Review of Operations (Capital Expenditures and R&D Expenditures)

Capital Expenditures

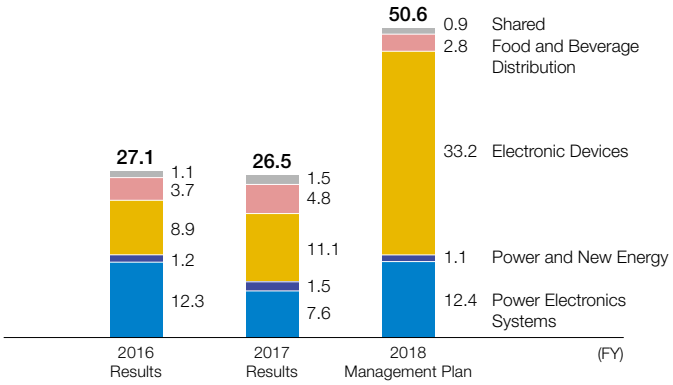
Fuji Electric enacts a basic capital expenditure policy of concentrating investments on facilitating local design, local production, and local consumption and on focus areas.

In fiscal 2017, expenditures were conducted in the Electronic Devices segment to install production equipment compatible with SiC power semiconductors and other newly developed products. Meanwhile, the Food and Beverage Distribution segment saw expenditures for the completion of the second Dalian factory in China, which was built to augment vending machine production capacity in this country.

In fiscal 2018, we are planning expenditures in the Electronic Devices segment for bolstering production capacity to expand power semiconductor operations and for investing in production equipment for manufacturing newly developed products, such as power semiconductors for automotive and industrial applications and SiC power semiconductors. In the Power Electronics Systems segment, we will start construction of switchgear and controlgear system factories at our production base in Thailand (Fuji Electric Manufacturing (Thailand)).

Capital Expenditures

(Billions of yen)



R&D Expenditures

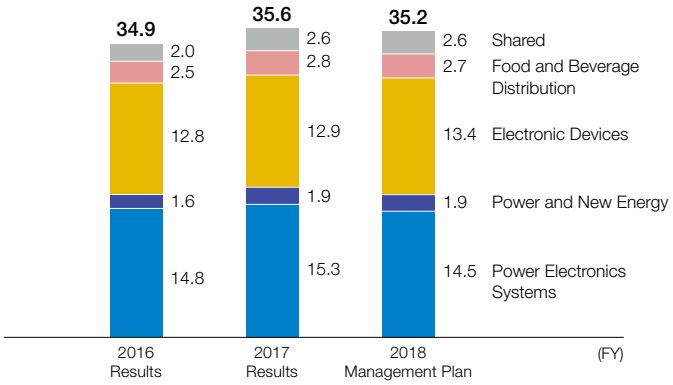
Fuji Electric's basic policy for R&D expenditures is to invest in research and development for accelerating the development of competitive, value-added products.

In fiscal 2017, our focus was the creation of competitive components and systems. We invested in SiC power semiconductors that contribute to substantial energy savings in the equipment in which they are used in the Electronic Devices segment. Expenditures in the Power Electronics Systems segment were made to develop an automobile tire testing machines that employs Fuji Electric's FA systems. Another R&D focus was the development of an IoT platform that helps customers optimize their energy usage and operations through the diagnosis, analysis, and prediction of facility operating conditions.

In fiscal 2018, we once again plan to devote 40% of R&D expenditures to the Electronic Devices segment, where we will move ahead with the development of SiC power semiconductors and automotive power semiconductors. In the Power Electronics Systems segment, which will also be the target of 40% of R&D expenditures, we will conduct research and development on power electronics products equipped with SiC modules. As for corporate research and development, we develop IoT-compatible equipment and systems.

R&D Expenditures*

(Billions of yen)



* Figures for R&D expenditure above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2018.