

## 2nd Quarter of FY2014 Financial Results Q&A Summary

### [FY2014 2Q Financial Results]

**Q:** The gross margin ratio for 2Q is lower than that for both 1Q and the same period of previous fiscal year; does the Company expect this downtrend to continue?

**A:** Generally, quarterly gross margin ratios may fluctuate by a few percentage points depending on product mix and regional sales mix. The cost ratio for 2H of FY2014 is expected to improve, on the back of the positive effects of cost reduction efforts, new product contributions and an increase in mobile business projects. We believe that the full-year gross margin ratio will remain where it was for the previous fiscal year.

### [FY2014 Financial Outlook]

**Q:** Compared with the H1, what factors are expected to boost the 2H orders in the T&M business?

**A:** 1) New products released for the network infrastructure market and the acquisition of orders associated with the demand for the relevant measuring instruments  
2) Reinforced and expanded operations of the system business, such as CAT (carrier acceptance tests) and PCT (protocol conformance tests)  
3) Higher demand for LTE-Advanced R&D purpose

**Q:** How does the Company anticipate the TD-LTE manufacturing business in China to play out in 2H?

**A:** The 1H saw some requirements for the production of terminals from major terminal vendors including Chinese. However, the market sought higher measurement efficiency due to increased competition among terminal manufacturers, thus we enjoyed only limited business growth in terms of monetary amounts. In 2H, although we do not expect strong demand for the production of terminals from major terminal vendors, we are likely to enjoy some demand for measurement equipment from vendors other than the major terminal vendors; we will focus our attention on the expansion of our customer base.

### [Other Topics]

**Q:** The Company has carried out an acquisition of treasury stock. What is the Company's plan for its total return ratio in the future?

**A:** FY2014 marks the last year of GLP2014. Taking into consideration various factors particularly the overall state of improvement in our financial position and profitability levels for the three-year period between FY2012 and FY2014, we have carried out an acquisition of treasury stock on the assumption of achieving a cumulative total return ratio for the period exceeding 40%. We continue to discuss an appropriate level of total return ratio in line with our long-term business plan. We plan to carry out a swift acquisition of treasury stock, but we are unable to commit to implementing it each year.