



Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

[Japanese GAAP]

February 14, 2022

Company name: Orchestra Holdings Inc.

Listing: Tokyo Stock Exchange, First Section

Stock code: 6533

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Scheduled date of Annual General Meeting of Shareholders: March 29, 2022

Scheduled date of payment of dividend: March 30, 2022

Scheduled date of filing of Annual Securities Report: March 30, 2022

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 2021 (January 1 to December 31, 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	%
2021	16,640	40.7	1,262	84.0	1,286	88.3	757	73.8
2020	11,825	26.6	686	30.0	683	27.8	435	58.5

Note: Comprehensive income (millions of yen) 2021: 933 (up 81.2%) 2020: 514 (up 90.3%)

	Basic earnings per share		Diluted earnings per share		Return on equity		Ordinary profit on total assets		Operating profit to net sales	
	Yen	%	Yen	%	%	%	%	%		
2021	77.33		77.10		24.7		16.9		7.6	
2020	47.29		44.39		27.4		16.2		5.8	

Reference: Equity in earnings of affiliates (millions of yen) 2021: - 2020: -

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen	%	Million yen	%	%	Yen		
As of Dec. 31, 2021	10,560		4,945		40.9	440.50		
As of Dec. 31, 2020	4,689		1,885		38.9	186.23		

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2021: 4,315 As of Dec. 31, 2020: 1,823

(3) Consolidated cash flows

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities		Cash and cash equivalents at end of period	
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen		
2021	1,113	(32)		2,461		4,958		
2020	660	(62)		127		1,413		

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
2020	-	0.00	-	7.00	7.00	68	14.8	4.2
2021	-	0.00	-	8.00	8.00	78	10.3	2.6
2022 (forecast)	-	0.00	-	9.00	9.00		9.3	

3. Consolidated Forecast for 2022 (January 1 to December 31, 2022)

(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	
First half	-	-	-	-	-	-	-	-	-	
Full year	10,000	-	1,670	32.3	1,680	30.6	950	25.5	96.98	

Note: The Company plans to adopt "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of the first quarter of the fiscal year ending December 31, 2022, and the forecasts are based on the application of the standard. The application of this standard has a significant impact on net sales, and it is not appropriate to compare it with the actual figures for the fiscal year ended December 2021. Accordingly, the year-on-year changes in net sales are not indicated. In accordance with the previous standard, for the fiscal year ending December 31, 2022, net sales were 21,000 million yen (up 26.2% year-on-year).

Consolidated forecast for the first half of 2022 has not been disclosed.

Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 for details of the consolidated forecast.

*** Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): Yes

Newly added: 2 Name: PAM, INC., R-Stone.co.,ltd. Excluded: -

(2) 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

(3) Number of shares issued (common stock)

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

As of Dec. 31, 2021: 9,796,000 shares As of Dec. 31, 2020: 9,789,600 shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2021: 97 shares As of Dec. 31, 2020: 97 shares

3) Average number of shares during the period

2021: 9,792,556 shares 2020: 9,210,763 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for 2021 (January 1 to December 31, 2021)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2021	1,313	112.4	471	-	467	-	2,067	-
2020	618	40.1	(11)	-	(28)	-	(72)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
2021	211.14		210.53	
2020	(7.83)		-	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Dec. 31, 2021	4,046		2,664		62.1		272.03	
As of Dec. 31, 2020	3,563		537		14.4		54.94	

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2021: 2,511 As of Dec. 31, 2020: 512

Reason for difference from previous year's non-consolidated financial results

Orchestra Holdings is a pure holding company, and its main business is to provide administrative services to its subsidiaries. However, the non-consolidated financial results for 2021 is different from 2020 due to sales of part of shares of consolidated subsidiary Sharing Innovations Inc. in 2021 and the recording of a gain on sales of shares of subsidiaries and associates. As Sharing Innovations has remained a consolidated subsidiary of Orchestra Holdings after the sale, the gain on sales of shares of subsidiaries and associates was offset and eliminated in the consolidated statement of income, and does not have a significant impact on the consolidated results of operations.

* The current financial report is not subject to audit 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. Overview of Results of Operations, (4) Outlook" on page 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) 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. Japan's public cloud service market is estimated to have grown by 20.3% in 2021 to 1,508.7 billion yen. Furthermore, this market is forecast to grow about 130% to reach 2,913.4 billion yen by 2025, an annual average growth rate of 18.4% between 2020 to 2025, according to the Japan Public Cloud Services Market Forecast by Service Segment 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 2021, net sales increased 40.7% year on year to 16,640 million yen. Operating profit increased 84.0% to 1,262 million yen, ordinary profit increased 88.3% to 1,286 million yen, and profit attributable to owners of parent increased 73.8% to 757 million yen.

Business segment performance was as follows:

To disclose the results of operations of the reportable segments more appropriately, beginning with 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. Segment earnings and losses in 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, sales in 2021 were 4,104 million yen, up 21.1% year on year and segment profit (operating profit) increased 45.1% to 462 million yen.

2) Digital Marketing Business

As the internet advertising market continues to grow steadily, 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, sales in 2021 were 11,926 million yen, up 49.9% year on year and segment profit (operating profit) increased 66.4% to 1,712 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, sales in 2021 were 696 million yen, up 40.3% year on year. Segment loss (operating loss) was 21 million yen, compared with a loss of 20 million yen one year earlier.

(2) Financial Position

Assets

Assets totaled 10,560 million yen at the end of 2021, an increase of 5,871 million yen compared to the end of 2020.

Current assets increased 4,491 million yen from the end of 2020 to 7,856 million yen. This was mainly due to cash and deposits of 4,958 million yen (an increase of 3,544 million yen compared to the end of 2020) and notes and accounts receivable trade of 2,528 million yen (an increase of 853 million yen compared to the end of 2020).

Non-current assets increased 1,380 million yen from the end of 2020 to 2,704 million yen. This was mainly due to property, plant and equipment of 619 million yen (an increase of 532 million yen compared to the end of 2020), intangible assets of 1,148 million yen (an increase of 540 million yen compared to the end of 2020) and investments and other assets of 936 million yen (an increase of 308 million yen compared to the end of 2020).

Liabilities

Total liabilities increased 2,811 million yen from the end of 2020 to 5,615 million yen.

Current liabilities increased 2,021 million yen from the end of 2020 to 4,260 million yen. This was mainly due to income taxes payable of 1,149 million yen (an increase of 953 million yen compared to the end of 2020) and accounts payable trade of 1,876 million yen (an increase of 603 million yen compared to the end of 2020).

Non-current liabilities increased 789 million yen from the end of 2020 to 1,354 million yen mainly due to long-term borrowings of 1,224 million yen (an increase of 695 million yen compared to the end of 2020).

Net assets

Net assets increased 3,060 million yen from the end of 2020 to 4,945 million yen. This was mainly due to capital surplus of 1,790 million yen (an increase of 1,668 million yen compared to the end of 2020), retained earnings of 2,115 million yen (an increase of 688 million yen compared to the end of 2020) and valuation difference on available-for-sale securities of 214 million yen (an increase of 135 million yen compared to the end of 2020).

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of 2021 were 4,958 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 1,113 million yen. Main factors include profit before income taxes of 1,317 million yen and a 565 million yen increase in trade payables, while there were a 745 million yen increase in trade receivables and income taxes paid of 422 million yen.

Cash flows from investing activities

Net cash used in investing activities was 32 million yen. Main factors include purchase of shares of subsidiaries resulting in change in scope of consolidation of 293 million yen, while there were proceeds from collection of loans receivable of 250 million yen and proceeds from sale of investment securities of 49 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 2,461 million yen. Main factors include repayments of long-term borrowings of 236 million yen, while there were proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation of 2,582 million yen.

Reference: Cash flow indicators

	2020	2021
Equity ratio (%)	38.9	40.9
Market value-based equity ratio (%)	448.2	317.2
Interest-bearing debt to cash flow ratio (years)	1.2	1.4
Interest coverage ratio (times)	214.9	414.8

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. Market capitalization is calculated by the total number of shares outstanding after the deduction of treasury shares.

2. Cash flows are calculated using the figures for operating cash flows.

3. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(4) Outlook

The consolidated forecast for 2022 is as follows.

(Millions of yen)

	2021 results	2022 forecasts	Change	Change (%)
Net sales (previous standard) *	16,640	21,000	4,359	26.2%
Net sales (new standard) *	-	10,000	-	-
Operating profit	1,262	1,670	407	32.3%
Ordinary profit	1,286	1,680	393	30.6%
Profit attributable to owners of parent	757	950	192	25.5%

* Beginning with the first quarter of 2022, Orchestra Holdings plans to apply Accounting Standard for Revenue Recognition (ASBJ Statement No. 29).

Net sales forecasts are shown based on the previous and new revenue recognition standards.

The markets for the digital transformation business and digital marketing business are expected to remain strong because of the increasing shortage of skilled IT personnel and the continuing progress of the digital transformation. Based on the previous revenue recognition standard, we forecast a 26.2% increase in net sales to 21,000 million yen.

For operating profit, we forecast a 32.3% increase to 1,670 million yen as we continue to make investments to become even more competitive. We forecast a 30.6% increase in ordinary profit to 1,680 million yen and an increase of 25.5% in profit attributable to owners of parent to 950 million yen.

These forecasts are based on information currently available. Actual results may differ significantly from these projections due to a variety of factors.

(5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The distribution of earnings to shareholders is one of our highest priorities. The basic policy is to return earnings to shareholders in a manner that reflects the goal of consistent growth of shareholder value by using M&A and investments in new business domains for business growth as well as the demand for funds for activities for the growth of business operations, results of operations, the financial position and other applicable factors. For 2021, we plan to pay a year-end ordinary dividend of 8.00 yen per share.

For 2022, we plan to pay a year-end ordinary dividend of 9.00 yen per share.

2. Basic Approach for the Selection of Accounting Standards

The Orchestra Group uses Japanese GAAP to facilitate comparisons with prior-year performance and the performance of our industry peers in Japan.

We will take suitable actions about the application of the International Financial Reporting Standards (IFRS) by considering trends in associated factors in Japan and other countries.

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

(Thousands of yen)

	2020 (As of Dec. 31, 2020)	2021 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,413,863	4,958,380
Notes and accounts receivable-trade	1,674,888	2,528,114
Work in process	19,477	26,445
Deposits paid	145,511	185,049
Other	111,696	158,625
Total current assets	3,365,438	7,856,615
Non-current assets		
Property, plant and equipment		
Buildings, net	64,007	209,589
Land	-	387,971
Other, net	23,179	22,063
Total property, plant and equipment	87,187	619,624
Intangible assets		
Goodwill	596,312	1,139,962
Other	11,860	8,412
Total intangible assets	608,172	1,148,375
Investments and other assets		
Investment securities	382,574	583,687
Deferred tax assets	37,760	93,479
Other	207,956	259,195
Total investments and other assets	628,291	936,362
Total non-current assets	1,323,651	2,704,362
Total assets	4,689,089	10,560,977

	(Thousands of yen)	
	2020	2021
	(As of Dec. 31, 2020)	(As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,272,728	1,876,559
Short-term borrowings	28,000	-
Current portion of long-term borrowings	233,360	309,239
Income taxes payable	196,291	1,149,647
Accrued consumption taxes	134,992	279,957
Provision for bonuses	34,124	58,986
Other	339,576	586,403
Total current liabilities	2,239,073	4,260,793
Non-current liabilities		
Long-term borrowings	529,800	1,224,915
Other	35,068	129,413
Total non-current liabilities	564,868	1,354,328
Total liabilities	2,803,941	5,615,122
Net assets		
Shareholders' equity		
Share capital	194,578	194,637
Capital surplus	121,832	1,790,404
Retained earnings	1,426,921	2,115,627
Treasury shares	(102)	(102)
Total shareholders' equity	1,743,231	4,100,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79,441	214,892
Foreign currency translation adjustment	382	(332)
Total accumulated other comprehensive income	79,824	214,560
Share acquisition rights	26,803	154,486
Non-controlling interests	35,289	476,240
Total net assets	1,885,148	4,945,855
Total liabilities and net assets	4,689,089	10,560,977

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	2020 (Jan. 1 – Dec. 31, 2020)	2021 (Jan. 1 – Dec. 31, 2021)
Net sales	11,825,546	16,640,632
Cost of sales	9,315,455	12,757,126
Gross profit	2,510,090	3,883,506
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	233,487	298,545
Salaries and allowances	542,149	783,845
Provision for bonuses	22,795	51,136
Other	1,025,359	1,487,280
Total selling, general and administrative expenses	1,823,792	2,620,807
Operating profit	686,298	1,262,699
Non-operating income		
Interest and dividend income	20	4,325
Subsidy income	2,645	9,762
Rental income from real estate	-	6,022
Gain on sale of non-current assets	578	-
Gain on adjustment of account payable	-	6,665
Gain on expired points	1,210	-
Other	982	4,350
Total non-operating income	5,438	31,125
Non-operating expenses		
Interest expenses	3,073	2,641
Commission expenses	1,807	2,510
Foreign exchange losses	1,361	-
Office relocation expenses	1,710	-
Depreciation	-	1,717
Other	504	168
Total non-operating expenses	8,456	7,038
Ordinary profit	683,279	1,286,786
Extraordinary income		
Gain on sale of investment securities	53,165	36,077
Total extraordinary income	53,165	36,077
Extraordinary losses		
Impairment losses	1,936	-
Loss on valuation of investment securities	33,029	4,998
Total extraordinary losses	34,966	4,998
Profit before income taxes	701,479	1,317,865
Income taxes-current	264,780	567,062
Income taxes-deferred	1,605	(47,787)
Total income taxes	266,386	519,274
Profit	435,093	798,590
Profit (loss) attributable to non-controlling interests	(509)	41,357
Profit attributable to owners of parent	435,602	757,232

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	2020 (Jan. 1 – Dec. 31, 2020)	2021 (Jan. 1 – Dec. 31, 2021)
Profit	435,093	798,590
Other comprehensive income		
Valuation difference on available-for-sale securities	79,441	135,450
Foreign currency translation adjustment	382	(853)
Total other comprehensive income	79,824	134,596
Comprehensive income	514,917	933,187
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	515,426	891,989
Comprehensive income attributable to non-controlling interests	(509)	41,197

(3) Consolidated Statement of Changes in Equity

2020 (Jan. 1 – Dec. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	189,193	116,447	1,046,257	(102)	1,351,796
Changes during period					
Issuance of new shares-exercise of share acquisition rights	5,385	5,385			10,770
Dividends of surplus			(54,937)		(54,937)
Profit attributable to owners of parent			435,602		435,602
Net changes in items other than shareholders' equity					-
Total changes during period	5,385	5,385	380,664	-	391,434
Balance at end of period	194,578	121,832	1,426,921	(102)	1,743,231

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	-	-	-	1,411	(4,201)	1,349,006
Changes during period						
Issuance of new shares-exercise of share acquisition rights			-			10,770
Dividends of surplus			-			(54,937)
Profit attributable to owners of parent			-			435,602
Net changes in items other than shareholders' equity	79,441	382	79,824	25,392	39,490	144,707
Total changes during period	79,441	382	79,824	25,392	39,490	536,141
Balance at end of period	79,441	382	79,824	26,803	35,289	1,885,148

2021 (Jan. 1 – Dec. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	194,578	121,832	1,426,921	(102)	1,743,231
Changes during period					
Issuance of new shares-exercise of share acquisition rights	58	58			116
Dividends of surplus			(68,526)		(68,526)
Profit attributable to owners of parent			757,232		757,232
Change in ownership interest of parent due to transactions with non-controlling interests		1,668,513			1,668,513
Net changes in items other than shareholders' equity					-
Total changes during period	58	1,668,571	688,706	-	2,357,336
Balance at end of period	194,637	1,790,404	2,115,627	(102)	4,100,567

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	79,441	382	79,824	26,803	35,289	1,885,148
Changes during period						
Issuance of new shares-exercise of share acquisition rights			-			116
Dividends of surplus			-			(68,526)
Profit attributable to owners of parent			-			757,232
Change in ownership interest of parent due to transactions with non-controlling interests			-			1,668,513
Net changes in items other than shareholders' equity	135,450	(715)	134,735	127,683	440,951	703,370
Total changes during period	135,450	(715)	134,735	127,683	440,951	3,060,707
Balance at end of period	214,892	(332)	214,560	154,486	476,240	4,945,855

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	2020 (Jan. 1 – Dec. 31, 2020)	2021 (Jan. 1 – Dec. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	701,479	1,317,865
Depreciation	17,630	18,020
Amortization of goodwill	83,959	107,389
Loss (gain) on sale of non-current assets	(578)	-
Loss (gain) on sale of investment securities	(53,165)	(36,077)
Loss (gain) on valuation of investment securities	33,029	4,998
Impairment losses	1,936	-
Share-based payment expenses	25,393	127,761
Increase (decrease) in provision for bonuses	14,967	14,815
Interest and dividend income	(20)	(4,325)
Interest expenses	3,073	2,641
Decrease (increase) in trade receivables	(232,709)	(745,450)
Decrease (increase) in inventories	15,746	(1,701)
Decrease (increase) in deposits paid	63,814	(39,524)
Decrease (increase) in other current assets	42,736	(34,180)
Increase (decrease) in trade payables	37,144	565,969
Increase (decrease) in accrued consumption taxes	57,798	118,361
Increase (decrease) in other current liabilities	58,146	118,585
Other, net	2,483	(1,560)
Subtotal	872,864	1,533,587
Interest and dividends received	20	4,325
Interest paid	(3,073)	(2,683)
Income taxes paid	(209,325)	(422,075)
Net cash provided by (used in) operating activities	660,486	1,113,154
Cash flows from investing activities		
Purchase of investment securities	(48,880)	(5,118)
Proceeds from sale of investment securities	68,765	49,132
Purchase of property, plant and equipment	(72,663)	(5,661)
Proceeds from sale of property, plant and equipment	578	-
Purchase of intangible assets	(1,170)	-
Loan advances	(16,017)	-
Proceeds from collection of loans receivable	-	250,248
Payments of leasehold and guarantee deposits	(11,137)	(28,957)
Proceeds from refund of leasehold and guarantee deposits	8,832	850
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(293,677)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	8,810	-
Other, net	-	1,000
Net cash provided by (used in) investing activities	(62,881)	(32,184)

	(Thousands of yen)	
	2020	2021
	(Jan. 1 – Dec. 31, 2020)	(Jan. 1 – Dec. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	28,000	(28,000)
Proceeds from long-term borrowings	300,000	-
Repayments of long-term borrowings	(196,600)	(236,690)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	10,770	13,341
Proceeds from share issuance to non-controlling shareholders	40,000	198,747
Dividends paid	(54,803)	(68,322)
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	127,366	2,461,746
Effect of exchange rate change on cash and cash equivalents	(424)	1,667
Net increase (decrease) in cash and cash equivalents	724,546	3,544,384
Cash and cash equivalents at beginning of period	689,071	1,413,618
Cash and cash equivalents at end of period	1,413,618	4,958,002

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segments

(1) Method of determining the reportable segments

Segments used for financial reporting are constituent units of Orchestra Holdings for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

(2) Products and services by each reportable segment

Orchestra Holdings has the following three segments based on business categories: the Digital Transformation Business, Digital Marketing Business and Others, which consists of activities that do not belong to the other two segments. The Digital Transformation Business and Digital Marketing Business are reportable segments.

The Digital Transformation Business consists of cloud integration, the development of tool applications, the development of other types of web systems, and other activities.

The Digital Marketing Business consists primarily of the programmatic advertising service, SEO consulting service and creative service. There are also other peripheral services to meet the needs of customers of the primary services.

2. Calculation methods for sales, profit or loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profit for reportable segments is operating profit.

3. Information related to changes in reportable segments, etc.

To disclose the results of operations of the reportable segments more appropriately, beginning with 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.

Segment earnings and losses in 2020 are also based on this revised allocation method.

4. Information related to net sales, profit or loss, assets and other items for each reportable segment

2020 (Jan. 1 – Dec. 31, 2020)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Digital Transformation Business	Digital Marketing Business	Subtotal				
Net sales							
Sales to external customers	3,379,520	7,949,250	11,328,771	496,774	11,825,546	-	11,825,546
Inter-segment sales and transfers	11,175	6,465	17,641	-	17,641	(17,641)	-
Total	3,390,696	7,955,716	11,346,413	496,774	11,843,188	(17,641)	11,825,546
Segment profit (loss)	318,523	1,029,422	1,347,945	(20,207)	1,327,737	(641,439)	686,298
Other items							
Depreciation	-	-	-	8,344	8,344	9,285	17,630

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 -641,439 thousand yen adjustment to segment profit (loss) includes corporate expenses that cannot be allocated to any of the reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to a single reportable segment.

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

4. Segment assets are not shown because Orchestra Holdings does not allocate assets to reportable segments.

5. Intersegment transactions are included in the results of operations of the reportable segments by using standard terms for similar transactions. These transactions are eliminated in the adjustment's column.

2021 (Jan. 1 – Dec. 31, 2021)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Digital Transformation Business	Digital Marketing Business	Subtotal				
Net sales							
Sales to external customers	4,068,282	11,905,807	15,974,090	666,542	16,640,632	-	16,640,632
Inter-segment sales and transfers	36,583	20,451	57,034	30,256	87,291	(87,291)	-
Total	4,104,866	11,926,258	16,031,124	696,799	16,727,924	(87,291)	16,640,632
Segment profit (loss)	462,234	1,712,702	2,174,937	(21,805)	2,153,131	(890,432)	1,262,699
Other items							
Depreciation	-	-	-	3,043	3,043	14,977	18,020

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 -890,432 thousand yen adjustment to segment profit (loss) includes corporate expenses that cannot be allocated to any of the reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to a single reportable segment.

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

4. Segment assets are not shown because Orchestra Holdings does not allocate assets to reportable segments.

5. Intersegment transactions are included in the results of operations of the reportable segments by using standard terms for similar transactions. These transactions are eliminated in the adjustment's column.

Related information

2020 (Jan. 1 – Dec. 31, 2020)

1. Information by product and service

This information is omitted since the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant, and equipment

This information is omitted since the amount of property, plant and equipment located in Japan accounted for more than 90% of the amount of property, plant, and equipment in the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Daiko Kyushu Advertising Inc.	1,563,956	Digital Marketing Business

2021 (Jan. 1 – Dec. 31, 2021)

1. Information by product and service

This information is omitted since the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since the amount of property, plant and equipment located in Japan accounted for more than 90% of the amount of property, plant, and equipment in the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Daiko Kyushu Advertising Inc.	1,965,416	Digital Marketing Business

Information on impairment loss for non-current assets by reportable segment.

2020 (Jan. 1 – Dec. 31, 2020)

(Thousands of yen)

	Reportable segment		Others	Elimination or corporate	Amounts shown on consolidated financial statements
	Digital Transformation Business	Digital Marketing Business			
Impairment loss	-	-	1,936	-	1,936

2021 (Jan. 1 – Dec. 31, 2021)

Not applicable.

Information on amortization and unamortized balance of goodwill by reportable segment

2020 (Jan. 1 – Dec. 31, 2020)

(Thousands of yen)

	Reportable segment		Others	Elimination or corporate	Total
	Digital Transformation Business	Digital Marketing Business			
Amortization for the period	74,694	-	9,264	-	83,959
Balance at the end of period	563,885	-	32,426	-	596,312

2021 (Jan. 1 – Dec. 31, 2021)

(Thousands of yen)

	Reportable segment		Others	Elimination or corporate	Total
	Digital Transformation Business	Digital Marketing Business			
Amortization for the period	75,560	20,842	10,986	-	107,389
Balance at the end of period	503,190	512,020	124,752	-	1,139,962

Information on gain on negative goodwill by reportable segment

Not applicable.

Per-share Information

(Yen)

	2020 (Jan. 1 – Dec. 31, 2020)	2021 (Jan. 1 – Dec. 31, 2021)
Net assets per share	186.23	440.50
Basic earnings per share	47.29	77.33
Diluted earnings per share	44.39	77.10

Note: Basis for the calculation of basic earnings per share and diluted earnings per share is as follows:

	2020 (Jan. 1 – Dec. 31, 2020)	2021 (Jan. 1 – Dec. 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	435,602	757,232
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common shares (Thousands of yen)	435,602	757,232
Average number of common shares outstanding during the period (Shares)	9,210,763	9,792,556
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in the number of common stock (Shares)	602,396	28,387
[of which share acquisition rights (Shares)]	[602,396]	[28,387]
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	The 3rd series of share acquisition rights issued pursuant to the Board of Directors' resolution on May 15, 2019 Number of share acquisition rights: 2,710 (Common stock: 271,000 shares)	The 3rd series of share acquisition rights issued pursuant to the Board of Directors' resolution on May 15, 2019 Number of share acquisition rights: 2,698 (Common stock: 269,800 shares)

Significant Subsequent Events

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.