CINTAS CORP
Form 10-K
July 29, 2011

Table of Contents

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

FORM 10-K

X	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Fiscal Year Ended May 31, 2011
	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)

WASHINGTON (State or Other Jurisdiction of Incorporation or Organization)	31-1188630 (I.R.S. Employer Identification No.)

6800 Cintas Boulevard
P.O. Box 625737
Cincinnati, Ohio 45262-5737
(Address of Principal Executive Offices)

(513) 459-1200
(Registrant's telephone number, including area code)

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

YES ü NO ____

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

YES ____ NO ü

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES ü NO ____

Indicate by a check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

YES ü NO ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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 check mark 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 ü Accelerated Filer ____ Smaller Reporting Company ____ Non-Accelerated Filer ____ (Do not check if a smaller reporting company.)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ____ NO ü

The aggregate market value of the Registrant's Common Stock held by non-affiliates as of November 30, 2010, was $3,886,803,703 based on a closing sale price of $26.75 per share. As of June 30, 2011, 173,347,196 shares of the Registrant's Common Stock were issued and 131,204,758 shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement to be filed with the Commission for its 2011 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

Cintas Corporation
Index to Annual Report on Form 10-K

2

Table of Contents

Part I

Item 1. Business

Cintas Corporation ("Cintas," "Company," "we," "us" or "our"), a Washington corporation, provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. 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, currently the Chairman Emeritus 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.

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. 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 destruction, document imaging and document retention services.

We provide our products and services to over 900,000 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.

The following table sets forth Cintas' total revenue and the revenue derived from each operating segment:

Fiscal Year Ended May 31, (in thousands)	**2011**	2010	2009
Rental Uniforms and Ancillary Products	$ 2,692,248	$ 2,569,357	$ 2,755,015
Uniform Direct Sales	419,222	386,370	428,369
First Aid, Safety and Fire Protection Services	377,663	338,651	378,097
Document Management Services	321,251	252,961	213,204
Total Revenue	$ 3,810,384	$ 3,547,339	$ 3,774,685

Additional information regarding each operating segment is also included in Note 13 entitled Operating 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.

Table of Contents

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 retention facilities. In total, Cintas has approximately 7,700 local delivery routes, 423 operations and eight distribution centers. At May 31, 2011, Cintas employed approximately 30,000 employees, of which approximately 225 were represented by labor unions.

Cintas sources finished products from many outside suppliers. In addition, Cintas operates six manufacturing facilities that 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 its 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 $18 million in both fiscal 2011 and 2010. Capital expenditures to limit or monitor hazardous substances were approximately $2 million in fiscal 2011 and less than $1 million in fiscal 2010. Cintas does not expect a material change in the cost of environmental compliance and is not aware of any material non-compliance with environmental laws.

Cintas uses its corporate website, www.cintas.com, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. Cintas files with or furnishes to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. In addition, the public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site located at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, such as Cintas, that file electronically with the SEC. Cintas' SEC filings and its Code of Business Conduct can be found on the Investor Information page of its website at www.cintas.com/company/investor_information/highlights.aspx. These documents are available in print to any shareholder who requests a copy by writing or calling Cintas as set forth on the Investor Information page.

Item 1A. Risk Factors

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

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. 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,"

Table of Contents

"target," "forecast," "believes," "seeks," "could," "should," "may" and "will" or 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. You should not place undue reliance on any forward-looking statement. 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, disruptions caused by the unaccessibility of computer systems data, the initiation or outcome of litigation, investigations or other proceedings, higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic or extraordinary events, the amount and timing of repurchases of our Common Stock, if any, 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 publicly release any revisions to any forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information or to reflect events, circumstances or any other unanticipated developments arising after the date on which such statements are made.

Negative global economic factors may adversely affect our financial performance.
Negative economic conditions, in North America and our other markets, 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 consolidated 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 its results of operation. 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 us. These competitive pressures could adversely affect our sales and consolidated results of operation.

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.

Table of Contents

Risks associated with our acquisition practice 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 or adequately protect against 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 consolidated results of operations.

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. Increases in fuel and energy costs could adversely affect our consolidated financial condition and consolidated results of operation.

Unionization campaigns could adversely affect our results of operations.

Cintas has been and could continue to be the target of a unionization campaign by several unions. These unions have attempted to pressure Cintas into surrendering its employees' rights to a government-supervised election by unilaterally accepting union representation. We will continue to vigorously oppose any unionization campaign and defend our employees' rights to a government-supervised election. Unionization campaigns could be materially disruptive to our business and could materially adversely affect our consolidated results of operation.

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

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 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, U.S. 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 consolidated results of operation.

Fluctuations in foreign currency exchange could adversely affect our financial condition and results of operation.

We earn revenue, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar, including the Canadian dollar, British pound, and the euro. In fiscal years 2011, 2010 and 2009, revenue denominated in currencies other than the U.S. dollar represented less than 10% of our consolidated revenue. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenue, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, fluctuations in the value of the U.S. dollar against other major currencies, particularly in the event of significant increases in foreign currency revenue, will impact our revenue and operating income and the value of balance sheet items denominated in foreign currencies. This impact could adversely affect our consolidated financial condition and consolidated results of operation.

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 operation.

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 OSHA 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. Any failure to comply with these regulations could result in fines by government authorities and payment of damages to private litigants and affect our ability to service our customers and adversely affect our consolidated results of operation.

We are subject to legal proceedings that may adversely affect our financial condition and results of operation.

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 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 and expense material to our consolidated financial condition and consolidated results of operation.

Compliance with environmental laws and regulations could result in significant costs that adversely affect our results of operation.

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 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 applicable 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 we regularly engage 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 rely extensively on computer systems to process transactions, maintain information and manage our businesses. Disruptions in the availability of our computer systems could impact our ability to service our customers and adversely affect our sales and results of operation.

Our businesses rely on our computer systems to provide customer information, process customer transactions and provide other general information necessary to manage our businesses. We have an active disaster recovery plan in place that is frequently reviewed and tested. However, our computer systems are subject to damage or interruption due to system conversions, power outages, computer or telecommunication failures, computer viruses, security breaches, catastrophic events such as fires, tornadoes and hurricanes and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may have interruptions in our ability to service our customers. This disruption caused by the unavailability of our computer systems could adversely affect our sales and consolidated results of operation.

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.

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 businesses.

Unexpected events could disrupt our operations and adversely affect our results of operation.
Unexpected events, including fires or explosions at facilities, natural disasters such as hurricanes and tornadoes, war or terrorist activities, unplanned outages, supply disruptions, failure of equipment or systems or changes in laws and/or regulations impacting our businesses, could adversely affect our results of operation. 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.

We may recognize impairment charges which could adversely affect our results of operation and financial condition.
We assess our goodwill and other intangible assets and our long-lived assets for impairment when required by U.S. generally accepted accounting principles. These accounting principles require that we record an impairment charge if circumstances indicate that the asset carrying values exceed their estimated fair values. The estimated fair value of these assets is impacted by general economic conditions in the locations in which we operate. Deterioration in these general economic conditions may result in: declining revenue which can lead to excess capacity and declining operating cash flow; reductions in management's estimates for future revenue and operating cash flow growth; increases in borrowing rates and other deterioration in factors that impact our weighted average cost of capital; and deteriorating real estate values. If our assessment of goodwill, other intangible assets or long-lived assets indicates an impairment of the carrying value for which we recognize an impairment charge, this may adversely affect our consolidated financial condition and consolidated results of operation.

Table of Contents

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 operation.
Our Document Management Services business includes both document destruction and document retention services. These services involve the handling of our customers' confidential information and the subsequent destruction or retention 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 consolidated results of operation.

The effects of credit market volatility and changes in our credit ratings could adversely affect our liquidity and results of operation.
Our operating cash flows, combined with access to the credit markets, provide us with significant discretionary funding capacity. However, deterioration in the global credit markets may limit our ability to access credit markets, which could adversely affect our liquidity and/or increase our cost of borrowing. In addition, credit market deterioration and its actual or perceived effects on our results of operation and financial condition, along with deterioration in general economic conditions, may increase the likelihood that the major independent credit agencies will downgrade our credit ratings, which could increase our cost of borrowing. Increases in our cost of borrowing could adversely affect our consolidated results of operation.

Item 1B. Unresolved Staff Comments

None.

Table of Contents

Item 2. Properties

Cintas occupies 431 facilities located in 289 cities. Cintas leases 235 of these facilities for various terms ranging from monthly to the year 2019. Cintas expects that it will be able to renew or replace its leases on satisfactory terms. Of the six manufacturing facilities listed below, Cintas controls the operations of two of these manufacturing facilities, but does not own or lease the real estate related to these operations. All other facilities are owned. The principal 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 eight distribution centers and six 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 14,200 vehicles which are used for the route-based services and by the sales and management employee-partners.

The following chart provides additional information concerning Cintas' facilities:

Type of Facility	# of Facilities
Rental Processing Plants	166
Rental Branches	105
First Aid, Safety and Fire Protection Facilities	60
Document Management Facilities	71
Distribution Centers	8*
Manufacturing Facilities	6
Direct Sales Offices	15
Total	431

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 principal executive office, which is attached to the distribution center in Cincinnati, Ohio.

Item 3. Legal Proceedings

We discuss material legal proceedings (other than ordinary routine litigation incidental to our business) pending against us in "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 and incorporate by reference into this Item 3 that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

Item 4. [Removed and Reserved]

Table of Contents

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 sales prices of shares of Cintas' common stock by quarter during the last two fiscal years:

Fiscal 2011

Quarter Ended		High		Low
May 2011	$	32.90	$	27.22
February 2011		30.19		27.18
November 2010		28.47		25.70
August 2010		27.26		23.50

Fiscal 2010

Quarter Ended		High		Low
May 2010	$	28.79	$	24.72
February 2010		30.00		23.10
November 2009		30.85		26.51
August 2009		28.30		21.30

Holders

At May 31, 2011, there were approximately 4,000 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 $0.49 per share, $0.48 per share and $0.47 per share in fiscal 2011, 2010 and 2009, 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.

Table of Contents

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.

Total Shareholder Returns
Comparison of Five-Year Cumulative Total Return

Purchases of Equity Securities by the Issuer and Affiliated Purchases

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. The Board of Directors did not specify an expiration date for the share buyback program.

From the inception of the May 2, 2005 share buyback program, Cintas purchased a total of approximately 28.0 million shares of Cintas common stock at an average price of $35.78 per share for a total purchase price of $1.0 billion. The May 2, 2005 share buyback program has been completed.

Table of Contents

On October 26, 2010, Cintas announced that the Board of Directors authorized a $500.0 million share buyback program at market prices.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of the publicly announced plan	Maximum approximate dollar value of shares that may yet be purchased under the plan
March 2011		$		$ 500,000,000
April 2011	2,446,673	30.29	2,446,673	425,883,212
May 2011	5,274,498	31.54	7,721,171	259,550,601
Total	7,721,171	$ 31.14	7,721,171	$ 259,550,601

Beginning in April 2011, under the October 26, 2010 program, through July 29, 2011, Cintas has purchased a total of approximately 15.8 million shares of Cintas stock at an average price of $31.70 per share for a total purchase price of $500.0 million. These purchases complete the October 26, 2010 share buyback program.

During the quarter ended May 31, 2011, Cintas purchased approximately 1,000 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock options that vested during the fiscal year. These shares were purchased at an average price of $29.85 per share for a total purchase price of less than $0.1 million.

Table of Contents

Item 6. Selected Financial Data

Eleven-Year Financial Summary

ds except per share and percentage data)

ed	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
	$2,160,700	2,271,052	2,686,585	2,814,059	3,067,283	3,403,608	3,706,900	3,937,900	3,774,685	3,547,339	3,810,384
e	$ 218,665	229,466	243,191	265,078	292,547	323,382	334,538	335,405	226,357	215,620	246,989
	$ 1.30	1.35	1.43	1.55	1.70	1.93	2.09	2.15	1.48	1.40	1.68
S	$ 1.27	1.33	1.41	1.54	1.69	1.92	2.09	2.15	1.48	1.40	1.68
Per	$ 0.22	0.25	0.27	0.29	0.32	0.35	0.39	0.46	0.47	0.48	0.49
s	$1,752,224	2,519,234	2,582,946	2,810,297	3,059,744	3,425,237	3,570,480	3,808,601	3,720,951	3,969,736	4,351,940
rs'	$1,231,346	1,423,814	1,646,418	1,888,093	2,104,574	2,090,192	2,167,738	2,254,131	2,367,409	2,534,029	2,302,649
	19.2%	17.3%	15.8%	15.0%	14.7%	15.4%	15.7%	15.2%	9.8%	8.8%	10.2%
	$ 220,940	703,250	534,763	473,685	465,291	794,454	877,074	942,736	786,058	785,444	1,284,790

(1) 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.

Table of Contents

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 primarily throughout North America, as well as Latin America, Europe and Asia. We bring value to our customers by helping them provide a cleaner, safer and 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 cleaning services and supplies, carpet and tile cleaning services, first aid, safety and fire protection products and services, document management services and branded promotional products.

Cintas' principal objective is "to exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners," and it provides the framework and focus for Cintas' business strategy. This 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 we have 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 several ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our broad 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 evaluate strategic acquisitions as opportunities arise.

Results of Operations

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. 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 destruction, document imaging and document retention services.

Table of Contents

The following table sets forth certain consolidated statements of income data as a percent of revenue by operating segment and in total for the fiscal years ended May 31:

	2011	2010	2009
Revenue:			
Rental Uniforms and Ancillary Products	70.7%	72.4%	73.0%
Uniform Direct Sales	11.0%	11.0%	11.4%
First Aid, Safety and Fire Protection Services	9.9%	9.5%	10.0%
Document Management Services	8.4%	7.1%	5.6%
Total revenue	100.0%	100.0%	100.0%
Cost of sales:			
Rental Uniforms and Ancillary Products	56.8%	56.4%	56.7%
Uniform Direct Sales	69.8%	69.9%	75.2%
First Aid, Safety and Fire Protection Services	58.7%	61.1%	61.9%
Document Management Services	48.7%	48.6%	49.4%
Total cost of sales	57.8%	57.8%	58.9%
Gross margin:			
Rental Uniforms and Ancillary Products	43.2%	43.6%	43.3%
Uniform Direct Sales	30.2%	30.1%	24.8%
First Aid, Safety and Fire Protection Services	41.3%	38.9%	38.1%
Document Management Services	51.3%	51.4%	50.6%
Total gross margin	42.2%	42.2%	41.1%
Selling and administrative expenses	30.7%	30.6%	28.7%
Legal settlements, net of insurance proceeds		0.7%	
Restructuring (credits) charges		-0.1%	0.3%
Impairment of long-lived assets			1.3%
Interest income	-0.1%	-0.1%	-0.1%
Interest expense	1.3%	1.4%	1.3%
Income before income taxes	10.3%	9.7%	9.6%

Fiscal 2011 Compared to Fiscal 2010

Fiscal 2011 total revenue was $3.8 billion, an increase of 7.4% compared to fiscal 2010. Total revenue increased organically by 5.1%. The remaining 2.3% represents growth derived through acquisitions in our Document Management Services operating segment, our First Aid, Safety and Fire Protection Services operating segment and our Rental Uniforms and Ancillary Products operating segment. Organic growth by quarter is shown in the table below.

	Organic Growth
First Quarter Ending August 31, 2010	2.8%
Second Quarter Ending November 30, 2010	4.2%
Third Quarter Ending February 28, 2011	5.5%
Fourth Quarter Ending May 31, 2011	8.0%
For the Year Ending May 31, 2011	5.1%

Table of Contents

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments including flame resistant clothing, 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 4.8% compared to fiscal 2010. Rental Uniforms and Ancillary Products operating segment revenue increased organically by 3.3% in fiscal 2011. This organic increase in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to improvements in sales representative productivity and improved customer retention. The remaining revenue growth of 1.5% was due to acquisitions made in this operating segment.

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 14.3% compared to fiscal 2010. The increase primarily resulted from an organic increase of 9.8% which was due to improved sales representative productivity, improved account retention and an increase in the average selling price of recycled paper. The remaining 4.5% represents growth derived through acquisitions in our Document Management Services operating segment and our First Aid, Safety and Fire Protection Services operating segment during fiscal 2011.

Cost of rental uniforms and ancillary products increased 5.6% compared to fiscal 2010. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost of rental uniforms and ancillary products increase compared to fiscal 2010 was due to increased Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services increased 11.8% compared to fiscal 2010. 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 from fiscal 2010 was due to increased Other Services sales volume.

Selling and administrative expenses increased $82.6 million, or 7.6%, compared to fiscal 2010. Labor and payroll tax expenses increased $47.5 million compared to the prior fiscal year primarily as a result of an increase in the number of sales representatives. In addition, bad debt expense increased $6.7 million due to a slight deterioration in the aging of receivables and professional services increased $10.9 million due to costs related to our enterprise-wide system conversion.

During the first quarter of fiscal 2010, Cintas and the plaintiffs involved in the litigation, *Paul Veliz, et al. v. Cintas Corporation*, reached a settlement in principle. The pre-tax impact, net of insurance proceeds, was approximately $19.5 million. This settlement is more fully described in Note 12 entitled Litigation and Other Contingencies in "Notes to Consolidated Financial Statements." During the second quarter of fiscal 2010, Cintas had legal settlements that totaled $4.0 million, net of insurance proceeds. None of these settlements were significant individually. These settlements included litigation related to multiple subjects including employment practices and insurance coverage.

Operating income of $440.3 million in fiscal 2011 increased $49.5 million, or 12.7%, compared to fiscal 2010. This increase was primarily due to increased revenue in fiscal 2011, improved capacity utilization and the legal settlements which occurred in the prior fiscal year.

Net interest expense (interest expense less interest income) increased $0.8 million from the prior fiscal year. This increase was due to a $1.1 million increase in interest expense caused by higher levels of borrowings in fiscal 2011 compared to fiscal 2010, offset by a $0.3 million increase in interest income.

Table of Contents

Income before income taxes was $392.7 million, a 14.2% increase compared to fiscal 2010. This change reflects the increase in operating income offset by the increase in net interest expense described above.

Cintas' effective tax rate was 37.1% for fiscal 2011 as compared to 37.3% and 37.4% for fiscal 2010 and 2009, respectively (also see Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2011 of $247.0 million was a 14.5% increase compared to fiscal 2010, and diluted earnings per share of $1.68 was a 20.0% increase compared to fiscal 2010. These changes reflect the items described above. The increase in diluted earnings per share of 20.0% is higher than the 14.5% increase in net income due to the impact of the 15.4 million shares of Cintas common stock repurchased during the fiscal year.

Rental Uniforms and Ancillary Products Operating Segment

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue increased $122.9 million, or 4.8%, and the cost of rental uniforms and ancillary products increased $80.9 million, or 5.6%. The operating segment's fiscal 2011 gross margin was 43.2% of revenue compared to 43.6% in fiscal 2010. The reduction in gross margin as a percent of revenue over fiscal 2010 was due to a 15 basis point increase in maintenance costs and a 15 basis point increase in energy related costs, which include natural gas, electric and gas.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment increased $36.1 million in fiscal 2011 compared to fiscal 2010 primarily due to an increase in selling labor due to the addition of sales representatives. The sales representatives were primarily added during the third quarter of fiscal 2010 to grow revenue in the operating segment. Selling and administrative expenses as a percent of revenue, at 30.5%, slightly decreased from 30.6% in fiscal 2010. This slight decrease as a percent of revenue was due to higher volume.

Income before income taxes increased $3.0 million to $339.6 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2011 compared to fiscal 2010. This increase is primarily due to the increase in revenue offset by the increase in selling and administrative expenses discussed above.

Uniform Direct Sales Operating Segment

Uniform Direct Sales operating segment revenue increased $32.9 million, or 8.5%, compared to fiscal 2010. Cost of uniform direct sales increased $22.7 million, or 8.4%, compared to fiscal 2010. The gross margin as a percent of revenue was 30.2% for fiscal 2011, which is relatively consistent with the 30.1% in fiscal 2010.

Selling and administrative expenses increased $2.0 million, or 2.6%, in fiscal 2011 compared to fiscal 2010. Selling and administrative expenses as a percent of revenue, at 18.7%, decreased from 19.7% in fiscal 2010. This decrease in selling and administrative expenses as a percent of revenue was due to the selling and administrative expenses being relatively consistent with fiscal 2010 while revenue increased by 8.5%.

Income before income taxes was $48.3 million in fiscal 2011, an increase of $8.2 million, or 20.3%, compared to fiscal 2010. The increase in income before income taxes is primarily due to the increase in revenue while keeping selling and administrative expenses relatively consistent.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue increased $39.0 million in fiscal 2011, an 11.5% increase compared to fiscal 2010. This increase primarily resulted from an organic increase of 7.3%, which is attributable to improved customer retention and sales representative productivity. The remaining 4.2% represents growth derived through acquisitions.

Cost of first aid, safety and fire protection services increased $14.7 million, or 7.1%, in fiscal 2011, due primarily 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 of revenue was 41.3% for fiscal 2011 compared to 38.9% in fiscal 2010. This increase is due to an increase in revenue and improved capacity utilization.

Selling and administrative expenses increased by $16.3 million, or 13.8%, in fiscal 2011 compared to fiscal 2010 primarily due to an increase in the number of sales representatives and a $2.4 million increase in bad debt expense due to a slight deterioration in the aging of receivables. Selling and administrative expenses as a percent of revenue, at 35.6%, increased from 34.9% in fiscal 2010.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment was $21.5 million in fiscal 2011 compared to $13.4 million in fiscal 2010. This increase in income before income taxes was primarily due to the increase in First Aid, Safety and Fire Protection Services operating segment revenue and improved capacity utilization.

Document Management Services Operating Segment

Document Management Services operating segment revenue increased $68.3 million for fiscal 2011, or 27.0%, over fiscal 2010. This increase primarily resulted from an organic increase of 15.3%. The organic increase is primarily due to the sale of destruction services to new customers and an increase in recycled paper revenue. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The average selling price from these paper sales increased by approximately 31% in fiscal 2011 compared to fiscal 2010. Excluding recycled paper revenue, this operating segment revenue grew 8.2% organically compared to last fiscal year. Acquisitions accounted for revenue growth of 11.7%.

Cost of document management services increased $33.3 million, or 27.1%, for fiscal 2011 due to increased Document Management Services operating segment 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 of revenue was 51.3% for fiscal 2011, which is relatively consistent with the gross margin of 51.4% in fiscal 2010.

Selling and administrative expenses increased $28.2 million in fiscal 2011 over fiscal 2010. This increase is primarily due to an increase in the number of sales representatives. Selling and administrative expenses as a percent of revenue was 41.7% for fiscal 2011 which is consistent with the 41.8% in fiscal 2010.

Income before income taxes for the Document Management Services operating segment was $31.1 million, an increase of $6.8 million compared to fiscal 2010. Income before income taxes was 9.7% of the operating segment's revenue which is consistent with 9.6% in fiscal 2010.

Fiscal 2010 Compared to Fiscal 2009

The economic downturn that occurred in fiscal 2009 continued throughout most of our fiscal 2010. The U.S. economy, which lost millions of jobs in our fiscal 2009, continued to lose jobs through the first three quarters of our fiscal 2010. These job losses directly affected our business as many of our products and services are dependent on customer employee levels. We were encouraged, though, that the rate of U.S. job loss lessened as we progressed through the first three quarters of fiscal 2010, and U.S. employment levels slightly increased in our fourth fiscal 2010 quarter. As this stabilization occurred in the general U.S. economic environment, our organic growth rate improved. Organic growth by quarter is shown in the table below.

	Organic Growth
First Quarter Ending August 31, 2009	-12.6%
Second Quarter Ending November 30, 2009	-10.2%
Third Quarter Ending February 28, 2010	-3.6%
Fourth Quarter Ending May 31, 2010	1.9%
For the Year Ending May 31, 2010	-6.4%

Fiscal 2010 total revenue was $3.5 billion, a decrease of 6.0% compared to fiscal 2009. Total revenue decreased organically by 6.4%. Fiscal 2010 had one more workday than fiscal 2009, and this additional workday in fiscal 2010 accounted for the difference between the total decrease of 6.0% and the organic decrease of 6.4%. As a result of the economic downturn discussed above, we experienced decreases in uniform revenue, both rented and purchased, and revenue for our hygiene products and first aid and safety products. In addition, the continued difficult economic environment in fiscal 2010 caused many of our customers to reduce facility spending on items such as entrance mats and shop towels and delay spending on facility upgrades, resulting in a reduction in our facility services and fire protection revenue.

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments including flame resistant clothing, 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 decreased 6.7% compared to fiscal 2009. Rental Uniforms and Ancillary Products operating segment revenue decreased organically by 6.9% in fiscal 2010. The decrease in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to decreased uniform wearers caused in large part by the difficult U.S. economic environment in fiscal 2010. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

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, decreased 4.1% compared to fiscal 2009. Other Services revenue decreased organically by 5.2%. Decreases in Uniform Direct Sales operating segment revenue and First Aid, Safety and Fire Protection Services operating segment revenue were offset by increased revenue in our Document Management Services operating segment. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 0.7% during fiscal 2010. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of rental uniforms and ancillary products decreased 7.2% compared to fiscal 2009. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost decrease compared to fiscal 2009 was primarily driven by the volume decrease in the Rental Uniforms and Ancillary Products operating segment revenue. We also incurred a loss on inventory valuation of $8.4 million in fiscal 2009 that did not reoccur in fiscal 2010 related to excess inventory levels.

Cost of other services decreased 9.3% compared to fiscal 2009. 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 decrease from fiscal 2009 was due to the volume decrease in Other Services revenue. We also incurred a loss on inventory valuation of $19.1 million in fiscal 2009 that did not reoccur in fiscal 2010 related to excess inventory levels.

Table of Contents

Selling and administrative expenses increased $3.7 million, or 0.3%, compared to fiscal 2009. This increase is primarily due to a $9.6 million increase in medical expenses, an increase of $6.2 million in professional services and depreciation mainly related to the implementation of a new enterprise-wide computer system, and a $3.4 million increase in stock compensation expense, offset by a $15.6 million reduction in bad debt expense.

Legal settlements, net of insurance proceeds, of $23.5 million primarily related to a settlement in principle occurring in the first quarter of fiscal 2010 between Cintas and the plaintiffs involved in the litigation, *Paul Veliz, et al. v. Cintas Corporation*. The pre-tax impact, net of insurance proceeds, was approximately $19.5 million. This settlement is more fully described in Note 12 entitled Litigation and Other Contingencies in "Notes to Consolidated Financial Statements."

Operating income of $390.8 million in fiscal 2010 decreased $18.3 million, or 4.5%, compared to fiscal 2009. This decrease was primarily due to lower volumes resulting from the difficult U.S. economic environment in fiscal 2010.

Net interest expense (interest expense less interest income) decreased $0.6 million from the prior fiscal year. This decrease was due to a $1.1 million reduction in interest income caused by lower interest rates on Canadian treasury securities during fiscal 2010 compared to fiscal 2009, offset by a decrease of $1.6 million in interest expense caused by lower levels of borrowings in fiscal 2010 compared to fiscal 2009.

Income before income taxes was $343.9 million, a 4.9% decrease compared to fiscal 2009. This change reflects the decrease in operating income described above.

Cintas' effective tax rate was 37.3% for fiscal 2010 as compared to 37.4% and 36.8% for fiscal 2009 and 2008, respectively (also see Note 7 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2010 of $215.6 million was a 4.7% decrease compared to fiscal 2009, and diluted earnings per share of $1.40 was a 5.4% decrease compared to fiscal 2009. These changes reflect the decrease in operating income and net interest expense described above.

Rental Uniforms and Ancillary Products Operating Segment

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue decreased $185.7 million, or 6.7%, and the cost of rental uniforms and ancillary products decreased $112.7 million, or 7.2%. The operating segment's fiscal 2010 gross margin was 43.6% of revenue compared to 43.3% in fiscal 2009. A fiscal 2009 loss on inventory valuation of $8.4 million negatively affected the fiscal 2009 Rental Uniforms and Ancillary Products operating segment gross margin by 30 basis points. Despite the lower volume, we were able to maintain the same gross margin (excluding the loss on inventory) as a percent of revenue due to lower material cost and due to cost reduction initiatives such as reducing both facility and route capacity resulting in lower depreciation, production labor and other facility related expenses.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment as a percent of revenue, at 30.6%, increased 270 basis points from 27.9% in fiscal 2009. This increase was due to increased medical expense and an increase in selling labor due to the addition of sales representatives.

The restructuring credit amount of ($2.9) million in fiscal 2010 represents a change in estimate related to restructuring charges taken in fiscal 2009. The change in estimate represents the difference between severance and other exit costs estimated based on information available in fiscal 2009 and severance and other exit costs actually paid in fiscal 2010.

Income before income taxes decreased $34.0 million to $336.5 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2010 compared to fiscal 2009. This decrease is primarily due to the decrease in revenue described above combined with the increase in selling and administrative expenses.

Table of Contents

Uniform Direct Sales Operating Segment

Uniform Direct Sales operating segment revenue decreased $42.0 million, or 9.8%, compared to fiscal 2009. Cost of uniform direct sales decreased $52.3 million, or 16.2%, compared to fiscal 2009. The gross margin as a percent of revenue of 30.1% for fiscal 2010 increased from 24.8% in fiscal 2009. A fiscal 2009 loss on inventory valuation of $16.1 million negatively affected the fiscal 2009 Uniform Direct Sales operating segment gross margin by 370 basis points. Despite the lower volume in fiscal 2010, we were able to improve the gross margin as a percent of revenue due to cost reduction initiatives such as reducing distribution facility labor to adjust to the lower volumes and by sourcing improvements.

Selling and administrative expenses as a percent of revenue, at 19.7%, decreased from 22.9% in fiscal 2009. This decrease is due to cost reduction initiatives to adjust the selling labor to better align with the current volume level.

Income before income taxes was $40.1 million in fiscal 2010, an increase of $36.9 million compared to fiscal 2009. Fiscal 2009 income before income taxes included a loss on inventory valuation of $16.1 million and a charge of $4.6 million related to restructuring activities. Additionally, the increase in income before income taxes in fiscal 2010 compared to fiscal 2009 is due primarily to cost reduction initiatives to reduce capacity, labor and other resources to better align with the current volume level.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue decreased $39.4 million in fiscal 2010, a 10.4% decrease compared to fiscal 2009. This operating segment's revenue decreased organically by 10.6%. The difficult U.S. economic environment, which included job losses in fiscal 2010 and reductions in facility spending, directly impacted this operating segment's revenue. Acquisitions accounted for an increase in revenue of 0.2%. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of first aid, safety and fire protection services decreased $27.0 million, or 11.5%, in fiscal 2010, due primarily to decreased 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 of revenue was 38.9% for fiscal 2010 compared to 38.1% in fiscal 2009. A fiscal 2009 loss on inventory valuation of $3.0 million negatively affected the fiscal 2009 First Aid, Safety and Fire Protection Services operating segment gross margin by 80 basis points. Despite the lower volume, we were able to maintain the same gross margin (excluding the loss on inventory) as a percent of revenue due to the elimination of lower margin fire installation business throughout the course of fiscal 2010 and due to cost reduction initiatives resulting in lower labor related expenses.

Selling and administrative expenses decreased by $8.8 million in fiscal 2010 compared to fiscal 2009 primarily due to lower bad debt expense resulting from improved collection efforts. Selling and administrative expenses as a percent of revenue, at 34.9%, increased from 33.6% in fiscal 2009. This increase as a percent of revenue was due to lower volume.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment was $13.4 million in fiscal 2010 compared to $15.9 million in fiscal 2009. This decrease was primarily due to the reduced volume in First Aid, Safety and Fire Protection Services operating segment.

Document Management Services Operating Segment

Document Management Services operating segment revenue increased $39.8 million for fiscal 2010, or 18.6%, over fiscal 2009. This operating segment's organic growth for fiscal 2010 was 14.4% over fiscal 2009. The organic growth is primarily due to the sale of destruction services to new customers and an increase in recycled paper revenue. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The weighted average price of standard office paper, which accounts for the majority of the recycled paper revenue, increased by 6.4% in fiscal 2010 compared to fiscal 2009. Acquisitions accounted for revenue growth of 3.8%. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of document management services increased $17.7 million, or 16.8%, for fiscal 2010, due to increased Document Management Services operating segment 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 of revenue was 51.4% for fiscal 2010, an increase from 50.6% in fiscal 2009. This increase from fiscal 2009 is mainly due to the increase in recycled paper prices in fiscal 2010 compared to fiscal 2009.

Selling and administrative expenses as a percent of revenue was 41.8% for fiscal 2010 compared to 41.4% in fiscal 2009. This increase was due to an increase in selling labor due to the addition of sales representatives and increased medical expense.

Income before income taxes for the Document Management Services operating segment was $24.3 million, an increase of $4.9 million compared to fiscal 2009. Income before income taxes was 9.6% of the operating segment's revenue compared to 9.1% in fiscal 2009. This increase is due to the increase in the average price of standard office paper, offset by the increase in selling and administrative expenses.

Liquidity and Capital Resources

The following is a summary of our cash flows and cash, cash equivalents and marketable securities as of and for the fiscal years ending May 31:

(In thousands)	**2011**	2010
Net cash provided by operating activities	$ 340,886	$ 565,654
Net cash used in investing activities	$ (298,593)	$ (207,582)
Net cash used in financing activities	$ (20,038)	$ (76,509)
Cash and cash equivalents at the end of the period	$ 438,106	$ 411,281
Marketable securities at the end of the period	$ 87,220	$ 154,806

The cash, cash equivalents and marketable securities as of May 31, 2011, include $160.3 million that is located outside of the United States. We expect to use these amounts to fund our international operations and international expansion activities. The marketable securities at May 31, 2011, consist of Canadian treasury securities. We believe that our 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.

Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We generally use these cash flows to fund most, if not all, of our operations and expansion activities and dividends on our common stock. We may also use cash flows provided by operating activities, as well as proceeds from long-term debt and short-term borrowings, to fund growth and expansion opportunities, as well as other cash requirements such as share buybacks.

Net cash provided by operating activities was $340.9 million for fiscal 2011, a decrease of $224.8 million compared to fiscal 2010. Net cash provided by operating activities in fiscal 2010 benefited from lower working capital needs associated with our decreasing sales volumes and the accrual of approximately $28.0 million in legal settlements. As sales volumes have increased in fiscal 2011, our working capital needs increased. Our operating cash flows were negatively impacted by the accounts receivable increase of $49.0 million and the inventories, net and uniforms and other rental items in service increase of $137.0 million, both due to the higher sales volume and a planned increase in inventory in anticipation of a planned enterprise-wide system conversion of the Cintas Global Supply Chain division. The average collection period at May 31, 2011 and 2010 was 42 days.

Table of Contents

Net cash used in investing activities includes capital expenditures and cash paid for acquisitions of businesses. Capital expenditures were $182.6 million and $111.1 million for fiscal 2011 and fiscal 2010, respectively. These capital expenditures primarily relate to expansion efforts in Rental Uniforms and Ancillary Products and Document Management Services operating segments and to our enterprise-wide system conversion. Capital expenditures for fiscal 2011 included $108.6 million for the Rental Uniforms and Ancillary Products operating segment and $45.6 million for the Document Management Services operating segment. Capital expenditures increased during fiscal 2011 over fiscal 2010 as economic conditions in the United States and Canada stabilized in 2010, providing better revenue growth opportunities. Cash paid for acquisitions of businesses was $171.6 million and $50.4 million for fiscal 2011 and fiscal 2010, respectively. The acquisitions in fiscal 2011 occurred in our Document Management Services, First Aid, Safety and Fire Protection Services and Rental Uniforms and Ancillary Products operating segments. The cash used for capital expenditures and acquisitions was offset by net proceeds from the redemption of marketable securities.

Net cash used in financing activities was $20.0 million and $76.5 million for fiscal 2011 and 2010, respectively. We completed the May 2, 2005 share buyback program by purchasing 7.7 million shares of Cintas common stock for a total of $202.1 million of Cintas common stock by the end of September 30, 2010. On October 26, 2010, we announced that the Board of Directors authorized an additional $500.0 million share buyback program at market prices. Beginning in April 2011, under this new program, we purchased 7.7 million shares of Cintas common stock for a purchase price of $240.5 million which resulted in a total of $442.5 million of Cintas common stock through May 31, 2011. We completed the October 26, 2010 share buyback program by purchasing an additional 8.1 million shares of Cintas common stock in June and July 2011 for $259.5 million. From the inception of the October 26, 2010 share buyback program through July 29, 2011, Cintas has purchased a total of 15.8 million shares of Cintas common stock at an average price of $31.70 per share for a total purchase price of $500.0 million. For the fiscal year ended May 31, 2011, Cintas purchased approximately 47,000 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $23.88 per share for a total purchase price of approximately $1.1 million.

We paid an annual cash dividend of $71.8 million, or $0.49 per share, in December 2010. On a per share basis, this dividend is an increase of 2.1% over the dividend paid in fiscal 2010. This marks the 28th consecutive year that Cintas has increased its annual dividend, every year since going public in 1983.

As of May 31, 2011, we had $1,275.0 million in fixed rate senior notes outstanding with maturities ranging from 2012 to 2036. On May 18, 2011, Cintas issued $250.0 million of senior notes due 2016 bearing an interest rate of 2.85% and an additional $250.0 million of senior notes due 2021 bearing an interest rate of 4.30%. The interest on both tranches of these senior notes will be paid semi-annually beginning December 1, 2011. The net proceeds generated from the offerings were used to repay our outstanding commercial paper borrowings, purchase shares of Cintas common stock under the October 26, 2010 share buyback program and other general corporate purchases. We also have $225.0 million of 10-year senior notes issued in fiscal 2002 at a rate of 6.0%, $250.0 million of 30-year senior notes issued in fiscal 2007 at a rate of 6.15% and $300.0 million of 10-year senior notes issued in fiscal 2008 at a rate of 6.125%. During fiscal 2010, Cintas initiated a $7.5 million loan with PIDC Regional Center, LP for funding related to a facility being built in Philadelphia. It is a 5-year note with a 2.75% interest rate.

Cintas has a commercial paper program with capacity of $300.0 million that is fully supported by a backup revolving credit facility through a credit agreement with its banking group. This revolving credit facility has an accordion feature that allows for a maximum borrowing capacity of $450.0 million and an expiration date of September 26, 2014. We believe this program will be adequate to provide necessary funding for our future cash requirements. No commercial paper or borrowings on our revolving credit facility were outstanding at May 31, 2011 or 2010.

Cintas has certain covenants related to debt agreements. These covenants limit our ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets.

Table of Contents

These covenants also require Cintas to maintain certain debt to capitalization and interest coverage ratios. Cross-default provisions exist between certain debt instruments. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital. As of May 31, 2011, Cintas was in compliance with all significant debt covenants.

Our access to the commercial paper and long-term debt markets has historically provided us with sources of liquidity. We do not anticipate having difficulty in obtaining financing from those markets in the future in view of our favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets on favorable interest rate and other terms will depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness. As of May 31, 2011, our ratings were as follows:

Rating Agency	Outlook	Commercial Paper	Long-term Debt
Standard & Poor's	Stable	A-2	BBB+
Moody's Investors Service	Stable	P-1	A2

In the event that the ratings of our commercial paper or our outstanding long-term debt issues were substantially lowered or withdrawn for any reason, or if the ratings assigned to any new issue of long-term debt securities were significantly lower than those noted above, particularly if we no longer had investment grade ratings, our ability to access the debt markets may be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt would be higher than our cost of funds would have been had the ratings of those new issues been at or above the level of the ratings noted above. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. One such factor is the ratio of our total debt to capitalization. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases. Total capitalization is defined as debt plus shareholders' equity. At May 31, 2011 and May 31, 2010, the ratio of our total debt to capitalization was 35.8% and 23.7%, respectively. We believe these levels are reasonable and allow for additional funding if the need arises.

Long-Term Contractual Obligations

(In thousands)	Payments Due by Period				
	Total	One year or less	Two to three years	Four to five years	After five years
Long-term debt [1]	$ 1,286,125	$ 1,335	$ 233,810	$ 697	$ 1,050,283
Operating leases [2]	106,809	29,612	42,716	23,848	10,633
Interest payments [3]	675,357	69,162	110,170	109,679	386,346
Interest swap agreements					
Unconditional purchase obligations					
Total long-term contractual cash obligations	$ 2,068,291	$ 100,109	$ 386,696	$ 134,224	$ 1,447,262

Table of Contents

Cintas also makes payments to defined contribution plans. The amounts of contributions made to the defined contribution plans are made at the discretion of the Board of Directors of Cintas. Future contributions are expected to increase approximately 3% to 5% annually. Based on that increase, payments due in one year or less would be $22.8 million, two to three years would be $49.1 million and four to five years would be $54.1 million. Payments for years thereafter are expected to continue increasing by approximately 5% each year.

(1)

Long-term debt primarily consists of $1,275.0 million in senior notes. Reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for a detailed discussion of long-term debt.

(2)

Operating leases consist primarily of building leases.

(3)

Interest payments include interest on both fixed and variable rate debt. Rates have been assumed to increase 50 basis points in fiscal 2012, increase 150 basis points in fiscal 2013, increase 125 basis points in fiscal 2014, increase 100 basis points in both fiscal 2015 and 2016 and increase an additional 50 basis points in each year thereafter.

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
Lines of credit [1]	$ 299,916	$	$	$ 299,916	$
Standby letters of credit [2]	82,720	82,720			
Guarantees					
Standby repurchase obligations					
Other commercial commitments					
Total other commitments	$ 382,636	$ 82,720	$	$ 299,916	$

(1)

Back-up facility for the commercial paper program (reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for further discussion).

(2)

Support certain outstanding debt (reference Note 5 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements"), self-insured workers' compensation and general liability insurance programs.

Inflation and Changing Prices

Changes in wages, benefits and energy costs have the potential to materially impact Cintas' consolidated financial results. Management believes inflation has not had a material impact on Cintas' consolidated financial condition or a negative impact on results of 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 consolidated financial position or results of operation of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to "Part I, Item 3. Legal Proceedings" and Note 12 entitled Litigation and Other Contingencies of "Part II, Item 8. Notes to Consolidated Financial Statements" for a detailed discussion of certain specific litigation.

Critical Accounting Policies

The preparation of Cintas' consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 Rental 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.

Allowance for doubtful accounts

Cintas establishes an allowance for doubtful accounts. This allowance includes an estimate based on historical rates of collectability and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on historical rates of collectability 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 operating segment.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and 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 clothing) are amortized over their useful life of 18 months. Other rental items including shop towels, mats, cleanroom garments, flame resistant clothing, 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' specific 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 15 years for leasehold improvements. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as appropriate. Long-lived assets that are held for sale are reported at the lower of the carrying amount or the fair value, less estimated costs to sell.

Goodwill and impairment

Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas completes an annual impairment test which includes the determination of the estimated fair value of its reporting units. This test includes comparisons to current market values, where available, and discounted cash flow analyses. Significant

Table of Contents

assumptions include growth rates based on historical trends and margin improvement leveraged from such growth. The methodology used is consistent with prior years. Based on the results of the impairment tests, Cintas has not recognized an impairment of goodwill for the fiscal years ended May 31, 2011, 2010 or 2009.

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 accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2011, 2010 or 2009.

Stock-based compensation

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. GAAP requires 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 in Note 12 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements."

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. See 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.

Table of Contents

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 investments in marketable securities and money market accounts and periodic issuances of commercial paper. If short-term rates changed by one-half percent (or 50 basis points), Cintas' income before income taxes would change by approximately $1.5 million. This estimated exposure considers the effects on investments and 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. Foreign denominated revenue and profit represents less than 10% of Cintas' consolidated revenue and profit. Cintas periodically uses foreign currency hedges such as average rate options and forward contracts to mitigate the risk of foreign currency exchange rate movements resulting from foreign currency revenue and from international cash flows. The primary foreign currency to which Cintas is exposed is the Canadian dollar.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Audited Consolidated Financial Statements for the Fiscal Years Ended May 31, 2011, 2010 and 2009

Table of Contents

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 Chief Executive Officer and our Chief Financial Officer, management assessed our internal control over financial reporting as of May 31, 2011. 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, 2011, 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, 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 on Form 10-K.

/s/ Scott D. Farmer
Scott D. Farmer
Chief Executive Officer
/s/ William C. Gale
William C. Gale
Senior Vice President and Chief Financial Officer

Table of Contents

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, 2011, 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 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, 2011, 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, 2011 and 2010, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended May 31, 2011, of Cintas Corporation, and our report dated July 29, 2011, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 29, 2011

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, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended May 31, 2011. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and schedule are the responsibility of Cintas Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cintas Corporation at May 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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, 2011, 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 29, 2011, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 29, 2011

Table of Contents

Consolidated Statements of Income

(In thousands except per share data)	Fiscal Years Ended May 31, 2011	2010	2009
Revenue:			
Rental uniforms and ancillary products	$ 2,692,248	$ 2,569,357	$ 2,755,015
Other services	1,118,136	977,982	1,019,670
	3,810,384	3,547,339	3,774,685
Costs and expenses:			
Cost of rental uniforms and ancillary products	1,530,456	1,449,576	1,562,230
Cost of other services	670,641	599,946	661,584
Selling and administrative expenses	1,168,944	1,086,359	1,082,709
Legal settlements, net of insurance proceeds		23,529	
Restructuring (credits) charges		(2,880)	10,209
Impairment of long-lived assets			48,888
Operating income	440,343	390,809	409,065
Interest income	(2,030)	(1,695)	(2,764)
Interest expense	49,704	48,612	50,236
Income before income taxes	392,669	343,892	361,593
Income taxes	145,680	128,272	135,236
Net income	$ 246,989	$ 215,620	$ 226,357
Basic earnings per share	$ 1.68	$ 1.40	$ 1.48
Diluted earnings per share	$ 1.68	$ 1.40	$ 1.48
Dividends declared and paid per share	$ 0.49	$ 0.48	$ 0.47

See accompanying notes.

Table of Contents

Consolidated Balance Sheets

As of May 31,

(In thousands except share data)	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 438,106	$ 411,281
Marketable securities	87,220	154,806
Accounts receivable, principally trade, less allowance of $17,057 and $14,297, respectively	429,131	362,219
Inventories, net	249,658	169,484
Uniforms and other rental items in service	393,826	332,106
Income taxes, current	33,542	15,691
Deferred tax asset	45,813	52,415
Prepaid expenses and other	23,481	22,860
Total current assets	1,700,777	1,520,862
Property and equipment, at cost, net	946,218	894,522
Goodwill	1,487,882	1,356,925
	102,312	103,445

Service contracts, net				
Other assets, net		114,751		93,982
	$	4,351,940	$	3,969,736
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$	110,279	$	71,747
Accrued compensation and related liabilities		79,834		66,924
Accrued liabilities		242,691		244,402
Long-term debt due within one year		1,335		609
Total current liabilities		434,139		383,682
Long-term liabilities:				
Long-term debt due after one year		1,284,790		785,444
Deferred income taxes		196,321		150,560
Accrued liabilities		134,041		116,021
Total long-term liabilities		1,615,152		1,052,025
Shareholders' equity:				
Preferred stock, no par value:				
100,000 shares authorized, none outstanding				
Common stock, no par value:				
425,000,000 shares authorized				

2011: 173,346,180 shares issued and 137,583,884 shares outstanding		
2010: 173,207,493 shares issued and 152,869,848 shares outstanding	135,401	132,058
Paid-in capital	95,732	84,616
Retained earnings	3,255,256	3,080,079
Treasury stock:		
2011: 35,762,296 shares		
2010: 20,337,645 shares	(1,242,547)	(798,857)
Other accumulated comprehensive income (loss):		
Foreign currency translation	70,214	42,870
Unrealized loss on derivatives	(12,326)	(6,997)
Other	919	260
Total shareholders' equity	2,302,649	2,534,029
	$ 4,351,940	$ 3,969,736

See accompanying notes.

Table of Contents

Consolidated
Statements of Shareholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Other Accumulated Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance at June 1, 2008	173,083	$ 129,182	$ 60,408	$ 2,784,302	$ 52,280	(19,392)	$ (772,041)	$ 2,254,131
Net income				226,357				226,357
Equity adjustment for foreign currency translation					(27,701)			(27,701)
Change in fair value of derivatives, net of $94 of tax					(159)			(159)
Amortization of interest rate lock agreements					767			767
Change in fair value of available-for-sale securities, net of $50 of tax					112			112
Comprehensive income, net of tax								199,376
Dividends				(72,207)				(72,207)
Stock-based compensation			11,953					11,953
Stock options exercised, net of shares surrendered	3							
Repurchase of common stock						(904)	(25,847)	(25,847)
Other		33	3	(33)				3
Balance at May 31, 2009	173,086	129,215	72,364	2,938,419	25,299	(20,296)	(797,888)	2,367,409
Net income				215,620				215,620
					9,365			9,365

Equity adjustment for foreign currency translation								
Change in fair value of derivatives, net of ($260) of tax benefit					443			443
Amortization of interest rate lock agreements					767			767
Change in fair value of available-for-sale securities, net of ($14) of tax benefit					(28)			(28)
Comprehensive income, net of tax								226,167
Dividends				(73,960)				(73,960)
Stock-based compensation			15,349					15,349
Vesting of stock-based compensation awards	121	2,843	(2,843)					
Repurchase of common stock						(42)	(969)	(969)
Other			(254)		287			33
Balance at May 31, 2010	173,207	132,058	84,616	3,080,079	36,133	(20,338)	(798,857	