MOLEX INC
Form 10-K
August 03, 2007

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2007
Commission File Number 0-7491

MOLEX INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**36-2369491**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2222 Wellington Court, Lisle, Illinois 60532
(Address of principal executive offices)
Registrant s telephone number, including area code: (630) 969-4550

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.05	The Nasdaq Stock Market, Inc.
Class A Common Stock, par value $0.05	The Nasdaq Stock Market, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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

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

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

On July 27, 2007, the following numbers of shares of the Company s common stock were outstanding:

Common Stock	99,433,450
Class A Common Stock	84,569,833
Class B Common Stock	94,255

The aggregate market value of the voting and non-voting shares (based on the closing price of these shares on the NASDAQ Global Select Market on December 31, 2006) held by non-affiliates was approximately $4.0 billion.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the Proxy Statement for the Annual Meeting of Stockholders, to be held on October 26, 2007 are incorporated by reference into Part III of this annual report on Form 10-K.

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Molex Web Site

We make available through our Web site at www.molex.com our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (SEC).

Information relating to corporate governance at Molex, including our Code of Business Conduct and Ethics, information concerning executive officers, directors and Board committees (including committee charters), and transactions in Molex securities by directors and officers, is available on or through our Web site at www.molex.com under the Investors caption.

We are not including the information on our Web site as a part of, or incorporating it by reference into, this annual report on Form 10-K.

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PART I

Item 1. Business

Molex Incorporated (together with its subsidiaries, except where the context otherwise requires, we, us and our) was incorporated in the state of Delaware in 1972 and originated from an enterprise established in 1938.

We are the world s second-largest manufacturer of electronic connectors in terms of revenue. Net revenue was $3.3 billion for fiscal 2007. We operated 59 manufacturing plants, located in 19 countries on four continents, and employed 33,200 people worldwide as of June 30, 2007.

Our core business is the manufacture and sale of electronic components. Our products are used by a large number of leading original equipment manufacturers (OEMs) throughout the world. We design, manufacture and sell more than 100,000 products, including terminals, connectors, planar cables, cable assemblies, interconnection systems, backplanes, integrated products and mechanical and electronic switches. We also provide manufacturing services to integrate specific components into a customer s product.

The Connector Industry

The global connector industry is highly competitive and fragmented and is estimated to represent approximately $43 billion in revenue for fiscal 2007. The industry has grown at a compounded annual rate of 6.1% over the past 25 years and is expected to grow at a rate of 7.9% in calendar year 2007. We believe that our market share was approximately 8% of the worldwide market for electronic connectors in fiscal 2007.

The connector industry is characterized by rapid advances in technology and new product development. These advances have been substantially driven by the increased functionality of applications in which our products are used. Although many of the products in the connector market are mature products, some with 25-30 year life spans, there is also a constant demand for new product solutions.

Industry trends that we deem particularly relevant include:

Globalization. Synergistic opportunities exist for the industry to design, manufacture and sell electronic products in different countries around the world in an efficient and seamless process. For example, electronic products may be designed in Japan, manufactured in China, and sold in the United States.

Convergence of markets. Traditionally separate markets such as consumer electronics, data products and telecommunications are converging, resulting in single devices offering broad-based functionality.

Increasing electronics content. Consumer demand for advanced product features, convenience and connectivity is driving connector growth at rates faster than the growth rates of the underlying electronics markets.

Product size reduction. High-density, micro-miniature technologies are expanding to markets such as data and mobile phones, leading to smaller devices and greater mobility.

Consolidating supply base. Generally, global OEMs are consolidating their supply chain by selecting global companies possessing broad product lines for the majority of their connector requirements.

Price erosion. As unit volumes grow, production experience is accumulated and costs decrease, and as a result, prices decline.

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Markets and Products

The approximate percentage of our net revenue by market for fiscal 2007 is summarized below:

Markets	Percentage of Fiscal 2007 Net Revenue	Primary End Use Products Supported by Molex
Telecommunications	26%	Mobile phones and devices, networking equipment, switches and transmission equipment
Data Products	21%	Desktop and notebook computers, peripheral equipment, servers, storage, copiers, printers and scanners
Automotive	18%	Engine control units, body electronics, safety electronics, sensors, panel instrumentation and other automotive electronics
Consumer	18%	Digital electronics CD and DVD players, cameras, plasma and LCD televisions, electronic games and major appliances
Industrial	15%	Factory automation, robotics, automated test equipment, vision systems and diagnostic equipment
Other	2%	Electronic and electrical devices for a variety of markets

Telecommunications. In the telecommunications market, we believe our key strengths include: high speed, optical signal product lines; backplane connector systems; power distribution product; micro-miniature connectors; global coordination; and complementary products such as keyboards and antennas.

For mobile phones, we provide micro-miniature connectors, SIM card sockets, keypads, electromechanical subassemblies and internal antennas and subsystems. An area of particular innovation is high-speed backplanes and cables for infrastructure equipment. For example, our Plateau HS Dock™ incorporates a new plated plastic technology to increase bandwidth, reduce crosstalk and control impedance in applications such as telecommunication routers.

Data Products. In the data market, our key strengths include: our high-speed signal product line; storage input/output (I/O) products; standards committee leadership; global coordination; low cost manufacturing; and strong relationships with OEMs, contract manufacturers and original design manufacturers.

We manufacture power, optical and signal connectors and cables for fast end-to-end data transfer, linking disk drives, controllers, servers, switches and storage enclosures. Our ongoing involvement in industry committees contributes to the development of new standards for the connectors and cables that transport data. For example, our family of small form-factor pluggable products offers end-users both fiber optic and copper connectivity and more efficient storage area network management.

We hold a strong position with connectors used in servers, the segment of this market that accounts for the largest volume of connector purchases. We offer a large variety of products for power distribution, signal integrity, processor and memory applications. We are also a leading designer in the industry for storage devices.

Our Serial ATA product enables higher-speed communication between a computer s disk drive and processor. In addition, our product portfolio includes a wide range of interconnect devices for copiers, printers, scanners and projectors.

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Automotive. In the automotive market, we believe our strengths include: new product development expertise; focus on entertainment, safety and convenience features; technical skills; and integrated manufacturing capabilities.

Our interconnects are used in air bag, seatbelt and tire pressure monitoring systems and powertrain, window and temperature controls. Today s cars are mobile communication centers, complete with navigation tools and multimedia entertainment. Our Media Oriented System Transport (MOST) connector system uses plastic optical fiber to transmit audio, video and data at high speeds in devices such as CD and DVD players.

Consumer. In the consumer market, we believe our key strengths include: optical and micro-miniature connector expertise; breadth of our high wattage (power) product line; cable and wire application equipment; and low cost manufacturing.

We design and manufacture many of the world s smallest connectors for home and portable audio, digital still and video cameras, DVD players and recorders, as well as devices that combine multiple functions. Our super micro miniature products support customer needs for increased power, speed and functionality but with decreased weight and space requirements. We believe that they provide industry leadership with advanced interconnection products that help enhance the performance of video and still cameras, DVD players, portable music players, PDAs and hybrid devices that combine multiple capabilities into a single unit.

We are a leading connector source and preferred supplier to some of the world s largest computer game makers and have been awarded contracts that demonstrate our skill in designing innovative connectors. In addition, we provide products for video poker and slot machines. Pachinko machines, which are popular in Japan, use our compact 2.00mm pitch MicroClasp™ connector, which features an inner lock that helps on-site installers easily insert new game boards.

Industrial. In the industrial market, we believe our key strengths include: optical and micro miniature connector expertise; breadth of our power and signal product lines; distribution partnerships; and global presence.

Our high-performance cables, backplanes, power connectors and integrated products are found in products ranging from electronic weighing stations to industrial microscopes and vision systems. Advances in semiconductor technology require comparable advances in equipment to verify quality, function and performance. For this reason, we developed our Very High-Density Metric (VHDM) connector system to help assure signal integrity and overall reliability in high-speed applications such as chip testers.

We increased our presence in the electrical and factory automation market in fiscal 2007 with the acquisition of Woodhead Industries. As a result, we have extended our industrial product line to include industrial networks and connectivity as well as industrial communications, both electronics and software. In addition, we are expanding our line of compact robotic connectors and I/O connectors for servo motors, as well as identifying factory uses for the time-tested products we have developed for other industries.

Other. Medical electronics is a growing market for our connectors, switch and assembly products. We provide both connectors and custom integrated systems for diagnostic and therapeutic equipment used in hospitals including x-ray, magnetic resonance imaging (MRI) and dialysis machines. Military electronics is also one of our emerging markets. We have found a range of electronic applications for our products in the commercial-off-the-shelf (COTS) segment of this market. Products originally developed for the computer, telecommunications and automotive markets can be used in an increasing number of military applications.

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Business Objectives and Strategies

One of our primary business objectives is to develop or improve our leadership position in each of our core connector markets by increasing our overall position as a preferred supplier and improve our competitiveness on a global scale.

We believe that our success in achieving industry-leading revenue growth throughout our history is the result of the following key strengths:

- Broad and deep technological knowledge of microelectronic devices and techniques, power sources, coatings and materials;
- Strong intellectual property portfolio that underlies many key products;
- High product quality standards, backed with stringent systems designed to ensure consistent performance, that meet or surpass customers expectations;
- Strong technical collaboration with customers;
- Extensive experience with the product development process;
- Broad geographical presence in developed and developing markets;
- Continuous effort to develop an efficient, low-cost manufacturing footprint; and
- A broad range of products both for specific applications and for general consumption.

We intend to serve our customers and achieve our objectives by continuing to do the following:

- *Concentrate on core markets*. We focus on markets where we have the expertise, qualifications and leadership position to sustain a competitive advantage. We have been an established supplier of interconnect solutions for more than 60 years. We are a principal supplier of connector components to the telecommunications, computer, consumer, automotive and industrial electronics markets.
- *Grow through the development and release of new products.* We invest strategically in the tools and resources to develop and market new products and to expand existing product lines. New products are essential to enable our customers to advance their solutions and their market leadership positions. In fiscal 2007, we generated approximately 27% of our revenue from new products, which are defined as those products released in the last 36 months.
- *Optimize manufacturing.* We analyze the design and manufacturing patterns of our customers along with our own supply chain economics to help ensure that our manufacturing operations are of sufficient scale and are located strategically to minimize production costs and maximize customer service.
- *Leverage financial strength*. We use our expected cash flow from operations to invest aggressively in new product development, to pursue synergistic acquisitions, to align manufacturing capacity with customer requirements and to pursue productivity improvements. We invested approximately 14% of net revenue in capital expenditures and research and development activities in fiscal 2007.

On July 1, 2007 we implemented a new global organizational structure that consists of five product-focused divisions and one worldwide sales and marketing organization. When fully operational, we expect the new structure to enable us to work more effectively as a global team to meet customer needs as well as to better leverage our design expertise and our low-cost production centers around the world. The new worldwide sales and marketing organization structure will enhance our ability to sell any product, to any customer, anywhere in the world.

Competition

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We compete with many companies in each of our product categories. These competitors include Amphenol Corporation, Framatome Connectors International, Hirose Electronic Co., Ltd, Hon Hai Precision Industry Co., Ltd., Japan Aviation Electronics Industry, Ltd., Japan Solderless Terminal Ltd. and Tyco Electronics Ltd. as well as a significant number of smaller competitors. The identity and significance of competitors may change over time. We believe that the 10 largest connector suppliers, as measured by revenue, represent approximately 54% of the worldwide market in terms of revenue. Many of these companies offer products in some, but not all, of the markets and regions we serve.

Our products compete to varying degrees on the basis of quality, price, availability, performance and brand recognition. We also compete on the basis of customer service. Our ability to compete also depends on continually providing innovative new product solutions and worldwide support for our customers.

Customers, Demand Creation and Sales Channels

We sell products directly to OEMs, contract manufacturers and distributors. Our customers include global companies such as Arrow, Cisco, Dell, Ford, General Motors, Hewlett Packard, IBM, Matsushita, Motorola and Nokia. No customer accounted for more than 10 % of net revenues in fiscal 2007, 2006 or 2005.

Many of our customers operate in more than one geographic region of the world and we have developed a global footprint to service these customers. We are engaged in significant operations in foreign countries. Our net revenue originating outside the U.S. based on shipping point to the customer was approximately 73% in fiscal 2007, 73% in fiscal 2006 and 74% in fiscal 2005.

In fiscal 2007, the share of net revenue from the different regions was approximately as follows:

- 51% of net revenue originated in Asia, with 35% from the Asia Pacific South region (China, Hong Kong, Indonesia, India, Malaysia, Philippines, Singapore, Taiwan and Korea) and 16% from the Asia Pacific North region (Japan and Thailand). Approximately 22% and 15% of net revenue in fiscal 2007 was derived from operations in China and Japan, respectively.

- 29% of net revenue originated in the Americas (United States, Canada, Mexico and South America).

- 20% of net revenue originated in Europe.

Revenues from customers are generally attributed to countries based upon the location of our sales office. Most of our sales in international markets are made by foreign sales subsidiaries. In countries with low sales volumes, sales are made through various representatives and distributors.

We sell our products primarily through our own sales organization with a presence in most major connector markets worldwide. To complement our own sales force, we work with a network of distributors to serve a broader customer base and provide a wide variety of supply chain tools and capabilities. Sales through distributors represented approximately 26% of our net revenue in fiscal 2007.

We seek to provide customers one-to-one service tailored to their business. Our engineers work collaboratively with customers, often via an innovative online design system, to develop products for specific applications. We provide customers the benefit of state-of-the-art technology for engineering, design and prototyping, supported from 27 development centers in 15 countries. In addition, most customers have a single Molex customer service contact and a specific field salesperson to provide technical product and application expertise.

Our sales force around the world has access to our customer relationship management database, which integrates with our global information system to provide 24/7 visibility on orders, pricing, contracts, shipping, inventory and customer programs. We offer a self-service environment for our customers through our Web site at www.molex.com, so that customers can access our entire product line, download drawings or 3D models, obtain price quotes, order samples and track delivery.

Information regarding our operations by geographical region appears in Note 17 of the Notes to Consolidated Financial Statements. A discussion of market risk associated with changes in foreign currency exchange rates can be found in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Research and Development

We remain committed to investing in world-class technology development, particularly in the design and manufacture of connectors and interconnect systems. Our research and development activities are directed toward developing technology innovations, primarily high speed signal integrity, miniaturization, higher power delivery, optical signal delivery and sealed harsh environment connectors that we believe will deliver the next generation of products. We continue to invest in new manufacturing processes, as well as improve existing products and reduce costs. We believe that we are well positioned in the technology industry to help drive innovation and promote industry standards that will yield innovative and improved products for customers.

We incurred total research and development costs of $159 million in fiscal 2007, $141 million in fiscal 2006 and $134 million in fiscal 2005. We believe this investment, approximating 5% of net revenue, is among the highest level relative to the largest participants in the industry and helps us achieve a competitive advantage.

We strive to provide customers with the most advanced interconnection products through intellectual property development and participation in industry standards committees. Our engineers are active in approximately 70 such committees, helping give us a voice in shaping the technologies of the future. In fiscal 2007, we commercialized approximately 309 new products and received 683 patents.

We perform a majority of our design and development of connector products in the U.S. and Japan, but have additional product development capabilities in various locations, including China, Germany, India, Ireland, Korea and Singapore.

Manufacturing

Our core manufacturing expertise includes molding, stamping, plating and assembly operations. We utilize state of the art plastic injection molding machines and metal stamping and forming presses. We have created new processes to meet the ongoing challenge of manufacturing smaller and smaller connectors. We have also developed proprietary plated plastic technology, which provides excellent shielding performance while eliminating secondary manufacturing processes in applications such as mobile phone antennas.

We also have expertise in printed circuit card, flexible circuit and harness assembly for our integrated products operations, which build devices that leverage our connector content. Because integrated products require labor-intensive assembly, each of our regions operates at least one low-cost manufacturing center, including China, India, Malaysia, Mexico, Poland, Slovakia and Thailand.

We continually look for ways to reduce our manufacturing costs as we increase capacity, resulting in a trend of fewer but larger factories. We achieved economies of scale and higher capacity utilization while continuing to assure on-time delivery.

We incurred total capital expenditures of $296.9 million in 2007, $276.8 million in 2006 and $230.9 million in 2005, which was primarily related to increasing manufacturing capacity.

Raw Materials

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The principal raw materials that we purchase for the manufacture of our products include plastic resins for molding, metal alloys (primarily copper based) for stamping and gold and palladium salts for use in the plating process. We also purchase molded and stamped components and connector assemblies. Most materials and components used in our products are available from several sources. To achieve economies of scale, we concentrate purchases from a limited number of suppliers, and therefore in the short term may be dependent upon certain suppliers to meet performance and quality specifications and delivery schedules. We anticipate that our raw material expenditures as a percentage of sales may increase due to growth in our integrated products business and increases in certain commodity costs.

Backlog and Seasonality

The backlog of unfilled orders at June 30, 2007 was approximately $332.5 million compared with backlog of $370.0 million at June 30, 2006. Substantially all of these orders are scheduled for delivery within 12 months. The majority of orders are shipped within 30 days of acceptance.

We do not believe that aggregate worldwide sales reflect any significant degree of seasonality.

Employees

As of June 30, 2007, we employed approximately 33,200 people worldwide. We believe we have been successful in attracting and retaining qualified personnel in highly competitive labor markets due to our competitive compensation and benefits as well as our rewarding work environment. We consider our relations with our employees to be strong.

We are committed to employee development and place a high priority on developing Molex leaders of the future through training at all levels. This includes on-the-job and online learning, as well as custom initiatives such as our two-year, in-house global management training program.

Acquisitions and Investments

Our strategy to provide a broad range of connectors requires a wide variety of technologies, products and capabilities. The rapid pace of technological development in the connector industry and the specialized expertise required in different markets make it difficult for a single company to organically develop all of the required products. Though a significant majority of our growth has come from internally developed products we will seek to make future acquisitions or investments where we believe we can stimulate the development of, or acquire, new technologies and products to further our strategic objectives and strengthen our existing businesses.

On August 9, 2006, we completed the acquisition of Woodhead Industries, Inc. (Woodhead) in an all cash transaction valued at approximately $238.1 million, including the assumption of debt and net of cash acquired. Woodhead develops, manufactures and markets network and electrical infrastructure components engineered for performance in harsh, demanding and hazardous industrial environments. The acquisition is a significant step in our strategy to expand our products and capabilities in the global industrial market.

Intellectual Property

Intellectual property rights that apply to our various products and services include patents, trade secrets and trademarks. We maintain an active program to protect our investment in technology by attempting to ensure intellectual property rights protection for our products.

As of June 30, 2007, Molex owned 909 United States patents and 3,849 foreign patents in various countries throughout the world. In addition, Molex had 286 patent applications on file with the U.S. Patent Office (includes both U.S. national filings and Patent Cooperation Treaty filings) and 1,388 foreign patent applications pending in various patent offices throughout the world. No assurance can be given that any patents will be issued on pending or future applications. As we develop products for new markets and uses, we normally seek available patent protection.

We also protect certain details about our processes, products and strategies as trade secrets, keeping confidential the information that provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information.

We believe that our intellectual property is important but do not consider ourselves materially dependent upon any single patent or group of related patents.

Environmental Matters

We are committed to achieving high standards of environmental quality and product safety, and strive to provide a safe and healthy workplace for our employees, contractors and the communities in which we do business. We have regional environmental, health and safety (EHS) policies and strict disciplines that are applied to our operations. We closely monitor the environmental laws and regulations in the countries in which we operate and believe we are in compliance in all material respects with federal, state and local regulations pertaining to environmental protection.

Many of our worldwide manufacturing sites are certified to the International Organization for Standardization (ISO) 14001 environmental management system standard, which requires that a broad range of environmental processes and policies be in place to minimize environmental impact, maintain compliance with environmental regulations and communicate effectively with interested stakeholders. Our ISO 14001 environmental auditing program includes not only compliance components, but also modules on business risk, environmental excellence and management systems. We have internal processes that focus on minimizing and properly managing hazardous materials used in our facilities and products. We monitor regulatory and resource trends and set company-wide short and long-term performance targets for key resources and emissions.

The manufacture, assembly and testing of our products are subject to a broad array of laws and regulations, including restrictions on the use of hazardous materials. We believe that our efforts to reduce the use of hazardous substances have positioned us well to meet environmental restrictions on product content throughout the world, such as the Restriction on Hazardous Substances (RoHS) directive in the European Union. The RoHS directive eliminates most uses of lead, cadmium, hexavalent-chromium, mercury and certain flame-retardants in electronics placed on the market after July 1, 2006.

Executive Officers

Our executive officers are set forth in the table below.

Name	Positions Held with Registrant During the Last Five Years	Age	Year Employed
Frederick A. Krehbiel[(a)]	Co-Chairman (1999-); Chief Executive Officer (2004-2005); Co-Chief Executive Officer (1999-2001).	66	1965[(b)]
John H. Krehbiel, Jr. [(a)]	Co-Chairman (1999-); Co-Chief Executive Officer (1999-2001).	70	1959[(b)]
Martin P. Slark	Vice-Chairman and Chief Executive Officer (2005-); President and Chief Operating Officer (2001-2005); Executive Vice President (1999-2001).	52	1976
Liam McCarthy	President and Chief Operating Officer (2005-); Regional Vice President of Operations, Europe (2000-	51	1976

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Name	Positions Held with Registrant During the Last Five Years	Age	Year Employed
	2005); Interim General Manager of Molex Ireland Ltd. (2002-2004).		

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Name	Positions Held with Registrant During the Last Five Yearst	Age	Year Employed
David D. Johnson	Executive Vice President, Treasurer and Chief Financial Officer (2005-); Vice President, Treasurer and Chief Financial Officer, Sypris Solutions, Inc. (1998-2005).	51	2005
Graham C. Brock	Executive Vice President (2005-) and President, Global Sales & Marketing Division (2006) and Regional President, Europe (2005-); Regional Vice President - Sales & Marketing, Europe (2000-2005).	53	1976
James E. Fleischhacker	Executive Vice President (2001-) and President, Global Transportation Products Division (2007); Corporate Vice President (1994-2001); Regional President, Asia Pacific South (1998-2001, 2003-2004).	63	1984
Katsumi Hirokawa	Executive Vice President (2005-) and President, Global Micro Products Division (2007). Positions at Molex Japan Co., Ltd.: President (2002-); Executive Vice President- Sales (2002-2002); Senior Director-Sales (1996-2002).	60	1995
David B. Root	Executive Vice President and President, Global Commercial Products Division (2007); Vice President and Regional President, Americas (2005-); Vice President, Sales Americas (2004-2005); President, Connector Products Division (2002-2004); President, Data Comm Division (2001-2002).	53	1982
Ronald L. Schubel	Executive Vice President (2001-); Corporate Vice President (1982-2001); Regional President, Americas (1998-2005).	63	1981
J. Michael Nauman	Senior Vice President and President, Global Integrated Products Division (2007-); President, Integrated Products Division, Americas Region (2005-2007); President, High Performance Products Division, Americas Region (2004-2005); President, Fiber Optics Division, Americas Region (2003-2004); General Manager, High Performance Cable Assembly and Adapter Business Units (1999-2003).	45	1994
Hans A. van Delft	Senior Vice President and President, Global Automation & Electrical Products Division (2007-); President, Woodhead Group (2006-2007); Division Manager, General Products Division, Europe (2003-2006); Division Manager, Telecom Division (2001-2003); General Manager, Molex Singapore (1999-2000).	52	1987

(a) John H. Krehbiel, Jr. and Frederick A.

Krehbiel (the Krehbiel Family) are brothers. The members of the Krehbiel Family may be considered to be control persons of the Registrant. The other executive officers listed above have no relationship, family or otherwise, to the Krehbiel Family, the Registrant or each other.

(b) Includes period employed by our predecessor company.

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Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics applicable to all employees, officers and directors. The Code of Business Conduct incorporates our policies and guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. We have also adopted a Code of Ethics for Senior Financial Management applicable to our chief executive officer, chief financial officer, chief accounting officer and other senior financial managers. The Code of Ethics sets out our expectations that financial management produce full, fair, accurate, timely and understandable disclosure in our filings with the SEC and other public communications. Molex intends to post any amendments to or waivers from the Codes on its Web site.

The full text of these Codes is published on the investor relations page of our Web site at www.molex.com.

Item 1A. Risk Factors

Forward-looking Statements

This Annual Report on Form 10-K and other documents we file with the Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs, and our management s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, web casts, phone calls, and conference calls. Words such as expect, anticipate, outlook, forecast, could, project, intend, plan, continue, believe, should, may, assume, variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. We describe our respective risks, uncertainties, and assumptions that could affect the outcome or results of operations below.

We have based our forward looking statements on our management s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may differ materially from what is expressed, implied, or forecast by our forward looking statements. Reference is made in particular to forward looking statements regarding growth strategies, industry trends, financial results, cost reduction initiatives, acquisition synergies, manufacturing strategies, product development and sales, regulatory approvals, and competitive strengths. Except as required under the federal securities laws, we do not have any intention or obligation to update publicly any forward-looking statements after the filing of this report, whether as a result of new information, future events, changes in assumptions, or otherwise.

Risk Factors

You should carefully consider the risks described below. Such risks are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially adversely affected.

We are dependent on the success of our customers.

We are dependent on the continued growth, viability and financial stability of our customers. Our customers generally are original equipment manufacturers in the telecommunications, data product, automotive, consumer, and industrial industries. These industries are, to a varying extent, subject to rapid technological change, vigorous competition and short product life cycles. When our customers are adversely affected by these factors, we may be similarly affected.

We face rising costs of commodity materials.

The cost and availability of certain commodity materials used to manufacture our products, such as plastic resins, copper-based metal alloys, gold and palladium salts, molded and stamped components and connector assemblies, it is critical to our success. Volatility in the prices and shortages of such materials may result in increased costs and lower operating margins if we are unable to pass such increased costs through to our customers. From time to time, we use financial instruments to hedge the volatility of commodity material costs. The success of our hedging program depends on accurate forecast of transaction activity in the various commodity materials. To the extent that these forecasts are over or understated during periods of volatility, we could experience unanticipated commodity materials or hedge gains or losses.

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We face intense competition in our markets.

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including the price, quality and performance of our products, the level of customer service, the development of new technology and our ability to participate in emerging markets. Within each of our markets, we encounter direct competition from other electronic components manufacturers and suppliers and competition may intensify from various U.S. and non-U.S. competitors and new market entrants, some of which may be our current customers. The competition in the future may, in some cases, result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business, operating results and financial condition. In addition, market factors could cause a decline in spending for the technology products manufactured by our customers.

We are dependent on new products.

We expect that a significant portion of our future revenue will continue to be derived from sales of newly introduced products. Rapidly changing technology, evolving industry standards and changes in customer needs characterize the market for our products. If we fail to modify or improve our products in response to changes in technology, industry standards or customer needs, our products could rapidly become less competitive or obsolete. We must continue to make investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance.

We may need to license new technologies to respond to technological change and these licenses may not be available to us on terms that we can accept or may materially change the gross profits that we are able to obtain on our products. We may not succeed in adapting our products to new technologies as they emerge. Development and manufacturing schedules for technology products are difficult to predict, and there can be no assurance that we will achieve timely initial customer shipments of new products. The timely availability of these products in volume and their acceptance by customers are important to our future success.

We face manufacturing challenges.

The volume and timing of sales to our customers may vary due to: variation in demand for our customers products; our customers attempts to manage their inventory; design changes; changes in our customers manufacturing strategy; and acquisitions of or consolidations among customers. Due in part to these factors, many of our customers do not commit to long-term production schedules. Our inability to forecast the level of customer order with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity.

Our industry must provide increasingly rapid product turnaround for its customers. We generally do not obtain firm, long-term purchase commitments from our customers and we continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities or delay production for a number of reasons and such actions could negatively impact our operating results. In addition, we make significant operating decisions based on our estimate of customer requirements. The short-term nature of our customers commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers.

On occasion, customers may require rapid increases in production, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand can harm our gross profit and operating results.

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We face industry consolidation.

In the current economic climate, consolidation in industries that utilize electronics components may further increase as companies combine to achieve further economics of scale and other synergies. Consolidation in industries that utilize electronics components could result in an increase in excess manufacturing capacity as companies seek to divest manufacturing operations or eliminate duplicative product lines. Excess manufacturing capacity has increased, and may continue to increase, pricing and competitive pressures for our industry as a whole and for us in particular. Consolidation could also result in an increasing number of very large companies offering products in multiple industries. The significant purchasing power and market power of these large companies could increase pricing and competitive pressures for us.

We depend on industries exposed to rapid technological change.

Our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product life cycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers products become obsolete or fail to gain widespread commercial acceptance, our business could be materially adversely affected. In addition, if we are unable to offer technologically advanced, cost effective, quick response manufacturing services to customers, demand for our products may also decline.

We face the possibility that our gross margins may decline.

In response to changes in product mix, competitive pricing pressures, increased sales discounts, introductions of new competitive products, product enhancements by our competitors, increases in manufacturing or labor costs or other operating expenses, we may experience declines in prices, gross margins and profitability. To maintain our gross margins we must maintain or increase current shipment volumes, develop and introduce new products and product enhancements and reduce the costs to produce our products. If we are unable to accomplish this, our revenue, gross profit and operating results may be below our expectations and those of investors and analysts.

We face risks associated with inventory.

The value of our inventory may decline as a result of surplus inventory, price reductions or technological obsolescence. We must identify the right product mix and maintain sufficient inventory on hand to meet customer orders. Failure to do so could adversely affect our revenue and operating results. However, if circumstances change (for example, an unexpected shift in market demand, pricing or customer defaults) there could be a material impact on the net realizable value of our inventory. We maintain an inventory valuation reserve account against diminution in the value or salability of our inventory. However, there is no guaranty that these arrangements will be sufficient to avoid write-offs in excess of our reserves in all circumstances.

We may encounter problems associated with our global operations.

Currently, more than 70% of our revenues come from international sales. In addition, a significant portion of our operations consists of manufacturing and sales activities outside of the U.S. Our ability to sell our products and conduct our operations globally is subject to a number of risks. Local economic, political and labor conditions in each country could adversely affect demand for our products and services or disrupt our operations in these markets. We may also experience reduced intellectual property protection or longer and more challenging collection cycles as a result of different customary business practices in certain countries where we do business. Additionally, we face the following risks:

International business conditions including the relationships between the U.S., Chinese and other governments;

Unexpected changes in laws, regulations, trade, monetary or fiscal policy, including interest rates, foreign currency exchange rates and changes in the rate of inflation in the U.S., China or other foreign countries;

Tariffs, quotas and other import or export restrictions and other trade barriers;

Difficulties in staffing and management;

Language and cultural barriers; and

Potentially adverse tax consequences.

We are exposed to fluctuations in currency exchange rates.

Since a significant portion of our business is conducted outside the U.S., we face substantial exposure to movements in non-U.S. currency exchange rates. This may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our global operations may not be effective. We mitigate our foreign currency exchange rate risk principally through the establishment of local production facilities in the markets we serve. This creates a natural hedge since purchases and sales within a specific country are both denominated in the same currency and therefore no exposure exists to hedge with a foreign exchange forward or option contract (collectively, foreign exchange contracts). Natural hedges exist in most countries in which we operate, although the percentage of natural offsets, as compared with offsets that need to be hedged by foreign exchange contracts, will vary from country to country. To reduce our exposure to fluctuations in currency exchange rates when natural hedges are not effective, we may use financial instruments to hedge U.S. dollar and other currency commitments and cash flows arising from trade accounts receivable, trade accounts payable and fixed purchase obligations.

If these hedging activities are not successful or we change or reduce these hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates or financial instruments which become ineffective. The success of our hedging program depends on accurate forecasts of transaction activity in the various currencies. To the extent that these forecasts are over or understated during periods of currency volatility, we could experience unanticipated currency or hedge gains or losses.

We may find that our products have quality issues.

If flaws in either the design or manufacture of our products were to occur, we could experience a rate of failure in our products that could result in significant delays in shipment and product re-work or replacement costs. While we engage in extensive product quality programs and processes, these may not be sufficient to avoid a product failure rate that results in substantial delays in shipment, significant repair or replacement costs, or potential damage to our reputation.

We face risks in integrating acquisitions.

We expect to continue to make investments in companies, products and technologies through acquisitions. While we believe that such acquisitions are an integral part of our long-term strategy, there are risks and uncertainties related to acquiring companies. Such risks and uncertainties include:

Difficulty in integrating acquired operations, technology and products or realizing cost savings or other anticipated benefits from integration;

Retaining customers and existing contracts;

Retaining the key employees of the acquired operation;

Potential disruption of our or the acquired company s ongoing business;

Unanticipated expenses related to integration; and

Potential unknown liabilities associated with the acquired company.

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We face risks arising from reorganizations of our operations.

In 2007, we announced plans to realign part of our manufacturing capacity in order to reduce costs and better optimize plant utilization. The process of restructuring entails, among other activities, moving production between facilities, reducing staff levels, realigning our business processes and reorganizing our management. We continue to evaluate our operations and may need to undertake additional restructuring initiatives in the future. If we incur additional restructuring related charges, our financial condition and results of operations may suffer.

In addition, on July 1, 2007 we transitioned to a global organizational structure that consists of product-focused divisions that will enable us to work more effectively as a global team to meet customer needs, as well as to better leverage design expertise and the low-cost production centers we have around the world. This reorganization entails risks, including: the need to implement financial and other systems and add management resources; in the short-term we may fail to maintain the quality of products and services we have historically provided; diversion of management s attention to the reorganization; potential disruption of our ongoing business; and unanticipated expenses related to such reorganization.

We depend on our key employees and face competition in hiring and retaining qualified employees.

Our future success depends partly on the continued contribution of our key employees, including executive, engineering, sales, marketing, manufacturing and administrative personnel. We currently do not have employment agreements with any of our key executive officers. We face intense competition for key personnel in several of our product and geographic markets. Our future success depends in large part on our continued ability to hire, assimilate and retain key employees, including qualified engineers and other highly skilled personnel needed to compete and develop successful new products. We may not be as successful as competitors at recruiting, assimilating and retaining highly skilled personnel.

We are subject to various laws and government regulations.

We are subject to a wide and ever-changing variety of U.S. and foreign federal, state and local laws and regulations, compliance with which may require substantial expense. Of particular note are two recent European Union (EU) directives known as the Restriction on Certain Hazardous Substances Directive (RoHS) and the Waste Electrical and Electronic Equipment Directive. These directives restrict the distribution of products within the EU of certain substances and require a manufacturer or importer to recycle products containing those substances. Failure to comply with these directives could result in fines or suspension of sales. Additionally, RoHS may result in our having non-compliant inventory that may be less readily salable or have to be written off.

In addition, some environment laws impose liability, sometimes without fault, for investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination.

We rely on our intellectual property rights.

We rely on a combination of patents, copyrights, trademarks and trade secrets and confidentiality provisions to establish and protect our proprietary rights. To this end, we hold rights to a number of patents and registered trademarks and regularly file applications to attempt to protect our rights in new technology and trademarks. Even if approved, our patents or trademarks may be successfully challenged by others or otherwise become invalidated for a variety of reasons. Also, to the extent a competitor is able to reproduce or otherwise capitalize on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection.

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Third parties may claim that we are infringing their intellectual property rights. Such claims could have an adverse affect on our business and financial condition. From time to time we receive letters alleging infringement of patents. Litigation concerning patents or other intellectual property is costly and time consuming. We may seek licenses from such parties, but they could refuse to grant us a license or demand commercially unreasonable terms. Such infringement claims could also cause us to incur substantial liabilities and to suspend or permanently cease the manufacture and sale of affected products.

We could suffer significant business interruptions.

Our operations and those of our suppliers may be vulnerable to interruption by natural disasters such as earthquakes, tsunamis, typhoons, or floods, or other disasters such as fires, explosions, acts of terrorism or war, or failures of our management information or other systems. If a business interruption occurs, our business could be materially and adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own and lease manufacturing, design, warehousing, sales and administrative space in locations around the world. The leases are of varying terms with expirations ranging from fiscal 2008 through fiscal 2017. The leases in aggregate are not considered material to the financial position of Molex.

As of June 30, 2007, we owned or leased a total of approximately 9 million square feet of space worldwide. We own 90% of our manufacturing, design, warehouse and office space and lease the remaining 10%. Our manufacturing plants are equipped with machinery, most of which we own and which, in part, we developed to meet the special requirements of our manufacturing processes. We believe that our buildings, machinery and equipment are well maintained and adequate for our current needs.

Our principal executive offices are located at 2222 Wellington Court, Lisle, Illinois, United States of America. Molex owns 59 manufacturing facilities, 19 of which are located in North America and 40 of which are located in other countries. A listing of the locations of our principal manufacturing facilities by region is presented below:

Americas: United States, Nogales, Guadalajara and Juarez

Asia Pacific North: Japan and Thailand

Asia Pacific South: China, Korea, India, Malaysia, Singapore and Taiwan

Europe: France, Germany, Italy, Poland, Slovakia and Ireland

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Item 3. Legal Proceedings

The Commission commenced an informal inquiry into our stock option granting practices, and the Office of the U.S. Attorney for the Northern District of Illinois has also requested information on this subject. As previously disclosed, a Special Committee of our Board of Directors completed a review of our past option granting practices. Although we cannot predict the outcome of this matter, we do not expect that such matter will have a material adverse effect on our consolidated financial position or results of operations.

On January 25, 2007, we filed a suit in the United States District Court in Nevada against FCI Americas Technology, Inc. (FCI) seeking a declaratory judgment that our I-Trac connectors are not covered by FCI s shieldless connector patents, and further seeking an injunction against FCI s continued assertions that such connectors infringe any of FCI s patents. Following the filing of our suit, on January 26, 2007 FCI and FCI USA, Inc. filed a patent infringement suit against us in the United States District Court in Delaware that alleges that we are infringing certain of their patents relating to shieldless connectors. We believe that our I-Trac connectors do not infringe FCI s patents and intend to vigorously pursue our position. Although we cannot predict the outcome of this matter, we do not expect that it will have a material adverse effect on our consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Molex is traded on the NASDAQ Global Select Market and on the London Stock Exchange and trades under the symbols MOLX for Common Stock and MOLXA for Class A Common Stock.

The number of stockholders of record at June 30, 2007 was 2,160 for Common Stock and 8,439 for Class A Common Stock.

The following table presents quarterly stock prices for the years ended June 30:

		2007		2006		2005	
		Low - High		Low - High		Low - High	
Common Stock	1st	$29.66	$39.27	$25.34	$29.20	$27.55	$31.39
	2nd	30.91	39.49	24.07	28.02	27.57	31.31
	3rd	28.15	31.70	25.89	33.39	24.62	29.13
	4th	28.01	31.53	32.48	39.36	24.47	28.15

		2007		2006		2005	
		Low	High	Low	High	Low	High
Class A Common Stock	1st	$25.57	$33.12	$23.54	$26.50	$23.55	$26.82
	2nd	27.22	33.27	22.82	27.15	24.33	27.46
	3rd	24.72	27.78	24.33	29.87	22.48	25.99
	4th	24.66	28.20	27.94	33.47	21.75	25.08

Cash dividends on common stock have been paid every year since 1977. The following table presents quarterly dividends declared per common share for the years ended June 30:

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	Common Stock		Class A Common Stock	
	2007	2006	2007	2006
Quarter ended:				
September 30	$ 0.0750	$ 0.0500	$ 0.0750	$ 0.0500
December 31	0.0750	0.0500	0.0750	0.0500
March 31	0.0750	0.0500	0.0750	0.0500
June 30	0.0750	0.0750	0.0750	0.0750
Total	$ 0.3000	$ 0.2250	$ 0.3000	$ 0.2250

On April 25, 2005, our Board of Directors authorized purchases of our outstanding Common Stock and Class A Common Stock during the period ending December 31, 2006 up to an aggregate value of $250 million on a discretionary basis. On October 27, 2006, the Board extended this authorization through September 30, 2007. The following table contains information about our purchases of Molex equity securities pursuant to the current authorization during the quarter ended June 30, 2007 (in thousands, except price per share data):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan
Common Stock:			
April 1 to April 30	57	$ 30.56	
May 1 to May 31	130	$ 30.52	130
June 1 to June 30		$	
Total	187	$ 30.53	130

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan
Class A Common Stock:			
April 1 to April 30	272	$ 25.28	170
May 1 to May 31	325	$ 27.10	245
June 1 to June 30	10	$ 27.70	

Total	607	$ 26.29	415

As of June 30, 2007, the dollar value of shares that may yet be purchased under the plan was $15.2 million.

During the quarter ended June 30, 2007, 57,174 shares of Common Stock and 190,964 shares of Class A Common Stock were transferred to us from certain employees to pay either the purchase price and/or withholding taxes on the vesting of restricted stock or the exercise of stock options. The aggregate market value of the shares transferred totaled $6.7 million.

Descriptions of our Common Stock appear under the caption Molex Stock in our 2007 Proxy Statement and in Note 14 of the Notes to Consolidated Financial Statements.

Performance Graph

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The performance graph set forth below shows the value of an investment of $100 on June 30, 2002 in each of Molex Common Stock, Molex Class A Common Stock, the S&P 500 Index, and a Peer Group Index. The Peer Group Index includes 50 companies (including Molex) classified in the Global Sub-industry Classifications Electronic Equipment Manufacturers, Electronic Manufacturing Services, and Technology Distributors. All values assume reinvestment of the pre-tax value of dividends paid by Molex and the companies included in these indices, and are calculated as of June 30 of each year. The historical stock price performance of Molex s Common Stock and Class A Common Stock is not necessarily indicative of future stock price performance.

Comparison of Five-Year Cumulative Total Return
(Value of Investment of $100 on June 30, 2002)

	06/30/02	06/30/03	06/30/04	06/30/05	06/30/06	06/30/07
Molex Incorporated	$100.00	$ 80.89	$ 96.39	$ 78.67	$102.19	$ 92.22
Molex Incorporated Class A	100.00	84.29	100.31	86.87	107.19	100.13
S&P 500	100.00	100.25	119.41	126.96	137.92	166.32
Peer Group	100.00	88.64	126.85	105.82	124.77	138.14

The material in this performance graph is not soliciting material, is not deemed filed with the Commission, and is not incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made on, before or after the date of this filing and irrespective of any general incorporation language in such filing.

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Item 6. Selected Financial Data

Molex Incorporated
Five-Year Financial Highlights Summary
(in thousands, except per share data)

	2007	2006	2005	2004	2003
Operations:					
Net revenue	$3,265,874	$2,861,289	$2,554,458	$2,249,018	$1,839,761
Gross profit	1,016,708	942,630	832,662	732,832	571,982
Income from operations	321,550	309,744	203,264	213,462	94,119
Income before income taxes	338,257	327,884	223,201	231,757	102,052
Net income (1)	240,768	236,091	150,116	168,096	83,990
Earnings per share:					
Basic	1.31	1.27	0.80	0.88	0.44
Diluted	1.30	1.26	0.79	0.87	0.43
Net income percent of net revenue	7.4%	8.3%	5.9%	7.5%	4.6%
Capital expenditures	$ 296,861	$ 276,783	$ 230,895	$ 189,724	$ 171,193
Return on invested capital (2)	9.0%	10.3%	6.7%	8.1%	4.3%
Financial Position:					
Current assets	1,590,827	1,548,233	1,374,063	1,165,508	960,761
Current liabilities	530,951	594,812	469,504	424,766	349,516
Working capital (3)	1,059,876	953,421	904,559	740,742	611,245
Current ratio (4)	3.0	2.6	2.9	2.7	2.7
Property, plant and equipment, net	1,121,369	1,025,852	984,237	1,023,020	1,007,948
Total assets	3,316,108	2,974,420	2,730,162	2,575,286	2,333,854
Long-term debt and capital leases	130,779	8,815	9,975	14,039	16,868
Stockholders equity	2,523,031	2,281,869	2,170,754	2,070,422	1,905,667
Dividends declared per share	0.30	0.225	0.15	0.10	0.10
Average common shares outstanding:					
Basic	183,961	185,521	188,646	190,207	191,873
Diluted	185,565	187,416	190,572	192,186	193,229

(1) Fiscal 2007 results include a charge for restructuring costs and asset impairments of $36.9 million ($30.3 million

after-tax). Fiscal 2006 results include a restructuring charge of $26.4 million ($19.2 million after-tax). Fiscal 2005 results include a charge for restructuring costs and asset impairments of $30.2 million ($23.0 million after-tax) and a charge for goodwill impairment of $22.9 million ($22.9 million after-tax). Fiscal 2003 results include a restructuring charge of $35.0 million ($24.8 million after-tax). See Notes 5 and 8 of the Notes to Consolidated Financial Statements for a discussion of our restructuring costs and goodwill impairment.

(2) Return on invested capital is defined as the current year net income divided by the sum of average total assets less average current liabilities for the year.

(3) Working capital is defined as current assets minus current liabilities.

(4) Current ratio is defined as current assets divided by current liabilities.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion includes the use of organic net revenue growth, a non-GAAP financial measure. Refer to Non-GAAP Financial Measures below for additional information on the use of this measure.

Overview

Our core business is the manufacture and sale of electronic components. Our products are used by a large number of leading original equipment manufacturers (OEMs) throughout the world. We design, manufacture and sell more than 100,000 products including terminals, connectors, planar cables, cable assemblies, interconnection systems, backplanes, integrated products and mechanical and electronic switches. We also provide manufacturing services to integrate specific components into a customer s product.

Our connectors, interconnecting devices and assemblies are used principally in the telecommunications, data, consumer products, automotive and industrial markets. Our products are used in a wide range of applications including desktop and notebook computers, computer peripheral equipment, mobile phones, digital electronics such as cameras and plasma televisions, automobile engine control units and adaptive braking systems, factory robotics and diagnostic equipment.

We believe that our sales mix is balanced, with growth prospects in a number of markets. Net revenues by market can fluctuate based on various factors including new technologies within the industry, composition of customers and new products or model changes that we or our customers introduce. The approximate percentage of net revenue by market for fiscal years 2007, 2006 and 2005 is outlined below.

	% of Net Revenue		
	2007	2006	2005
Telecommunications	26%	30%	27%
Data Products	21	22	24
Automotive	18	18	19
Consumer	18	19	18
Industrial	15	9	9
Other	2	2	3
Total	100%	100%	100%

We sell our products directly to OEMs and to their contract manufacturers and suppliers and, to a lesser extent, through distributors throughout the world. Our engineers work collaboratively with customers to develop products that meet their specific needs. Our connector products are designed to help manufacturers assemble their own products more efficiently. Our electronic components help enable manufacturers to break down their production into sub-assemblies that can be built on different production lines, in different factories or by subcontractors. Our connectors allow these sub-assemblies to be readily plugged together before selling the end product to a customer. Our connectors also enable users to connect together related electronic items, such as mobile phones to battery chargers and computers to printers. Many of our customers are multi-national corporations that manufacture their products in multiple operations in several countries.

We service our customers through our global manufacturing footprint. As of June 30, 2007, we operated 59 manufacturing plants, located in 19 countries on four continents. Manufacturing in many sectors has continued to move from the United States and Western Europe to lower cost regions. In addition, reduced trade barriers, lower freight cost and improved supply chain logistics have reduced the need for duplicate regional manufacturing capabilities. For these reasons, our strategy has been to consolidate multiple plants of modest size in favor of operating fewer, larger and more integrated facilities in strategic locations around the world.

During fiscal 2007, we operated our business in the following four geographic regions: Americas, Europe, Asia Pacific North and Asia Pacific South. In fiscal 2007, 51% of our revenue was derived from sales in the Asia Pacific North and Asia Pacific South regions. Economic growth in Asia, particularly in China, is anticipated to be greater than in the Americas and Europe. We believe that the business is positioned to benefit from this trend. Approximately 50% of our manufacturing capacity is in lower cost areas such as China, Eastern Europe and Mexico.

The market in which we operate is highly fragmented with a limited number of large companies and a significant number of smaller companies making electronic connectors. We are the world s second-largest manufacturer of electronic connectors. We believe that our global presence and our ability to design and manufacture our products throughout the world and to service our customers globally is a key advantage for us. Our growth has come primarily from new products that we develop, often in collaboration with our customers.

Financial Highlights

Net revenue for fiscal 2007 of $3.3 billion increased 14.1% over fiscal 2006 net revenue of $2.9 billion. Organic net revenue growth was 11.8% for fiscal 2007 over 2006. Net income of $240.8 million for fiscal 2007 increased $4.7 million from $236.1 million reported in the prior year. Fiscal 2007 includes restructuring costs and asset impairments of $36.9 million ($30.3 million after tax). Fiscal 2006 net income included a restructuring charge of $26.4 million ($19.2 million after-tax).

On August 9, 2006, we completed the acquisition of Woodhead Industries, Inc. (Woodhead) in an all cash transaction valued at approximately $238.1 million, including the assumption of debt and net of cash acquired. Woodhead develops, manufactures and markets network and electrical infrastructure components engineered for performance in harsh, demanding, and hazardous industrial environments. The acquisition is a significant step in our strategy to expand our products and capabilities in the global industrial market.

Critical Accounting Estimates

Our accounting and financial reporting policies are in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Significant accounting policies are summarized in Note 2 of the Notes to Consolidated Financial Statements. Noted here are a number of policies that require significant judgments or estimates**.**

Revenue Recognition

Our revenue recognition policies are in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, and SAB No. 104, Revenue Recognition, as issued by the SEC and other applicable guidance.

We recognize revenue upon shipment of product and transfer of ownership to the customer. Contracts and customer purchase orders generally are used to determine the existence of an arrangement. Shipping documents, proof of delivery and customer acceptance (when applicable) are used to verify delivery. We assess whether an amount due from a customer is fixed and determinable based on the terms of the agreement with the customer, including, but not limited to, the payment terms associated with the transaction. The impact of judgments and estimates on revenue recognition is minimal. A reserve for estimated returns is established at the time of sale based on historical return experience to cover returns of defective product and is recorded as a reduction of revenue.

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Income Taxes

Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using presently enacted tax rates. We have net deferred tax assets of $119.8 million at June 30, 2007.

We have operations in countries around the world that are subject to income and other similar taxes in these countries. The estimation of the income tax amounts that we record involves the interpretation of complex tax laws and regulations, evaluation of tax audit findings and assessment of how foreign taxes may affect domestic taxes. Although we believe our tax accruals are adequate, differences may occur in the future depending on the resolution of pending and new tax matters.

We periodically assess the carrying value of our deferred tax assets based upon our ability to generate sufficient future taxable income in certain tax jurisdictions. If we determine that we will not be able to realize all or part of our deferred tax assets in the future, a valuation allowance is established in the period such determination is made. We have determined that it is unlikely that we will realize a net deferred asset in the future relating to certain non-U.S. net operating losses. A valuation allowance of $1.3 million was recorded in fiscal 2007 to offset the recording of a deferred tax asset of $1.3 million related to certain European net operating losses. The cumulative valuation allowance relating to net operating losses is approximately $39.4 million at June 30, 2007.

It is our policy to establish accruals for taxes that may become payable in future years as a result of examinations by tax authorities. We establish the accruals based upon management s assessment of probable income tax contingencies. At June 30, 2007, we believe we have appropriately accrued for probable contingencies. To the extent we were to prevail in matters for which accruals have been established or would be required to pay amounts in excess of accruals, our effective tax rate in a given financial statement period could be materially affected.

Inventory

Inventories are valued at the lower of first-in, first-out (FIFO) cost or market value. FIFO inventories recorded in our consolidated balance sheet are adjusted for an allowance covering inventories determined to be slow-moving or excess. The allowance for slow-moving and excess inventories is maintained at an amount management considers appropriate based on factors such as historical usage of the product, open sales orders and future sales forecasts. If our sales forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to write down additional inventory, which would have a negative impact on gross margin and operating results. Such factors require judgment, and changes in any of these factors could result in changes to this allowance.

Pension Plans

The costs and obligations of our defined benefit pension plans are dependent on actuarial assumptions. Three critical assumptions used, which impact the net periodic pension expense (income) and two of which impact the benefit obligation, are the discount rate, expected return on plan assets and rate of compensation increase. The discount rate is determined based on high-quality fixed income investments that match the duration of expected benefit payments. We have typically used the market rate for AA/Aa rated corporate bonds for this assumption. The expected return on plan assets represents a forward projection of the average rate of earnings expected on the pension assets. We have estimated this rate based on historical returns of similarly diversified portfolios. The rate of compensation increase represents the long-term assumption for expected increases to salaries for pay-related plans. These key assumptions are evaluated annually. Changes in these assumptions can result in different expense and liability amounts.

The effects of the indicated increase and decrease in selected assumptions for our pension plans as of June 30, 2007, assuming no changes in benefit levels and no amortization of gains or losses, is shown below (in thousands):

	Increase (Decrease) in PBO		Increase (Decrease) in Pension Expense	
	U.S. Plan	Int l Plans	U.S. Plan	Int l Plans
Discount rate change:				
Increase 50 basis points	$(5,108)	$(8,333)	$(338)	$(103)
Decrease 50 basis points	5,580	9,444	329	175
Expected rate of return change:				
Increase 100 basis points	N/A	N/A	(496)	(536)
Decrease 100 basis points	N/A	N/A	443	420

Other Postretirement Benefits

We have retiree health care plans that cover the majority of our U.S. employees. There are no significant postretirement health care benefit plans outside of the U.S. The health care cost trend rate assumption has a significant effect on the amount of the accumulated postretirement benefit obligation (APBO) and retiree health care benefit expense. A 100 basis-point change in the assumed health care cost trend rates would have the following effects (in thousands):

	2007	2006	2005
Effect on total annual service and interest cost:			
Increase 100 basis points	$ 1,287	$ 1,476	$ 1,073
Decrease 100 basis points	(1,014)	(1,211)	(908)
Effect on APBO:			
Increase 100 basis points	$ 9,057	$ 9,951	$ 8,655
Decrease 100 basis points	(7,270)	(8,164)	(7,325)

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

We perform an annual goodwill impairment analysis as of May 31, or earlier if indicators of potential impairment exist. In assessing the recoverability of goodwill, we review both quantitative as well as qualitative factors to support our assumptions with regard to fair value. Our impairment review process compares the fair value of the reporting unit in which goodwill resides to our carrying value. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. Components are defined as operations for which discrete financial information is available and reviewed by segment management.

The fair value of a reporting unit is estimated using a discounted cash flow model for the evaluation of impairment. The expected future cash flows are based on management s estimates and are determined by looking at numerous factors including projected economic conditions and customer demand, revenue and margins, changes in competition, operating costs and new products introduced. In determining fair value, we make certain judgments. If these estimates or their related assumptions change in the future as a result of changes in strategy and/or market conditions, we may be required to record an impairment charge.

Although management believes its assumptions in determining the projected cash flows are reasonable, changes in those estimates could affect the evaluation.

Restructuring Costs and Asset Impairments

We have recorded charges in connection with restructuring our business. We recognize a liability for restructuring costs at fair value when the liability is incurred. The main components of our restructuring plans are related to workforce reductions and the closure and consolidation of excess facilities. Workforce-related charges are expensed and accrued when it is determined that a liability is probable, which is generally

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after individuals have been notified of their termination dates and expected severance payments, but under certain circumstances may be recognized upon approval of a restructuring plan by management or in future accounting periods when terminated employees continue to provide service. Plans to consolidate excess facilities result in charges for lease termination fees, future commitments to pay lease charges, net of estimated future sublease income, and adjustments to the fair value of buildings and equipment to be sold. Charges for the consolidation of excess facilities are based on an estimate of the amounts and timing of future cash flows related to the expected future remaining use and ultimate sale or disposal of buildings and equipment.

The timing of the cash expenditures associated with these charges does not necessarily correspond to the period in which the accounting charge is taken. For additional information concerning the status of our restructuring programs see Note 5 of the Notes to Condensed Consolidated Financial Statements. See also Forward-Looking Statements.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we assess the impairment of long-lived assets, other than goodwill and trade names, including property and equipment, and identifiable intangible assets subject to amortization, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant changes in the manner of our use of the asset, changes in historical trends in operating performance, changes in projected operating performance, and significant negative economic trends.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements. The purpose of SFAS No. 157 is to define fair value, establish a framework for measuring fair value, and enhance disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for us on July 1, 2008. We are currently evaluating the financial statement impact of adopting SFAS No. 157, but we do not expect its adoption to have a significant transition effect.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. The provisions of SFAS No. 159 are effective for us on July 1, 2008. We are currently evaluating the financial statement impact of adopting SFAS No. 159, but we do not expect its adoption to have a significant transition effect.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which, among other things, requires applying a more likely than not threshold to the recognition and derecognition of tax positions. The provisions of FIN 48 were effective for us on July 1, 2007. We do not expect its adoption to have a significant effect on our financial statements.

Results of Operations

Net revenue for fiscal 2007 of $3.3 billion increased 14.1% over fiscal 2006 net revenue of $2.9 billion. Organic net revenue growth was 11.8% for fiscal 2007 over 2006. Net income of $240.8 million for fiscal 2007 increased $4.7 million from $236.1 million reported in the prior year. Fiscal 2007 includes restructuring costs and asset impairments of $36.9 million ($30.3 million after tax). Fiscal 2006 net income included a restructuring charge of $26.4 million ($19.2 million after-tax). The Woodhead acquisition added $202.5 million of net revenue and $12.2 million of income from operations to the consolidated operating results in fiscal 2007.

The following table sets forth certain consolidated statements of income data as a percentage of net

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revenue for the periods indicated (in thousands):

	2007	Percentage of Revenue	2006	Percentage of Revenue	2005	Percentage of Revenue
Net revenue	$ 3,265,874	100.0%	$ 2,861,289	100.0%	$ 2,554,458	100.0%
Cost of Sales	2,249,166	68.9%	1,918,659	67.1%	1,721,796	67.4%
Gross Profit	1,016,708	31.1%	942,630	32.9%	832,662	32.6%
Selling, general & administrative	658,289	20.1%	606,532	21.1%	576,354	22.6%
Restructuring costs and asset impairments	36,869	1.1%	26,354	0.9%	30,168	1.2%
Goodwill impairment					22,876	0.9%
Income from operations	321,550	9.9%	309,744	10.8%	203,264	7.9%
Other income, net	16,707	0.5%	18,140	0.7%	19,937	0.8%
Income before income taxes	338,257	10.4%	327,884	11.5%	223,201	8.7%
Income taxes	97,489	3.0%	91,793	3.2%	73,085	2.8%
Net income	$ 240,768	7.4%	$ 236,091	8.3%	$ 150,116	5.9%

Net Revenue

We sell our products in five primary markets. A summary follows of the estimated change in revenue from each market during the fiscal years ended June 30:

	2007	2006	2005
Telecommunications	3%	25%	33%
Data Products	6	3	5
Automotive	11	6	27
Consumer	9	19	(3)
Industrial	100	12	2

Telecommunications was our best performing market in fiscal years 2006 and 2005 but increased only slightly in fiscal 2007. While we experienced strong revenue growth in the telecommunications market in late fiscal 2006 and early 2007, we experienced a sharp decline in revenue from mobile phone customers during the second half of fiscal 2007. While the majority of these issues were customer specific, the overall mobile phone market is currently being driven by growth in entry level phones having lower functionality and connector content, resulting in lower demand for our products. We believe this is the result of initial demand in the developing economies, and that these large markets will eventually transition to more sophisticated higher connector content devices.

While revenue in the consumer and data markets increased in fiscal 2007 compared with 2006, revenue in these markets declined during the second half of fiscal 2007 compared with the same period in fiscal 2006, due in part to concerns regarding consumer spending as well as lingering inventory corrections at some of our larger customers.

Woodhead contributed 84% of the 100% growth in industrial sales in fiscal 2007 compared with the prior year.

The following table provides an analysis of the change in net revenue compared with the prior fiscal year (in thousands):

	2007	2006	2005
Change in net revenue due to:			
Organic net revenue growth	$ 141,887	$ 337,621	$ 233,297
Currency translation	60,219	(30,790)	72,143
Woodhead acquisition	202,479		
Total	$ 404,585	$ 306,831	$ 305,440
Organic net revenue growth percentage	5.0%	13.2%	10.4%

Organic net revenue growth was derived primarily from unit volume increases with existing customers and existing products and sales of new products. We estimate that the impact of price erosion reduced revenue by approximately $131.4 million in fiscal 2007 compared with the prior year. A significant portion of the price erosion occurred in our mobile phone connector products, which are part of our telecommunications market.

The increase in net revenue attributed to currency translation in fiscal 2007 compared with 2006 was principally due to the strengthening of the euro, Singapore dollar and Korean won against the U.S. dollar. The decrease in net revenue attributed to currency translation in fiscal 2006 compared with 2005 was principally due to the strengthening of the U.S. dollar against the yen and euro.

We operate in one product segment, the manufacture and sale of electronic components, and four regions. Woodhead is included in corporate and other for fiscal 2007. Revenue is recognized based on the location of the selling entity. The following table sets forth information on customer revenue by geographic region for the periods indicated (in thousands):

(in thousands)	2007	Percentage of Revenue	2006	Percentage of Revenue	2005	Percentage of Revenue
Americas	$ 783,464	24.0%	$ 793,296	27.7%	$ 701,470	27.5%
Asia Pacific North	510,311	15.6%	450,860	15.8%	461,873	18.0%
Asia Pacific South	1,128,034	34.5%	1,036,892	36.2%	835,368	32.7%
Europe	556,096	17.0%	511,375	17.9%	505,953	19.8%
Corporate and other	287,969	8.9%	68,866	2.4%	49,794	2.0%
Total	$ 3,265,874	100.0%	$ 2,861,289	100.0%	$ 2,554,458	100.0%

We believe that the recent trend of moving original equipment manufacturers and contract manufacturers production to lower cost countries in Asia and Eastern Europe is positively contributing to revenue in those regions of our business. This trend has resulted in lower revenue growth in higher cost regions such as the Americas and Western Europe.

We continued our long-term commitment to reinvesting our profits in new product design and tooling to maintain and enhance our competitive position. We believe that new products are essential to enable our customers to advance their solutions and their market leadership positions. Additionally, we believe that new products tend to have a higher gross profit as a percentage of revenue, but may be subject to higher price erosion as unit volumes grow, production experience is accumulated and costs decrease. Revenue derived from the sale of new products we released within the last 36 months as a percentage of net revenue was as follows for the fiscal years ended June 30:

	2007	2006	2005
Americas	25%	25%	22%
Asia Pacific North	30	23	35
Asia Pacific South	31	33	36
Europe	24	27	27
Total	27%	28%	30%

Americas Region North and South America

The following table provides an analysis of the change in net revenue compared with the prior fiscal year (in thousands):

	2007	2006	2005
Change in revenue due to:			
Organic net revenue growth	$ (10,746)	$ 82,322	$ 13,011
Currency translation	914	9,504	2,330
Total	$ (9,832)	$ 91,826	$ 15,341
Organic net revenue growth percentage	(1.4)%	11.7%	1.9%

Revenue for the Americas region decreased by $9.8 million, or 1.2%, in fiscal 2007 compared with 2006. The most significant factor in this decline was due to closure of our production facilities in Brazil. Brazil revenue for fiscal 2007 declined $41.2 million compared with the prior year period. The Americas region was favorably impacted by higher revenue in the automotive market, which was primarily due to new program wins and higher electronic content in vehicles.

Revenue for the Americas region increased by $91.8 million, or 13.1%, in fiscal 2006 compared with 2005. The increase was mostly due to stronger demand and new product offerings for electronic connector products, particularly in high performance applications. We experienced some recovery in the telecommunications market, resulting in demand for cable harnesses in that area. Demand for these products was significantly higher during the second half of fiscal 2006 compared with the prior year period partially because in 2006 the seasonally slow third fiscal quarter was instead relatively consistent with volumes in the second fiscal quarter.

Asia Pacific North Region Japan and Thailand

The following table provides an analysis of the change in net revenue compared with the prior fiscal year (in thousands):

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	2007	2006	2005
Change in revenue due to:			
Organic net revenue growth	$ 68,841	$ 12,652	$ (11,973)
Currency translation	(9,390)	(23,665)	24,282
Total	$ 59,451	$ (11,013)	$ 12,309
Organic net revenue growth percentage	15.3%	2.7%	(2.7)%

Revenue for the Asia Pacific North region increased by $59.5 million, or 13.2%, in fiscal 2007 compared with 2006. Organic net revenue growth was 15.3% in fiscal 2007 compared with 2006 mostly due to stronger demand in the consumer and industrial markets. We believe that we are well positioned for growth in the satellite radio and games segment, where we have significant connector content in Pachinko game machines and on the new Wii machine and the Sony PS3.

While demand for high-end mobile phones declined during the second half of fiscal 2007, the region continues to capitalize on its ability to design compact, higher performance products for the sophisticated end of the mobile phone business in the telecommunications market. The region has developed connectors for third generation (3G) phones. We believe that we are well positioned to grow our 3G technology business as global cell phone makers adopt this technology.

Organic net revenue growth for the Asia Pacific North region increased by $12.7 million in fiscal 2006 compared with 2005, primarily due to stronger demand in the consumer and telecom markets. Demand in these markets increased steadily during fiscal 2006 and was stronger during the second half of fiscal 2006 compared with the prior year even though the second half of the year is generally seasonally lower for the telecommunications and consumer markets.

The Asia Pacific North region generally operates at a high capacity level with significant resources allocated to support higher demand in the Asia Pacific South region. Revenue between regions is generally recognized as intercompany revenue, which is excluded from the revenue by region table above.

Asia Pacific South Region Singapore, Malaysia, China, Korea, Taiwan and India

The following table provides an analysis of the change in net revenue compared with the prior fiscal year (in thousands):

	2007	2006	2005
Change in revenue due to:			
Organic net revenue growth	$ 65,071	$ 192,370	$ 152,160
Currency translation	26,071	9,154	8,098
Total	$ 91,142	$ 201,524	$ 160,258
Organic net revenue growth percentage	6.3%	23.0%	22.5%

Revenue for the Asia Pacific South region increased by $91.1 million, or 8.8%, in fiscal 2007 compared with 2006. Organic net revenue growth was 6.3% in fiscal 2007 compared with 2006 mostly due to demand from the mobile phone, computer and telecommunications infrastructure sectors, although beginning during the second quarter of fiscal 2007, we experienced lower demand in the mobile phone and computer businesses. This lower demand resulted in Asia Pacific South revenue declining during the second half of fiscal 2007 and a lower overall growth rate for the year compared with fiscal 2006 and 2005 growth.

The Asia Pacific South region is our largest and has generally been one of our fastest growing in terms of revenue. Sales in China represent 63% of total Asia Pacific South sales for the year ended June 30, 2007 increasing 12.1%

compared with the prior year period. The drivers of this growth included overall higher demand in the mobile phone, consumer electronics and computer markets and the trend of companies

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moving their design and production to China. A significant portion of our integrated products that require a higher level of manual assembly are produced in China.

Organic net revenue growth for the Asia Pacific South region increased by $192.4 million in fiscal 2006 compared with 2005, primarily due to strong demand in the mobile phone and consumer products markets. Demand for these products was significantly higher during the second half of 2006 compared with the same period in the prior year primarily because the inventory correction and reduction in demand that occurred in the third fiscal quarter of 2005 did not recur in fiscal 2006.

European Region

The following table provides an analysis of the change in net revenue compared with the prior fiscal year (in thousands):

	2007	2006	2005
Change in revenue due to:			
Organic net revenue growth	$ 5,458	$ 30,958	$ 85,755
Currency translation	39,263	(25,536)	34,551
Total	$ 44,721	$ 5,422	$ 120,306
Organic net revenue growth percentage	1.1%	6.1%	22.2%

Revenue for the European region increased by $44.7 million, or 8.8%, in fiscal 2007 compared with 2006, mostly due to currency translation. Organic net revenue growth was primarily due to higher revenue from consumer products in the industrial market.

Revenue for the European region increased by $5.4 million, or 1.1%, in fiscal 2006 compared with 2005. Organic net revenue growth of $31.0 million was mostly due to a slight recovery in demand for general connector products, increased sales of integrated products and additional penetration in the automotive market in which we participate. Customer revenue in the European region began improving during the third fiscal quarter and increased during the second half of fiscal 2006 compared with the prior year period.

The region is focused on the strongest markets that we believe are most likely to remain in Europe. These include connectors and integrated products for industrial, medical and automotive applications.

Gross Profit

The following table provides summary of gross profit and gross margin compared with the prior fiscal year (in thousands):

	2007	2006	2005
Gross profit	$ 1,016,708	$ 942,630	$ 832,662
Gross margin	31.1%	32.9%	32.6%

The impact of certain margin drivers compared with the prior year period was as follows (in thousands):

	2007	2006
Price erosion	$ (131,435)	$ (78,962)
Higher commodity costs (1)	(58,536)	(42,124)
Currency translation	12,595	(22,260)
Currency transaction	18,166	31,328

(1) Commodity costs are primarily related to metal alloys

(primarily
copper), gold
and plastic
resins.

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Gross profit for the company increased by $74.1 million, or 7.9%, in fiscal 2007 compared with 2006. Gross margin declined to 31.1% in fiscal 2007 from 32.9% in the prior year primarily due to higher price erosion, higher raw material costs and increased depreciation expense. The negative effect from price erosion that impacted our mobile phone business beginning in the second quarter of fiscal 2007 continued throughout the remainder of the fiscal year. Higher commodity costs, along with the impact of price erosion, were partially offset by selective price increases that were effective in February and September 2006, improvements in manufacturing efficiencies and favorable changes in currency exchange rates.

Certain products that we manufacture in Japan and Europe are sold in other regions of the world at selling prices primarily denominated in or closely linked to the U.S. dollar. As a result, changes in currency exchange rates may affect our cost of sales reported in U.S. dollars without a corresponding effect on net revenue. The increase in gross profit due to currency transaction gains was primarily due to a weaker yen relative to other currencies during fiscal 2007 compared with fiscal 2006 and fiscal 2006 compared with fiscal 2005.

Gross profit for the company increased by $110.0 million, or 13.2%, in fiscal 2006 compared with 2005. Gross profit increased primarily due to the increase in net revenue. Gross margin during fiscal 2006, compared with the prior year period, was higher primarily due to operating efficiencies gained in the Asia Pacific South region, focus on higher margin products in the Americas region and selective price increases, offset by price erosion and higher commodity costs.

Operating Expenses

Operating expenses for the three years ended June 30, 2007 were as follows (in thousands):

	2007	2006	2005
Selling, general & administrative	$658,289	$606,532	$576,354
Selling, general & administrative as a percentage of revenue	20.1%	21.1%	22.6%
Restructuring costs and asset impairments	36,869	26,354	30,168

The decrease in selling, general and administrative expense as a percent of net revenue in fiscal 2007 and compared with 2006 and in fiscal 2006 compared with fiscal 2005 was primarily due to a lower cost structure resulting from our 2005 restructuring initiative, lower incentive compensation expense in 2007 and specific cost containment activities.

The impact of currency translation increased selling, general and administrative expenses by approximately $12.4 million for fiscal 2007 compared with 2006 and decreased selling, general and administrative expenses by approximately $11.8 million for fiscal 2006 compared with 2005.

Research and development expenditures, which are classified as selling, general and administrative expense, were 4.9% of net revenue for fiscal years 2007 and 2006 and 5.2% of net revenue for fiscal 2005.

Effective July 1, 2007, we transitioned to a global organizational structure that consists of product-focused divisions. This structure consists of five global divisions and one worldwide sales and marketing organization. When fully implemented, we expect the new structure to enable us to work more effectively as a global team to meet customer needs as well as to better leverage our design expertise and the low-cost production centers around the world. The new worldwide sales and marketing organization structure will enhance our ability to sell any product, to any customer, anywhere in the world.

In connection with this transition, we undertook in fiscal 2007 a multi-year restructuring plan designed to reduce costs and to improve return on invested capital. A majority of the plan relates to facilities located in the Americas and European regions and in general, the movement of manufacturing activities at these plants to other facilities. A portion of this plan involves cost savings or other actions that do not result in incremental expense, such as better utilization of assets, reduced spending and organizational efficiencies. This plan includes headcount reduction targets throughout the company, and we expect to achieve these targets through ongoing employee attrition and terminations as detailed below.

We expect to complete the actions under this plan by June 30, 2009, and incur restructuring and asset impairment costs related to these actions ranging from $100 $125 million, of which the impact on each region will be determined as the actions become more certain. We expect that when fully implemented by the close of fiscal 2009, the annualized pretax savings from the restructuring activities will be in the range of $75 to $100 million. We estimate pretax savings of $20 to $25 million in fiscal 2008.

Management and the Board of Directors approved several actions related to this plan during fiscal 2007 that resulted in severance and benefit costs of $26.7 million for the reduction of approximately 335 employees. A substantial majority of employee terminations occurred within our Ireland manufacturing operations and various administrative functions in the Americas and European regions. In addition, we have vacated or plan to vacate several buildings and are holding these buildings and related assets for sale. Our plans resulted in an impairment charge of $8.7 million to write-down to fair value less the cost to sell the land, building and equipment asset groupings. The fair value of the asset groupings was determined using various valuation techniques. Other restructuring related costs approximated $1.5 million.

During fiscal 2005, we decided to close certain operations in the Americas and European regions in order to reduce operating costs and better align our manufacturing capacity with customer needs. Production from the operations closed has been transferred to existing plants within the respective regions. Also included in the restructuring charge are costs to reduce our selling, general and administrative costs in the Americas, Europe and at the corporate office. We reduced headcount by approximately 500 people after additions at the facilities where production was transferred. We substantially completed these restructuring activities as of June 30, 2006. We incurred charges of $26.4 million in fiscal 2006, of which $23.5 million was related to severance costs and $2.9 million was related to asset impairments. We incurred charges of $30.2 million in fiscal 2005, of which $15.7 million was related to severance costs and $14.5 million was related to asset impairments.

The timing of the cash expenditures associated with these charges does not necessarily correspond to the period in which the accounting charge is taken. For additional information concerning the status of our restructuring programs see Note 5 of the Notes to Condensed Consolidated Financial Statements. See also Forward-Looking Statements.

Effective Tax Rate

The effective tax rate for the three years ended June 30, 2007 was as follows:

	2007	2006	2005
Effective tax rate	28.8%	28.0%	32.7%

The effective rate in fiscal 2007 was substantially unchanged from 2006. The rate decreased in fiscal 2006 compared with 2005 primarily due to non-deductible goodwill impairment of $22.9 million in 2005 and greater valuation allowances in 2005 for losses incurred for which no tax benefit could be recorded.

Backlog

Backlog as of the three years ended June 30, 2007 was as follows (in thousands):

	2007	2006	2005
Backlog	$332,479	$369,966	$259,472

Backlog decreased as of June 30, 2007 compared with June 30, 2006, primarily due to a decrease in demand at the end of fiscal 2007, particularly in the mobile communications market, and an increase in vendor managed inventory programs to customers. Under the vendor managed inventory program, the new order and shipment occur simultaneously and without impacting reported backlog. The decrease in backlog as of June 30, 2007 compared with 2006 was offset by the acquisition of Woodhead, which had backlog of $24.3 million on June 30, 2007.

Backlog increased as of June 30, 2006 compared with June 30, 2005, primarily due to higher demand at the end of fiscal 2006.

Non-GAAP Financial Measures

Organic net revenue growth, which is included in the discussion above, is a non-GAAP financial measure. The difference between reported net revenue growth (the most directly comparable GAAP financial measure) and organic net revenue growth (the non-GAAP measure) consists of the impact from foreign currency exchange rates and the acquisition of Woodhead. Organic net revenue growth is a useful measure which we use to measure the underlying results and trends in our business. It excludes items that are not completely under management s control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition activity.

We believe organic net revenue growth provides useful information to investors because it reflects the underlying growth from the ongoing activities of our business. Furthermore, it provides investors with a view of our operations from management s perspective. We use organic net revenue growth to monitor and evaluate performance, as it is an important measure of the underlying results of our operations. Management uses organic net revenue growth together with GAAP measures such as net revenue growth and operating income in its decision making processes related to the operations of our reporting segments and our overall company. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The discussion and analysis of organic net revenue growth in Results of Operations above utilizes organic net revenue growth as management does internally. Because organic net revenue growth calculations may vary among other companies, organic net revenue growth amounts presented above may not be comparable with similarly titled measures of other companies. Organic net revenue growth is a non-GAAP financial measure that is not meant to be considered in isolation or as a substitute for GAAP measures. The limitation of this measure is that it excludes items that have an impact on our net sales. This limitation is best addressed by using net revenue growth in combination with our U.S. GAAP net revenue. The tables presented in Results of Operations above provide reconciliations of U.S. GAAP reported net revenue growth to organic net revenue growth.

Financial Condition and Liquidity

Our financial position remains strong and we continue to be able to fund capital projects and working capital needs principally out of operating cash flows and cash reserves. Cash, cash equivalents and marketable securities totaled $460.9 million and $485.5 million at June 30, 2007 and 2006, respectively, of which approximately $371.7 was in non-U.S. accounts as of June 30, 2007. Transfering cash, cash equivalent or marketable securities to U.S. accounts from non-U.S. accounts could subject us to additional U.S. repatriation income tax.

Our long-term financing strategy is to primarily rely on internal sources of funds for investing in plant, equipment and acquisitions. Management believes that our liquidity and financial flexibility are adequate to support both current and future growth. We have historically used external borrowings only when a clear financial advantage exists. Long-term debt and obligations under capital leases at June 30, 2007 totaled $130.8 million. We have available lines of credit totaling $ 181.6 million at June 30, 2007.

Cash Flows

Below is a table setting forth the key lines of our Consolidated Statements of Cash Flows (in thousands):

	2007	2006	2005
Cash provided from operating activities	$ 451,434	$ 443,856	$ 430,835
Cash used for investing activities	(446,129)	(240,779)	(286,232)
Cash provided by (used for) financing activities	28,529	(189,814)	(75,689)
Effect of exchange rate changes on cash	11,712	9,796	6,411
Net increase in cash and cash equivalents	$ 45,546	$ 23,059	$ 75,325

Operating Activities

Cash provided from operating activities increased by $7.6 million for fiscal 2007 from fiscal 2006 primarily due to higher net income as adjusted for non-cash items in fiscal 2006 offset by an increase in working capital. The working capital increase was primarily due to the revenue growth for fiscal 2007 compared with the prior year. Working capital is defined as current assets minus current liabilities.

Cash provided from operating activities increased by $13.0 million for fiscal 2006 from fiscal 2005 primarily due to higher net income as adjusted for non-cash items in fiscal 2006 offset by an increase in working capital. The working capital increase was primarily due to the revenue growth for fiscal 2006 compared with the prior year.

Investing Activities

On August 9, 2006, we completed the acquisition of Woodhead in an all cash transaction for approximately $238.1 million, including the assumption of debt and net of cash acquired. Capital expenditures increased $20.1 million for fiscal 2007 compared with fiscal 2006 in order to provide increased capacity in the Americas, Asia Pacific North and European regions. Capital expenditures increased $45.9 million for fiscal 2006 compared with fiscal 2005 in order to provide increased capability in the Asia Pacific North region and increased capability and capacity in the Americas and Asia Pacific South regions.

Cash flow from investing activities also includes proceeds from marketable securities in the net amount of $71.2 million in fiscal 2007 and $37.3 million in fiscal 2006 and investments in marketable securities in the net amount of $83.5 million in fiscal 2005. Our marketable securities generally have a term of less than one year. Our uses of or investments in marketable securities are primarily based on our uses of cash in operating, other investing and financing activities.

Financing Activities

In order to fund the cash portion of our investment in Woodhead made during fiscal 2007, we entered into two term notes aggregating 15 billion Japanese yen ($121.8 million) and borrowed $44.0 million on our unsecured revolving credit line. The term notes have three-year terms with weighted-average fixed interest rates approximating 1.3%. The $44.0 million that we borrowed on our unsecured revolving line of credit was repaid during the second quarter of fiscal 2007.

We purchased shares of Common Stock and Class A Common Stock totaling 1.2 million shares, 6.0 million shares and 2.4 million shares during fiscal years 2007, 2006 and 2005, respectively. The aggregate cost of these purchases was $34.9 million, $165.3 million and $58.2 million in fiscal years 2007, 2006 and 2005, respectively.

Our Board of Directors authorized the repurchase of up to an aggregate $250.0 million of common stock through September 30, 2007. Approximately $15.2 million was remaining under the authorization as of June 30, 2007.

We have sufficient cash balances and cash flow to support our planned growth. As part of our growth strategy, we may, in the future, acquire other companies in the same or complementary lines of business, and pursue other business ventures. The timing and size of any new business ventures or acquisitions we complete may impact our cash requirements and debt balances.

Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual obligations at June 30, 2007, and the effect such obligations are expected to have on liquidity and cash flows in future periods (in thousands).

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating lease obligations	$ 36,014	$ 13,870	$ 9,616	$ 5,972	$ 6,556
Capital lease obligations	5,954	2,930	2,910	112	2
Other long-term liabilities	14,663	2,983	2,169	1,059	8,452
Debt obligations	129,046	1,280	123,929	3,633	204
Total (1)	$ 185,677	$ 21,063	$ 138,624	$ 10,776	$ 15,214

(1) Total does not include contractual obligations recorded on the balance sheet as current liabilities or certain purchase obligations, as discussed below. Debt and capital lease obligations include interest payments.

Contractual obligations for purchases of goods or services are defined as agreements that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on current manufacturing needs and are fulfilled by vendors within short time horizons. In addition, some purchase orders represent authorizations to purchase rather than binding agreements. We do not generally have significant agreements for the purchase of raw materials or other goods specifying minimum quantities and set prices that exceed expected requirements for three months. Agreements for outsourced services generally contain clauses allowing for cancellation without significant penalty, and are therefore not included in the table above.

The expected timing of payments of the obligations above is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any contractual arrangement involving an unconsolidated entity under which a company has (i) made guarantees, (ii) a retained or a contingent interest in transferred assets, (iii) any obligation under certain derivative instruments or (iv) any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to a company, or engages in leasing, hedging, or research and development services within a company.

We do not have material exposure to any off-balance sheet arrangements. We do not have any unconsolidated special purpose entities.

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Item 7A Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in foreign currency exchange rates, interest rates and certain commodity prices.

We mitigate our foreign currency exchange rate risk principally through the establishment of local production facilities in the markets we serve. This creates a natural hedge since purchases and sales within a specific country are both denominated in the same currency and therefore no exposure exists to hedge with a foreign exchange forward or option contract (collectively, foreign exchange contracts). Natural hedges exist in most countries in which we operate, although the percentage of natural offsets, as compared with offsets that need to be hedged by foreign exchange contracts, will vary from country to country.

We also monitor our foreign currency exposure in each country and implement strategies to respond to changing economic and political environments. Examples of these strategies include the prompt payment of intercompany balances utilizing a global netting system, the establishing of contra-currency accounts in several international subsidiaries, development of natural hedges and use of foreign exchange contracts to protect or preserve the value of cash flows. No material foreign exchange contracts were in use at June 30, 2007 and 2006.

We have implemented a formalized treasury risk management policy that describes the procedures and controls over derivative financial and commodity instruments. Under the policy, we do not use derivative financial or commodity instruments for speculative or trading purposes, and the use of such instruments is subject to strict approval levels by senior management. Typically, the use of derivative instruments is limited to hedging activities related to specific foreign currency cash flows and net receivable and payable balances.

The translation of the financial statements of the non-North American operations is impacted by fluctuations in foreign currency exchange rates. The increase in consolidated net revenue and income from operations was impacted by the translation of our international financial statements into U.S. dollars resulting in increased net revenue of $60.2 million and increased income from operations of $1.2 million for 2007, compared with the estimated results for 2007 using the average rates for 2006.

Our $82.5 million of marketable securities at June 30, 2007 are principally debt instruments that generate interest income for us on temporary excess cash balances. These instruments contain embedded derivative features that enhance the liquidity of the portfolio by enabling us to liquidate the instrument prior to the stated maturity date. Our exposure related to derivative instrument transactions is, in the aggregate, not material to our financial position, results of operations or cash flows.

Interest rate exposure is limited to our marketable securities and long-term debt. We do not actively manage the risk of interest rate fluctuations. However, such risk is mitigated by the relatively short-term nature of our investments (less than 12 months) and the fixed-rate nature of our long-term debt.

Due to the nature of our operations, we are not subject to significant concentration risks relating to customers, products or geographic locations.

We monitor the environmental laws and regulations in the countries in which we operate. We have implemented an environmental program to reduce the generation of potentially hazardous materials during our manufacturing process and believe we continue to meet or exceed local government regulations.

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Item 8. Financial Statements and Supplementary Data

Molex Incorporated
Index to Consolidated Financial Statements

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Molex Incorporated
Consolidated Balance Sheets
(in thousands, except per share data)

	June 30, 2007	June 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 378,361	$ 332,815
Marketable securities	82,549	152,728
Accounts receivable, less allowances of $31,064 in 2007 and $26,513 in 2006	685,666	660,665
Inventories	392,680	347,312
Deferred income taxes	16,171	19,054
Prepaid expenses	35,400	35,659
Total current assets	1,590,827	1,548,233
Property, plant and equipment, net	1,121,369	1,025,852
Goodwill	334,791	149,458
Non-current deferred income taxes	103,626	130,471
Other assets	165,495	120,406
Total assets	$ 3,316,108	$ 2,974,420
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term loans	$ 1,537	$ 968
Accounts payable	279,847	305,876
Accrued expenses:		
Salaries, commissions and bonuses	66,532	92,730
Other	121,358	99,004
Income taxes payable	61,677	96,234
Total current liabilities	530,951	594,812
Other non-current liabilities	25,612	15,591
Accrued pension and other postretirement benefits	108,693	75,055
Long-term debt	127,821	7,093
Total liabilities	793,077	692,551
Commitments and contingencies		
Stockholders equity:		
Common Stock, $0.05 par value; 200,000 shares authorized; 111,730 shares issued at 2007 and 111,297 shares issued at 2006	5,587	5,565
Class A Common Stock, $0.05 par value; 200,000 shares authorized; 108,562 shares issued at 2007 and 106,598 shares issued at 2006	5,428	5,330
Class B Common Stock, $0.05 par value; 146 shares authorized; 94 shares issued at 2007 and 2006	5	5

Paid-in capital	520,037	442,586
Retained earnings	2,650,470	2,464,889
Treasury stock (Common Stock, 12,297 shares at 2007 and 11,887 shares at 2006; Class A Common Stock, 24,040 shares at 2007 and 22,497 shares at 2006), at cost	(799,894)	(743,219)
Accumulated other comprehensive income	141,398	106,713
Total stockholders equity	2,523,031	2,281,869
Total liabilities and stockholders equity	$ 3,316,108	$ 2,974,420

See accompanying notes to consolidated financial statements.

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Molex Incorporated
Consolidated Statements of Income
(in thousands, except per share data)

	Years Ended June 30, 2007	2006	2005
Net revenue	$ 3,265,874	$ 2,861,289	$ 2,554,458
Cost of sales	2,249,166	1,918,659	1,721,796
Gross profit	1,016,708	942,630	832,662
Selling, general and administrative	658,289	606,532	576,354
Restructuring costs and asset impairments	36,869	26,354	30,168
Goodwill impairment			22,876
Total operating expenses	695,158	632,886	629,398
Income from operations	321,550	309,744	203,264
Gain (loss) on investments	1,159	(1,245)	2,916
Equity income	6,966	9,456	10,572
Interest income, net	8,582	9,929	6,449
Total other income, net	16,707	18,140	19,937
Income before income taxes	338,257	327,884	223,201
Income taxes	97,489	91,793	73,085
Net income	$ 240,768	$ 236,091	$ 150,116
Earnings per share:			
Basic	$ 1.31	$ 1.27	$ 0.80
Diluted	$ 1.30	$ 1.26	$ 0.79
Average common shares outstanding:			
Basic	183,961	185,521	188,646
Diluted	185,565	187,416	190,572

See accompanying notes to consolidated financial statements.

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Molex Incorporated
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended June 30,		
	2007	2006	2005
Operating activities:			
Net income	240,768	236,091	150,116
Add (deduct) non-cash items included in net income:			
Depreciation and amortization	237,912	214,657	231,364
Asset write-downs included in restructuring costs	8,667	2,870	14,443
(Gain) loss on investments	(1,154)	1,245	(2,916)
Goodwill impairment			22,876
Deferred income taxes	20,998	(8,501)	7,691
Loss (gain) on sale of property, plant and equipment	1,800	(701)	11,811
Share-based compensation	27,524	30,548	18,420
Other non-cash items	12,041	(777)	5,757
Changes in assets and liabilities, excluding effects of foreign currency adjustments and acquisition:			
Accounts receivable	31,736	(107,210)	(3,575)
Inventories	(9,005)	(47,014)	(24,739)
Accounts payable	(57,479)	43,875	16,400
Other current assets and liabilities	(60,421)	58,857	(3,287)
Other assets and liabilities	(1,953)	19,916	(13,526)
Cash provided from operating activities	451,434	443,856	430,835
Investing activities:			
Capital expenditures	(296,861)	(276,783)	(230,895)
Proceeds from sales of property, plant and equipment	9,946	24,436	11,529
Proceeds from sales or maturities of marketable securities	4,856,301	1,351,165	3,460,220
Purchases of marketable securities	(4,785,080)	(1,313,829)	(3,543,679)
Acquisitions, net of cash acquired	(238,072)	(24,565)	
Other investing activities	7,637	(1,203)	16,593
Cash used for investing activities	(446,129)	(240,779)	(286,232)
Financing activities:			
Proceeds from revolving credit facility	44,000		
Payments on revolving credit facility	(44,000)		
Proceeds from issuance of long-term debt	131,045		
Payments of long-term debt	(26,937)	(3,693)	(4,177)
Cash dividends paid	(55,176)	(34,843)	(25,965)
Exercise of stock options	15,416	15,783	12,038
Excess tax benefits from share-based compensation	1,714	369	
Purchase of treasury stock	(34,889)	(165,323)	(58,217)
Other financing activities	(2,644)	(2,107)	632

Cash provided from (used for) financing activities	28,529	(189,814)	(75,689)
Effect of exchange rate changes on cash	11,712	9,796	6,411
Net increase in cash and cash equivalents	45,546	23,059	75,325
Cash and cash equivalents, beginning of year	332,815	309,756	234,431
Cash and cash equivalents, end of year	$ 378,361	$ 332,815	$ 309,756
Supplemental cash flow information:			
Interest paid	$ 2,857	$ 928	$ 921
Income taxes paid	$ 95,197	$ 70,092	$ 81,377

See accompanying notes to consolidated financial statements.

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Molex Incorporated
Consolidated Statements of Stockholders Equity
(in thousands)

	Years Ended June 30, 2007	2006	2005
Common stock	$ 11,020	$ 10,900	$ 10,796
Paid-in capital:			
Beginning balance	$ 442,586	$ 425,259	$ 395,873
Reclassification from deferred unearned compensation		(38,357)	
Stock-based compensation	27,524	30,548	
Stock options granted			11,554
Stock options forfeited			(1,389)
Exercise of stock options	37,101	23,958	13,661
Issuance of stock awards	2,059		4,597
Reclass of directors deferred compensation plan	6,059		
Other	4,708	1,178	963
Ending balance	$ 520,037	$ 442,586	$ 425,259
Retained earnings:			
Beginning balance	$ 2,464,889	$ 2,270,677	$ 2,148,537
Net income	240,768	236,091	150,116
Dividends	(55,205)	(41,613)	(27,964)
Other	18	(266)	(12)
Ending balance	$ 2,650,470	$ 2,464,889	$ 2,270,677
Treasury stock:			
Beginning balance	$ (743,219)	$ (568,917)	$ (509,161)
Purchase of treasury stock	(34,889)	(165,323)	(58,217)
Exercise of stock options	(21,801)	(8,736)	(1,685)
Other	15	(243)	146
Ending balance	$ (799,894)	$ (743,219)	$ (568,917)
Deferred unearned compensation:			
Beginning balance	$	$ (38,357)	$ (42,134)
Reclassification to paid-in capital		38,357	
Stock options granted			(11,554)
Stock options forfeited			1,508
Issuance of stock awards			(4,597)
Compensation expense			18,420
Ending balance	$	$	$ (38,357)
Accumulated other comprehensive income, net of tax:			
Beginning balance	$ 106,713	$ 71,296	$ 66,573

Translation adjustments	51,009	34,934	4,678
Minimum pension liability, net of tax	(3,135)		
Adjustment for initially applying SFAS No. 158, net of tax	(17,965)		
Unrealized investment gain, net of tax	4,776	483	45
Ending balance	$ 141,398	$ 106,713	$ 71,296
Total stockholders equity	$ 2,523,031	$ 2,281,869	$ 2,170,754
Comprehensive income, net of tax:			
Net income	$ 240,768	$ 236,091	$ 150,116
Translation adjustments	51,009	34,934	4,678
Minimum pension liability, net of tax	(3,135)		
Unrealized investment gain, net of tax	4,776	483	45
Total comprehensive income, net of tax	$ 293,418	$ 271,508	$ 154,839

See accompanying notes to consolidated financial statements.

Molex Incorporated
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Molex Incorporated (together with its subsidiaries, except where the context otherwise requires, we, us and our) manufactures electronic components, including electrical and fiber optic interconnection products and systems, switches and integrated products in 59 plants in 19 countries on four continents.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Molex Incorporated and our majority-owned subsidiaries. All material intercompany balances and transactions are eliminated in consolidation. Equity investments in which we exercise significant influence but do not control and are not the primary beneficiary are accounted for using the equity method. Investments in which we are not able to exercise significant influence over the investee are accounted for under the cost method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. Actual results could differ from these estimates.

Currency Translation

Assets and liabilities of international entities are translated at period-end exchange rates and income and expenses are translated using weighted-average exchange rates for the period. Translation adjustments are included as a component of accumulated other comprehensive income.

Cash and Cash Equivalents

We consider all liquid investments with original maturities of three months or less to be cash equivalents.

Marketable Securities

Marketable securities consist of government and municipal debt securities and are carried at fair value, which is determined based on quoted market prices. We generally hold these instruments for three to 12 months. These instruments contain embedded derivative features that enhance the liquidity of the portfolio by enabling us to liquidate the instrument prior to the stated maturity date. Marketable securities are classified as available-for-sale securities and, accordingly, mark-to-market adjustments are recorded in other comprehensive income.

No mark-to-market adjustments were required during fiscal years 2007, 2006 or 2005 because the carrying value of the securities approximated the market value. Proceeds from sales of available-for-sales securities, excluding maturities, during fiscal years 2007, 2006 and 2005 were $273.1 million, $532.1 million and $279.6 million, respectively. There were no associated gains or losses on these sales.

Accounts Receivable

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In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria. We believe that we have little concentration of credit risk due to the diversity of our customer base. Accounts receivable, as shown on the Consolidated Balance Sheets, were net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectibility based on historical trends and an evaluation of the impact of current and projected economic conditions. We monitor the collectibility of our accounts receivable on an ongoing basis by analyzing the aging of our accounts receivable, assessing the credit worthiness of our customers and evaluating the impact of reasonably likely changes in economic conditions that may impact credit risks. Our accounts receivable are not collateralized.

Inventories

Inventories are valued at the lower of first-in, first-out cost or market value.

Property, Plant and Equipment

Property, plant and equipment are reported at cost less accumulated depreciation. Depreciation is primarily recorded on a straight-line basis for financial statement reporting purposes and using a combination of accelerated and straight-line methods for tax purposes.

The estimated useful lives are as follows:

Buildings	25 40 years
Machinery and equipment	3 10 years
Molds and dies	2 4 years

We perform reviews for impairment of long-lived assets whenever adverse events or circumstances indicate that the carrying value of an asset may not be recoverable. When indicators of impairment are present, we evaluate the carrying value of the long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying assets. We adjust the net book value of the underlying assets to fair value if the sum of the expected undiscounted future cash flows is less than book value.

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. We perform an annual review in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the recorded goodwill is impaired. The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component.

Pension and Other Postretirement Plan Benefits

Pension and other postretirement plan benefits are expensed as employees earn such benefits. The recognition of expense is significantly impacted by estimates made by management such as discount rates used to value certain liabilities, expected return on assets and future healthcare costs. We use third-party specialists to assist management in appropriately measuring the expense associated with pension and other postretirement plan benefits.

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Revenue Recognition

We recognize revenue when in the normal course of our business the following conditions are met: (i) a purchase order has been received from the customer with a corresponding order acknowledgement sent to the customer confirming delivery, price and payment terms, (ii) product has been shipped (FOB origin) or delivered (FOB destination) and title has clearly transferred to the customer or customer carrier, (iii) the price to the buyer is fixed and determinable for sales with an estimate of allowances made based on historical experience and (iv) there is reasonable assurance of collectibility.

We record revenue on a consignment sale when a customer has taken title of product which is stored in either the customer s warehouse or that of a third party.

From time to time, we will discontinue or obsolete products that we have formerly sold. When this is done, an accrual for estimated returns is established at the time of the announcement of product discontinuation or obsolescence.

We typically warrant that our products will conform to Molex specifications and that our products will be free from material defects in materials and manufacturing, and limit our liability to the replacement of defective parts or the cash value of replacement parts. We will not accept returned goods unless the customer makes a claim in writing and management authorizes the return. Returns result primarily from defective products or shipping discrepancies. A reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of revenue.

We provide certain distributors with an inventory allowance for returns or scrap equal to a percentage of qualified purchases. At the time of sale, we record as a reduction of revenue a reserve for estimated inventory allowances based on a fixed percentage of sales that we authorized to distributors.

From time to time we in our sole discretion will grant price allowances to customers. At the time of sale, we record as a reduction of revenue a reserve for estimated price allowances based on historical allowances authorized and approved solely at our discretion.

Other allowances include customer quantity and price discrepancies. At the time of sale, we record as a reduction of revenue a reserve for other allowances based on historical experience. We believe we can reasonably and reliably estimate the amounts of future allowances.

Research and Development

Costs incurred in connection with the development of new products and applications are charged to operations as incurred. Research and development costs are included in selling, general and administrative expenses and totaled $159.1 million, $140.9 million and $133.6 million in fiscal 2007, 2006 and 2005, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using presently enacted tax rates. We have operations that are subject to income and other similar taxes in foreign countries. The estimation of the income tax amounts that we record involves the interpretation of complex tax laws and regulations, evaluation of tax audit findings and assessment of the impact foreign taxes may have on domestic taxes. A valuation allowance is provided to offset deferred tax assets if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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Derivative Instruments and Hedging Activities

We use derivative instruments primarily to hedge activities related to specific foreign currency cash flows. We had no material derivatives outstanding at June 30, 2007 or 2006. The net impact of gains and losses on such instruments was not material to the results of operations for fiscal 2007, 2006 and 2005.

Stock-Based Compensation

We have granted nonqualified and incentive stock options and restricted stock to our directors, officers and employees under our stock plans pursuant to the terms of such plans.

Prior to July 1, 2005, we had accounted for share-based compensation programs according to the provisions of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, as permitted by Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Effective July 1, 2005, we adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment using the modified-prospective-transition method. Under that transition method, compensation cost recognized in fiscal 2006 included (i) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (ii) compensation cost for all share-based payments granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). As a result of adopting SFAS No. 123(R), deferred unearned compensation of $38.4 million was reclassified to paid-in capital on July 1, 2005.

The following table illustrates the effect on net income and earnings per share for fiscal 2005 had we applied the fair value recognition provisions of SFAS No. 123 (in thousands, except per share data):

	2005
Net income as reported	$150,116
Add: Stock-based compensation included in reported net income, net of related tax effects	13,038
Deduct: Stock-based compensation determined under fair value method, net of related tax effects	(23,077)
Pro forma net income	$140,077
Earnings per share:	
Basic	$ 0.80
Diluted	$ 0.79
Pro forma earnings per share:	
Basic	$ 0.74
Diluted	$ 0.74

New Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements. The purpose of SFAS No. 157 is to define fair value, establish a framework for measuring fair value, and enhance disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for us on July 1, 2008. We are currently evaluating the financial statement impact of adopting SFAS No. 157, but we do not expect its adoption to have a significant transition effect.

Fair Value Options

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. The provisions of SFAS No. 159 are effective for us on July 1, 2008. We are currently evaluating the financial statement impact of adopting SFAS No. 159, but we do not expect its adoption to have a significant transition effect.

Accounting for Uncertain Tax Positions

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which, among other things, requires applying a more likely than not threshold to the recognition and derecognition of tax positions. The provisions of FIN 48 will be effective for us on July 1, 2007. We do not expect its adoption to have a significant effect on our financial statements.

3. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income by the weighted-average number of common shares and dilutive common shares outstanding, which includes stock options, during the year. A reconciliation of the basic average common shares outstanding to diluted average common shares outstanding as of June 30 is as follows (in thousands, except per share data):

	2007	2006	2005
Net income	$ 240,768	$ 236,091	$ 150,116
Basic average common shares outstanding	183,961	185,521	188,646
Effect of dilutive stock options	1,604	1,895	1,926
Diluted average common shares outstanding	185,565	187,416	190,572
Earnings per share:			
Basic	$ 1.31	$ 1.27	$ 0.80
Diluted	$ 1.30	$ 1.26	$ 0.79

Excluded from the computations above were anti-dilutive shares of 1.9 million, 4.0 million and 2.4 million in fiscal 2007, 2006 and 2005, respectively.

4. Acquisition

On August 9, 2006, we completed the acquisition of Woodhead Industries, Inc. (Woodhead) in an all cash transaction valued at approximately $238.1 million, including the assumption of debt and net of cash acquired. Woodhead develops, manufactures and markets network and electrical infrastructure components engineered for performance in harsh, demanding, and hazardous industrial environments. The acquisition is a significant step in our strategy to expand our products and capabilities in the global industrial market.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Goodwill is non-deductible for tax purposes.

Current assets	$ 95,724
Land and depreciable assets	47,946
Goodwill	177,093
Intangible assets	39,000
Assets acquired	359,763
Liabilities assumed	100,109
Restructuring (See Note 5)	3,999
Non-current deferred tax liabilities, net	17,583
Total purchase price	$ 238,072

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The following table illustrates the pro forma effect on operating results for the year ended June 30, 2006, as if we had acquired Woodhead as of the beginning of the year (the pro forma effect on the year ended June 30, 2007 was not material) (in thousands, except per share data):

Net revenue	$3,084,000
Income from operations	325,000
Net income	246,000
Net income per common share basic	1.33
Net income per common share diluted	1.31

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we acquired Woodhead on the dates assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the combination of Molex and Woodhead.

5. Restructuring and asset impairments

Molex Restructuring Plans

A summary of the restructuring charges and related impairments for the fiscal years ended June 30 is summarized as follows:

	2007	2006	2005
Americas Region:			
Severance costs	$ 6,945	$ 12,436	$ 9,141
Asset impairments	4,811	498	7,238
Other	1,500		
Total	$ 13,256	$ 12,934	$ 16,379
European Region:			
Severance costs	$ 12,037	$ 6,867	$ 3,636
Asset impairments	3,856	1,460	7,205
Total	$ 15,893	$ 8,327	$ 10,841
Corporate and other:			
Severance costs	$ 7,720	$ 4,181	$ 2,948
Asset impairments		912	
Total	$ 7,720	$ 5,093	$ 2,948
Total:			
Severance costs	$ 26,702	$ 23,484	$ 15,725
Asset impairments	8,667	2,870	14,443
Other	1,500		
Total	$ 36,869	$ 26,354	$ 30,168

During fiscal 2007, we undertook a restructuring plan designed to reduce costs and to improve return on invested capital in connection with a new global organization that was effective July 1, 2007. A majority of the plan relates to facilities located in the Americas and European regions, and, in general, the movement of manufacturing activities at these plants to other facilities. We expect to incur restructuring and asset impairment costs related to these actions ranging $100 - $125 million, of which the impact on each region will be determined as the actions become more certain.

During fiscal 2007, management and the Board of Directors approved several actions related to this plan. A portion of this plan involves cost savings or other actions that do not result in incremental expense, such as better utilization of assets, reduced spending and organizational efficiencies. This plan includes headcount reduction targets throughout the company, and we expect to achieve these targets through ongoing employee attrition and terminations as detailed below.

During fiscal 2007, we incurred restructuring charges related to employee severance and benefit arrangements for approximately 335 employees. A substantial majority of these employee terminations occurred within our Ireland manufacturing operations and various administrative functions in the Americas and European regions. In addition, we have vacated or plan to vacate several buildings and are holding these buildings and related assets for sale. This plan resulted in an impairment charge of $8.7 million to write-down to fair value less the cost to sell the land, building and equipment asset groupings. The fair value of the asset groupings was determined using various valuation techniques.

During fiscal 2005, we decided to close certain operations in the Americas and European regions in order to reduce operating costs and better align our manufacturing capacity with customer needs. In the Americas region, we closed an industrial manufacturing facility in New England and have ceased manufacturing in our Detroit area automotive facility. In Europe, we closed certain manufacturing facilities in Ireland and Portugal and reduced the size of a development center in Germany. We also closed a manufacturing facility in Slovakia. Production from these manufacturing facilities was transferred to existing plants within the region. We also took actions that reduced our selling, general and administrative costs in the Americas and European regions and at the corporate office. We reduced headcount by approximately 500 people after additions at the facilities where production was transferred. These actions were substantially complete as of June 30, 2006.

Woodhead Restructuring Plan

During fiscal 2007, management finalized plans to restructure certain operations of Woodhead to eliminate redundant costs resulting from the acquisition of Woodhead and improve efficiencies in operations. The restructuring charges recorded are based on restructuring plans that have been committed to by management.

The total estimated restructuring costs associated with Woodhead are $4.0 million, consisting primarily of severance costs. These costs were recognized as a liability assumed in the purchase business combination and included in the allocation of the cost to acquire Woodhead and, accordingly, have resulted in an increase to goodwill (see Note 4). Our restructuring expenses may change as management executes the approved plan. Future decreases to the estimates of executing the Woodhead restructuring plan will be recorded as an adjustment to goodwill indefinitely, whereas future increases to the estimates will be recorded as operating expenses.

Changes in the accrued severance balance are summarized as follows (in thousands):

	Restructuring Plans		
	Molex	Woodhead	Total
Balance at June 30, 2005	$ 10,285	$	$ 10,285
Charges to expense	23,484		23,484
Cash payments	(17,828)		(17,828)
Balance at June 30, 2006	$ 15,941		$ 15,941
Charges to expense	26,702		26,702
Purchase accounting allocation		3,999	3,999
Cash payments	(11,788)	(30)	(11,818)
Non-cash related costs	(2,659)		(2,659)
Balance at June 30, 2007	$ 28,196	$ 3,969	$ 32,165

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6. Inventories

Inventories, less allowances of $42.7 million at June 30, 2007 and $33.9 million at June 30, 2006, consisted of the following (in thousands):

	2007	2006
Raw materials	$ 85,320	$ 62,288
Work in progress	107,394	107,533
Finished goods	199,966	177,491
Total inventories	$ 392,680	$ 347,312

7. Property, Plant and Equipment

At June 30, property, plant and equipment consisted of the following (in thousands):

	2007	2006
Land and improvements	$ 67,943	$ 63,409
Buildings and leasehold improvements	614,466	549,997
Machinery and equipment	1,502,406	1,418,956
Molds and dies	668,452	632,573
Construction in progress	92,157	97,325
Total	2,945,424	2,762,260
Accumulated depreciation	(1,824,055)	(1,736,408)
Net property, plant and equipment	$ 1,121,369	$ 1,025,852

Depreciation expense for property, plant and equipment was $232.8 million, $212.1 million and $227.7 million in fiscal 2007, 2006 and 2005, respectively.

8. Goodwill

At June 30, changes to goodwill were as follows (in thousands):

	2007	2006	2005
Beginning balance	$ 149,458	$ 143,872	$ 164,915
Impairments			(22,876)
Additions	183,677	5,591	1,800
Other adjustments	1,656	(5)	33
Ending balance	$ 334,791	$ 149,458	$ 143,872

On August 9, 2006, we completed the acquisition of Woodhead in an all cash transaction valued at approximately $238.1 million, including the assumption of debt and net of cash acquired. See Note 4 for a summary of the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

During the fiscal 2005 annual impairment review for goodwill, indicators of impairment were found in the Molex Premise Network (MPN) reporting unit. The MPN business, consisting of products primarily sold into the structured cabling market for data communications, had not performed as management had expected. Slower growth in MPN s markets served and slower-than-expected customer acceptance of its products in the structured cabling business, as well as a delay in the transition to next-generation data communication networks, had a negative impact on MPN s operating results. These factors resulted in lower growth expectations for the reporting unit, which resulted in the goodwill impairment charge.

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Based on our assessment of MPN s implied fair value, including a valuation by an independent valuation firm, we recorded a non-cash impairment charge of $22.9 million in fiscal 2005. The charge is included as a component of net income in the Corporate and other segment in Note 17.

9. Investments

At June 30, 2007, we owned approximately 20% of an affiliate accounted for under the equity method. At June 30, 2007, the net book value of this investment was $54.6 million and the market value based on quoted market prices was $115 million.

10. Income Taxes

Income before income taxes and minority interest for the years ended June 30, is summarized as follows (in thousands):

	2007	2006	2005
United States	$ 86,229	$ 57,177	$ 22,507
International	252,028	270,707	200,694
Income before income taxes	$ 338,257	$ 327,884	$ 223,201

The components of income tax expense (benefit) for the years ended June 30, were as follows (in thousands):

	2007	2006	2005
Current:			
U.S. Federal	$ 5,406	$ 8,204	$ 2,583
State	318	1,649	(146)
International	70,767	90,441	62,957
Total currently payable	$ 76,491	$ 100,294	$ 65,394
Deferred:			
U.S. Federal	$ 12,579	$ 296	$ 925
State	370	(289)	(187)
International	8,049	(8,508)	6,953
Total deferred	20,998	(8,501)	7,691
Total income tax expense	$ 97,489	$ 91,793	$ 73,085

Our effective tax rate differs from the U.S. federal income tax rate for the years ended June 30, as follows:

	2007	2006	2005
U.S. Federal income tax rate	35.0%	35.0%	35.0%
Permanent tax exemptions	(1.6)	(2.6)	(3.5)
Repatriation of foreign earnings	(4.5)	(4.3)	(4.0)
Tax examinations and settlements	(1.4)	(0.9)	(1.1)
Goodwill impairment			3.6
Valuation allowance	0.4	1.6	3.1
Investments		(0.8)	
State income taxes, net of Federal tax benefit	0.4	0.4	(0.1)
Foreign tax rates greater than U.S. Federal rate (net)	(0.8)	(0.8)	(1.2)

Other	1.3	0.4	0.9
Effective tax rate	28.8%	28.0%	32.7%

At June 30, 2007, we had approximately $110.0 million of non-U.S. net operating loss carryforwards and $3.4 million of U.S. capital loss carryforwards. The capital loss carryforwards can be carried forward to offset future U.S. capital gains through fiscal year June 30, 2008. Substantially all of the non-U.S. net operating losses can be carried forward indefinitely.

Also at June 30, 2007, we had approximately $24.0 million of U.S. foreign tax credit carryforwards and $2.7 million of U.S. research credit carryforwards. The U.S. foreign tax credit carryforwards will expire in future years through 2015. The U.S. research credit carryforwards will expire in future years through 2025.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. As of June 30, 2007 and 2006, we have recorded valuation allowances of $39.4 million and $33.9 million, respectively, against the non-U.S. net operating loss carryforwards.

The components of net deferred tax assets and liabilities as of June 30 are as follows (in thousands):

	2007	2006
Deferred tax assets:		
Pension and other postretirement liabilities	$ 37,548	$ 30,821
Stock option and other benefits	22,619	20,806
Capitalized research and development	20,549	23,740
Foreign tax credits	24,157	31,741
Net operating losses	39,917	33,975
Depreciation and amortization		13,527
Inventory	11,905	11,349
Minimum tax credit	15,414	15,475
Allowance for doubtful accounts	4,648	4,722
Other, net	15,003	15,751
Total deferred tax assets before valuation allowance	191,760	201,907
Valuation allowance	(39,366)	(33,920)
Total deferred tax assets	152,394	167,987
Deferred tax liabilities:		
Investments	(20,136)	(18,462)
Depreciation and amortization	(12,461)	
Total deferred tax liabilities	(32,597)	(18,462)
Total net deferred tax assets	$ 119,797	$ 149,525

The net deferred tax amounts reported in the consolidated balance sheet as of June 30 are as follows (in thousands):

	2007	2006
Net deferred taxes:		
Current asset	$ 16,171	$ 19,054
Non-current asset	103,626	130,471
Total	$ 119,797	$ 149,525

We have not provided for U.S. deferred income taxes or foreign withholding taxes on approximately $754.0 million of undistributed earnings of certain of our non-U.S. subsidiaries as of June 30, 2007. These earnings are intended to be permanently invested. It is not practicable to estimate the additional income taxes which would be paid if the permanently reinvested earnings were distributed.

We were granted favorable tax status and other incentives in Singapore and Malaysia, subject to certain conditions. The current Singapore grant is effective through March 2015 and the Malaysia grant is effective through November 2007. We plan to requesting an extension of the Malaysian grant. We were granted various tax holidays in China, which are effective for various terms and subject to certain conditions.

The impact of these grants was to decrease local country taxes by $10.7 million, $8.5 million and $7.8 million in fiscal years 2007, 2006 and 2005, respectively.

11. Profit Sharing, Pension and Post Retirement Medical Benefit Plans

Profit Sharing Plans

We provide discretionary savings and other defined contribution plans covering substantially all of our U.S. employees and certain employees in international subsidiaries. Employer contributions to these plans of $15.4 million, $16.5 million and $14.6 million were charged to operations during fiscal 2007, 2006 and 2005, respectively.

Pension Plans

We sponsor and/or contribute to pension plans, including defined benefit plans, covering substantially all U.S. plant hourly employees and certain employees in non-U.S. subsidiaries. The benefits are primarily based on years of service and the employees compensation for certain periods during their last years of employment. Non-U.S. plans are primarily in France, Germany, Ireland, Japan, Korea and Taiwan.

Post Retirement Medical Benefit Plans

We have retiree health care plans that cover the majority of our U.S. employees. Employees hired before January 1, 1994 may become eligible for these benefits if they reach age 55, with age plus years of service equal to 70. Employees hired after January 1, 1994 may become eligible for these benefits if they reach age 60, with age plus years of service equal to 80. The cost of retiree health care is accrued over the period in which the employees become eligible for such benefits. We continue to fund benefit costs primarily as claims are paid. There are no significant postretirement health care benefit plans outside of the U.S.

Benefit Obligation and Plan Assets

The changes in the benefit obligations and plan assets for the plans described above were as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Change in projected benefit obligation:						
Beginning benefit obligation	$ 39,768	$ 43,840	$ 94,587	$ 92,186	$ 42,191	$ 44,078
Service cost	2,687	3,239	5,531	5,946	2,329	2,566
Interest cost	2,962	2,291	3,700	3,100	2,629	2,387
Plan participants contributions			293	257	460	413
Actuarial (gain) loss	4,737		3,034		4,480	1,557
Plan amendment			3,106			(7,241)
Effect of curtailment/settlement	(10)	(2,789)		(45)		
Business combination	11,288					
Benefits paid to plan participants	(1,031)	(516)	(3,126)	(2,,762)	(1,333)	(1,570)
Liability (gains) losses		(6,297)		(5,700)		
Changes in foreign currency			(28)	1,606		
Ending projected benefit obligation	$ 60,401	$ 39,768	$ 107,097	$ 94,588	$ 50,756	$ 42,190

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Change in plan assets:						

Beginning fair value of plan assets	$ 41,916	$ 38,353	$ 42,977	$ 35,428	$	$
Actual return on plan assets	5,436	6,017	7,951	4,143		
Employer contributions	3,000		10,343	3,619	1,151	1,157
Plan participants contributions			293	257	460	413

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	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Effect of settlement		(1,938)				
Business combination	7,989					
Benefits paid to plan participants	(1,030)	(516)	(3,126)	(2,762)	(1,611)	(1,570)
Changes in foreign currency			2,581	2,293		
Ending fair value of plan assets	$ 57,311	$ 41,916	$ 61,019	$ 42,978	$	$

The amounts recognized in the consolidated balance sheets were as follows (in thousands):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Prepaid expenses	$ 595	$ 3,244	$ 8,110	$ 6,230	$	$
Accrued pension and other post retirement benefits	(3,686)		(54,251)	(45,661)	(50,756)	(29,394)
Accumulated other comprehensive income	4,333		12,328		16,850	
Net amount recognized	$ 1,242	$ 3,244	$ (33,813)	$ (39,431)	$ (33,906)	$ (29,394)

The amounts recorded to accumulated other comprehensive income before taxes, as of June 30, 2007, were as follows (in thousands):

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Postretirement Medical Benefits
Net transition liability	$	$ 250	$
Net actuarial loss	4,308	9,309	23,572
Net prior service costs	25	2,769	(6,722)
Defined benefit plans, net	$ 4,333	$ 12,328	$ 16,850

The funding status as of June 30, 2006, was as follows (in thousands):

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Postretirement Medical Benefits
Ending Funded Status	$ 2,147	$ (51,610)	$ 42,190
Unrecognized net transition liability		293	
Unrecognized actuarial loss	1,068	11,886	(20,193)
Unrecognized prior service costs	29		7,397

Net amount recognized	$ 3,244	$ (39,431)	$ 29,394

The accumulated benefit obligations as of June 30, 2006, were as follows (in thousands):

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Postretirement Medical Benefits
Accumulated benefit obligation	$33,127	$73,522	$42,190

The amounts applicable to our pension plans with accumulated benefit obligations in excess of plan assets, as well as projected benefit obligations in excess of plan assets are as follows (in thousands):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2007	2006	2007	2006
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	$ 9,731	$	$57,514	$41,905
Plan assets	8,533		10,643	3,903
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	12,219		64,831	56,745
Plan assets	8,533		10,643	3,903

Assumptions

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Weighted average actuarial assumptions used to determine benefit obligations for the plans were as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Discount rate	6.2%	6.4%	3.8%	3.9%	6.2%	6.3%
Rate of compensation increase	3.7%	3.5%	3.5%	3.4%		
Health care cost trend					10.0%	10.0%
Ultimate health care cost trend					5.0%	5.0%
Years of ultimate rate					2012	2011

For the postretirement medical benefit plan, a one-percentage point change in the assumed health care cost trend rates would have the following effect (in thousands):

	2007	2006	2005
Effect on total service and interest cost:			
Increase 100 basis points	$ 1,287	$ 1,476	$ 1,073
Decrease 100 basis points	(1,014)	(1,211)	(908)
Effect on benefit obligation:			
Increase 100 basis points	$ 9,057	$ 9,951	$ 8,655
Decrease 100 basis points	(7,270)	(8,164)	(7,325)

Weighted-average actuarial assumptions used to determine costs for the plans were as follows (in thousands):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2007	2006	2007	2006	2007	2006
Discount rate	6.3%	5.5%	3.9%	3.4%	6.3%	5.5%
Expected return on plan assets	8.4%	8.5%	6.5%	5.9%		
Rate of compensation increase	3.7%	3.5%	3.4%	3.0%		
Health care cost trend					10.0%	10.0%
Ultimate health care cost trend					5.0%	5.0%
Years of ultimate rate					2011	2010

The discount rate is determined based on high-quality fixed income investments that match the duration of expected benefit payments. Generally, we used the corporate AA/Aa bond rate for this assumption. The expected return on plan assets noted above represents a forward projection of the average rate of earnings expected on the pension assets. We estimated this rate based on historical returns of similarly diversified portfolios. The rate of compensation increase represents the long-term assumption for expected increases to salaries for pay-related plans.

Net Periodic Benefit Cost

The components of net periodic benefit cost for our plans consist of the following for the years ended June 30 (in thousands):

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Service cost	$ 2,687	$ 3,239	$ 2,805	$ 5,531	$ 5,946	$ 5,329	$ 2,329	$ 2,566	$ 1,878
Interest cost	2,962	2,291	2,080	3,700	3,100	2,953	2,629	2,387	1,884

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	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Expected return on plan assets	(3,939)	(3,070)	(2,892)	(2,901)	(2,098)	(2,097)			
Amortization of prior service cost	4	110	204	218		71	(676)	(71)	(262)
Amortization of unrecognized transition obligation				40	40	4			
Recognized actuarial losses		716	399	176	741	529	1,102	1,039	635
Other items	(12)	4			(45)	285	278		773
Net periodic benefit cost	$ 1,702	$ 3,290	$ 2,596	$ 6,764	$ 7,684	$ 7,074	$ 5,662	$ 5,921	$ 4,908

The amount in accumulated other comprehensive income that is expected to be recognized as a component of net periodic benefit cost in fiscal 2008 is $1.2 million.

Plan Assets

Our overall investment strategy for the assets in the pension funds is to achieve a balance between the goals of growing plan assets and keeping risks at a reasonable level over a long-term investment horizon. In order to reduce unnecessary risk, the pension funds are diversified across several asset classes with a focus on total return. The weighted-average asset allocations for our pension plans at June 30 are as follows (in thousands):

	2007		2006	
	U.S. Plan Assets	Non-U.S. Plan Assets	Assets	Non-U.S. Plan Assets
Asset category:				
Equity	68%	70%	65%	71%
Bonds	32%	21%	30%	20%
Other		9%	5%	9%

Adoption of SFAS No. 158

Effective for fiscal 2007, we adopted the provisions of SFAS No. 158 Employers accounting for defined benefit pension and other postretirement plans. SFAS No. 158 requires that the funded status of defined-benefit postretirement plans be recognized on the consolidated balance sheet, and changes in the funded status be reflected in comprehensive income. SFAS No. 158 also requires the measurement date of the plan s funded status to be the same as our fiscal year-end in fiscal 2008. For fiscal 2007, we maintained the measurement date for the U.S. plans in March, and the measurement date for the non-U.S. plans was June prior to adoption of SFAS No. 158. The incremental effect of applying SFAS No. 158 on individual line items on the consolidated balance sheet as of June 30, 2007 was as follows:

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158

Non-current deferred income taxes	$ 1,545	$ 10,866	$ 12,411
Other assets	15,205	(6,500)	8,705
Other non-current liabilities	86,362	22,331	108,693
Accumulated other comprehensive income (loss)	159,363	(17,965)	141,398

Funding Expectations

No contributions are required during 2008 under applicable law for the U.S. Pension Plan. We intend to make a voluntary contribution so that assets are not less than the accumulated benefit obligation at the end of the fiscal year. Expected funding for the non-U.S. plans during fiscal 2008 is approximately $10.7 million. Employer contributions to the postretirement medical benefits plan are expected to be approximately $1.5 million in fiscal 2008.

Estimated Future Benefit Payments

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The total benefits to be paid from the U.S. and non-U.S. pension plans and other postretirement benefit plans are not expected to exceed $15 million in any year through 2017.

12. Debt

We had available lines of credit totaling $181.6 million at June 30, 2007, expiring between 2008 and 2012. Our long-term debt approximates $128.7 million at June 30, 2007. In order to fund the cash portion of our investment in Woodhead made during fiscal 2007, we entered into two term notes aggregating 15 billion Japanese yen ($121.8 million) and borrowed $44.0 million on our unsecured revolving credit line. The term note agreements have three-year terms with weighted-average fixed interest rates approximating 1.3%. The $44.0 million that we borrowed on our unsecured revolving line of credit was repaid during the second quarter of fiscal 2007. Principal payments on long-term debt obligations, including interest, are due as follows: fiscal 2008, $1.3 million; fiscal 2009, $1.0 million; fiscal 2010, $122.9 million; fiscal 2011, $3.3 million; fiscal 2012, $0.4 million; and thereafter, $0.2 million.

In addition to the two term notes above, our remaining long-term debt generally consists of mortgages and industrial development bonds with interest rates ranging from 3.8% to 7.8% and maturing through 2012. Certain assets, including land, buildings and equipment, secure our long-term debt.

13. Leases

We rent certain facilities and equipment under operating lease arrangements. Some of the leases have renewal options. Future minimum lease payments are presented below (in thousands):

Year ending June 30:	Operating Leases
2008	$ 13,870
2009	5,669
2010	3,947
2011	2,836
2012	3,136
2013 and thereafter	6,556
Total lease payments	$ 36,014

Rental expense was $10.4 million, $10.2 million and $9.3 million in fiscal 2007, 2006 and 2005, respectively.

14. Capital Stock

The shares of Common Stock, Class A Common Stock and Class B Common Stock are identical except as to voting rights. Class A Common Stock has no voting rights except in limited circumstances. So long as more than 50% of the authorized number of shares of Class B Common Stock continues to be outstanding, all matters submitted to a vote of the stockholders, other than the election of directors, must be approved by a majority of the Class B Common Stock, voting as a class, and by a majority of the Common Stock, voting as a class. During such period, holders of a majority of the Class B Common Stock could veto corporate action, other than the election of directors, which requires stockholder approval. There are 25 million shares of preferred stock authorized, none of which were issued or outstanding during the three years ended June 30, 2007.

The Class B Common Stock can be converted into Common Stock on a share-for-share basis at any time at the option of the holder. The authorized Class A Common Stock would automatically convert into Common Stock on a share-for-share basis at the discretion of the Board of Directors upon the occurrence of certain events. Upon such conversion, the voting interests of the holders of Common Stock and Class B

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Common Stock would be diluted. Our Class B Common Stock outstanding has remained at 94,255 shares during the three years ended June 30, 2007.

The holders of the Common Stock, Class A Common Stock and Class B Common Stock participate equally, share-for-share, in any dividends that may be paid thereon if, as and when declared by the Board of Directors or in any assets available upon our liquidation or dissolution.

Changes in common stock for the years ended June 30 are as follows (in thousands):

	Common Stock		Class A Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at June 30, 2004	110,415	$ 5,521	104,162	$ 5,208	25,601	$ 509,161
Exercise of stock options	399	20	836	42	64	1,685
Purchase of treasury stock					2,395	58,217
Issuance of stock awards					(25)	(553)
Other					14	407
Outstanding at June 30, 2005	110,814	$ 5,541	104,998	$ 5,250	28,049	$ 568,917
Exercise of stock options	483	24	1,584	79	309	8,736
Purchase of treasury stock					6,018	165,323
Issuance of stock awards			16	1		
Other					8	243
Outstanding at June 30, 2006	111,297	$ 5,565	106,598	$ 5,330	34,384	$ 743,219
Exercise of stock options	426	21	1,890	95	705	21,801
Purchase of treasury stock					1,248	34,889
Issuance of stock awards			25	1		
Other	7	1	49	2		(15)
Outstanding at June 30, 2007	111,730	$ 5,587	108,562	$ 5,428	36,337	$ 799,894

15. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows (in thousands):

	2007	2006
Foreign currency translation adjustments	$ 157,002	$ 105,993
Non-current deferred tax asset	12,411	
Accumulated transition obligation	(250)	
Accumulated prior service credit	3,928	
Accumulated net loss	(37,189)	
Unrealized gains on investments	5,496	720
Total	$ 141,398	$ 106,713

16. Stock Incentive Plans

Share-based compensation is comprised of expense related to stock options and stock awards. Share-based compensation cost recognized in selling, general and administrative expense for fiscal 2007 was $27.5 million and the related tax benefit was $9.6 million.

Stock Options

Stock options that we grant to employees who are not executive officers (non-officer employees) are options to purchase Class A Common Stock at an exercise price that is generally 50% of the fair market value of the stock on the grant date. These grants generally vest 25% per year beginning the first anniversary date of the grant. Stock options to U.S.-based non-officer employees are automatically exercised on the vesting date. The number of shares authorized for employee stock option grants is 12.5 million.

The stock options that are approved for grant to executive officers and directors are generally options to purchase Class A Common Stock at an exercise price that is 100% of the fair market value of the stock on the grant date. These grants generally vest 25% per year beginning the first anniversary date of the award with a term of five years. The number of shares authorized for stock option grants to executive officers and directors is 12.5 million.

Stock option transactions are summarized as follows (exercise price represents a weighted-average, shares in thousands):

	Shares	Exercise Price
Outstanding at June 30, 2004	9,506	$18.17
Granted	2,256	18.78
Exercised	(1,084)	12.66
Forfeited or expired	(134)	12.54
Outstanding at June 30, 2005	10,544	$18.94
Granted	1,989	18.98
Exercised	(1,872)	12.85
Forfeited or expired	(241)	19.72
Outstanding at June 30, 2006	10,420	$20.02
Granted	2,264	20.65
Exercised	(2,122)	17.46
Forfeited or expired	(343)	21.93
Outstanding at June 30, 2007	10,219	$20.98
Exercisable at June 30, 2007	4,009	$24.14

At June 30, 2007, exercisable options had an aggregate intrinsic value of $14.8 million with a weighted-average remaining contractual life of 2.2 years. In addition, there were 5.8 million options expected to vest, after consideration of expected forfeitures, with an aggregate intrinsic value of $46.9. Total options outstanding had an aggregate intrinsic value of $65.7 million with a weighted-average remaining contractual life of 3.2 years. The total intrinsic value of options exercised during fiscal 2007, 2006 and 2005 was $10.6 million, $28.0 million and $14.2 million, respectively.

We use the Black-Scholes option-pricing model to estimate the fair value of each option grant as of the date of grant. Expected volatilities are based on historical volatility of Common Stock. We estimate the expected life of the option using historical data pertaining to option exercises and employee terminations. Separate groups of employees that have similar historical exercise behavior are considered separately for estimating the expected life. The risk-free interest rate is based on U.S. Treasury yields in effect at the time of grant. The estimated weighted-average fair values of and related assumptions for options granted were as follows:

	2007	2006	2005
Weighted-average fair value of options granted:			
At market value of underlying stock	$ 9.82	$ 8.15	$ 7.25
At less than market value of underlying stock	$14.68	$17.18	$13.26

Assumptions:

	2007	2006	2005
Dividend yield	1.06%	0.72%	0.60%
Expected volatility	28.44%	28.25%	35.88%
Risk-free interest rate	4.79%	4.06%	3.26%
Expected life of option (years)	3.94	3.66	3.98

As of June 30, 2007, there were options outstanding to purchase 0.8 million shares of Common Stock and 9.4 million shares of Class A Common Stock.

Stock Awards

Stock awards are generally comprised of stock units that are convertible into shares of Class A Common Stock. Generally, these grants vest 25% per year beginning the first anniversary date of the award. Stock awards transactions are summarized as follows (shares in thousands):

	Shares	Fair Market Value
Nonvested shares at June 30, 2004	409	$24.33
Granted	188	24.49
Vested	(151)	25.32
Nonvested shares at June 30, 2005	446	$24.06
Granted	249	24.56
Vested	(195)	20.43
Nonvested shares at June 30, 2006	500	$24.33
Granted	271	29.51
Vested	(168)	23.57
Forfeited	(62)	25.05
Nonvested shares at June 30, 2007	541	$27.08

As of June 30, 2007, there was $12.2 million of total unrecognized compensation cost related to the above nonvested stock bonus awards. We expect to recognize the cost of these stock awards over a weighted-average period of 2.7 years. The total fair value of shares vested during fiscal 2007, 2006, and 2005 was $4.7 million, $4.0 million and $3.8 million, respectively.

Directors Deferred Compensation Plan

Our non-employee directors are eligible to participate in a deferred compensation plan under which they may elect on a yearly basis to defer all or a portion of the following year s compensation. A participant may elect to have the deferred amount (a) accrue interest during each calendar quarter at a rate equal to the average six month Treasury Bill rate in effect at the beginning of each calendar quarter, or (b) credited as stock units whereby each unit is equal to one share of Common Stock. The cumulative amount that is deferred for each participating director is subject to the claims of our general creditors.

If a non-employee director elects to have his or her compensation deferred as stock units, the compensation earned for a given quarter is converted to stock units at the closing price of common stock on the date the compensation would otherwise be paid. Stock units are distributed in shares of common stock.

17. Segment and Related Information

We operated in one product segment: the manufacture and sale of electronic components. Revenue is recognized based on the location of the selling entity. Management operated the business through four regions. The Americas region consisted primarily of operations in the U.S., Mexico and Brazil. The Asia Pacific North region includeed Japan and Thailand and two manufacturing operations in northern China. The Asia Pacific South region included the rest of China, Korea, Singapore and the remaining countries in Asia. European operations are located in both Eastern and Western Europe. Corporate and other included

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operating result of Woodhead. Revenue between regions is recorded at market-based prices. Information by region for the years ended June 30 is summarized in the following table (in thousands):

	Americas	Asia Pacific North	Asia Pacific South	Europe	Corporate and Other	Elims.	Total
2007:							
Customer revenue	$ 783,464	$ 510,311	$ 1,128,034	$ 556,096	$ 287,969	$	$ 3,265,874
Intercompany revenue	249,103	411,792	156,340	64,501	132,703	(1,014,439)	
Net revenue	$ 1,032,567	$ 922,103	$ 1,284,374	$ 620,597	$ 420,672	$ (1,014,439)	$ 3,265,874
Depreciation and amortization	$ 44,770	$ 88,637	$ 47,929	$ 32,364	$ 24,212	$	$ 237,912
Income tax expense	36,216	38,819	23,308	1,679	(2,533)		97,489
Net income (loss)	47,321	106,552	119,200	3,572	(35,877)		240,768
Assets	1,362,494	651,621	992,748	593,223	982,473	(1,266,451)	3,316,108
Capital expenditures	52,314	119,319	66,585	43,792	14,851		296,861
2006:							
Customer revenue	$ 793,296	$ 450,860	$ 1,036,892	$ 511,375	$ 68,866	$	$ 2,861,289
Intercompany revenue	209,491	403,116	138,614	46,439	124,813	(922,473)	
Net revenue	$ 1,002,787	$ 853,976	$ 1,175,506	$ 557,814	$ 193,679	$ (922,473)	$ 2,861,289
Depreciation and amortization	$ 50,414	$ 75,325	$ 40,097	$ 34,561	$ 14,260	$	$ 214,657
Income tax expense	27,729	50,568	22,777	2,320	(11,601)		91,793
Net income (loss)	44,885	115,080	131,242	(7,581)	(47,535)		236,091
Assets	1,046,084	680,810	933,433	544,334	493,470	(723,711)	2,974,420
Capital expenditures	46,503	117,294	64,365	26,614	22,007		276,783
2005:							
Customer revenue	$ 701,470	$ 461,873	$ 835,368	$ 505,953	$ 49,794	$	$ 2,554,458
Intercompany revenue	184,528	319,739	137,548	44,902	111,153	(797,870)	
Net revenue	$ 885,998	$ 781,612	$ 972,916	$ 550,855	$ 160,947	$ (797,870)	$ 2,554,458
Depreciation and amortization	$ 58,334	$ 79,157	$ 35,483	$ 42,512	$ 15,878	$	$ 231,364
Income tax expense	16,803	47,163	19,836	(325)	(10,392)		73,085

Net income (loss)	28,060	102,746	93,167	(17,289)	(56,568)		150,116
Assets	967,940	542,307	751,468	522,856	364,579	(418,988)	2,730,162
Capital expenditures	36,173	95,816	57,679	29,577	11,650		230,895

Corporate and Other assets include goodwill, intangible assets and investments. Corporate and Other net revenue includes revenue from operations that have not yet been assigned to a particular region.

Customer revenue and net property, plant and equipment by significant foreign country within our regions are summarized as follows (in thousands):

	2007	2006	2005
Customer revenue:			
United States	$ 896,625	$ 764,074	$ 674,575
Japan	484,613	421,603	433,465
China	717,735	642,369	495,926
Net property, plant and equipment:			
United States	$ 313,109	$ 293,055	$ 301,140
Japan	280,246	276,696	251,429
China	188,670	161,717	136,798

During fiscal 2007, 2006 and 2005, no customer accounted for more than 10% of consolidated net revenue.

18. Quarterly Financial Information (Unaudited)

The following is a condensed summary of our unaudited quarterly results of operations and quarterly earnings per share data for fiscal 2007 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$829,545	$837,467	$807,014	$791,848
Gross profit	269,409	258,509	250,988	237,802
Income before income taxes	107,005	94,619	92,296	44,337
Income taxes	30,504	28,392	26,978	11,615
Net income	76,501	66,227	65,318	32,722
Basic earnings per share	0.42	0.36	0.36	0.18
Diluted earnings per share	0.41	0.36	0.35	0.18

The following is a condensed summary of our unaudited quarterly results of operations and quarterly earnings per share data for fiscal 2006 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$659,815	$697,348	$720,327	$783,799
Gross profit	213,819	227,796	242,398	258,617
Income before income taxes	64,663	81,389	85,572	96,260
Income taxes	18,423	23,193	24,388	25,789
Net income	46,240	58,196	61,184	70,471
Basic earnings per share	0.25	0.31	0.33	0.38
Diluted earnings per share	0.25	0.31	0.33	0.38

During the fourth quarter of fiscal 2007, income from operations was impacted by a pre-tax charge of $36.9 million relating to restructuring costs and asset impairments (see Note 5). These charges reduced net income by $30.3 million, or $0.16 per share.

In each quarter of fiscal 2006, we recognized expense related to the fiscal 2005 restructuring program ranging from $4.3 million to $10.7 million.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Molex Incorporated

We have audited the accompanying consolidated balance sheets of Molex Incorporated as of June 30, 2007 and 2006, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended June 30, 2007. Our audits also included the financial statement schedule listed in the Index of Part IV, Item 15. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Molex Incorporated at June 30, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 11 to the consolidated financial statements, the Company adopted the recognition and disclosure provisions of Statement of Financial Accounting No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Molex Incorporated s internal control over financial reporting as of June 30, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 1, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
August 1, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Molex Incorporated

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Molex Incorporated maintained effective internal control over financial reporting as of June 30, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Molex Incorporated s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Woodhead Industries, Inc., which is included in the fiscal year 2007 consolidated financial statements of Molex Incorporated and constituted 11% and 12% of total and net assets, respectively, as of June, 30, 2007 and 6% and 4% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Molex Incorporated also did not include an evaluation of the internal control over financial reporting of Woodhead Industries, Inc.

In our opinion, management s assessment that Molex Incorporated maintained effective internal control over financial reporting as of June 30, 2007, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Molex Incorporated maintained, in all material respects, effective internal control over financial reporting as of June 30, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal year 2007 consolidated financial statements of Molex Incorporated and our report dated August 1, 2007, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
August 1, 2007

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 under the Securities Exchange Act of 1934, as amended (the Exchange Act). This Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications. Immediately preceding Part II, Item 9 of this Form 10-K is the report of Ernst & Young LLP, our independent registered public accounting firm, regarding its audit of our internal control over financial reporting and of management s assessment of internal control over financial reporting set forth below in this section. This section should be read in conjunction with the certifications and the Ernst & Young report for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (Disclosure Controls) as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our CEO and CFO. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of Disclosure Controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report, which is set forth below.

The evaluation of our Disclosure Controls included a review of the controls objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Form 10-K. In the course of the controls evaluation, management reviews identified data errors, control problems or acts of fraud, if any, and seeks to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning the effectiveness of the Disclosure Controls can be reported in our periodic reports on Form 10-Q and Form 10-K. Many of the components of our Disclosure Controls are also evaluated on an ongoing basis by our Internal Audit Department and by other personnel in the Finance organization. The overall goals of these various evaluation activities are to monitor our Disclosure Controls, and to modify them as necessary. Our intent is to maintain the Disclosure Controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our Disclosure Controls were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information relating to us and our consolidated subsidiaries is made known to management, including the CEO and CFO, during the period when our periodic reports are being prepared.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange

Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2007. As discussed in Item 1 of this annual report under Business and in Note 4 to our consolidated financial statements included in this annual report, we completed the acquisition of Woodhead Industries, Inc. (Woodhead) on August 10, 2006. As permitted by the rules and regulations of the SEC, we excluded Woodhead from our assessment of our internal control over financial reporting as of June 30, 2007. The total assets and revenues of Woodhead included in our consolidated financial statement were approximately 11% and 6%, respectively, as of and for the year ended June 30, 2007.

Under management s supervision, an evaluation of the design and effectiveness of our internal control over financial reporting was conducted based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2007.

Ernst & Young LLP, an independent registered public accounting firm, as auditors of Molex Incorporated s financial statements, issued an attestation report on management s assessment of the effectiveness of our internal control over financial reporting as of June 30, 2007. Ernst & Young LLP s report, which expresses unqualified opinions on management s assessment and on the effectiveness of our internal control over financial reporting, is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As permitted by the rules and regulations of the SEC, we excluded Woodhead from our assessment of our internal control over financial reporting for the quarter ended June 30, 2007. We are in the process of integrating the internal control procedures of Woodhead into our internal control structure.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, do not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the captions Item 1 Election of Directors, Board Independence Board and Committee Information, Corporate Governance, and Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement for the Annual Meeting of Stockholders to be held on October 26, 2007 is incorporated herein by reference. The information called for by Item 401 of Regulation S-K relating to the Executive Officers is furnished in Part I, Item 1 of this Form 10-K and is also incorporated by reference in this section.

Item 11. Executive Compensation

The information under the caption Executive Compensation in our 2007 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under the captions Security Ownership of Directors and Executive Officers, Security Ownership of More than 5% Shareholders and Equity Compensation Plan Information in our 2007 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the captions Item 1 Election of Directors, and Certain Relationships and Related Transactions, in our 2007 Proxy Statement is herein incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information under the caption Independent Auditor s Fees in our 2007 Proxy Statement is herein incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements: See Item 8.
2. Financial Statement Schedule: See Schedule II Valuation and Qualifying Accounts.

All other schedules are omitted because they are inapplicable, not required under the instructions, or the information is included in the consolidated financial statements or notes thereto.

Separate financial statements for the Company s unconsolidated affiliated companies, accounted for by the equity method, have been omitted because they do not constitute significant subsidiaries.

3. Exhibits: Exhibits listed on the accompanying Index to Exhibits are filed or incorporated herein as part of this annual report on Form 10-K.

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Molex Incorporated
Schedule II Valuation and Qualifying Accounts
For the Years Ended June 30, 2007, 2006, and 2005
(in thousands)

	Balance at Beginning of Period	Charges to Income	Write-Offs	Other/ Currency Translation	Balance at End of Period
Receivable Reserves:					
Year ended 2007	$ 26,513	$ 71,245	$ (67,422)	$ 728	$ 31,064
Year ended 2006	$ 20,293	$ 69,187	$ (63,524)	$ 557	$ 26,513
Year ended 2005	$ 19,732	$ 54,295	$ (49,730)	$ (4,004)	$ 20,293
Inventory Reserves:					
Year ended 2007:					
Slow and Excess	$ 30,309	$ 23,607	$ (20,983)	$ 7,023	$ 39,956
Blocked Stock	936	94		(195)	835
Other	2,689	(299)		(454)	1,936
Total	$ 33,934	$ 23,402	$ (20,983)	$ 6,374	$ 42,727
Year ended 2006:					
Slow and Excess	$ 29,511	$ 18,014	$ (17,959)	$ 743	$ 30,309
Blocked Stock	1,626	(690)			936
Other	3,061	(372)			2,689
Total	$ 34,198	$ 16,952	$ (17,959)	$ 743	$ 33,934
Year ended 2005:					
Slow and Excess	$ 33,758	$ 12,673	$ (15,732)	$ (1,188)	$ 29,511
Blocked Stock	2,114	(488)			1,626
Other	4,313	(1,252)			3,061
Total	$ 40,185	$ 10,933	$ (15,732)	$ (1,188)	$ 34,198
Deferred tax asset valuation allowance:					
Year ended 2007	$ 33,920	$ 1,308	$	$ 4,138	$ 39,366
Year ended 2006	$ 28,700	$ 5,345	$ (125)		$ 33,920
Year ended 2005	$ 23,076	$ 6,849	$ (1,225)		$ 28,700

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Molex Incorporated
Index of Exhibits

Exhibit Number	Description	Location
3.1	Certificate of Incorporation (as amended and restated)	Incorporated by reference to Exhibit 3.1 to our annual report on Form 10-K for the year ended June 30, 2000
3.2	By-laws (as amended and restated)	Incorporated by reference to Exhibit 3.2 to our Form 8-K filed on May 17, 2007
4	Instruments defining rights of security holders	See Exhibit 3.1
10.1	Summary of Salary and Bonus Arrangements with Certain Executive Officers	Incorporated by reference to our Form 8-K filed on August 1, 2006
10.2	Foreign Service Employees Policies and Procedures	Incorporated by reference to Exhibit 10.15 to our quarterly report on Form 10-Q for the period ended March 31, 2005
10.3	Employment Offer Letter to David D. Johnson	Incorporated by reference to Exhibit 10.18 to our quarterly report on Form 10-Q for the period ended March 31, 2005
10.4	Deferred Compensation Agreement between Molex and Frederick A. Krehbiel	Incorporated by reference to Exhibit 10.12 to our quarterly report on Form 10-Q for the period ended March 31, 2005
10.5	Deferred Compensation Agreement between Molex and John H. Krehbiel, Jr.	Incorporated by reference to Exhibit 10.13 to our quarterly report on Form 10-Q for the period ended March 31, 2005
10.6	Molex-Japan Directors and Executive Officers Retirement Trust, as amended and restated	Incorporated by reference to Exhibit 99.2 to our Form 8-K filed on June 7, 2005
10.7	Molex Deferred Compensation Plan	Incorporated by reference to Exhibit 99.2 to our Form 8-K filed on August 1, 2006
10.8	Supplemental Executive Retirement Plan	Incorporate by reference to Exhibit 10.8 to our annual report on Form 10-K for the year ended June 30, 2006.
10.9	Summary of Non-Employee Director Compensation	Incorporated by reference to Exhibit 10.1 to our Form 10-Q for the period ended September 30, 2006
10.10		

Molex Outside Directors Plan	Deferred Compensation	Incorporated by reference to Exhibit 99.1 to our Form 8-K filed on August 1, 2006

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Exhibit Number	Description	Location
10.11	2005 Molex Incentive Stock Option Plan	Incorporated by reference to Exhibit 10.2 to our Form 10-Q for the period ended September 30, 2006
10.12	Form of Stock Option Agreement under the 2005 Molex Incentive Stock Option Plan	Filed herewith
10.13	2000 Molex Long-Term Stock Plan, as amended and restated	Incorporated by reference to Exhibit 10.3 to our Form 10-Q for the period ended September 30, 2006
10.14	Form of Equity Award Agreement under the 2000 Molex Long-Term Stock Plan	Filed herewith
10.15	2000 Molex Incorporated Incentive Stock Option Plan	Incorporated by reference to Exhibit 10.6 of our annual report on Form 10-K for the year ended June 30, 2001
10.16	Form of Stock Option Agreement under the 2000 Molex Incorporated Incentive Stock Option Plan	Incorporated by reference to Exhibit 10.9 to our quarterly report on Form 10-Q for the period ended March 31, 2005
10.17	1991 Molex Incorporated Incentive Stock Option Plan	Incorporated by reference to Exhibit 10.4 to our annual report on Form 10-K for the year ended June 30, 1999
21	Subsidiaries of the Company	Filed herewith
23	Consent of Ernst & Young, LLP	Filed herewith
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith

(All other exhibits are either inapplicable or not required.)

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Signatures

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

MOLEX INCORPORATED
(Company)

August 3, 2007	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)	By: / S/ DAVID D. JOHNSON David D. Johnson

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

August 3, 2007	Co-Chairman of the Board	/S/ FREDERICK A. KREHBIEL Frederick A. Krehbiel
August 3, 2007	Co-Chairman of the Board	/S/ JOHN H. KREHBIEL, JR. John H. Krehbiel, Jr.
August 3, 2007	Vice Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	/S/ MARTIN P. SLARK Martin P. Slark
August 3, 2007	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)	/S/ DAVID D. JOHNSON David D. Johnson
August 3, 2007	Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	/S/ K. TRAVIS GEORGE K. Travis George
August 3, 2007	Director	/S/ FRED L. KREHBIEL Fred L. Krehbiel
August 3, 2007	Director	/S/ MICHAEL J. BIRCK Michael J. Birck
August 3, 2007	Director	/S/ MICHELLE L. COLLINS

		Michelle L. Collins
August 3, 2007	Director	/S/ EDGAR D. JANNOTTA
		Edgar D. Jannotta
August 3, 2007	Director	/S/ KAZUMASA KUSAKA
		Kazumasa Kusaka
August 3, 2007	Director	/S/ DAVID L. LANDSITTEL
		David L. Landsittel
August 3, 2007	Director	/S/ DONALD G. LUBIN
		Donald G. Lubin
August 3, 2007	Director	/S/ ROBERT J. POTTER
		Robert J. Potter