



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

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Focus Systems Corporation
(Securities Code: 4662)

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Situation Analysis

- Recognized Cost of Capital
 - Weighted Average Cost of Capital (WACC): approximately 9.9%
 - Cost of Equity: approximately 10.5% (CAPM 7.5% + Size Risk Premium 3.0%)
- ROE exceeds the market and industry averages as well as the cost of equity, but remains approximately 5% below the peer average.
- The cost of equity has risen by about 1% over the past two years due to higher interest rates and may continue to increase.
- The P/E ratio and share turnover ratio remains relatively low, and the expected growth rate fluctuate.

Policies

Pursue an optimal capital structure aligned with our growth stage and risk tolerance to strike the right balance among growth investments, financial stability, and shareholder returns.

By clearly linking our shareholder return policy to investment outcomes, we aim to elevate market expectations for growth and reinforce investor confidence in the capital markets.

Key Initiatives

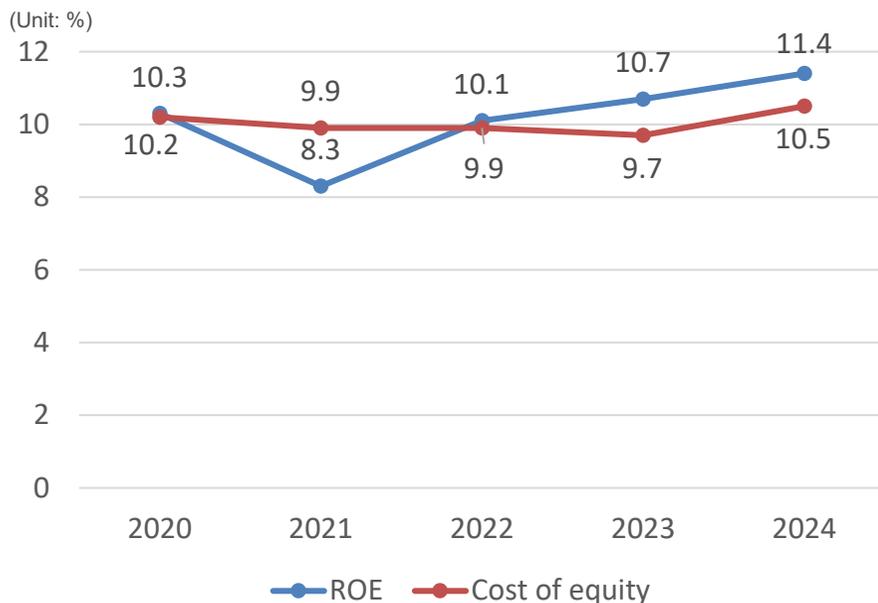
- Continuous Improvement of ROE
 - Focus on selective, high-priority projects
 - Invest in high-productivity fields and new technologies
 - Leverage investment opportunities, including M&A
 - Regularly review the capital structure to ensure optimal allocation and use debt financing for growth investments
 - Reduce cross-shareholdings and reallocate proceeds to growth investments and shareholder returns
- Strategic IR Activities to Reduce Information Asymmetry and Enhance Awareness
 - Enhance disclosure content and create opportunities for dialogue
 - Strengthen shareholder return initiatives
 - Redesign and communicate a compelling equity story
 - Develop initiatives to improve market liquidity and promote fair valuation of growth potential

We recognize our cost of capital (WACC) to be approximately 9.9% and our cost of equity to be approximately 10.5% (CAPM 7.5% + Size Risk Premium 3.0%).

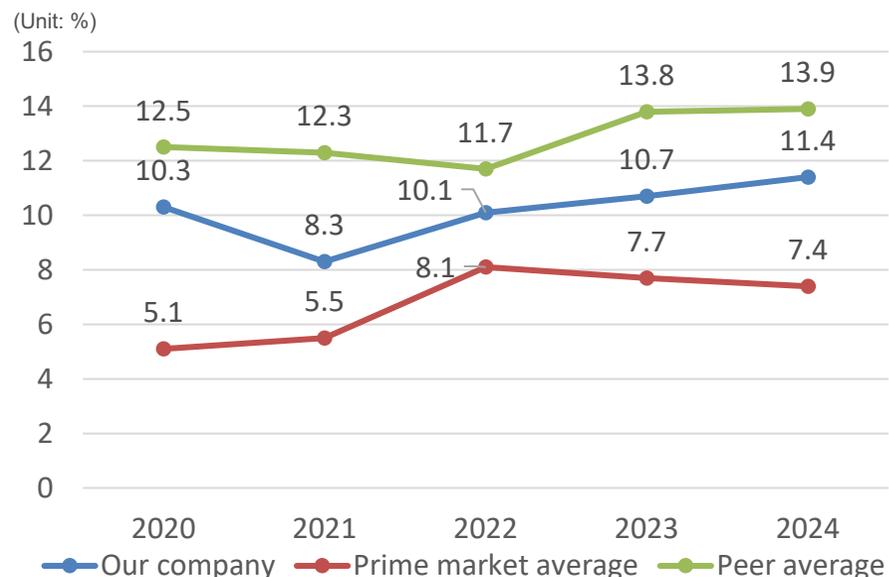
While ROE has consistently exceeded our cost of equity and market average, it remains below peer levels relative to industry averages.

As the cost of equity continues to rise amid higher interest rates, continuous improvement of ROE is essential to expand the equity spread.

ROE vs. Cost of Equity



ROE Comparison



Cost of Equity Estimation

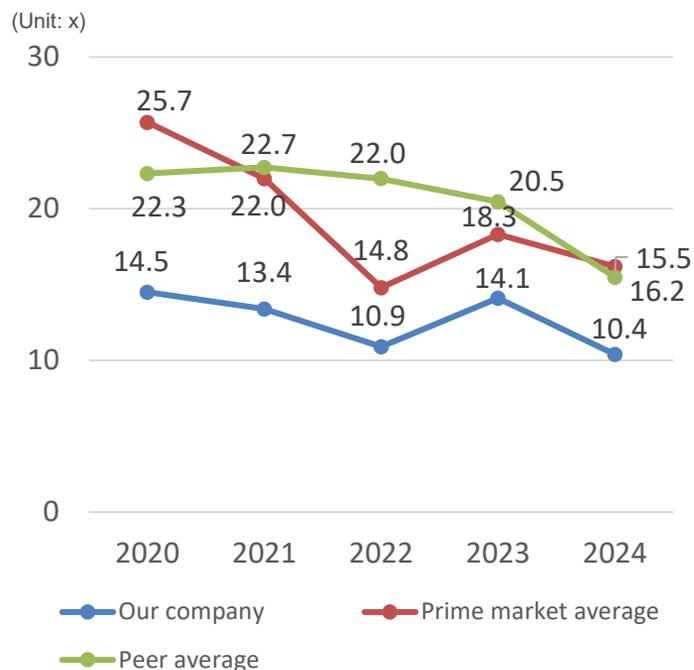
$$\begin{array}{c} \text{Cost of Equity} \\ \hline k \\ \hline 9.5\% - 11.6\% \end{array} = \begin{array}{c} \text{Risk-Free Rate} \\ \hline \text{RFR} \\ \hline 1.5\% \end{array} + \begin{array}{c} \text{Equity Risk Premium} \\ \hline \text{ERP} \\ \hline 5.1\% - 6.6\% \end{array} \times \begin{array}{c} \text{Beta Value} \\ \hline \text{Beta} \\ \hline 0.99 - 1.08 \end{array} + \begin{array}{c} \text{Size Risk Premium} \\ \hline \text{SRP} \\ \hline \text{Approx. } 3\% \end{array}$$

Note: The size risk premium also includes liquidity risk.

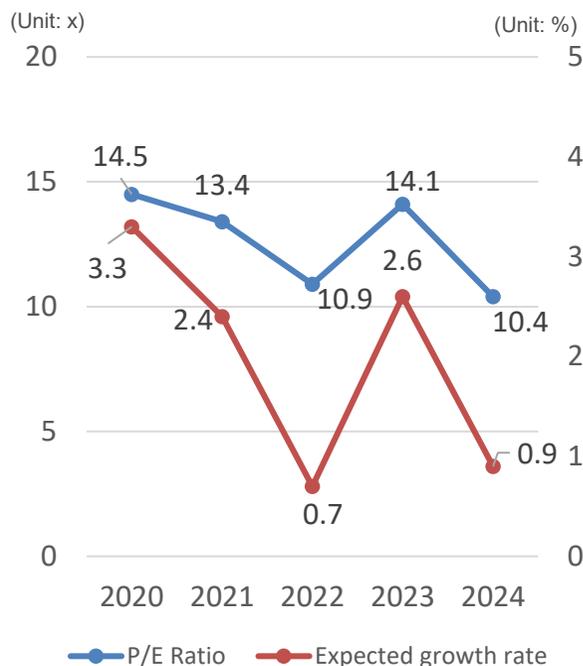
While business performance has continued to grow, the P/E ratio and share turnover ratio remains relatively low, and the expected growth rate fluctuate.

There is a gap between the company's true value and its market valuation, highlighting the need for measures to reduce information asymmetry and enhance investor awareness.

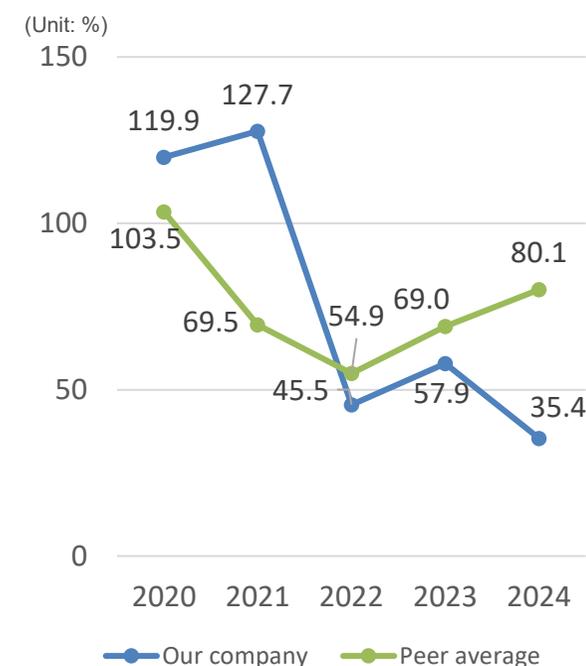
Comparison of P/E Ratio



P/E Ratio vs. Expected Growth Rate



Share Turnover



Expected Growth Rate

$$\text{P/E Ratio} = 1 / (\text{Cost of Equity} - \text{Expected Growth Rate})$$

Share Turnover

$$\text{Share Turnover} = \text{Trading Volume} \div \text{Listed Shares} \times 100$$

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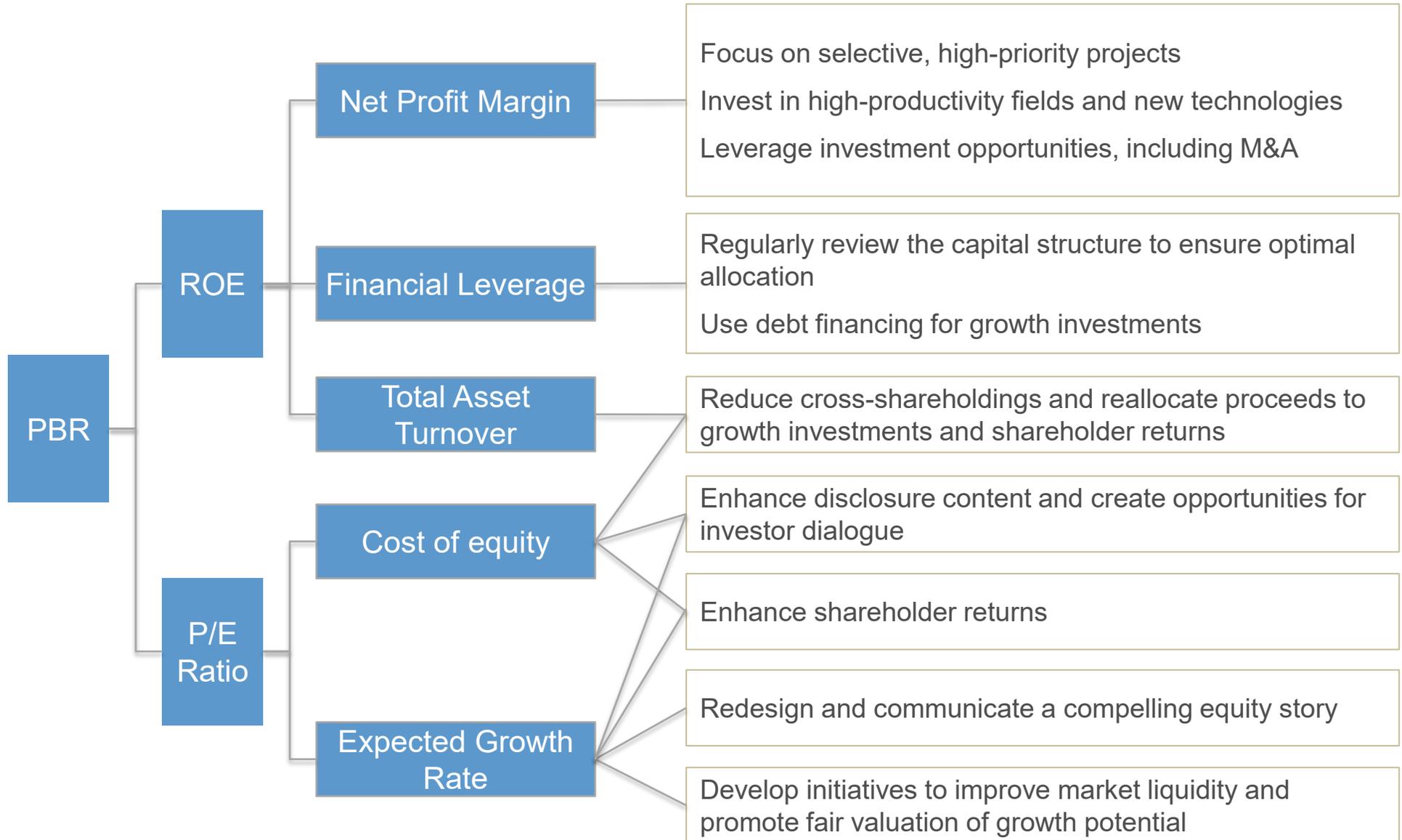


Priority Areas

Improve ROE
continuously

Reduce information
asymmetry through
strategic IR

Enhance awareness



Thank you for your continued guidance and support.



テクノロジーに、ハートを込めて。
TECH with HEART

All numerical figures in this document are rounded down to the nearest whole number, and percentages are rounded to two decimal places.

The forecasts and forward-looking statements contained herein are based on information available at the time of preparation and involve inherent uncertainties. Actual results may differ due to changes in economic conditions, business environments, and other factors, and no assurance can be given as to their accuracy. We assume no obligation to update or revise any forward-looking statements.