

AVX Corp
Form 10-Q
November 07, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2012

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-7201

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

33-0379007
(IRS Employer ID No.)

1 AVX Boulevard Fountain Inn, South Carolina
(Address of principle executive offices)

29644
(Zip Code)

(864) 967-2150
(Registrant's phone number, including area code)

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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 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 5, 2012
Common Stock, par value \$0.01 per share	169,071,271

AVX CORPORATION

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AVX Corporation and Subsidiaries

Consolidated Balance Sheets (unaudited)

(in thousands, except per share data)

	March 31, 2012	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 395,284	\$ 481,546
Short-term investments in securities	418,133	405,673
Accounts receivable - trade, net	206,170	203,403
Accounts receivable - affiliates	1,883	2,265
Inventories	566,117	544,401
Income taxes receivable	14,988	75,490
Deferred income taxes	85,787	38,190
Prepaid and other	38,783	34,547
Total current assets	1,727,145	1,785,515
Long-term investments in securities	238,112	203,746
Property and equipment	1,449,981	1,434,763
Accumulated depreciation	(1,213,493)	(1,196,463)
	236,488	238,300
Goodwill	162,707	162,714
Intangible assets, net	78,221	76,025
Deferred income taxes - non-current	14,493	97,408
Other assets	10,846	11,040
Total Assets	\$ 2,468,012	\$ 2,574,748
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 43,719	\$ 41,374
Accounts payable - affiliates	60,078	59,421
Income taxes payable	13,815	6,178
Deferred income taxes	547	263
Accrued payroll and benefits	38,333	37,350
Accrued expenses	140,581	172,683
Total current liabilities	297,073	317,269
Pensions	22,337	17,846
Deferred income taxes - non-current	2,270	2,421
Other liabilities	25,579	261,323
Total Liabilities	347,259	598,859
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Preferred stock, par value \$.01 per share:		
Authorized, 20,000 shares; None issued and outstanding	-	-
Common stock, par value \$.01 per share:		

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Authorized, 300,000 shares; issued, 176,368 shares; outstanding, 169,600 and 169,071 shares at March 31 and September 30, 2012, respectively	1,764	1,764
Additional paid-in capital	349,474	350,309
Retained earnings	1,838,140	1,703,969
Accumulated other comprehensive income	19,363	13,347
Treasury stock, at cost:		
6,768 and 7,297 shares at March 31 and September 30, 2012, respectively	(87,988)	(93,500)
Total Stockholders' Equity	2,120,753	1,975,889
Total Liabilities and Stockholders' Equity	\$ 2,468,012	\$ 2,574,748

See accompanying notes to consolidated financial statements.

AVX Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Net sales	\$ 404,767	\$ 360,823	\$ 841,189	\$ 713,977
Cost of sales	293,949	291,898	605,712	576,095
Gross profit	110,818	68,925	235,477	137,882
Selling, general and administrative expenses	29,307	29,670	60,414	59,364
Environmental charge	-	-	-	266,250
Profit (loss) from operations	81,511	39,255	175,063	(187,732)
Other income (expense):				
Interest income	1,882	1,844	3,377	3,714
Other, net	(1,909)	(308)	(1,746)	(299)
Income (loss) before income taxes	81,484	40,791	176,694	(184,317)
Provision for (benefit from) income taxes	19,565	12,754	47,176	(75,570)
Net income (loss)	\$ 61,919	\$ 28,037	\$ 129,518	\$ (108,747)
Income (loss) per share:				
Basic	\$ 0.36	\$ 0.17	\$ 0.76	\$ (0.64)
Diluted	\$ 0.36	\$ 0.17	\$ 0.76	\$ (0.64)
Dividends declared	\$ 0.075	\$ 0.075	\$ 0.130	\$ 0.150
Weighted average common shares outstanding:				
Basic	169,968	169,221	170,053	169,374
Diluted	170,181	169,248	170,369	169,374

See accompanying notes to consolidated financial statements.

AVX Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Net income (loss)	\$ 61,919	\$ 28,037	\$ 129,518	\$ (108,747)
Other comprehensive income (loss), net of income taxes				
Foreign currency translation adjustment	(17,212)	11,111	(10,610)	(8,297)
Foreign currency cash flow hedges adjustment	537	429	758	1,442
Pension liability adjustment	80	616	572	839
Unrealized gain on available-for-sale securities	(289)	-	(250)	-
Other comprehensive income (loss), net of income taxes	(16,884)	12,156	(9,530)	(6,016)
Comprehensive income (loss)	\$ 45,035	\$ 40,193	\$ 119,988	\$ (114,763)

See accompanying notes to consolidated financial statements.

AVX Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Six Months Ended September 30,	
	2011	2012
Operating Activities:		
Net income (loss)	\$ 129,518	\$ (108,747)
Adjustment to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	23,556	21,430
Stock-based compensation expense	966	835
Deferred income taxes	1,144	(36,158)
Loss on sale of property, plant & equipment	34	86
Loss on available-for-sale securities	228	-
Changes in operating assets and liabilities:		
Accounts receivable	11,126	2,430
Inventories	(68,331)	18,798
Accounts payable and accrued expenses	(39,704)	25,746
Income taxes payable	9,106	(7,468)
Other assets	4,730	(58,875)
Other liabilities	(4,254)	236,528
Net cash provided by operating activities	68,119	94,605
Investing Activities:		
Purchases of property and equipment	(27,938)	(23,854)
Purchases of investment securities	(648,488)	(302,641)
Sales of available-for-sale securities	690	-
Redemptions of investment securities	529,190	349,570
Net cash provided by (used in) investing activities	(146,546)	23,075
Financing Activities:		
Dividends paid	(18,709)	(25,424)
Purchase of treasury stock	(4,459)	(5,512)
Proceeds from exercise of stock options	778	-
Excess tax benefit from stock-based payment arrangements	82	-
Net cash used in financing activities	(22,308)	(30,936)
Effect of exchange rate on cash	(595)	(482)
Increase (decrease) in cash and cash equivalents	(101,330)	86,262
Cash and cash equivalents at beginning of period	379,350	395,284
Cash and cash equivalents at end of period	\$ 278,020	\$ 481,546

See accompanying notes to consolidated financial statements.

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AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except per share data)

1. Basis of Presentation:

Our consolidated financial statements of AVX Corporation and its subsidiaries ("AVX" or the "Company") include all accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated. We have prepared the accompanying financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These consolidated financial statements are unaudited and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for the fair statement of the consolidated balance sheets, operating results, comprehensive income (loss), and cash flows for the periods presented. Operating results for the three and six month periods ended September 30, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2013 due to cyclical and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

Critical Accounting Policies and Estimates:

We have identified the accounting policies and estimates that are critical to our business operations and understanding our results of operations. Those policies and estimates can be found in Note 1, "Summary of Significant Accounting Policies", of the Notes to Consolidated Financial Statements and in "Critical Accounting Policies and Estimates", in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. During the three and six month periods ended September 30, 2012, there were no significant changes to any critical accounting policies or to the methodology used in determining estimates including those related to investment securities, revenue recognition, inventories, goodwill, intangible assets, property and equipment, income taxes, and contingencies.

New Accounting Standards

Effective April 1, 2012, we adopted Accounting Standards Update 2011-05, Presentation of Comprehensive Income, or ASU 2011-05, which revises the manner in which companies present comprehensive income. Under ASU 2011-05, companies may present comprehensive income, which is net income adjusted for the components of other comprehensive income, either in a single, continuous statement of comprehensive income or by using two separate but

consecutive statements. Regardless of the alternative chosen, companies must display adjustments for items reclassified from other comprehensive income into net income within the presentation of both net income and other comprehensive income. ASU 2011-05 requires retrospective application. The adoption affects only the display of those components of equity categorized as other comprehensive income and does not change existing recognition and measurement requirements that determine net earnings. The Company has elected to present two separate but consecutive statements.

Effective April 1, 2012, we adopted Accounting Standards Update 2011-12, which effectively deferred the changes in ASU 2011-05 that relate to the presentation of reclassifications out of accumulated other comprehensive income. Our adoption of ASU 2011-12 did not have any material effect on our consolidated financial statements.

Effective April 1, 2012, we adopted Accounting Standards Update 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which was intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The ASU also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The adoption of ASU 2011-08 did not have a material effect on our consolidated financial statements.

We have reviewed newly issued accounting pronouncements and concluded that they are either not applicable to our business or that no material effect is expected on our consolidated financial statements as a result of future adoption.

2. Earnings Per Share:

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the dilutive effect of potential common stock equivalents during the period. Stock options are the only common stock equivalents currently used in our calculation and are computed using the treasury stock method.

The table below represents the basic and diluted weighted average number of shares of common stock and potential common stock equivalents:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Net income (loss)	\$ 61,919	\$ 28,037	\$ 129,518	\$ (108,747)
Computation of Basic EPS:				
Weighted Average Shares Outstanding used in computing Basic EPS	169,968	169,221	170,053	169,374
Basic earnings (loss) per share	\$ 0.36	\$ 0.17	\$ 0.76	\$ (0.64)
Computation of Diluted EPS:				
Weighted Average Shares Outstanding	169,968	169,221	170,053	169,374
Effect of stock options	213	27	316	-
Weighted Average Shares used in computing Diluted EPS ⁽¹⁾	170,181	169,248	170,369	169,374
Diluted income (loss) per share	\$ 0.36	\$ 0.17	\$ 0.76	\$ (0.64)

(1) Common stock equivalents not included in the computation of diluted earnings per share because the impact would have been antidilutive were 3,768 shares and 3,957 shares for the three months ended September 30, 2011 and 2012,

respectively, and 7,628 and 3,883 for the six months ended September 30, 2011 and 2012, respectively. In addition, 53 shares that would have been dilutive if we had income were excluded from the computation of diluted earnings per share due to the Company's net loss position for the six months ended September 30, 2012.

3. Trade Accounts Receivable:

	March 31, 2012	September 30, 2012
Gross Accounts Receivable - Trade	\$ 228,396	\$ 224,112
Less:		
Allowances for doubtful accounts	720	814
Stock rotation and ship from stock and debit	14,327	14,473
Sales returns and discounts	7,179	5,422
Total allowances	22,226	20,709
Net Accounts Receivable - Trade	\$ 206,170	\$ 203,403

Charges related to allowances for doubtful accounts are charged to selling, general and administrative expenses. Charges related to stock rotation, ship from stock and debit, sales returns and sales discounts are reported as deductions from revenue.

	Three Months Ended September 30, 2011 2012		Six Months Ended September 30, 2011 2012	
Allowances for doubtful accounts:				
Beginning Balance	\$ 684	\$ 615	\$ 686	\$ 720
Charges	37	420	37	523
Applications	(71)	(221)	(73)	(429)
Ending Balance	\$ 650	\$ 814	\$ 650	\$ 814

	Three Months Ended September 30, 2011 2012		Six Months Ended September 30, 2011 2012	
Stock rotation and ship from stock and debit:				
Beginning Balance	\$ 13,430	\$ 14,898	\$ 13,340	\$ 14,327
Charges	6,809	7,933	14,649	17,082
Applications	(6,321)	(8,358)	(14,071)	(16,936)
Ending Balance	\$ 13,918	\$ 14,473	\$ 13,918	\$ 14,473

Three Months Ended September 30,	Six Months Ended September 30,
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	2011	2012	2011	2012
Sales returns and discounts:				
Beginning Balance	\$ 8,026	\$ 5,992	\$ 7,954	\$ 7,179
Charges	2,465	837	7,179	3,723
Applications	(2,888)	(1,439)	(7,530)	(5,435)
Translation and other	5	32	5	(45)
Ending Balance	\$ 7,608	\$ 5,422	\$ 7,608	\$ 5,422

4. Fair Value:

Fair Value Hierarchy:

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

During the three and six month periods ended September 30, 2011 and 2012, there have been no transfers of assets or liabilities between levels within the fair value hierarchy.

	Fair Value at March 31, 2012	Based on Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Assets measured at fair value on a recurring basis:				
Assets held in the non-qualified deferred compensation program ⁽¹⁾	\$ 9,150	\$ 9,150	\$ -	\$ -
Foreign currency derivatives ⁽²⁾	1,760	-	1,760	-
Total	\$ 10,910	\$ 9,150	\$ 1,760	\$ -

	Fair Value at	Based on Quoted prices in active markets	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
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	March 31, 2012	(Level 1)		
Liabilities measured at fair value on a recurring basis:				
Obligation related to assets held in the non-qualified deferred compensation program ⁽¹⁾	\$ 9,150	\$ 9,150	\$ -	\$ -
Foreign currency derivatives ⁽²⁾	3,541	-	3,541	-
Total	\$ 12,691	\$ 9,150	\$ 3,541	\$ -

	Fair Value at September 30, 2012	Based on Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Assets measured at fair value on a recurring basis:				
Assets held in the non-qualified deferred compensation program ⁽¹⁾	\$ 9,450	\$ 9,450	\$ -	\$ -
Foreign currency derivatives ⁽²⁾	1,480	-	1,480	-
Total	\$ 10,930	\$ 9,450	\$ 1,480	\$ -

	Fair Value at September 30, 2012	Based on Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Liabilities measured at fair value on a recurring basis:				
Obligation related to assets held in the non-qualified deferred compensation program ⁽¹⁾	\$ 9,450	\$ 9,450	\$ -	\$ -
Foreign currency derivatives ⁽²⁾	1,147	-	1,147	-
Total	\$ 10,597	\$ 9,450	\$ 1,147	\$ -

(1) The market value of the assets held in the trust for the non-qualified deferred compensation program is included as an asset and as a liability as the trust's assets are both assets of the Company and also a liability as they are available to general creditors in certain circumstances.

(2) Foreign currency derivatives in the form of forward contracts are included in prepaid and other in the consolidated balance sheets. Unrealized gains and losses on derivatives classified as cash flow hedges are recorded in other comprehensive income (loss). Gains and losses on derivatives not designated as hedges are recorded in other income.

Valuation Techniques:

The following describes valuation techniques used to appropriately value our assets held in the non-qualified deferred compensation plan and derivatives.

Assets held in the non-qualified deferred compensation plan

Assets valued using Level 1 inputs in the table above represent assets from our non-qualified deferred compensation program. The funds in the non-qualified deferred compensation program are valued based on the number of shares in the funds using a price per share traded in an active market.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. If the cost of an investment exceeds its fair value, among other factors, we evaluate general market conditions, the duration and extent to which the fair value is less than cost, and whether or not we expect to recover the security's entire amortized cost basis. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Derivatives

We primarily use forward contracts, with maturities generally less than four months, designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted transactions related to purchase commitments and sales, denominated in various currencies. We also use derivatives not designated as hedging instruments to hedge foreign currency balance sheet exposures. These derivatives are used to offset currency changes in the fair value of the hedged assets and liabilities. Fair values for all of our derivative financial instruments are valued by adjusting the market spot rate by forward points, based on the date of the contract. The spot rates and forward points used are an average rate from an actively traded market. At March 31, 2012 and September 30, 2012, all of our forward contracts are Level 2 measurements.

5. Financial Instruments and Investments in Securities:

At March 31, 2012 and September 30, 2012, we classified investments in debt securities and time deposits as held-to-maturity securities.

Our long-term and short-term investment securities are accounted for as held-to-maturity securities and are carried at amortized cost. We have the ability and intent to hold these investments until maturity. All income generated from the held-to-maturity securities investments are recorded as interest income.

Investments in held-to-maturity securities, recorded at amortized cost, were as follows:

	March 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Commercial paper	\$ 6,800	\$ -	\$ (2)	\$ 6,798
Corporate bonds	40,638	138	-	40,776
Time deposits	370,695	-	-	370,695
Long-term investments:				
Corporate bonds	68,061	229	(72)	68,218
U.S. government and agency securities	170,051	164	(154)	170,061
	\$ 656,245	\$ 531	\$ (228)	\$ 656,548

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	September 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Commercial paper	\$ 9,991	\$ 9	\$ -	\$ 10,000
Corporate bonds	44,313	94	-	44,407
Time deposits	351,369	-	-	351,369
Long-term investments:				
Corporate bonds	83,716	475	-	84,191
U.S. government and agency securities	120,030	166	(2)	120,194
	\$ 609,419	\$ 744	\$ (2)	\$ 610,161

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The amortized cost and estimated fair value of held-to-maturity investments at September 30, 2012, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	Held-to-Maturity	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 405,673	\$ 405,776
Due after one year through five years	203,746	204,385
Total	\$ 609,419	\$ 610,161

6. Inventories:

	March 31, 2012	September 30, 2012
Finished goods	\$ 118,916	\$ 99,457
Work in process	101,923	107,919
Raw materials and supplies	345,278	337,025
	\$ 566,117	\$ 544,401

7. Stock-Based Compensation:

In May 2012, we granted 493 options to employees pursuant to the 2004 Stock Option Plan described in Note 10, "Stock Based Compensation", of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. The weighted average grant date fair value per share and the weighted average exercise price per share for these options are \$2.13 and \$10.90, respectively.

In August 2012, we granted 45 options to directors pursuant to the 2004 Non-Employee Directors' Stock Option Plan described in Note 10, "Stock Based Compensation", of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. The weighted average grant date fair value per share and the weighted average exercise price per share for these options are \$1.67 and \$9.60, respectively.

There were no stock options exercised during the six months ended September 30, 2012.

8. Commitments and Contingencies:

We have been identified by the United States Environmental Protection Agency ("EPA"), state governmental agencies, or other private parties as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or equivalent state or local laws for clean-up and response costs associated with certain sites at which remediation is required with respect to prior contamination. Because CERCLA has generally been construed to authorize joint and several liability, the EPA could seek to recover all clean-up costs from any one of the PRPs at a site despite the involvement of other PRPs. At certain sites, financially responsible PRPs other than AVX also are, or have been, involved in site investigation and clean-up activities. We believe that liability resulting from these sites will be apportioned between AVX and other PRPs.

To resolve our liability at the sites at which the Company has been named a PRP, we have entered into various administrative orders and consent decrees with federal and state regulatory agencies governing the timing and nature of investigation and remediation. As is customary, the orders and decrees regarding sites where the PRPs are not themselves implementing the chosen remedy contain provisions allowing the EPA to reopen the agreement and seek additional amounts from settling PRPs in the event that certain contingencies occur, such as the discovery of significant new information about site conditions.

In 1991, in connection with a consent decree (“1992 Consent Decree”), we paid \$66.0 million, plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts (“the harbor”) in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed \$130.5 million.

On April 18, 2012, the EPA issued to the Company a Unilateral Administrative Order (“UAO”) directing the Company to perform the Remedial Design, the Remedial Action, and Operation and Maintenance as set forth in the UAO, for the harbor clean-up, pursuant to the reopener provision. The original effective date set forth in the UAO was June 18, 2012 (and subsequently extended to January 2, 2013), pursuant to which the Company had to inform the EPA if it intended to comply with the UAO.

On October 10, 2012, the EPA, the United States, and the Commonwealth of Massachusetts and AVX announced that they had reached a financial settlement with respect to the EPA’s ongoing clean-up of the harbor. That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of the 1992 Consent Decree, including elimination of the governments’ right to invoke the clean-up reopener provisions in the future. In accordance with the settlement, AVX will pay \$366.3 million, plus interest computed from August 1, 2012, in three installments over a two-year period for use by the EPA and the Commonwealth to complete the clean-up of the harbor, and the EPA will withdraw the UAO. The settlement requires approval by the United States District Court before becoming final. The Company has recorded a liability for the full amount of the settlement.

There are two suits pending with respect to property adjacent to our Myrtle Beach, South Carolina factory claiming property values have been negatively impacted by alleged migration of certain pollutants from our property. On November 27, 2007 a suit was filed in the South Carolina State Court by certain individuals as a class action. Another suit is a commercial suit filed on January 16, 2008 in South Carolina State Court. We intend to defend vigorously the claims that have been asserted in these two lawsuits. At this stage of the litigation, there has not been a determination as to responsible parties or the amount, if any, of damages. Based on our estimate of potential outcomes, we have accrued approximately \$0.3 million with respect to these cases as of September 30, 2012.

We currently have reserves of approximately \$381.6 million at September 30, 2012 related to the various matters discussed above. These reserves are classified in the Consolidated Balance Sheets as \$148.7 million in accrued expenses and \$232.9 million in other non-current liabilities at September 30, 2012. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. Also, uncertainties about the status of laws, regulations, regulatory actions, technology, and information related to individual sites make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure. Therefore, these costs could differ from our current estimates.

During fiscal 2010, AVX was named as a third party defendant in a case filed in Massachusetts Superior Court captioned DaRosa v. City of New Bedford. This case relates to a former disposal site in the City of New Bedford located at Parker Street. The City asserts that AVX, among others, contributed to that site. We intend to defend vigorously the claims that have been asserted in this lawsuit. In light of the foregoing, we are not able to estimate any

amount of loss or range of loss. No accrual for costs has been recorded and the potential impact of this case on our financial position, results of operations, comprehensive income (loss), and cash flows cannot be determined at this time.

AVX has received a demand for approximately \$11.0 million from the City of New Bedford arising from contamination at the City's New Bedford Railyard. AVX believes it has meritorious defenses and intends to defend vigorously the demand. In light of the foregoing, we are not able to estimate any amount of loss or range of loss. No accrual for costs has been recorded and the potential impact of this demand on our financial position, results of operations, comprehensive income (loss), and cash flows cannot be determined at this time.

We also operate on other sites that may have potential future environmental issues as a result of activities at sites during AVX's long history of manufacturing operations or prior to the start of operations by AVX. Even though we may have rights of indemnity for such environmental matters at certain sites, regulatory agencies in those jurisdictions may require us to address such issues. Once it becomes probable that we will incur costs in connection with remediation of a site and such costs can be reasonably estimated, we establish reserves or adjust our reserves for our projected share of these costs. A separate account receivable is recorded for any indemnified costs.

We are involved in disputes, warranty, and legal proceedings arising in the normal course of business. While we cannot predict the outcome of these disputes and proceedings, management believes, based upon a review with legal counsel, that none of these proceedings will have a material impact on our financial position, results of operations, comprehensive income (loss), or cash flows.

We have an employment agreement with our Chief Executive Officer that provides for salary continuance equivalent to his most recent base salary as a full-time employee during a two-year advisory period upon retirement.

9. Comprehensive Income (Loss):

Comprehensive income (loss) represents changes in equity during a period except those resulting from investments by and distributions to shareholders. The specific components include net income (loss), pension liability and other post-retirement benefit adjustments, deferred gains and losses resulting from foreign currency translation adjustments, unrealized gains and losses on qualified foreign currency cash flow hedges, and unrealized gains and losses on available-for-sale securities.

Other comprehensive income (loss) includes the following components:

	Three Months Ended September 30,			
	2011	2012	2011	2012
	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Foreign currency translation adjustment	\$ (17,212)	\$ (17,212)	\$ 11,111	\$ 11,111
Foreign currency cash flow hedges adjustment	746	537	567	429
Pension liability adjustment	111	80	854	616
Unrealized gain on available-for-sale securities	(401)	(289)	-	-
Other comprehensive income (loss)	\$ (16,756)	\$ (16,884)	\$ 12,532	\$ 12,156

	Six Months Ended September 30,			
	2011	2012	2011	2012
	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Foreign currency translation adjustment	\$ (10,610)	\$ (10,610)	\$ (8,297)	\$ (8,297)
Foreign currency cash flow hedges adjustment	1,053	758	1,768	1,442
Pension liability adjustment	794	572	1,165	839
Unrealized gain on available-for-sale securities	(347)	(250)	-	-

Other comprehensive loss	\$ (9,110)	\$ (9,530)	\$ (5,364)	\$ (6,016)
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10. Segment and Geographic Information:

We have three reportable segments: Passive Components, KED Resale, and Interconnect. The Passive Components segment consists primarily of surface mount and leaded ceramic capacitors, RF thick and thin film components, tantalum capacitors, film capacitors, ceramic and film power capacitors, super capacitors, EMI filters, thick and thin film packages, varistors, thermistors, inductors, and resistive products. The KED Resale segment consists primarily of ceramic capacitors, frequency control devices, SAW devices, sensor products, RF modules, actuators, acoustic devices, and connectors produced by Kyocera and resold by AVX. The Interconnect segment consists primarily of Elco automotive, telecom, and memory connectors manufactured by AVX Interconnect. Sales and operating results from these reportable segments are shown in the tables below. In addition, we have a corporate administration group consisting of finance and administrative activities and a separate research and development group.

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We evaluate performance of our segments based upon sales and operating profit. There are no intersegment revenues. We allocate the costs of shared resources between segments based on each segment's usage of the shared resources. Cash, accounts receivable, investments in securities, and certain other assets, which are centrally managed, are not readily allocable to operating segments.

The tables below present information about reported segments:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Net sales:				
Passive Components	\$ 245,834	\$ 214,283	\$ 522,013	\$ 428,105
KDP and KCD Resale	113,315	101,010	226,583	193,881
KCP Resale	13,974	15,759	29,918	29,191
Total KED Resale	127,289	116,769	256,501	223,072
Interconnect	31,644	29,771	62,675	62,800
Total	\$ 404,767	\$ 360,823	\$ 841,189	\$ 713,977

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Operating profit:				
Passive Components	\$ 81,344	\$ 38,457	\$ 173,064	\$ 79,446
KED Resale	4,156	5,700	11,402	8,277
Interconnect	6,193	6,344	12,323	13,332
Research & development	(1,074)	(1,962)	(3,060)	(3,641)
Corporate administration	(9,108)	(9,284)	(18,666)	(285,146)
Total	\$ 81,511	\$ 39,255	\$ 175,063	\$ (187,732)

	March 31, 2012	September 30, 2012
Assets:		
Passive Components	\$ 760,121	\$ 711,701
KED Resale	47,506	38,618
Interconnect	55,001	58,805
Research & development	6,493	5,760
Cash, A/R, and investments in securities	1,259,582	1,296,633
Goodwill - Passive components	152,429	152,437

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Goodwill - Interconnect	10,277	10,277
Corporate administration	176,603	300,517
Total	\$ 2,468,012	\$ 2,574,748

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The following geographic data is based upon net sales generated by operations located within particular geographic areas:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2012	2011	2012
Net sales:				
Americas	\$ 108,589	\$ 96,054	\$ 229,246	\$ 196,463
Europe	111,160	86,890	231,872	176,188
Asia	185,018	177,879	380,071	341,326
Total	\$ 404,767	\$ 360,823	\$ 841,189	\$ 713,977

11. Pension Plans:

Net periodic pension cost for our defined benefit plans consisted of the following for the three and six months ended September 30, 2011 and 2012:

	U.S. Plans Three Months Ended September 30,		International Plans Three Months Ended September 30,	
	2011	2012	2011	2012
Service cost	\$ 133	\$ 109	\$ 121	\$ 115
Interest cost	435	413	1,613	1,574
Expected return on plan assets	(584)	(539)	(1,468)	(1,550)
Amortization of prior service cost	3	2	-	-
Recognized actuarial loss	156	220	405	423
Net periodic pension cost	\$ 143	\$ 205	\$ 671	\$ 562

	U.S. Plans Six Months Ended September 30,		International Plans Six Months Ended September 30,	
	2011	2012	2011	2012
Service cost	\$ 266	\$ 217	\$ 242	\$ 230
Interest cost	870	826	3,226	3,148
Expected return on plan assets	(1,168)	(1,076)	(2,936)	(3,100)

Amortization of prior service cost	6	4	-	-
Recognized actuarial loss	312	440	810	846
Net periodic pension cost	\$ 286	\$ 411	\$ 1,342	\$ 1,124

Based on current actuarial computations, during the six months ended September 30, 2012, we made contributions of \$3,936 to the international plans. We expect to make additional contributions of approximately \$3,936 to the international plans over the remainder of fiscal 2013. We made no contributions to the U.S. plans during the current quarter due to their funding status, and we do not anticipate making any contributions during the remainder of the fiscal year.

12. Derivative Financial Instruments:

We are exposed to foreign currency exchange rate fluctuations in the normal course of business and use derivative instruments (forward contracts) to hedge certain foreign currency exposures as part of the risk management strategy. The objective is to offset gains and losses resulting from these exposures with gains and losses on the forward contracts used to hedge them, thereby reducing volatility of earnings or protecting fair values of assets and liabilities. We do not enter into any trading or speculative positions with regard to derivative instruments.

We primarily use forward contracts, with maturities less than four months, designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted transactions related to purchase commitments and sales, denominated in various currencies. These derivative instruments are designated and qualify as cash flow hedges.

The effectiveness of the cash flow hedges is determined by comparing the cumulative change in the fair value of the hedge contract with the cumulative change in the fair value of the hedged transaction, both of which are based on forward rates. The effective portion of the gain or loss on these cash flow hedges is initially recorded in accumulated other comprehensive income as a separate component of stockholders' equity. Once the hedged transaction is recognized, the gain or loss is recognized in our statement of operations. At March 31, 2012 and September 30, 2012, respectively, the following forward contracts were entered into to hedge against the volatility of foreign currency exchange rates for certain forecasted sales and purchases.

March 31, 2012

Fair Value of Derivative Instruments

Asset Derivatives		Liability Derivatives	
Balance		Balance	
Sheet	Fair	Sheet	Fair
Caption	Value	Caption	Value

Foreign exchange contracts	Prepaid and other	\$ 1,646	Accrued expenses	\$ 2,992
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September 30, 2012

Fair Value of Derivative Instruments

Asset Derivatives		Liability Derivatives	
Balance		Balance	
Sheet	Fair	Sheet	Fair
Caption	Value	Caption	Value

Foreign exchange contracts	Prepaid and other	\$ 1,427	Accrued expenses	\$ 1,004
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For these derivatives designated as hedging instruments, during the three and six months ended September 30, 2012, net pretax losses of \$1,865 and \$2,328, respectively, were recognized in other comprehensive income (loss). In addition, during the three and six months ended September 30, 2012, net pretax gains (losses) of \$670 and \$(518), respectively, were reclassified from accumulated other comprehensive income into cost of sales (for hedging purchases), and net pretax gains of \$585 and \$1,257, respectively, were reclassified from accumulated other comprehensive income into sales (for hedging sales) in the accompanying Statement of Operations. During the three and six month periods ended September 30, 2011 and 2012, we discontinued an immaterial amount of cash flow

hedges for which it was probable that a forecasted transaction would not occur.

Derivatives not designated as hedging instruments consist primarily of forwards used to hedge foreign currency balance sheet exposures representing hedging instruments used to offset foreign currency changes in the fair values of the underlying assets and liabilities. The gains and losses on these foreign currency forward contracts are recognized in other income in the same period as the remeasurement gains and losses of the related foreign currency denominated assets and liabilities and thus naturally offset these gains and losses. At March 31, 2012 and September 30, 2012, we had the following forward contracts that were entered into to hedge against these exposures.

March 31, 2012

Fair Value of Derivative Instruments

Asset Derivatives		Liability Derivatives	
Balance		Balance	
Sheet	Fair	Sheet	Fair
Caption	Value	Caption	Value

Foreign exchange contracts	Prepaid and other	\$ 114	Accrued expenses	\$ 549
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September 30, 2012

Fair Value of Derivative Instruments

Asset Derivatives		Liability Derivatives	
Balance		Balance	
Sheet	Fair	Sheet	Fair
Caption	Value	Caption	Value

Foreign exchange contracts	Prepaid and other	\$ 53	Accrued expenses	\$ 143
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For these derivatives not designated as hedging instruments during the three and six months ended September 30, 2012, losses of \$177 and \$188, respectively, on hedging contracts were recognized in other income, which offset the approximately \$(590) and \$1,168, respectively, in exchange gains (losses) that were recognized in other income in the accompanying Statement of Operations.

At March 31, 2012 and September 30, 2012, we had outstanding foreign exchange contracts with notional amounts totaling \$228,206 and \$169,994, respectively, denominated primarily in euros, Czech korunas, British pounds, and Japanese yen.

13. Subsequent Events:

On October 31, 2012, the Board of Directors of the Company declared a \$0.075 dividend per share of common stock with respect to the quarter ended September 30, 2012. The dividend will be paid to stockholders of record on November 13, 2012 and will be disbursed on November 26, 2012.

As described in Note 8, the Company announced on October 10, 2012 that it has reached a financial settlement related to environmental matters at the New Bedford Harbor Superfund site, subject to court approval. Refer to Note 8 for further information concerning the terms of this agreement.

On October 16, 2012, the Company announced that it has signed an agreement with Nichicon Corporation to purchase its Tantalum Component Division for approximately \$86.0 million in cash. The annual component sales of the Division are approximately \$75.0 million. The transaction is subject to customary closing conditions, including regulatory filings as may be required. The transaction is expected to close during the Company's fourth fiscal quarter ending March 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Quarterly Report on Form 10-Q are forward-looking. The forward-looking information may include, among other information, statements concerning our outlook for fiscal year 2013, overall volume and pricing trends, cost reduction and acquisition strategies and their anticipated results, expectations for research and development, and capital expenditures. There may also be other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Forward-looking statements reflect management's expectations and are inherently uncertain. The forward-looking information and statements in this report are subject to risks and uncertainties, including those discussed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012, that could cause actual results to differ materially from those expressed in or implied by the information or statements herein. Forward-looking statements should be read in context with, and with the understanding of, the various other disclosures concerning the Company and its business made elsewhere in this quarterly report as well as other public reports filed by the Company with the SEC. You should not place undue reliance on any forward-looking statements as a prediction of actual results or developments.

Any forward-looking statements by the Company are intended to speak as of the date thereof. We do not intend to update or revise any forward-looking statement contained in this quarterly report to reflect new events or circumstances unless and to the extent required by applicable law. All forward-looking statements contained in this quarterly report constitute "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934 and, to the extent it may be applicable by way of incorporation of statements contained in this quarterly report by reference or otherwise, Section 27A of the United States Securities Act of 1933, each of which establishes a safe-harbor from private actions for forward-looking statements as defined in those statutes.

Critical Accounting Policies and Estimates

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is based upon our unaudited Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to investment securities, revenue recognition, inventories, property and equipment,

goodwill, intangible assets, income taxes, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

We have identified the accounting policies and estimates that are critical to our business operations and understanding the Company's results of operations. Those policies and estimates can be found in Note 1, "Summary of Significant Accounting Policies", of the Notes to Consolidated Financial Statements and in "Critical Accounting Policies and Estimates", in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012 and in Note 1, "Critical Accounting Policies and Estimates", in the Notes to Consolidated Financial Statements in this Form 10-Q. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. During the three and six month periods ended September 30, 2012, there were no significant changes to any critical accounting policies, judgments involved in applying those policies, or the methodology used in determining estimates with respect to those related to investment securities, revenue recognition, inventories, goodwill, intangible assets, property and equipment, income taxes, and contingencies.

Business Overview

AVX is a leading worldwide manufacturer and supplier of a broad line of passive electronic components. Virtually all types of electronic devices use our passive component products to store, filter, or regulate electric energy. We also manufacture and supply high-quality electronic connectors and interconnect systems for use in electronic products.

We have manufacturing, sales, and distribution facilities located throughout the world, which are divided into three main geographic regions: the Americas, Asia, and Europe. AVX is organized into five main product groups with three reportable segments: Passive Components, KED Resale, and Interconnect. The Passive Components segment consists primarily of surface mount and leaded ceramic capacitors, RF thick and thin film components, tantalum capacitors, film capacitors, ceramic and film power capacitors, super capacitors, EMI filters, thick and thin film packages, varistors, thermistors, inductors, and resistive products. The KED Resale segment consists primarily of ceramic capacitors, frequency control devices, SAW devices, sensor products, RF modules, actuators, acoustic devices, and connectors produced by Kyocera and resold by AVX. The Interconnect segment consists of Elco automotive, telecom, and memory connectors manufactured by AVX Interconnect and KCP Resale connector products.

Our customers are multi-national original equipment manufacturers, or OEMs, independent electronic component distributors, and electronic manufacturing service providers, or EMSs. We market our products through our own direct sales force and independent manufacturers' representatives, based upon market characteristics and demands. We coordinate our sales, marketing, and manufacturing organizations by strategic customer account and globally by region.

We sell our products to customers in a broad array of industries, such as telecommunications, information technology hardware, automotive electronics, medical devices and instrumentation, industrial instrumentation, defense and aerospace electronic systems, and consumer electronics.

Results of Operations - Three Months Ended September 30, 2012 and 2011

Our net income for the quarter ended September 30, 2012 was \$28.0 million, or \$0.17 per share, compared to net income of \$61.9 million, or \$0.36 per share, for the quarter ended September 30, 2011. This decrease is a result of the factors set forth below.

(in thousands, except per share data)

	Three Months Ended September 30,	
	2011	2012
Net Sales	\$ 404,767	\$ 360,823
Gross Profit	110,818	68,925
Operating Income (Loss)	81,511	39,255
Net Income (Loss)	61,919	28,037
Diluted Earnings (Loss) per Share	\$ 0.36	\$ 0.17

Net sales in the three months ended September 30, 2012 decreased \$44.0 million, or 10.9%, to \$360.8 million compared to \$404.8 million in the three months ended September 30, 2011. This decrease is a result of decreased volumes across most of the markets we serve, reflecting weaker global demand for commercial and consumer electronic products and our customers' efforts to manage inventory as a result of the overall market unpredictability in light of uncertain global economic conditions when compared to the same period last year. Compared to the same period last year, supply chain inventory levels have decreased as distributor customers and product manufacturers decreased purchases in light of weaker end market demand and economic uncertainty. Overall sales prices for our commodity components declined during this second quarter when compared to the same quarter in the prior year resulting from lower demand and increased competitive pricing pressure.

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The table below represents product group revenues for the quarters ended September 30, 2011 and September 30, 2012.

Sales Revenue \$(000's)	Three Months Ended September 30,	
	2011	2012
Ceramic Components	\$ 45,687	\$ 43,529
Tantalum Components	104,227	84,388
Advanced Components	95,920	86,366
Total Passive Components	245,834	214,283
KDP and KCD Resale	113,315	101,010
KCP Resale	13,974	15,759
Total KED Resale	127,289	116,769
AVX Interconnect	31,644	29,771
Total Revenue	\$ 404,767	\$ 360,823

Passive Component sales decreased \$31.5 million, or 12.8%, to \$214.3 million in the three months ended September 30, 2012 from \$245.8 million during the same quarter last year as we saw declines in most of the markets that we serve, with the exception of automotive, aerospace, networking and component sales related to higher end smart phones and tablet devices. The sales decrease in Passive Components reflects the overall weaker demand for electronics across global markets as customers controlled inventory replenishment as consumers and manufacturers decreased spending when compared to the same quarter last year. Funding for global “green energy” products also decreased compared to the same quarter last year, which primarily impacted the Advanced Components product lines. The decrease in sales of Tantalum Components is the result of lower sales unit volume in addition to lower average selling prices reflective of increased market competition and weaker demand due to general concerns about the global economy. The decrease in sales of Ceramic Components reflects a lower volume of unit sales resulting from a decrease in the sale of commodity type components in addition to an overall decline due to a weaker global economy and market uncertainty.

KDP and KCD Resale sales decreased \$12.3 million, or 10.9%, to \$101.0 million in the three months ended September 30, 2012 compared to \$113.3 million during the same period last year. When compared to the same period last year, the decrease during the quarter ended September 30, 2012 is primarily attributable to a decrease in unit sales volume, particularly in the Asian and European regions due to lower end user demand in the telecommunications and consumer markets.

Total connector sales, including AVX Interconnect manufactured and KCP Resale connectors, decreased \$0.1 million, or 0.2%, to \$45.5 million in the three months ended September 30, 2012 compared to \$45.6 million during the same period last year. This decrease was primarily attributable to weaker demand for telecommunications products, particularly in the Asian market, offset by an increased demand in the automotive sector reflective of the increased electronic content in today’s automobiles.

Our sales to independent electronic distributor customers represented 38.7% of total sales for the three months ended September 30, 2012, compared to 38.0% for the three months ended September 30, 2011. Overall distributor inventories decreased as distributors managed their inventory levels and limited purchases due to decreased end user demand resulting from economic uncertainty when compared to the same period last year. Our sales to distributor customers involve specific ship and debit and stock rotation programs for which sales allowances are recorded as reductions in sales. Such allowance charges were \$7.9 million, or 5.7% of gross sales to distributor customers, for the three months ended September 30, 2012 and \$6.8 million, or 4.3% of gross sales to distributor customers, for the three months ended September 30, 2011. This increase in activity is reflective of the competitive market conditions and resulting increased pricing pressure resulting from the weaker economy when compared to the same period last year. Applications under such programs for the quarters ended September 30, 2012 and 2011 were approximately \$8.4 million and \$6.3 million, respectively.

Geographically, compared to the same period last year, sales decreased in all regions tracking the overall macroeconomic conditions across the globe. In Europe, sales declined 3.4% to 24.1% of total sales as a result of weaker demand due to uncertain economic and political conditions in Europe. Sales in the Asian market were 49.3% of total sales and sales in the Americas were 26.6% of total sales compared to 45.7% and 26.8% of total sales in the same period last year, respectively. The movement of the U.S. dollar against certain foreign currencies resulted in an unfavorable impact on sales of approximately \$8.4 million when compared to the same quarter last year.

Gross profit in the three months ended September 30, 2012 was 19.1% of sales, or \$68.9 million, compared to a gross profit margin of 27.4%, or \$110.8 million, in the three months ended September 30, 2011. This overall decrease is primarily attributable to lower sales and selling prices reflective of the weaker demand in the global marketplace. In addition, lower production and higher energy and material costs negatively impacted margins when compared to the same period last year. These higher costs were partially offset by our emphasis on spending controls and cost reductions in light of the weaker global demand for electronic component parts. Costs due to currency movement of the U.S. dollar against certain foreign currencies were favorably impacted in the current quarter by approximately \$11.4 million when compared to the same quarter last year.

Selling, general and administrative expenses in the three months ended September 30, 2012 were \$29.7 million, or 8.2% of net sales, compared to \$29.3 million, or 7.2% of net sales, in the three months ended September 30, 2011. The overall increase in selling, general and administrative expenses as a percentage of sales primarily reflects the impact of lower sales volumes when compared to the same period last year.

As a result of the factors set forth above, income from operations was \$39.3 million in the three months ended September 30, 2012 compared to \$81.5 million in the three months ended September 30, 2011.

Our effective tax rate for the three months ended September 30, 2012 was 31.3% compared to 24.0% for the three months ended September 30, 2011. The increase in the effective rate is due to more income in higher tax rate jurisdictions in addition to a decrease in foreign tax liabilities recognized during the prior year and not repeated in the current year and the expected loss of a U.S. federal tax deduction for fiscal 2013 due to lower projected taxable income limitations.

As a result of the factors discussed above, net income for the three month period ended September 30, 2012 was \$28.0 million compared to \$61.9 million for the same three month period last year.

Results of Operations - Six Months Ended September 30, 2012 and 2011

Our net loss for the six month period ended September 30, 2012 was \$(108.7) million, or \$(0.64) per share, compared to net income of \$129.5 million, or \$0.76 per share, for the six month period ended September 30, 2011. The net loss

for the current period includes an environmental charge of \$266.3 million related to environmental issues at the New Bedford Harbor Superfund site in Massachusetts. This decrease is a result of the factors set forth below.

(in thousands, except per share data)	Six Months Ended	
	September 30, 2011	2012
Net Sales	\$ 841,189	\$ 713,977
Gross Profit	235,477	137,882
Operating Income (Loss)	175,063	(187,732)
Net Income (Loss)	129,518	(108,747)
Diluted Earnings (Loss) per Share	\$ 0.76	\$ (0.64)

Net sales in the six months ended September 30, 2012 decreased \$127.2 million, or 15.1%, to \$714.0 million compared to \$841.2 million in the six months ended September 30, 2011. This decrease is a result of decreased volumes across most of the markets we serve, reflecting weaker global demand for commercial and consumer electronic products and our customers' efforts to manage inventory as a result of the overall market unpredictability in light of uncertain global economic conditions when compared to the same period last year. Compared to the same period last year, supply chain inventory levels have decreased as distributor customers and product manufacturers decreased or limited purchases in light of weaker end market demand and economic uncertainty. Overall sales prices for our commodity components declined during this six month period when compared to the same six month period in the prior year resulting from lower demand and increased competitive pricing pressure.

The table below represents product group revenues for the six month periods ended September 30, 2011 and September 30, 2012.

Sales Revenue \$(000's)	Six Months Ended September 30,	
	2011	2012
Ceramic Components	\$ 96,679	\$ 84,222
Tantalum Components	224,476	166,923
Advanced Components	200,858	176,960
Total Passive Components	522,013	428,105
KDP and KCD Resale	226,583	193,881
KCP Resale	29,918	29,191
Total KED Resale	256,501	223,072
AVX Interconnect	62,675	62,800
Total Revenue	\$ 841,189	\$ 713,977

Passive Component sales decreased \$93.9 million, or 18.0%, to \$428.1 million in the six months ended September 30, 2012 from \$522.0 million during the same period last year as we saw declines in most of the markets that we serve, with the exception of automotive, aerospace, networking and component sales related to higher end smart phones and tablet devices. The sales decrease in Passive Components reflects the overall weaker demand for electronics across global markets as customers reduced or limited inventory replenishment as consumers and manufacturers decreased spending when compared to the same period last year. Funding for global "green energy" products also decreased compared to the same period last year, which primarily impacted the Advanced Components product lines. The decrease in sales of Tantalum Components is the result of lower sales unit volume in addition to lower average selling prices reflective of increased market competition and general concerns about the economy. The decrease in sales of Ceramic Components reflects a lower volume of unit sales resulting from a decrease in the sale of commodity type components in addition to an overall decline due to a weaker global economy and market uncertainty.

KDP and KCD Resale sales decreased \$32.7 million, or 14.4%, to \$193.9 million in the six months ended September 30, 2012 compared to \$226.6 million during the same period last year. When compared to the same period last year, the decrease during the six months ended September 30, 2012 is primarily attributable to a decrease in unit sales

volume, particularly in the Asian and European regions due to lower end user demand in the telecommunications and consumers markets.

Total connector sales, including AVX Interconnect manufactured and KCP Resale connectors, decreased \$0.6 million, or 0.6%, to \$92.0 million in the six months ended September 30, 2012 compared to \$92.6 million during the same period last year. This decrease was primarily attributable to weaker demand for telecommunications products, particularly in the Asian market, offset by an increased demand in the automotive sector reflective of the increased electronic content in today's automobiles.

Our sales to independent electronic distributor customers represented 38.8% of total sales for the six months ended September 30, 2012, compared to 39.7% for the six months ended September 30, 2011. Overall distributor inventories decreased as distributors limited purchases to manage their inventory levels due to decreased end user demand resulting from economic uncertainty when compared to the same period last year. Our sales to distributor customers involve specific ship and debit and stock rotation programs for which sales allowances are recorded as reductions in sales. Such allowance charges were \$17.1 million, or 6.2% of gross sales to distributor customers, for the six months ended September 30, 2012 and \$14.6 million, or 4.2% of gross sales to distributor customers, for the six months ended September 30, 2011. This increase in activity is reflective of the competitive market conditions and resulting increased pricing pressure resulting from the weaker economy when compared to the same period last year. Applications under such programs for the six month periods ended September 30, 2012 and 2011 were approximately \$16.9 million and \$14.1 million, respectively.

Geographically, compared to the same period last year, sales decreased in all regions tracking the overall global macroeconomic conditions. In Europe, sales declined 2.9% to 24.7% of total sales as a result of weaker demand due to uncertain economic and political conditions in Europe. Sales in the Asian market were 47.8% of total sales and sales in the Americas were 27.5% of total sales compared to 45.2% and 27.3% of total sales in the same period last year, respectively. The movement of the U.S. dollar against certain foreign currencies resulted in an unfavorable impact on sales of approximately \$15.9 million when compared to the same period last year.

Gross profit in the six months ended September 30, 2012 was 19.3% of sales, or \$137.9 million, compared to a gross profit margin of 28.0%, or \$235.5 million, in the six months ended September 30, 2011. This overall decrease is primarily attributable to lower sales and selling prices reflective of the weaker demand in the global marketplace. In addition, lower production and higher energy and material costs negatively impacted margins when compared to the same period last year. These higher costs were partially offset by our emphasis on spending controls and cost reductions in light of the weaker global demand for electronic component parts. Costs due to currency movement of the U.S. dollar against certain foreign currencies were favorably impacted in the current period by approximately \$13.0 million when compared to the same quarter last year.

Selling, general and administrative expenses in the six months ended September 30, 2012 were \$59.4 million, or 8.3% of net sales, compared to \$60.4 million, or 7.2% of net sales, in the six months ended September 30, 2011. The overall increase in selling, general and administrative expenses as a percentage of sales reflects the impact of lower sales volumes when compared to the same period last year. The lower total selling, general and administrative costs reflect a decrease in selling costs due to decreased revenue and lower overall spending resulting from increased emphasis on spending controls when compared to the same period last year.

Income (loss) from operations was \$(187.7) million in the six months ended September 30, 2012 compared to \$175.1 million in the six months ended September 30, 2011. This decrease is a result of the factors set forth above and the recognition of a \$266.3 million charge related to environmental issues at the New Bedford Harbor Superfund site in Massachusetts. See Note 8 to our consolidated financial statements elsewhere herein for further discussion related to this environmental charge.

Income taxes for the six month period ended September 30, 2012 resulted in a tax benefit of \$75.6 million, or 41.0%, compared to income tax expense of \$47.2 million, or 26.7%, for the same period last year. The change in effective tax rate is primarily attributable to the tax benefit of the New Bedford Harbor environmental tax liability, partially offset by \$1.7 million of additional tax expense related to other discrete tax items recognized during the period. Exclusive of these items, the effective tax rate for the six month period ended September 30, 2012 would have been 29.6%.

As a result of the factors discussed above, net income (loss) for the six month period ended September 30, 2012 was \$(108.7) million compared to \$129.5 million for the same six month period last year.

Outlook

Near-Term:

With uncertain global geopolitical and economic conditions, we are uncertain what to expect for the remainder of fiscal 2013. Near-term results for us will depend on the impact of the overall global geopolitical and economic conditions and their impact on telecommunications, information technology hardware, automotive, consumer electronics, and other electronic markets. Looking ahead, visibility is low and forecasting is a challenge in this uncertain and volatile market. We expect to see typical pricing pressure in the markets we serve as electronic component product supply comes more in balance with demand. In response to anticipated market conditions, we expect to continue to focus on cost management and product line rationalization to maximize earnings potential. We also continue to focus on process improvements and enhanced production capabilities in conjunction with our focus on the sales of value-added electronic components to support today's advanced electronic devices. If current global geopolitical and economic conditions worsen, the overall impact on our customers as well as end user demand for electronic products could have a significant adverse impact on our near-term results.

Long-Term:

Although there is uncertainty in the near-term market as a result of the current global geopolitical and economic conditions, we continue to see opportunities for long-term growth and profitability improvement due to: (a) a projected increase in the long-term worldwide demand for more sophisticated electronic devices, which require electronic components such as the ones we sell, (b) cost reductions and improvements in our production processes, and (c) opportunities for growth in our Advanced Component and Interconnect product lines due to advances in component design and our production capabilities. We have fostered our financial health and the strength of our balance sheet. We remain confident that our strategies will enable our continued long-term success.

Liquidity and Capital Resources

Liquidity needs arise primarily from working capital requirements, dividend payments, capital expenditures, and acquisitions. Historically, we have satisfied our liquidity requirements through funds from operations and investment income from cash, cash equivalents, and investments in securities. As of September 30, 2012, we had a current ratio of 5.6 to 1, \$1,091.0 million of cash, cash equivalents, and short-term and long-term investments in securities, \$1,975.9 million of stockholders' equity, and no debt.

Net cash provided by operating activities was \$94.6 million in the six months ended September 30, 2012 compared to \$68.1 million of cash provided by operating activities in the six months ended September 30, 2011. The increase in operating cash flow compared to the same period last year was primarily a result of lower working capital

requirements resulting from the lower volume of sales and related production, as well as lower inventory levels due to decreased purchases of raw materials, offset by lower net income. Increased operating cash flows resulting from lower accounts receivable, accounts payable and inventory levels were offset by changes in deferred income taxes primarily due to the environmental charge related to the New Bedford Harbor Superfund site in Massachusetts.

Purchases of property and equipment were \$23.9 million in the six month period ended September 30, 2012 compared to \$27.9 million in the six month period ended September 30, 2011. Expenditures were primarily made in connection with the expansion of interconnect manufacturing operations and process improvements in passive component product lines. We continue to make strategic investments in our advanced passive component and interconnect product lines and expect to incur capital expenditures of approximately \$40 - \$50 million in fiscal 2013. The actual amount of capital expenditures will depend upon the outlook for end-market demand.

On October 16, 2012, the Company announced that it has signed an agreement with Nichicon Corporation to purchase its Tantalum Component Division for approximately \$86.0 million in cash. The annual component sales of the Division are approximately \$75.0 million. The transaction is subject to customary closing conditions, including regulatory filings as may be required. The transaction is expected to close during the Company's fourth fiscal quarter ending March 31, 2013.

The majority of our funding is internally generated through operations and investment income from cash, cash equivalents, and investments in securities. Since March 31, 2012, there have been no material changes in our contractual obligations or commitments for the acquisition or construction of plant and equipment or future minimum lease commitments under noncancellable operating leases. Based on our financial condition as of September 30, 2012, we believe that cash on hand and cash expected to be generated from operating activities and investment income from cash, cash equivalents, and investments in securities will be sufficient to satisfy our anticipated financing needs for working capital, capital expenditures, environmental clean-up costs and funding the New Bedford Harbor settlement, research, development and engineering expenses, the acquisition of the Tantalum Components division of Nichicon Corporation and any other acquisitions of businesses, and any dividend payments or stock repurchases to be made during the year. Changes in demand may have an impact on our future cash requirements; however, changes in those requirements are mitigated by our ability to adjust manufacturing capabilities to meet increases or decreases in customer demand. We do not anticipate any significant changes in our ability to generate or meet our liquidity needs in the long-term.

From time to time we enter into delivery contracts with selected suppliers for certain precious metals used in our production processes. The delivery contracts represent routine purchase orders for delivery within three months and payment is due upon receipt. As of September 30, 2012, we did not have any significant delivery contracts outstanding.

We are involved in disputes, warranty, and legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings, we believe, based upon our review with legal counsel, that none of these proceedings will have a material impact on our financial position, results of operations, comprehensive income (loss), or cash flows. However, we cannot be certain if the eventual outcome and any adverse result in these or other matters that may arise from time to time may harm our financial position, results of operations, comprehensive income (loss), or cash flows.

In 1991, in connection with a consent decree ("1992" Consent Decree"), we paid \$66.0 million, plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts ("the harbor") in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed \$130.5 million.

On April 18, 2012, the EPA issued to the Company a Unilateral Administrative Order ("UAO") directing the Company to perform the Remedial Design, the Remedial Action, and Operation and Maintenance as set forth in the UAO, for the harbor clean-up, pursuant to the reopener provision. The original effective date set forth in the UAO was June 18, 2012 (and subsequently extended to January 2, 2013), pursuant to which the Company had to inform the EPA if it intended to comply with the UAO.

On October 10, 2012, the EPA and AVX announced that they reached a financial settlement with respect to the EPA's ongoing clean-up of the harbor. That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of the 1992 Consent Decree, including elimination of the governments' right to invoke the clean-up reopener provisions in the future. In accordance with the settlement, AVX will pay \$366.3 million, plus interest

computed from August 1, 2012, in three installments over a two-year period for use by the EPA and the Commonwealth to complete the clean-up of the harbor, and the EPA will withdraw the UAO. The settlement requires approval by the United States District Court before becoming final. The Company has recorded a liability for the full amount of the settlement.

We have been named as a potentially responsible party in state and federal administrative proceedings seeking contribution for costs associated with the correction and remediation of environmental conditions at various waste disposal and operating sites. In addition, we operate on sites that may have potential future environmental issues as a result of activities at sites during AVX's long history of manufacturing operations or prior to the start of operations by AVX. Even though we may have rights of indemnity for such environmental matters at certain sites, regulatory agencies in those jurisdictions may require us to address such issues. Once it becomes probable that we will incur costs in connection with remediation of a site and such costs can be reasonably estimated, we establish reserves or adjust our reserves for our projected share of these costs. A separate account receivable is recorded for any indemnified costs. Our environmental reserves are not discounted and do not reflect any possible future insurance recoveries, which are not expected to be significant, but do reflect a reasonable estimate of cost sharing at multiple party sites or indemnification of our liability by a third party.

We currently have reserves for current remediation, compliance, and legal costs totaling \$381.6 million at September 30, 2012. Additional information related to environmental and legal issues can be found in Note 8, "Commitments and Contingencies", of the Company's Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

New Accounting Standards

Information related to new Statement of Financial Accounting Standards and Financial Accounting Standards Board Staff Positions that we have recently adopted or are currently reviewing can be found in Note 1, "Summary of Significant Accounting Policies", of the Notes to Consolidated Financial Statements and in "Critical Accounting Policies and Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Annual Report on Form 10-K for the fiscal year ended March 31, 2012. Accordingly, the Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our sales are denominated in various foreign currencies in addition to the U.S. dollar. Certain manufacturing and operating costs denominated in local currencies are incurred in Europe, Asia, Mexico, and Central and South America. Additionally, purchases of resale products from Kyocera may be denominated in Yen. As a result, fluctuations in currency exchange rates affect our operating results and cash flow. In order to minimize the effect of movements in currency exchange rates, we periodically enter into forward exchange contracts to hedge external and intercompany foreign currency transactions. We do not hold or issue derivative financial instruments for speculative purposes. Accordingly, we have hedging commitments to cover a portion of our exchange risk on purchases, operating expenses, and sales. There have been no material net changes in our exposure to foreign currency exchange rate as reflected in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. See Note 12 of our Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for further discussion of derivative financial instruments.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered in this report, we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

In addition, there were no changes in our internal control over financial reporting during our the first two quarters of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to Part I Item 3, “Legal Proceedings”, in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012. In addition, see Note 8, “Commitments and Contingencies”, in our Notes to Consolidated Financial Statements in Part I, Item 1 to this Form 10-Q for a discussion of our involvement as a potentially responsible party at certain environmental remediation sites.

ITEM 1A. RISK FACTORS

Please refer to Part I, Item 1A., Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012 (the “Annual Report Risk Factors”) for information regarding factors that could affect our results of operations, financial condition, and liquidity. For an update of risk factors relating to our potential environmental liabilities as described under the caption “Changes in our environmental liability and compliance obligations may adversely impact our operations” in the Annual Report Risk Factors, see Note 8, “Commitments and Contingencies”, in our Notes to Consolidated Financial Statements in Part I, Item 1 to this Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table shows our purchases of common stock during the quarter.

Total number of shares purchased	Maximum number of shares that may
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Period	Total number of shares purchased	Average price paid per share	as part of publicly announced plans or programs ^{(1) (2)}	yet be purchased under the plans or programs ^{(1) (2)}
07/01/12 - 07/31/12	-	\$ -	-	6,492,063
08/01/12 - 08/31/12	290,304	10.17	290,304	6,201,759
09/01/12 - 09/30/12	69,000	10.43	69,000	6,132,759
Total	359,304	\$ 10.22	359,304	6,132,759

(1) On October 19, 2005, the Board of Directors of the Company authorized the repurchase of 5,000,000 shares of our common stock from time to time in the open market. The repurchased shares are held as treasury stock and are available for general corporate purposes.

On October 17, 2007, the Board of Directors of the Company authorized the repurchase of an additional 5,000,000 shares of our common stock from time to time in the open market. The repurchased shares are held as treasury stock and are available for general corporate purposes.

ITEM EXHIBITS

6.

- 31.1 Certification of John S. Gilbertson, Chief Executive Officer, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 7, 2012.
- 31.2 Certification of Kurt P. Cummings, Chief Financial Officer, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 7, 2012.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - John S. Gilbertson and Kurt P. Cummings
- 101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operation, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.

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Signature

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

Date: November 7, 2012

AVX Corporation

By: /s/ Kurt P. Cummings

Kurt P. Cummings
Vice President,
Chief Financial Officer,
Treasurer and Secretary