

Formulation of the COSMOS Group “Medium-term Management Plan 2019–2021”

NEW COSMOS ELECTRIC CO., LTD. (hereinafter the “Company”; President and Representative Director: Yoshinori Takahashi) hereby announces the formulation of the COSMOS Group “Medium-term Management Plan 2019–2021.”

1. Basic Policy

COSMOS Group (the “Group”) has been engaged in business with “COSMOS Group takes on challenges to create safer, more secure and more comfortable environments in the world through its sensor technology and services” as a mission of the Group. Based on such a mission, the Group takes on business with six themes as medium-to-long term initiatives: “reinforcing overseas business,” “evolving sensor technology,” “establishing new business,” “coping with energy diversification,” “expanding existing business,” and “strengthening the management base.”

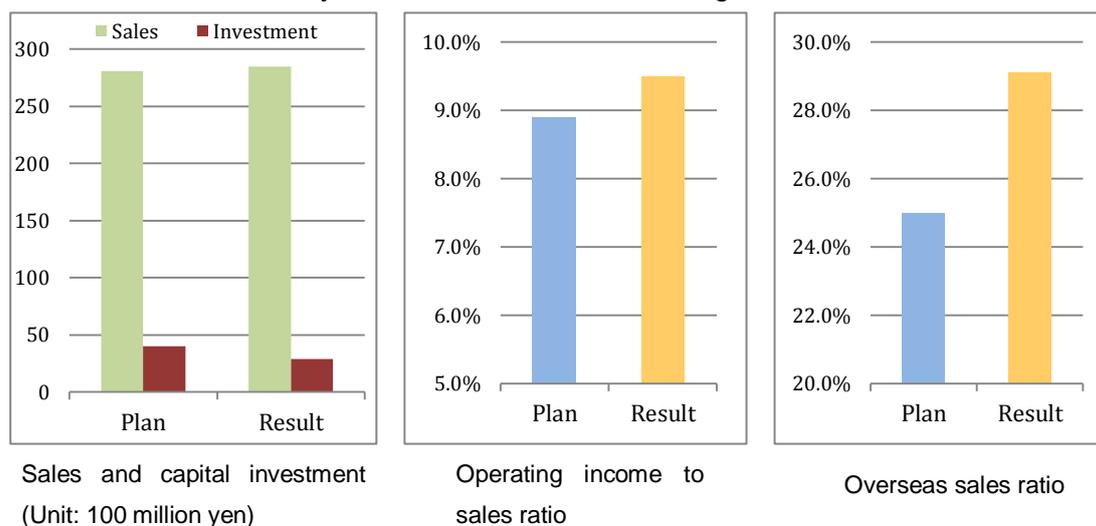
2. Looking back at the “Medium-term Management Plan 2016–2018”

In the “Medium-term Management Plan 2016–2018,” which was the previous medium-term management plan of the Group, we positioned the following six items as priority issues: “improving the research and development of sensors and streamlining production systems,” “reinforcing overseas business,” “establishing new business and technologies,” “coping with energy diversification,” “responding to new markets,” and “human resources,” and have been engaged in business setting the items below as our management targets.

- (1) Sales: Aiming for 28.07 billion yen in the final fiscal year of the medium-term management plan (FY2018)
- (2) Operating income to sales ratio: Aiming for 8.9% in the final fiscal year of the medium-term management plan
- (3) Overseas sales ratio: Aiming for 25% or more in the final fiscal year of the medium-term management plan
- (4) Capital investment: Aiming to make capital investment of 4 billion yen during the term (including ordinary investment)

During the term of this management plan, the Company developed a methane detector for commercial use, equipped with a power-saving and ultra-compact methane sensor using the MEMS technology, which was adopted by an energy company in the United States. Along with this, the Company established a local subsidiary in the United States, enabling the Company to build bases for reinforcing future approaches to the North American market. In Korea, the Company energetically worked on the reinforcement of overseas deployment, such as the conversion of a liaison office to a locally incorporated company and the development of agency networks. Furthermore, the Company has been working on the development, manufacturing, and sales of new sensors and products that meet the needs of markets, such as achieving the miniaturization and service life extension of sensors, developing new products employing new technology (e.g. wireless), and developing new products that respond to the revision of laws, including the risk assessment of chemical substances.

Results in the final fiscal year of the “Medium-term Management Plan 2016–2018”



As a result, in the final fiscal year of the Medium-term Management Plan, the Group achieved the targets referred to in (1) to (3) above, posting 28.501 billion yen in sales, 9.5% in operating income to sales ratio, 29.1% in overseas sales ratio, and 2.89 billion yen in total capital investment. Though the initially planned capital investment of 4 billion yen was not realized, the Group successfully made investment towards the development of new products as well as the enhancement of production efficiency.

3. Outline of the “Medium-term Management Plan 2019–2021”

The Group conducts business activities to “eliminating gas accidents from all corners of the world,” which is the Group’s primary goal. Toward the realization of such a goal, the Group sets objectives in its Medium-term Management Plan, as a qualitative objective “Pursuing product quality and service quality required by customers, and aiming for a COSMOS Group chosen by customers” and as a quantitative objective “In FY2021, Consolidated sales: 31.8 billion yen or more, Overseas sales ratio: 35% or more, Operating income to sales ratio: to steadily ensure 10% or more,” and the Group will, to achieve these objectives, work on the following growth strategy and platform strategy centering on “gas sensor and gas sensing technology,” which is the core competence of the Company.

1) Qualitative and quantitative objectives of the “Medium-term Management Plan 2019–2021”

Qualitative Objectives	Pursuing product quality and service quality required by customers and aiming for a COSMOS Group chosen by customers	
Quantitative Objectives	Consolidated sales	FY2021: 31.8 billion yen or more
	Overseas sales ratio	FY2021: 35% or more
	Operating income to sales ratio	To steadily ensure 10% or more

Consolidated sales plan by segment for FY2019 (first fiscal year) and FY2021
(final fiscal year)

Unit: Million yen

	FY2019 (first fiscal year)	FY2021 (final fiscal year)
Products related to gas alarms for residential use	13,280	14,702
Products related to stationary gas detectors and alarms for industrial use	7,606	8,300
Products related to portable gas detectors for commercial use	5,490	5,958
Other	2,151	2,887
Total	28,528	31,847
Operating income (*percentages in parentheses are operating income to sales ratio)	2,765 (9.7%)	3,857 (12.1%)
ROE	5.9%	7.5%

2) Growth Strategy and Platform Strategy

Growth Strategy

Promotion of global deployment	Reinforcing the deployment of battery-powered methane alarms in North America and China
	Promoting sales of competitive sensors, such as CO ₂ sensors and air quality sensors, to priority fields
	Strengthening sales in growth regions, such as Southeast Asia
Enhancement of sensing technology	Deploying gas sensors utilizing MEMS technology
	Working more actively on the development of new sensors
Approaches to new business and new technology	Focusing on the development and sales promotion of products to fields where the application of gas sensing technology is expected to increase
	Developing products corresponding to new technology, such as IoT and AI
	Building new business models without being constrained by conventional methods
Improvement of service	Increasing customer satisfaction by strengthening maintenance business and solution business

Platform Strategy

Promotion of Group management	Creating a sense of unity in the Group by taking measures, such as personnel exchange and uniformity of education
	Accelerating collaboration in R&D and production
Improvement of profitability	Improving profitability by the selective investment of management resources
	Promoting initiatives towards business reforms and

	productivity improvement
Enhancement of quality	Enhancing the quality of products, operations, and services
Development of human resources	Developing diverse human resources who can cope with global deployment
	Promoting diversity
Promotion of governance management	Increasing corporate value by reinforcing risk management, compliance, and governance

3) Investment Strategy

The Company considers the term of this Medium-term Management Plan as the term to strengthen its platform for coping with major changes in the social environment and promoting collaboration with FIGARO ENGINEERING INC., which was incorporated into the Group in 2016.

From such a viewpoint, the Company plans to make investments of 5 billion yen during the term of this management plan. Major investments are as follows.

- (1) Investment in fundamental research that will contribute to the development of new gas sensors and other new products
- (2) Investment in the development of overseas business bases
- (3) Capital investment for production efficiency

4. Returns to Shareholders

With respect to dividends, the Company will endeavor to return profits to our shareholders by realizing sustained and consistent dividend payments comprehensively taking into account various factors, including business performance and the investment plan.

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