# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2006

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

For the transition period from ______ to ______

Commission File Number 0-7491

# 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

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

Indicate by check mark whether the registrant 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. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

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

On April 28, 2006, the following numbers of shares of the Company's common stock were outstanding:

| | |
|---|---|
| Common Stock | 99,585,272 |
| Class A Common Stock | 84,672,447 |
| Class B Common Stock | 94,255 |

## Molex Incorporated

### INDEX

## PART I

### Item 1. Financial Statements

**Molex Incorporated**
**Condensed Consolidated Balance Sheets**
(in thousands)

| | March 31, 2006 | June 30, 2005 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 288,508 | $ 309,756 |
| Marketable securities | 112,942 | 187,835 |
| Accounts receivable, less allowances of $25,696 and $20,293, respectively | 632,422 | 539,533 |
| Inventories | 327,446 | 290,100 |
| Other current assets | 46,705 | 46,839 |
| Total current assets | 1,408,023 | 1,374,063 |
| Property, plant and equipment, net | 1,008,259 | 984,237 |
| Goodwill | 148,107 | 143,872 |
| Other assets | 232,882 | 225,500 |
| Total assets | $ 2,797,271 | $ 2,727,672 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 260,763 | $ 252,370 |
| Accrued expenses | 164,375 | 153,464 |
| Other current liabilities | 68,037 | 63,670 |
| Total current liabilities | 493,175 | 469,504 |
| Other non-current liabilities | 12,747 | 10,788 |
| Accrued pension and postretirement benefits | 71,851 | 67,063 |
| Long-term debt and obligations under capital leases | 8,643 | 9,975 |
| Minority interest in subsidiaries | 2,523 | 2,078 |
| Total liabilities | 588,939 | 559,408 |
| Stockholders' equity: | | |
| Common stock | 10,876 | 10,796 |
| Paid-in capital | 407,770 | 400,173 |
| Retained earnings | 2,425,385 | 2,286,826 |
| Treasury stock | (709,922) | (568,917) |
| Deferred unearned compensation | – | (31,910) |
| Accumulated other comprehensive income | 74,223 | 71,296 |
| Total stockholders' equity | 2,208,332 | 2,168,264 |
| Total liabilities and stockholders' equity | $ 2,797,271 | $ 2,727,672 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 |
|---|---|---|---|---|
| Net revenue | $ 720,327 | $ 612,842 | $ 2,077,490 | $ 1,904,890 |
| Cost of sales | 464,192 | 401,434 | 1,353,211 | 1,246,680 |
| Gross profit | 256,135 | 211,408 | 724,279 | 658,210 |
| Selling, general and administrative | 170,473 | 158,552 | 491,643 | 467,600 |
| Restructuring costs | 4,287 | – | 15,674 | – |
| Total operating expenses | 174,760 | 158,552 | 507,317 | 467,600 |
| Income from operations | 81,375 | 52,856 | 216,962 | 190,610 |
| Equity income | (2,020) | (2,399) | (8,531) | (7,579) |
| Gain on investments | (1) | (4,569) | (115) | (3,211) |
| Interest income, net | (2,653) | (1,579) | (7,625) | (3,903) |
| Other income, net | (4,674) | (8,547) | (16,271) | (14,693) |
| Income before income taxes and minority interest | 86,049 | 61,403 | 233,233 | 205,303 |
| Income taxes | 24,525 | 16,587 | 66,472 | 55,471 |
| Minority interest | 35 | (6) | 98 | 280 |
| Net income | $ 61,489 | $ 44,822 | $ 166,663 | $ 149,552 |
| Earnings per share: | | | | |
| Basic | $ 0.33 | $ 0.24 | $ 0.90 | $ 0.79 |
| Diluted | $ 0.33 | $ 0.24 | $ 0.89 | $ 0.78 |
| Dividends per share | $ 0.0500 | $ 0.0375 | $ 0.1500 | $ 0.1125 |
| Average common shares outstanding: | | | | |
| Basic | 184,658 | 188,780 | 186,019 | 188,742 |
| Diluted | 186,303 | 190,509 | 187,846 | 190,694 |

See accompanying notes to condensed consolidated financial statements.

**Molex Incorporated**
**Condensed Consolidated Statements of Cash Flows**
(Unaudited)
(in thousands)

| | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 |
|---|---|---|
| Cash and cash equivalents, beginning of period | $ 309,756 | $ 234,431 |
| | | |
| Operating activities: | | |
| Net income | 166,663 | 149,552 |
| Add non-cash items included in net income: | | |
| Depreciation and amortization | 160,411 | 178,622 |
| Share-based compensation | 20,271 | 10,525 |
| Other non-cash charges | 9,300 | (10,260) |
| Changes in assets and liabilities, excluding effects of foreign currency adjustments: | | |
| Accounts receivable | (84,772) | (4,816) |
| Inventories | (33,505) | (20,800) |
| Accounts payable | 4,923 | (21,213) |
| Other current assets and liabilities | 15,799 | (4,722) |
| Other assets and liabilities | 6,073 | (4,307) |
| Cash provided from operating activities | 265,163 | 272,581 |
| | | |
| Investing activities: | | |
| Capital expenditures | (193,844) | (155,190) |
| Proceeds from sales of marketable securities | 1,069,285 | 3,132,458 |
| Purchases of marketable securities | (994,744) | (3,151,571) |
| Other investing activities | (18,919) | 17,730 |
| Cash used for investing activities | (138,222) | (156,573) |
| | | |
| Financing activities: | | |
| Net decrease in debt | (2,127) | (463) |
| Cash dividends paid | (26,076) | (18,878) |
| Principal payments on capital leases | (1,994) | (2,555) |
| Exercise of stock options | 11,905 | 7,530 |
| Purchase of treasury stock | (135,044) | (23,615) |
| Reissuance of treasury stock | – | 534 |
| Cash used for financing activities | (153,336) | (37,447) |
| | | |
| Effect of exchange rate changes on cash | 5,147 | 10,794 |
| Net (decrease) increase in cash and cash equivalents | (21,248) | 89,355 |
| Cash and cash equivalents, end of period | $ 288,508 | $ 323,786 |

See accompanying notes to condensed consolidated financial statements.

**Molex Incorporated**
**Notes to Condensed Consolidated Financial Statements**
(Unaudited)
(in thousands, except per share data)

## 1. Basis of Presentation

Molex Incorporated (together with its subsidiaries, except where the context otherwise requires, "we," "us," or "our") manufactures electronic components, including electrical and fiber optic interconnection products and systems, switches and integrated products in 57 plants in 19 countries on five continents.

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals, except as discussed in Note 2, considered necessary for a fair statement of results for the interim period have been included. Operating results for the three and nine months ended March 31, 2006 are not necessarily an indication of the results that may be expected for the year ending June 30, 2006. The Condensed Consolidated Balance Sheet as of June 30, 2005 was derived from our audited consolidated financial statements for the year ended June 30, 2005. These financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2005.

The preparation of the unaudited financial statements in conformity with GAAP requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. Significant estimates and assumptions are used in the estimation of income taxes, pension and retiree health care benefit obligations, stock options, allowances for accounts receivable and inventory and impairment reviews for goodwill, intangible and other long-lived assets. Estimates are revised periodically. Actual results could differ from these estimates.

## 2. Correction of Prior Years' Errors

In the first and third quarters of fiscal 2005, we recorded the adjustments discussed below to correct errors in prior years' financial statements. We have concluded that the corrections of errors related to fiscal 2004 and prior years are not material, either individually or in the aggregate, to the trends of the financial statements, or to a fair presentation of our results of operations and financial position for any of the years affected. Accordingly, results for fiscal 2004 and prior years were not restated when these errors were corrected in fiscal 2005.

*Quarter ended September 30, 2004*

Included in the first fiscal quarter of 2005 is a charge of $9,100 ($5,914 after-tax) for the cumulative effect of an error in prior years. This error related to the inadvertent omission of in-transit intercompany inventory in our calculation of profit-in-inventory elimination. We recorded this profit-in-inventory adjustment as a reduction to inventories and a charge to cost of sales.

Also included in the first fiscal quarter of 2005 results is a charge of $4,824 ($3,136 after-tax) for the cumulative effect of an error in prior years related to our vacation accrual calculation. Also included is a charge for the correction of an error of the prior year bonus accrual of $500 ($325 after-tax).

In addition, included in the results of the first fiscal quarter of 2005 are the correction of an error related to a prior year inventory allowance of $1,142 ($742 after-tax), the correction of an error of a prior year insurance accrual of $2,700 ($1,755 after-tax), and the cumulative effect of an error related to prior years' receivable allowance of $3,169 ($2,060 after-tax). These three items had a positive impact on income.

The aggregate effect of these corrections of errors recorded in the first fiscal quarter of 2005 reduced gross profit by $7,332 and increased selling, general and administrative expenses by $81, resulting in a reduction of pre-tax income of $7,413 ($4,818 after-tax or $0.03 per share in the quarter).

*Quarter ended March 31, 2005*

In the third fiscal quarter of 2005, gross profit was reduced by $2,013 ($1,308 after-tax) to correct the timing of revenue recognition for certain customers where title passes on receipt of product.

Also included in the third fiscal quarter of 2005 results is an adjustment to deferred income taxes for state taxes, which reduced 2005 income tax expense by $2,607.

The aggregate effect of these corrections of errors recorded in the third fiscal quarter of 2005 resulted in an increase in net income of $1,299 or $0.01 per share in the quarter.

The aggregate effect of these corrections of errors recorded in the Condensed Consolidated Statement of Income for the nine months ended March 31, 2005 reduced gross profit by $9,345, increased selling, general and administrative expenses by $81 and reduced income tax expense by $2,607. These corrections resulted in a decrease in pre-tax income of $9,426 and a decrease in net income of $3,519 or $0.02 per share.

**3. Stock Incentive Plans**

We have granted nonqualified and incentive stock options and stock units 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 the three and nine months ended March 31, 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). Results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R) on July 1, 2005, share-based compensation cost recognized in selling, general and administrative expense lowered income before income taxes and net income for the three months ended March 31, 2006, by $3,861 and $2,636, respectively, and income before income taxes and net income for the nine months ended March 31, 2006, by $9,916 and $6,769, respectively, compared with results if we had continued to account for share-based compensation under APB No. 25. Basic earnings per share for the three and nine months ended March 31, 2006 would have been $0.35 and $0.93, respectively, and diluted earnings per share $0.34 and $0.92, respectively, had we not adopted SFAS No. 123(R), compared with reported basic earnings per share of $0.33 and $0.90, respectively, and diluted earnings per share of $0.33 and $0.89, respectively. Additionally, as a result of adopting SFAS No. 123(R), deferred unearned compensation of $31,910 was reclassified to paid-in capital on July 1, 2005.

The following table illustrates the effect on net income and earnings per share for the three and nine months ended March 31, 2005, had we applied the fair value recognition provisions of SFAS No. 123(R):

| | Three Months Ended Mar. 31, 2005 | Nine Months Ended Mar. 31, 2005 |
|---|---|---|
| Net income as reported | $ 44,822 | $ 149,552 |
| Add: share-based compensation included in reported net income, | | |
| net of related tax benefit of $797 and $2,842, respectively | 2,153 | 7,683 |
| Deduct: share-based compensation determined under fair value method, | | |
| net of related tax benefit of $1,643 and $5,638, respectively | (4,443) | (15,244) |
| Pro forma net income | $ 42,532 | $ 141,991 |
| Earnings per share as reported: | | |
| Basic | $ 0.24 | $ 0.79 |
| Diluted | $ 0.24 | $ 0.78 |
| Pro forma earnings per share: | | |
| Basic | $ 0.23 | $ 0.75 |
| Diluted | $ 0.22 | $ 0.75 |

Share-based compensation is expensed on a straight-line basis over the vesting period of the entire option or award and was $7,576 and $2,950 for the three months ended March 31, 2006 and 2005, respectively, and $20,271 and $10,525 for the nine months ended March 31, 2006 and 2005, respectively.

*Stock Options*

Stock options that we grant to employees who are not executive officers ("non-officer employees") are generally options to purchase Class A Common Stock at an exercise price that is 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. Prior to December 2005, stock options to non-officer employees expired on the fifth anniversary of the grant. After December 2005, stock options to non-officer employees are automatically exercised on the vesting date.

The stock options that we 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 seven years.

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

| | Shares | Exercise Price |
|---|---|---|
| Outstanding at June 30, 2005 | 10,544 | $ 18.94 |
| Granted | 1,965 | 19.04 |
| Exercised | (1,423) | 12.28 |
| Forfeited or expired | (176) | 20.04 |
| Outstanding at March 31, 2006 | 10,910 | $ 19.81 |

The weighted-average exercise prices of options granted during the three months ended March 31, 2006 and 2005 were $13.83 and $11.86, respectively, consisting of 50% of fair market value grants to non-officer employees. For the nine months ended March 31, 2006 and 2005, the weighted-average exercise prices of options granted during the period were $19.04 and $24.14, respectively, consisting of grants with an exercise price that is 50% or 100% of the fair value of the stock. The total intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 was $3,247 and $2,798, respectively, and during the nine months ended March 31, 2006 and 2005 was $20,062 and $9,392, respectively.

At March 31, 2006, there were 3,630 exercisable options with a weighted-average exercise price of $23.44 and an aggregate intrinsic value of $25,915. In addition, there were 6,916 options expected to vest with a weighted-average exercise price of $17.87, a weighted-average remaining contractual term of 4.1 years and an aggregate intrinsic value of $88,684.

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:

| | Nine Months Ended March 31, | |
|---|---|---|
| | 2006 | 2005 |
| Weighted-average fair value of options granted: | | |
| At fair value of underlying stock | $ 8.15 | $ 7.64 |
| At less than fair value of underlying stock | $ 15.39 | $ 13.71 |
| Assumptions: | | |
| Dividend yield | 0.80 % | 0.60 % |
| Expected volatility | 31.32 % | 36.37 % |
| Risk-free interest rate | 4.51 % | 2.85 % |
| Expected life of option (years) | 4.07 | 3.96 |

As of March 31, 2006, there were options outstanding to purchase 1,336 shares of Common Stock and 9,574 shares of Class A Common Stock.

*Stock Awards*

Stock awards are generally comprised of restricted stock unit awards 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:

| | 2006 | |
|---|---|---|
| | Shares | Fair Mkt Value |
| Nonvested shares at June 30, 2005 | 409 | $ 24.03 |
| Granted | 249 | 24.56 |
| Vested | (123) | 24.06 |
| Nonvested shares at March 31, 2006 | 535 | $ 24.27 |

As of March 31, 2006, there was $8,368 of total unrecognized compensation cost related to the above nonvested stock awards. We expect to recognize the cost of these stock awards over a weighted-average period of 2.6 years. The total fair value of shares vested during the nine months ended March 31, 2006 and 2005 was $3,124 and $2,914, respectively.

*Directors' Deferred Compensation Plan*

Our directors are eligible to participate in The Molex Incorporated Deferred Compensation Plan and the newly adopted 2005 Molex Outside Directors' 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 director elects to have his or her director fees deferred as stock units, the fees earned for a given quarter are converted to stock units at the closing price on the date of record for paying dividends. These stock units are generally settled in cash and marked to market value at the end of each quarter. The liability associated with deferred director fees for credited stock "units" was $5,337 at March 31, 2006 and $3,633 at March 31, 2005.

Upon termination of service as a director, the accumulated amount will be distributed in a lump sum. At the time of distribution, any stock units will be converted into cash by multiplying the number of units by the fair market value of the stock as of the payment date.

## 4. Restructuring Charges

During the fourth quarter of fiscal 2005, we recorded a pretax charge of $27,875 ($21,594 after-tax) related to closing certain operations in the Americas and European regions in order to reduce operating costs and better align our manufacturing capacity with customer needs. This charge included $12,150 relating to write-downs of manufacturing assets and facilities and $15,725 for severance costs related to a net workforce reduction of 600 employees.

In connection with the restructuring initiative, during the three months ended March 31, 2006, an additional $4,287 of costs were recorded, of which $2,452 related to the Americas region and $1,171 related to the European region. This increases the year-to-date restructuring charges to $15,674, of which $8,366 related to the Americas region and $5,613 related to the European region. The cumulative restructuring charges as of March 31, 2006 were $43,549, of which $22,452 related to the Americas region and $16,454 related to the European region. We expect to substantially complete the restructuring activities by June 30, 2006, resulting in an estimated total pre-tax charge of $20 million during fiscal 2006.

The change in the accrued severance balance related to the restructuring charge is summarized as follows:

| | | |
|---|---|---|
| Balance at June 30, 2005 | $ | 10,285 |
| Charges to expense | | 13,600 |
| Cash payments | | (13,383) |
| Balance at March 31, 2006 | $ | 10,502 |

## 5. Earnings Per Share

A reconciliation of the basic average common shares outstanding to diluted average common shares outstanding is as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Basic average common shares outstanding | 184,658 | 188,780 | 186,019 | 188,742 |
| Effect of dilutive stock options | 1,645 | 1,729 | 1,827 | 1,952 |
| Diluted average common shares outstanding | 186,303 | 190,509 | 187,846 | 190,694 |

## 6. Comprehensive Income

Total comprehensive income is summarized as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net income | $ 61,489 | $ 44,822 | $ 166,663 | $ 149,552 |
| Translation adjustments | 17,086 | (28,086) | 753 | 34,333 |
| Unrealized investment gain (loss) | 1,657 | (101) | 2,175 | (92) |
| Total comprehensive income | $ 80,232 | $ 16,635 | $ 169,591 | $ 183,793 |

## 7. Inventories

Inventories are valued at the lower of first-in, first-out cost or market. Inventories, net of allowances, consist of the following:

| | March 31, 2006 | June 30, 2005 |
|---|---|---|
| Raw materials | $ 56,532 | $ 43,423 |
| Work in process | 109,413 | 94,695 |
| Finished goods | 161,501 | 151,982 |
| Total inventories | $ 327,446 | $ 290,100 |

## 8. Pensions and Other Postretirement Benefits

The components of pension benefit cost are as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Service cost | $ 2,011 | $ 2,247 | $ 6,590 | $ 6,486 |
| Interest cost | 1,286 | 1,326 | 3,950 | 3,856 |
| Expected return on plan assets | (1,307) | (1,372) | (3,911) | (4,011) |
| Amortization of prior service cost | 27 | 51 | 83 | 153 |
| Recognized actuarial losses | 340 | 255 | 1,061 | 749 |
| Amortization of transition obligation | 10 | 17 | 29 | 49 |
| Benefit cost | $ 2,367 | $ 2,524 | $ 7,802 | $ 7,282 |

The components of retiree health care benefit cost are as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Service cost | $ 641 | $ 470 | $ 1,925 | $ 1,409 |
| Interest cost | 597 | 471 | 1,790 | 1,413 |
| Expected return on plan assets | – | – | – | – |
| Amortization of prior service cost | (18) | (66) | (53) | (197) |
| Recognized actuarial losses | 260 | 159 | 779 | 476 |
| Amortization of transition obligation | – | – | – | – |
| Benefit cost | $ 1,480 | $ 1,034 | $ 4,441 | $ 3,101 |

## 9. Commitments and Contingencies

Between March 2, 2005 and April 22, 2005 seven separate complaints were filed, each purporting to be on behalf of a class of Molex stockholders, against us, and certain of our officers and employees. The stockholder actions have been consolidated, and the consolidated complaint alleges, among other things, that during the period from July 27, 2004 to February 14, 2005 the named defendants made or caused to be made a series of materially false or misleading statements about our business, prospects, operations, and financial statements which constituted violations of the federal securities laws and rules. As relief, the complaint seeks, among other things, declaration that the action be certified as a proper class action, unspecified compensatory damages (including interest) and payment of costs and expenses (including fees for legal counsel and experts). We believe the complaint is without merit and intend to vigorously contest the complaint.

In addition, in the Fall of 2005, two stockholder derivative actions were filed against us and certain of our directors and officers. The derivative actions arise principally out of the same facts as the stockholder actions described above. These two actions have been consolidated and an amended and consolidated complaint has been filed. We believe the allegations in the stockholder derivative actions are without merit and intend to vigorously contest these actions.

## 10. Segments and Related Information

We operate in one product segment, the manufacture and sale of electronic components, and four geographic regions. Revenue is recognized based on the location of the selling entity. Information by region is summarized as follows:

| | Customer Revenue | Inter-Company Revenue | Net Revenue | Net Income |
|---|---|---|---|---|
| Three months ended March 31, 2006: | | | | |
| Americas | $ 197,821 | $ 57,397 | $ 255,218 | $ 14,629 |
| Far East North | 135,930 | 98,920 | 234,850 | 33,620 |
| Far East South | 238,072 | 31,028 | 269,100 | 31,124 |
| Europe | 131,909 | 11,493 | 143,402 | (2,771) |
| Corporate and other | 16,595 | 30,533 | 47,128 | (15,113) |
| Eliminations | – | (229,371) | (229,371) | – |
| Total | $ 720,327 | $ – | $ 720,327 | $ 61,489 |
| Three months ended March 31, 2005: | | | | |
| Americas | $ 166,235 | $ 42,986 | $ 209,221 | $ 5,739 |
| Far East North | 127,330 | 80,644 | 207,974 | 30,135 |
| Far East South | 182,615 | 30,203 | 212,818 | 25,288 |
| Europe | 121,989 | 11,973 | 133,962 | (2,323) |
| Corporate and other | 14,673 | 27,988 | 42,661 | (14,017) |
| Eliminations | – | (193,794) | (193,794) | – |
| Total | $ 612,842 | $ – | $ 612,842 | $ 44,822 |
| Nine months ended March 31, 2006: | | | | |
| Americas | $ 581,143 | $ 148,982 | $ 730,125 | $ 29,714 |
| Far East North | 393,005 | 287,633 | 680,638 | 90,451 |
| Far East South | 690,953 | 98,708 | 789,661 | 90,072 |
| Europe | 363,739 | 33,064 | 396,803 | (13,161) |
| Corporate and other | 48,650 | 90,381 | 139,031 | (30,413) |
| Eliminations | – | (658,768) | (658,768) | – |
| Total | $ 2,077,490 | $ – | $ 2,077,490 | $ 166,663 |
| Nine months ended March 31, 2005: | | | | |
| Americas | $ 513,718 | $ 141,870 | $ 655,588 | $ 25,675 |
| Far East North | 392,746 | 243,936 | 636,682 | 83,924 |
| Far East South | 577,173 | 98,453 | 675,626 | 70,003 |
| Europe | 379,156 | 33,887 | 413,043 | (693) |
| Corporate and other | 42,097 | 83,811 | 125,908 | (29,357) |
| Eliminations | – | (601,957) | (601,957) | – |
| Total | $ 1,904,890 | $ – | $ 1,904,890 | $ 149,552 |

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

Unless otherwise indicated or the content otherwise requires, the terms "we," "us" and "our" and other similar terms in this Quarterly Report on Form 10-Q refer to Molex Incorporated and its subsidiaries.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and accompanying notes contained herein and our consolidated financial statements and accompanying notes and management's discussion and analysis of results of operations and financial condition contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described below under the heading "Cautionary Statement Regarding Forward-Looking Information."

### 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 in 57 plants in 19 countries on five continents. We also provide manufacturing services to integrate specific components into a customer's product.

Our financial results are influenced by factors in the markets in which we operate and by our ability to successfully execute our business strategy. Marketplace factors include competition for customers, raw material prices, product and price competition, economic conditions in various geographic regions, foreign currency exchange rates, interest rates, changes in technology, fluctuations in customer demand, patent and intellectual property issues, litigation results and legal and regulatory developments. We expect that the marketplace environment will remain highly competitive. Our ability to execute our business strategy successfully will require that we meet a number of challenges, including our ability to accurately forecast sales demand and calibrate manufacturing to such demand, develop, manufacture and successfully market new and enhanced products and product lines, control overhead, and attract, motivate and retain key personnel to manage our operational, financial and management information systems.

### Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements. Estimates are revised periodically. Actual results could differ from these estimates.

See the information concerning our critical accounting policies included under Management's Discussion of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005 filed with the Securities and Exchange Commission, which is incorporated by reference in this Form 10-Q.

## Results of Operations

The tables below show our results of operations and the absolute and percentage change in those results from period to period (in thousands).

| | Three Months Ended March 31, | | $ Change Favorable | % Change Favorable | Results as % of Net Revenue | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | (Unfavorable) | (Unfavorable) | 2006 | 2005 |
| Net revenue | $ 720,327 | $ 612,842 | $ 107,485 | 17.5 % | 100.0 % | 100.0 % |
| Cost of sales | 464,192 | 401,434 | (62,758) | (15.6) | 64.4 | 65.5 |
| Gross profit | 256,135 | 211,408 | 44,727 | 21.2 | 35.6 | 34.5 |
| Selling, general & administrative | 170,473 | 158,552 | (11,921) | (7.5) | 23.7 | 25.9 |
| Restructuring costs | 4,287 | – | (4,287) | (100.0) | 0.6 | – |
| Income from operations | 81,375 | 52,856 | 28,519 | 54.0 | 11.3 | 8.6 |
| Other income, net | (4,674) | (8,547) | (3,873) | (45.3) | 0.6 | 1.4 |
| Income before income taxes | 86,049 | 61,403 | 24,646 | 40.1 | 11.9 | 10.0 |
| Income taxes & minority interest | 24,560 | 16,581 | (7,979) | (48.1) | 3.4 | 2.7 |
| Net income | $ 61,489 | $ 44,822 | $ 16,667 | 37.2 % | 8.5 % | 7.3 % |

| | Nine Months Ended March 31, | | $ Change Favorable | % Change Favorable | Results as % of Net Revenue | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | (Unfavorable) | (Unfavorable) | 2006 | 2005 |
| Net revenue | $ 2,077,490 | $ 1,904,890 | $ 172,600 | 9.1 % | 100.0 % | 100.0 % |
| Cost of sales | 1,353,211 | 1,246,680 | (106,531) | (8.5) | 65.1 | 65.4 |
| Gross profit | 724,279 | 658,210 | 66,069 | 10.0 | 34.9 | 34.6 |
| Selling, general & administrative | 491,643 | 467,600 | (24,043) | (5.1) | 23.7 | 24.6 |
| Restructuring costs | 15,674 | – | (15,674) | (100.0) | 0.8 | – |
| Income from operations | 216,962 | 190,610 | 26,352 | 13.8 | 10.4 | 10.0 |
| Other income, net | (16,271) | (14,693) | 1,578 | 10.7 | 0.8 | 0.8 |
| Income before income taxes | 233,233 | 205,303 | 27,930 | 13.6 | 11.2 | 10.8 |
| Income taxes & minority interest | 66,570 | 55,751 | (10,819) | (19.4) | 3.2 | 2.9 |
| Net income | $ 166,663 | $ 149,552 | $ 17,111 | 11.4 % | 8.0 % | 7.9 % |

*Net Revenue*

The increase in revenue 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 $15.2 million compared with the prior year quarter. For the nine months ended March 31, 2006, the impact of price erosion reduced revenue by approximately $60.9 million. We sell our products in five primary markets. A summary follows of the estimated change in revenue from each market during the third fiscal quarter of 2006 as compared with the same quarter last year (Comparable Quarter) and the second quarter of 2006 (Sequential Quarter):

| | Comparable Quarter | Sequential Quarter |
|---|---|---|
| Consumer | 12 % | (1) % |
| Telecommunications | 32 | 2 |
| Automotive | 18 | 10 |
| Data | 2 | (3) |
| Industrial | 26 | 20 |

We operate in one product segment, the manufacture and sale of electronic components, and four regions. 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):

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | $ Change Favorable (Unfavorable) | % Change Favorable (Unfavorable) | Results as % of Net Revenue 2006 | Results as % of Net Revenue 2005 |
|---|---|---|---|---|---|---|
| Americas | $ 197,821 | $ 166,235 | $ 31,586 | 19.0 % | 27.5 % | 27.1 % |
| Far East North | 135,930 | 127,330 | 8,600 | 6.8 | 18.9 | 20.8 |
| Far East South | 238,072 | 182,615 | 55,457 | 30.4 | 33.1 | 29.8 |
| Europe | 131,909 | 121,989 | 9,920 | 8.1 | 18.3 | 19.9 |
| Corporate and other | 16,595 | 14,673 | 1,922 | 13.1 | 2.2 | 2.4 |
| Total | $ 720,327 | $ 612,842 | $ 107,485 | 17.5 % | 100.0 % | 100.0 % |

| | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | $ Change Favorable (Unfavorable) | % Change Favorable (Unfavorable) | Results as % of Net Revenue 2006 | Results as % of Net Revenue 2005 |
|---|---|---|---|---|---|---|
| Americas | $ 581,143 | $ 513,718 | $ 67,425 | 13.1 % | 28.0 % | 27.0 % |
| Far East North | 393,005 | 392,746 | 259 | 0.1 | 18.9 | 20.6 |
| Far East South | 690,953 | 577,173 | 113,780 | 19.7 | 33.3 | 30.3 |
| Europe | 363,739 | 379,156 | (15,417) | (4.1) | 17.5 | 19.9 |
| Corporate and other | 48,650 | 42,097 | 6,553 | 15.6 | 2.3 | 2.2 |
| Total | $ 2,077,490 | $ 1,904,890 | $ 172,600 | 9.1 % | 100.0 % | 100.0 % |

The strengthening of the U.S. dollar against certain foreign currencies, principally the yen and euro, decreased revenue by approximately $24.5 million for the three months ended March 31, 2006 over the prior year period. The following tables show the effect on the change in net revenue from foreign currency translations to the U.S. dollar:

| | Three months ended March 31, 2006 | | | Nine months ended March 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Local Currency | Currency Translation | Net Change | Local Currency | Currency Translation | Net Change |
| Americas | $ 29,593 | $ 1,993 | $ 31,586 | $ 59,960 | $ 7,465 | $ 67,425 |
| Far East North | 20,615 | (12,015) | 8,600 | 17,069 | (16,810) | 259 |
| Far East South | 54,656 | 801 | 55,457 | 108,227 | 5,553 | 113,780 |
| Europe | 24,619 | (14,699) | 9,920 | 5,637 | (21,054) | (15,417) |
| Corporate and other | 2,550 | (628) | 1,922 | 6,679 | (126) | 6,553 |
| Net change | $ 132,033 | $ (24,548) | $ 107,485 | $ 197,572 | $ (24,972) | $ 172,600 |

The change in revenue on a local currency basis is as follows:

| | Three Months Ended Mar. 31, 2006 | Nine Months Ended Mar. 31, 2006 |
|---|---|---|
| Americas | 17.8 % | 11.7 % |
| Far East North | 16.4 | 4.3 |
| Far East South | 29.9 | 18.8 |
| Europe | 20.2 | 1.5 |
| Total | 21.5 | 10.4 |

We continued our long-term commitment to reinvesting our profits in new product design and tooling to maintain and enhance our competitive position. Revenue derived from the sale of new products we released within the last 36 months as a percentage of net revenue was as follows:

| | Three Months Ended Mar. 31, 2006 | Nine Months Ended Mar. 31, 2006 |
|---|---|---|
| Americas | 19.5 % | 20.1 % |
| Far East North | 11.4 | 13.3 |
| Far East South | 28.6 | 29.6 |
| Europe | 23.3 | 24.6 |
| Total | 26.6 | 27.9 |

*Americas Region – North and South America*

Revenue in the Americas region increased from the prior year comparable periods primarily 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 third fiscal quarter of 2006 as compared with the prior year quarter partially because in 2006 we did not experience seasonally lower volumes as generally experienced in fiscal third quarters.

While we believe that year-to-date sales growth in the Americas region was negatively affected by the movement offshore of original equipment manufacturers and contract manufacturers, we experienced a reduction in this trend during the third fiscal quarter. However, we believe that this trend positively contributed to year-to-date sales in other regions of our business, especially in the Far East South region.

*Far East North Region – Japan and Korea*

Revenue in local currencies was higher during the third fiscal quarter as compared with the same quarter last year primarily due to stronger demand in the consumer and telecom markets. Demand in these markets increased at a higher rate during the third quarter as compared with the sequential quarter even though our third quarter is generally a seasonally lower quarter for the telecommunications and consumer markets. 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 is developing new connectors for third generation (3G) phones, which in Japan include such high-speed capabilities as video and camera functionality. We believe that we are well positioned to grow our 3G technology business as global cell phone makers adopt this technology.

During the nine months ended March 31, 2006, the region operated at a high capacity level with significant resources allocated to support higher demand in the Far East South region. Revenue between regions is generally recognized as intercompany revenue, which is excluded from the revenue by region table above.

*Far East South Region – Singapore, Malaysia, China, Thailand, Taiwan and India*

Consistent with the migration of business from the Americas, Europe and Far East North regions to the Far East South region, customer revenue in the Far East South region increased from the prior year comparable periods. As a result, this region is our largest and fastest growing in terms of revenue. The revenue growth in this region was driven by strong demand across the mobile phone and consumer products markets. Demand for these products was significantly higher during the third fiscal quarter of 2006 as compared with the prior year quarter primarily because the inventory correction and reduction in demand that occurred in the third fiscal quarter of 2005 did not recur in the third fiscal quarter of 2006.

Our sales in China increased by 25.1% during the nine months ended March 31, 2006 compared with the prior year period, due to customer demand supported by increased production capacity. The drivers of this growth included (i) overall higher demand in the mobile phone, consumer electronics and automotive markets, (ii) the trend of American, European and Japanese companies moving their design and production to China and (iii) greater penetration of Taiwanese multinational accounts.

*European Region*

For the nine months ended March 31, 2006, revenue as compared with the prior year periods decreased primarily due to weakness in the automotive market and the movement offshore of original equipment manufacturers and contract manufacturers. We believe that the latter is a trend that contributed to sales in other regions of our business, especially in the Far East South region. Customer revenue in the European region increased during the third fiscal quarter primarily due to a recent improvement in the European automotive market.

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*

Gross profit increased primarily due to the increase in net revenue. Gross profit as a percentage of net revenue during the three months ended March 31, 2006, as compared with the prior year period, was higher primarily due to operating efficiencies gained in the Far East South and focus on higher margin products in the Americas.

Gross profit as a percentage of net revenue during the nine months ended March 31, 2006, was slightly higher than that of the prior year period. Included in the results for the nine months ended March 31, 2005 are corrections of errors that reduced gross profit by $9.3 million. Excluding the effect of this adjustment, gross profit as a percentage of net revenue would have increased to 35.0% for the nine months ended March 31, 2005, which was comparable to the current year-to-date period. See Note 2 to the "Notes to Condensed Consolidated Financial Statements" for further discussion.

We estimate that we paid approximately $10.5 million and $20.2 million more for metal alloys (primarily copper), gold and plastic resins due to higher commodity prices in the three and nine month periods compared with the prior year periods. These increases, along with the impact of price erosion, were partially offset by (i) an improved sales mix and product pruning, (ii) selective price increases that were effective during the second fiscal quarter of 2006, and (iii) improvements in manufacturing efficiencies.

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. We estimate that the impact from currency transactions increased gross profit by approximately $11.0 million and $22.0 million for the three and nine months ended March 31, 2006 compared with the prior year periods. These increases were primarily due to a stronger U.S. dollar compared with the yen during the three and nine months ended March 31, 2006.

*Selling, General and Administrative Expenses*

Effective in the 2006 fiscal year, we adopted Statement of Financial Accounting Standard (SFAS) No. 123(R), "Share-based Payments," which resulted in additional compensation expense of approximately $3.9 million and $9.9 million for the three and nine months ended March 31, 2006, respectively. Total share-based compensation recorded in the Condensed Consolidated Statements of Income was $7.6 million and $20.3 million for the three and nine months ended March 31, 2006 compared with $3.0 million and $10.5 million for the prior year periods (see Note 3 of the "Notes to the Condensed Consolidated Financial Statements").

Selling, general and administrative expenses for the nine months ended March 31, 2006 included bad debt expense of approximately $3.2 million in connection with an account receivable from an automotive customer that filed for bankruptcy. The impact of currency translation increased selling, general and administrative expenses by approximately $6.9 million and $9.5 million for the three and nine months ended March 31, 2006.

Research and development expenditures, which are classified as selling, general and administrative expense, increased to $105.2 million, or 5.1% of net revenue, for the nine months ended March 31, 2006, a percentage comparable with the prior year period.

*Restructuring Costs*

We recorded a pre-tax charge of $27.9 million in the fourth quarter of fiscal 2005 in connection with our restructuring to reduce costs, better optimize plant utilization and reduce selling, general and administrative expenses. The restructuring includes facility closures that impact our operations in the Americas and European regions. We estimate that we will reduce headcount by approximately 1,400 employees initially and then add back 800 employees at the facilities where production is being transferred, for a net reduction of 600 employees.

In the Americas region, we are in the process of closing an industrial manufacturing facility in New England and ceasing manufacturing in our Detroit area automotive facility. The automotive development center also located in the Detroit area will continue in operation. Production from these facilities will be transferred to existing plants within the region.

In Europe, we closed manufacturing facilities in Portugal and Ireland and reduced the size of a development center in Germany since announcing the restructuring plan during the fourth quarter of fiscal 2005. We are in the process of closing a manufacturing facility in Slovakia. Production from these manufacturing facilities is being transferred to existing plants within the region.

We recorded a pre-tax restructuring charge of $15.7 million during the nine months ended March 31, 2006, which consisted primarily of severance and other employee-related costs.

The timing of the cash expenditures associated with these charges does not necessarily correspond to the period in which the accounting charge is taken. The actual timing of the facility closures and related headcount reductions and the resulting charges and cash expenditures will be dependent upon a number of factors including our efforts to achieve a phased and efficient transfer of production. Implementation of this restructuring program is expected to continue through fiscal 2006 for which we anticipate an estimated pre-tax charge of $20 million during fiscal 2006. For additional information concerning the status of our restructuring programs see Note 4 of the "Notes to Condensed Consolidated Financial Statements." See also "Cautionary Statement Regarding Forward-Looking Information."

*Effective Tax Rate*

The effective tax rate was 28.5% for the three and nine months ended March 31, 2006 compared with 27.0% for the prior year periods. The increase in the effective tax rate from the prior year reflects increased taxable income in jurisdictions with higher tax rates.

*Backlog*

Our order backlog on March 31, 2006 was approximately $354.3 million, an increase of $90.2 million compared with $264.1 million at March 31, 2005. Orders for the three months ended March 31, 2006 were $769.2 million, an increase of 26.5% compared with $608.0 million for the prior year period.

## 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 $401.4 million and $497.6 million at March 31, 2006 and June 30, 2005, respectively. The primary source of our cash flow is cash generated by operations. Principal uses of cash are capital expenditures, share repurchases, dividend payments and business investments. Our long-term financing strategy is to rely on internal sources of funds for investing in plant, equipment and acquisitions. We believe 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 March 31, 2006 totaled $8.6 million.

*Cash Flows*

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

| | Nine Months Mar. 31, 2006 | Nine Months Mar. 31, 2005 |
|---|---|---|
| Cash provided from operating activities | $ 265,163 | $ 272,581 |
| Cash used for investing activities | (138,222) | (156,573) |
| Cash used for financing activities | (153,336) | (37,447) |
| Effect of exchange rate changes on cash | 5,147 | 10,794 |
| Net (decrease) increase in cash | $ (21,248) | $ 89,355 |

*Operating Activities*

Cash provided from operating activities decreased by $7.4 million from the prior year period due mainly to greater use of funds to finance working capital needs compared with the prior year period. This working capital increase was primarily due to the revenue growth for the nine months ended March 31, 2006 compared with the prior year period. Working capital is defined as current assets minus current liabilities.

*Investing Activities*

Capital expenditures were $193.8 million for the nine months ended March 31, 2006 compared with $155.2 million in the prior year period in order to provide increased capability in the Far East North region and increased capability and capacity in the Americas and Far East South regions.

*Financing Activities*

Cash was used primarily for the payment of dividends and the purchase of treasury stock. We purchased 5,083,000 shares of Common Stock and Class A Common Stock during the nine months ended March 31, 2006, at an aggregate cost of $135.0 million and 940,000 shares of Class A Common Stock during the nine months ended March 31, 2005, at an aggregate cost of $23.6 million.

Our Board of Directors previously authorized the repurchase of up to an aggregate $250.0 million of common stock though December 31, 2006. Approximately $80.4 million was remaining under the authorization as of March 31, 2006.

We have a strong cash balance and cash flow and very little debt. We believe at this time that share repurchases are a good investment as compared with investing our cash in short-term money instruments or marketable securities, particularly with the current low interest rates. We also use shares repurchased to replenish stock used for exercises of employee stock options, employee stock awards and our Employee Stock Purchase Plan.

As part of our growth strategy, in the future we may 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.

**Contractual Obligations and Commercial Commitments**

We have contractual obligations and commercial commitments as described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations and Commercial Commitments" of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the Commission) for the year ended June 30, 2005. In addition, we have obligations under open purchase orders and the long-term liabilities reflected in our consolidated balance sheet, which principally consist of pension and retiree health care benefit obligations. There have been no material changes in our contractual obligations and commercial commitments since June 30, 2005 arising outside of the ordinary course of business.

**Item 3. 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 foreign currency exchange rate risk principally through the establishment of local production facilities in the markets we serve and invoicing of customers in the same currency as the source of the products. 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 establishment of contra-currency accounts in several international subsidiaries, development of natural hedges and occasional use of foreign exchange contracts to protect or preserve the value of intercompany cash flows. No material foreign exchange contracts were outstanding at March 31, 2006 and 2005.

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 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.

Our $112.9 million of marketable securities at March 31, 2006 are principally debt instruments that generate interest income on our 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 the marketable securities that we own 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, which is generally less than twelve months, and the fixed-rate nature of our long-term debt.

We do not have exposure to any off-balance-sheet arrangements with the exception of certain operating leases. 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.

## Item 4. Controls and Procedures

*Evaluation of Disclosure Controls and Procedures*

We have established disclosure controls and procedures to ensure that material information relating to Molex is timely communicated to the officers who certify our financial reports and to other members of our management and Board of Directors.

Based upon their evaluation as of March 31, 2006, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are effective in providing reasonable assurance that information required to be disclosed by us in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

*Internal Control Over Financial Reporting*

During the three months ended March 31, 2006, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II

## Item 1. Legal Proceedings

Between March 2, 2005 and April 22, 2005 seven separate complaints were filed, each purporting to be on behalf of a class of Molex stockholders, against us and certain of our officers and employees. The stockholders actions have been consolidated before Judge Ruben Castillo in a case pending in the United States District Court for the Northern District of Illinois Eastern Division entitled The Takara Trust v. Molex Incorporated, et al., Case No. 05C 1245. The Consolidated Amended Complaint alleges, among other things, that during the period from July 27, 2004 to February 14, 2005 the named defendants made or caused to be made a series of materially false or misleading statements about our business, prospects, operations, and financial statements which constituted violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. The complaint also alleges that certain of the named defendants engaged in insider trading in violation of Section 10(b) and Rule 10b-5. As relief, the complaint seeks, among other things, declaration that the action be certified as a proper class action, unspecified compensatory damages (including interest) and payment of costs and expenses (including fees for legal counsel and experts). The individual defendants named in the Consolidated Amended Complaint are: J. Joseph King, Diane S. Bullock, John H. Krehbiel Jr., Frederick A. Krehbiel and Martin P. Slark. On July 6, 2005 the Court appointed City of Pontiac Group as lead plaintiff and approved City of Pontiac Group's choice of lead counsel. On September 6, 2005, the Court denied the plaintiff's motion to permit limited discovery. All named defendants have moved to dismiss the Consolidated Amended Complaint. We believe the plaintiff's allegations are without merit and intend to vigorously contest the complaint.

In addition, in the Fall of 2005, two stockholder derivative actions were filed against us and certain of our directors and officers in the Circuit Court of Cook County, Illinois. The derivative actions arise principally out of the same facts as the stockholder actions described above. These two actions have been consolidated and an amended and consolidated complaint has been filed. We believe the allegations in the stockholder derivative actions are without merit and intend to vigorously contest these actions.

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

On April 25, 2005, our Board of Directors authorized the purchase of up to $250.0 million of Common Stock and/or Class A Common Stock during the period ending December 31, 2006. Share purchases of Molex Common and/or Class A Common Stock for the quarter ended March 31, 2006 were as follows (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 | Dollar Value of Shares That May Yet Be Purchased Under the Plan |
|---|---|---|---|---|
| Jan. 1 – Jan. 31 | 375 | $ 24.91 | 375 | $ 110,943 |
| Feb. 1 – Feb. 28 | 975 | 29.73 | 975 | 81,960 |
| Mar. 1 – Mar. 31 | 50 | 32.11 | 50 | 80,354 |
| Total | 1,400 | $ 28.52 | 1,400 | $ 80,354 |

**Cautionary Statement Regarding Forward-Looking Information**

Our disclosure and analysis in this report, including information incorporated by reference, contain forward-looking information about our Company's current expectations or forecasts of future results. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "possible," "project," "should," "will," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

Among the factors that could cause actual results to differ materially from those stated are those risk factors listed in our annual report on Form 10-K for the fiscal year ended June 30, 2005, and also include the following: the risk that customer demand will decrease either temporarily or permanently, whether due to our actions or the demand for our products, and that we may not be able to respond through cost reductions in a timely and effective manner; price cutting, new product introductions and other actions by our competitors; fluctuations in the costs of raw materials that we are not able to pass through to customers because of existing contracts or market factors; the challenges attendant to plant closing and restructurings, including the difficulty of predicting plant closing and relocation costs, the difficulty of commencing or increasing production at existing facilities, and the reactions of customers, governmental units, employees and other groups; the challenges attendant to plant construction; the impact of changes in U.S. and non-U.S. government regulations and policies and actions of regulatory bodies; and the ability to realize cost savings from restructuring activities. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider this list to be a complete set of all potential risks or uncertainties.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 8-K, 10-Q, and 10-K reports to the Securities and Exchange Commission.

**Item 5. Other Information**

In lieu of filing a Form 8-K under Item 8.01 (Other Matters), we are providing the following disclosure. On April 28, 2006, we issued a press release announcing an increase in our regular quarterly cash dividend to $0.075 per share. The new regular quarterly cash dividend will be paid on July 25, 2006 to share holders of record on June 30, 2006 for each share of Common Stock, Class A Common Stock and Class B Common Stock.

**Item 6. Exhibits**

| Number | Description | |
|---|---|---|
| 31 | Rule 13a-14(a)/15d-14(a) Certifications | |
| | 31.1 | Section 302 certification by Chief Executive Officer |
| | 31.2 | Section 302 certification by Chief Financial Officer |
| 32 | Section 1350 Certifications | |
| | 32.1 | Section 906 certification by Chief Executive Officer |
| | 32.2 | Section 906 certification by Chief Financial Officer |

## SIGNATURES

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

MOLEX INCORPORATED

(Registrant)

Date: May 2, 2006

/S/ DAVID D. JOHNSON

David D. Johnson
Vice President, Treasurer and
Chief Financial Officer
(Principal Financial Officer)

## EXHIBIT 31.1

## CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Martin P. Slark, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molex Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: May 2, 2006

/S/ MARTIN P. SLARK

Martin P. Slark
Vice Chairman and Chief Executive Officer

## EXHIBIT 31.2

## CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, David D. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molex Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: May 2, 2006

/S/ DAVID D. JOHNSON

David D. Johnson
Vice President, Treasurer and Chief Financial Officer

**EXHIBIT 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**

Pursuant to 18 U.S.C. Section 1350, I, Martin P. Slark, hereby certify that, to the best of my knowledge:

1. The quarterly report of Molex Incorporated on Form 10-Q for the quarter ended March 31, 2006 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Molex Incorporated.

Date: May 2, 2006

/S/ MARTIN P. SLARK
_______________________________________
Martin P. Slark
Vice Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this certification has been provided to Molex Incorporated and will be retained by Molex Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 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**

Pursuant to 18 U.S.C. Section 1350, I, David D. Johnson, by certify that, to the best of my knowledge:

1. The quarterly report of Molex Incorporated on Form 10-Q for the quarter ended March 31, 2006 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Molex Incorporated.

Date: May 2, 2006

/S/ DAVID D. JOHNSON
________________________________________
David D. Johnson
Vice President, Treasurer and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this certification has been provided to Molex Incorporated and will be retained by Molex Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.