

Review of Operations— Capital Expenditures and R&D Expenditures

Plant and Equipment Investment

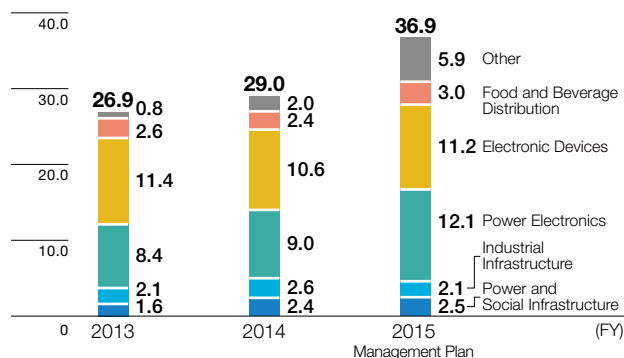
Constructing New Research and Development Centers, Increased Production Capacity, and Improved Product Development Capabilities

In fiscal 2014, we started construction on a Core R&D Center that will serve as a global development headquarters at the Tokyo Factory and a Development Center for power semiconductors at the Matsumoto Factory. We also invested in production facilities for power electronics and electrical switchgear at the Thailand Factory, which is the main production base for products for Asia, Europe, and the U.S. markets. In Japan, we introduced automated production lines for smart meters, constructed an ED&C Development Center at the Fukiage Factory, and made further investments in testing facilities. Moreover, we also proceeded with the introduction of development facilities for 7th generation IGBT power semiconductor modules.

In fiscal 2015, we will prepare for increased competition in the power electronics sector by investing in domestic production facilities and constructing the Power Electronics Technical Center at the Suzuka Factory to strengthen our manufacturing capabilities and accelerate new product development. We will also strengthen development and commercialization for related products by starting operations at the Core R&D Center and Development Center for power semiconductors, and by introducing development facilities for SiC power devices.

Amount of Plant and Equipment Investment

(Billions of yen)



R&D Expenditures

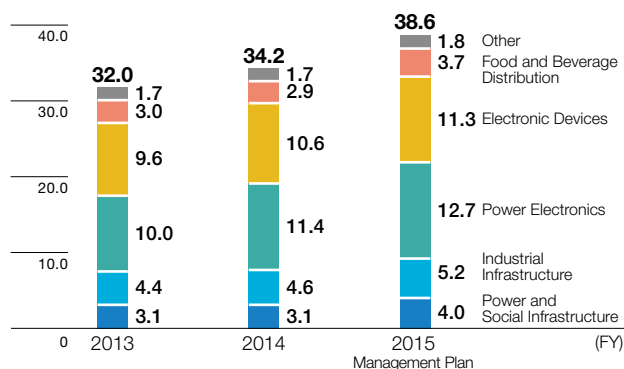
Strengthen Core Technologies in All Areas and Accelerate Development of New Products

In fiscal 2014, focusing on electronic devices and power electronics, we promoted the development of SiC power devices and power electronics equipped therewith, such as power conditioning sub-systems and inverters (Please refer to pages 20-21 “Research and Development” for details). SiC power devices are a highly innovative development that enable advances such as energy saving and miniaturization in all kinds of power electronics by significantly reducing power losses. We will continue to invest aggressively in these fields to expand sales.

In fiscal 2015, we will work to create innovative solutions that combine “physical objects, energy, and information” through the Internet of Things (IoT) and machine-to-machine (M2M) communication. At the same time, we will continue to strengthen basic research and leading-edge technology development. Moreover, to cope with the expansion of our overseas business, we will accelerate development of foundation technologies suited to local development and production. We will aggressively promote private-public-academic collaboration with research institutions and universities to develop advanced technologies and accelerate development.

R&D Expenditures

(Billions of yen)



Note: Figures for research and development expenses are allocated by research theme and therefore differ from those in the Consolidated Financial Report.