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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

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

Commission File Number: 001-15491

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

DELAWARE	**57-0923789**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2835 KEMET WAY, SIMPSONVILLE, SOUTH CAROLINA 29681
(Address of principal executive offices, zip code)

(864) 963-6300
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: **N/A**

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 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 ☒ NO ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ YES ☒ NO

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of July 29, 2011 was 44,148,787.

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KEMET CORPORATION AND SUBSIDIARIES
Form 10-Q for the Quarter Ended June 30, 2011

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

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

	June 30, 2011 (Unaudited)	March 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 133,998	$ 152,051
Accounts receivable, net	145,192	150,370
Inventories, net	240,469	206,440
Prepaid expenses and other	32,582	30,441
Deferred income taxes	4,505	5,301
Total current assets	556,746	544,603
Property and equipment, net of accumulated depreciation of $754,652 and $740,773 as of June 30, 2011 and March 31, 2011, respectively	316,538	310,412
Goodwill and intangible assets, net	22,605	20,092
Other assets	8,667	9,202
Total assets	$ 904,556	$ 884,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 38,395	$ 42,101
Accounts payable, trade	94,870	90,997
Accrued expenses	78,378	88,291
Income taxes payable	4,399	4,265
Total current liabilities	216,042	225,654
Long-term debt, less current portion	229,702	231,215
Other non-current obligations	55,358	59,727
Deferred income taxes	7,496	7,960
Stockholders' equity:		
Preferred stock, par value $0.01, authorized 10,000 shares, none issued	—	—
Common stock, par value $0.01, authorized 300,000 shares, issued 46,508 and 39,508 shares at June 30, 2011 and March 31, 2011, respectively	465	395
Additional paid-in capital	480,257	479,322
Retained deficit	(55,896)	(87,745)
Accumulated other comprehensive income	25,704	22,555
Treasury stock, at cost (2,361 and 2,370 shares at June 30, 2011 and March 31, 2011, respectively)	(54,572)	(54,774)
Total stockholders' equity	395,958	359,753
Total liabilities and stockholders' equity	$ 904,556	$ 884,309

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Quarters Ended June 30, 2011	Quarters Ended June 30, 2010
Net sales	$ 289,856	$ 243,794
Operating costs and expenses:		
Cost of sales	210,504	182,886
Selling, general and administrative expenses	30,276	24,215
Research and development	7,086	6,031
Restructuring charges	1,025	1,792
Net loss on sales and disposals of assets	123	335
Total operating costs and expenses	249,014	215,259
Operating income	40,842	28,535
Other (income) expense:		
Interest income	(43)	(21)
Interest expense	7,400	7,458
Loss on early extinguishment of debt	—	38,248
Other (income) expense, net	(95)	1,674
Income (loss) before income taxes	33,580	(18,824)
Income tax expense	1,731	1,275
Net income (loss)	$ 31,849	$ (20,099)
Net income (loss) per share:		
Basic	$ 0.81	$ (0.74)
Diluted	$ 0.61	$ (0.74)
Weighted-average shares outstanding:		
Basic	39,452	27,045
Diluted	52,338	27,045

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Quarters Ended June 30, 2011	Quarters Ended June 30, 2010
Sources (uses) of cash and cash equivalents		
Operating activities:		
Net income (loss)	$ 31,849	$ (20,099)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss on early extinguishment of debt	—	38,248
Depreciation and amortization	11,159	14,510
Amortization of debt discount and debt issuance costs	1,044	1,924
Net loss on sales and disposals of assets	123	335
Stock-based compensation expense	1,191	149
Change in deferred income taxes	270	(65)
Change in operating assets	(21,298)	(23,018)
Change in operating liabilities	(19,193)	(7,898)
Other	183	(148)
Net cash provided by operating activities	5,328	3,938
Investing activities:		
Capital expenditures	(5,738)	(6,857)
Acquisition, net of cash received	(11,584)	—
Net cash used in investing activities	(17,322)	(6,857)
Financing activities:		
Proceeds from issuance of debt	—	226,975
Payments of long-term debt	(3,015)	(228,544)
Net borrowings (payments) under other credit facilities	(3,081)	(1,688)
Proceeds from exercise of stock options	16	—
Debt issuance costs	(29)	(6,593)
Debt extinguishment costs	—	(207)

Net cash used in financing activities	(6,109)	(10,057)
Net decrease in cash and cash equivalents	(18,103)	(12,976)
Effect of foreign currency fluctuations on cash	50	(255)
Cash and cash equivalents at beginning of fiscal period	152,051	79,199
Cash and cash equivalents at end of fiscal period	$ 133,998	$ 65,968

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Note 1. Basis of Financial Statement Presentation

The condensed consolidated financial statements contained herein are unaudited and have been prepared from the books and records of KEMET Corporation and its subsidiaries ("KEMET" or the "Company"). In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q, and therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto included in the Company's fiscal year ended March 31, 2011, Form 10-K (the "Company's 2011 Annual Report").

Net sales and operating results for the quarter ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. In consolidation, all significant intercompany amounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to current year presentation.

The significant accounting policies followed by the Company are presented in the Company's 2011 Annual Report. The Company has evaluated events and material transactions for potential recognition or disclosure occurring between the end of the Company's most recent quarterly period and through the time that this Form 10-Q was filed with the SEC.

Recently Issued Accounting Pronouncements

New accounting standards adopted

There were no accounting standards adopted in the first quarter of fiscal year 2012.

New accounting standards issued but not yet adopted

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

Restricted Cash

A guarantee was issued by a European bank on behalf of the Company in August 2006 in conjunction with the establishment of a Valued-Added Tax ("VAT") registration in The Netherlands. The bank guarantee is in the amount of EUR 1.5 million ($2.2 million). An interest-bearing deposit was placed with a European bank for EUR 1.7 million ($2.5 million). The deposit is in KEMET's name, and KEMET receives all interest earned by this deposit. However, the deposit is pledged to the European bank, and the bank can use the money if a valid claim is made. The bank guarantee will remain valid until it is discharged by the beneficiary.

Restricted cash of $2.4 million and $2.3 million is included in the line item "Prepaid expenses and other" on the Condensed Consolidated Balance Sheets as of June 30, 2011 and March 31, 2011, respectively.

Warrant Liability

Concurrent with the consummation of the tender offer as discussed in Note 2, "Debt", the Company issued K Financing, LLC ("K Financing") a warrant (the "Platinum Warrant") to purchase up to 26.8 million shares of the Company's common stock, subject to certain adjustments, representing, at the time of issuance, approximately 49.9% of the Company's outstanding common stock on a post-Platinum Warrant basis. The Platinum Warrant was subsequently transferred to K Equity, LLC ("K Equity"). The Platinum Warrant was exercisable at a purchase price of $1.05 per share.

On December 20, 2010, in connection with a secondary offering in which K Equity was the selling security holder, K Equity exercised a portion of the Platinum Warrant representing the right to purchase 10.9 million shares of the Company's common stock to the underwriters of the secondary offering, who exercised their full portion of the warrant at a price of $12.80 per share in a cashless exercise and received a net settlement of 10.0 million shares of the Company's common stock. These shares were sold as part of the secondary offering and KEMET did not receive any of the proceeds from the transaction. K Equity retained the remaining portion of the warrant, representing the right to purchase 15.9 million shares of the Company's common stock.

On May 31, 2011, K Equity sold a portion of the Platinum Warrant to Deutsche Bank Securities Inc., in connection with the offering of 7.0 million shares of the Company's common stock, at a public offering price of $14.60 per share. This transaction resulted in a 7.5 million share reduction to the outstanding warrants due to K Equity's cashless exercise. K Equity retained the remaining portion of the warrant, representing the right to purchase 8.4 million shares of the Company's common stock.

Fair Value Measurement

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

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

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

Assets measured at fair value on a recurring basis as of June 30, 2011 and March 31, 2011 are as follows (amounts in thousands):

	Fair Value June 30, 2011	Fair Value Measurement Using			Fair Value March 31, 2011	Fair Value Measurement Using		
		Level 1	Level 2 (2)	Level 3		Level 1	Level 2 (2)	Level 3
Assets:								
Money markets (1)	$ 31,179	$ 31,179	$ —	$ —	$ 51,575	$ 51,575	$ —	$ —
Long-term debt	295,403	291,697	3,706	—	307,543	301,379	6,164	—

(1) Included in the line item "Cash and cash equivalents" on the Condensed Consolidated Balance Sheets.
(2) The valuation approach used to calculate fair value was a discounted cash flow for each respective debt facility.

Revenue Recognition

The Company recognizes revenue only when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

A portion of sales is related to products designed to meet customer specific requirements. These products typically have stricter tolerances making them useful to the specific customer requesting the product and to customers with similar or less stringent requirements. Products with customer specific requirements are tested and approved by the customer before the Company mass produces and ships the product. The Company recognizes revenue when title to the products transfers to the respective customer.

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

The SFSD program provides a mechanism for the distributor to meet a competitive price after obtaining authorization from the Company's local sales office. This program allows the distributor to ship its higher-priced inventory and debit the Company for the difference between KEMET's list price and the lower authorized price for that specific transaction. Management analyzes historical SFSD activity to determine the SFSD exposure on the global distributor inventory at the balance sheet date. The establishment of these reserves is recognized as a component of the line item "Net sales" on the Condensed Consolidated Statements of Operations, while the associated reserves are included in the line item "Accounts receivable, net" on the Condensed Consolidated Balance Sheets.

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The Company provides a limited warranty to customers that the Company's products meet certain specifications. The warranty period is generally limited to one year, and the Company's liability under the warranty is generally limited to a replacement of the product or refund of the purchase price of the product. Warranty costs as a percentage of net sales were approximately 1% for the quarters ended June 30, 2011 and 2010. The Company recognizes warranty costs when they are both probable and reasonably estimable.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions, and judgments. Estimates and assumptions are based on historical data and other assumptions that management believes are reasonable. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period.

The Company's judgments are based on management's assessment as to the effect certain estimates, assumptions, or future trends or events may have on the financial condition and results of operations reported in the unaudited condensed consolidated financial statements. It is important that readers of these unaudited financial statements understand that actual results could differ from these estimates, assumptions, and judgments.

Inventories

Inventories are stated at the lower of cost or market. The components of inventories are as follows (amounts in thousands):

	June 30, 2011	March 31, 2011
Raw materials and supplies	$ 99,368	$ 78,913
Work in process	77,624	78,681
Finished goods	80,285	64,310
	257,277	221,904
Inventory reserves	(16,808)	(15,464)
Total inventory	$ 240,469	$ 206,440

Note 2. Debt

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

	June 30, 2011	March 31, 2011
10.5% Senior Notes, net of discount of $2,724 and $2,792 as of June 30, 2011 and March 31, 2011, respectively	$ 227,276	$ 227,208

Convertible Notes, net of discount of $893 and $1,569 as of June 30, 2011 and March 31, 2011, respectively	36,673	39,012
Other	4,148	7,096
Total debt	268,097	273,316
Current maturities	(38,395)	(42,101)
Total long-term debt	$ 229,702	$ 231,215

The line item "Interest expense" on the Condensed Consolidated Statements of Operations for the quarters ended June 30, 2011 and 2010, is as follows (amounts in thousands):

	Quarters Ended June 30, 2011	Quarters Ended June 30, 2010
Contractual interest expense	$ 6,356	$ 5,534
Amortization of debt issuance costs	276	429
Amortization of debt discount	768	1,495
Total interest expense	$ 7,400	$ 7,458

10.5% Senior Notes

On May 5, 2010, the Company completed a private placement of $230.0 million in aggregate principal amount of the Company's 10.5% Senior Notes due 2018 (the "10.5% Senior Notes"). The private placement of the 10.5% Senior Notes resulted in proceeds to the Company of $222.2 million. The Company used a portion of the proceeds of the private placement to repay all of the outstanding indebtedness under the credit facility with K Financing, the EUR 60 million credit facility and EUR 35 million credit facility with UniCredit and the term loan with a subsidiary of Vishay Intertechnology, Inc. The Company used a portion of the remaining proceeds to fund a previously announced tender offer to purchase $40.5 million in aggregate principal amount of the 2.25% Convertible Senior Notes (the "Convertible Notes") and to pay costs incurred in connection with the private placement, the tender offer and the foregoing repayments. Debt issuance costs related to the 10.5% Senior Notes, net of amortization, were $5.9 million as of June 30, 2011; these costs will be amortized over the term of the 10.5% Senior Notes.

On October 26, 2010, the Company filed a Form S-4 to offer, in exchange for the outstanding 10.5% Senior Notes due 2018 ("Old Notes"), up to $230.0 million in aggregate principal amount of 10.5% Senior Notes due 2018 and the guarantees thereof which have been registered under the Securities Act of 1933, as amended. The Form S-4 was declared effective on December 14, 2010 and on January 13, 2011 the Company completed the exchange for all of the Old Notes.

The Company had interest payable related to the 10.5% Senior Notes included in the line item "Accrued expenses" on its Condensed Consolidated Balance Sheets of $4.0 million and $10.1 million at June 30, 2011 and March 31, 2011, respectively.

Revolving Line of Credit

On September 30, 2010, KEMET Electronics Corporation ("KEC") and KEMET Electronics Marketing (S) Pte Ltd. ("KEMET Singapore") (each a "Borrower" and, collectively, the "Borrowers") entered into a Loan and Security Agreement (the "Loan and Security Agreement"), with Bank of America, N.A, as the administrative agent and the initial lender. The Loan and Security Agreement provides a $50 million revolving line of credit, which is bifurcated into a U.S. facility (for which KEC is the Borrower) and a Singapore facility (for which KEMET Singapore is the Borrower). The size of the U.S. facility and Singapore facility can fluctuate as long as the Singapore facility does not exceed $30 million and the total facility does not exceed $50 million. A portion of the U.S. facility and of the Singapore facility can be used to issue letters of credit. The facilities expire on September 30, 2014.

Debt issuance costs related to the Loan and Security Agreement, net of amortization, were $1.2 million and $1.3 million as of June 30, 2011 and March 31, 2011, respectively. These costs will be amortized over the term of the Loan and Security Agreement. There were no borrowings against the Loan and Security Agreement as of June 30, 2011 or March 31, 2011.

Convertible Notes

In November 2006, the Company sold and issued its 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes") which are unsecured obligations and rank equally with the Company's existing and future unsubordinated and unsecured obligations and are junior to any of the Company's future secured obligations to the extent of the value of the collateral securing such obligations. In connection with the issuance and sale of the Convertible Notes, the Company entered into an indenture (the "Convertible Notes Indenture") dated as of November 1, 2006, with Wilmington Trust Company, as trustee.

The Convertible Notes bear interest at a rate of 2.25% per annum, payable in cash semi-annually in arrears on each May 15 and November 15. The Convertible Notes are convertible into (i) cash in an amount equal to the lesser of the principal amount of the Convertible Notes and the conversion value of the Convertible Notes on the conversion date and (ii) cash or shares of the Company's common stock ("Common Stock") or a combination of cash and shares of the Common Stock, at the Company's option, to the extent

the conversion value at that time exceeds the principal amount of the Convertible Notes, at any time prior to the close of business on the business day immediately preceding the maturity date of the Convertible Notes, unless the Company has redeemed or purchased the Convertible Notes, subject to certain conditions. The conversion rate was 34.364 shares of common stock per $1,000 principal amount of the Convertible Notes, which represents a conversion price of approximately $29.1 per share, subject to adjustments. The Convertible Notes are currently not convertible.

The terms of the Convertible Notes are governed by the Convertible Notes Indenture. The Convertible Notes mature on November 15, 2026 unless earlier redeemed, repurchased or converted. The Company may redeem the Convertible Notes for cash, either in whole or in part, anytime after November 20, 2011 at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest, including additional interest, if any, up to but not including the date of redemption. In addition, holders of the Convertible Notes will have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes on November 15, 2011, 2016 and 2021, at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, if any, in each case, up to but not including, the date of repurchase. Currently there is $37.6 million of Convertible Notes outstanding.

On May 17, 2010, $40.5 million in aggregate principal amount of the Convertible Notes was extinguished. The extinguishment resulted in $1.6 million loss on early extinguishment of debt. The calculation of the loss is as follows (amounts in thousands):

Reacquisition price:		
Cash paid	$	37,867
Tender offer fees		207
		38,074
Extinguished debt:		
Carrying amount of debt		36,770
Unamortized debt cost		(248)
		36,522
Net loss	$	(1,552)

Platinum Credit Facility

On May 5, 2009, the Company executed a credit facility with K Financing, an affiliate of Platinum Equity Capital Partners II, L.P. (the "Platinum Credit Facility"). The Platinum Credit Facility consisted of a term loan of $37.8 million ("Platinum Term Loan"), a line of credit loan ("Platinum Line of Credit Loan") that could be borrowed from time to time (but not reborrowed after being repaid) of up to $12.5 million and a working capital loan ("Platinum Working Capital Loan") of up to $12.5 million. On May 5, 2010, the Platinum Term Loan, the Platinum Line of Credit Loan, and the Platinum Working Capital Loan were extinguished. The extinguishment of the Platinum Credit Facility resulted in a $33.3 million loss on early extinguishment of debt due to the significant debt discount allocated to the Platinum Credit Facility upon issuance. The calculation of the loss is as follows (amounts in thousands):

Reacquisition price:		
Cash paid	$	57,861
Success fee		5,000
		62,861
Extinguished debt:		
Carrying amount of debt		32,135
Carrying amount of success fee		2,001
Unamortized debt cost		(4,619)
		29,517
Net loss	$	(33,344)

UniCredit Credit Facility

As of March 31, 2010, the Company had two Senior Facility Agreements outstanding with UniCredit. As of March 31, 2010, Facility A had EUR 53.2 million ($71.7 million) outstanding and Facility B had EUR 33.0 million ($44.5 million) outstanding.

On May 5, 2010, Facility A and Facility B were extinguished. The extinguishment resulted in a $3.4 million loss on early extinguishment of debt. The calculation of the loss is as follows (amounts in thousands):

Reacquisition price:		
Cash paid	$	104,683
Extinguished debt:		
Carrying amount of debt		104,674
Unamortized debt cost		(3,343)
		101,331
Net loss	$	(3,352)

Note 3. Restructuring Charges

A summary of the expenses aggregated on the Condensed Consolidated Statements of Operations line item "Restructuring charges" in the quarters ended June 30, 2011 and 2010, is as follows (amounts in thousands):

	Quarters Ended June 30,			
	2011		2010	
Manufacturing relocation costs	$	747	$	1,438
Personnel reduction costs		278		354
Restructuring charges	$	1,025	$	1,792

Quarter Ended June 30, 2011

In the first quarter of fiscal year 2010, the Company initiated the first phase of a plan to restructure the Film and Electrolytic Business Group ("Film and Electrolytic") and to reduce overhead within the Company as a whole. The restructuring plan includes implementing programs to make the Company more competitive, removing excess capacity, moving production to lower cost locations and eliminating unnecessary costs throughout the Company. Restructuring charges in the quarter ended June 30, 2011 relate to this plan and are primarily comprised of manufacturing relocation costs of $0.7 million for relocation of equipment from Italy to Mexico and China. In addition, the Company incurred $0.3 million in personnel reduction costs due primarily to headcount reductions related to the Company's initiative to reduce overhead within the Company as a whole.

Quarter Ended June 30, 2010

Restructuring expenses in the quarter ended June 30, 2010 are primarily comprised of manufacturing relocation costs of $1.4 million for relocation of equipment from various plants to Mexico. In addition, the Company incurred $0.4 million in personnel reduction costs due primarily to headcount reductions within Film and

Electrolytic.

Reconciliation of restructuring liability

A reconciliation of the beginning and ending liability balances for restructuring charges included in the line items "Accrued expenses" and "Other non-current obligations" on the Condensed Consolidated Balance Sheets are as follows (amounts in thousands):

	Quarter Ended June 30, 2011		Quarter Ended June 30, 2010	
	Personnel Reductions	Manufacturing Relocations	Personnel Reductions	Manufacturing Relocations
Beginning of period	$ 1,827	$ —	$ 8,398	$ —
Costs charged to expense	278	747	354	1,438
Costs paid or settled	(377)	(747)	(1,490)	(1,438)
Change in foreign exchange	23	—	(566)	—
End of period	$ 1,751	$ —	$ 6,696	$ —

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Note 4. Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) for the quarters ended June 30, 2011 and 2010 includes the following components (amounts in thousands):

	Quarters Ended June 30,	
	2011	2010
Net income (loss)	$ 31,849	$ (20,099)
Amortization of postretirement benefit plan	(71)	(75)
Amortization of defined benefit pension plans	115	75
Currency translation gain (1)	3,105	10,774
Total net income (loss) and other comprehensive income (loss)	$ 34,998	$ (9,325)

(1) Due primarily to the Company's permanent re-investment assertion relating to foreign earnings, there was no significant deferred tax effect associated with the cumulative translation gains and losses during these two quarters.

The components of "Accumulated other comprehensive income" on the Condensed Consolidated Balance Sheets are as follows (amounts in thousands):

	June 30, 2011	March 31, 2011
Foreign currency translation gain	$ 30,180	$ 27,076
Defined benefit postretirement plan adjustments	2,041	2,111
Defined benefit pension plans	(6,517)	(6,632)
Accumulated other comprehensive income	$ 25,704	$ 22,555

Note 5. Goodwill and Intangible Assets

On June 13, 2011, the Company completed its acquisition of Cornell Dubilier Foil, LLC (whose name was subsequently changed to KEMET Foil Manufacturing, LLC), a Tennessee based manufacturer of etched foils utilized as a core component in the manufacture of electrolytic capacitors. The purchase price was $15 million plus or minus an adjustment amount, of which $11.6 million (net of cash received) was paid at closing and $1 million is to be paid on each of the first, second and third anniversaries of the closing date. As a result of the acquisition, the Company has preliminarily recorded goodwill of $1.1 million and amortizable intangibles of $1.7 million. The allocation of the purchase price to specific assets and liabilities was based on the relative fair value of all assets and liabilities. Factors contributing to the purchase price which resulted in the goodwill (which is tax deductible) include the trained workforce. Pro forma results are not presented because the acquisition was not material.

The following table highlights the Company's intangible assets (amounts in thousands):

	June 30, 2011		March 31, 2011	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Indefinite Lived Intangibles:				
Goodwill	$ 1,140	$ —	$ —	$ —
Trademarks	7,644	—	7,644	—
Unamortized Intangibles	8,784	—	7,644	—
Amortized Intangibles:				
Customer relationships, patents and other (3-18 years)	22,821	9,000	20,910	8,462
	$ 31,605	$ 9,000	$ 28,554	$ 8,462

The Company completed its annual impairment test on the indefinite lived intangible assets in the first quarter of fiscal year 2012 and concluded no impairment existed.

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Note 6. Segment and Geographic Information

The Company is organized into three business groups: the Tantalum Business Group ("Tantalum"), the Ceramic Business Group ("Ceramics"), and Film and Electrolytic Business Group. Each business group is responsible for the operations of certain manufacturing sites as well as all related research and development efforts. The sales and marketing functions are shared by the business groups and are allocated to each business group based on the business group's respective budgeted net sales. In addition, all corporate costs are allocated to the business groups based on the business group's respective budgeted net sales.

Tantalum

Tantalum operates in five manufacturing sites in the United States, Mexico, China, and Portugal. This business group produces tantalum and aluminum polymer capacitors. Tantalum shares with Ceramics the Company's product innovation center in the United States. Tantalum products are sold in all regions of the world.

Ceramics

Ceramics operates in two manufacturing sites in Mexico and a manufacturing site in China. The business group shares with Tantalum the Company's product innovation center in the United States. In addition, Ceramics maintains a design and manufacturing plant for electrical transformers, inductors, chokes, coils and filters in the United States. This business group produces ceramic capacitors. Ceramics products are sold in all regions of the world.

Film and Electrolytic

Film and Electrolytic operates in sixteen manufacturing sites in Europe, Asia and North America. This business group produces film, paper, and electrolytic capacitors. In addition, the business group has a product innovation center in Sweden. Film and Electrolytic products are sold in all regions in the world.

The following table reflects each business group's net sales, operating income (loss), depreciation and amortization expenses and sales by region for the quarters ended June 30, 2011 and 2010 (amounts in thousands):

	Quarters Ended June 30,	
	2011	2010
Net sales:		
Tantalum	$ 122,443	$ 113,568
Ceramics	59,378	54,324
Film and Electrolytic	108,035	75,902
	$ 289,856	$ 243,794
Operating income (loss) (1):		
Tantalum	$ 17,414	$ 17,506
Ceramics	10,860	11,030
Film and Electrolytic	12,568	(1)
	$ 40,842	$ 28,535
Depreciation and amortization expenses:		
Tantalum	$ 6,208	$ 8,318
Ceramics	1,803	2,269
Film and Electrolytic	3,148	3,923
	$ 11,159	$ 14,510
Sales by region:		
North and South America (Americas)	$ 72,759	$ 56,786
Europe, Middle East, Africa (EMEA)	102,712	86,372
Asia and Pacific Rim (APAC)	114,385	100,636
	$ 289,856	$ 243,794

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

	Quarters Ended June 30,	
	2011	2010
Total restructuring:		
Tantalum	$ 35	$ 457
Ceramics	38	94
Film and Electrolytic	952	1,241
	$ 1,025	$ 1,792

The following table reflects each business group's total assets as of June 30, 2011 and March 31, 2011 (amounts in thousands):

	June 30, 2011	March 31, 2011
Total assets:		
Tantalum	$ 412,251	$ 435,311
Ceramics	168,914	179,639
Film and Electrolytic	323,391	269,359
	$ 904,556	$ 884,309

Note 7. Defined Benefit Pension and Other Postretirement Benefit Plans

The Company sponsors defined benefit pension plans which include seven in Europe, one in Singapore and two in Mexico and a postretirement plan in the United States. Costs recognized for these benefit plans are recorded using estimated amounts, which may change as actual costs for the fiscal year are determined.

The components of net periodic benefit costs relating to the Company's pension and other postretirement benefit plans are as follows for the quarters ended June 30, 2011 and 2010 (amounts in thousands):

Pension		Postretirement Benefit Plans	
Quarters Ended June 30,		Quarters Ended June 30,	
2011	2010	2011	2010

Net service cost	$ 331	$ 266	$ —	$ —
Interest cost	533	457	14	16
Expected return on net assets	(175)	(164)	—	—
Amortization:				
Actuarial (gain) loss	96	31	(71)	(79)
Prior service cost	6	5	—	—
Total net periodic benefit (income) costs	$ 791	$ 595	$ (57)	$ (63)

In fiscal year 2012, the Company expects to contribute up to $4.5 million to the pension plans of which the Company has contributed $0.4 million as of June 30, 2011. The Company's policy is to pay benefits as costs are incurred for the postretirement benefit plans.

Note 8. Stock-based Compensation

Stock Options

At June 30, 2011, the Company had three stock option plans that reserved shares of common stock for issuance to executives and key employees: the 1992 Key Employee Stock Option Plan, the 1995 Executive Stock Option Plan, and the 2004 Long-Term Equity Incentive Plan. All of these plans were approved by the Company's stockholders. Collectively, these plans authorized the grant of up to 4.0 million shares of the Company's common stock. Options issued under these plans usually vest in one or two years and expire ten years from the grant date. Stock options granted to the Company's Chief Executive Officer on January 27, 2010 vest 50% on June 30, 2014 and 50% on June 30, 2015.

The compensation expense associated with stock-based compensation for the quarters ended June 30, 2011 and 2010 were recorded on the Condensed Consolidated Statements of Operations as follows (amounts in thousands):

	Quarters Ended June 30,	
	2011	2010
Cost of sales	$ 84	$ 38
Selling, general and administrative expenses	1,107	111
Total stock-based compensation expense	$ 1,191	$ 149

In the "Operating activities" section of the Condensed Consolidated Statements of Cash Flows, stock-based compensation expense was treated as an adjustment to Net income (loss) for the quarters ended June 30, 2011 and 2010. Approximately 9 thousand stock options were exercised in the quarter ended June 30, 2011. No stock options were exercised during the quarter ended June 30, 2010.

Restricted Stock

The Company grants shares of its common stock as restricted stock to members of the Board of Directors and the Chief Executive Officer. Restricted stock granted to the Board of Directors vests in one year while restricted stock granted to the Chief Executive Officer on January 27, 2010 vest 50% on June 30, 2014 and 50% on June 30, 2015. Once vested, restricted shares cannot be sold until 90 days after the Chief Executive Officer or the member of the Board of Directors resigns from his position. The contractual term on restricted stock is indefinite. In the second quarter of fiscal year 2011, 47 thousand shares of restricted stock were granted to the non-management members of the Board of Directors. As of June 30, 2011, unrecognized compensation costs related to the unvested restricted stock share based compensation arrangements granted was $0.4 million. The expense is to be recognized over the respective vesting periods.

2012/2013 LTIP

During the first quarter of fiscal year 2012, the Board of Directors of the Company approved the 2012/2013 LTIP , a new long-term incentive plan based upon the achievement of an Adjusted EBITDA target for the two-year period comprised of fiscal years ending in March 2012 and 2013. At the time of the award, participants will receive restricted shares of the Company's common stock of up to 100% of the award earned. The Company assesses the likelihood of meeting the Adjusted EBITDA financial metric on a quarterly basis and recorded expense of $0.7 million and the related liability is reflected in the line item "Additional paid-in capital" on the Condensed Consolidated Balance Sheets for the quarter ended June 30, 2011, based on this assessment. The Company will continue to monitor the likelihood of whether the Adjusted EBITDA financial metric will be realized and will adjust compensation expense to match expectations.

2011/2012 LTIP

During the first quarter of fiscal year 2011, the Board of Directors of the Company approved the 2011/2012 LTIP , a long-term incentive plan based upon the achievement of an Adjusted EBITDA target for the two-year period comprised of fiscal years ending in March 2011 and 2012. At the time of the award, participants will receive at least 10% of the award in restricted shares of the Company's common stock; and the remainder will be realized in cash. The Company assesses the likelihood of meeting the Adjusted EBITDA financial metric on a quarterly basis and recorded expense of $1.3 million in the quarter ended June 30, 2011, based on this assessment. As of June 30, 2011, the Company has accrued $5.6 million and the related liability is reflected in the line item "Accrued expenses" on the Condensed Consolidated Balance Sheets and $0.6 million in the line item "Additional paid-in capital" on the Condensed Consolidated Balance Sheets. The Company will continue to monitor the likelihood of whether the Adjusted EBITDA financial metric will be realized and will adjust compensation expense to match expectations.

2010/2011 LTIP

During the second quarter of fiscal year 2010, the Board of Directors of the Company approved the 2010/2011 LTIP, a long-term incentive plan based upon the achievement of an Adjusted EBITDA target for the two-year period comprised of fiscal years ending in March 2010 and 2011. At the time of the award and at the sole discretion of the Compensation Committee, participants may receive up to 15% of the award in restricted shares of the Company's common stock, and the remainder of the award will be realized in cash. The Company had accrued $4.5 million based upon this assessment and the related liability is reflected in the line item "Accrued expenses" on the Condensed Consolidated Balance Sheets and $0.5 million in the line item "Additional paid-in capital" on the Condensed Consolidated Balance Sheets.

Note 9. Income Taxes

During the first quarter of fiscal year 2012, the Company incurred $1.7 million of income tax expensewhich was comprised of $2.5 million of income tax expense from foreign operations, $0.1 million of state income tax expense, and a $0.9 million U.S. federal income tax benefit related to a prior year settlement. There was no U.S. federal income tax expense related to the current quarter earnings due to the utilization of net operating loss carryforward deductions and a valuation allowance on net deferred tax assets.

During the first quarter of fiscal year 2011, the net income tax expense of $1.3 million is comprised of a $1.2 million income tax expense related to foreign operations and $0.1 million of state income tax expense. No federal tax benefit was recognized from the loss on early extinguishment of debt due to the Company's position regarding its valuation allowances. The $1.2 million foreign income tax expense includes a $0.4 million tax expense as a result of a tax law change in Portugal.

Note 10. Reconciliation of Basic and Diluted Income (Loss) Per Common Share

The following table presents a reconciliation of basic EPS to diluted EPS (amounts in thousands, except per share data):

	Quarters Ended June 30,	
	2011	**2010**
Numerator:		
Net income (loss)	$ 31,849	$ (20,099)
Denominator:		
Weighted-average shares outstanding:		
Basic	39,452	27,045
Assumed conversion of employee stock options	365	—
Assumed conversion of Closing Warrant	12,521	—
Diluted	52,338	27,045
Net income (loss) per share:		
Basic	$ 0.81	$ (0.74)
Diluted	$ 0.61	$ (0.74)

Common stock equivalents that could potentially dilute net income per basic share in the future, but were not included in the computation of diluted earnings per share because the impact would have been antidilutive, are as follows (amounts in thousands):

	Quarters Ended June 30,	
	2011	**2010**
Assumed conversion of employee stock options	704	200
Assumed conversion of Closing Warrant	—	22,212

Note 11. Stockholders' Equity

On May 31, 2011, K Equity sold a portion of the Platinum Warrant to Deutsche Bank Securities Inc., in connection with an offering of 7.0 million shares of the Company's common stock, at a public offering price of $14.60 per share. K Equity retained the remaining portion of the warrant, representing the right to purchase 8.4 million shares of the Company's common stock.

At the July 27, 2011 annual meeting of stockholders, an amendment to the Company's Restated Certificate of Incorporation to reduce the number of authorized shares of common stock from 300,000,000 to 175,000,000 was approved. The amendment became effective August 1, 2011 pursuant to a Certificate of Amendment to the Company's Restated Certificate of Incorporation filed with the Secretary of State of Delaware.

Note 12. Concentrations of Risks

Sales and Credit Risk

The Company sells to customers globally. Credit evaluations of the Company's customers' financial condition are performed periodically, and the Company generally does not require collateral from its customers. One customer, TTI, Inc. accounted for over 10% of the Company's net sales in the quarters ended June 30, 2011 and 2010. There were no customers' accounts receivable balances exceeding 10% of gross accounts receivable at June 30, 2011 or March 31, 2011.

Electronics distributors are an important distribution channel in the electronics industry and accounted for 45% and 49% of the Company's net sales in the quarters ended June 30, 2011 and 2010, respectively. As a result of the Company's concentration of sales to electronics distributors, the Company may experience fluctuations in the Company's operating results as electronics distributors experience fluctuations in end-market demand or adjust their inventory stocking levels.

Employee Risks

As of June 30, 2011, KEMET had 11,100 employees, of which 600 are located in the United States, 5,600 in Mexico, 2,600 in Asia and 2,300 in Europe. The number of employees represented by labor organizations at KEMET locations in each of the following countries is: 4,600 hourly employees in Mexico (as required by Mexican law), 710 employees in Italy, 690 employees in Indonesia, 360 employees in Portugal, 250 employees in China, 280 employees in Bulgaria, 240 employees in Finland and 90 employees in Sweden. For fiscal year 2011 and the current fiscal year to date, the Company has not experienced any major work stoppages. Our labor costs in Mexico, Asia and various locations in Europe are denominated in local currencies, and a significant depreciation or appreciation of the United States dollar against the local currencies would increase or decrease our labor costs.

Note 13. Condensed Consolidating Financial Statements

The 10.5% Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior basis by certain of the Company's 100% owned domestic subsidiaries ("Guarantor Subsidiaries") and secured by a first priority lien on 51% of the capital stock of certain of our foreign restricted subsidiaries ("Non-Guarantor Subsidiaries"). The Company's Guarantor Subsidiaries and Non-Guarantor Subsidiaries are not consistent with the Company's business groups or geographic operations; accordingly this basis of presentation is not intended to present the Company's financial condition, results of operations or cash flows for any purpose other than to comply with the specific requirements for subsidiary guarantor reporting. We are required to present condensed consolidating financial information in order for the subsidiary guarantors of the Company's public debt to be exempt from reporting under the Securities Exchange Act of 1934, as amended.

Condensed consolidating financial statements for the Company's Guarantor Subsidiaries and Non-Guarantor Subsidiaries are presented in the following tables (amounts in thousands):

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Condensed Consolidating Balance Sheet
June 30, 2011
(Unaudited)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,531	$ 92,070	$ 35,397	$ —	$ 133,998
Accounts receivable, net	(4)	58,750	86,446	—	145,192
Intercompany receivable	175,049	120,883	179,149	(475,081)	—
Inventories, net	—	125,574	115,430	(535)	240,469
Prepaid expenses and other	208	14,501	17,873	—	32,582
Deferred income taxes	(339)	1,193	3,651	—	4,505
Total current assets	181,445	412,971	437,946	(475,616)	556,746
Property and equipment, net	47	92,060	224,431	—	316,538
Investments in subsidiaries	388,958	345,416	(5,686)	(728,688)	—
Intangible assets, net	—	11,222	11,383	—	22,605
Other assets	5,977	1,649	1,041	—	8,667
Long-term intercompany receivable	85,689	104,097	—	(189,786)	—
Total assets	$ 662,116	$ 967,415	$ 669,115	$ (1,394,090)	$ 904,556
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 36,673	$ —	$ 1,722	$ —	$ 38,395
Accounts payable, trade	40	38,119	56,711	—	94,870
Intercompany payable	630	342,764	132,222	(475,616)	—
Accrued expenses	4,550	25,231	48,597	—	78,378
Income taxes payable	(2,672)	2,792	4,279	—	4,399
Total current liabilities	39,221	408,906	243,531	(475,616)	216,042
Long-term debt, less current portion	227,276	—	2,426	—	229,702
Other non-current obligations	—	6,003	49,355	—	55,358
Deferred income taxes	(339)	2,015	5,820	—	7,496
Long-term intercompany payable	—	85,689	104,097	(189,786)	—
Stockholders' equity	395,958	464,802	263,886	(728,688)	395,958
Total liabilities and stockholders' equity	$ 662,116	$ 967,415	$ 669,115	$ (1,394,090)	$ 904,556

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Condensed Consolidating Balance Sheet
March 31, 2011

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,417	$ 119,326	$ 26,308	$ —	$ 152,051
Accounts receivable, net	—	65,257	95,451	—	160,708
Intercompany receivable	190,973	176,233	197,329	(564,535)	—
Inventories, net	—	113,908	92,830	(298)	206,440
Prepaid expenses and other	302	10,418	7,300	—	18,020
Deferred income taxes	(596)	1,373	4,524	—	5,301
Total current assets	197,096	486,515	423,742	(564,833)	542,520
Property and equipment, net	122	82,962	227,328	—	310,412
Investments in subsidiaries	347,997	333,801	(5,686)	(676,112)	—
Intangible assets, net	—	8,666	11,426	—	20,092
Other assets	6,160	4,095	1,030	—	11,285
Long-term intercompany receivable	84,231	102,324	—	(186,555)	—
Total assets	$ 635,606	$ 1,018,363	$ 657,840	$ (1,427,500)	$ 884,309
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 39,012	$ —	$ 3,089	$ —	$ 42,101
Accounts payable, trade	40	32,762	58,195	—	90,997
Intercompany payable	732	419,043	145,058	(564,833)	—
Accrued expenses	10,837	31,330	46,124	—	88,291
Income taxes payable	(1,380)	1,434	4,211	—	4,265
Total current liabilities	49,241	484,569	256,677	(564,833)	225,654
Long-term debt, less current portion	227,208	—	4,007	—	231,215
Other non-current obligations	—	7,989	51,738	—	59,727

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Deferred income taxes	(596)	2,169	6,387	—	7,960
Long-term intercompany payable	—	84,231	102,324	(186,555)	—
Stockholders' equity	359,753	439,405	236,707	(676,112)	359,753
Total liabilities and stockholders' equity	$ 635,606	$ 1,018,363	$ 657,840	$ (1,427,500)	$ 884,309

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Condensed Consolidating Statement of Operations
For the Quarter Ended June 30, 2011
(Unaudited)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net sales	$ —	$ 269,687	$ 280,022	$ (259,853)	$ 289,856
Operating costs and expenses:					
Cost of sales	162	226,408	234,568	(250,634)	210,504
Selling, general and administrative expenses	11,449	15,715	12,094	(8,982)	30,276
Research and development	—	5,027	2,059	—	7,086
Restructuring charges	—	481	544	—	1,025
Net (gain) loss on sales and disposals of assets	3	19	101	—	123
Total operating costs and expenses	11,614	247,650	249,366	(259,616)	249,014
Operating income (loss)	(11,614)	22,037	30,656	(237)	40,842
Interest income	(4)	(17)	(22)	—	(43)
Interest expense	7,103	74	223	—	7,400
Other (income) expense, net	(11,544)	7,987	3,393	69	(95)
Equity in earnings of subsidiaries	(38,080)	—	—	38,080	—
Income before income taxes	30,911	13,993	27,062	(38,386)	33,580
Income tax expense	(938)	603	2,066	—	1,731
Net income	$ 31,849	$ 13,390	$ 24,996	$ (38,386)	$ 31,849

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Condensed Consolidating Statement of Operations
For the Quarter Ended June 30, 2010
(Unaudited)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net sales	$ —	$ 229,189	$ 248,179	$ (233,574)	$ 243,794
Operating costs and expenses:					
Cost of sales	—	181,304	224,808	(223,226)	182,886
Selling, general and administrative expenses	8,689	13,268	12,409	(10,151)	24,215
Research and development	—	4,322	1,709	—	6,031
Restructuring charges	—	1,532	260	—	1,792
Net (gain) loss on sales and disposals of assets	—	24	311	—	335
Total operating costs and expenses	8,689	200,450	239,497	(233,377)	215,259
Operating income (loss)	(8,689)	28,739	8,682	(197)	28,535
Other (income) expense, net	42,683	9,203	(4,298)	(229)	47,359
Equity in earnings of subsidiaries	(31,273)	—	—	31,273	—
Income before income taxes	(20,099)	19,536	12,980	(31,241)	(18,824)
Income tax expense	—	67	1,176	32	1,275
Net income (loss)	$ (20,099)	$ 19,469	$ 11,804	$ (31,273)	$ (20,099)

Condensed Consolidating Statement of Cash Flows
For the Quarter Ended June 30, 2011
(Unaudited)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Sources (uses) of cash and cash equivalents					
Net cash provided by (used in) operating activities	$ 3,114	$ (11,943)	$ 14,157	$ —	$ 5,328
Investing activities:					
Capital expenditures	(1)	(3,700)	(2,037)	—	(5,738)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Acquisition, net of cash received	—	(11,584)	—	—	(11,584)
Net cash used in investing activities	(1)	(15,284)	(2,037)	—	(17,322)
Financing activities:					
Payments of long-term debt	(3,015)	—	—	—	(3,015)
Net payments under other credit facilities	—	—	(3,081)	—	(3,081)
Debt issuance costs	—	(29)	—	—	(29)
Proceeds from exercise of stock options	16	—	—	—	16
Net cash used in financing activities	(2,999)	(29)	(3,081)	—	(6,109)
Net increase (decrease) in cash and cash equivalents	114	(27,256)	9,039	—	(18,103)
Effect of foreign currency fluctuations on cash	—	—	50	—	50
Cash and cash equivalents at beginning of fiscal period	6,417	119,326	26,308	—	152,051
Cash and cash equivalents at end of fiscal period	$ 6,531	$ 92,070	$ 35,397	$ —	$ 133,998

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Condensed Consolidating Statement of Cash Flows
For the Quarter Ended June 30, 2010
(Unaudited)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Sources (uses) of cash and cash equivalents					
Net cash provided by (used in) operating activities	$ (14,885)	$ 7,481	$ 11,342	$ —	$ 3,938
Investing activities:					
Capital expenditures	—	(2,363)	(4,494)	—	(6,857)
Net cash used in investing activities	—	(2,363)	(4,494)	—	(6,857)
Financing activities:					
Proceeds from issuance of debt	226,975	—	—	—	226,975
Payments of long-term debt	(210,604)	(15,000)	(2,940)	—	(228,544)
Net payments under other credit facilities	—	—	(1,688)	—	(1,688)
Debt issuance costs	(6,593)	—	—	—	(6,593)
Debt extinguishment costs	(207)	—	—	—	(207)
Net cash provided by (used in) financing activities	9,571	(15,000)	(4,628)	—	(10,057)
Net increase in cash and cash equivalents	(5,314)	(9,882)	2,220	—	(12,976)
Effect of foreign currency fluctuations on cash	—	—	(255)	—	(255)
Cash and cash equivalents at beginning of fiscal period	11,602	54,707	12,890	—	79,199
Cash and cash equivalents at end of fiscal period	$ 6,288	$ 44,825	$ 14,855	$ —	$ 65,968

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should", "would" and "could" are intended to identify such forward-looking statements. Readers of this report should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Part I, Item 1A of our 2011 Annual Report. The statements are representative only as of the date they are made, and we undertook no obligation to update any forward-looking statement.

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

Factors that may cause actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, the following: (i) adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate; (ii) adverse economic conditions could cause the write down of long-lived assets; (iii) an increase in the cost or a decrease in the availability of our principal raw materials; (iv) changes in the competitive environment; (v) uncertainty of the timing of customer product qualifications in heavily regulated industries; (vi) economic, political, or regulatory changes in the countries in which we operate; (vii) difficulties, delays or unexpected costs in completing the restructuring plan; (viii) inability to attract, train and retain effective employees and management; (ix) inability to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (x) exposure to claims alleging product defects; (xi) the impact of laws and regulations that apply to our business, including those relating to environmental matters; (xii) volatility of financial and credit markets affecting our access to capital; (xiii) needing to reduce the total costs of our products to remain competitive; (xiv) potential limitation on the use of net operating losses to offset possible future taxable income; (xv) restrictions in our debt agreements that limit our flexibility in operating our business; (xvi) additional exercise of the warrant by K Equity which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions; and (xvii) recent events in Japan could negatively impact our sales and supply chain.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and could cause actual results to differ materially from those included, contemplated or implied by the forward-looking statements made in this report, and the reader should not consider the above list of factors to be a complete set of all potential risks or uncertainties.

ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of financial condition and results of operations are based on the unaudited condensed consolidated financial statements included herein. Our significant accounting policies are described in Note 1 to the consolidated financial statements in our 2011 Annual Report. Our critical accounting policies are described under the caption "Critical Accounting Policies" in Item 7 of our 2011 Annual Report.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates, assumptions, and judgments. Estimates and assumptions are based on historical data and other assumptions that management believes are reasonable. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period.

Our judgments are based on management's assessment as to the effect certain estimates, assumptions, or future trends or events may have on the financial condition and results of operations reported in the unaudited condensed consolidated financial statements. It is important that readers of these unaudited financial statements understand that actual results could differ from these estimates, assumptions, and judgments.

Business Overview

We are a leading global manufacturer of a wide variety of capacitors. Our product offerings include tantalum, multilayer ceramic, solid and electrolytic aluminum and film and paper capacitors. Capacitors are fundamental components of most electronic circuits and are found in communication systems, data processing equipment, personal computers, cellular phones, automotive electronic systems, defense and aerospace systems, consumer electronics, power management systems and many other electronic devices and systems. Capacitors are typically used to filter out interference, smooth the output of power supplies, block the flow of direct current while allowing alternating current to pass and for many other purposes. We manufacture a broad line of capacitors in many different sizes and configurations using a variety of raw materials. Our product line consists of over 250,000 distinct part configurations distinguished by various attributes, such as dielectric (or insulating) material, configuration, encapsulation, capacitance level and tolerance, performance characteristics and packaging. Most of our customers have multiple capacitance requirements, often within each of their products. Our broad product offering allows us to meet the majority of those needs independent of application and end use. In fiscal year 2011, we shipped approximately 35 billion capacitors and in the first quarter of fiscal year 2012, we shipped approximately 9 billion capacitors. We believe the medium-to-long term demand for the various types of capacitors we offer will continue to grow on a regional and global basis due to a variety of factors, including increasing demand for and complexity of electronic products, growing demand for technology in emerging markets and the ongoing development of new solutions for energy generation and conservation.

We operate 23 production facilities and employ approximately 11,100 employees worldwide. We manufacture capacitors in Europe, Mexico, China, the United States and Indonesia. Commodity manufacturing in the United States has been substantially relocated to our lower-cost manufacturing facilities in Mexico and China. Production that remains in the United States focuses primarily on early-stage manufacturing of new products and other specialty products for which customers are predominantly located in North America. For the first quarter of fiscal year 2012 and for fiscal year 2011, our consolidated sales were $289.9 million and $1,018.5 million, respectively.

We are organized into three business groups: Tantalum, Ceramics, and Film and Electrolytic. Each business group is responsible for the operations of certain manufacturing sites as well as all related research and development efforts. The sales and marketing functions are shared by each of the business groups and the costs of which are allocated to the business groups. In addition, all corporate costs are allocated to the business groups.

Our Competitive Strengths

We believe that we benefit from the following competitive strengths:

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

Breadth of Our Diversified Product Offering and Markets. We believe that we have the most complete line of primary capacitor types, across a full spectrum of dielectric materials including tantalum, ceramic, solid and electrolytic aluminum, film and paper. As a result, we believe we can satisfy virtually all of our customers' capacitance needs, thereby strengthening our position as their supplier of choice. We sell our products into a wide range of different end markets, including computing, industrial, telecommunications, transportation, consumer, defense and healthcare markets across all geographic regions. No single end market segment accounted for more than 30% and only one customer, TTI, Inc., accounted for more than 10% of our net sales in fiscal year 2011. Our largest customer is a distributor, and no single end use customer accounted for more than 5% of our net sales in fiscal year 2011. We believe that well-balanced product, geographic and customer diversification helps us mitigate some of the negative financial impact through economic cycles.

Leading Market Positions and Operating Scale. Based on net sales, we believe that we are the largest manufacturer of tantalum capacitors in the world and one of the largest manufacturers of direct current film capacitors in the world and have a significant market position in the specialty ceramics and custom wet aluminum electrolytic markets. We believe that our leading market positions and operating scale allow us to realize production efficiencies, leverage economies of scale and capitalize on growth opportunities in the global capacitor market.

Strong Presence in Specialty Products. We engage in design collaboration with our customers in order to meet their specific needs and provide them with customized products satisfying their engineering specifications. During the first quarters of fiscal years 2012 and 2011, respectively, specialty products accounted for 36.1% and 30.3% of our revenue. By allocating an increasing portion of our management resources and research and development investment to specialty products, we have established ourselves as one of the leading innovators in this fast growing emerging segment of the market, which includes healthcare, renewable energy, telecom infrastructure and oil and gas. For example, in August 2009, we were selected as one of thirty companies to receive a grant from the Department of Energy. Our $15.1 million award will enable us to produce film capacitors within the United States to support alternative energy products and emerging green technologies such as hybrid electric drive vehicles. Producing these parts in the United States will allow us to compete effectively in the alternative energy market in North America and South America. Construction was essentially complete as of the end of July 2011. In the second fiscal quarter of fiscal year 2012, we expect to begin running qualification samples and we expect to begin production in the third quarter of fiscal year 2012.

Low-Cost Production. We believe we have some of the lowest cost production facilities in the industry. Many of our key customers have relocated their production facilities to Asia, particularly China. We believe our manufacturing facilities in China have low production costs and are in close proximity to the large and growing Chinese market; in addition, we have the ability to increase capacity and change product mix to meet our customers' needs. We believe our operations in Mexico, which are our primary production facilities supporting our North American and, to a larger extent, European customers, are among the most cost-efficient in the world. In addition, we believe our manufacturing facility in Bulgaria has low production costs and we plan to expand our manufacturing to Macedonia which we believe will also have low production costs.

Our Brand. Founded by Union Carbide in 1919 as KEMET Laboratories, we believe that we have a reputation as a high quality, efficient and affordable partner that sets our customers' needs as the top priority. This has allowed us to successfully attract loyal clientele and enabled us to expand our operations and market share over the past few years. We believe our commitment to addressing the needs of the industry in which we operate has differentiated us from our competitors and established us as the "Easy-To-Buy-From" company.

Our People. We believe that we have successfully developed a unique corporate culture based on innovation, customer focus and commitment. We have a strong, highly experienced and committed team in each of our markets. Many of our professionals have developed unparalleled experience in building leadership positions in new markets, as well as successfully integrating acquisitions. Our 16 member executive management team has an average of over 12 years of experience with us and an average of over 25 years of experience in the manufacturing industry.

Business Strategy

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

One KEMET Campaign. We continue to focus on improving our business capabilities through various initiatives that all fall under our One KEMET campaign. The One KEMET campaign aims to ensure that we as a company are focused on the same goals and working with the same processes and systems to ensure consistent quality and service. This effort was launched to ensure that as we continue to grow we not only remain grounded in our core principles but that we use those principles, operating procedures and systems as the foundation from which to expand. These initiatives include our global Oracle software implementation which is proceeding on schedule, our Lean and Six Sigma culture evolution and our global customer accounts management system which is now in place and growing.

Develop Our Significant Customer Relationships and Industry Presence. We intend to continue to be responsive to our customers' needs and requirements and to make order entry and fulfillment easier, faster, more flexible and more reliable for our customers, by focusing on building products around customers' needs, by giving decision making authority to customer-facing personnel and by providing purpose-built systems and processes, such as our Easy-To-Buy-From order entry system.

Continue to Pursue Low-Cost Production Strategy. We continue to evaluate and are actively pursuing measures that will allow us to maintain our position as a low-cost producer of capacitors with facilities close to our customers. We have shifted and will continue to shift production to low cost locations in order to reduce material and labor costs. We plan to expand our manufacturing to Macedonia which we believe will have low production costs. Additionally, we are focused on developing more cost-efficient manufacturing equipment and processes, designing manufacturing plants for more efficient production and reducing work-in-process

("WIP") inventory by building products from start to finish in one factory. Furthermore, we continue to implement the Lean and Six Sigma methodology to drive towards zero product defects so that quality remains a given in the minds of our customers.

Leverage Our Technological Competence and Expand Our Leadership in Specialty Products. We continue to leverage our technological competence to introduce new products in a timely and cost-efficient manner and generate an increasing portion of our sales from new and customized solutions to meet our customers' varied and evolving capacitor needs as well as to improve financial performance. We believe that by continuing to build on our strength in the higher growth and higher margin specialty segments of the capacitor market, we will be well positioned to achieve our long-term growth objectives while also improving our profitability. During the first quarter of fiscal year 2012, we introduced 30,960 new products of which 2,011 were first to market, and specialty products accounted for 36.1% of our revenue over this period.

Further Expand Our Broad Capacitance Capabilities. We identify ourselves as "The Capacitance Company" and strive to be the supplier of choice for all our customers' capacitance needs across the full spectrum of dielectric materials including tantalum, ceramic, solid and electrolytic aluminum, film and paper. While we believe we have the most complete line of capacitor technologies across these primary capacitor types, we intend to continue to research and pursue additional capacitance technologies and solutions in order to maximize the breadth of our product offerings.

Selectively Target Complementary Acquisitions. We expect to continue to evaluate and pursue strategic acquisition opportunities, some of which may be significant in size, which would enable us to enhance our competitive position and expand our market presence. Our strategy is to acquire complementary capacitor and other related businesses that would allow us to leverage our business model, potentially including those involved in other passive components that are synergistic with our customers' technologies and our current product offerings. For example, on June 13, 2011, the Company completed its acquisition of Cornell Dubilier Foil, LLC (whose name was subsequently changed to KEMET Foil Manufacturing, LLC), a Tennessee based manufacturer of etched foils utilized as a core component in the manufacture of electrolytic capacitors.

Promote the KEMET Brand Globally. We are focused on promoting the KEMET brand globally by highlighting the high-quality and high reliability of our products and our superior customer service. We will continue to market our products to new and existing customers around the world in order to expand our business. We continue to be recognized by our customers as a leading global supplier. For example, in calendar year 2011, we received the "Supplier of the Year Award" from TTI, Inc. and from Arrow Electronics, Inc., both of which are electronics distributors.

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

Recent Developments and Trends

Net sales for the quarter ended June 30, 2011 were $289.9 million, which is an 18.9% increase over the same quarter last fiscal year and a 10.9% increase over the prior fiscal quarter ended March 31, 2011.

On May 31, 2011, K Equity sold a portion of the Platinum Warrant to Deutsche Bank Securities Inc., in connection with the offering of a total of 7.0 million shares of the Company's common stock, at a public offering price of $14.60 per share. K Equity retained the remaining portion of the warrant, representing the right to purchase 8.4 million shares of the Company's common stock.

On June 13, 2011, the Company completed its acquisition of Cornell Dubilier Foil, LLC (whose name was subsequently changed to KEMET Foil Manufacturing, LLC), a Tennessee based manufacturer of etched foils utilized as a core component in the manufacture of electrolytic capacitors. The purchase price was $15.0 million plus or minus an adjustment amount, of which $11.6 million (net of cash received) was paid at closing and $1.0 million is to be paid on each of the first, second and third anniversaries of the closing date. As a result of the acquisition, the Company has preliminarily recorded goodwill of $1.1 million and amortizable intangibles of $1.7 million. The allocation of the purchase price to specific assets and liabilities was based on the relative fair value of all assets and liabilities. Factors contributing to the purchase price which resulted in the goodwill (which is tax deductible) include the trained workforce.

In July 2011, we announced our plans to construct a new manufacturing facility in Skopje, Macedonia. This facility is a component of our long-term strategy of consolidating and maintaining manufacturing for our European customer base, while fulfilling our objective of lowering the cost structure associated with Film and Electrolytic. The initial facility will be 100,000 square feet of manufacturing and administrative office space and we expect to employ approximately 200 people when fully operational. The expected completion date of the facility is summer 2012. The investment in this new facility, including transferred assets, is expected to be approximately €12 million ($17 million). The cost of the facility construction during the Company’s current fiscal year is included in the previously announced capital plan for the year.

Outlook

Although we expect net sales will be stronger in the second quarter of fiscal year 2012 than the prior year, net sales are expected to decrease as compared to the first quarter of fiscal year 2012 due to the summer slow-down in Europe, distribution channel corrections and the impact we realized this quarter from the Japan tsunami will not repeat. Overall, we expect that the second quarter of fiscal year 2012 will have similar results as our fourth quarter of fiscal year 2011, however we anticipate slightly higher net sales but with margins declining slightly.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the First Quarter of Fiscal Year 2012 with the First Quarter of Fiscal Year 2011

The following table sets forth the operating income and certain components thereof for each of our business segments for the quarters ended June 30, 2011 and 2010, as well as the relative percentages that these amounts represent to total net sales. The table also sets forth certain other consolidated statement of operations data, as well as the relative percentages that these amounts represent to total net sales (amounts in thousands, except percentages):

	Quarters Ended			
	June 30, 2011		June 30, 2010	
	Amount	% to Total Sales	Amount	% to Total Sales
Net sales				
Tantalum	$ 122,443	42.2%	$ 113,568	46.6%
Ceramic	59,378	20.5%	54,324	22.3%
Film and Electrolytic	108,035	37.3%	75,902	31.1%
	$ 289,856	100.0%	$ 243,794	100.0%
Gross margin				
Tantalum	$ 32,800		$ 31,375	
Ceramic	18,737		17,961	
Film and Electrolytic	27,815		11,572	
	79,352	27.4%	60,908	25.0%
SG&A expenses				
Tantalum	11,958		10,328	
Ceramic	6,186		5,442	
Film and Electrolytic	12,132		8,445	
	30,276	10.4%	24,215	9.9%
R&D expenses				
Tantalum	3,344		2,978	
Ceramic	1,650		1,372	
Film and Electrolytic	2,092		1,681	
	7,086	2.4%	6,031	2.5%
Restructuring charges				
Tantalum	35		457	
Ceramic	38		94	
Film and Electrolytic	952		1,241	
	1,025	0.4%	1,792	0.7%
Loss on sales and disposals of assets				
Tantalum	49		106	
Ceramic	3		23	
Film and Electrolytic	71		206	
	123	—	335	0.1%
Operating income (loss)				
Tantalum	17,414		17,506	
Ceramic	10,860		11,030	
Film and Electrolytic	12,568		(1)	
	40,842	14.1%	28,535	11.7%
Other (income) expense, net	7,262	2.5%	47,359	19.4%

Income (loss) before income taxes	33,580	11.6%	(18,824)	-7.7%
Income tax expense	1,731	0.6%	1,275	0.5%
Net income (loss)	$ 31,849	11.0%	$ (20,099)	-8.2%

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Consolidated Comparison of the First Quarter of Fiscal Year 2012 with the First Quarter of Fiscal Year 2011

Net Sales

Net sales for the quarter ended June 30, 2011 were $289.9 million compared to $243.8 million in the first quarter of fiscal year 2011, an 18.9% increase due to an average increase in selling prices. Average selling prices for capacitors increased 22% due to both our ability to pass higher raw material costs on to our customers as well as a favorable shift in both region and product line mix. The increase in average selling price was offset by a 7% decrease in capacitor unit sales volume. In addition, Film and Electrolytic's machinery division increased net sales by 123% in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. Net sales for the first quarter of fiscal year 2012 improved by 10.9% when compared to the fourth quarter of fiscal year 2011 due to increases in both unit sales volume and average selling prices related to favorable region and product line mix shifts.

The following table reflects the percentage of net sales by region for the quarters ended June 30, 2011 and 2010:

	Quarters Ended June 30,	
	2011	2010
Americas	25%	23%
EMEA	35%	36%
APAC	40%	41%
	100%	100%

The following table reflects the percentage of net sales by channel for the quarters ended June 30, 2011 and 2010:

	Quarters Ended June 30,	
	2011	2010
Distributors	45%	49%
EMS	16%	14%
OEM	39%	37%
	100%	100%

Gross Margin

Our gross margin for the first quarter of fiscal year 2012 increased $18.4 million when compared to the first quarter of fiscal year 2011. The primary contributor to the higher gross margin was the increase in overall average selling prices. The increase in average selling prices is due to our ability to pass on higher raw material costs to our customers as well as a favorable shift in both region and product line mix. Gross margin as a percent of net sales improved to 27.4% of net sales in the first quarter of fiscal year 2012, up from 25.0% of net sales in the first quarter of fiscal year 2011. This improvement in gross margin as a percent of net sales is driven by Film and Electrolytic, whose gross margin increased to 25.7% in the first quarter of fiscal year 2012 compared to 15.2% in the first quarter of fiscal year 2011. Tantalum and Ceramic both show a decrease in gross margin as a percent of net sales in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011 due to increases in raw materials, labor and utility rates.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $30.3 million, or 10.4% of net sales for the first quarter of fiscal year 2012 compared to $24.2 million or 9.9% of net sales for first quarter of fiscal year 2011. The $6.1 million increase in SG&A expenses primarily consist of the following increases in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011: $2.3 million in selling expenses consistent with the increase in net sales, $1.6 million in professional fees primarily associated with acquisition related expenses and stock registration related fees, $0.9 million related to ERP integration costs, $0.5 million related to a favorable adjustment to benefit accruals recorded in fiscal year 2011 and $0.3 million related to marketing.

Research and Development

Research and development expenses were $7.1 million or 2.4% of net sales for the first quarter of fiscal year 2012, compared to $6.0 million, or 2.5% of net sales for the first quarter of fiscal year 2011. The 17.5% increase resulted from increased activities to ensure that products are available to support KEMET's growth and to meet customer needs. The growth in spending also reflects

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KEMET's increased focus on specialty product development which requires an increase in expense from sampling, tooling and testing.

Restructuring Charges

We incurred $1.0 million in restructuring charges in the first quarter of fiscal year 2012 compared to $1.8 million in restructuring charges for the first quarter of fiscal year 2011. The restructuring charges in the first quarter of fiscal year 2012 included $0.7 million for the relocation of equipment to Mexico and China. In addition, the Company incurred $0.3 million related to personnel reduction costs due primarily to headcount reductions related to the Company's initiative to reduce overhead within the Company as a whole. The restructuring charges in the first quarter of fiscal year 2011 included $1.4 million in charges for the relocation of equipment to Mexico and $0.4 million for reductions in workforce, primarily in Film and Electrolytic.

Operating Income

Operating income for the quarter ended June 30, 2011 was $40.8 million compared to $28.5 million for the quarter ended June 30, 2010. Gross margin for the first quarter of fiscal year 2012 increased $18.4 million as compared to the first quarter of fiscal year 2011, and restructuring charges decreased $0.8 million as compared to the first quarter of fiscal year 2011. In addition, the net loss on sales and disposals of assets decreased $0.2 million in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. These improvements were offset by the increase in operating expenses of $7.1 million.

Other (Income) Expense, net

Other (income) expense, net was a net expense of $7.3 million in the first quarter of fiscal year 2012 compared to $47.4 million in the first quarter of fiscal year 2011. The improvement is primarily due to the non-cash loss on the early extinguishment of debt of $38.2 million recognized in the first quarter of fiscal year 2011 which led to the significant increase in expenses when compared to fiscal year 2012. In addition, in the first quarter of fiscal year 2012 we recognized a $0.1 million foreign currency exchange gain as compared to a $1.3 million loss on foreign currency exchange in the first quarter of fiscal year 2011, primarily due to the change in the value of the Euro compared to the U.S. dollar. In addition, there was a $0.1 million decrease in net interest expense in the first quarter of fiscal year 2012 compared with the first quarter of fiscal year 2011.

Income Taxes

Our income tax expense for the first quarter of fiscal year 2012 was $1.7 million compared to a $1.3 million income tax expense for the first quarter of fiscal year 2011. Income tax expense for the first quarter of fiscal year 2012 was comprised of a $2.5 million of income tax expense from foreign operations, $0.1 million of state income tax expense, and a $0.9 million U.S. federal income tax benefit related to a prior year settlement. There was no U.S. federal income tax expense related to the first quarter of fiscal year 2012 earnings due to the utilization of net operating loss carryforward deductions and a valuation allowance on net deferred tax assets. The effective income tax rate for the first quarter of fiscal year 2012 was 5.2%.

During the first quarter of fiscal year 2011, we incurred $1.3 million of income tax expense which was comprised of $1.2 million of income tax expense from foreign operations and $0.1 million of state income tax expense.

Business Groups Comparison of the Quarter Ended June 30, 2011 with the Quarter Ended June 30, 2010

Tantalum

The table sets forth Net sales, Gross margin, Gross margin as a percentage of net sales, Operating income and Operating income as a percentage of net sales for our Tantalum business group for the quarters ended June 30, 2011 and 2010 (amounts in thousands, except percentages):

	Quarters Ended			
	June 30, 2011		June 30, 2010	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales	$ 122,443		$ 113,568	
Gross margin	32,800	26.8%	31,375	27.6%
Operating income	17,414	14.2%	17,506	15.4%

Net Sales

Net sales increased 7.8% during the first quarter of fiscal year 2012, as compared to the first quarter of fiscal year 2011. Average selling prices increased 32.1% for the first quarter of fiscal year 2012 as compared to the first quarter of fiscal year 2011. This was offset by an 18.4% decrease in unit sales volume during the first quarter of fiscal year 2012 as compared to the first quarter of fiscal year 2011. The increase in average selling prices is primarily due to our ability to increase sales prices to offset increases in tantalum raw material cost, as well as a favorable shift in regional sales to the Americas. The Americas' unit sales volume represented 27.7% of the total units sold in the first quarter of the fiscal year 2012 as compared to 26.3% in the same quarter of fiscal year 2011. Despite the reduction in unit sales volume, net sales for all three regions and sectors were strong, bolstered by the automotive, industrial, and green segments.

Gross Margin

Gross margin increased by $1.4 million during the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2010. Gross margin as a percentage to Tantalum net sales decreased to 26.8% in the first quarter of fiscal year 2012 as compared to 27.6% in the first quarter of fiscal year 2011. Despite our continued efforts to reduce costs through process engineering improvements and to pass raw material cost increases on to our customers, we were unable to completely offset the increase in raw material costs which resulted in a decrease in gross margin as a percentage to Tantalum net sales.

Operating Income

Operating income for the first quarter of fiscal year 2012 was $17.4 million compared to $17.5 million in the first quarter of fiscal year 2011. The $0.1 million decrease was attributable to an increase in selling, general and administrative, and research and development expenses ("operating expenses") of $2.0 million when comparing the first quarter of fiscal year 2012 to the first quarter of fiscal year 2011. This increase in operating expenses was offset by an increase in gross margin of $1.4 million, a $0.4 million decrease in restructuring charges and a $0.1 million decrease in the net loss on sales and disposals of assets in the first quarter of fiscal year 2012 as compared to the same quarter of fiscal year 2011.

Ceramics

The table sets forth Net sales, Gross margin, Gross margin as a percentage of net sales, Operating income and Operating income as a percentage of net sales for our Ceramics business group for the quarters ended June 30, 2011 and 2010 (amounts in thousands, except percentages):

	Quarters Ended			
	June 30, 2011		June 30, 2010	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales	$ 59,378		$ 54,324	
Gross margin	18,737	31.6%	17,961	33.1%
Operating income	10,860	18.3%	11,030	20.3%

Net Sales

Net sales increased by 9.3% during the first quarter of fiscal year 2012 as compared to the first quarter of fiscal year 2011, due to a favorable shift in region mix from Asia to Europe and Americas, and a favorable shift in product mix to higher priced products. Average selling prices increased 17.1% due primarily to region mix and product line mix effects. These increases were offset by a 6.0% decrease in unit sales volume during the first quarter of fiscal year 2012, as compared the first quarter of fiscal year 2011.

Gross Margin

Gross margin increased by $0.8 million during the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2010. The increase in gross margin is attributed to a favorable shift in region mix from Asia to Europe and Americas, and a favorable shift in product mix to higher priced products. However, gross margin as a percentage of Ceramic net sales decreased to 31.6% in the first quarter of fiscal year 2012 as compared to 33.1% in the first quarter of fiscal year 2011. The drivers of the gross margin percentage decline were increases in raw materials, labor and utility rates.

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Operating Income

Operating income for the first quarter of fiscal year 2012 decreased $0.2 million to $10.9 million compared to $11.0 million in the first quarter of fiscal year 2011. The $0.2 million decrease was attributable to an increase in operating expenses of $1.0 million when comparing the first quarter of fiscal year 2012 to the first quarter of fiscal year 2011. This increase in operating expenses was offset by an increase in gross margin of $0.8 million and a $0.1 million decrease in restructuring charges in the first quarter of fiscal year 2012 as compared to the same quarter of fiscal year 2011.

Film and Electrolytic

The table sets forth Net sales, Gross margin, Gross margin as a percentage of net sales, Operating income and Operating income (loss) as a percentage of net sales for our Film and Electrolytic business group for the quarters ended June 30, 2011 and 2010 (amounts in thousands, except percentages):

	Quarters Ended			
	June 30, 2011		June 30, 2010	
	Amount	% to Net Sales	Amount	% to Net Sales
Net sales	$ 108,035		$ 75,902	
Gross margin	27,815	25.7%	11,572	15.2%
Operating income (loss)	12,568	11.6%	(1)	—

Net Sales

Net sales increased from $75.9 million in the first quarter of fiscal year 2011 to $108.0 million in the first quarter of fiscal year 2012. There was a 25.8% increase in average selling prices related to capacitor sales in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011 due to a favorable shift in product line mix. However, the capacitor unit sales volume for the first quarter of fiscal year 2012 decreased 4.2% compared to the first quarter of fiscal year 2011. Capacitor sales were favorably impacted by $5.9 million related to foreign exchange. Film and Electrolytic's machinery division increased net sales by 123% in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. The improvement in Film and Electrolytic's machinery division's net sales is due primarily to an increase in unit sales volume as well as a $3.1 million benefit related to foreign exchange.

Gross Margin

Gross margin increased by $16.2 million or 140% in the quarter ended June 30, 2011 as compared to the quarter ended June 30, 2010. Film and Electrolytic's machinery division's increase in net sales resulted in a $5.2 million increase in gross margin. Gross margin as a percentage to Film and Electrolytic net sales increased to 25.7% in the first quarter of fiscal year 2012 as compared to 15.2% in the first quarter of fiscal year 2011. The improvement is due to the improvement in average selling prices and a favorable shift in product line mix.

Operating Income (Loss)

Operating income for the first quarter of fiscal year 2012 was $12.6 million as compared to breakeven in first quarter of fiscal year 2011. The improvement is primarily attributable to a $16.2 million increase in gross margin, a $0.3 million decrease in restructuring charges and a $0.1 million reduction in loss on sales and disposals of assets in the first quarter of fiscal year 2012 as compared to the first quarter of fiscal year 2011. Offsetting these improvements was a $4.1 million increase in operating expenses as compared to the first quarter of fiscal year 2011. Within the operating expenses increase, research and development costs increased $0.4 million to ensure that products are available to support our growth and to meet customer needs.

Liquidity and Capital Resources

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

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Issuance of 10.5% Senior Notes

On May 5, 2010, the Company completed a private placement of $230.0 million in aggregate principal amount of the Company's 10.5% Senior Notes due 2018 (the "10.5% Senior Notes"). The private placement of the 10.5% Senior Notes resulted in proceeds to us of $222.2 million. The Company used a portion of the proceeds of the private placement to repay all of the outstanding indebtedness under the credit facility with K Financing, the EUR 60 million credit facility and EUR 35 million credit facility with UniCredit and the term loan with a subsidiary of Vishay Intertechnology, Inc. ("Vishay"). The Company used a portion of the remaining proceeds to fund a previously announced tender offer to purchase $40.5 million in aggregate principal amount of the 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes") and to pay costs incurred in connection with the private placement, the tender offer and the foregoing repayments. Debt issuance costs related to the 10.5% Senior Notes, net of amortization, were $5.9 million as of June 30, 2011; these costs will be amortized over the term of the 10.5% Senior Notes.

On October 26, 2010, the Company filed a Form S-4 to offer, in exchange for the outstanding 10.5% Senior Notes due 2018 ("Old Notes"), up to $230.0 million in aggregate principal amount of 10.5% Senior Notes due 2018 and the guarantees thereof which have been registered under the Securities Act of 1933, as amended. The Form S-4 was declared effective on December 14, 2010, and on January 13, 2011 the Company completed the exchange for all of the Old Notes.

Revolving Line of Credit

On September 30, 2010, KEMET Electronics Corporation ("KEC") and KEMET Electronics Marketing (S) Pte Ltd. ("KEMET Singapore") (each a "Borrower" and, collectively, the "Borrowers") entered into a Loan and Security Agreement (the "Loan and Security Agreement"), with Bank of America, N.A, as the administrative agent and the initial lender. The Loan and Security Agreement provides a $50 million revolving line of credit, which is bifurcated into a U.S. facility (for which KEC is the Borrower) and a Singapore facility (for which KEMET Singapore is the Borrower). The size of the U.S. facility and Singapore facility can fluctuate as long as the Singapore facility does not exceed $30 million and the total facility does not exceed $50 million. A portion of the U.S. facility and of the Singapore facility can be used to issue letters of credit. The facilities expire on September 30, 2014. There were no borrowings against the Loan and Security Agreement as of June 30, 2011 or March 31, 2011.

Short Term Liquidity

Based on our current operating plans, we believe that cash generated from operations will be sufficient to cover our operating requirements for the next twelve months, including $64.7 million in principal and interest payments and expected capital expenditures in the range of $50 million to $60 million.

Our cash and cash equivalents decreased by $18.1 million for the first quarter of fiscal year 2012 as compared with a decrease of $13.2 million during the first quarter of fiscal year 2011.

The following table provides a summary of cash flows for the periods presented (amounts in thousands):

	Quarters Ended June 30, 2011	2010
Cash provided by operating activities	$ 5,328	$ 3,938
Cash used in investing activities	(17,322)	(6,857)
Cash used in financing activities	(6,109)	(10,057)
Effects of foreign currency fluctuations on cash	50	(255)
Net decrease in cash and cash equivalents	$ (18,053)	$ (13,231)

Operations

Cash provided by operating activities improved by $1.4 million in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. This improvement is primarily a result of a $10.3 million increase in cash flows related to operations (net income adjusted for non-cash items) and a $1.7 million increase in cash provided by operating assets for the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. Within operating assets cash provided by accounts receivables and other receivables increased by $28.1 million. Offsetting these improvements was a $24.9 million increase in cash used for inventories and $1.8 million in prepaid expenses and other current assets. For the first quarter of fiscal year 2012, the increase in inventories is primarily due to a build in Tantalum inventory as well as price increases in raw materials. In the first quarter of fiscal year 2011, we used $3.4 million in cash due to an increase in inventories. Also offsetting these improvements was an $11.3 million increase in cash used in operating liabilities primarily due to a decrease in accrued liabilities. The decrease in accrued liabilities is primarily due to an

increase in the interest and bonus payments made in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. The $38.2 million loss on early extinguishment of debt was a non-cash item and did not affect cash provided by operations in the first quarter of fiscal year 2011.

Investing

Cash used in investing activities increased $10.5 million in the first quarter of fiscal year 2012 compared to thefirst quarter of fiscal year 2011 due to $11.6 million used for the acquisition of Cornell Dubilier Foil, LLC in the first quarter of fiscal year 2012. Capital expenditures decreased $1.1 million in the first quarter of fiscal year 2012 compared to the first quarter of fiscal year 2011. The capital expenditure amount for the first quarter of fiscal year 2011 included EUR 2.1 million ($3.0 million) for the acquisition of land in Italy to be used as the site for a new manufacturing facility in order to consolidate our Italian operations. The remaining purchase price for the land in Italy will be paid in seven annual payments of EUR 489 thousand ($0.7 million) beginning on April 28, 2013.

Financing

Cash used in financing activities decreased $3.9 million in the first quarter of fiscal year 2012 as compared to thefirst quarter of fiscal year 2011. In the first quarter of fiscal year 2012, we used $6.1 million for payments on both long-term and short-term debt. Our next potential principal payment may occur November 15, 2011 when the Convertible Note holders have the right to require us to repurchase for cash all or a portion of the Convertible Notes outstanding of $37.6 million.

In the first quarter of fiscal year 2011, proceeds from the issuance of debt resulted from the private placement of our 10.5% Senior Notes. The proceeds of $182.5 million were used to repay all of the outstanding indebtedness under our credit facility with K Financing, our EUR 60 million credit facility and EUR 35 million credit facility with UniCredit and our term loan with Vishay. We used $38.1 million to retire $40.5 million in aggregate principal amount of our Convertible Notes and $6.6 million to pay costs incurred in connection with the private placement, the tender offer and the foregoing repayments. We made a principal payment related to UniCredit Facility A on April 1, 2010 for EUR 7.7 million ($10.4 million). The refinancing of our debt resulted in a reduction to our short-term debt of $26.5 million (as measured on May 5, 2010).

Commitments

Our commitments have not changed materially from those disclosed in our 2011 Annual Report.

Non-U.S. GAAP Financial Measures

To complement our Condensed Consolidated Statements of Operations and Cash Flows, we use non-U.S. GAAP financial measures of Adjusted operating income, Adjusted net income and Adjusted EBITDA. Management believes that Adjusted operating income, Adjusted net income and Adjusted EBITDA are complements to U.S. GAAP amounts and such measures are useful to investors. The presentation of these non-U.S. GAAP measures is not meant to be considered in isolation or as an alternative to net income as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity.

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

	Quarters Ended June 30, 2011	2010
Operating income	$ 40,842	$ 28,535
Adjustments:		
Restructuring charges	1,025	1,792
Stock-based compensation expense	1,191	149
Net loss on sales and disposals of assets	123	335
ERP integration costs	1,205	280

Stock registration related fees	204	—
Acquisition related fees	610	—
Total adjustments	4,358	2,556
Adjusted operating income	$ 45,200	$ 31,091

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

	Quarters Ended June 30,	
	2011	2010
Net income (loss)	$ 31,849	$ (20,099)
Adjustments:		
Restructuring charges	1,025	1,792
Amortization included in interest expense	1,044	1,924
Net loss on sales and disposals of assets	123	335
Net foreign exchange (gain) loss	(123)	1,272
Stock-based compensation expense	1,191	149
ERP integration costs	1,205	280
Stock registration related fees	204	
Acquisition related fees	610	—
Loss on early extinguishment of debt	—	38,248
Income tax impact of adjustments	(159)	(268)
Total adjustments	5,120	43,732
Adjusted net income	$ 36,969	$ 23,633

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

	Quarters Ended June 30,	
	2011	2010
Net income (loss)	$ 31,849	$ (20,099)
Adjustments:		
Income tax expense	1,731	1,275
Interest expense, net	7,357	7,437
Depreciation and amortization	11,159	14,510
Restructuring charges	1,025	1,792
Net foreign exchange (gain) loss	(123)	1,272
Stock-based compensation expense	1,191	149
Net loss on sales and disposals of assets	123	335
ERP integration costs	1,205	280
Stock registration related fees	204	—
Acquisition related fees	610	—
Loss on early extinguishment of debt	—	38,248
Total adjustments	24,482	65,298
Adjusted EBITDA	$ 56,331	$ 45,199

Adjusted operating income represents operating income, excluding adjustments which are outlined in the quantitative reconciliation provided above. We use Adjusted operating income to facilitate our analysis and understanding of our business operations and believe that Adjusted operating income is useful to investors because it provides a supplemental way to understand our underlying operating performance. Adjusted operating income should not be considered as an alternative to operating income or any other performance measure derived in accordance with U.S. GAAP.

Adjusted net income represents net income (loss), excluding adjustments which are more specifically outlined in the quantitative reconciliation provided above. We use Adjusted net income to evaluate our operating performance and believe that Adjusted net income is useful to investors because it provides a supplemental way to understand our underlying operating performance. Adjusted net income should not be considered as an alternative to net income (loss), operating income or any other performance measures derived in accordance with U.S. GAAP.

Adjusted EBITDA represents net income (loss) before income tax expense, interest expense, net, and depreciation and amortization expense, adjusted to exclude restructuring charges, net foreign exchange loss, stock registration related fees, ERP integration costs, stock-based compensation expense, net loss on sales and disposals of assets, acquisition related fees and loss on the early extinguishment of debt. We present Adjusted EBITDA as a supplemental measure of our performance and ability to service debt. We also present Adjusted EBITDA because we believe such measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

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

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

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

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

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

Off-Balance Sheet Arrangements

Other than operating lease commitments, we are not a party to any material off-balance sheet financing arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Impact of Recently Issued Accounting Standards

New accounting standards adopted

There were no accounting standards adopted in the first quarter of fiscal year 2012.

New accounting standards issued but not yet adopted

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material changes regarding the Company’s market risk position from the information included in the Company’s 2011 Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2011, an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of the Company’s 2011 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

Item 5. Other Information

At the July 27, 2011 annual meeting of stockholders, an amendment to the Company's Restated Certificate of Incorporation to reduce the number of authorized shares of common stock from 300,000,000 to 175,000,000 was approved. The amendment became effective August 1, 2011 pursuant to a Certificate of Amendment to the Company's Restated Certificate of Incorporation filed with the Secretary of State of Delaware.

Item 6. Exhibits

Exhibit 3.1 Second Restated Certificate of Incorporation of the Company

Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer

Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Officer

Exhibit 32.1 Section 1350 Certification - Principal Executive Officer

Exhibit 32.2 Section 1350 Certification - Principal Financial Officer

Exhibit 101 The following financial information from KEMET Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, is formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations for the quarters ended June 30, 2011 and 2010, (ii) Condensed Consolidated Balance Sheets at June 30, 2011, and March 31, 2011, (iii) Condensed Consolidated Statements of Cash Flows for the quarters ended June 30, 2011 and 2010, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 3, 2011

KEMET Corporation

/s/ WILLIAM M. LOWE, JR.
William M. Lowe, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
(Duly Authorized Officer)

EXHIBIT INDEX

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SECOND RESTATED CERTIFICATE OF INCORPORATION OF KEMET CORPORATION

ARTICLE ONE

The name of the Corporation is KEMET Corporation.

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle 19808. The name of the Corporation's registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware either alone or with others through wholly or partially owned subsidiaries, as a partner (limited or general) in any partnership, as a joint venturer in any joint venture, or otherwise.

ARTICLE FOUR

SECTION 1. The aggregate number of shares of stock which the Corporation has authority to issue is 185,000,000, consisting of 10,000,000 shares of Series Preferred Stock, par value $0.10 per share (the "Series Preferred Stock"), 175,000,000 shares of Common Stock, par value $0.01 per share (the "Common Stock"), and zero shares of Non-Voting Common Stock, par value $0.01 per share (the "Non-Voting Common Stock"). The Common Stock and the Non-Voting Common Stock are collectively referred to herein as the "Common Securities." All of such shares shall be issued as fully paid and non-assessable shares, and the holder thereof shall not be liable for any further payments in respect thereof.

A. Reverse Stock Split.

Each three (3) shares of the Common Stock issued and outstanding on November 5, 2010 shall automatically be combined into one (1) validly issued, fully paid and non-assessable share of Common Stock, without any action by the holder thereof, subject to the treatment of fractional interests as described below (the "Reverse Stock Split"). No certificates representing fractional shares of Common Stock shall be issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional share interests of Common Stock in connection with the Reverse Stock Split shall, with respect to such fractional interest, be entitled to receive cash, without interest, in lieu of fractional shares of Common Stock. Each certificate that prior to such combination represented shares of Common Stock ("Old Certificates") shall thereafter

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represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined.

SECTION 2. The preferences, limitations, designations and relative rights of the shares of each class and the qualifications, limitations or restrictions thereof shall be as follows:

A. Series Preferred Stock.

1. Authorization; Series; Provisions.

(a) The Board of Directors of the Corporation is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of the Series Preferred Stock in series, and by filing a certificate pursuant to the General Corporation Law of the State of Delaware, to establish from time to time the number of shares to be included in each such series and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

(b) The Series Preferred Stock may be issued from time to time in one or more series, the shares of each series to have such powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein or in a resolution or resolutions providing for the issuance of such series, adopted by the Board of Directors as hereinafter provided.

(c) Authority is hereby expressly granted to the Board of Directors, subject to the provisions of this Section 2, to authorize the issuance of one or more series of Series Preferred Stock, and with respect to each such series to fix by resolution or resolutions providing for the issuance of such series:

(i) the maximum number of shares to constitute such series and the distinctive designation thereof;

(ii) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(iii) the dividend rate, if any, on the shares of such series, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or on any other series of capital stock, and whether such dividends shall be cumulative or noncumulative;

(iv) whether the shares of such series shall be subject to redemption by the Corporation and, if made subject to redemption, the times, prices and other terms and conditions of such redemption;

(v) the rights of the holders or shares of such series upon the liquidation, dissolution or winding up of the Corporation;

(vi) whether or not the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or to other corporate purposes and the terms and provisions relative to the operation thereof;

(vii) whether or not the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes, or of any other series of the same class, and if so convertible or exchangeable, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;

(viii) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, Common Securities or any other class or classes of stock of the Corporation ranking junior to the shares of such series either as to dividends or upon liquidation;

(ix) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock (including additional shares of such series or of any other series or of any other class) ranking on a parity with or prior to the shares of such series as to dividends or distribution of assets on liquidation, dissolution or winding up; and

(x) any other preference and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as shall not be inconsistent with this Section 2.

2. Series Identical; Rank. All shares of any one series of Series Preferred Stock shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends, if any, thereon shall be cumulative; and all series shall rank equally and be identical in all respects, except as permitted by the foregoing provisions of paragraph 1(c) hereof; and all shares of Series Preferred Stock shall rank senior to the Common Securities both as to dividends and upon liquidation.

3. Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of any class or classes of stock of the Corporation ranking junior to the Series Preferred Stock upon liquidation, the holders of the shares of the Series Preferred Stock shall be entitled to receive payment at the rate fixed herein or in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series, plus (if dividends on shares of

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such series of Series Preferred Stock shall be cumulative) an amount equal to all dividends (whether or not earned or declared) accumulated to the date of final distribution to such holders; but they shall be entitled to no further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation or proceeds thereof, distributable among the holders of the shares of the Series Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full.

4. Voting Rights. Except as shall be otherwise stated and expressed herein or in the resolution or resolutions of the Board of Directors providing for the issue of any series and except as otherwise required by the laws of the State of Delaware, the holders of shares of Series Preferred Stock shall have, with respect to such shares, no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of stockholders.

5. Reacquired Shares. Shares of any Series Preferred Stock which shall be issued and thereafter acquired by the corporation through purchase, redemption, exchange, conversion or otherwise shall return to the status of authorized but unissued Series Preferred Stock unless otherwise provided in the resolution or resolutions of the Board of Directors.

6. Increase/Decrease in Authorized Shares of a Series. Unless otherwise provided in the resolution or resolutions of the Board of Directors providing for the issuance thereof, the number of authorized shares of stock of any such series may be increased or decreased (but not below the number of shares thereof outstanding) by resolution or resolutions of the Board of Directors. In case the number of shares of any such series of Series Preferred Stock shall be decreased, the shares representing such decrease shall, unless otherwise provided in the resolution or resolutions of the Board of Directors providing for the issuance thereof, resume the status of authorized but unissued Series Preferred Stock, undesignated as to series.

7. Series of Preferred Stock. The Company has designated a class of Preferred Stock known as the Junior Participating Preferred Stock, Series A, the terms of which are set forth in Exhibit A-1 attached hereto.

B. Common Securities.

Except as otherwise provided in this Section 2B of Article Four or as otherwise required by applicable law, all shares of Common Stock and Non-Voting Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions.

1. Voting Rights. Except as otherwise provided in this Section 2B of Article Four or as otherwise required by applicable law, holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Corporation, and the holders of Non-Voting Common Stock shall have no right to vote on any matters to be voted on by the stockholders of the Corporation; provided that the holders of Non-Voting Common Stock shall have the right to vote as a separate class on any merger or consolidation of the Corporation with or into another entity or entities, or

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any recapitalization or reorganization, in which shares of Non-Voting Common Stock would receive or be exchanged for consideration different on a per share basis from consideration received with respect to or in exchange for the shares of Common Stock or would otherwise be treated differently from shares of Common Stock in connection with such transaction, except that shares of Non-Voting Common Stock may, without such a separate class vote, receive or be exchanged for non-voting securities which are otherwise identical on a per share basis in amount and form to the voting securities received with respect to or exchanged for the Common Stock so long as (i) such non-voting securities are convertible into such voting securities on the same terms as the Non-Voting Common Stock is convertible into Common Stock and (ii) all other consideration is equal on a per share basis.

2. Dividends. Subject to the rights of each series of the Series Preferred Stock, dividends may be declared and paid or set apart for payment upon the Common Securities out of any assets or funds of the Corporation legally available for the payment of dividends, and the holders of Common Stock and Non-Voting Common Stock shall be entitled to participate in such dividends ratably on a per share basis; provided that (i) if dividends are declared which are payable in shares of Common Stock or Non-Voting Common Stock, dividends shall be declared which are payable at the same rate on both classes of Common Securities and the dividends payable in shares of Common Stock shall be payable to holders of that class of stock and the dividends payable in shares of Non-Voting Common Stock shall be payable to holders of that class of stock and (ii) if the dividends consist of other voting securities of the Corporation, the Corporation shall make available to each holder of Non-Voting Common stock, at such holder's request, dividends consisting of non-voting securities of the Corporation which are otherwise identical to the voting securities and which are convertible into or exchangeable for such voting securities on the same terms as the Non-Voting Common Stock is convertible into the Common Stock.

3. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after the holders of the Series Preferred Stock of each series shall have been paid in full the amounts to which they respectively shall be entitled in accordance with Section 2A of Article Four, the terms of any outstanding Series Preferred Stock and applicable law, or an amount sufficient to pay the aggregate amount to which the holders of the Series Preferred Stock of each series shall be entitled shall have been deposited with a bank or trust company having capital, surplus and undivided profits of at least Twenty-Five Million Dollars ($25,000,000) as a trust fund for the benefit of the holders of such Series Preferred Stock, the remaining net assets of the Corporation shall be distributed pro rata to the

holders of the Common Securities, to the exclusion of the holders of such Series Preferred Stock.

4. Conversion.

4A. Conversion of Non-Voting Common Stock.

(i) Upon the occurrence (or the expected occurrence as described in (iii) below) of any Conversion Event, each holder of Non-Voting Common Stock shall be entitled to convert into the same number of shares of Common Stock any or all of the shares of such holder's Non-Voting Common Stock being (or expected to be) distributed, disposed of or sold in connection with such Conversion Event, subject to the provision contained in subparagraph (iv) of this Section 4A of Article Four. Each holder of Non-Voting Common Stock shall also be entitled at any time to convert into the same number of shares of Common Stock any or all of the shares of such holder's Non-Voting Common Stock pursuant to the provisions of subparagraph (iv) of this Section 4A of Article Four.

(ii) For purposes of this Section 4A of Article Four, a "Conversion Event" shall mean (a) any public offering or public sale of securities of the Corporation (including a public offering registered under the Securities Act of 1933 and a public sale pursuant to Rule 144 of the Securities and Exchange Commission or any similar rule then in force), (b) any sale of securities of the Corporation to a person or group of persons (within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) if, after such sale, such person or group of persons in the aggregate would own or control securities which possess in the aggregate the ordinary voting power to elect a majority of the Corporation's directors (provided that such sale has been approved by the Corporation's Board of Directors or a committee thereof), (c) any sale of securities of the Corporation to a person or group of persons (within the meaning of the Exchange Act) if, after such sale, such person or group of persons in the aggregate would own or control securities of the Corporation (excluding any Non-voting Common Stock being converted and disposed of in connection with such Conversion Event) which possess in the aggregate the ordinary voting power to elect a majority of the Corporation's directors, (d) any sale of securities of the Corporation to a person or group of persons (within the meaning of the Exchange Act) if, after such sale, such person or group of persons would not, in the aggregate, own, control or have the right to acquire more than two percent (2%) of the outstanding securities of any class of voting securities of the Corporation, and (e) a merger, consolidation or similar transaction involving the Corporation if, after such transaction, a person or group of persons (within the meaning of the Exchange Act) in the aggregate would own or control securities which possess in the aggregate the ordinary voting power to elect a majority of the surviving corporation's directors (provided that the transaction has been approved by the Corporation's Board of Directors or a committee thereof). For purpose of this Section 4A of Article Four, "person" shall include any natural person and any corporation, partnership, joint venture, trust, unincorporated organization and any other entity or organization.

(iii) Each holder of Non-Voting Common Stock shall be entitled to convert shares of Non-Voting Common Stock in connection with any Conversion Event if such holder reasonably believes that such Conversion Event will be consummated, and a written request for conversion from any holder of Non-Voting Common Stock to the Corporation stating such holder's reasonable belief that a Conversion Event shall occur shall be conclusive and shall obligate the Corporation to effect such conversion in a timely manner so as to enable each such holder to participate in such Conversion Event. The Corporation will not cancel the shares of Non-Voting Common Stock so converted before the tenth day following such Conversion Event and will reserve such shares until such tenth day for reissuance in compliance with the next sentence. If any shares of Non-Voting Common Stock are converted into shares of Common Stock in connection with a Conversion Event and such shares of Common Stock are not actually distributed, disposed of or sold pursuant to such Conversion Event, such shares of Common Stock shall be promptly converted back into the same number of shares of Non-Voting Common Stock.

(iv) Each holder of Non-Voting Common Stock is entitled at any time to convert any or all of the shares of such holder's Non-Voting Common Stock into the same number of shares of Common Stock; provided that no holder of Non-Voting Common Stock is entitled to convert any share or shares of Non-Voting Common Stock to the extent that as a result of such conversion, such holder or its affiliates would directly or indirectly own, control or have power to vote or dispose of a greater quantity of securities of any kind issued by the Corporation than such holder and its affiliates are permitted to own, control or have power to vote or dispose of under any law or under any regulation, rule or other requirement of any governmental authority at any time applicable to such holder and its affiliates.

4B. Conversion Procedure.

(i) Unless otherwise provided in connection with a Conversion Event, each conversion of shares of Non-Voting Common Stock into shares of Common Stock shall be effected by the surrender of the certificate or certificates representing the shares to be converted at the principal office of the Corporation at any time during normal business hours, together with a written notice by the holder of such Non-Voting Common Stock stating that such holder desires to convert the shares, or a stated number of the shares, of such Non-Voting Common Stock represented by such certificate or certificates into shares of Common Stock and stating that upon such conversion such holder and its affiliates will not directly or indirectly own, control or have the power to vote or dispose of a greater quantity of securities of any kind issued by the Corporation than such holder and its affiliates are permitted to own, control or have the power to vote or dispose of under any applicable law, regulation, rule or other governmental requirement (and such statement will obligate the Corporation to issue such Common Stock). Each conversion shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates have been surrendered and such notice has been received, and at such time the rights of the holder of the converted Non-Voting Common Stock as such holder shall cease and the person or persons in whose name or names the certificate or certificates for shares of Common Stock are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(ii) Promptly after the surrender of certificates and the receipt of written notice, the Corporation shall issue and deliver in accordance with the surrendering holder's instructions (a) the certificate or certificates for the Common Stock issuable upon such conversion and (b) a certificate representing any Non-Voting Common Stock which was represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which was not converted.

(iii) The issuance of certificates for Common Stock upon conversion of Non-Voting Common Stock will be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of Common Stock.

(iv) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon the conversion of the Non-Voting Common Stock, such number of shares of Common Stock issuable upon the conversion of all outstanding Non-Voting Common Stock. All shares of Common Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which will be immediately transmitted by the Corporation upon issuance).

(v) The Corporation shall not close its books against the transfer of shares of Common Securities in any manner which would interfere with the timely conversion of any shares of Non-Voting Common Stock.

4C. Stock Splits. If the Corporation in any manner subdivides or combines the outstanding shares of one class of Common Securities, the outstanding shares of the other class of Common Securities shall be proportionately subdivided or combined in a similar manner.

5. Amendment and Waiver. No amendment or waiver of any provision of this Section 2B of Article Four which adversely affects the holders of the Non-Voting Common Stock hereunder shall be effective without the prior approval of the holders of a majority of the then outstanding Non-Voting Common Stock voting as a separate class.

C. General provisions.

1. Nonliquidating Events. A consolidation or merger of the Corporation with or into another corporation or corporations or a sale, whether for cash, shares of stock, securities or properties, or any combination thereof, of all or substantially all of the assets of the Corporation shall not be deemed or construed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Article Four.

2. No Preemptive Rights. No holder of Series Preferred Stock or Common Securities of the Corporation shall be entitled, as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class or series whatsoever or of securities convertible into stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration, or by way of dividend.

ARTICLE FIVE

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and the directors need not be elected by ballot unless required by the By-laws of the Corporation. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the By-laws of the Corporation.

ARTICLE SIX

Action shall be taken by the stockholders of the Corporation only at annual or special meetings of stockholders, and stockholders say not act by written consent. Special meetings of the Corporation may be called only as provided in the By-laws.

ARTICLE SEVEN

(a) Meetings of stockholders may be held within or without the state of Delaware, as the By-laws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation. The Board of Directors shall from time to time decide whether and to what extent and at what times and under what conditions and requirements the accounts and books of the Corporation, or any of them, except the stock book, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any books or documents of the Corporation except as conferred by the laws of the State of Delaware or as authorized by the Board of Directors.

(b) Directors elected by holders of stock of the Corporation entitled to vote generally in the election of directors may be removed at any time by a majority vote of such stockholders, provided that such removal may only be for cause. Directors elected by any class of stock, voting separately as a class, may be removed only by a majority vote of such class, voting separately as a class, so long as the voting power of such class shall continue, provided such removal may only be for cause.

ARTICLE EIGHT

(a) The number of directors of the Corporation, exclusive of directors, if any, to be elected by the holders of one or more series of Series Preferred stock, shall be not less than three (3) nor more than nine (9). Subject to such limitation, such number may be fixed by the By-Laws or by action of the stockholders or of the Board of Directors under the specific provisions of a by-law adopted by the stockholders or the Board of Directors under applicable law. The directors of the Corporation shall be divided into three classes, as nearly equal in number as practicable. The term of office of the first class shall expire at the first annual meeting of stockholders succeeding the initial classification of directors, the term of office of the second class shall expire at the second annual meeting succeeding such classification and the term of office of the third class shall expire at the third annual meeting succeeding such classification. At each annual meeting, directors to replace those whose terms of office expire at such annual meeting shall be elected to hold

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office until the third succeeding annual meeting or until his successor shall be elected and qualified, or until his or her earlier death, resignation or removal. If the number of directors is changed, the number of directorships shall be apportioned by the Board of Directors among the classes so as to make each class as nearly equal in size as practicable.

(b) Any vacancies of the Board of Directors occurring for any reason, or any newly created directorships resulting from any increase in the number of directors, shall be filled by the Board of Directors, the appointee to any such vacancy to serve for the unexpired portion of the term of the director whose leaving the board created the vacancy, and the appointee to any newly created directorship to be assigned by the board to such class of the board so as to make the classes as nearly equal in size as practicable.

ARTICLE NINE

SECTION 1. Vote Required for Certain Business Combinations.

A. Higher Vote for certain Business Combinations. In addition to any affirmative vote required by law or this certificate of Incorporation, and except as otherwise expressly provided in Section 2 of this Article Nine, any transaction or contract which involves or includes:

(1) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an interested Stockholder; or

(2) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of $50 million or more; or

(3) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $50 million or more; or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested stockholder; or

(5) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of Equity Security (as hereinafter defined) of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. such affirmative vote shall be required notwithstanding the fact that no vote may otherwise be required, or that a lesser percentage may be specified by law or in any agreement with any national securities exchange or this Certificate of Incorporation exclusive of this Article Nine.

SECTION 2. Higher Vote Not Required.

A. When Higher Vote is Not Required. The provisions of Section 1 of this Article Nine shall not be applicable to any particular Business Combination (as hereinafter defined), and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs (1) or (2) are met:

(1) The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined); or

(2) All of the following conditions shall have been met:

(a) The aggregate amount of the cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of Common Securities in such Business Combination shall be at least equal to the higher of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Securities acquired by it (A) within the two-year period immediately prior to the first public announcement of the terms of the proposed Business Combination (the "Announcement Date") or (B) in the transaction in which it became an interested Stockholder, whichever is higher; or

(ii) the Fair Market Value per share of Common Securities on the Announcement Date or on the date on which the Interested Stockholder became an Interested stockholder (such latter date is referred to in this Article Nine as the "Determination Date"), whichever is higher.

(b) The aggregate amount of the cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the higher of the following (it being intended that the requirements of this paragraph (2) (b) shall be required to be net with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (A) within the two-year period immediately prior to the Announcement Date or (B) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(c) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Securities) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it. The price determined in accordance with paragraph (2) (a) and (2) (b) of this Section 2 of Article Nine shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(d) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (i) except as approved by a Majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding stock having preference over the Common Securities as to dividends or upon liquidation; (ii) there shall have been (A) no reduction in the annual rate of dividends paid on the common Securities (except as necessary to reflect any subdivision of the Common Securities), except as approved by a majority of the Disinterested Directors, and (B) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Securities, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (iii) such Interested Stockholder shall not have become the beneficial owner of any additional shares of Voting Stock or securities convertible into Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(e) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the rules and regulations thereunder (or any subsequent provisions replacing the Exchange Act, rules or regulations) shall be mailed to stockholders of record of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to the Exchange Act or subsequent provisions).

SECTION 3. Definitions.

A. "Affiliate" or "Associate" shall have the respective meaning ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

B. A person is a "beneficial owner" of any Voting Stock:

(1) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns directly or indirectly; or

(2) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(3) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

C. "Business Combination" means any transaction or contract which is referred to in any one or more of clauses (1) through (5) of paragraph (A) of Section 1 of this Article Nine.

D. "Disinterested Director" means any member of the Board of Directors who is not an Affiliate of, or otherwise affiliated with, the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

E. "Equity Security" shall have the meaning ascribed to such term in Section 3(a) (11) of the Exchange Act.

F. "Fair Market Value" means: (1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange issues, or, if such stock is not quoted on the Composite Tape, or the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Disinterested Directors in good faith; and (2) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors.

G. "Interested Stockholder" means any person (other than (i) the Corporation, (ii) any Subsidiary or (iii) any stockholder who as of September 15, 1992 was then the beneficial owner, directly or indirectly, of Voting Stock) who or which:

(1) is the beneficial owner, directly or indirectly, of 20% or more of the voting power of the outstanding Voting Stock; or

(2) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 20% or more of the voting power of the then outstanding Voting Stock; or

(3) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended;

provided that in no event shall Citicorp Venture Capital, Ltd. or any of its Affiliates be deemed to be an Interested Stockholder for purposes of this Article Nine.

For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph G of this Section 3 of Article Nine, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph B of this Section 3 of Article Nine, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

H. "Person" shall mean any individual firm, corporation or other entity.

I. "Subsidiary" means any corporation of which a majority of any class of Equity Security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph G of this Section 3 of Article Nine, the term "Subsidiary" shall mean only a corporation of which a majority of each class of Equity Security is owned, directly or indirectly, by the Corporation.

J. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraphs A(2) (a) and A(2) (b) of Section 2 of this Article Nine shall include the shares of Common Securities and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

SECTION 4. Powers of the Board of Directors. The Board of Directors shall have the power to interpret all of the terms and provisions of this Article Nine, including, without limitation, and on the basis of information known to the Board of Directors after reasonable inquiry (1) whether a person is an Interested Stockholder, (2) the number of shares of Voting Stock beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $50 million or more.

SECTION 5. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article Nine shall be construed to relieve any Interested

Stockholder from any fiduciary obligation imposed by law.

SECTION 6. Amendment; Repeal; Etc. Notwithstanding any other provisions of this Certificate of Incorporation or the By-Laws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By-Laws or otherwise), the affirmative vote or consent of the holders of 80% or more of the outstanding Voting Stock voting together as a single class shall be required to amend or

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repeal, or adopt any provisions inconsistent with, this Article Nine or any provision hereof.

ARTICLE TEN

The Corporation shall indemnify each officer and director of the Corporation to the fullest extent permitted by applicable law for any and all liability arising out of or in connection with such person's status as an officer or director of the Corporation, except as may be otherwise provided in the Corporation's By-laws, and in furtherance hereof, the Board of Directors is expressly authorized to amend the Corporation's By-laws from time to time to give full effect hereto, notwithstanding possible self-interest of the directors in the action being taken. The modification or repeal of this Article Ten shall not adversely affect the right to indemnification of an officer or director hereunder with respect to any act or omission occurring prior to such modification or repeal.

ARTICLE ELEVEN

To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of this Corporation shall not be personally liable to the Corporation or its Stockholders for monetary damages for breach of fiduciary duty as a director. The modification or repeal of this Article Eleven shall not affect the restriction hereunder of a director's personal liability for any breach, act or omission occurring prior to such modification or repeal.

ARTICLE TWELVE

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

EXHIBIT A-1

**CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS
OF JUNIOR PARTICIPATING PREFERRED STOCK, SERIES A
OF
KEMET CORPORATION**

SECTION 1. Designation and Amount. The shares of such series shall be designated as "Junior Participating Preferred Stock, Series A" (the "Series A Preferred Stock") and the number of shares constituting such series shall be 120,000.

SECTION 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Securities (as referred to and defined in Article Four of the Restated Certificate) and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $25.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Securities or a subdivision of the outstanding shares of Common Securities (by reclassification or otherwise), declared on the Common Securities since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. The "Adjustment Number" shall initially be 1000. In the event the Corporation shall at any time after July 1, 1996 (i) declare or pay any dividend on the Common Securities payable in shares of Common Securities, (ii) subdivide the outstanding Common Securities into a greater number of shares or (iii) combine the outstanding Common Securities into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Securities outstanding immediately after such event and the denominator of which is the number of shares of Common Securities that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately

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after it declares a dividend or distribution on the Common Securities (other than a dividend payable in like shares of Common Securities); provided that, in the event no dividend or distribution shall have been declared on the Common Securities during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $25.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

SECTION 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Each share of Series A Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number (as adjusted from time to time pursuant to Section 2(A) hereof) on all matters submitted to a vote of the stockholders of the Corporation.

(B) Except as otherwise provided herein, in the Restated Certificate or by-laws, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, (1) the number of

Directors shall be increased by two, effective as of the time of election of such Directors as herein provided, and (2) the holders of Series A Preferred Stock and the holders of other Preferred Stock upon which these or like voting rights have been conferred and are exercisable (the "Voting Preferred Stock") with dividends in arrears equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect such two Directors.

(ii) During any default period, such voting right of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of at least one-third in number of the shares of Voting Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Voting Preferred Stock of such voting right.

(iii) Unless the holders of Voting Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Voting Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Voting Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the President, the Chief Executive Officer, an Executive Vice President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Voting Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Voting Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request or, in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Voting Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, after the holders of Voting Preferred Stock shall have exercised their right to elect Directors voting as a class, (x) the Directors so elected by the holders of Voting Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class or classes of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class or classes of stock shall include

Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Voting Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Voting Preferred Stock as a class shall terminate and (z) the number of Directors shall be such number as may be provided for in the Restated Certificate or By-Laws irrespective of any increase made pursuant to the provisions of paragraph (C) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Certificate or By-Laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

SECTION 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

SECTION 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received the greater of (i) $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, and (ii) an aggregate amount per share, equal to the Adjustment Number (as adjusted from time to time pursuant to Section 2(A) hereof) times the aggregate amount to be distributed per share to holders of Common Securities, or (B) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

SECTION 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock (or Common Securities, as the case may be) are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock then outstanding shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number (as adjusted from time to time pursuant to Section 2(A) hereof) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case

may be, into which or for which each share of Common Stock or respective Common Securities is changed or exchanged.

SECTION 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

SECTION 9. Amendment. The Second Restated Certificate of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Per-Olof Loof, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KEMET Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2011

/s/ PER-OLOF LOOF
Per-Olof Loof
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William M. Lowe, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of KEMET Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2011

/s/ WILLIAM M. LOWE, JR.
William M. Lowe, Jr.
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Per-Olof Loof, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of KEMET Corporation.

Date: August 3, 2011

/s/ PER-OLOF LOOF

Per-Olof Loof
Chief Executive Officer and Director

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. Section 1350 and are not being filed as part of this report or as a separate disclosure document.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, William M. Lowe, Jr., hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of KEMET Corporation.

Date: August 3, 2011

/s/ WILLIAM M. LOWE, JR.

William M. Lowe, Jr.
Executive Vice President and Chief Financial Officer

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. Section 1350 and are not being filed as part of this report or as a separate disclosure document.