



**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending December 31, 2021**  
**(Six Months Ended June 30, 2021)**

[Japanese GAAP]

August 13, 2021

Company name: Orchestra Holdings Inc. Listing: Tokyo Stock Exchange, First Section  
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Scheduled date of filing of Quarterly Report: August 13, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Six Months of 2021 (January 1 to June 30, 2021)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2021	7,577	36.5	681	126.2	692	131.1	436	144.3
Six months ended Jun. 30, 2020	5,551	25.7	301	36.8	299	32.2	178	57.6

Note: Comprehensive income (millions of yen) Six months ended Jun. 30, 2021: 449 (up 151.3%)  
 Six months ended Jun. 30, 2020: 178 (up 57.6%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Jun. 30, 2021	44.63	44.49
Six months ended Jun. 30, 2020	19.53	18.23

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	8,095	4,320	47.8
As of Dec. 31, 2020	4,689	1,885	38.9

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 3,871 As of Dec. 31, 2020: 1,823

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2020	-	0.00	-	7.00	7.00
2021	-	0.00	-	-	-
2021 (forecast)	-	-	-	8.00	8.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for 2021 (January 1 to December 31, 2021)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,200	20.1	870	26.8	865	26.6	540	24.0	55.16

Note: Revisions to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of Jun. 30, 2021:	9,791,600 shares	As of Dec. 31, 2020:	9,789,600 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2021:	97 shares	As of Dec. 31, 2020:	97 shares
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3) Average number of shares during the period

Six months ended Jun. 30, 2021:	9,790,851 shares	Six months ended Jun. 30, 2020:	9,156,967 shares
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\* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company's management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The shortage of IT professionals in Japan is becoming increasingly severe as progress continues in the IT sector and Japan's population ages and declines. According to an IT Professional Supply and Demand Survey conducted for the Ministry of Economy, Trade and Industry, Japan will have a shortage of about 450,000 IT engineers by 2030.

As the digital transformation (DX) advances, an increasing number of companies are adopting a "cloud first" strategy for improving productivity and the efficiency of business processes. In addition, more companies are utilizing public cloud services to solve urgent business process issues involving telework, strengthening digital business activities and other measures in response to the pandemic. In 2020, companies briefly held down IT investments and projects were delayed because of declarations of a state of emergency. Nevertheless, Japan's public cloud service market grew by 19.5% in 2020 to 1,065.4 billion yen. This market is forecast to grow about 140% to reach 2,586.6 billion yen by 2025, in an annual average growth rate of 19.4%, according to the Japan Public Cloud Services Market Forecast 2021-2025 of International Data Corporation Japan.

In the digital marketing sector, internet advertising in Japan increased 5.9% to 2,229.0 billion yen in 2020 according to Dentsu Inc. There was a brief decline in internet advertising because of the pandemic, but this category subsequently recovered faster than other advertising media did as the internet category continued to grow. The market for programmatic advertising, which is the primary service of the Orchestra Group, increased 9.7% in 2020 to 1,455.8 billion yen according to Dentsu as this category continued to grow even during the pandemic. We believe that the digitalization of the advertising business will continue.

In the digital transformation business, we are continuing to make progress with making this a source of growth for the Orchestra Group. We are strengthening capabilities in the cloud integration sector and recruiting and training people to build a stronger infrastructure for technology and product development programs. In the digital marketing business, sales activities aimed at growth are continuing with emphasis on programmatic advertising, the key service of this business. In addition, we strengthened the framework for providing assistance for the overall optimization of marketing activities, including support involving marketing automation and customer relationship management. In other businesses, there were promotions to attract new users in the platform business and investments for the growth of new businesses.

In the first half of 2021, net sales increased 36.5% year on year to 7,577 million yen. Operating profit increased 126.2% to 681 million yen, ordinary profit increased 131.1% to 692 million yen, and profit attributable to owners of parent increased 144.3% to 436 million yen.

Business segment performance was as follows:

To more appropriately disclose the results of operations of the reportable segments, beginning with the first quarter of 2021, the method for allocating some expenses to individual segments has been changed to a standard that more accurately reflects the actual operations of each segment. Earnings and losses in the first half of 2020 are also based on this revised allocation method.

#### 1) Digital Transformation Business

Since the launch of this business, we have been using M&A and the recruitment of IT personnel in order to build a larger and stronger infrastructure for developing technologies and products. The demand for IT is increasing as the utilization of IT becomes more diverse and advanced. By targeting this demand, this business steadily received orders for cloud integration, the development of web systems and smartphone apps, and other services.

As a result, first half sales were 1,941 million yen, up 20.4% year on year and segment profit (operating profit) increased 99.4% to 223 million yen.

#### 2) Digital Marketing Business

As the internet advertising market continues to grow, this business received a larger volume of orders from existing customers as well as orders from new customers, chiefly in the core programmatic advertising category.

As a result, first half sales were 5,349 million yen, up 43.8% year on year and segment profit (operating profit) increased 65.2% to 820 million yen.

### 3) Others

The platform business, which is mainly the Urara Chat Fortune Teller app, is the main component of this sector. Other activities are the development and sale of Skill Navi, a comprehensive human resources management system for companies, and activities involving new businesses.

As a result, first half sales were 317 million yen, up 41.9% year on year and segment profit (operating profit) was 22 million yen, compared with a loss of 1 million yen one year earlier.

## (2) Explanation of Financial Position

### 1) Assets, liabilities and net assets

#### Assets

Total assets increased 3,406 million yen from the end of 2020 to 8,095 million yen at the end of the second quarter of 2021. This was mainly due to increases of 2,891 million yen in cash and deposits and 371 million yen in notes and accounts receivable-trade.

#### Liabilities

Total liabilities increased 970 million yen from the end of 2020 to 3,774 million yen. This was mainly due to a decrease of 149 million yen in borrowings, and increases of 736 million yen in income taxes payable and 313 million yen in accounts payable-trade.

#### Net assets

Net assets increased 2,435 million yen from the end of 2020 to 4,320 million yen. This was mainly due to increases of 1,674 million yen in capital surplus due to sales of part of shares of consolidated subsidiary Sharing Innovations Inc. and 368 million yen in retained earnings due to recording of profit attributable to owners of parent.

### 2) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter of 2021 increased 3,658 million yen from the same period of 2020 to 4,304 million yen. The cash flow components and the main reasons for changes are as follows.

#### Cash flows from operating activities

Net cash provided by operating activities was 455 million yen, compared with net cash used of 17 million yen in the same period of 2020. Main factors include profit before income taxes of 692 million yen and a 313 million yen increase in trade payables, while there was a 354 million yen increase in trade receivables.

#### Cash flows from investing activities

Net cash used in investing activities increased 9 million yen from the same period of 2020 to 129 million yen. Main factors include purchase of shares of subsidiaries resulting in change in scope of consolidation of 120 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities increased 2,469 million yen from the same period of 2020 to 2,563 million yen. Main factors include proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation of 2,582 million yen and proceeds from share issuance to non-controlling shareholders of 198 million yen.

**(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the consolidated forecasts for 2021 announced on February 12, 2021 because the pandemic had only a negligible effect during the first half on all businesses of the Orchestra Group.

However, there is a possibility that the pandemic will have a significant effect on business operations in many ways. Orchestra Holdings will continue to monitor the effects of the pandemic on business operations. An announcement will be made promptly if there is a need to revise the forecasts.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	2020 (As of Dec. 31, 2020)	Second quarter of 2021 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,413,863	4,305,005
Notes and accounts receivable-trade	1,674,888	2,046,115
Work in process	19,477	19,919
Deposits paid	145,511	185,354
Other	111,696	131,216
Total current assets	3,365,438	6,687,612
Non-current assets		
Property, plant and equipment	87,187	84,075
Intangible assets		
Goodwill	596,312	672,057
Other	11,860	8,798
Total intangible assets	608,172	680,856
Investments and other assets		
Investment securities	382,574	398,236
Other	245,717	244,470
Total investments and other assets	628,291	642,706
Total non-current assets	1,323,651	1,407,638
Total assets	4,689,089	8,095,250

	(Thousands of yen)	
	2020	Second quarter of 2021
	(As of Dec. 31, 2020)	(As of Jun. 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,272,728	1,586,496
Short-term borrowings	28,000	-
Current portion of long-term borrowings	233,360	233,360
Income taxes payable	196,291	932,501
Accrued consumption taxes	134,992	132,159
Provision for bonuses	34,124	21,641
Other	339,576	415,058
Total current liabilities	2,239,073	3,321,217
Non-current liabilities		
Long-term borrowings	529,800	408,120
Other	35,068	44,991
Total non-current liabilities	564,868	453,111
Total liabilities	2,803,941	3,774,329
<b>Net assets</b>		
Shareholders' equity		
Share capital	194,578	194,595
Capital surplus	121,832	1,796,638
Retained earnings	1,426,921	1,795,314
Treasury shares	(102)	(102)
Total shareholders' equity	1,743,231	3,786,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79,441	85,060
Foreign currency translation adjustment	382	10
Total accumulated other comprehensive income	79,824	85,071
Share acquisition rights	26,803	26,803
Non-controlling interests	35,289	422,599
Total net assets	1,885,148	4,320,920
Total liabilities and net assets	4,689,089	8,095,250



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(Quarterly Consolidated Statement of Income)**  
**(For the Six-month Period)**

(Thousands of yen)

	First six months of 2020 (Jan. 1 – Jun. 30, 2020)	First six months of 2021 (Jan. 1 – Jun. 30, 2021)
Net sales	5,551,455	7,577,671
Cost of sales	4,407,501	5,783,108
Gross profit	1,143,954	1,794,562
Selling, general and administrative expenses	842,584	1,112,718
Operating profit	301,369	681,844
Non-operating income		
Interest income	8	14
Subsidy income	1,645	6,736
Gain on adjustment of account payable	-	4,455
Other	794	1,594
Total non-operating income	2,447	12,800
Non-operating expenses		
Interest expenses	1,466	1,310
Commission expenses	907	908
Office relocation expenses	1,710	-
Other	69	-
Total non-operating expenses	4,152	2,219
Ordinary profit	299,664	692,425
Extraordinary losses		
Impairment losses	1,936	-
Total extraordinary losses	1,936	-
Profit before income taxes	297,728	692,425
Income taxes-current	113,077	241,908
Income taxes-deferred	5,842	6,445
Total income taxes	118,920	248,354
Profit	178,808	444,070
Profit (loss) attributable to non-controlling interests	(63)	7,151
Profit attributable to owners of parent	178,872	436,919

**(Quarterly Consolidated Statement of Comprehensive Income)**  
**(For the Six-month Period)**

(Thousands of yen)

	First six months of 2020 (Jan. 1 – Jun. 30, 2020)	First six months of 2021 (Jan. 1 – Jun. 30, 2021)
Profit	178,808	444,070
Other comprehensive income		
Valuation difference on available-for-sale securities	-	5,618
Foreign currency translation adjustment	-	(367)
Other comprehensive income	-	5,251
Comprehensive income	178,808	449,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	178,872	442,191
Comprehensive income attributable to non-controlling interests	(63)	7,130

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of 2020 (Jan. 1 – Jun. 30, 2020)	First six months of 2021 (Jan. 1 – Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	297,728	692,425
Depreciation	9,775	8,435
Amortization of goodwill	41,918	44,038
Impairment loss	1,936	-
Increase (decrease) in provision for bonuses	(2,235)	(12,539)
Interest income	(8)	(14)
Interest expenses	1,466	1,310
Decrease (increase) in trade receivables	(144,716)	(354,737)
Decrease (increase) in inventories	17,095	(432)
Decrease (increase) in deposits paid	(53,613)	(39,843)
Decrease (increase) in other current assets	13,340	(19,975)
Increase (decrease) in trade payables	(61,599)	313,768
Increase (decrease) in accrued consumption taxes	(13,936)	(2,395)
Increase (decrease) in other current liabilities	9,422	105,478
Other, net	2,228	(389)
Subtotal	118,802	735,130
Interest received	8	14
Interest paid	(1,466)	(1,065)
Income taxes paid	(135,324)	(278,280)
Net cash provided by (used in) operating activities	(17,979)	455,798
Cash flows from investing activities		
Purchase of investment securities	(40,780)	(120)
Purchase of property, plant and equipment	(66,020)	(2,262)
Purchase of intangible assets	(1,170)	-
Loan advances	(16,017)	-
Payments of leasehold and guarantee deposits	(10,837)	(5,814)
Proceeds from refund of leasehold and guarantee deposits	6,943	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(120,817)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	8,810	-
Net cash provided by (used in) investing activities	(119,072)	(129,014)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	42,000	(28,000)
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(93,220)	(121,680)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	15	34
Proceeds from share issuance to non-controlling shareholders	-	198,747
Dividends paid	(54,774)	(68,261)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	2,582,670
Net cash provided by (used in) financing activities	94,020	2,563,510
Effect of exchange rate change on cash and cash equivalents	-	828
Net increase (decrease) in cash and cash equivalents	(43,032)	2,891,122
Cash and cash equivalents at beginning of period	689,071	1,413,618
Cash and cash equivalents at end of period	646,038	4,304,740

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Orchestra Holdings sold part of shares of consolidated subsidiary Sharing Innovations Inc. As a result, capital surplus has increased by 1,674 million yen during the first half of 2021.

Capital surplus was 1,796 million yen at the end of the second quarter of 2021.

**Segment and Other Information**

## Segment Information

First six months of 2020 (Jan. 1 – Jun. 30, 2020)

## 1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Digital Transformation Business	Digital Marketing Business	Subtotal				
Net sales							
Sales to external customers	1,607,849	3,719,809	5,327,659	223,796	5,551,455	-	5,551,455
Inter-segment sales and transfers	4,725	360	5,085	-	5,085	(5,085)	-
Total	1,612,575	3,720,169	5,332,745	223,796	5,556,541	(5,085)	5,551,455
Segment profit (loss)	111,875	497,070	608,945	(1,914)	607,031	(305,661)	301,369

Notes: 1. "Others" represent businesses not included in reportable segments and include the platform business, development and sale of a comprehensive human resources management system for companies, and activities involving new businesses.

2. The -305,661 thousand yen adjustment to segment profit (loss) includes corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

## 2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.

First six months of 2021 (Jan. 1 – Jun. 30, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Digital Transformation Business	Digital Marketing Business	Subtotal				
Net sales							
Sales to external customers	1,924,379	5,341,547	7,265,926	311,744	7,577,671	-	7,577,671
Inter-segment sales and transfers	17,503	7,829	25,333	5,758	31,091	(31,091)	-
Total	1,941,883	5,349,376	7,291,259	317,502	7,608,762	(31,091)	7,577,671
Segment profit	223,100	820,950	1,044,051	22,992	1,067,043	(385,199)	681,844

Notes: 1. "Others" represent businesses not included in reportable segments and include the platform business, development and sale of a comprehensive human resources management system for companies, and activities involving new businesses

2. The -385,199 thousand yen adjustment to segment profit includes corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

To more appropriately disclose the results of operations of the reportable segments, beginning with the first quarter of 2021, the method for allocating some expenses to individual segments has been changed to a standard that more accurately reflects the actual operations of each segment.

Earnings and losses in the first six months of 2020 are also based on this revised allocation method.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*