

# Consolidated Financial Statements for the First Three Quarters of the Fiscal year Ending December 31, 2009

November 12, 2009

These financial statements, prepared in accordance with accounting principles generally accepted in Japan, have been translated for reference only from the original Japanese-language document "KESSAN TANSHIN". The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

For the convenience of some investors, stated dollar amounts have been calculated at \$US1=¥90.21, the exchange rate as September 30, 2009, the end of the third quarter.

## ALLIED TELESIS HOLDINGS K.K.

Code Number: 6835  
 Shares Listed: Second Section of Tokyo Stock Exchange  
 (URL: <http://www.at-global.com>)  
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Scheduled date of quarterly securities report submission: November 13, 2009

Scheduled date of dividend payment commencement : -

## 1. Consolidated Results for the First Three Quarters of Fiscal 2009 (January 1, 2009 - September 30, 2009)

(All amounts are rounded down to the nearest million yen)

### (A) Consolidated Operating Results

(% represents changes from the same period of previous year)

(Negative figures are shown in parenthesis)

|                                      | Net sales       |        | Operating income(loss) |       | Ordinary income(loss) |   | Net income(loss) |   |
|--------------------------------------|-----------------|--------|------------------------|-------|-----------------------|---|------------------|---|
|                                      | Millions of yen | %      | Millions of yen        | %     | Millions of yen       | % | Millions of yen  | % |
| Nine months ended September 30, 2009 | 24,229          | (32.7) | (1,258)                | -     | (1,326)               | - | (1,580)          | - |
| Nine months ended September 30, 2008 | 36,002          | (9.1)  | 1,232                  | 578.7 | (234)                 | - | (86)             | - |

|                                      | Net income per share | Diluted net income per share |
|--------------------------------------|----------------------|------------------------------|
|                                      | Yen                  | Yen                          |
| Nine months ended September 30, 2009 | (10.13)              | -                            |
| Nine months ended September 30, 2008 | (0.55)               | -                            |

(Note) Comments on page 3

### (B) Consolidated Financial Position

|                          | Total assets    | Net assets      | Shareholders equity ratio | Net assets per share |
|--------------------------|-----------------|-----------------|---------------------------|----------------------|
|                          | Millions of yen | Millions of yen | %                         | Yen                  |
| As of September 30, 2009 | 21,940          | 12,585          | 56.5                      | 80.83                |
| As of December 31, 2008  | 24,017          | 14,115          | 58.4                      | 89.45                |

(Reference) Shareholders equity

As of September 30, 2009 12,403 million yen

As of December 31, 2008 14,027 million yen

## 2. Dividends

|                    | Dividend per share          |                             |                             |          |        |
|--------------------|-----------------------------|-----------------------------|-----------------------------|----------|--------|
|                    | 1 <sup>st</sup> quarter end | 2 <sup>nd</sup> quarter end | 3 <sup>rd</sup> quarter end | Year-end | Annual |
|                    | Yen                         | Yen                         | Yen                         | Yen      | Yen    |
| FY2008             | -                           | 0.00                        | -                           | 0.00     | 0.00   |
| FY2009             | -                           | 0.00                        | -                           |          |        |
| FY 2009 (Forecast) |                             |                             |                             | -        | -      |

(Note) Revisions to dividend forecast for the current quarter: No

At this point, dividend payment for 2009 is not yet determined.

## 3. Other Information

(a) Changes in significant subsidiary during the period (Changes in specified subsidiary accompanying changes in the scope of consolidation): Yes

Excluded subsidiaries: 3

Allied Telesis Networks K.K.

Corega Holdings K.K.

Corega K.K.

(Note) For details, please refer to "3. Other" on page 5 for footnotes.

(b) Application of simplified and special accounting treatment for quarterly consolidated financial results: Yes

(Note) For details, please refer to "3. Other" on page 5 for footnotes.

(c) Changes in accounting principles, procedures, method of presentation associated with preparation of the quarterly consolidated financial statements (Changes to important items that form basis for preparing quarterly financial statements)

1) Changes due to revision of accounting standards: Yes

2) Changes other than 1): No

(Note) For details, please refer to "3. Other" on page 5 for footnotes.

(d) The number of shares outstanding (Common shares)

1) Number of shares outstanding at end of period (inclusive of treasury stock)

Nine months ended September 30, 2009 156,876,421 shares

Year ended December 31, 2008 156,876,421 shares

2) Number of shares of treasury stock at end of period

Nine months ended September 30, 2009 3,431,403 shares

Year ended December 31, 2008 55,603 shares

3) Average outstanding number of shares (during the first three quarters)

Nine months ended September 30, 2009 156,068,129 shares

Nine months ended September 30, 2008 156,793,057 shares

## Consolidated Results for the First Three Quarters of Fiscal 2009 (From January 1, 2009 to September 30, 2009)

### 1. Qualitative Information on Consolidated Operating Results

(Rounded down to the nearest million yen)

(Negative figures are shown in parenthesis)

(% represents changes from the same period of previous year)

|                                     | Net sales       |        | Operating income(loss) |       | Ordinary income(loss) |   | Net income(loss) |   |
|-------------------------------------|-----------------|--------|------------------------|-------|-----------------------|---|------------------|---|
|                                     | Millions of yen | %      | Millions of yen        | %     | Millions of yen       | % | Millions of yen  | % |
| Nine months ended September 30,2009 | 24,229          | (32.7) | (1,258)                | -     | (1,326)               | - | (1,580)          | - |
| Nine months ended September 30,2008 | 36,002          | (9.1)  | 1,232                  | 578.7 | (234)                 | - | (86)             | - |

|                                     | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
|                                     | Yen                  | Yen                          |
| Nine months ended September 30,2009 | (10.13)              | -                            |
| Nine months ended September 30,2008 | (0.55)               | -                            |

The above tables are duplicates of the tables 1.(A) on page 1.  
The text below represents footnotes to the tables.

Note: The Allied Telesis Holdings K.K. and its subsidiaries are collectively referred to as the "Company."

In the third quarter of fiscal 2009, the economy in Japan and other countries began to show signs of partial recovery according to economic stimulus measures; however, they did not attain full-scale recovery and still remained in a severe condition; showing low-level capital expenditures. Under this challenging operating environment, the Allied Telesis Group actively pursued promotional activities surrounding focused sales campaigns aimed at achieving long-term growth in sales.

In Japan, the Company started to conduct full-scale sales activities targeting medium-sized companies with the merger of Allied Telesis K.K. and Corega K.K.. Moreover, the Company provided solutions aimed at the education ICT (Information and Communication Technology) business sector, as well as held seminars throughout Japan geared toward the healthcare IT market.

In other countries, the Company joined the Metro Ethernet Forum, a worldwide industry interest group promoting the global migration to Carrier Ethernet networks and services. In addition, partnerships with distributors and system-integrators were enhanced. Furthermore, the Company promoted the development of new products and expanded support services worldwide, with the aim of providing cost-effective products and secure, advanced network environments to customers.

As a result, in the first three quarters of fiscal 2009, consolidated net sales totaled 24,229 million yen, a decrease of 32.7% from the first three quarters of the previous fiscal year.

By region, net sales in Japan decreased 29.0% from one year earlier to 12,751 million yen, Europe/America sales decreased 36.3% to 10,026 million yen and Asia/Oceania sales decreased 37.0% to 1,451 million yen.

The gross profit margin remained at a high level of 50.0% in the first three quarters.

The operating loss was 1,258 million yen for the first three quarters compared with operating income of 1,232 million yen one year earlier. The ordinary loss was 1,326 million yen compared with a 234 million yen loss one year earlier, reflecting reduced foreign exchange gains owing to the appreciation of the yen. Consequently, the net loss was 1,580 million yen compared with net loss of 86 million yen one year earlier.

## 2. Qualitative Information on Consolidated Financial Position

(Rounded down to the nearest million yen)

|                          | Total assets    | Net assets      | Shareholders equity ratio | Net assets per share |
|--------------------------|-----------------|-----------------|---------------------------|----------------------|
|                          | Millions of yen | Millions of yen | %                         | Yen                  |
| As of September 30, 2009 | 21,940          | 12,585          | 56.5                      | 80.83                |
| As of December 31, 2008  | 24,017          | 14,115          | 58.4                      | 89.45                |

(Reference) Shareholders equity

As of September 30, 2009 12,403 million yen

As of December 31, 2008 14,027 million yen

Above table is a duplicate of table 1. (B) on page 1.

(1) Assets, Liabilities, and Net assets positions at the end of the first three quarters of the fiscal 2009 were as follows:

### Assets:

Total assets were 21,940 million yen at the end of the first three quarters, a decrease of 2,077 million yen from the end of fiscal 2008. This was mainly the net result of a decrease of notes and accounts receivable, merchandise and finished products and raw materials and supplies, partially offset by an increase in cash and deposits.

### Liabilities:

Short-term borrowings and corporate bonds increased, but notes and accounts payable decreased. As a result, liabilities were 9,354 million yen, a decrease of 548 million yen from the end of fiscal 2008.

### Net Assets:

Net assets amounted to 12,585 million yen, 1,529 million yen less than at the end of fiscal 2008. This was mainly the result of a net loss of 1,580 million yen and an increase of treasury stock (a decrease of net assets). As a result, the equity ratio decreased from 58.4% at the end of fiscal 2008 to 56.5%.

(2) Cash flows

In the first three quarters, cash and cash equivalents were 5,454 million yen, an increase of 2,161 million yen from the end of fiscal 2008. A summary of cash flows and its major components is detailed below;

### Operating activities

Net cash provided by operating activities was 1,288 million yen, reflecting a pretax loss of 1,479 million yen and a decrease of 1,939 million yen in notes and accounts payable. Net cash also reflected by decreases of 2,487 million yen in notes and accounts receivable and 1,725 million yen in inventory assets.

### Investing activities:

Net cash used in investing activities was 274 million yen. Cash was used mainly to purchase tangible fixed assets for production, development and research of 186 million yen and net payment of 105 million yen for lease deposits.

### Financing activities:

Net cash provided by financing activities was 1,140 million yen. This included an increase of 823 million yen from short-term borrowings and proceeds of 483 million yen from issuing bonds, partially offset by 199 million yen for purchase of treasury stock.

### 3. Other

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in the scope of consolidation)

On January 1, 2009, consolidated subsidiary Allied Telesis K.K. merged with consolidated subsidiary Allied Telesis Networks K.K. and consolidated subsidiary Corega K.K. merged with consolidated subsidiary Corega Holdings K.K.. In addition, on July 1, 2009, consolidated subsidiary Allied Telesis K.K. merged with consolidated subsidiary Corega K.K.. As a result, the number of consolidated subsidiaries decreased to 36.

- (2) Use of simplified method for accounting procedures and application of accounting procedures specific to the consolidated quarterly financial statements:

- 1) For assets depreciated using the declining balance method, quarterly depreciation expenses are calculated by using the proportional amount of annual depreciation expenses.
- 2) Income taxes are calculated by using only significant additions and deductions, and significant tax deductions. For consolidated subsidiaries that do not have a material effect on the consolidated financial statements, since there has been no significant change in the operating environment, quarterly income taxes are calculated by using the effective tax rate, (obtained after adjustment for tax-effect accounting), applicable to quarterly income before income taxes in the previous fiscal year's income statement.

- (3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements;

- 1) Beginning with the current fiscal year, Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan (ASBJ) Statement No.12) and Implementation Guidance for the Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No.14) have been applied. In addition, the quarterly consolidated financial statements are prepared in accordance with Rules for Quarterly Consolidated Financial Statements.
- 2) For ordinary inventories held for sale, beginning with the current fiscal year, Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) has been applied and the method of measurement of inventories was changed from the cost method determined primarily by the average method to the cost method in which book value is reduced when the contribution of inventories to earnings declines. This change did not have a material effect on earnings.
- 3) Beginning with the current fiscal year, Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18, May 17, 2006), and the necessary revisions have been made to the consolidated financial statements. This change did not have a material effect on earnings.

## 4. Consolidated Quarterly Financial Statements

### (1) Consolidated Balance Sheet

(Yen in thousands)

|  | FY 2009 3Q<br>(As of September 30, 2009) | FY 2008<br>(As of December 31, 2008)<br><b>Summary</b> |
|--|--|--|
| <b>Assets</b>  |  |  |
| Current Assets   |  |  |
| Cash and deposits  | 5,654,064                                | 3,557,382  |
| Notes and accounts receivable                              | 6,544,524                                | 9,038,209  |
| Merchandise and finished products                          | 4,052,819                                | 5,161,803  |
| Work in process  | 212,900                                  | 341,887  |
| Raw materials and supplies                                 | 796,702                                  | 1,268,542  |
| Prepaid expenses   | 615,218                                  | 626,064  |
| Other  | 1,080,913                                | 1,284,362  |
| Allowance for doubtful accounts                            | (349,265)                                | (550,811)  |
| Total Current Assets                                       | 18,607,877                               | 20,727,439   |
| Fixed Assets   |  |  |
| Tangible assets  | 2,214,709                                | 2,262,659  |
| Intangible assets  |  |  |
| Other  | 188,724                                  | 191,723  |
| Total intangible assets                                    | 188,724                                  | 191,723  |
| Investments and other assets                               |  |  |
| Other  | 953,647                                  | 856,145  |
| Allowance for doubtful accounts                            | (24,820)                                 | (20,066)   |
| Total investments and other assets                         | 928,827                                  | 836,079  |
| Total Fixed Assets   | 3,332,261                                | 3,290,462  |
| Total Assets   | 21,940,138                               | 24,017,902   |
| <b>Liabilities</b>   |  |  |
| Current Liabilities  |  |  |
| Notes and accounts payable                                 | 2,251,293                                | 4,132,966  |
| Short-term borrowings                                      | 1,427,026                                | 609,350  |
| Current portion of long-term borrowings                    | 132,000                                  | 31,668   |
| Current portion of bonds                                   | 168,000                                  | -  |
| Accrued expenses   | 1,043,532                                | 1,127,207  |
| Accounts payable-other                                     | 583,676                                  | 845,674  |
| Income tax payable   | 188,514                                  | 364,176  |
| Allowance for bonus payable                                | 427,996                                  | 236,002  |
| Unearned revenue   | 1,582,797                                | 1,274,585  |
| Other  | 401,777                                  | 427,352  |
| Total Current Liabilities                                  | 8,206,614                                | 9,048,983  |
| Long-term Liabilities                                      |  |  |
| Bonds  | 332,000                                  | -  |
| Long-term borrowings                                       | 68,000                                   | 108,199  |
| Accrued pension and liability for retirement benefits      | 652,432                                  | 641,089  |
| Other  | 95,394                                   | 104,527  |
| Total Long-term Liabilities                                | 1,147,827                                | 853,815  |
| Total Liabilities  | 9,354,442                                | 9,902,799  |
| <b>Net Assets</b>  |  |  |
| Shareholders' equity                                       |  |  |
| Common stock   | 9,807,675                                | 9,807,675  |
| Capital surplus  | 3,710,725                                | 11,938,053   |
| Retained earnings  | (2,027,219)                              | (8,673,732)  |
| Treasury stock   | (212,082)                                | (12,085)   |
| Total Shareholders' equity                                 | 11,279,098                               | 13,059,910   |
| Net unrealized gain(loss) and translation adjustments      |  |  |
| Net unrealized gain(loss) on available-for-sale securities | (736)                                    | (589)  |

(Yen in thousands)

|   | FY 2009 3Q<br>(As of September 30, 2009) | FY 2008<br>(As of December 31, 2008)<br><b>Summary</b> |
|---|--|--|
| Foreign currency translation adjustments                    | 1,125,281                                | 967,896  |
| Total Net unrealized gain(loss) and translation adjustments | 1,124,544                                | 967,306  |
| Stock acquisition rights                                    | 182,053                                  | 87,886   |
| Total Net Assets  | 12,585,696                               | 14,115,102   |
| <b>Total</b>  | <b>21,940,138</b>                        | <b>24,017,902</b>                                      |

(2) Consolidated Profit and Loss Statement  
 (January 1, 2009 – September 30, 2009)

(Yen in thousands)

|  | FY2009 3Q<br>(January 1, 2009 – September 30, 2009) |
|--|---|
| Net Sales                                      | 24,229,758  |
| Cost of Sales                                  | 12,119,531  |
| Gross Profit                                   | 12,110,226  |
| Selling, General and Administrative Expenses   | 13,368,937  |
| Operating loss                                 | (1,258,711)   |
| Non-operating Income                           |   |
| Interest income                                | 12,512  |
| Dividend income                                | 759   |
| Investment gain on equity method               | 7,358   |
| Other  | 13,981  |
| Total non-operating income                     | 34,612  |
| Non-operating Expenses                         |   |
| Interest expense                               | 57,540  |
| Cost of issuing bonds                          | 16,569  |
| Foreign currency exchange loss                 | 4,910   |
| Other  | 23,117  |
| Total non-operating expenses                   | 102,138   |
| Ordinary Loss                                  | (1,326,237)   |
| Extraordinary Income                           |   |
| Gain on sales of fixed assets                  | 1,362   |
| Reversal of allowance for doubtful receivables | 3,831   |
| Reversal of stock acquisitions rights          | 1,502   |
| Total extraordinary income                     | 6,696   |
| Extraordinary Loss                             |   |
| Loss on sales of fixed assets                  | 683   |
| Loss on retirement of fixed assets             | 3,474   |
| Loss on business reorganization                | 148,554   |
| Litigation-related loss                        | 7,000   |
| Other  | 26  |
| Total extraordinary loss                       | 159,739   |
| Loss before income taxes                       | (1,479,280)   |
| Corporate tax, resident tax and enterprise tax | 101,534   |
| Total income taxes                             | 101,534   |
| Net Loss                                       | (1,580,814)   |

(3) Consolidated Cash Flow Statement  
(January 1, 2009 – September 30, 2009)

(Yen in thousands)

FY 2009 3Q  
(January 1, 2009 – September 30, 2009)

**Cash Flows from Operating Activities**

|   |             |
|---|-------------|
| Loss before income taxes                                  | (1,479,280) |
| Depreciation and amortization                             | 383,990     |
| Increase (decrease) in allowance for doubtful receivables | (197,771)   |
| Increase (decrease) in allowance for bonus payable        | 188,433     |
| Increase (decrease) in allowance for retirement benefits  | (30,462)    |
| Interest and dividend income                              | (13,272)    |
| Interest expense  | 57,540      |
| Cost of issuing bonds                                     | 16,569      |
| Litigation-related loss                                   | 7,000       |
| Foreign exchange loss (gain)                              | 35,417      |
| Investment Loss (gain) on equity method                   | (7,358)     |
| Loss (gain) on sales of fixed assets                      | (679)       |
| Loss on retirement of fixed assets                        | 3,474       |
| Loss on business reorganization                           | 148,554     |
| Increase (decrease) in accrued expenses                   | (84,874)    |
| Decrease (increase) in notes and account receivable       | 2,487,396   |
| Decrease (increase) in inventories                        | 1,725,619   |
| Increase (decrease) in notes and account payable          | (1,939,925) |
| Increase (decrease) in unearned revenue                   | 311,188     |
| Other   | 91,128      |
| Subtotal  | 1,702,691   |
| Interest and dividend income received                     | 13,269      |
| Interest paid   | (51,821)    |
| Income taxes paid   | (235,999)   |
| Business reorganization expense                           | (139,434)   |
| Net cash provided by operating activities                 | 1,288,704   |

**Cash Flows from Investment Activities**

|  |           |
|--|-----------|
| Purchase of tangible fixed assets            | (186,609) |
| Proceeds from sales of tangible fixed assets | 1,614     |
| Purchase of intangible fixed assets          | (56,235)  |
| Purchase of investment securities            | (448)     |
| Decrease (increase) in time deposits         | 50,000    |
| Payments of loans receivable                 | (9,584)   |
| Collection of loans receivable               | 20,985    |
| Collection of lease deposits                 | 103,721   |
| Payments of lease deposits                   | (209,370) |
| Other  | 11,719    |
| Net cash used in investment activities       | (274,207) |

**Cash Flows from Financing Activities**

|   |           |
|---|-----------|
| Net increase (decrease) in short-term borrowings              | 823,869   |
| Proceeds from long-term borrowings                            | 200,000   |
| Repayment of long-term borrowings                             | (166,837) |
| Proceeds from issuing bonds                                   | 483,430   |
| Purchase of treasury stock                                    | (199,996) |
| Net cash provided by financing activities                     | 1,140,465 |
| Effects of exchange rate changes on cash and cash equivalents | 6,248     |
| Increase (decrease) in cash and cash equivalents              | 2,161,211 |
| Cash and cash equivalents at the beginning of the period      | 3,292,853 |
| Cash and cash equivalents at the end of the period            | 5,454,064 |

Beginning with the current fiscal year, Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan (ASBJ) Statement No.12) and Implementation Guidance for the Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No.14) have been applied. In addition, the quarterly consolidated financial statements are prepared in accordance with Rules for Quarterly Consolidated Financial Statements.

(4) Note concerning going concern premise  
None

(5) Segment information

Business segment information

No business segment information is shown because the Allied Telesis Group is engaged only in the communications and networking business.

Geographic segment information

FY2009 First Three Quarters (January 1, 2009 to September 30, 2009)

(Yen in thousands)

|                         | Japan       | Europe/<br>America | Asia/<br>Oceania | Total       | Elimination<br>or corporate | Consolidated |
|-------------------------|-------------|--------------------|------------------|-------------|-----------------------------|--------------|
| Net Sales :             |             |                    |                  |             |                             |              |
| External customers      | 12,751,725  | 10,026,479         | 1,451,553        | 24,229,758  | —                           | 24,229,758   |
| Inter- segment          | 500,465     | 97,906             | 5,738,719        | 6,337,091   | (6,337,091)                 | —            |
| Total                   | 13,252,191  | 10,124,385         | 7,190,273        | 30,566,850  | (6,337,091)                 | 24,229,758   |
| Operating income (loss) | (1,376,448) | 191,036            | 41,334           | (1,144,078) | (114,633)                   | (1,258,711)  |

Notes: 1. Country and area classifications are based on geographic proximity.

2. Major countries and areas included in each geographic segment are as follows;

Europe/America: United States, Canada, United Kingdom, France, Germany, Netherlands, Italy

Asia/Oceania: Singapore, China, Australia, New Zealand, South Korea

Overseas Sales

FY2009 First Three Quarters (January 1, 2009 to September 30, 2009)

|                                      | North America | Europe    | Asia/Oceania | Total      |
|--------------------------------------|---------------|-----------|--------------|------------|
| I. Overseas Sales (Yen in thousands) | 4,240,312     | 5,526,533 | 1,449,419    | 11,216,265 |
| II. Net Sales (Yen in thousands)     | —             | —         | —            | 24,229,758 |
| III. Overseas Sales/Net Sales (%)    | 17.5          | 22.8      | 6.0          | 46.3       |

Notes: 1. Country and area classifications are based on geographic proximity.

2. Major countries and areas included in each geographic segment are as follows;

North America: United States, Canada

Europe/America: United Kingdom, France, Germany, Netherlands, Italy

Asia/Oceania: Singapore, China, Australia, New Zealand, South Korea

3. Overseas sales are those of the Company and its subsidiaries in countries and areas other than Japan.

(6) Notes regarding to significant changes in the amount of shareholders' equity

The company processed the reversal of capital reserve to cover deficit on May 2, 2009. As a result, the capital surplus decreased by 8,227,327 thousand yen in the first half to 3,710,725 thousand yen at the end of the first three quarters.

## For Reference

Consolidated Financial Statements for the same period of the previous year

(1) Consolidated Statements of Income (Summary)  
(January 1, 2008 to September 30, 2008)

|   | FY2008 3Q<br>(Nine months ended<br>September 30,2008) |
|---|---|
|   | Amount<br>(Yen in thousands)                          |
| I. Net Sales                                      | 36,002,987  |
| II. Cost of Sales                                 | 19,108,507  |
| Gross profit                                      | 16,894,480  |
| III. Selling, General and Administrative Expenses | 15,662,011  |
| Operating Income                                  | 1,232,468   |
| IV. Non-operating Income                          | 89,639  |
| Interest income                                   | 34,777  |
| Dividend income                                   | 374   |
| Investment profit on equity method                | 5,859   |
| Other   | 48,628  |
| V. Non-operating Expenses                         | 1,556,553   |
| Interest expense                                  | 344,684   |
| Foreign currency exchange loss                    | 1,180,763   |
| Other   | 31,104  |
| Ordinary loss                                     | 234,444   |
| VI. Extraordinary Income                          | 44,458  |
| Gain on sales of fixed assets                     | 42,994  |
| Reversal of allowance for doubtful receivables    | 812   |
| Other   | 652   |
| VII. Extraordinary Loss                           | 36,868  |
| Loss on sales of fixed assets                     | 57  |
| Loss on retirement of fixed assets                | 2,647   |
| Loss on revaluation of investment securities      | 73  |
| Other   | 34,090  |
| Loss before income taxes                          | 226,854   |
| Income taxes                                      | (140,702)   |
| Net loss  | 86,151  |

(2) Segment information

Business segment information

No business segment information is shown because the Allied Telesis Group is engaged only in the communications and networking business.

Geographic segment information

FY2008 First Three Quarters (January 1, 2008 to September 30, 2008)

|           | Japan<br>(Yen in thousands) | Europe/America<br>(Yen in thousands) | Asia/Oceania<br>(Yen in thousands) | Consolidated Total<br>(Yen in thousands) | Exchange rate to<br>be applied<br>(1 US dollar) |
|-----------|-----------------------------|--------------------------------------|------------------------------------|--|---|
| Net Sales | 17,949,323                  | 15,748,425                           | 2,305,238                          | 36,002,987                               | 105.85  |

Notes: 1. Country and area classifications are based on geographic proximity.

2. Major countries and areas included in each geographic segment are as follows;

Europe/America: United States, Canada, United Kingdom, France, Germany, Netherlands, Italy

Asia/Oceania: Singapore, China, Australia, New Zealand, South Korea