $5.2 million to be paid in three installments, of which the initial installment of $3 million was received on December 14, 2015. The sale is expected to close on December 31, 2017. This agreement has been accounted for as a secured financing arrangement as the Company retains the title, rights and benefits of ownership of the building. Consequently, the building has not been de-recognized as an asset from the Company s consolidated balance sheet and a repayment obligation was recorded in other liability (long-term) when the cash was received.

• Suppressing gross loss from chip sales by moving toward a fabless business model through an agreement with an ODM partner entered into on December 31, 2015. The Company is restructuring the chips manufacturing operation. The Company is exploring the opportunities to consign or sell certain equipment to the ODM partner. Part of its employees related to the Company s chips manufacturing has transferred to the ODM partner. The Company also implemented certain workforce reductions with respect to its chips manufacturing operation. Following the restructuring, the Company expects to reduce payroll, minimize research and development activities associated with chips manufacturing operation and reduce idle capacity charges. This partnership should help the Company obtain a steady source of LED chips with competitive and favorable price for its packaging business, expand the production capacity for LED components, and strengthen its product portfolio and technology.

• Increasing sales of Automotive Projects in both China and India by cultivating relationships with automotive lighting developers that are outside the Company s historical distribution channels. Maintaining the number of display models at automotive lighting facilities in order to provide dealers, communities and consumers with examples of newly designed product.

• Gaining positive cash-inflow from operating activities through continuous cost reductions and the sales of new higher margin products. In the second quarter of fiscal 2016, the Company s new module product has moved from sampling stage to mass production and begun shipment to customers. The sales of the new module product are expected to grow steadily. The successful introduction of the new module product and the continued commercial sales of its UV LED product are expected to improve the Company s future gross margin, operating results and cash flows. The Company is targeting niche markets and focused on product enhancement and developing its LED product into many other applications or devices.

• Management continues to monitor prices, work with current and potential vendors to decrease costs and, consistent with its existing contractual commitments, may decrease its activity level and capital expenditures further. This plan reflects its strategy of controlling capital costs and maintaining financial flexibility.

• Raise additional cash through further equity offerings, sales of assets and/or issuance of debt as considered necessary.

While the Company s management believes that the measures described in the above liquidity plan will be adequate to satisfy its liquidity requirements for the twelve months ending February 28, 2017, there is no assurance that the liquidity plan will be successfully implemented. Failure to successfully implement the liquidity plan may have a material adverse effect on its business, results of operations and financial position, and may adversely affect its ability to continue as a going concern. These unaudited interim condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

Principles of Consolidation The unaudited interim condensed consolidated financial statements include the accounts of SemiLEDs and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated during consolidation.

Use of Estimates The preparation of unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the collectibility of accounts receivable, inventory net realizable values, realization of deferred tax assets, valuation of stock-based compensation expense, the useful lives of property, plant and equipment and intangible assets, the recoverability of the carrying amount of property, plant and equipment, intangible assets, goodwill and investments in unconsolidated entities, the fair value of acquired tangible and intangible assets, income tax uncertainties, provision for potential litigation costs and other contingencies. Management bases its estimates on historical experience and also on assumptions that it believes are reasonable. Management assesses these estimates on a regular basis; however, actual results could differ materially from those estimates.

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On December 10, 2015, the Company entered into a Building Purchase Agreement to sell its headquarter building at a sales price of $5.2 million. The sale is scheduled to close on December 31, 2017. As a result, the Company changed its estimates of the useful live and the salvage value of the building to better reflect the estimated periods during which the building will remain in service and the sales price. The effect of this change in estimate was immaterial for the period ended February 29, 2016.

Certain Significant Risks and Uncertainties The Company is subject to certain risks and uncertainties that could have a material and adverse effect on the Company s future financial position or results of operations, which risks and uncertainties include, among others: it has incurred significant losses over the past few years, any inability of the Company to compete in a rapidly evolving market and to respond quickly and effectively to changing market requirements, any inability of the Company to grow its revenue and/or maintain or increase its margins, it may experience fluctuations in its revenues and operating results, any inability of the Company to protect its intellectual property rights, claims by others that the Company infringes their proprietary technology, and any inability of the Company to raise additional funds in the future.

Concentration of Supply Risk Some of the components and technologies used in the Company s products are purchased and licensed from a limited number of sources and some of the Company s products are produced by a limited number of contract manufacturers. The loss of any of these suppliers and contract manufacturers may cause the Company to incur transition costs to another supplier or contract manufacturer, result in delays in the manufacturing and delivery of the Company s products, or cause it to carry excess or obsolete inventory. The Company relies on a limited number of such suppliers and contract manufacturers for the fulfillment of its customer orders. Any failure of such suppliers and contract manufacturers to perform could have an adverse effect upon the Company s reputation and its ability to distribute its products or satisfy customers orders, which could adversely affect the Company s business, financial position, results of operations and cash flows.

Concentration of Credit Risk Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

The Company keeps its cash and cash equivalents in demand deposits with prominent banks of high credit quality and invests only in money market funds. Deposits held with banks may exceed the amount of insurance provided on such deposits. As of February 29, 2016 and August 31, 2015, cash and cash equivalents of the Company consisted of the following (in thousands):

Cash and Cash Equivalents by Location	**February 29, 2016**	**August 31, 2015**
United States:		
Denominated in U.S. dollars	$ 456	$ 887
Taiwan:		
Denominated in U.S. dollars	3,239	1,716
Denominated in New Taiwan dollars	815	1,067
Denominated in other currencies	385	344
China (including Hong Kong):		

Denominated in U.S. dollars		4		262
Denominated in Renminbi		406		531
Denominated in H.K. dollars		1		1
Total cash and cash equivalents	$	5,306	$	4,808

The Company s revenues are substantially derived from the sales of LED products. A significant portion of the Company s revenues are derived from a limited number of customers and sales are concentrated in a few select markets. Management performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. Management evaluates the need to establish an allowance for doubtful accounts for estimated potential credit losses at each reporting period. The allowance for doubtful accounts is based on the management s assessment of the collectibility of its customer accounts. Management regularly reviews the allowance by considering certain factors, such as historical experience, industry data, credit quality, age of accounts receivable balances and current economic conditions that may affect a customer s ability to pay.

Net revenues generated from sales to the top ten customers represented 69% and 64% of the Company s total net revenues for the three and six months ended February 29, 2016, respectively, and 79% and 66% of the Company s net revenues for the three and six months ended February 28, 2015, respectively.

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The Company s revenues have been concentrated in a few select markets, including Taiwan, the United States, and China (including Hong Kong). Net revenues generated from sales to customers in these markets, in the aggregate, accounted for 83% and 80% of the Company s net revenues for the three and six months ended February 29, 2016, respectively, and 87% and 85% of the Company s net revenues for the three and six months ended February 28, 2015, respectively.

Noncontrolling Interests Noncontrolling interests are classified in the consolidated statements of operations as part of consolidated net income (loss) and the accumulated amount of noncontrolling interests in the consolidated balance sheets as part of equity. Changes in ownership interest in a consolidated subsidiary that do not result in a loss of control are accounted for as an equity transaction. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, which is intended to improve financial reporting on leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. This standard will be effective for the Company on September 1, 2019. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 Presentation of Financial Statements Going Concern (Subtopic 205-40) (Topic 718): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern . The Update provides guidance to an organization s management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. This Update is intended to define management s responsibility to evaluate whether there is substantial doubt about an organization s ability to continue as a going concern and to provide related footnote disclosures. The Update is effective for the Company on September 1, 2017 and management has elected not to early adopt it. When the Update is effective, it could have a material effect on management s assessment of the Company s ability to continue as a going concern.

In June 2014, the FASB issued ASU No. 2014-12 Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments clarify the proper method of accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The new standard is effective for the Company on September 1, 2016. Management expects the adoption of the ASU would not have a material effect on the accompanying financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on September 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. Management is evaluating the effect that ASU 2014-09 will have on the Company s consolidated financial statements and related disclosures. Management has not yet selected a transition method nor has it determined the effect of the standard on the Company s ongoing financial reporting.

3. Balance Sheet Components

Inventories

Inventories as of February 29, 2016 and August 31, 2015 consisted of the following (in thousands):

	February 29, 2016	August 31, 2015
Raw materials	$ 1,741	$ 1,857
Work in process	732	793
Finished goods	2,491	3,274
Total	$ 4,964	$ 5,924

Inventory write-downs to estimated net realizable values were $113 thousand and $565 thousand for the three and six months ended February 29, 2016, respectively, and $158 thousand and $386 thousand for the three and six months ended February 28, 2015, respectively.

Property, Plant and Equipment

Property, plant and equipment as of February 29, 2016 and August 31, 2015 consisted of the following (in thousands):

	February 29, 2016	August 31, 2015
Buildings and improvements	$ 13,601	$ 13,883
Machinery and equipment	56,781	58,075
Leasehold improvements	465	474
Other equipment	3,652	3,732
Construction in progress	1,481	1,418
Total property, plant and equipment	75,980	77,582
Less: Accumulated depreciation, amortization and impairment	(58,018)	(56,803)
Property, plant and equipment, net	$ 17,962	$ 20,779

Intangible Assets

Intangible assets as of February 29, 2016 and August 31, 2015 consisted of the following (in thousands):

	February 29, 2016			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
Patents and trademarks	15	$ 1,396	$	