

Allied Telesis Holdings, K.K.

Summary of 1Q Financial Results (Fiscal 2008)

May 8, 2008

Allied Telesis Holdings, K.K.

Code Number: 6835
Shares Listed: Second Section of Tokyo Stock Exchange
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1. Consolidated 1st Q Financial Results for Fiscal 2008 (From January 1, 2008 to March 31, 2008)

	(Rounded down to millions of yen, except per share data)					
	(1)Operating Results					
	Net sales	% change	Operating Income(loss)	% change	Ordinary Income(loss)	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2008 1Q ended March 31,2008	12,566	(4.8)	917	—	(445)	—
Fiscal 2007 1Q ended March 31,2007	13,194	(7.5)	(0)	—	57	—
Fiscal 2007 year ended December 31,2007	53,899	2.2	1,453	—	745	—

	Net income (loss)	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2008 1Q ended March 31,2008	(490)	—	(3.13)	—
Fiscal 2007 1Q ended March 31,2007	(85)	—	(0.67)	—
Fiscal 2007 year ended December 31,2007	44	—	0.30	—

(2)Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
Fiscal 2008 1Q ended March 31,2008	27,009	13,078	47.5	81.80
Fiscal 2007 1Q ended March 31,2007	31,606	10,902	34.3	82.38
Fiscal 2007 year ended December 31,2007	28,040	12,991	45.4	81.23

2. Dividends

	Interim dividend per share	Year-end dividend per share	Dividend per share for the year
	(yen)	(yen)	(yen)
Year ended December 31,2007	—	—	—
Year ended December 31,2008(Forecast)	—	—	—

3. Projection for Fiscal 2008 (January 1, 2008 to December 31, 2008)

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2008 6 months ended June 30,2008	27,240	2.5	1,380	—	500	437.6
Fiscal 2008 ending December 31,2008	54,700	1.5	2,870	97.5	1,950	161.7

	Net income	% change	Net income per share
	(Millions of yen)	(%)	(yen)
Fiscal 2008 6 months ended June 30,2008:	250	—	1.59
Fiscal 2008 ending December 31,2008	970	—	6.19

Notes:

1. Change in the scope of consolidation and application of the equity method: No
2. Change in accounting policy during the term: Yes
3. Number of shares issued and outstanding at the end of the term (consolidated):

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors.

[Qualitative Information and Financial Statements]

1. Qualitative information on the consolidated business results

In the current first quarter, operating income stood at 917 million yen. However, ordinary loss of 445 million yen was recorded as a result of the foreign exchange valuation loss of 1,261 million yen due to rapid appreciation of the yen.

The Allied Telesis Group operates in the network-related market, which is actively moving towards an environment where high-speed network infrastructure is required. Consequently, demand is growing for Network Products and IP Triple Play Products in both domestic and overseas markets.

Under such circumstances, the Allied Telesis Group made strenuous efforts to increase efficiency in the management aiming at a more profitable business structure, and strengthened its sales capabilities in each country focusing on giga-network products. Although sales of giga-network products in Japan declined as production failed to catch up with demand, there were positive factors leading to sales growth in the future such as increased deals for project based systems centering on "SwitchBlade x908" launched last year as a core product. Sales in Europe and the United States achieved firm growth of 107% compared to the same period of the previous year on a local currency basis, but the same, when denominated in yen, recorded a decline due to the stronger yen.

Net sales of Allied Telesis Group in the first quarter stood at 12,566 million yen (4.8% below the same period of the previous year). In terms of profit, operating income was 917 million yen (loss of 68 million yen in the same period of the previous year). Operating income has been maintained for three successive quarters since the third quarter of the previous consolidated accounting year (*). However, Allied Telesis Group recorded ordinary loss of 445 million yen and net loss of 490 million yen for the current first quarter (income of 57 million yen and loss of 85 million yen, respectively, in the same period of the previous year), due to the larger foreign exchange valuation loss of 1,261 million yen caused by the higher than expected yen exchange rate of 100.19 yen against the dollar at the end of March, compared an FX valuation loss of 700 million yen projected by Allied Telesis Group for the current first quarter based on the assumed exchange rate of 105 yen against the dollar.

Although the exchange rate at the end of each accounting period determines the foreign exchange valuation loss, it has no effect on cash flows. We forecast that foreign exchange valuation loss for the current full accounting year will stay at around 700 million yen if the yen exchange rate trades at the 105 yen level against the dollar in the future.

Even though the Allied Telesis Group was adversely affected by appreciation of the yen in the first quarter as stated above, we made strenuous efforts to increase management efficiency and achieved substantial improvement in operating income. We believe that we will continue to improve profitability in the interim period and full accounting year.

(* Quarterly Operating Income and Operating Margin

	'07/Q1	'07/Q2	'07/Q3	'07/Q4		'08/Q1
Operating income/loss	-0	-225	407	1,272		917
Operating income rate	-	-	3.1%	8.9%		7.3%

(million yen)

2. Qualitative information on the consolidated financial position

Total assets as at the end of the current first quarter decreased 1,031 million yen compared to the end of the previous consolidated accounting year to 27,009 million yen due to the reduction in trade notes and accounts receivable, reduction in inventory, etc.

Total liabilities decreased 1,118 million yen compared to the end of the previous consolidated accounting year to 13,931 million yen due to the reduction in borrowings and bonds while trade notes and accounts payable increased. Net assets increased 87 million yen compared to the end of the previous consolidated accounting year to 13,078 million yen.

3. Qualitative information on the consolidated financial forecast

There is no change from the financial forecast announced in the financial highlights issued on February 15, 2008.

4. Other

- (1) Changes of major subsidiary companies during the current quarter (Changes of specific subsidiary companies, which bring about changes in the scope of consolidation): None
- (2) Application of simplified methods in the accounting procedure: Yes
- (3) Changes in the accounting methods from the last consolidated accounting year: None

5 1st Quarter Consolidated Financial Statements
(1) 1st Quarter Consolidated Balance Sheet

Items	Previous 1 st Quarter (March 31, 2007)		Current 1 st Quarter (March 31, 2008)		Increase and decrease		Previous Consolidated Accounting Term (December 31, 2007)	
	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)
(Assets)								
I. Current Assets								
1. Cash and Deposits	4,535,910		2,785,759		(1,750,151)	(38.6)	3,238,593	
2. Bills and Accounts receivable	10,572,068		11,048,095		476,026	4.5	11,795,717	
3. Marketable securities	155,291		7		(155,283)	(100.0)	115,008	
4. Inventory assets	8,902,044		7,336,463		(1,565,580)	(17.6)	7,616,502	
5. Others Allowance for bad debt	2,221,757 (639,110)		2,328,011 (799,502)		106,253 (160,392)	4.8 —	1,476,386 (830,370)	
Total Current Assets	25,747,963	81.5	22,698,835	84.0	(3,049,128)	(11.8)	23,411,838	83.5
II. Fixed Assets								
1. Tangible fixed assets								
(1) Tools and equipment	1,705,659		836,689		(868,970)	(50.9)	968,883	
(2) other	2,306,219		2,414,932		108,713	4.7	2,488,903	
Total Tangible Fixed Assets	4,011,879	12.7	3,251,622	12.1	(760,257)	(19.0)	3,457,786	12.3
2. Intangible Fixed Assets								
(1) Others	397,297		256,240		(141,056)	(35.5)	313,413	
Total Intangible Fixed Assets	397,297	1.2	256,240	0.9	(141,056)	(35.5)	313,413	1.1
3. Investment and Other Assets								
(1) Investment securities	642,940		74,773		(568,166)	(88.4)	68,206	
(2) Others Allowance for bad debt	819,286 (12,383)		728,435 —		(90,851) 12,383	(11.1) —	789,728 —	
Total of Investment and Other Assets	1,449,843	4.6	803,209	3.0	(646,634)	(44.6)	857,934	3.1
Total of Fixed Assets	5,859,020	18.5	4,311,072	16.0	(1,547,948)	(26.4)	4,629,134	16.5
Total Assets	31,606,984	100.0	27,009,907	100.0	(4,597,076)	(14.5)	28,040,972	100.0

Items	Previous 1 st Quarter (March 31, 2007)		Current 1 st Quarter (March 31, 2008)		Increase and decrease		Previous Consolidated Accounting Term (December 31, 2007)	
	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)
(Liabilities)								
I. Current Liabilities								
1. Bills payable and Accounts payable	6,188,849		5,625,718		(563,130)	(9.1)	4,803,272	
2. Short-term Loan	3,176,533		1,793,609		(1,382,923)	(43.5)	3,671,140	
3. Long-term Loan repayable within one year	2,543,488		852,830		(1,690,658)	(66.5)	1,081,178	
4. Corporate Bonds redeemable within one year	268,000		130,000		(138,000)	(51.5)	264,000	
5. Accrued expenses	2,298,610		1,551,750		(746,860)	(32.5)	1,727,015	
6. Accrued corporate income tax	317,005		110,404		(206,600)	(65.2)	410,021	
7. Deferred tax liabilities	2,906		—		(2,906)	—	—	
8. Allowance for bonus payable	410,032		332,354		(77,677)	(18.9)	194,625	
9. Other	2,175,611		2,452,643		277,032	12.7	1,740,097	
Total Current Liabilities	17,381,038	55.0	12,849,311	47.6	(4,531,726)	(26.1)	13,891,350	49.6
II. Fixed Liabilities								
1. Corporate bonds	130,000		—		(130,000)	—	—	
2. Long-term loan	2,517,096		385,138		(2,131,957)	(84.7)	467,460	
3. Deferred tax liabilities	31,289		11,010		(20,278)	(64.8)	9,786	
4. Allowance for retirement	605,144		635,393		30,249	5.0	612,244	
5. Other	40,368		50,336		9,950	24.6	68,955	
Total of Fixed Liabilities	3,323,915	10.5	1,081,879	4.0	(2,242,036)	(67.5)	1,158,446	4.1
Total Liabilities	20,704,953	65.5	13,931,191	51.6	(6,773,762)	(32.7)	15,049,797	53.7
(Net Assets)								
I. Shareholders' Equity								
1. Capital	8,997,146	28.4	9,805,100	36.3	807,954	9.0	9,805,100	35.0
2. Capital surplus	11,127,574	35.2	11,935,528	44.2	807,954	7.3	11,935,528	42.5
3. Accumulated profit	(9,252,335)	(29.3)	(9,613,616)	(35.6)	(361,280)	—	(9,122,767)	(32.5)
4. Treasury stock	(12,070)	(0.0)	(12,085)	0.0	(14)	—	(12,085)	(0.0)
Total Shareholders' Equity	10,860,314	34.3	12,114,927	44.9	1,254,613	11.6	12,605,776	45.0
II. Valuation and Translation Adjustments								
1. Other appraisal gain/(loss) on marketable securities	32,442	0.2	2,887	0.0	(29,555)	(91.1)	1,111	0.0
2. Deferred gain/(loss) on hedging instruments	20,132	0.0	—	—	(20,132)	—	—	—
3. Foreign currency translation Adjustment account	(73,272)	(0.2)	705,691	2.6	778,964	—	129,077	0.4
Total of appraisal and Translation Adjustments etc	(20,697)	(0.0)	708,578	2.6	729,276	—	130,189	0.4
III. Warrants	62,414	0.2	255,209	0.9	192,795	308.9	255,209	0.9
Total Net Assets	10,902,030	34.5	13,078,716	48.4	2,176,685	20.0	12,991,175	46.3
Total Liabilities and Net Assets	31,606,984	100.0	27,009,907	100.0	(4,597,076)	(14.5)	28,040,972	100.0

(B) Quarter Consolidated Profit and Loss Account

Items	Previous 1 st Quarter (January 31 to March 31, 2007)		Current 1 st Quarter (January 31 to March 31, 2008)		Increase and decrease		Previous Consolidated Accounting Term (January 31 to December 31, 2007)	
	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)
I. Sales	13,194,618	100.0	12,566,817	100.0	(627,800)	(4.8)	53,899,698	100.0
II. Cost of Sales	7,000,383	53.1	6,507,371	51.8	(493,012)	(7.0)	29,309,503	54.4
Gross profit margin	6,194,234	46.9	6,059,446	48.2	(134,788)	(2.2)	24,590,194	45.6
III. Selling, General and Administrative Expenses	6,194,917	47.0	5,142,087	40.9	(1,052,830)	(17.0)	23,136,344	42.9
Operating Income (loss)	(683)	(0.1)	917,358	7.3	918,042	—	1,453,850	2.7
IV. Non-operating Income	172,756	1.3	21,178	0.2	(151,578)	(87.7)	172,043	0.3
1. Interest received	18,615		12,806		(5,809)	(31.2)	73,882	
2. Dividend received	89		102		13	14.8	104	
3.	—		3,185		3,185	—	—	
4. Others	154,051		5,084		(148,967)	(96.7)	98,056	
V. Non-operating Expenses	114,111	0.8	1,383,965	11.0	1,269,854	—	880,358	1.6
1. Interest paid	53,974		120,401		66,427	123.1	406,131	
2. Foreign exchange loss	43,512		1,261,098		1,217,586	—	246,905	
3. Valuation loss on foreign exchange contract	4,978		—		(4,978)	—	26,013	
4. Equity in loss of affiliates	1,249		—		(1,249)	—	4,579	
5. Compliance expense	—		—		—	—	77,473	
6. Others	10,396		2,465		(7,931)	(76.3)	119,254	
Ordinary Income (loss)	57,961	0.4	(445,428)	(3.5)	(503,390)	—	745,534	1.4
VI. Extraordinary Income	1,202	0.0	1,318	0.0	116	9.7	744,336	1.4
1. Gain on sale of fixed assets	13		1,278		1,265	—	16,183	
2. Gain on sale of investment securities	1,188		—		(1,188)	—	636,015	
3. Reversal of allowance for doubtful accounts	—		40		40	—	55,315	
4. Reversal of allowance for warrants	—		—		—	—	9,151	
5. Other	—		—		—	—	27,671	

6 Segment Information

Segment Information by business type

The consolidated group omitted segment information by business type, because our consolidated group provides only news concerning information communication and network-related businesses.

Segment Information by location

Sales for external customer

	Previous 1 st Quarter (January 31 to March 31, 2007)	Current 1 st Quarter (January 31 to March 31, 2008)	Increase and decrease	Previous Consolidated Accounting Term (January 31 to December 31, 2007)
Japan (1,000 yen)	7,171,100	6,929,104	(3.4%)	26,847,708
Europe/America (1,000 yen)	5,225,564	4,993,300	(4.4%)	23,355,081
Asia/Oceania (1,000 yen)	797,953	644,412	(19.2%)	3,696,908
Consolidated Total (1,000 yen)	13,194,618	12,566,817	(4.8%)	53,899,698
Exchange rate (US\$1)	¥119.44	¥106.60		¥118.14

(Notes)

1. Breakdowns by country or region are based on geographical proximity.
2. Major countries and regions included in areas other than Japan
 - (1) Europe/America – United States, Canada, United Kingdom, France, Germany, Netherlands, Italy
 - (2) Asia/Oceania – Singapore, China, Australia, New Zealand, South Korea