Unite and Grow Inc. (4486 JP)

The Market May Be Watching the Wrong KPI

A small Japanese IT services company where earnings are beginning to grow much faster than headcount

Reference price	Market cap	FY2026E EPS	FY2026E P/E	Reference date
¥691	~¥5.5bn	~¥61.9	~11x	Aug. 14, 2026

Investment Snapshot

Unite and Grow is a Japanese IT services company that provides corporate IT functions to small and mid-sized businesses through an unusual shared-engineer model.

At first glance, the company looks like a conventional people-intensive IT services business: hire more engineers, deploy more engineers, and grow revenue roughly with headcount.

We believe that interpretation is increasingly incomplete.

Latest H1/Q2 2026 evidence: earnings outpaced physical capacity

Revenue +27.1% | Operating profit +45.3% | Shared employees +7.3%
Supported companies +14.2% | Revenue / working hour +18.4%

Management's own H1 earnings bridge strengthens the case. Approximately ¥328mn of positive operating-profit impact came from higher monetization per working hour, versus only ¥77mn from increased shared-employee headcount. Management cites price revisions and skill improvement as key contributors.

Our analytical lens

SUPPORTED COMPANIES × MONETIZATION PER HOUR × SERVICE MIX

If these variables continue improving, Unite and Grow may be capable of growing earnings materially faster than its employee base. At approximately 11x FY2026 earnings, we believe the shares are still valued much closer to a labor-constrained small IT services company than to a business demonstrating sustained productivity-driven earnings growth.

That gap is the mispricing we are investigating.

Primary sources: Unite and Grow H1 FY2026 Financial Report; Q2 FY2026 Earnings Presentation.

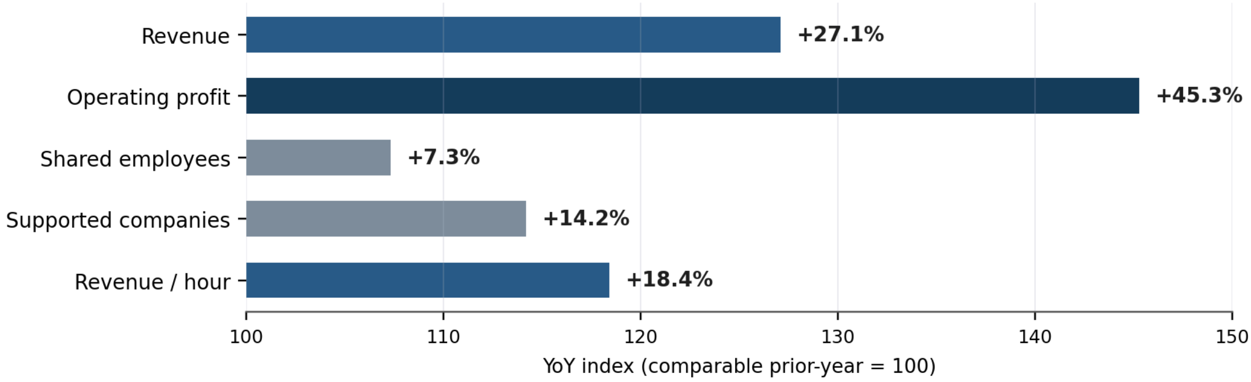
1 | Why Headcount May Be the Wrong Growth Lens

Unite and Grow's core offering is a membership-based corporate IT support service centered on its 'Shared Employees.' Rather than assigning one engineer exclusively to one client, the company shares IT professionals and accumulated corporate-IT knowledge across multiple small and mid-sized businesses.

Headcount remains a physical constraint on growth. But it may not be the most important earnings constraint.

Conventional staffing lens	Unite and Grow lens
People × billable hours	People × utilization × value per hour
Growth mostly follows headcount	Plus companies served × services per company

The numbers are already diverging from a pure headcount model



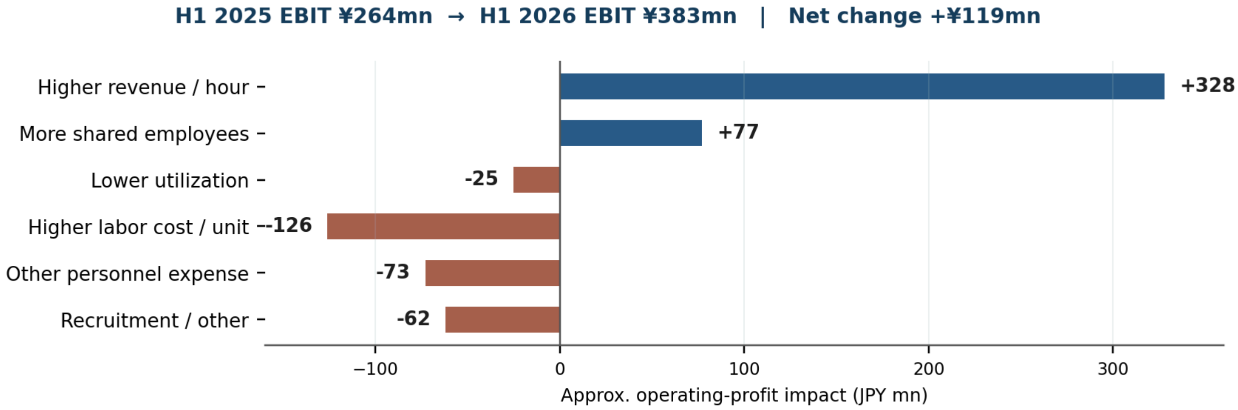
Indexed to comparable prior-year periods = 100. Financials are H1 totals; operating KPIs use end-June / Q2 readings.

KPI	H1 / Q2 2025	H1 / Q2 2026	YoY
Revenue	¥1,627mn	¥2,069mn	+27.1%
Operating profit	¥264mn	¥383mn	+45.3%
Operating margin	16.2%	18.5%	+2.3ppt
Shared employees	273	293	+7.3%
Effectively supported companies	424	484	+14.2%
Revenue per working hour	~¥8,900	~¥10,550	~+18%

The key observation is straightforward: headcount +7% did not produce operating profit +45% by itself. Something changed in the economic output of that headcount.

2 | The Earnings Bridge Identifies the Hidden Driver

Management's own operating-profit bridge is perhaps the most important disclosure in the investment case. Operating profit increased by approximately ¥119mn YoY in H1 2026.



Company-reported operating-profit bridge, JPY mn. The +¥328mn contribution from higher monetization per hour was more than four times the contribution from additional shared employees.

Why this matters

The current earnings acceleration is being driven more by what each employee can economically produce than by simply adding employees. That is a better business model - if it is repeatable.

3 | Three Earnings Engines

Engine 1 - More Companies per Platform

Effectively supported companies increased from 424 to 484 year on year. The company can expand not only through completely new customers but also through affiliated companies linked to existing members. At June 2026 it had 837 total member companies, 253 active member companies and 484 effectively supported companies.

Next confirmation: can supported companies move sustainably above 500 without sacrificing pricing or utilization?

Engine 2 - Higher Monetization per Employee Hour

Q2 revenue per working hour was approximately ¥10,550, up about 18% YoY. The recent sequence has been ¥8,889 → ¥8,911 → ¥9,561 → ¥10,251 → ¥10,603 → ¥10,550. New pricing has been applied to new customers since April 2025 and is being rolled out gradually to existing customers.

We should not extrapolate +18% pricing indefinitely. The harder question is whether skill development and service mix can sustain higher economic output after the pricing reset is absorbed.

Engine 3 - More Services per Customer

Specialized services - in-house development, IT infrastructure and Accounting IT - represented approximately 16% of Q2 revenue and have been gaining share. The existing customer relationship can therefore become a distribution channel for additional services.

Potential land-and-expand mechanism

CORE CORPORATE IT → INFRASTRUCTURE → DEVELOPMENT → ACCOUNTING IT → FUTURE SPECIALIST SERVICES

4 | The Important Counter-Evidence: Q2 Was Weaker Than Q1

A credible thesis must explain the evidence against it. Q2 2026 was not a straight-line continuation of Q1.

KPI	Q1 2026	Q2 2026
Gross margin	52.1%	46.0%
Operating profit	¥216mn	¥165mn
Revenue / working hour	¥10,603	¥10,550
Utilization	66.7%	65.2%

Management attributes much of the sequential deterioration to the seasonal influx of new graduate employees, who initially carry lower monetization and utilization. That explanation is plausible - but it should be tested, not accepted automatically.

The real test

Can Unite and Grow repeatedly transform lower-productivity new employees into higher-skilled, higher-monetization shared employees?

If the 2026 cohort matures and utilization, pricing and margins recover, the investment thesis becomes considerably stronger. If the dilution persists, the market may be correct to treat the company primarily as a labor-intensive services business.

5 | Why 2024 May Have Been Misread

FY2024 initially looked disappointing: revenue grew, but operating profit was nearly flat. The obvious interpretation was that growth was becoming more expensive and operating leverage had disappeared.

FY2025	H1 FY2026
Revenue ~+18% Operating profit ~+42%	Revenue +27% Operating profit +45%

The subsequent recovery suggests that at least part of the 2024 profit compression reflected hiring, training, compensation and systems-related investment that created capacity for later growth.

Our interpretation: 2024 may have represented an investment period rather than structural deterioration. That hypothesis has gained credibility from 2025 and 2026 - but it has not yet been permanently proven.

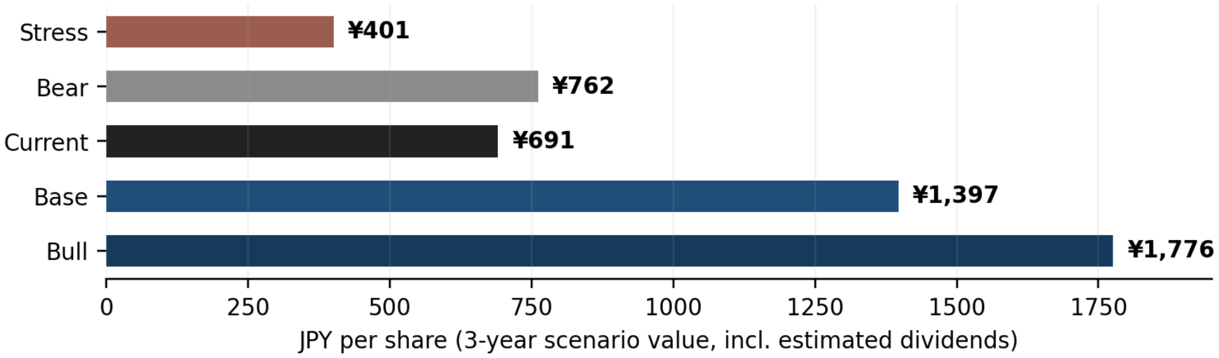
6 | Valuation - Earnings Growth Matters More Than Re-Rating

At the ¥691 reference price, Unite and Grow trades at approximately 11x FY2026 expected EPS. We separate two possible sources of return: (A) earnings growth and (B) multiple normalization.

We do not want a thesis that only works because today's 11x P/E magically becomes 20x.

Scenario	EPS CAGR	Year-3 EPS	Exit P/E	3-Yr Div.	Total value	Total return	CAGR
Stress	-10.0%	¥45.1	8x	¥40	¥401	-42%	-16.6%
Bear	+5.0%	¥71.7	10x	¥45	¥762	+10%	+3.3%
Base	+15.7%	¥95.9	14x	¥55	¥1,397	+102%	+26.5%
Bull	+20.0%	¥107.0	16x	¥65	¥1,776	+157%	+37.0%

Scenario values are analytical outputs, not price targets.



What if the P/E never re-rates?

If Base Case EPS compounds at 15.7% but the exit P/E stays at only 11x, estimated three-year value including dividends is still approximately ¥1,110 - about +61% total return, or ~17% annualized.

By contrast, if EPS stays flat near ¥61.9 but the multiple rises to 14x, estimated three-year value is only about ¥922, or ~+33%.

Valuation conclusion

THIS SHOULD PRIMARILY BE AN EARNINGS-GROWTH THESIS. RE-RATING IS OPTIONAL UPSIDE.

7 | Balance Sheet - Protection, Not a Valuation Trick

At June 2026, the company reported approximately ¥3.25bn of cash and deposits, ¥765mn of contract liabilities, ¥2.43bn of equity and a 67.2% equity ratio. H1 free cash flow was approximately ¥248mn.

We deliberately do not subtract the entire cash balance from market capitalization to manufacture an extremely low ex-cash P/E. We treat the balance sheet primarily as downside resilience, reinvestment capacity and optionality.

8 | What Would Prove Us Wrong?

This investment thesis should be falsifiable. The most important signal is not one KPI in isolation, but whether customer growth, monetization, specialized-service mix and utilization can improve together.

Variable	Current	Confirmation	Thesis warning
Supported companies	484	>500 and rising	Sustained stagnation
Revenue / working hour	¥10,550 Q2	Elevated post-price reset	Persistent decline
Shared employees	293	Growth without dilution	Headcount outruns economics
Utilization	65.2%	Recovery as hires mature	Structurally depressed
Specialized-service mix	~16% Q2	Continues rising	Stalls / declines
Margins	Q2 diluted	Recover with cohort maturation	Persistent compression
Employee retention	90.5%	Remains high	Material deterioration
Free cash flow	¥248mn H1	Tracks earnings	Cash conversion weakens

Conclusion

Unite and Grow is easy to misclassify because the business looks familiar. It appears to be another small Japanese IT services company whose growth depends largely on recruiting more engineers.

The operating evidence increasingly points elsewhere. In H1 2026, management's own earnings bridge showed that the positive profit contribution from higher monetization per working hour was materially larger than the contribution from additional employees.

Our variant perception

THE MARKET MAY BE TREATING EMPLOYEES AS THE PRIMARY UNIT OF GROWTH. WE BELIEVE THE MORE IMPORTANT UNIT IS THE ECONOMIC OUTPUT GENERATED BY EACH EMPLOYEE.

At approximately 11x expected earnings, investors do not need to assume that Unite and Grow becomes a technology platform or receives a SaaS valuation. The thesis works if the company can continue increasing the economic productivity of its human capital while expanding its customer and specialized-service base.

If supported companies exceed 500, monetization remains elevated after the pricing reset, specialized services continue taking share, and margins recover as the 2026 graduate cohort matures, the probability of a structurally better business model rises materially. If those things do not happen, the current low multiple may be justified.

This is therefore not a story to believe. It is a hypothesis we can test.

Sources & Methodology

This report is based primarily on publicly available Japanese-language primary sources, including Unite and Grow Inc.'s financial statements, earnings releases, earnings presentations and operating KPI disclosures. Japanese-language disclosures were reviewed in the original language rather than relying solely on English-language summaries or translations.

Historical financial data and operating KPIs have been cross-checked against company disclosures where practicable. Certain market data and third-party estimates may be derived from financial-information services believed to be reliable.

The scenario analysis is our own analytical framework. Scenario values are calculated from assumed EPS growth rates, exit earnings multiples and estimated cumulative dividends. They are designed to illustrate possible outcomes and sensitivities rather than predict a specific future share price.

Research methodology

IDENTIFY THE OPERATING VARIABLES THAT CREATE FUTURE EARNINGS - THEN DEFINE THE EVIDENCE THAT WOULD CONFIRM OR INVALIDATE THE THESIS.

For Unite and Grow, the principal variables are: supported companies × monetization per hour × service mix. These variables form the basis of future thesis monitoring.

Primary Sources Used

- Unite and Grow Inc. - FY2026 Q2 Earnings Presentation (Japanese)
- Unite and Grow Inc. - H1 FY2026 Financial Report / Interim Financial Statements
- Unite and Grow Inc. - FY2025 results and investor-relations materials
- Company IR website and operating KPI disclosures
- Market-price and published earnings-estimate reference data as of August 2026

Disclosure & Disclaimer

Research Purpose

This report has been prepared by DeepValue Japan Intelligence for informational purposes and to demonstrate its independent research methodology. The analysis reflects the author's judgment as of the publication date and may change without notice.

No Individualized Investment Advice

This report is not tailored to the investment objectives, financial circumstances or risk tolerance of any particular investor. It should not be relied upon as individualized investment, legal, tax or other professional advice.

Author Position and Conflicts of Interest

As of August 19, 2026, the author beneficially owns shares of Unite and Grow Inc. (4486.T). The author has not received compensation from Unite and Grow Inc. in connection with this report. Any other material relationship or conflict of interest relevant to this research will be disclosed here. The author's securities holdings may change after publication.

Sources and Estimates

The analysis is based primarily on publicly available company filings, earnings materials and other sources believed to be reliable. Certain data and conclusions involve estimates, interpretations and analytical judgments and have not necessarily been independently verified.

Forward-Looking Analysis

Scenario values, earnings estimates and operating assumptions are analytical scenarios rather than forecasts or price targets. Actual results may differ materially due to company-specific, industry, macroeconomic and market factors.