Omega Investment

Uchida Yoko (TYO:8057)

A profit base that generates 15.0 billion yen even after special demand; fine-tuning our positive view on improved capital efficiency

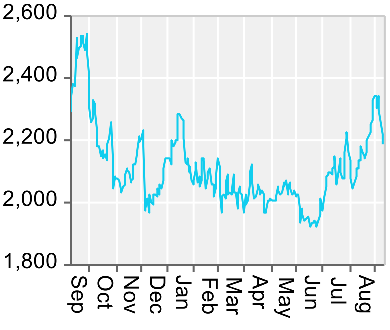
4Q Flash report

Wholesale trade

As of September 10, 2026

Share price (9/9)	**¥2,191**
52weeks high/low	¥1,916/2,582
Avg Vol (3 month)	202.9 thou shrs
Market Cap	¥114.14 bn
Enterprise Value	¥75.66 bn
PER (27/7 CE)	10.3 X
PBR (26/7 act)	1.3 X
Dividend Yield (27/7 CE)	3.5 %
ROE (26/7 act)	16.0 %
Operating margin (26/7)	3.7 %
Beta (5Y Monthly)	0.19
Shares Outstanding	52.096 mn shrs
Listed market	TSE Prime section

Price



This report (Investment report) has been prepared at the request of Uchida Yoko.
For details, please refer to the Disclaimer on the last page.

Investment View

After the 4Q results, there is no need to significantly change our medium- to long-term investment view on Uchida Yoko. Rather, given that the Company's FY7/2027 plan shows operating profit of 15.0 billion yen, ROE and ROIC for FY7/2026 rose to 16.0%, and operating cash flow and free cash flow recovered sharply, we are slightly upgrading our previously positive view. The key question raised by these results is not whether earnings will decline next fiscal year, but why operating profit of nearly 15.0 billion yen can remain even after special demand from NEXT GIGA device replacements, Windows 10 replacement demand, and initiatives to address the standardization of local government information systems subside.

FY7/2026 results were net sales of 425.7 billion yen, operating profit of 15.6 billion yen, and profit attributable to owners of parent of 12.5 billion yen. Net sales rose 26.3% YoY, and operating profit rose 28.4%. In the Government and Education Business, replacement demand for one-device-per-student PCs under the GIGA School Program peaked, and work related to standardizing local government information systems also lifted earnings. In the Information Business, software licenses for major companies, SmartOfficeNavigator, and SmartRooms grew. Meanwhile, SI projects for small and medium-sized enterprises continued to be affected by supply delays and a temporary gap between replacement cycles.

Based on a share price of 2,283 yen, forecast EPS of 212.89 yen, actual BPS of 1,737.66 yen, and a forecast dividend of 76 yen, the forecast PER is 10.7 times, actual PBR is 1.31 times, forecast ROE is 12.3% on a simplified basis, and forecast dividend yield is 3.3%. The share price valuation has risen from a PER of 8.9x at the time of the previous report, but the forecast PER adjusted for period-end net cash is 7.6 times, and the adjusted PER including investment securities after tax considerations is 5.8 times. The share price valuation remains low given that operating profit of 15.0 billion yen is expected to remain after special demand.

However, the decline in profitability in 4Q needs to be noted. While 4Q net sales increased 8.4% YoY, the gross profit margin declined to 10.6%, and the Company recorded an operating loss of 0.29 billion yen. Nevertheless, the Company is highly seasonal, and 4Q falls between demand cycles every year in both the private-sector and public-sector businesses. Therefore, from 1Q FY7/2027 onward, rather than placing undue emphasis on the decline in profitability in 4Q, it will be important to monitor the gross profit margin, SG&A expense ratio, order backlog, and the recovery of SI projects for small and medium-sized enterprises.

In conclusion, the shares should be viewed positively for medium- to long-term investors. The median estimated fair share price based on three valuation approaches, PBR, DCF, and ROIC, is approximately 2,900 yen, with a range of 2,550 yen to 3,390 yen. This implies approximately 27% upside to the median versus the current share price of 2,283 yen. Over a one- to two-year time span, the certainty of achieving FY7/2027 operating profit of 15.0 billion yen, the post-special-demand earnings level, and the market's assessment of capital policy will drive the share price. Over a three- to four-year horizon, we believe that investment returns will depend on the extent to which the Company can expand into the use of educational data, data collaboration with local governments, and private-sector ICT, based on the customer base, implementation track record, and operational support expertise developed through public-sector ICT.

1. Fine-tune the medium- to long-term view slightly upward

In conclusion, there is no need to change the medium- to long-term view significantly. In the previous Basic Report, we evaluated Uchida Yoko not as a special-demand stock, but as a company that enters deeply into customers' workplaces by combining Public-sector ICT, private-sector ICT, and environmental construction. The 4Q results and the Company forecast for FY7/2027 do not negate that view. Rather, by planning for operating profit of 15.0 billion yen while factoring in the pullback from special demand, the Company has provided additional grounds to fine-tune the previous view slightly upward.

The Company's plan for FY7/2027 is net sales of 400.0 billion yen, operating profit of 15.0 billion yen, and profit attributable to owners of parent of 10.5 billion yen. Net sales are forecast to decline 6.0% YoY, operating profit 4.0%, and net income 15.9%. On the surface, this is a lower-earnings plan. However, operating profit of 15.0 billion yen is 23% above 12.2 billion yen in FY7/2025 and 61% above 9.3 billion yen in FY7/2024. It is also 3.5 billion yen above the FY7/2027 target of 11.5 billion yen. The Company set it when it formulated the 17th Medium-Term Management Plan.

The Company explains that special demand will pull back, but it will remain near the record high because the baseline has improved. This wording is the point investors should focus on most in these results. FY7/2027 factors in a decline in Windows 10 replacement demand and GIGA device replacement demand. Even then, if operating profit remains at 15.0 billion yen, profit itself may have risen.

However, it is premature to regard 15.0 billion yen as a permanent earnings base immediately. FY7/2027 will also include local government information system standardization projects that were extended into the following year and remaining GIGA-related demand. Therefore, whether operating profit can be maintained near 15.0 billion yen even after special demand declines further from FY7/2028 onward will be an important point to confirm.

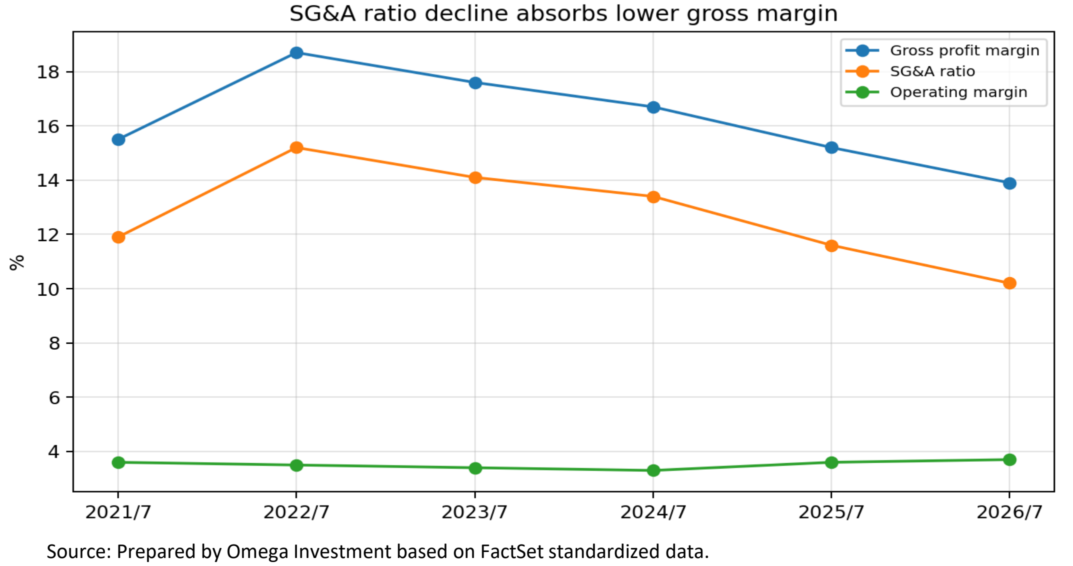
2. 4Q falls between demand cycles, but full-year profit reached a record high

FY7/2026 results were net sales of 425.7 billion yen, operating profit of 15.6 billion yen, ordinary profit of 16.8 billion yen, and net income attributable to owners of parent of 12.5 billion yen. The operating profit margin rose slightly to 3.7% from 3.6% in the previous fiscal year. While the gross profit margin declined to 13.9%, the SG&A expense ratio fell to 10.2%, with SG&A leverage absorbing the decline in the gross profit margin.

On a standalone basis, 4Q falls between demand cycles every year in both the private-sector and public-sector businesses. According to FactSet standardized data, 4Q net sales were 111.4 billion yen, up 8.4% YoY. However, the gross profit margin declined to 10.6% from 11.2% in the same period of the previous fiscal year, and operating profit declined from 0.37 billion yen in the same period of the previous fiscal year to an operating loss of 0.29 billion yen. SG&A expenses increased from 11.1 billion yen to 12.1 billion yen. The Company explains that delays in the supply of servers and PCs due to semiconductor shortages postponed many business negotiations involving SI projects for small and medium-sized enterprises.

The decline in profitability in 4Q should be recognized as a point to consider when making an investment decision. However, the medium- to long-term view should not be changed significantly based on a single quarter alone. The Company experiences a high concentration of projects within the fiscal year and significant seasonality, and 4Q falls between demand cycles every year in both the private-sector and public-sector businesses. The Company's FY7/2027 forecast was presented after taking this seasonality and the 4Q results into account, yet it still calls for operating profit of 15.0 billion yen. The key will be to monitor the gross profit margin, SG&A expense ratio, order backlog, and the recovery of SI projects for small and medium-sized enterprises from 1Q through 2Q FY7/2027.

Figure 1: Gross margin decline and operating margin improvement occurred at the same time.



Source: Prepared by Omega Investment based on FactSet standardized data.

3. A lower SG&A expense ratio absorbed lower gross margin

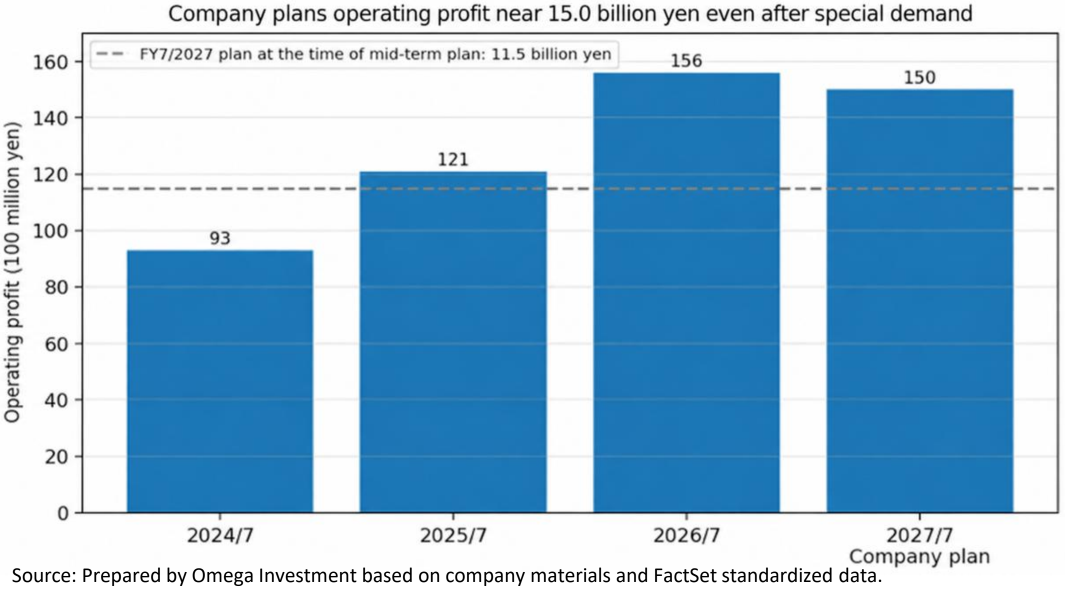
The most striking change in earnings is that the operating profit margin rose while the gross profit margin declined. The gross profit margin declined from 16.7% in FY7/2024 to 15.2% in FY7/2025 and 13.9% in FY7/2026. In contrast, the operating profit margin rose from 3.3% to 3.6% and 3.7%, respectively.

One possible factor behind this was an increase in the proportion of projects with large sales volumes but relatively low gross profit margins due to the large-scale rollout of GIGA School devices. The Government and Education Business grew substantially, driven by GIGA device replacements, network integration, and initiatives to address the standardization of local government information systems. In the Information Business, cloud-based subscription-type software license contracts also grew. While these projects substantially boosted net sales, they also tended to lower the gross profit margin.

Meanwhile, the SG&A expense ratio declined from 13.4% in FY7/2024 to 11.6% in FY7/2025 and 10.2% in FY7/2026. This is believed to reflect not only the absorption of fixed costs through increased sales volume, but also the benefits of improved management efficiency in project management, procurement, implementation, and operational support associated with large orders. Therefore, the decline in the gross profit margin should not be viewed simply as a negative factor. The Company's ability to raise its operating profit margin by lowering the SG&A expense ratio while securing large-scale projects centered on GIGA School devices should instead be viewed as an improvement in its earnings structure.

The Company's FY7/2027 forecast calls for net sales of 400.0 billion yen and operating profit of 15.0 billion yen, resulting in an operating profit margin of 3.75%. The Company plans to raise the operating profit margin further even as the boost to net sales from the large-scale rollout of GIGA School devices diminishes. If achieved, this would demonstrate that the Company's profit base is supported not simply by sales volume, but by customer relationships accumulated through public-sector ICT, project management capabilities, operational support, private-sector ICT, and the development of workplace environments.

Figure 2 Long-term operating profit trend and FY7/2027 Company forecast



Source: Prepared by Omega Investment based on company materials and FactSet standardized data.

4. Maintaining operating profit of 15.0 billion yen even after special demand

The Company's forecast of operating profit of 15.0 billion yen for FY7/2027 is central to this report. The Company explains that although demand will decline following the end of special demand, operating profit will remain near its record high due to an improvement in the baseline. What matters to investors is not the record-high profit in FY7/2026 itself, but whether the Company can maintain operating profit at around 15.0 billion yen even after special demand, while responding to changes in demand cycles in the private-sector and public-sector markets and sustaining the profit level that it has progressively raised over approximately the past decade.

In public-sector ICT, GIGA device replacements peaked in FY7/2026. In Saitama City, approximately 100,000 devices were provided together with five years of operation and maintenance services. In the joint procurement project undertaken by Kyoto City and Kyoto Prefecture, the Company demonstrated its ability to provide an integrated response covering everything from the procurement of approximately 180,000 devices in total to kitting and deployment. Importantly, the Company was recognized not only for device sales, but also for its operation and maintenance services and deployment capabilities.

In education networks, the Company's track record in implementing zero-trust networks has expanded to more than 50 projects since Japan's first implementation in 2021. Its design capabilities for handling large numbers of devices, security-related technologies and expertise, and understanding of school settings have led to large-scale projects. Demand following device replacements is expanding into networks, security, integrated IDs, school administration DX, support for the use of generative AI, and operation and maintenance services. Going forward, it will be important to determine whether the Company can further extend these achievements into the use of educational data and data collaboration with local governments.

In initiatives to address the standardization of local government information systems, more local governments than expected extended their projects into the following fiscal year or later, although work scheduled for the current fiscal year and many welfare-related systems were completed. In the short term, these extensions represent a shift in the timing of net sales, but over the medium term, they may also support demand from FY7/2027 onward. Business opportunities connecting local government data, educational data, and services for residents will not end with initiatives to address standardization alone.

In private-sector ICT, the growth of SmartOfficeNavigator and SmartRooms is important. At KDDI Group's new headquarters, the Company secured a large-scale project involving approximately 13,000 people, the management of approximately 600 meeting rooms, and the installation of 530 meeting-room devices. SmartRooms is in operation in more than 20,000 rooms at 640 companies in Japan and has been adopted by 45% of Nikkei 225 companies. This is not temporary revenue from product sales, but a recurring revenue base that links workplace usage data with office operations.

In the Office Business, operating profit increased despite flat net sales. The Company captured demand for high-grade shared offices and rental offices, large-scale office investment in the Tokyo, Nagoya, and Osaka areas, and the renovation of regional offices. A distinctive feature of the Company is its ability to handle people, places, and data in an integrated manner, rather than treating ICT and spatial design separately.

Demand cycles in both the private-sector and public-sector markets have generally changed approximately every five years. The Company has responded to these changes and progressively raised its profit level by combining public-sector ICT, private-sector ICT, and the development of workplace environments. Operating profit of 15.0 billion yen in FY7/2027 is both a benchmark for confirming the level of profit that remains after special demand and a measure of the extent to which this higher baseline has become firmly established.

5. Three businesses support enterprise value creation

Business area	FY7/2026 net sales	Operating profit	Role viewed by investors	Main KPIs
Government and Education	161.0 billion yen	9.0 billion yen	An area that expands the customer base through NEXT GIGA, local government standardization, and education networks. Enterprise value depends on whether the Company can move from devices to operational support and data utilization.	Number of devices, operational maintenance period, number of network projects, local government standardization projects, education data utilization projects
Office	59.2 billion yen	2.1 billion yen	An area that connects environmental construction and ICT and monetizes the redesign of workplaces. The profit increase despite flat sales is a positive factor.	Large office projects, profitability of office-adjacent businesses, SmartOfficeNavigator-linked projects
Information	204.4 billion yen	4.3 billion yen	An area responsible for major-company licenses, meeting room operations, and ERP for small and medium-sized enterprises. Balancing low-margin projects with profitable SI is important.	License contracts, SmartRooms contracted rooms, SME SI orders, cloud recurring revenue

The Government and Education Business was the main driver of growth in FY7/2026. Net sales rose 73.6% YoY, and operating profit rose 71.2%. In the short term, GIGA replacements and local government standardization will cause a pullback. However, the Company significantly expanded its customer touchpoints with schools and local governments and won network integration and security projects, which will lead to recurring needs after the special demand subsides.

In the Information Business, net sales increased 11.3% YoY, while operating profit declined 6.5%. This was because demand for Windows 10 replacements, major-company licenses, SmartOfficeNavigator, and SmartRooms grew. In contrast, delays in SI projects for small and medium-sized enterprises and an interim phase in business system renewal demand weighed on profit. The recovery of this SI for small and medium-sized enterprises will be an important support for achieving the Company forecast in FY7/2027.

In the Office Business, net sales declined 0.4%, but operating profit increased 7.3%. Recovery in overseas markets and improved profitability in office-adjacent businesses contributed. Investors should not view this business as furniture sales alone. View it as an entry point that connects workplace data, meeting room operations, ICT environments, and spatial design.

6. Capital efficiency and cash flow improved

The main reason to revise the investment view slightly upward this time is not sales growth, but capital efficiency. ROE for FY7/2026 was 16.0%. ROIC is 16.0%, using an Omega-calculated provisional value because the FactSet value has not yet been finalized. It is calculated in accordance with FactSet's methodology using currently available figures from the earnings release. The formula divides LTM profit attributable to owners of parent by average invested capital centered on the average of beginning- and end-period shareholders' equity. Because a sufficiently detailed breakdown of long-term interest-bearing debt cannot be confirmed in the earnings release, the FactSet value will take precedence if it becomes available at a later date.

ROE rose not because of higher financial leverage. Total asset turnover rose from 2.07 times in FY7/2025 to 2.35 times in FY7/2026, and the equity multiplier against total assets declined from 2.41 times to 2.32 times. In other words, the Company raised ROE to 16.0% while lowering leverage. This is a qualitative improvement that medium- to long-term investors can readily recognize.

Cash flow also improved. Operating cash flow increased from 0.5 billion yen in FY7/2025 to 13.1 billion yen in FY7/2026, and free cash flow recovered from negative 0.2 billion yen to positive 12.2 billion yen. The normalization of trade receivables and total assets, which had expanded at the end of 3Q, by fiscal year-end can also be evaluated as an improvement in BS management. The previous report noted that the Company raised ROE and ROIC while expanding the BS. In the full-year results this time, the Company's ability to convert large-scale projects back into cash while improving capital efficiency deserves positive evaluation.

7. Substantial assets support the share price

Net cash at the end of FY7/2026 was 32.5 billion yen on a debt-deducted basis, calculated by deducting short-term borrowings of 1.9 billion yen from cash and deposits of 34.4 billion yen in the earnings release. This was 1.7 billion yen lower than the 34.2 billion yen at the end of 3Q, but 8.6 billion yen higher than the 23.9 billion yen at the end of FY7/2025. Lease obligations are not presented separately on the balance sheet, and conservative net cash, including lease obligations and similar items, cannot be confirmed from the currently available materials.

Based on approximately 49.32 million shares after deducting treasury shares and a share price of 2,283 yen, the market capitalization is approximately 112.6 billion yen. Period-end net cash of 32.5 billion yen is equivalent to 28.9% of market capitalization. Against a forecast PER of 10.7 times, the net cash-adjusted PER is 7.6 times.

Period-end investment securities were 21.8 billion yen. Since the valuation difference on available-for-sale securities of 9.4 billion yen is after tax, the value of investment securities after considering the tax burden can be estimated at 17.7 billion yen. Together with net cash of 32.5 billion yen, the total is 50.2 billion yen, equivalent to 44.6% of market capitalization. Adjusted PER after deducting both is 5.8 times.

The Company sold 1.7 billion yen of investment securities in FY7/2026 and recorded a gain on sale of 1.3 billion yen. The FY7/2027 plan does not include the gain on sale of investment securities recorded in the previous fiscal year. The reduction of strategic shareholdings and the introduction of a progressive dividend policy indicate a management stance conscious of capital efficiency. Going forward, whether the proceeds from sales are directed to growth investment, share buybacks, or dividends will affect the share price valuation.

Reference date	Cash and deposits	Interest-bearing debt	Net cash, debt-deducted basis	Notes
End-3Q FY7/2026	37.9 billion yen	3.7 billion yen	34.2 billion yen	Based on the previous 3Q earnings release. We could not confirm a detailed presentation of lease obligations and similar items.
End-FY7/2026	34.4 billion yen	1.9 billion yen	32.5 billion yen	Based on FY7/2026 earnings release. Conservative basis; lease obligations and similar items could not be confirmed.

8. Market growth expectations remain cautious

Item	Value	Comment
Forecast PER	10.7 times	Up from the previous report, but still a cautious level assuming post-special-demand operating profit of 15.0 billion yen.
Actual PBR	1.31 times	Not excessive even after the share price rise because BPS has increased.
Forecast ROE	12.3%	Simplified calculation by dividing forecast EPS of 212.89 yen by the latest BPS of 1,737.66 yen.
Forecast dividend yield	3.3%	The Company forecasts 76 yen for FY7/2027 under its progressive dividend policy.
Net cash-adjusted PER	7.6 times	Deducts period-end net cash on a debt-deducted basis.
PER after deducting investment securities	5.8 times	The Company estimate after also deducting investment securities value after considering tax burden.

Forecast PER of 10.7 times is a level at which investors buy this fiscal year's forecast profit at approximately 11 years' worth. A low PER usually reflects profit peaking, future profit decline, low capital efficiency, financial risk, and similar concerns. However, the Company's forecast ROE is 12.3% on a simplified basis and actual ROE is 16.0%, and the low PER cannot be justified by low capital efficiency.

In public-sector ICT, demand for networks, security, operational support, and support services is already expanding beyond GIGA device replacements. In private-sector ICT, major-company licenses, meeting room operation systems, and ERP for small and medium-sized enterprises provide a recurring revenue base. A dividend yield of 3.3% also supports shareholder returns. Therefore, the market appears to be placing heavy weight on short-term special demand pullback risk, while not fully factoring in the profit base and capital efficiency that remain in the medium term.

A simple reverse calculation of the EPS growth rate embedded by the market gives approximately 5.2%, assuming a cost of equity of 8.5%, a forecast payout ratio of 35.7%, and a forecast PER of 10.7 times. In contrast, the five-year CAGR from FY7/2021 EPS of 125.74 yen to FY7/2026 EPS of 253.21 yen was 15.0%. The past five years include GIGA-related demand, so this growth rate should not be extended directly into the future. Even so, the market-implied growth rate of approximately 5% remains cautious, given the Company's plan to maintain operating profit of 15.0 billion yen in FY7/2027.

The median estimated fair share price based on three valuation approaches, PBR, DCF, and ROIC, is approximately 2,900 yen, with an overall range of 2,550 yen to 3,390 yen. This is a modest increase from the previous Basic Report median of 2,700 yen. This increase reflects the substantial rise in BPS, improvements in ROE and ROIC, and the Company's forecast of 15.0 billion yen in operating profit after special demand, despite the decline in FY7/2027 EPS.

Valuation method	Main assumptions	Estimated range	Midpoint
PBR method	Forecast ROE of 12.3%, cost of equity of 8.5%, and actual BPS of 1,737.66 yen	2,690 yen-3,130 yen	2,910 yen
DCF method	Normalized FCF of 6.5 billion yen-7.5 billion yen, WACC of 6.5%-7.5%, perpetual growth rate of 0.5%, and addition of period-end net cash	2,550 yen-3,210 yen	2,880 yen
ROIC method	Omega's provisional ROIC estimate of 16.0% remains above the cost of capital over the medium term	2,870 yen-3,390 yen	3,130 yen
Overall	Combined assessment using the three valuation methods	2,550 yen-3,390 yen	Approx. 2,900 yen

9. Share price reaction suggests reassessment of the profit level

The share price reaction on September 3 is important for this investment view. Against the September 2 closing price of 2,304 yen, the share opened on September 3 at 2,204 yen and at one point fell to 2,172 yen. The share price subsequently rebounded and closed at 2,347 yen. In the morning, selling likely came first in response to the weakness of 4Q alone and the forecast decline in FY7/2027 operating profit and net income.

However, investors' interpretation likely changed during the day. The FY7/2027 Company forecast shows a decline in earnings, but it does not represent the earnings peak that the market had feared. Rather, it is a plan in which operating profit of 15.0 billion yen remains even after special demand. The fact that the share price fully recovered its morning decline and closed higher suggests that investors shifted their focus from next fiscal year's profit decline to the rise in the underlying profit level.

This is also consistent with the previous report's thesis. The market had kept the PER low because it viewed the shares as a peak in short-term special demand. This share price movement can be viewed as an initial reaction in which the market began to reinterpret the earnings not as a profit peak, but as stable movement at a high profit level. However, a reassessment cannot be considered complete based on one day's price movement alone. If progress against the Company forecast is confirmed from 1Q to 2Q FY7/2027, the share price valuation is likely to move up further.

10. Shareholder composition raises capital policy discipline

Shareholder	Ownership ratio	Comment
Oasis Management Company Limited	7.56%	Largest shareholder. A presence that encourages dialogue on capital efficiency, strategic shareholdings, and shareholder returns.
Treasury shares	5.28%	The Company holds a certain amount of treasury shares. Market capitalization is calculated after deducting treasury shares from shares outstanding.
Tokio Marine Holdings	4.18%	Has a strong stable-shareholder character.
Sumitomo Mitsui Trust Group	3.98%	Held by a financial institution group.
Uchida Yoko Group Employee Shareholding Association	3.19%	Shows shared interests with employees.
Float ratio	64.82%	Liquidity is present to a certain degree, but stable shareholders and treasury shares also exist.

According to FactSet data, Oasis Management Company Limited is the largest shareholder with a 7.56% holding. Treasury shares account for 5.28%, followed by Tokio Marine Holdings at 4.18%, Sumitomo Mitsui Trust Group at 3.98%, and the Uchida Yoko Group Employee Shareholding Association at 3.19%. The float ratio is 64.82%.

Oasis's reasons for interest in the Company are clear. Earnings multiples are low, net cash and investment securities are substantial, and ROE and ROIC are rising. Medium-term demand exists in public- and private-sector ICT, and shareholder returns may improve through reductions in strategic shareholdings and enhanced shareholder distributions. For minority shareholders, having an investor focused on capital efficiency as the largest shareholder can be evaluated positively because it encourages dialogue between management and capital markets.

On the other hand, caution is needed because expectations for capital policy may be priced into the share price ahead of actual measures. If reductions in strategic shareholdings, share buybacks, and dividend increases are slower than investors expect, the share price can be vulnerable to disappointment. Investors should view Oasis's presence not as a short-term catalyst, but as an ongoing factor in the dialogue over capital efficiency.

11. Post-special-demand profit level and gross margin are the key points to confirm

The first risk is that FY7/2027 operating profit of 15.0 billion yen may not be a base profit level that can be maintained even after special demand, but rather a temporarily high level still supported by special demand. FY7/2027 will also include local government information system standardization projects and additional GIGA-related work. It will be necessary to confirm whether operating profit can be maintained near 15.0 billion yen even after these factors decline further in FY7/2028.

The second risk is a decline in gross margin and an operating loss in 4Q alone. If the gross profit margin of 10.6% and the increase in SG&A expenses continue, the assessment that SG&A leverage can absorb the gross margin decline will need reconsideration.

The third risk is that the Company may be unable to sufficiently extend the customer base, implementation track record, and operational support expertise developed through public-sector ICT into the use of educational data, data collaboration with local governments, and private-sector ICT. Expansion into networks, security, maintenance, and operational support is already underway and, together with special demand, is contributing to an improvement in the baseline. Going forward, it will be important to determine whether the Company can replicate its early project examples more broadly and translate them into growth in the use of educational data, local government data collaboration, and private-sector ICT.

The fourth risk is that strategic shareholdings and net cash remain on the BS and capital efficiency improvement stalls. Now that ROE has improved to 16.0%, this risk has eased, but once business growth settles, capital policy will again determine the share price valuation.

In subsequent results, the key items to confirm are progress against the FY7/2027 Company forecast, gross profit margin, SG&A expense ratio, Public-sector ICT operational maintenance and network projects, recovery in private-sector ICT SI for small and medium-sized enterprises, the number of SmartRooms contracted rooms, SmartOfficeNavigator horizontal expansion, operating cash flow, reductions in strategic shareholdings, and the policy on dividends and share buybacks.

12. How to view the FY7/2027 Company forecast - testing 15.0 billion yen of operating profit after special demand

The focus of the FY7/2027 Company forecast is not that operating profit will decline, but whether the Company can maintain operating profit of 15.0 billion yen while factoring in the pullback from NEXT GIGA device replacements and Windows 10 replacement demand. Compared with operating profit of 15.6 billion yen in FY7/2026, the decline is small, and the level is far above 12.2 billion yen in FY7/2025 and 9.3 billion yen in FY7/2024. Whether this 15.0 billion yen reflects temporary remaining projects or a new profit base after special demand will determine the investment view going forward.

There are three points to confirm. First is the extent to which the Company can expand into the use of educational data and data collaboration with local governments, based on the growing demand for networks, security, and operational support following device sales in public-sector ICT. Second is whether major-company licenses, meeting room operation systems, and ERP for small and medium-sized enterprises grow steadily in private-sector ICT. Third is the relationship between gross profit margin and SG&A expense ratio. If gross profit margin improves and SG&A leverage is maintained as large-scale, low-margin projects decline, the quality of the Company's forecast for an operating profit margin of 3.75% will improve.

Therefore, what to watch in the FY7/2027 results is not only the rate of decline in net sales. It is also necessary to confirm the profit level after special demand subsides, the recovery in the gross profit margin, management of the SG&A expense ratio, the expansion of recurring demand generated through public-sector ICT, expansion into the use of educational data and local government data collaboration, and stable growth in private-sector ICT. If these points can be confirmed, it will become easier to evaluate Uchida Yoko’s profit base as having moved to a higher level.

Notes

The share price of 2,283 yen, forecast EPS of 212.89 yen, actual BPS of 1,737.66 yen, and forecast dividend of 76.00 yen are based on the specified values at the time of preparation of this report and the FY7/2026 earnings release. The reference date for the share price is September 4, 2026.

Forecast ROE is our estimate based on a simplified calculation that divides forecast EPS of 212.89 yen by the latest BPS of 1,737.66 yen.

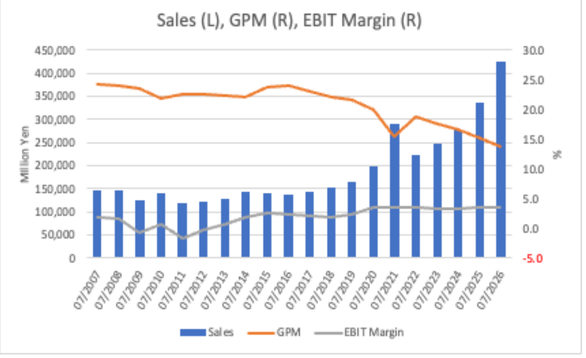
ROIC uses an Omega-calculated provisional value of 16.0% because FactSet has not yet calculated the figure, which is calculated by dividing LTM profit attributable to owners of parent by average invested capital. If FactSet later confirms a value, it will take precedence.

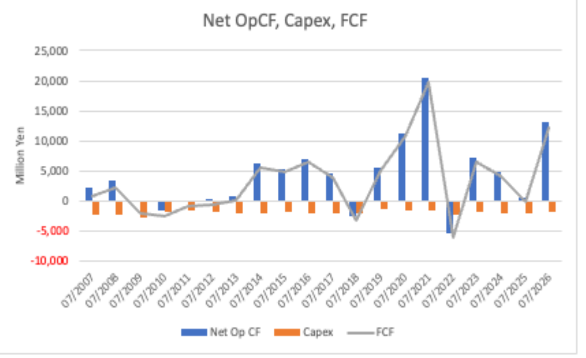
Financial data are, in principle, based on FactSet standardized data and may not fully match line items, reclassifications, rounding, segment disclosures, and other items in company-disclosed materials. Business-by-business figures, KPIs, medium-term plans, capital allocation policies, and similar items are based primarily on company materials and supplemented by FactSet and our estimates as needed.

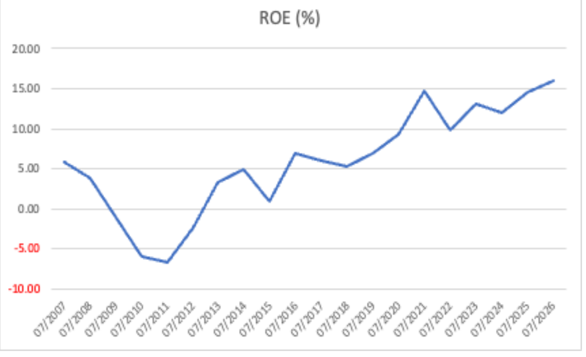
Net cash was 32.5 billion yen at the end of FY7/2026 on a debt-deducted basis. We treat conservative net cash, including lease obligations and similar items, as unconfirmed because the earnings release does not provide a detailed presentation.

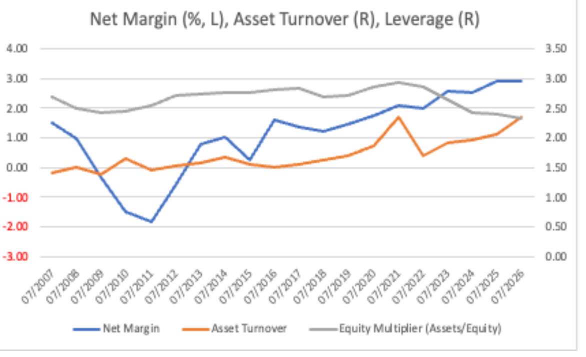
Fair share price, PER, DCF, ROIC, and other valuation amounts are our estimates based on certain assumptions and do not guarantee an investment recommendation, future share price, or enterprise value.

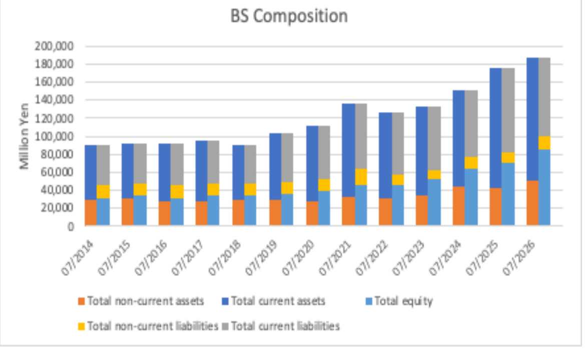
Key stock price data

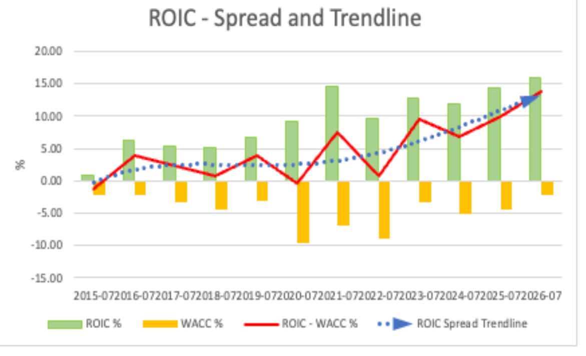


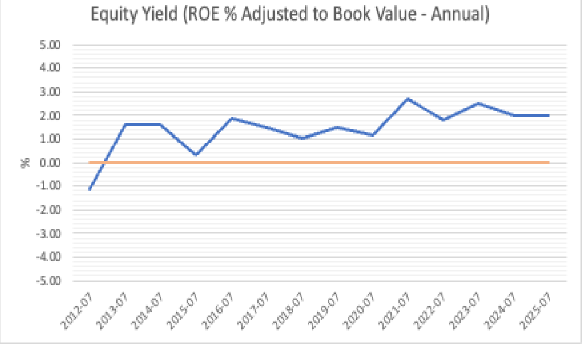












Company profile

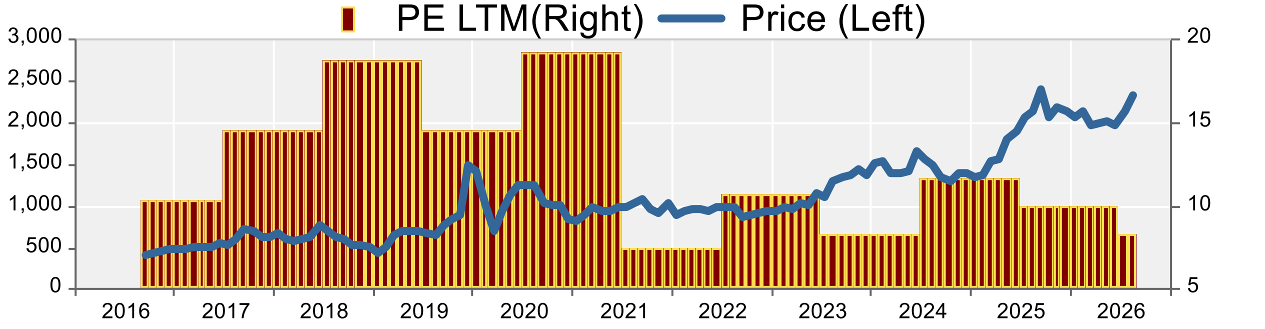
Uchida Yoko is a long-established company founded in 1910, and today it supports problem-solving for schools, local governments, companies, and offices through Public-sector ICT, private-sector ICT, and environmental construction. It is classified as a wholesaler under general industry classifications, but today's company is not merely a wholesaler. Its distinguishing feature is providing hardware, software, networks, security, operational support, support services, office spatial design, and educational environment construction on an integrated basis.
In public markets, the Company handles the GIGA School Program, education networks, school affairs DX, local government information system standardization, university facilities, and school reconstruction for elementary, junior high, and high schools, universities, and local governments. In private markets, the Company develops major-company software licenses, cloud-based meeting room operation support SmartRooms, ERP for small and medium-sized enterprises, SmartOfficeNavigator, and office environmental construction. In environmental construction, the Company has a nationwide sales network for office furniture, fixtures for educational facilities, and spatial design for public facilities.
The 17th Medium-Term Management Plan has "people and data" as its theme. The Company's strength is that it becomes involved in the settings where people are active, such as schools, local governments, companies, and offices, designs environments that handle data generated there, and supports operations. Investors should evaluate the Company not as one whose profit temporarily expands due to special demand, but as a company that connects the customer base expanded in Public-sector ICT to private-sector ICT, environmental construction, and data utilization.

Key financial data

Unit: million yen	2022	2023	2024	2025	2026	2027 CE
Sales	221,856	246,549	277,940	337,055	425,729	400,000
EBIT (Operating Income)	7,775	8,423	9,292	12,149	15,631	
Pretax Income	7,965	9,200	10,280	14,479	18,009	
Net Profit Attributable to Owner of Parent	4,477	6,366	6,996	9,825	12,486	10,500
Cash & Short-Term Investments	30,344	29,696	30,804	27,372	35,936	
Total assets	125,503	133,008	150,753	174,917	187,176	
Total Debt	2,983	3,011	3,163	2,925	1,910	
Net Debt	-27,361	-26,685	-27,641	-24,447	-34,026	
Total liabilities	79,383	80,883	85,963	104,109	101,192	
Total Shareholders' Equity	45,719	51,897	64,541	70,548	85,703	
Net Operating Cash Flow	-5,414	7,269	4,850	549	13,069	
Capital Expenditure	2,248	1,960	1,979	1,968	1,960	
Net Investing Cash Flow	-2,198	-4,857	-1,816	-1,027	-1,331	
Net Financing Cash Flow	-8,632	-3,521	-2,354	-2,751	-3,466	
Free Cash Flow	-6,027	6,545	4,173	-176	12,181	
ROA (%)	3.43	4.93	4.93	6.03	6.90	
ROE (%)	9.84	13.04	12.02	14.55	15.98	
EPS (Yen)	91.2	129.5	142.2	199.5	253.2	212.9
BPS (Yen)	930.2	1,055.1	1,311.4	1,431.9	1,737.7	
Dividend per Share (Yen)	28.00	38.00	44.00	60.00	76.00	76.00
Shares Outstanding (Million shares)	52.10	52.10	52.10	52.10	52.10	

Source: Prepared by Omega Investment based on FactSet standard calculations; figures rounded to the nearest whole number.

Share price



Financial data (quarterly basis)

Unit: million yen	2024/7	2024/7				2026/7			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Income Statement)									
Sales	76,969	52,563	69,292	112,433	102,767	80,116	93,965	140,292	111,356
Year-on-year	13.4%	-1.2%	29.0%	19.5%	33.5%	52.4%	35.6%	24.8%	8.4%
Cost of Goods Sold (COGS)	66,540	41,679	57,443	94,260	91,286	67,049	80,686	119,217	99,537
Gross Income	10,429	10,884	11,849	18,173	11,481	13,067	13,279	21,075	11,819
Gross Income Margin	13.5%	20.7%	17.1%	16.2%	11.2%	16.3%	14.1%	15.0%	10.6%
SG&A Expense	10,476	9,346	9,790	9,994	11,108	10,059	10,805	10,632	12,113
EBIT (Operating Income)	-47	1,538	2,059	8,179	373	3,008	2,474	10,443	-294
Year-on-year	11.9%	-48.5%	-25837.5%	28.1%	-893.6%	95.6%	20.2%	27.7%	-178.8%
Operating Income Margin	-0.1%	2.9%	3.0%	7.3%	0.4%	3.8%	2.6%	7.4%	-0.3%
EBITDA	451	1,986	2,536	8,695	882	3,507	3,014	11,035	319
Pretax Income	371	1,743	2,323	8,263	2,150	3,295	3,817	10,656	241
Consolidated Net Income	310	1,203	1,542	5,674	1,448	2,316	2,581	7,316	328
Minority Interest	16	0	2	23	17	4	-1	31	20
Net Income ATOP	295	1,203	1,540	5,651	1,431	2,311	2,583	7,284	308
Year-on-year	-39.0%	-46.2%	1538.3%	29.3%	385.1%	92.1%	67.7%	28.9%	-78.5%
Net Income Margin	0.4%	2.3%	2.2%	5.0%	1.4%	2.9%	2.7%	5.2%	0.3%
(Balance Sheet)									
Cash & Short-Term Investments	30,804	29,623	28,003	28,250	27,372	37,064	39,165	39,422	35,936
Total assets	150,753	133,681	149,733	186,584	174,917	173,718	209,774	214,931	187,176
Total Debt	3,163	6,432	6,066	6,460	2,925	6,396	6,145	6,452	1,910
Net Debt	-27,641	-23,191	-21,937	-21,790	-24,447	-30,668	-33,020	-32,970	-34,026
Total liabilities	85,963	70,593	84,994	116,557	104,109	102,673	135,673	132,842	101,192
Total Shareholders' Equity	64,541	62,871	64,520	69,786	70,548	70,814	73,871	81,828	85,703
(Profitability %)									
ROA	4.93	4.70	5.36	4.93	6.03	7.11	6.66	6.78	6.90
ROE	12.02	10.32	12.56	13.49	14.55	16.36	17.31	17.95	15.98
(Per-share) Unit: JPY									
EPS	6.0	24.4	31.3	114.7	29.0	46.9	52.4	147.7	6.2
BPS	1,311.4	1,276.0	1,309.5	1,416.4	1,431.9	1,435.8	1,497.8	1,659.1	1,737.7
Dividend per Share	44.00	0.00	0.00	0.00	60.00	0.00	0.00	0.00	76.00
Shares Outstanding (million shares)	52.10	52.10	52.10	52.10	52.10	52.10	52.10	52.10	52.10

Source: Calculated by Omega Investment based on FactSet's standard criteria, rounded to the nearest whole number.

Financial data (full-year basis)

Unit: million yen	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
(Income Statement)										
Sales	144,537	151,441	164,386	200,307	291,035	221,856	246,549	277,940	337,055	425,729
Year-on-year	4.6%	4.8%	8.5%	21.9%	45.3%	-23.8%	11.1%	12.7%	21.3%	26.3%
Cost of Goods Sold	111,123	117,957	128,969	160,438	245,976	180,373	203,259	231,483	285,953	366,489
Gross Income	33,414	33,484	35,417	39,869	45,059	41,483	43,290	46,457	51,102	59,240
Gross Income Margin	23.1%	22.1%	21.5%	19.9%	15.5%	18.7%	17.6%	16.7%	15.2%	13.9%
SG&A Expense	30,474	30,603	31,669	32,626	34,724	33,708	34,867	37,165	38,953	43,609
EBIT (Operating Income)	2,940	2,881	3,748	7,243	10,335	7,775	8,423	9,292	12,149	15,631
Year-on-year	-14.4%	-2.0%	30.1%	93.2%	42.7%	-24.8%	8.3%	10.3%	30.7%	28.7%
Operating Income Margin	2.0%	1.9%	2.3%	3.6%	3.6%	3.5%	3.4%	3.3%	3.6%	3.7%
EBITDA	4,669	4,835	5,737	9,386	12,652	9,598	10,320	11,177	14,099	17,875
Pretax Income	3,352	3,198	4,137	6,618	10,976	7,965	9,200	10,280	14,479	18,009
Consolidated Net Income	2,252	2,085	2,707	4,142	7,405	4,857	6,421	7,042	9,867	12,541
Minority Interest	286	253	291	651	1,244	380	54	46	42	54
Net Income ATOP	1,965	1,831	2,415	3,490	6,160	4,477	6,366	6,996	9,825	12,486
Year-on-year	-12.5%	-6.8%	31.9%	44.5%	76.5%	-27.3%	42.2%	9.9%	40.4%	27.1%
Net Income Margin	1.4%	1.2%	1.5%	1.7%	2.1%	2.0%	2.6%	2.5%	2.9%	2.9%
(Balance Sheet)										
Cash & Short-Term Investments	26,143	18,871	19,817	28,453	46,265	30,344	29,696	30,804	27,372	35,936
Total assets	95,260	89,410	102,685	111,264	135,494	125,503	133,008	150,753	174,917	187,176
Total Debt	6,923	4,098	2,730	2,943	2,951	2,983	3,011	3,163	2,925	1,910
Net Debt	-19,220	-14,773	-17,087	-25,510	-43,314	-27,361	-26,685	-27,641	-24,447	-34,026
Total liabilities	58,122	52,004	63,500	68,947	85,287	79,383	80,883	85,963	104,109	101,192
Total Shareholders' Equity	34,338	34,432	35,984	38,531	45,282	45,719	51,897	64,541	70,548	85,703
(Cash Flow)										
Net Operating Cash Flow	4,610	-2,476	5,543	11,320	20,457	-5,414	7,269	4,850	549	13,069
Capital Expenditure	2,065	2,045	1,457	1,688	1,701	2,248	1,960	1,979	1,968	1,960
Net Investing Cash Flow	-1,977	-2,091	-2,280	-1,600	-1,134	-2,198	-4,857	-1,816	-1,027	-1,331
Net Financing Cash Flow	-1,582	-2,861	-2,395	-1,200	-1,484	-8,632	-3,521	-2,354	-2,751	-3,466
Free Cash Flow	3,935	-3,204	5,138	10,672	19,770	-6,027	6,545	4,173	-176	12,181
(Profitability)										
ROA (%)	2.11	1.98	2.52	3.26	4.99	3.43	4.93	4.93	6.03	6.90
ROE (%)	6.00	5.33	6.86	9.37	14.70	9.84	13.04	12.02	14.55	15.98
Net Margin (%)	1.36	1.21	1.47	1.74	2.12	2.02	2.58	2.52	2.91	2.93
Asset Turn	1.55	1.64	1.71	1.87	2.36	1.70	1.91	1.96	2.07	2.35
Assets/Equity	2.85	2.69	2.73	2.87	2.94	2.87	2.65	2.44	2.41	2.32
(Per-share) Unit: JPY										
EPS	39.1	37.2	49.4	71.3	125.7	91.2	129.5	142.2	199.5	253.2
BPS	682.8	704.2	736.0	787.4	923.6	930.2	1,055.1	1,311.4	1,431.9	1,737.7
Dividend per Share	15.00	15.00	18.00	24.00	28.00	28.00	38.00	44.00	60.00	76.00
Shares Outstanding (million shares)	52.10	52.10	52.10	52.10	52.10	52.10	52.10	52.10	52.10	52.10

Source: Calculated by Omega Investment based on FactSet's standard criteria, rounded to the nearest whole number.

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