

CINTAS CORP

Form 10-K

July 30, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

X EXCHANGE ACT OF 1934 for the Fiscal Year Ended May 31, 2008

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

Commission File No. 0-11399

CINTAS CORPORATION

(Exact name of Registrant as specified in its charter)

Incorporated under the Laws of Washington
(State or other jurisdiction of incorporation or organization)

IRS Employer ID
No. 31-1188630

6800 Cintas Boulevard

P.O. Box 625737

Cincinnati, Ohio 45262-5737

(Address of principal executive offices)

Phone: (513) 459-1200

(Telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by checkmark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by checkmark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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YES

NO

Indicate by checkmark 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, and (2) has been subject to such filing requirements for the past 90 days.

YES

NO

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Smaller Reporting Company Non-Accelerated Filer
(Do not check if a smaller reporting company)

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No

The aggregate market value of the Common Stock held by non-affiliates as of November 30, 2007, was \$4,916,136,923 based on a closing sale price of \$31.99 per share. As of June 30, 2008, 173,083,426 shares of Common Stock were issued and 153,691,103 shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement to be filed with the Commission for its 2008 Annual Meeting of Shareholders are incorporated by reference in Part III as specified.

Cintas Corporation

Index to Annual Report on Form 10-K

	Page
Part I	
Item 1. Business.	4
Item 1A. Risk Factors.	6
Item 1B. Unresolved Staff Comments.	9
Item 2. Properties.	10
Item 3. Legal Proceedings.	11
Item 4. Submission of Matters to a Vote of Security Holders.	11
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	12
Item 6. Selected Financial Data.	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.	16
Item 7A. Quantitative and Qualitative Disclosure About Market Risk.	30
Item 8. Financial Statements and Supplementary Data.	31
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	63
Item 9A. Controls and Procedures.	63
Item 9B. Other Information.	63
Part III	
Item 10. Directors and Executive Officers of the Registrant.	63
Item 11. Executive Compensation.	63
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	63
Item 13. Certain Relationships and Related Transactions, and Director Independence.	63
Item 14. Principal Accountant Fees and Services.	63
Part IV	
Item 15. Exhibits and Financial Statement Schedules.	64

Part I

Item 1. Business

Cintas Corporation (Cintas), a Washington corporation, provides highly specialized products and services to businesses of all types throughout the United States and Canada. Cintas' products and services are designed to enhance its customers' images and brand identification as well as provide a safe and efficient work place. Cintas was founded in 1968 by Richard T. Farmer, Chairman of the Board, when he left his family's industrial laundry business in order to develop uniform programs using an exclusive new fabric. In the early 1970's, Cintas acquired the family industrial laundry business. Over the years, Cintas developed additional products and services that complemented its core uniform business and broadened the scope of products and services available to its customers.

The products and services provided by Cintas are as follows:

- Uniforms and Apparel
- Mats, Mops and Towels
- Restroom and Hygiene Service
- First Aid
- Safety
- Fire Protection
- Branded Promotional Products
- Document Shredding and Storage
- Cleanroom Resources
- Flame Resistant Clothing

We provide our products and services to approximately 800,000 businesses of all types – from small service and manufacturing companies to major corporations that employ thousands of people. This diversity in customer base results in no individual customer accounting for greater than one percent of Cintas' total revenue. As a result, the loss of one account would not have a significant financial impact on Cintas.

Cintas historically classified its businesses into two operating segments, Rentals and Other Services. The Rentals operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom and hygiene products and services are also provided within this operating segment. Effective June 1, 2007, this operating segment has been renamed Rental Uniforms and Ancillary Products.

The Other Services operating segment historically consisted of the direct sale of uniforms and related items, first aid, safety and fire protection products and services, document management services and branded promotional products. Effective June 1, 2007, the Other Services operating segment was separated into three reportable operating segments – Uniform Direct Sales operating segment, First Aid, Safety and Fire Protection Services operating segment and Document Management Services operating segment. This change provides more visibility to these operating segments as they continue to grow and have a larger impact on Cintas' consolidated results of operations. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items and branded promotional products. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document shredding and document storage services.

The following table sets forth the revenue derived from each operating segment provided by Cintas. Fiscal 2007 and fiscal 2006 have been restated to reflect the change to the reportable operating segments made effective June 1, 2007.

Year Ended May 31, (in thousands)	2008	2007	2006
Rental Uniforms and Ancillary Products	\$ 2,834,568	\$ 2,734,629	\$ 2,568,776
Uniform Direct Sales	517,490	501,443	484,934
First Aid, Safety and Fire Protection Services	403,552	362,417	285,348
Document Management Services	182,290	108,411	64,550
	\$ 3,937,900	\$ 3,706,900	\$ 3,403,608

Additional information is also included in Note 13 entitled Segment Information in “Notes to Consolidated Financial Statements.”

The primary markets served by all Cintas operating segments are local in nature and highly fragmented. Cintas competes with national, regional and local providers, and the level of competition varies at each of Cintas’ local operations. Product, design, price, quality, service and convenience to the customer are the competitive elements in each of our operating segments.

Within the Rental Uniforms and Ancillary Products operating segment, Cintas provides its products and services to customers via local delivery routes originating from rental processing plants and branches. Within the Uniform Direct Sales and First Aid, Safety and Fire Protection Services operating segments, Cintas provides its products and services via its distribution network and local delivery routes or local representatives. Within the Document Management Services operating segment, Cintas provides its services via local service routes originating from document management branches and document storage facilities. In total, Cintas has approximately 8,400 local delivery routes, 405 operations and 8 distribution centers. At May 31, 2008, Cintas employed approximately 34,000 employees of which approximately 400 were represented by labor unions.

Cintas sources finished products from many outside suppliers. In addition, Cintas operates 10 manufacturing facilities which provide for standard uniform needs. Cintas purchases fabric, used in its manufacturing process, from several suppliers. Cintas is not aware of any circumstances that would hinder its ability to continue obtaining these materials.

Cintas is subject to various environmental laws and regulations, as are other companies in the uniform rental industry. While environmental compliance is not a material component of our costs, Cintas must incur capital expenditures and associated operating costs, primarily for water treatment and waste removal, on a regular basis. Environmental spending related to water treatment and waste removal was approximately \$17 million in fiscal 2008 and approximately \$16 million in fiscal 2007. Capital expenditures to limit or monitor hazardous substances were approximately \$4 million in fiscal 2008 and approximately \$2 million in fiscal 2007. Cintas does not expect a material change in the cost of environmental compliance on a percent to revenue basis and is not aware of any material non-compliance with environmental laws.

Cintas files annual and quarterly reports and proxy materials with the Securities and Exchange Commission (SEC). The public may copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549 and may obtain further information concerning the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site that contains the same information regarding Cintas that is filed electronically with the SEC. The address of that site is: <http://www.sec.gov>. Cintas’ Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K and amendments to those reports are available free of charge as posted on its website, www.cintas.com, as soon as reasonably practicable after electronically filing with the SEC. The information on Cintas’ website is not part of this Annual Report on Form

10-K.

5

Item 1A. Risk Factors

The statements in this section describe major risks that could materially and adversely affect our business, financial condition and results of operations, and the trading price of our debt or equity securities could decline.

In addition, this section sets forth statements which constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

This Annual Report on Form 10-K contains forward-looking statements that are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements. Forward-looking statements may be identified by words such as “estimates,” “anticipates,” “predicts,” “projects,” “plans,” “expects,” “intends,” “target,” “forecast,” “believes,” “seeks,” “could,” “should” the negative versions thereof and similar expressions and by the context in which they are used. Such statements are based upon current expectations of Cintas and speak only as of the date made. We cannot guarantee that any forward-looking statement will be realized. These statements are subject to various risks, uncertainties and other factors that could cause actual results to differ from those set forth in or implied by this Annual Report. Factors that might cause such a difference include, but are not limited to, the possibility of greater than anticipated operating costs including energy costs, lower sales volumes, loss of customers due to outsourcing trends, the performance and costs of integration of acquisitions, fluctuations in costs of materials and labor including increased medical costs, costs and possible effects of union organizing activities, failure to comply with government regulations concerning employment discrimination, employee pay and benefits and employee health and safety, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, the cost, results and ongoing assessment of internal controls for financial reporting required by the Sarbanes-Oxley Act of 2002, the initiation or outcome of litigation, higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic events, changes in federal and state tax and labor laws and the reactions of competitors in terms of price and service. Cintas undertakes no obligation to update any forward-looking statements whether as a result of new information or to reflect events or circumstances arising after the date on which they are made.

General economic factors may adversely affect our financial performance.

General economic conditions, in North America and globally, may adversely affect our financial performance. Higher levels of unemployment, inflation, tax rates and other changes in tax laws and other economic factors could adversely affect the demand for Cintas’ products and services. Increases in labor costs, including healthcare and insurance costs, labor shortages or shortages of skilled labor, higher material costs for items such as fabrics and textiles, lower recycled paper prices, higher interest rates, inflation, higher tax rates and other changes in tax laws and other economic factors could increase our costs of rental uniforms and ancillary products and other services and selling and administrative expenses. As a result, these factors could adversely affect our sales and results of operation.

Increased competition could adversely affect our financial performance.

We operate in highly competitive industries and compete with national, regional and local providers. Product, design, price, quality, service and convenience to the customer are the competitive elements in these industries. If existing or future competitors seek to gain or retain market share by reducing prices, Cintas may be required to lower prices, which would hurt our results of operations. Cintas’ competitors also generally compete with Cintas for acquisition candidates, which can increase the price for acquisitions and reduce the number of available acquisition candidates. In addition, our customers and prospects may decide to perform certain services in-house instead of outsourcing these services to Cintas. These competitive pressures could adversely affect our sales and results of operations.

Risks associated with the suppliers from whom our products are sourced could adversely affect our results of operations.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We require all of our suppliers to comply with applicable laws, including labor and

6

environmental laws, and otherwise be certified as meeting our required supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access products in a timely and efficient manner is a significant challenge, especially with respect to suppliers located and goods sourced outside the United States. Political and economic stability in the countries in which foreign suppliers are located, the financial stability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, currency exchange rates, transport availability and cost, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control. In addition, United States and foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our results of operations.

Further increases in fuel and energy costs could adversely affect our results of operations and financial condition. The price of fuel and energy needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters and environmental concerns. Recent oil price increases have adversely affected our operating expense. Any further increase in fuel and energy costs could adversely affect our results of operations and financial condition.

An inability to open new, cost effective operating facilities may adversely affect our expansion efforts. We plan to expand our presence in existing markets and enter new markets. The opening of new operating facilities is necessary to gain the capacity required for this expansion. Our ability to open new operating facilities depends on our ability to identify attractive locations, negotiate leases or real estate purchase agreements on acceptable terms, identify and obtain adequate utility and water sources and comply with environmental regulations, zoning laws and other similar factors. Any inability to effectively identify and manage these items may adversely affect our expansion efforts, and, consequently, adversely affect our financial performance.

Unionization campaigns could adversely affect our results of operations. Cintas continues to be the target of a corporate unionization campaign by several unions. These unions are attempting to pressure Cintas into surrendering our employees' rights to a government-supervised election by unilaterally accepting union representation. We continue to vigorously oppose this campaign and defend our employees' rights to a government-supervised election. This campaign could be materially disruptive to our business and could materially adversely affect our results of operations.

Within our Document Management business, we handle customers' confidential information. Our failure to protect our customers' confidential information against security breaches could damage our reputation, harm our business and adversely impact our results of operations. Our Document Management business includes both document shredding and document storage services. These services involve the handling of our customers' confidential information and the subsequent shredding or storage of this information. Any compromise of security, accidental loss or theft of customer data in our possession could damage our reputation and expose us to risk of liability, which could harm our business and adversely impact our results of operations.

Compliance with environmental laws and regulations could result in significant costs that adversely affect our results of operations. Our operating locations are subject to environmental laws and regulations relating to the protection of the environment and health and safety matters, including those governing discharges of pollutants to the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. The operation of our

businesses entails risks under environmental laws and regulations. We could incur significant costs, including clean-up costs, fines and sanctions and claims by third parties for property damage and personal injury, as a result of violations of or liabilities under these laws and regulations. We are currently involved in a limited number of remedial investigations and actions at various locations. While, based on information currently known to us, we believe that we maintain adequate

7

reserves with respect to these matters, our liability could exceed forecasted amounts, and the imposition of additional clean-up obligations or the discovery of additional contamination at these or other sites could result in significant additional costs which could adversely affect our results of operation. In addition, potentially significant expenditures could be required to comply with environmental laws and regulations, including requirements that may be adopted or imposed in the future.

Under environmental laws, an owner or operator of real estate may be required to pay the costs of removing or remediating hazardous materials located on or emanating from property, whether or not the owner or operator knew of or was responsible for the presence of such hazardous materials. While Cintas regularly engages in environmental due diligence in connection with acquisitions, we can give no assurance that locations that have been acquired or leased have been operated in compliance with environmental laws and regulations during prior periods or that future uses or conditions will not make us liable under these laws or expose us to third-party actions including tort suits.

We are subject to legal proceedings that may adversely affect our financial condition and results of operations. We are party to various litigation claims and legal proceedings. We discuss these lawsuits and other litigation to which we are party in greater detail below under the caption "Item 3. Legal Proceedings" and in Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements." Certain of these lawsuits or potential future lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial condition and results of operations.

Failure to comply with the regulations of the U.S. Occupational Safety and Health Administration and other state and local agencies that oversee safety compliance could adversely affect our results of operations. The Occupational Safety and Health Act of 1970, as amended, or "OSHA", establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration and various record keeping, disclosure and procedural requirements. Various OSHA standards may apply to our operations. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with OSHA and other state and local laws and regulations. The failure to comply with these regulations could result in fines by government authorities, payment of damages to private litigants and affect our ability to service our customers.

Risks associated with our acquisition policy could adversely affect our results of operations. Historically, a portion of our growth has come from acquisitions. We continue to evaluate opportunities for acquiring businesses that may supplement our internal growth. However, there can be no assurance that we will be able to locate and purchase suitable acquisitions. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover all material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our results of operations.

We may experience difficulties in attracting and retaining competent personnel in key positions. We believe that a key component of our success is our corporate culture which has been imparted by management throughout our corporate organization. This factor, along with our entire operation, depends on our ability to attract and retain key employees. Competitive pressures within and outside our industry may make it more difficult and expensive for us to attract and retain key employees which could adversely affect our business.

Unexpected events could disrupt our operations and adversely affect our results of operations.

Unexpected events, including fires or explosions at facilities, natural disasters such as hurricanes and tornados, war or terrorist activities, unplanned outages, supply disruptions, failure of equipment or systems or changes in laws and/or regulations impacting our business, could adversely affect our results of operations. These events could result in customer disruption, physical damage to one or more key operating facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems.

Failure to achieve and maintain effective internal controls could adversely affect our business and stock price. Effective internal controls are necessary for us to provide reliable financial reports. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the consolidated financial statement preparation and presentation. While we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. If we fail to maintain the adequacy of our internal controls or if we or our independent registered public accounting firm were to discover material weaknesses in our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could cause us to be unable to produce reliable financial reports or prevent fraud. This may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Cintas occupies 413 facilities located in 278 cities. Cintas leases 215 of these facilities for various terms ranging from monthly to the year 2019. Cintas expects that it will be able to renew its leases on satisfactory terms. Of the 10 manufacturing facilities listed below, Cintas controls the operations of 2 of these manufacturing facilities, but does not own or lease the real estate related to these operations. All other facilities are owned. The principle executive office in Cincinnati, Ohio provides centrally located administrative functions including accounting, finance, marketing and computer system development and support. Cintas operates rental processing plants that house administrative, sales and service personnel and the necessary equipment involved in the cleaning of uniforms and bulk items, such as entrance mats and shop towels. Branch operations provide administrative, sales and service functions. Cintas operates 8 distribution centers and 10 manufacturing facilities. Cintas also operates first aid, safety and fire protection and document management facilities and direct sales offices. Cintas considers the facilities it operates to be adequate for their intended use. Cintas owns or leases approximately 14,000 vehicles which are used for the route-based deliveries and by the sales employee-partners.

The following chart provides additional information concerning Cintas' facilities:

Type of Facility	# of Facilities
Rental Processing Plants	176
Rental Branches	94
First Aid, Safety and Fire Protection Facilities	59
Document Management Facilities	49
Distribution Centers	8*
Manufacturing Facilities	10
Direct Sales Offices	17
Total	413

Rental processing plants, rental branches, distribution centers and manufacturing facilities are used in Cintas' Rental Uniforms and Ancillary Products operating segment. Rental processing plants, rental branches, distribution centers, manufacturing facilities and direct sales offices are all used in the Uniform Direct Sales operating segment. First aid, safety and fire protection facilities, rental processing facilities and distribution centers are used in the First Aid, Safety and Fire Protection Services operating segment. Document management facilities and rental processing facilities are used in the Document Management Services operating segment.

* Includes the principle executive office, which is attached to the distribution center in Cincinnati, OH.

Item 3. Legal Proceedings

We discuss certain legal proceedings pending against us in Part II of this Annual Report on Form 10-K under the caption “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” under “Litigation and Other Contingencies” and “Item 8. Financial Statements and Supplementary Data,” in Note 12 entitled Litigation and Other Contingencies of “Notes to Consolidated Financial Statements.” We refer you to those discussions for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings which sets forth the name of the lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed.

Wage and Hour Litigation: Paul Veliz, et al. v. Cintas Corporation, United States District Court, Northern District of California, Oakland Division, March 19, 2003. On August 23, 2005, an amended complaint was filed alleging additional state law wage and hour claims under the following state laws: Arkansas, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, Washington, West Virginia and Wisconsin. On February 14, 2006, the court permitted plaintiffs to file a second amended complaint alleging state law claims in the 15 states listed above only with respect to the putative class members that may litigate their claims in court.

Race and Gender Litigation and Related Charges: Robert Ramirez, et al. v. Cintas Corporation (Ramirez), United States District Court, Northern District of California, San Francisco Division, January 20, 2004, alleging class action claims of race, national origin and gender discrimination in hiring, promotion and pay; Blanca Nelly Avalos, et. al. v. Cintas Corporation (Avalos), United States District Court, Eastern District of Michigan, Southern Division, August 30, 2005, alleging class action claims of race, national origin and gender discrimination in hiring, promotion and pay; On April 27, 2005, the Equal Employment Opportunity Commission (EEOC) intervened in Ramirez; Mirna E. Serrano, et al. v. Cintas Corporation (Serrano), United States District Court for the Eastern District of Michigan, Southern Division, May 10, 2004, alleging class action claims of gender discrimination in hiring into service sales representative positions; On November 15, 2005, the EEOC intervened in Serrano; On May 11, 2006, the Ramirez and Avalos African-American, Hispanic and female failure to hire into service sales representative positions claims and the EEOC’s intervention were consolidated for pretrial purposes with the Serrano case and transferred to the United States District Court for the Eastern District of Michigan, Southern Division, the remaining claims in Ramirez were dismissed or compelled to arbitration; Colleen Grindle, et al. v. Cintas Corporation (Grindle), Court of Common Pleas, Wood County, Ohio, February 20, 2007, alleging class action claims on behalf of female employees at Cintas’ Perrysburg, Ohio rental location who allegedly were denied hire, promotion or transfer into service sales representative positions; The Grindle case is stayed pending the class certification proceedings in Serrano; Larry Houston, et al. v. Cintas Corporation (Houston), United States District Court for the Northern District of California, August 3, 2005; On November 22, 2005, the named plaintiffs in Houston were ordered to arbitration; EEOC charge filed by Clifton Cooper on March 23, 2005, with the EEOC Systemic Litigation Unit; Mr. Cooper’s claims are now part of the Houston arbitration matter.

Breach of Fiduciary Duties: Manville Personal Injury Settlement Trust v. Richard T. Farmer, et. al., A0806822, Court of Common Pleas, Hamilton County, Ohio, July 17, 2008.

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

None in the fourth quarter of fiscal 2008.

Part II

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

Market Information

Cintas' Common Stock is traded on the NASDAQ Global Select Market under the symbol "CTAS". The following table shows the high and low closing prices of shares of Cintas' Common Stock by quarter during the last two fiscal years:

Fiscal 2008			
Quarter Ended		High	Low
May 2008	\$	31.01	\$ 27.74
February 2008		34.75	28.78
November 2007		38.00	31.79
August 2007		40.90	35.37
Fiscal 2007			
Quarter Ended		High	Low
May 2007	\$	40.51	\$ 35.95
February 2007		42.81	39.71
November 2006		43.63	37.39
August 2006		42.54	34.92

Holders

At May 31, 2008, there were approximately 3,000 shareholders on record of Cintas' Common Stock. Cintas believes that this represents approximately 72,000 beneficial owners.

Dividends

Dividends on the outstanding Common Stock have been paid annually and amounted to \$0.46 per share, \$0.39 per share and \$0.35 per share in fiscal 2008, fiscal 2007 and fiscal 2006, respectively.

Stock Performance Graph

The following graph summarizes the cumulative return on \$100 invested in Cintas' Common Stock, the S&P 500 Stock Index and the common stocks of a selected peer group of companies. Because our products and services are diverse, Cintas does not believe that any single published industry index is appropriate for comparing shareholder return. Therefore, the peer group used in the performance graph combines four publicly traded companies in the business services industry that have similar characteristics as Cintas, such as route-based delivery of products and services. The companies included in the peer group are G & K Services, Inc., UniFirst Corporation, ABM Industries and Ecolab, Inc.

Total shareholder return was based on the increase in the price of the stock and assumed reinvestment of all dividends. Further, total return was weighted according to market capitalization of each company. The companies in the peer group are not the same as those considered by the Compensation Committee of the Board of Directors.

Recent Sales of Unregistered Securities; Uses of Proceeds from Registered Securities

None in the fourth quarter of fiscal 2008.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

On May 2, 2005, Cintas announced that the Board of Directors authorized a \$500 million share buyback program at market prices. In July 2006, Cintas announced that the Board of Directors approved the expansion of its share buyback program by an additional \$500 million. The Board of Directors did not specify an expiration date for the share buyback program.

During fiscal 2008, Cintas purchased 5.2 million shares of Cintas' common stock at an average price of \$36.86 per share, for a total purchase price of approximately \$191 million.

In fiscal 2008, Cintas also acquired 50,608 shares as payment received from employees upon the exercise of options under the stock option plan.

From the inception of the share buyback program through July 25, 2008, Cintas has purchased a total of approximately 19.4 million shares of Cintas common stock at an average price of \$39.81 per share for a total purchase price of \$772.0 million. The maximum approximate dollar value of shares that may yet be purchased under the share buyback program as of July 25, 2008, is \$228.0 million.

Item 6. Selected Financial Data

Eleven Year Financial Summary

(In thousands except per share and percentage data)

Years Ended

May 31,	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue	\$ 1,476,945	1,751,568	1,901,991	2,160,700	2,271,052	2,686,585	2,814,059	3,067,283	3,403,608	3,700,000
Net Income	\$ 130,797	136,796	190,386	218,665	229,466	243,191	265,078	292,547	323,382	350,000
Pro Forma Net Income (1)	\$ 125,847	136,796	190,386	218,665	229,466	243,191	265,078	292,547	323,382	350,000
Basic EPS	\$ 0.81	0.83	1.14	1.30	1.35	1.43	1.55	1.70	1.93	2.10
Diluted EPS	\$ 0.80	0.81	1.12	1.27	1.33	1.41	1.54	1.69	1.92	2.08
Pro Forma Basic EPS (1)	\$ 0.78	0.83	1.14	1.30	1.35	1.43	1.55	1.70	1.93	2.10
Pro Forma Diluted EPS (1)	\$ 0.77	0.81	1.12	1.27	1.33	1.41	1.54	1.69	1.92	2.08
Dividends Per Share	\$ 0.12	0.15	0.19	0.22	0.25	0.27	0.29	0.32	0.35	0.38
Total Assets	\$ 1,305,400	1,407,818	1,581,342	1,752,224	2,519,234	2,582,946	2,810,297	3,059,744	3,425,237	3,500,000
Shareholders' Equity	\$ 756,799	871,433	1,042,896	1,231,346	1,423,814	1,646,418	1,888,093	2,104,574	2,090,192	2,100,000
Return on Average Equity (2)	17.9%	16.8%	19.9%	19.2%	17.3%	15.8%	15.0%	14.7%	15.4%	15.4%
Long-Term Debt	\$ 307,633	283,581	254,378	220,940	703,250	534,763	473,685	465,291	794,454	800,000

(1) Results for 1998 were adjusted on a pro forma basis to reflect the true tax impact of Uniforms To You as if it had been reported as a C Corporation prior to the merger with Cintas.

(2) Return on average equity using pro forma net income. Return on average equity is computed as net income divided by the average of shareholders' equity. We believe that this calculation gives management and shareholders a good indication of Cintas' historical performance.

(3) Represents the 10-year compound annual growth rate based on revenue as restated for pooling of interests transactions noted above.

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

Business Strategy

Cintas provides highly specialized products and services to businesses of all types throughout the United States and Canada. We refer to ourselves as "The Service Professionals." We bring value to our customers by helping them provide a cleaner, safer, more pleasant atmosphere for their customers and employees. Our products and services are designed to improve our customers' images. We also help our customers protect their employees and their company by enhancing workplace safety and helping to ensure legal compliance in key areas of their business.

We are North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom products and services, first aid, safety and fire protection products and services, document management services and branded promotional products.

Our business strategy is to achieve revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments to which Cintas has not historically served. We will also continue to identify additional product and service opportunities for our current and future customers.

To pursue the strategy of increasing penetration, we have a highly talented and diverse team of service professionals visiting our customers on a regular basis. This frequent contact with our customers enables us to develop close personal relationships. The combination of our distribution system and these strong customer relationships provides a platform from which we launch additional products and services.

We pursue the strategy of broadening our customer base in a few ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our ever expanding range of products and services allows our sales organization to consider any type of business a prospect. We also broaden our customer base through geographic expansion, especially in our emerging businesses of first aid and safety, fire protection and document management. Finally, we will continue to evaluate strategic acquisitions as opportunities arise.

Results of Operations

Fiscal 2008 marked the 39th consecutive year of uninterrupted growth in sales and profits for Cintas. This milestone was achieved despite challenging economic conditions, including significant increases in energy costs. Additionally, we increased our dividends paid to shareholders by 17.9%.

Cintas historically classified its businesses into two operating segments, Rentals and Other Services. The Rentals operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels. In addition to these rental items, restroom and hygiene products and services are also provided within this operating segment. Effective June 1, 2007, this operating segment was renamed Rental Uniforms and Ancillary Products.

The Other Services operating segment historically consisted of the direct sale of uniforms and related items, first aid, safety and fire protection products and services, document management services and branded promotional products. Effective June 1, 2007, the Other Services operating segment was separated into three reportable operating segments – Uniform Direct Sales operating segment, First Aid, Safety and Fire Protection Services operating segment and Document Management Services operating segment. This change provides more visibility to these operating segments as they continue to grow and have a larger impact on Cintas' consolidated results. The Uniform Direct Sales

operating segment consists of the direct sale of uniforms and related items and branded promotional products. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document shredding and document storage services. Revenue and income before income taxes for each of these operating segments for fiscal 2008, fiscal 2007 and fiscal 2006 are presented in Note 13 entitled Segment Information of “Notes to Consolidated Financial Statements.”

The following table sets forth certain consolidated statements of income data as a percentage of revenue by operating segment and in total for the periods indicated. Fiscal 2007 and fiscal 2006 amounts have been restated to reflect the change to the reportable operating segments made effective June 1, 2007.

	2008	2007	2006
Revenue:			
Rental Uniforms and Ancillary Products	72.0%	73.8%	75.5%
Uniform Direct Sales	13.1%	13.5%	14.2%
First Aid, Safety and Fire Protection Services	10.3%	9.8%	8.4%
Document Management Services	4.6%	2.9%	1.9%
Total revenue	100.0%	100.0%	100.0%
Cost of sales:			
Rental Uniforms and Ancillary Products	55.8%	55.4%	54.8%
Uniform Direct Sales	67.5%	68.0%	69.9%
First Aid, Safety and Fire Protection Services	60.1%	60.1%	60.3%
Document Management Services	45.4%	47.6%	47.5%
Total cost of sales	57.3%	57.3%	57.3%
Gross margin:			
Rental Uniforms and Ancillary Products	44.2%	44.6%	45.2%
Uniform Direct Sales	32.5%	32.0%	30.1%
First Aid, Safety and Fire Protection Services	39.9%	39.9%	39.7%
Document Management Services	54.6%	52.4%	52.5%
Total gross margin	42.7%	42.7%	42.7%
Selling and administrative expenses	28.0%	27.1%	26.8%
Interest income	-0.1%	-0.2%	-0.2%
Interest expense	1.3%	1.4%	0.9%
Income before income taxes	13.5%	14.4%	15.2%

As shown above, our First Aid, Safety and Fire Protection Services operating segment revenue and Document Management Services operating segment revenue have grown as a percentage of our total revenue over the last two fiscal years. This shift was driven by acquisitions of first aid, safety and fire protection businesses and document management businesses. Information related to acquisitions is discussed in Note 8 entitled Acquisitions of "Notes to Consolidated Financial Statements." In addition, the continued development of our sales efforts in the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment have contributed to higher revenue growth in these two operating segments compared to the Rental Uniforms and Ancillary Products operating segment and the Uniform Direct Sales operating segment.

Selling and administrative expenses as a percentage of revenue have increased over the last two fiscal years primarily due to a reorganization of our sales efforts which began in fiscal 2007. The financial impact of this reorganization effort continued into fiscal 2008. The reorganization has been completed, and we expect to see improved leverage in fiscal 2009.

Fiscal 2008 Compared to Fiscal 2007

Fiscal 2008 total revenue was \$3.9 billion, an increase of 6.2% over fiscal 2007. Internal growth was 4.6% in fiscal 2008, compared to 5.3% in fiscal 2007. The deterioration in the North American economy created a challenging environment throughout fiscal 2008. The rising unemployment in the U.S. put pressure on our ability to grow rental uniform wearers, particularly in the latter half of fiscal 2008, as many of our customers reduced their workforces. In addition, our fire protection services business within the First Aid, Safety and Fire Protection

17

Services operating segment suffered due to pressure on fire installation system revenue and lower than anticipated recurring service revenue. Our internal growth was generated primarily through the sale of document management services to new and existing customers, continued penetration of our ancillary products and services such as mats, hygiene supplies and restroom cleaning services to existing customers, and first aid and safety products and services to new and existing customers. The remaining growth in total revenue was generated predominantly through acquisitions of rental, first aid, safety and fire protection service businesses and document management businesses. Information related to acquisitions is discussed in Note 8 entitled Acquisitions of “Notes to Consolidated Financial Statements.”

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment increased 3.7% over fiscal 2007. Internal growth for the Rental Uniforms and Ancillary Products operating segment was 3.4% in fiscal 2008. The increase in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to growth in the customer base as well as the continued penetration of ancillary products into our existing customer base. New business remained the main driver of our internal growth as we continued to sell rental programs to new customers. We also continued to expand our rental market, with over half of our new business being comprised of customers who were first time users of uniform rental programs. The remaining growth of 0.3% in fiscal 2008 resulted from the acquisition of rental businesses.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 13.5% over fiscal 2007. Internal growth accounted for 8.2% of this increase. This internal growth was generated primarily through the increased sales of first aid, safety and fire protection products and services and document management services to customers. The remaining revenue growth of 5.3% was generated through a combination of acquisitions of first aid, safety and fire protection businesses and document management businesses.

Cost of rental uniforms and ancillary products increased 4.4% over fiscal 2007. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, shop towels and other rental items. The cost increase over fiscal 2007 was primarily driven by the growth in the Rental Uniforms and Ancillary Products operating segment revenue. In addition, rising energy costs, especially in the second half of the fiscal year, contributed to this increase. Energy costs increased 11.1% in fiscal 2008, from \$104.6 million in fiscal 2007 to \$116.2 million in fiscal 2008.

Cost of other services increased 10.5% over fiscal 2007. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. The increase over fiscal 2007 was due to the growth in other services revenue, derived through a combination of internal growth and acquisitions. Rising energy costs also impacted the cost of other services. Other services energy costs increased 35.4% from \$18.1 million in fiscal 2007 to \$24.5 million in fiscal 2008. Improved leverage and various cost containment programs in our Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services operating segments helped to partially offset the increases in energy costs.

Selling and administrative expenses increased 10.0% over fiscal 2007. Selling and administrative expenses increased mainly due to higher selling expenses. In fiscal 2007, we reorganized our sales efforts to become more efficient and productive in the long-term. This reorganization, as well as increased marketing plans and sales promotions, combined to increase our selling costs by \$53.1 million over the prior fiscal year. In addition, administrative expenses increased by \$10.4 million due to an increase in legal and other professional services.

Operating income of \$577.5 million in fiscal 2008, was relatively flat over fiscal 2007. Gross margin increased by \$100.2 million, but was offset by the increase of \$100.2 million in selling and administrative expenses.

Net interest expense (interest expense less interest income) increased \$2.9 million from the prior fiscal year. This increase was primarily a result of increased interest expense from additional debt added in fiscal 2008 used to buyback shares under our share buyback program.

Income before income tax was \$530.7 million, a 0.5% decrease over fiscal 2007. This change reflects the relatively flat operating income being reduced by the higher net interest expense.

Cintas' effective tax rate was 36.8% for fiscal 2008 as compared to 37.3% for fiscal 2007 (see also Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements").

Net income for fiscal 2008 of \$335.4 million was a 0.3% increase over fiscal 2007, and diluted earnings per share of \$2.15 was a 2.9% increase over fiscal 2007. The increase in diluted earnings per share was greater than the increase in net income due to the impact of the share buyback program, which is discussed in more detail in the Liquidity and Capital Resources section below.

Rental Uniforms and Ancillary Products Operating Segment

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue increased \$99.9 million, or 3.7%, and the cost of rental uniforms and ancillary products increased \$66.4 million, or 4.4%. The operating segment's gross margin was \$1,253.0 million, or 44.2% of revenue. This gross margin percent of revenue of 44.2% decreased from the 44.6% in fiscal 2007, primarily as a result of an 11.1% increase in energy costs.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment as a percent to sales, at 28.3%, increased 60 basis points from the 27.7% in the prior fiscal year. This increase was due to the increased investment in our sales organization and increases in our marketing efforts and sales promotions as described above.

Income before income taxes decreased \$11.1 million to \$451.3 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2008 compared to the prior fiscal year. Income before income taxes was 15.9% of this operating segment's revenue, which is a 100 basis point decrease compared to fiscal 2007 primarily as a result of the increased energy costs and the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Uniform Direct Sales Operating Segment

Uniform Direct Sales operating segment revenue increased \$16.0 million for fiscal 2008, a 3.2% increase over fiscal 2007. There were no acquisitions in the Uniform Direct Sales operating segment during fiscal 2008.

Cost of uniform direct sales increased \$8.5 million, or 2.5%, for fiscal 2008 due to increased Uniform Direct Sales volume. The gross margin as a percent to revenue was 32.5% for fiscal 2008, which was a 50 basis point improvement over the prior fiscal year. This improvement is due to both sourcing improvements for catalog products as well as the increased sales volume.

Selling and administrative expenses as a percent to revenue, at 20.0%, increased 60 basis points compared to fiscal 2007. This increase is in part due to the catalog costs associated with the introduction of the new "Uniform Book" and new healthcare catalog.

Income before income taxes increased \$1.5 million to \$64.8 million for the Uniform Direct Sales operating segment for fiscal 2008 compared to the prior fiscal year. Income before income taxes was 12.5% of the operating segment's revenue, which is a 10 basis point decrease compared to fiscal 2007. This decrease is primarily due to the increased catalog costs noted above, offset by the gross margin improvements due to sourcing improvements and increased sales volume.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue increased \$41.1 million for fiscal 2008, an 11.4% increase over fiscal 2007. This operating segment's internal growth for fiscal 2008 was 6.1% over the prior fiscal year. The operating segment's internal growth was negatively impacted by lower than anticipated fire suppression system installation revenue and lower than anticipated recurring service revenue within the fire protection services business. Internal growth was generated primarily by the sale of first aid and safety products and services to new customers. The remaining growth was generated through the acquisition of first aid, safety and fire protection businesses.

Cost of first aid, safety and fire protection services increased \$24.8 million, or 11.4%, for fiscal 2008, due to increased First Aid, Safety and Fire Protection Services volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent to revenue was 39.9% for fiscal 2008, which is consistent with the prior fiscal year.

Selling and administrative expenses as a percent to revenue, at 31.0%, increased 170 basis points compared to fiscal 2007. This increase was due to the increased investment in our sales organization and increases in our marketing efforts and sales promotions as described above.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment decreased by \$2.6 million in fiscal 2008 compared to the prior fiscal year. Income before income taxes was 8.8% of the operating segment's revenue, which is a 180 basis point decrease compared to last fiscal year primarily as a result of the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Document Management Services Operating Segment

Document Management Services operating segment revenue increased \$73.9 million for fiscal 2008, or 68.1% over the prior fiscal year. This operating segment's internal growth for fiscal 2008 was 38.2% over fiscal 2007. The internal growth is primarily due to the sale of shredding services to new customers. The remaining growth was generated through the acquisition of document management businesses.

Cost of document management services increased \$31.1 million, or 60.2%, for fiscal 2008, due to increased Document Management Services volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent to revenue was 54.6% for fiscal 2008, which is a 220 basis point improvement over the gross margin percentage in fiscal 2007. This improvement is primarily due to the operating segment's increased sales volume and favorable recycled paper prices relative to the prior fiscal year.

Selling and administrative expenses as a percent to revenue was 40.5% compared to 45.7% in fiscal 2007. This decrease is due to better leveraging of administrative functions resulting from the operating segment's increased sales volume, partially offset by the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Income before income taxes for the Document Management Services operating segment increased \$18.6 million for fiscal 2008 compared to the prior fiscal year. Income before income taxes was 14.1% of the operating segment's revenue compared to 6.6% in fiscal 2007 primarily as a result of the operating segment's increased sales volume.

Fiscal 2007 Compared to Fiscal 2006

Fiscal 2007 total revenue was \$3.7 billion, an increase of 8.9% over fiscal 2006. Internal growth was 5.3% in fiscal 2007, compared to 7.8% in fiscal 2006. This decline in internal growth is due to economic pressure experienced throughout the year from the continued off-shoring of manufacturing jobs as well as the ripple effect felt at other customers that serve these manufacturing businesses. In addition, the reorganization of our sales force has taken longer in the current year than we anticipated. Our internal growth continues to be generated mainly through the sale of uniform rental programs to new customers and the increased penetration of ancillary products to our existing customer base. The remaining growth in total revenue was generated predominantly through acquisitions of rental, first aid, safety and fire protection service businesses and document management businesses. Information related to acquisitions is discussed in Note 8 entitled Acquisitions of "Notes to Consolidated Financial Statements."

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. This operating segment's revenue increased 6.5% over fiscal 2006. Internal growth for the Rental Uniforms and Ancillary Products operating segment was 4.2% in fiscal

2007. The increase in revenue was primarily due to growth in the customer base as well as the continued penetration of ancillary products into our existing customer base. New business remained the main driver of our internal growth as we continued to sell rental programs to new customers. We also continued to expand our rental market, with over half of our new business being comprised of customers who were first time users of uniform rental programs. The remaining growth of 2.3% in fiscal 2007 resulted from the acquisition of rental businesses.

20

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 16.5% over fiscal 2006. Internal growth accounted for 8.6% of this increase. This internal growth was mainly due to an increase in the customer base and through further penetration of first aid, safety and fire protection products and services and document management services into our existing customer base. The remaining revenue growth of 7.9% was generated through a combination of acquisitions of first aid, safety and fire protection businesses and document management businesses.

Cost of rental uniforms and ancillary products increased 7.7% over fiscal 2006. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, shop towels and other rental items. The cost increase over fiscal 2006 was primarily driven by the growth in Rental Uniforms and Ancillary Products operating segment revenue. In addition, delivery labor increased \$34.1 million due to increased Rental Uniforms and Ancillary Products operating segment revenue and the introduction of our restroom cleaning service. As a result, cost of rental uniforms and ancillary products as a percent of Rental Uniforms and Ancillary Products operating segment revenue increased to 55.4% in fiscal 2007 compared to 54.8% in fiscal 2006.

Cost of other services increased 12.6% over fiscal 2006. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. The increase over fiscal 2006 was due to the growth in Other Services revenue, derived through a combination of internal growth and acquisitions.

Selling and administrative expenses increased 10.1% over fiscal 2006. Selling and administrative expenses increased mainly due to higher selling expenses. In fiscal 2007, we reorganized our sales efforts to become more efficient and productive in the long-term. This reorganization, as well as increased marketing plans and sales promotions, combined to increase our selling costs by \$32.6 million over the prior fiscal year. The cost of providing medical and retirement benefits to our employees increased \$21.8 million, representing a 15.7% increase over the prior fiscal year. In addition, administrative expenses increased by \$7.1 million due to the amortization of intangibles generated by new acquisitions and \$6.2 million as a result of an increase in professional services relating to legal and the outsourcing of certain human resource functions. During the third quarter of fiscal 2006, Cintas entered into a forward starting swap to protect forecasted interest payments from interest rate movement in anticipation of a \$200.0 million, 30-year debt issuance in early fiscal 2008. During the fourth quarter of fiscal 2007, Cintas changed its intent on issuing this 30-year debt. This decision was based on current market conditions and the interest rate environment as well as the additional payment flexibility provided to Cintas under its commercial paper program. As a result of this decision, Cintas terminated the forward starting swap and recorded the resulting \$6.2 million gain in fiscal 2007 as a reduction of administrative expenses.

Operating income was \$577.4 million in fiscal 2007, an increase of \$34.4 million, or 6.3%, over fiscal 2006. Gross margin increased by \$126.6 million, offset by the increase of \$92.2 million in selling and administrative expenses.

Net interest expense (interest expense less interest income) increased \$18.8 million from the prior fiscal year. This increase was primarily a result of increased interest expense from higher debt outstanding as a result of our share buybacks.

Income before income tax was \$533.6 million, a 3.0% increase over fiscal 2006. This change reflects the increased operating income being reduced by the higher net interest expense.

Cintas' effective tax rate was 37.3% for fiscal 2007, as compared to 37.6% for fiscal 2006 (see also Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements").

Net income for fiscal 2007 of \$334.5 million was a 3.4% increase over fiscal 2006, and diluted earnings per share of \$2.09 was an 8.9% increase over fiscal 2006. The increase in diluted earnings per share was greater than the increase in net income due to the impact of the share buyback program, which is discussed in more detail in the Liquidity and Capital Resources section below.

Rental Uniforms and Ancillary Products Operating Segment

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue increased \$165.9 million, or 6.5%, and the cost of rental uniforms and ancillary products increased \$108.4 million, or 7.7%. The operating segment's gross margin was \$1,219.4 million, or 44.6% of revenue. The gross margin as a percent of revenue of 44.6% decreased compared to the 45.2% in fiscal 2006. This decrease is in part due to increased delivery labor associated with the introduction of our restroom cleaning service.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment as a percent to revenue, at 27.7%, increased 70 basis points compared the prior fiscal year. This increase was due to the increased investment in our sales organization and increases in our marketing efforts and sales promotions as described above.

Income before income taxes decreased \$6.0 million to \$462.4 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2007 compared to the prior fiscal year. Income before income taxes was 16.9% of this operating segment's revenue, which is a 130 basis point decrease compared to fiscal 2006 primarily as a result of the increase in delivery labor and the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Uniform Direct Sales Operating Segment

Uniform Direct Sales operating segment revenue increased \$16.5 million for fiscal 2007, or 3.4% over fiscal 2006. There were no acquisitions in the Uniform Direct Sales operating segment during fiscal 2007.

Cost of uniform direct sales increased \$1.7 million, or 0.5%, for fiscal 2007 due to increased Uniform Direct Sales volume. The gross margin as a percent to revenue was 32.0% for fiscal 2007, which was a 190 basis point improvement over the prior fiscal year. This improvement is due to both sourcing improvements for direct sales apparel as well as the increased sales volume.

Selling and administrative expenses as a percent to revenue, at 19.4%, decreased 220 basis points compared to fiscal 2006. This decrease is primarily due to cost containment initiatives and improved leverage due to higher sales volumes.

Income before income taxes increased \$22.2 million to \$63.3 million for the Uniform Direct Sales operating segment for fiscal 2007 compared to the prior fiscal year. Income before income taxes was 12.6% of the operating segment's revenue, which is a 410 basis point increase compared to fiscal 2006. This increase is primarily due to the gross margin improvements and cost containment initiatives discussed above.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue increased \$77.1 million for fiscal 2007, or 27.0% over fiscal 2006. This operating segment's internal growth for fiscal 2007 was 12.5% over the prior fiscal year. The operating segment's internal growth was mainly due to an increase in the customer base and through further penetration of first aid, safety and fire protection products and services. The remaining growth was generated through the acquisition of first aid, safety and fire protection businesses.

Cost of first aid, safety and fire protection services increased \$45.8 million, or 26.6%, for fiscal 2007, due to increased First Aid, Safety and Fire Protection Services operating segment volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent to revenue was 39.9% for fiscal 2007, which is a 20 basis point increase over the gross margin percentage in fiscal 2006. This improvement came in both the first aid and fire protection businesses and is primarily due the operating segment's increased sales volume.

Selling and administrative expenses as a percent to revenue, at 29.3%, increased 50 basis points compared to fiscal 2006. This increase was due to the increased investment in our sales organization and increases in our marketing efforts and sales promotions as described above.

Income before income taxes increased \$7.4 million to \$38.3 million for the First Aid, Safety and Fire Protection Services operating segment for fiscal 2007 compared to the prior fiscal year. Income before income taxes was 10.6% of the operating segment's revenue, which is a 20 basis point decrease compared to the prior fiscal year primarily as a result of the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Document Management Services Operating Segment

Document Management Services operating segment revenue increased \$43.9 million for fiscal 2007, or 67.9% over the prior fiscal year. This operating segment's internal growth for fiscal 2007 was 34.2% over fiscal 2006. The internal growth is primarily due to the sale of shredding services to new customers. The remaining growth was generated through the acquisition of document management businesses.

Cost of document management services increased \$20.9 million, or 68.2%, for fiscal 2007, due to increased Document Management Services volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent to revenue was 52.4% for fiscal 2007, which is comparable to the gross margin percentage in fiscal 2006.

Selling and administrative expenses as a percent to revenue, at 45.7%, decreased 270 basis points compared to fiscal 2006. This decrease is due to better leveraging of administrative functions resulting from the operating segment's increased sales volume, offset by the increased investment in our sales organization and increases in our marketing efforts and sales promotions.

Income before income taxes for the Document Management Services operating segment increased \$4.6 million for fiscal 2007 compared to the prior fiscal year. Income before income taxes was 6.6% of the operating segment's revenue, which is a 250 basis point increase compared to fiscal 2006 primarily as a result of the operating segment's increased sales volume.

Liquidity and Capital Resources

At May 31, 2008, Cintas had \$191.7 million in cash, cash equivalents and marketable securities, representing an increase of \$36.3 million from May 31, 2007, or 23.3%. This cash amount includes \$26.8 million in bank overdrafts with no right of offset. In prior fiscal years, we have netted these bank overdrafts against daily cash holdings at our depository bank. However, we have transferred these cash holdings in fiscal 2008 to a different bank and, as a result, no longer have right of offset. Therefore, the bank overdraft balance was reclassified as an increase to cash and accounts payable in accordance with FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts. The remaining increase is primarily due to the improvement in net working capital (defined as current assets less current liabilities), which increased by \$161.4 million in fiscal 2008 compared to fiscal 2007. Cash generated from operations was \$544.5 million in fiscal 2008 as compared to \$449.4 million generated in fiscal 2007. This \$95.1 million increase was primarily due to an increase in accounts payable and accrued liabilities and an increase in income taxes payable. Significant uses of cash in fiscal 2008 were capital expenditures of \$190.3 million, acquisitions of \$111.5 million (net of cash acquired), repurchases of common stock of \$191.5 million and dividends of \$70.8 million. Cash, cash equivalents and marketable securities will be used to finance future acquisitions, capital expenditures and share buybacks.

Marketable securities consist primarily of Canadian federal government securities. Cintas' investment policy pertaining to marketable securities is conservative. The criterion used in making investment decisions is the preservation of principal, while earning an attractive yield.

Accounts receivable increased \$21.2 million, primarily due to increased revenue. The average collection period in fiscal 2008 remained comparable with fiscal 2007.

Inventories increased \$6.9 million, or 3.0%, primarily due to inventory requirements for the rollout of our direct sale catalog and for the opening of a new facility services distribution center. This new distribution center is designed to improve logistics and enhance the cost structure of our ancillary products within our Rental Uniforms and Ancillary

Products operating segment.

Working capital increased \$161.4 million to \$915.1 million in fiscal 2008. This increase is primarily due to an increase in accounts payable due to a reclassification of cash and accounts payable as described above.

Net property and equipment increased by \$54.3 million due to continued investment in rental facilities and equipment and real estate purchased in conjunction with the acquisitions of rental, first aid, safety and fire protection and document management businesses. Capital expenditures for fiscal 2008 totaled \$190.3 million, including \$140.8 million for the Rental Uniforms and Ancillary Products operating segment and \$31.0 million for the Document Management Services operating segment, exceeding depreciation expense by approximately

23

\$41.8 million. Cintas continues to reinvest in land, buildings and equipment in an effort to expand capacity for future growth. During fiscal 2008, Cintas completed construction of four new uniform rental facilities and one new distribution center and has an additional five uniform rental facilities in various stages of construction to accommodate growth in rental operations. Cintas anticipates that capital expenditures for fiscal 2009 will be between \$180.0 million and \$200.0 million.

Long-term debt totaled \$942.7 million at May 31, 2008. This amount includes \$225.0 million of 10-year senior notes at a rate of 6.0% issued in fiscal 2002, \$250.0 million of 30-year senior notes issued in August 2006 at a rate of 6.15% and \$300.0 million of 10-year senior notes issued in the third quarter of fiscal 2008 at a rate of 6.125%. Proceeds from issuances of the August 2006 30-year senior notes and the fiscal 2008 third quarter 10-year senior notes were both used to extinguish outstanding commercial paper at the time of their respective debt issuances. Cintas has earned credit ratings on these notes of "A" from Standard & Poor's and "A2" from Moody's. In addition, long-term debt also includes \$163.0 million in commercial paper. Cintas utilizes a \$600.0 million commercial paper program, on which it has earned credit ratings of "A-1" from Standard & Poor's and "Prime-1" from Moody's. We believe these ratings are reflective of our commitment to conservative financial policies, strong financial management and a disciplined integration strategy for acquisitions. The commercial paper program is fully supported by a long-term credit facility that matures in fiscal 2011.

Cintas' total debt to capitalization ratio has increased from 28.9% at May 31, 2007, to 29.5% at May 31, 2008. Total debt increased \$62.6 million in fiscal 2008 through the net activity of the debt issuance noted above (see Note 5 entitled Long-Term Debt of "Notes to Consolidated Financial Statements"). This additional indebtedness was used to execute the share buyback program. During fiscal 2008, Cintas bought back \$191.5 million of Cintas common stock.

During fiscal 2008, Cintas paid dividends of \$70.8 million, or \$0.46 per share. On a per share basis, this dividend is an increase of 17.9% over the dividend paid in fiscal 2007. This marks the 25th consecutive year that Cintas has increased its annual dividend, every year since going public in 1983.

On May 2, 2005, Cintas announced that the Board of Directors authorized a \$500.0 million share buyback program at market prices. In July 2006, Cintas announced that the Board of Directors approved the expansion of its share buyback program by an additional \$500.0 million. During fiscal 2008, Cintas purchased 5.2 million shares of Cintas stock at an average price of \$36.86 per share, for a total purchase price of \$191.5 million. From the inception of the share buyback program through July 25, 2008, Cintas has purchased 19.4 million shares of Cintas stock at an average price of \$39.81 per share for a total purchase price of \$772.0 million. The Board of Directors did not specify an expiration date for this program.

Following is information regarding Cintas' long-term contractual obligations and other commitments outstanding as of May 31, 2008:

Long-Term Contractual Obligations

(In thousands)	Total	Payments Due by Period			
		One year or less	Two to three years	Four to five years	After five years
Long-term debt (1)	\$ 942,657	\$ 535	\$ 164,177	\$ 226,278	\$ 551,667
Capital lease obligations (2)	1,149	535	255	240	119
	91,228	24,241	35,239	18,034	13,714

O p e r a t i n g l e a s e s					
(3)					
I n t e r e s t p a y m e n t s					
(4)					
	711,152	53,339	105,373	84,540	467,900
Interest swap agreements (5)	—	—	—	—	—
Unconditional purchase obligations	—	—	—	—	—
Total contractual cash obligations	\$ 1,746,186	\$ 78,650	\$ 305,044	\$ 329,092	\$ 1,033,400

Cintas also makes payments to defined contribution plans. The amounts of contributions made to the defined contribution plans are made at the discretion of Cintas. Future contributions are expected to increase 10% annually. Assuming this 10% increase, payments due in one year or less would be \$33,220, two to three years would be \$76,738 and four to five years would be \$92,853. Payments for years thereafter are expected to continue increasing by 10% each year.

- (1) Long-term debt primarily consists of \$775,000 in long-term notes and \$163,000 in commercial paper. Reference Note 5 entitled Long-Term Debt of “Notes to Consolidated Financial Statements” for a detailed discussion of long-term debt.
- (2) Capital lease obligations are included in long-term debt detailed in Note 5 entitled Long-Term Debt of “Notes to Consolidated Financial Statements.”
- (3) Operating leases consist primarily of building leases and a synthetic lease on a corporate aircraft.
- (4) Interest payments include interest on both fixed and variable rate debt. Rates have been assumed to remain constant in fiscal 2009, increase 25 basis points for both fiscal 2010 and fiscal 2011, and an additional 50 basis points in each future year.
- (5) Reference Note 5 entitled Long-Term Debt of “Notes to Consolidated Financial Statements” for a detailed discussion of interest swap agreements.

Other Commitments

(In thousands)	Amount of Commitment Expiration per Period				
	Total	One year or less	Two to three years	Four to five years	After five years
L i n e s o f c r e d i t					
(1)	\$ 600,000	\$ —	\$ 600,000	\$ —	\$ —
Standby letters of credit (2)	74,764	45,728	29,036	—	—
Guarantees	—	—	—	—	—
Standby repurchase obligations	—	—	—	—	—
Other commercial commitments	—	—	—	—	—
Total commercial commitments	\$ 674,764	\$ 45,728	\$ 629,036	\$ —	\$ —

- (1) Back-up facility for the commercial paper program (reference Note 5 entitled Long-Term Debt of “Notes to Consolidated Financial Statements” for further discussion).
- (2) Support certain outstanding debt (reference Note 5 entitled Long-Term Debt of “Notes to Consolidated Financial Statements”), self-insured workers' compensation and general liability insurance programs.

Cintas has no off-balance sheet arrangements other than the synthetic lease on a corporate aircraft. The synthetic lease on the aircraft does not currently have, and is not reasonably likely to have, a current or future material effect on Cintas' financial condition, changes in Cintas' financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Inflation and Changing Prices

Changes in wages, benefits and energy costs have the potential to materially impact Cintas' financial results. Energy costs, in particular, continue to rise. Energy costs were 3.6% of total revenue in fiscal 2008 and 3.3% of total revenue in fiscal 2007. Medical benefit costs have decreased as a percent to revenue due to better claims experience and a one-time benefit from a switch to a new provider. Medical benefits were 3.1% of total revenue in fiscal 2008 and 3.4% of total revenue in fiscal 2007. Although difficult to predict, we do not expect that medical benefit expense will continue to decrease. Management believes inflation has not had a material impact on Cintas' financial condition or a negative impact on operations.

Litigation and Other Contingencies

Cintas is subject to legal proceedings and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions, will not have a material adverse effect on the financial position or results of operations of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business, including the litigation discussed below.

Cintas is a defendant in a purported class action lawsuit, Paul Veliz, et al. v. Cintas Corporation, filed on March 19, 2003, in the United States District Court, Northern District of California, Oakland Division, alleging that Cintas violated certain federal and state wage and hour laws applicable to its service sales representatives, whom Cintas considers exempt employees, and asserting additional related ERISA claims. On August 23, 2005, an amended complaint was filed alleging additional state law wage and hour claims under the following state laws: Arkansas, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, Washington,

25

West Virginia and Wisconsin. The plaintiffs are seeking unspecified monetary damages, injunctive relief or both. Cintas denies these claims and is defending the plaintiffs' allegations. On February 14, 2006, the court ordered a majority of the opt-in plaintiffs to arbitrate their claims in accordance with the terms of their Cintas employment agreement. On February 14, 2006, the court also permitted plaintiffs to file a second amended complaint alleging state law claims in the 15 states listed above only with respect to the putative class members that may litigate their claims in court. No determination has been made by the court or an arbitrator regarding class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. If a court or arbitrator certifies a class in this action and there is an adverse verdict on the merits, or in the event of a negotiated settlement of the action, the resulting liability and/or any increased costs of operations on an ongoing basis could be material to Cintas. Any estimated liability relating to this lawsuit is not determinable at this time.

Cintas also is a defendant in a purported class action lawsuit, *Mirna E. Serrano, et al. v. Cintas Corporation* (Serrano), filed on May 10, 2004, and pending in the United States District Court, Eastern District of Michigan, Southern Division. The Serrano plaintiffs allege that Cintas discriminated against women in hiring into various service sales representative positions across all divisions of Cintas. On November 15, 2005, the Equal Employment Opportunity Commission (EEOC) intervened in the Serrano lawsuit. The Serrano plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. Cintas is a defendant in another purported class action lawsuit, *Blanca Nelly Avalos, et al. v. Cintas Corporation* (Avalos), currently pending in the United States District Court, Eastern District of Michigan, Southern Division. Ms. Avalos' claims have been dismissed, but her putative class complaint remains pending. The Avalos plaintiffs allege that Cintas discriminated against women, African-Americans and Hispanics in hiring into various service sales representative positions in Cintas' Rental division only throughout the United States. The Avalos plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. The claims in Avalos originally were brought in the previously disclosed lawsuit captioned *Robert Ramirez, et al. v. Cintas Corporation* (Ramirez), filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division. On April 27, 2005, the EEOC intervened in the claims asserted in Ramirez. On May 11, 2006, the Ramirez and Avalos African-American, Hispanic and female failure to hire into service sales representative positions claims and the EEOC's intervention were consolidated for pretrial purposes with the Serrano case and transferred to the United States District Court for the Eastern District of Michigan, Southern Division. The consolidated case is known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation* (Serrano/Avalos), and remains pending in the United States District Court, Eastern District of Michigan, Southern Division. No filings or determinations have been made in Serrano/Avalos as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. The non-service sales representative hiring claims in the previously disclosed Ramirez case that have not been dismissed remain pending in the Northern District of California, San Francisco Division, but were ordered to arbitration and stayed pending the completion of arbitration. The Ramirez purported class action claims currently in arbitration include allegations that Cintas failed to promote Hispanics into supervisory positions, discriminated against African-Americans and Hispanics in service sales representative route assignments and discriminated against African-Americans in hourly pay in Cintas' Rental division only throughout the United States. The Ramirez plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. No filings or determinations have been made in Ramirez as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. On February 24, 2006, a motion to intervene in Serrano was filed by intervening plaintiffs Colleen Grindle, et al., on behalf of a subclass of female employees at Cintas' Perrysburg, Ohio rental location who allegedly were denied hire, promotion or transfer to service sales representative positions. On March 24, 2006, the plaintiffs Colleen Grindle, et al., withdrew their motion to intervene without prejudice. On February 20, 2007, the plaintiffs Colleen Grindle, et al., filed a separate lawsuit in the Court of Common Pleas, Wood County, Ohio, captioned *Colleen Grindle, et al. v. Cintas Corporation* (Grindle), on behalf of a class of female employees at Cintas' Perrysburg, Ohio location who allegedly were denied hire, promotion or transfer to service sales representative positions on the basis of

their gender. The Grindle plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. The Grindle case is stayed pending the class certification proceedings in Serrano. No filings or determinations have been made in Grindle as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. In addition, a class action lawsuit, Larry Houston, et al. v. Cintas Corporation (Houston), was filed on August 3, 2005, in the United States District Court for the Northern District of California on behalf of African-American managers alleging racial discrimination. On November 22, 2005, the court entered an order requiring the named plaintiffs in the Houston lawsuit to arbitrate all of their claims for monetary damages.

On July 17, 2008, Manville Personal Injury Settlement Trust filed a purported shareholder derivative lawsuit in the Court of Common Pleas, Hamilton County, Ohio, captioned Manville Personal Injury Settlement Trust v. Richard T. Farmer, et. al., A0806822 against certain directors and officers, alleging that they breached their fiduciary duties to the Company by consciously failing to cause Cintas to comply with worker safety and employment-related laws and regulations. The Company is named as a nominal defendant in the case. The complaint contends that, as a consequence of such alleged breach of duty, the Company suffered substantial monetary losses and other injuries and seeks, among other things, an award of compensatory damages, other non-monetary remedies and expenses.

The litigation discussed above, if decided or settled adversely to Cintas, may, individually or in the aggregate, result in liability material to Cintas' financial condition or results of operations and could increase costs of operations on an on-going basis. Any estimated liability relating to these proceedings is not determinable at this time. Cintas may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements if it believes such settlement is in the best interest of Cintas' shareholders.

Cintas is subject to various environmental laws and regulations, as are other companies in the uniform rental industry. While environmental compliance is not a material component of our costs, Cintas must incur capital expenditures and associated operating costs, primarily for water treatment and waste removal, on a regular basis. Environmental spending related to water treatment and waste removal was approximately \$17 million in fiscal 2008 and approximately \$16 million in fiscal 2007. Capital expenditures to limit or monitor hazardous substances were approximately \$4 million in fiscal 2008 and approximately \$2 million in fiscal 2007. Cintas does not expect a material change in the cost of environmental compliance on a percent to revenue basis and is not aware of any material non-compliance with environmental laws.

New Accounting Standards

As of June 1, 2007, Cintas adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FAS 109), which clarifies the accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with FAS 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of FIN 48, Cintas recorded a decrease to retained earnings as of June 1, 2007, of \$13,731. Cintas' adoption of FIN 48 is more fully described in Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements."

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (FAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosure requirements about fair value measurements. Cintas will adopt FAS 157 in the first quarter of fiscal 2009. In February 2008, the FASB released a FASB Staff Position (FSP FAS 157-2, Effective Date of FASB Statement No. 157) which delayed the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of FAS 157 for our financial assets and liabilities will not have a material impact upon adoption.

In December 2007, the FASB issued Statement No. 141 (revised 2007), Business Combinations (FAS 141(R)). Under FAS 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs are recognized separately from the acquisition and expensed as incurred, restructuring costs generally are expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. For Cintas, FAS 141(R) is effective for acquisitions and adjustments to an acquired entity's deferred tax asset and liability balances occurring after May 31, 2009. Cintas is currently evaluating the future impact and disclosures under FAS 141(R).

Critical Accounting Policies

The preparation of Cintas' consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that have a significant effect on the amounts reported in the consolidated financial statements and accompanying notes. These critical accounting policies should be read in conjunction with Note 1 entitled Significant Accounting Policies of "Notes to Consolidated Financial Statements." Significant changes, estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the consolidated financial statements.

Revenue recognition

Rental revenue, which is recorded in the Rentals Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other services revenue, which is recorded in the Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services operating segments, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

27

Allowance for doubtful accounts

Cintas establishes an allowance for doubtful accounts. This allowance is an estimate based on historical rates of collectibility. An allowance for doubtful accounts is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the three other operating segments because of differences in customers served and the nature of each segment.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Substantially all inventories represent finished goods. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual to standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. An inventory obsolescence reserve is determined by specific identification, as well as an estimate based on historical rates of obsolescence.

Uniforms and other rental items in service

Uniforms and other rental items in service are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant garments) are amortized over their useful life of 18 months. Other rental items including shop towels, mats, cleanroom garments, flame resistant garments, linens and restroom dispensers are amortized over their useful lives which range from 8 to 48 months. The amortization rates used are based on industry experience, Cintas' experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory that is presented in the consolidated financial statements.

Property and equipment

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is typically 30 to 40 years for buildings, 5 to 20 years for building improvements, 3 to 10 years for equipment and 2 to 5 years for leasehold improvements. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated future cash flows (undiscounted) are compared to the carrying amount of the assets. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss is recorded. The impairment loss is measured by comparing the fair value of the assets with their carrying amounts. Fair value is determined by discounted cash flows or appraised values, as appropriate. Long-lived assets that are held for disposal are reported at the lower of the carrying amount or the fair value, less estimated costs related to disposition.

Goodwill and impairment

Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas performs annual impairment tests by operating segment. These tests include comparisons to current market values, where available, and discounted cash flow analyses. Significant assumptions include growth rates based on historical trends and margin improvement leveraged from such growth. Based on the results of the impairment tests, Cintas has not recognized an impairment of goodwill for the years ended May 31, 2008, 2007 or 2006.

Service contracts and other assets

Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight-line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is through specific identification. No impairment has been recognized by Cintas for the years ended May 31, 2008, 2007 or 2006.

28

Stock-based compensation

As required under FASB Statement No. 123(R), Share-Based Payment, compensation expense is recognized for all share-based payments to employees, including stock options, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight line basis over the vesting period of the related share-based compensation award.

See Note 11 entitled Stock-Based Compensation of “Notes to Consolidated Financial Statements” for further information.

Litigation and environmental matters

Cintas is subject to legal proceedings and claims related to environmental matters arising from the ordinary course of business. U.S. generally accepted accounting principles require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. While a significant change in assumptions and judgments could have a material impact on the amounts recorded for contingent liabilities, Cintas does not believe that they will result in a material adverse effect on the consolidated financial statements.

A detailed discussion of litigation matters is discussed above in the section entitled Litigation and Other Contingencies.

Income taxes

Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. Please reference Note 7 entitled Income Taxes of “Notes to Consolidated Financial Statements” for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. Deferred income taxes that are not related to an asset or liability for financial reporting are classified according to the expected reversal date. Cintas regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. As a result of this review, Cintas has not established a valuation allowance against the deferred tax assets.

Cintas is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, Cintas records reserves as deemed appropriate. Based on Cintas' evaluation of current tax positions, Cintas believes its accruals are appropriate.

Outlook

While it is our view that economic conditions will remain sluggish, we believe we can achieve continued growth in sales and profits. We will pursue our strategy of achieving revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments and markets to which Cintas has not historically served. When appropriate opportunities arise, we will also supplement our internal growth with strategic acquisitions.

We believe that the high level of customer service provided by our employee-partners and supported by our infrastructure, quality products, financial resources and corporate culture will provide for continued business success. As such, we see upside revenue potential for all of our business units. However, we do not expect that economic and competitive pressures will diminish, and these pressures will continue creating a difficult pricing environment.

Like many other companies, we anticipate upward pressures on energy costs to remain in fiscal 2009. This pressure may make gross margin improvements as a percentage of revenue difficult. However, we expect productivity improvements brought on by cost containment initiatives, technological advances and continued leverage of our infrastructure to soften the adverse energy impact.

Although difficult to predict, we expect to make improvements to our selling and administrative expenses as a percentage of revenue in fiscal 2009. The reorganization of our sales efforts has been completed, and we expect to gain improved leverage from this organization in fiscal 2009. We also expect cost containment initiatives will offset anticipated increases to wages and benefits, including medical expenses.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Cintas manages interest rate risk by using a combination of variable and fixed rate debt and investing in marketable securities. Earnings are affected by changes in short-term interest rates due to the use of commercial paper of approximately \$163 million, with an average interest rate of 2.19%. This exposure is limited by the investment in marketable securities, which act as a hedge against variability in short-term rates. If short-term rates change by one-half percent (or 50 basis points), Cintas' income before income taxes would change by approximately \$1 million. This estimated exposure considers the mitigating effects of marketable securities on the change in the cost of variable rate debt. This analysis does not consider the effects of a change in economic activity or a change in Cintas' capital structure.

Through its foreign operations, Cintas is exposed to foreign currency risk. Foreign currency exposures arise from transactions denominated in a currency other than the functional currency and from foreign denominated revenue and profit translated into U.S. dollars. The primary foreign currency to which Cintas is exposed is the Canadian dollar. Cintas does not currently use forward exchange contracts to limit potential losses in earnings or cash flows from foreign currency exchange rate movements.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Audited Consolidated Financial Statements for the Years Ended May 31, 2008, 2007 and 2006

M a n a g e m e n t ' s R e p o r t o n I n t e r n a l C o n t r o l o v e r F i n a n c i a l R e p o r t i n g.....	32
R e p o r t s o f E r n s t & Y o u n g L L P, I n d e p e n d e n t R e g i s t e r e d P u b l i c A c c o u n t i n g F i r m.....	33
C o n s o l i d a t e d S t a t e m e n t s o f I n c o m e.....	35
C o n s o l i d a t e d B a l a n c e S h e e t s.....	36
C o n s o l i d a t e d S t a t e m e n t s o f S h a r e h o l d e r s E q u i t y.....	37
C o n s o l i d a t e d S t a t e m e n t s o f C a s h F l o w s.....	38
N o t e s t o C o n s o l i d a t e d F i n a n c i a l S t a t e m e n t s.....	139

Management's Report on
Internal Control over Financial Reporting

To the Shareholders of Cintas Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. 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. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

With the supervision of our President and Chief Executive Officer and our Chief Financial Officer, management assessed our internal control over financial reporting as of May 31, 2008. Management based its assessment on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by our internal audit function.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of May 31, 2008, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

We reviewed the results of management's assessment with the Audit Committee of our Board of Directors. Additionally, our independent registered public accounting firm, Ernst & Young LLP, audited management's assessment and independently assessed the effectiveness of Cintas Corporation's internal control over financial reporting. Ernst & Young LLP has issued an attestation report, which is included in this Annual Report.

/s/

Scott D. Farmer
Scott D. Farmer
President and Chief Executive Officer

/s/

William C. Gale
William C. Gale
Senior Vice President and Chief
Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Cintas Corporation:

We have audited Cintas Corporation's internal control over financial reporting as of May 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cintas Corporation'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 included in the accompanying Management's Report on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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.

In our opinion, Cintas Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cintas Corporation as of May 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended May 31, 2008, of Cintas Corporation, and our report dated July 25, 2008, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 25, 2008

33

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Cintas Corporation:

We have audited the accompanying consolidated balance sheets of Cintas Corporation as of May 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended May 31, 2008. These financial statements are the responsibility of Cintas Corporation's management. Our responsibility is to express an opinion on these financial statements 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cintas Corporation at May 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2008, in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the consolidated financial statements, in fiscal 2008, Cintas Corporation adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cintas Corporation's internal control over financial reporting as of May 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 25, 2008, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 25, 2008

Consolidated
Statements of Income

(In thousands except per share data)	Years Ended May 31,		
	2008	2007	2006
Revenue:			
Rental uniforms and ancillary products	\$ 2,834,568	\$ 2,734,629	\$ 2,568,776
Other services	1,103,332	972,271	834,832
	3,937,900	3,706,900	3,403,608
Costs and expenses (income):			
Cost of rental uniforms and ancillary products	1,581,618	1,515,185	1,406,829
Cost of other services	674,682	610,360	541,987
Selling and administrative expenses	1,104,145	1,003,958	911,750
Operating income	577,455	577,397	543,042
Interest income	(6,072)	(6,480)	(6,759)
Interest expense	52,823	50,324	31,782
Income before income taxes	530,704	533,553	518,019
Income taxes	195,299	199,015	194,637
Net income	\$ 335,405	\$ 334,538	\$ 323,382
Basic earnings per share	\$ 2.15	\$ 2.09	\$ 1.93
Diluted earnings per share	\$ 2.15	\$ 2.09	\$ 1.92
Dividends declared and paid per share	\$ 0.46	\$ 0.39	\$ 0.35

See accompanying notes.

Consolidated
Balance Sheets

(In thousands except share data)	As of May 31,	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 66,224	\$ 35,360
Marketable securities	125,471	120,053
Accounts receivable, principally trade, less allowance of \$13,139 and \$14,486, respectively	430,078	408,870
Inventories, net	238,669	231,741