



ORCHESTRA HOLDINGS

Results of Operations  
for the Second Quarter of the  
Fiscal Year Ending  
December 31, 2021

01 Financial Overview: 2Q/1H 2021

02 Earnings Forecast: 2021

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# 01 Financial Overview: 2Q/1H 2021

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# 2Q/1H 2021 Consolidated Results



First half sales increased to a record high and earnings for the second quarter and first half both set new records by wide margins.

Sales and earnings were higher despite the growth of SG&A expenses for investments in human resources in the cloud integration business.

(Millions of yen)	1H 2021	1H 2020	% Change	2Q 2021	2Q 2020	% Change
Net sales	7,577	5,551	36.5%	3,798	2,690	41.2%
Gross profit	1,794	1,143	56.9%	905	547	65.3%
SG&A expenses	1,112	842	32.1%	588	468	25.5%
Operating profit	681	301	126.2%	316	78	303.5%
EBITDA	735	353	108.2%	343	105	227.5%
EBITDA margin	9.7%	6.4%	3.3pt	9.1%	3.9%	5.2pt
Ordinary profit	692	299	131.1%	316	77	305.9%
Profit attributable to owners of parent	436	178	144.3%	191	42	351.5%

# 2Q/1H 2021 Segment Results



Strong growth continued in all businesses despite the COVID-19 pandemic.

Cloud integration was the main reason for the rapid growth of the DX business.

Digital Marketing also continued to grow, posting record-high 2Q sales and all-time high earnings.

Segment (Millions of yen)	1H 2021	1H 2020	% Change	2Q 2021	2Q 2020	% Change
<b>Digital Transformation (DX) business</b>						
Net sales	1,941	1,612	20.4%	990	831	19.1%
Segment profit	223	111	99.4%	64	41	56.3%
<b>Digital Marketing business</b>						
Net sales	5,349	3,720	43.8%	2,658	1,743	52.5%
Segment profit	820	497	65.2%	410	201	103.3%
<b>Other businesses</b>						
Net sales	317	223	41.9%	165	118	39.4%
Segment profit	22	(1)	-	16	(4)	-

Posted all-time high sales and record-high 2Q earnings while investment in human resources to enhance sales and development team

Posted record-high 2Q sales and all-time high earnings. Orders from current and new customers increased steadily.

Losses from upfront investments in new businesses were offset by earnings from Urala, an app for fortune telling chat consultations

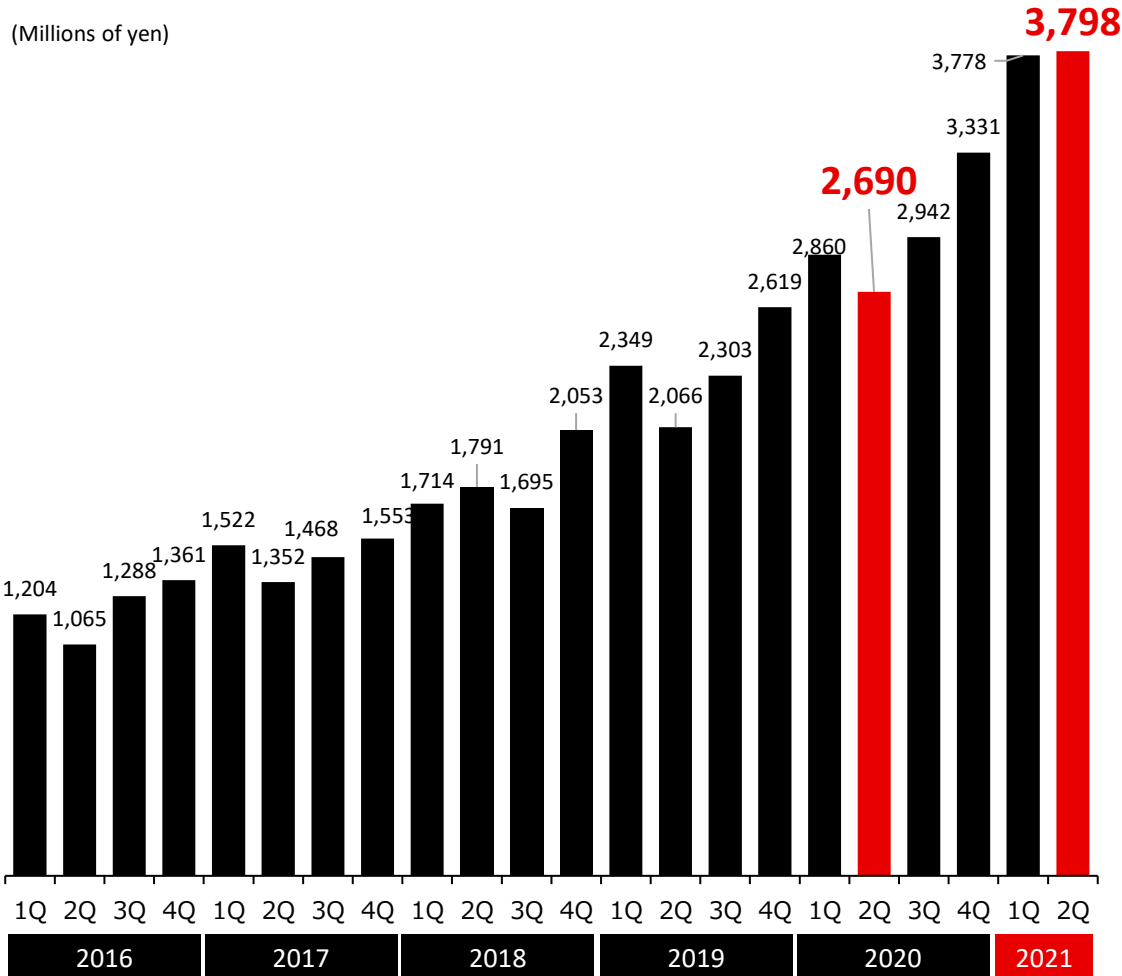
\* Beginning in 2021, some corporate expenses that were not assigned to a business segment in prior years are now assigned to a business segment by using reasonable standards. The purpose is to show the performance of business segments more appropriately. Earnings for 2Q/1H 2020 have been revised for consistency with this change.

\* Net sales of each business segment include intersegment sales between the reportable segments.

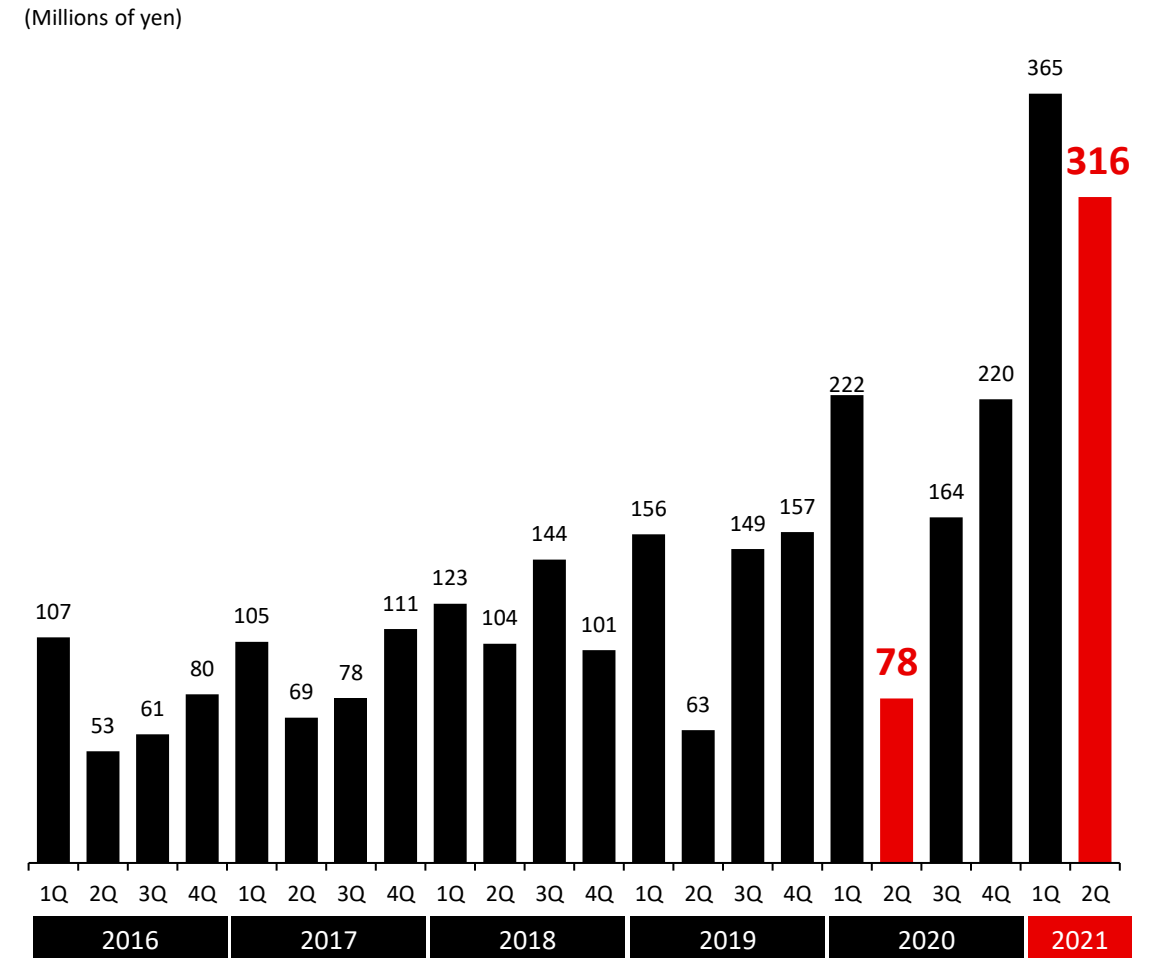
# Quarterly Consolidated Results



**Net sales** Up 41.2% YoY  
Posted all-time high sales



**Operating profit** Up 303.5% YoY  
Recorded 2Q earnings far above the previous record despite higher SG&A expenses for investments in human resources

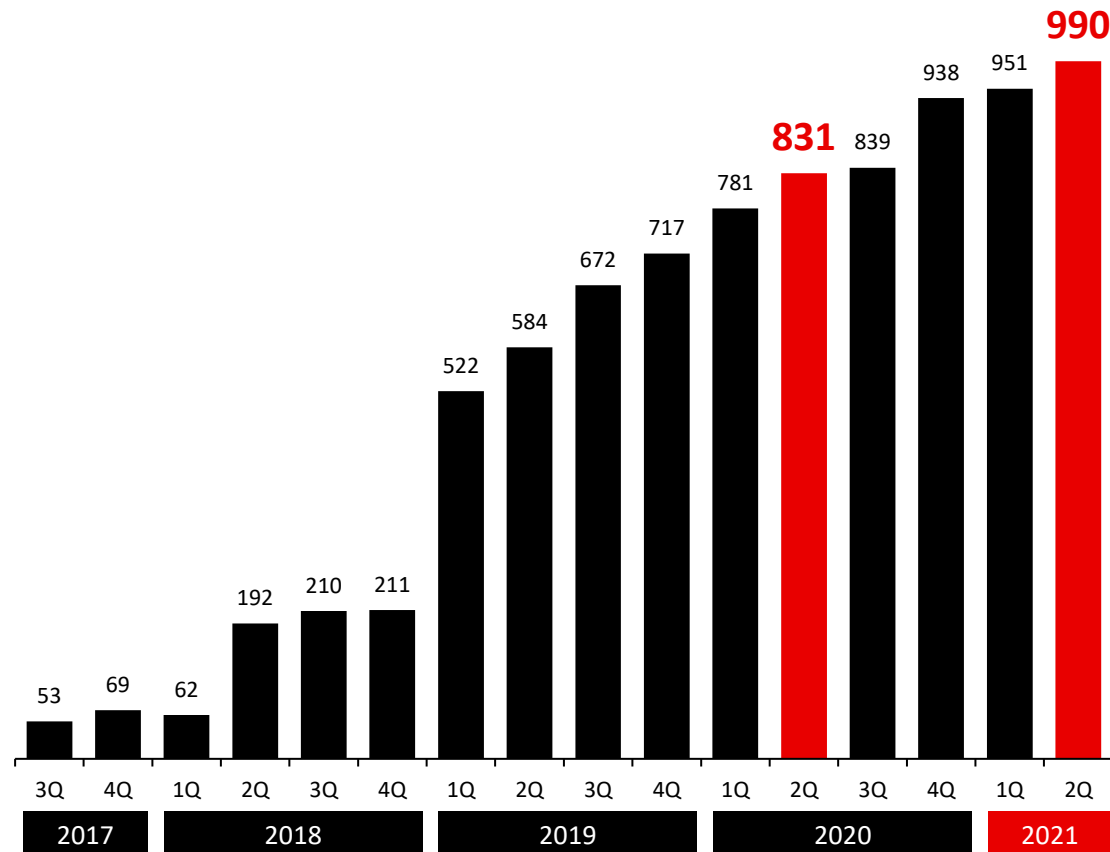


# DX Business: Quarterly Results



Net sales Up 19.1% YoY  
Posted all-time high sales

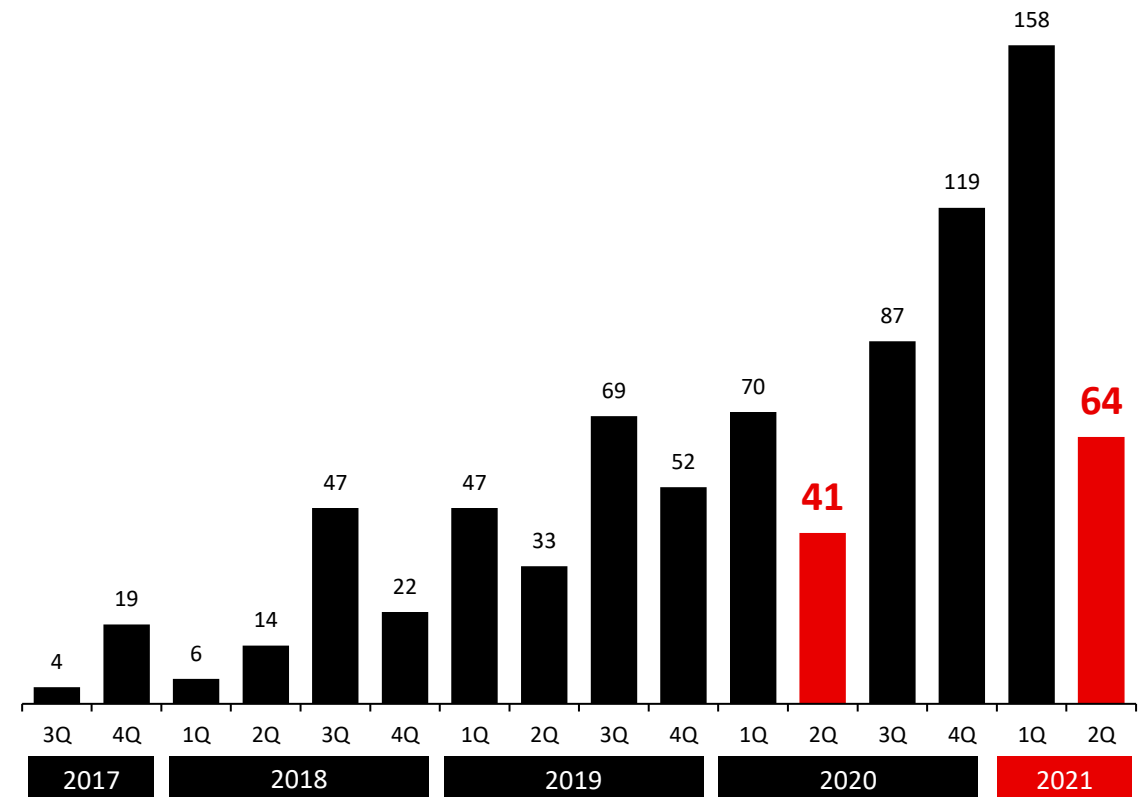
(Millions of yen)



Segment profit Up 56.3% YoY  
Posted record-high 2Q earnings despite higher investments in human resources

(Millions of yen)

Beginning in 2021, the method for aggregating segment profit was changed. Figures in prior years were also revised for consistency with this change.



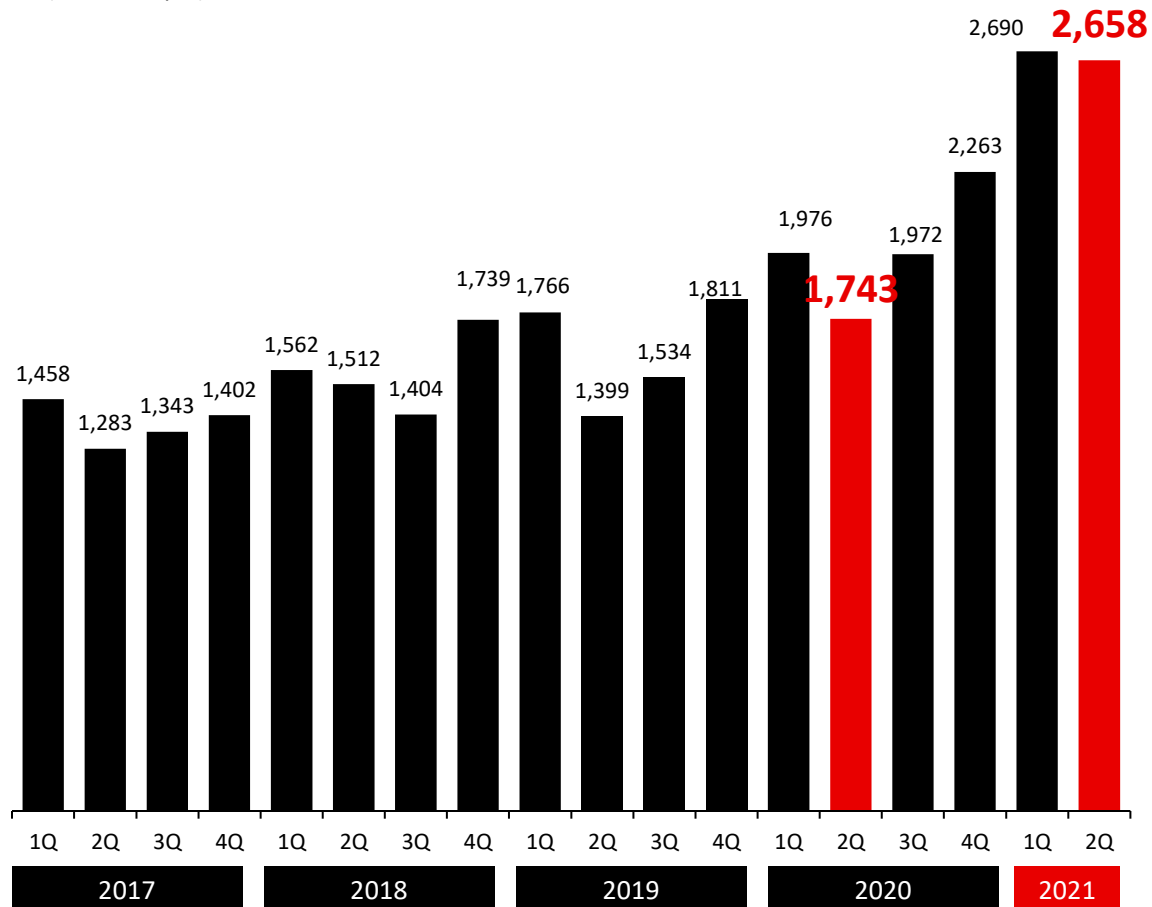
# Digital Marketing Business: Quarterly Results



Net sales Up 52.5% YoY  
Posted record-high 2Q sales

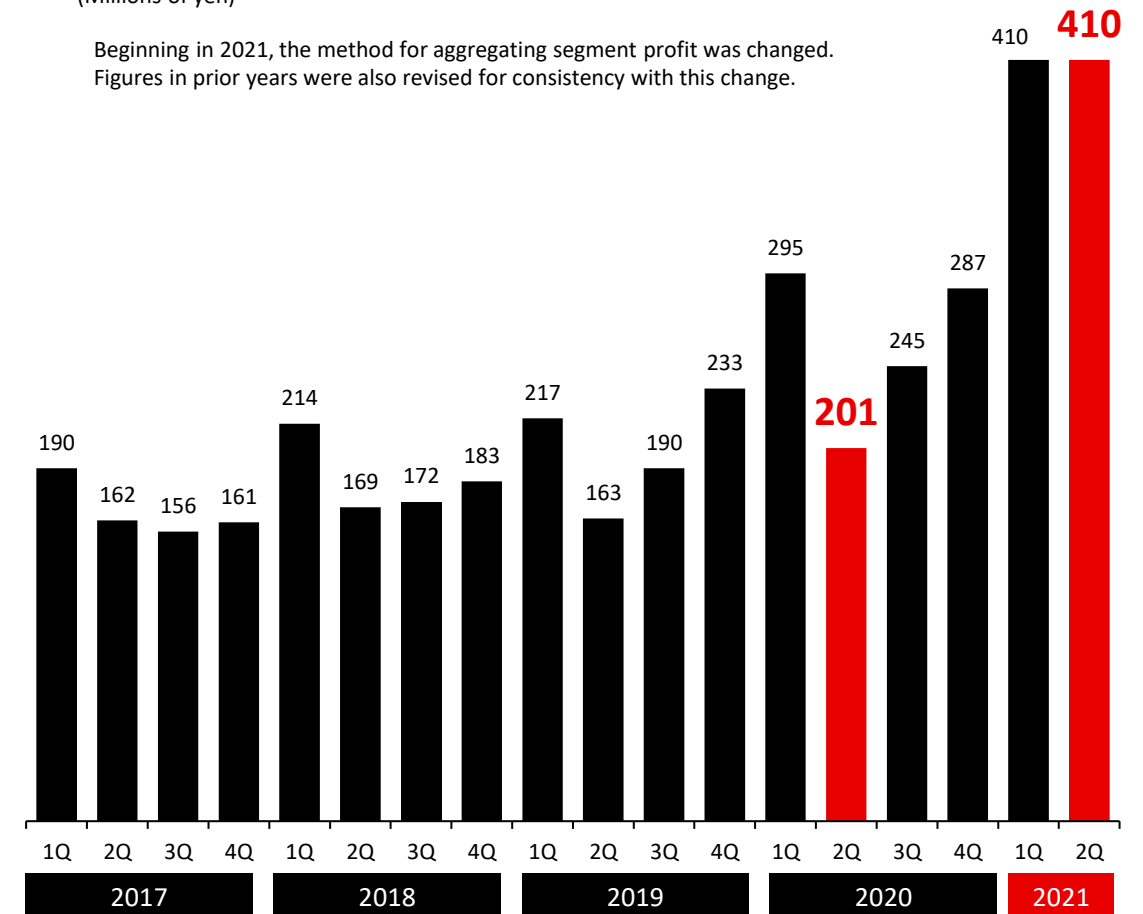
Segment profit Up 103.3% YoY  
Posted all-time high earnings

(Millions of yen)



(Millions of yen)

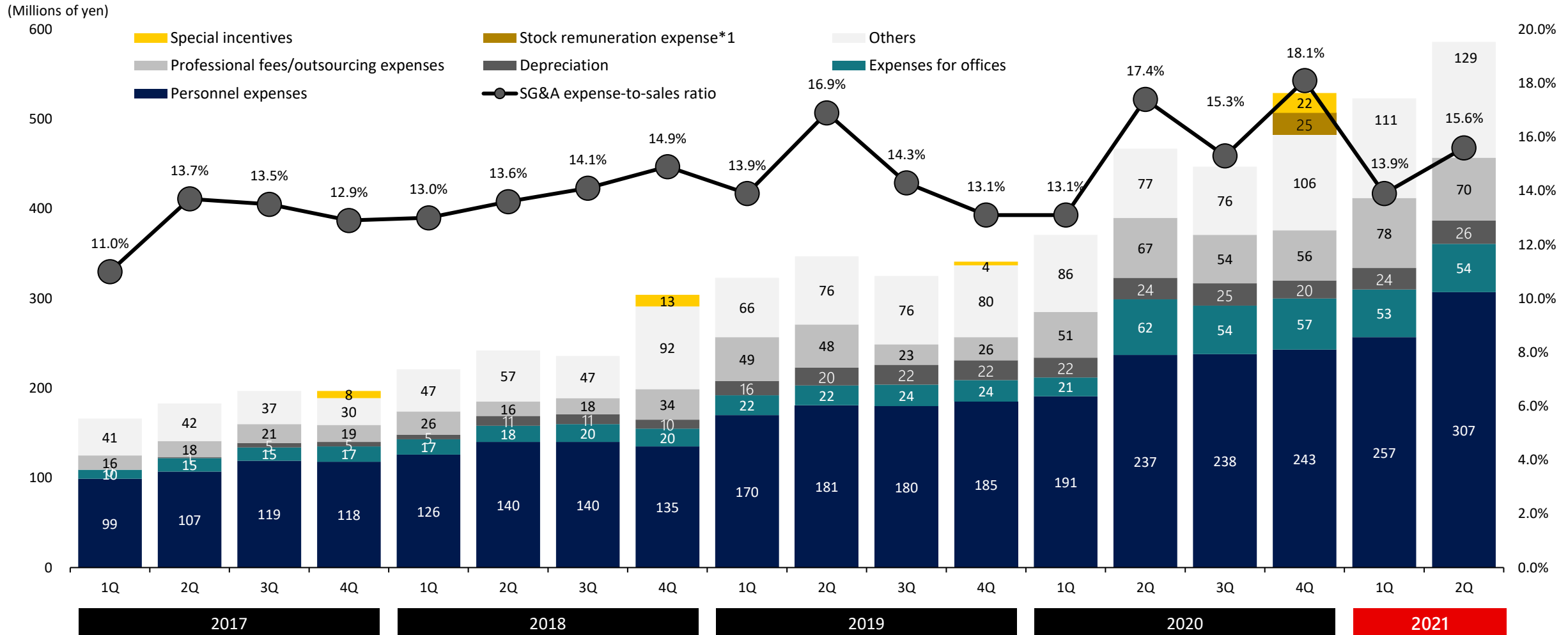
Beginning in 2021, the method for aggregating segment profit was changed. Figures in prior years were also revised for consistency with this change.





# 2Q 2021 Changes in SG&A Expenses

Higher SG&A expenses for investments in human resources but new employees are quickly becoming productive. The 2Q SG&A expense ratio remained low compared with 2Q in prior years.

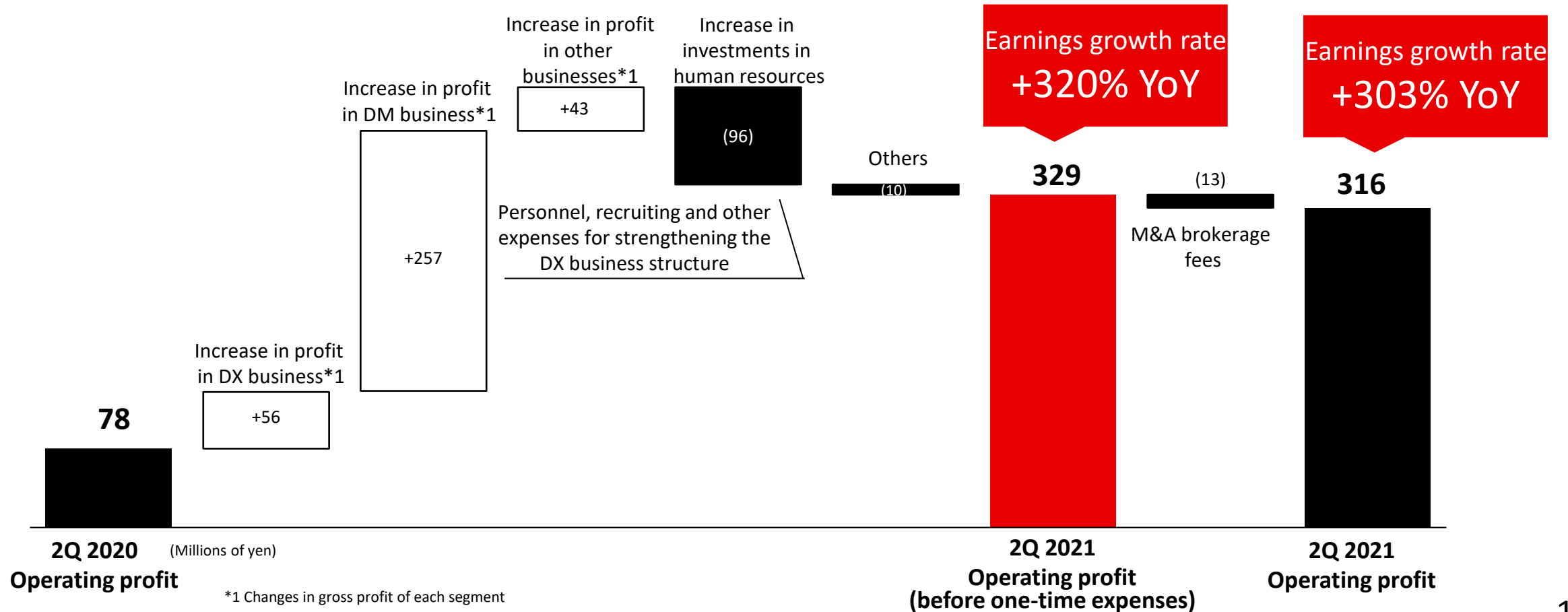


\*1. Non-cash expenses recorded based on the change in the probability of reaching the requirements for the exercise of stock options with charge

# 2Q 2021 Changes in Operating profit

The growth of earnings in all businesses exceeded investments in human resources.

Excluding one-time M&A expenses, 2Q operating profit was up 320% YoY to ¥329 million.



# 2Q 2021 Consolidated Balance Sheet

Equity ratio was 47.8%; maintain financial soundness while continuing to make investments for growth

(Millions of yen)	June 30, 2021	Dec. 31, 2020	Change
<b>Current assets</b>	6,687	3,365	3,322
<b>Non-current assets</b>	1,407	1,323	83
<b>Property, plant and equipment</b>	84	87	-3
<b>Intangible assets</b>	680	608	72
<b>Investments and other assets</b>	642	628	14
<b>Total assets</b>	8,095	4,689	3,406
<b>Current liabilities</b>	3,321	2,239	1,082
<b>Non-current liabilities</b>	453	564	-111
<b>Total liabilities</b>	3,774	2,803	970
<b>Total net assets</b>	4,320	1,885	2,435
<b>Total liabilities and net assets</b>	8,095	4,689	3,406

Cash and deposits increased about ¥2.7 billion due to a listing of consolidated subsidiary Sharing Innovations and sales of some shares associated with this listing

Capital surplus increased about ¥1.6 billion due to the reason above.



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# 02 Earnings Forecast: 2021

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# 2021 Consolidated Forecast

Forecast rapid growth to continue; strong rate of progress vs. forecasts

Forecast sales and earnings growth of between 20% and 30%.

Continuing to invest in talent management systems and other new businesses with the goal of quickly advancing to the phase of contributing to earnings.

	1H 2021		2020	2021	YoY Change		
	(Millions of yen)	Amount	Progress ratio	Results	Forecasts	Amount	%
<b>Net sales</b>		7,577	53.4%	11,825	14,200	2,374	20.1%
<b>Operating profit</b>		681	78.4%	686	870	184	26.8%
<b>Ordinary profit</b>		692	80.0%	683	865	182	26.6%
<b>Profit attributable to owners of parent</b>		436	80.9%	435	540	104	24.0%

# 2021 Shareholder Distributions

Forecast a 2021 ordinary dividend of 8 yen per share, 1 yen higher than for 2020

## Policy for shareholder distributions

Our goal is the constant growth of shareholder value by making investments for growth by using M&A and starting businesses in new market sectors.

Shareholder distributions are an important means of increasing shareholder value. Our policy is to distribute earnings to shareholders while maintaining the balance between these distributions and investments for growth.

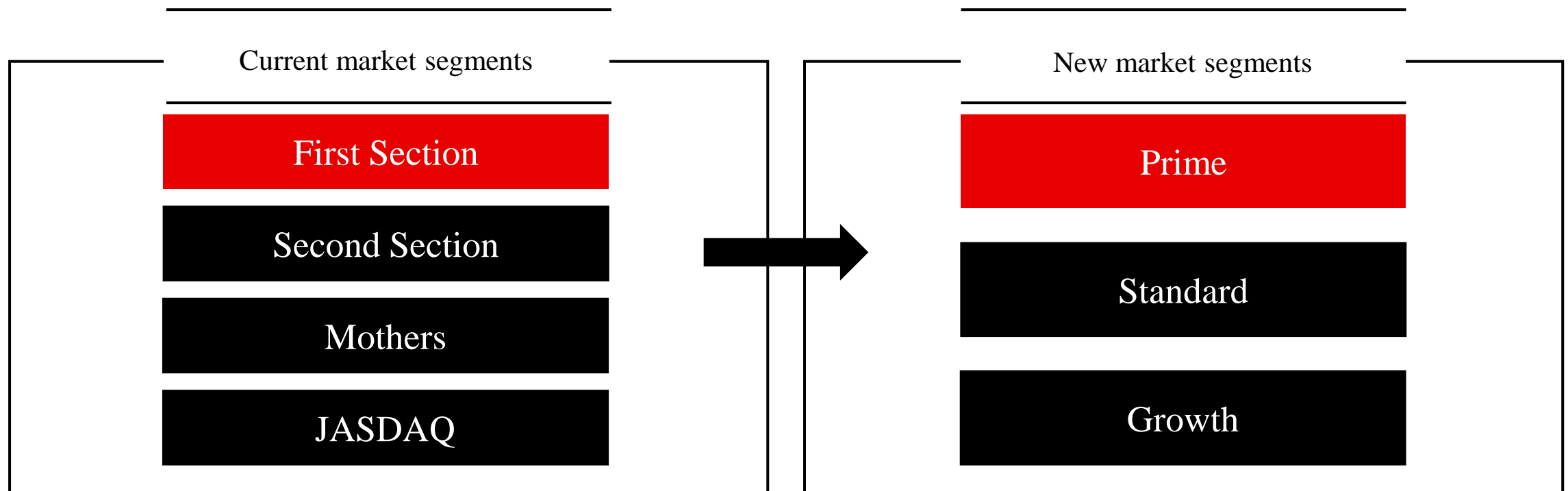
In 2021, based on our forecast for sales and earnings, our financial position, and other considerations, we plan to raise the ordinary dividend from 7 yen to 8 yen.

	2020	2021
<b>Dividend per share</b>	7.0 yen (Ordinary dividend: 7.0 yen)	8.0 yen (Ordinary dividend: 8.0 yen)

# Listing Application for the New Prime Market

Orchestra Holdings has decided to apply for a listing on the Prime Market, a new market segment of the Tokyo Stock Exchange

Based on the results of the initial assessment of compliance with listing standards for the new market segments, Orchestra Holdings has confirmed its compliance with Prime Market listing requirements. The listing is expected to change from the First Section to the Prime Market in or after April 2022.





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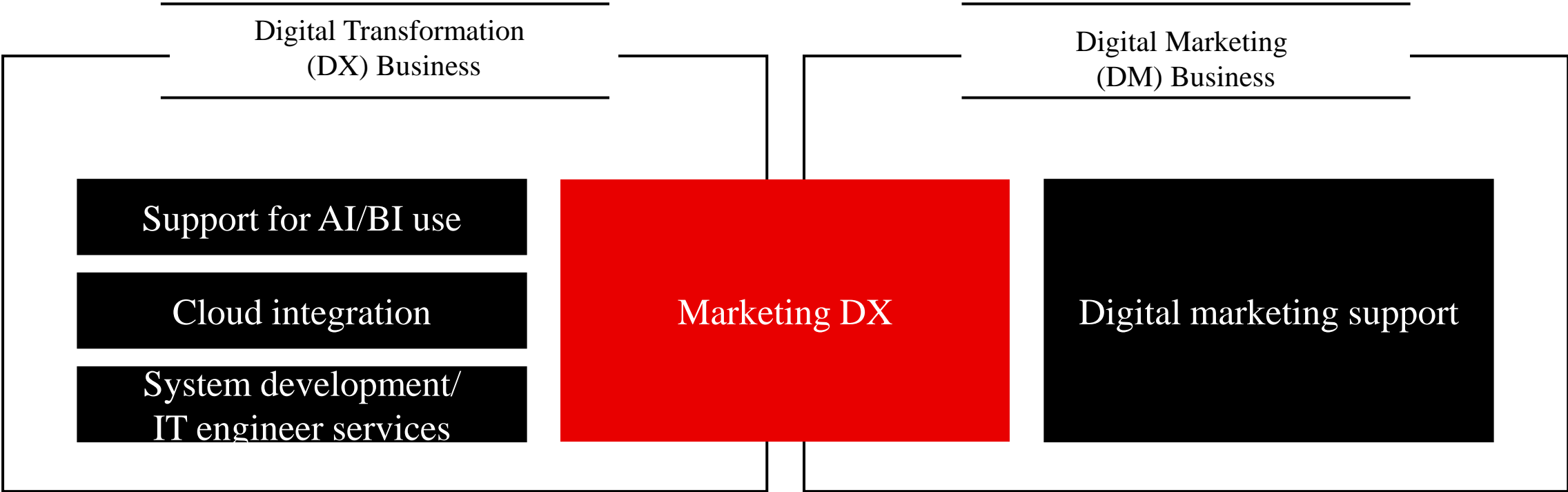
# 03 Business Summary/Growth Strategy

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## To be a leading company in the marketing DX domain

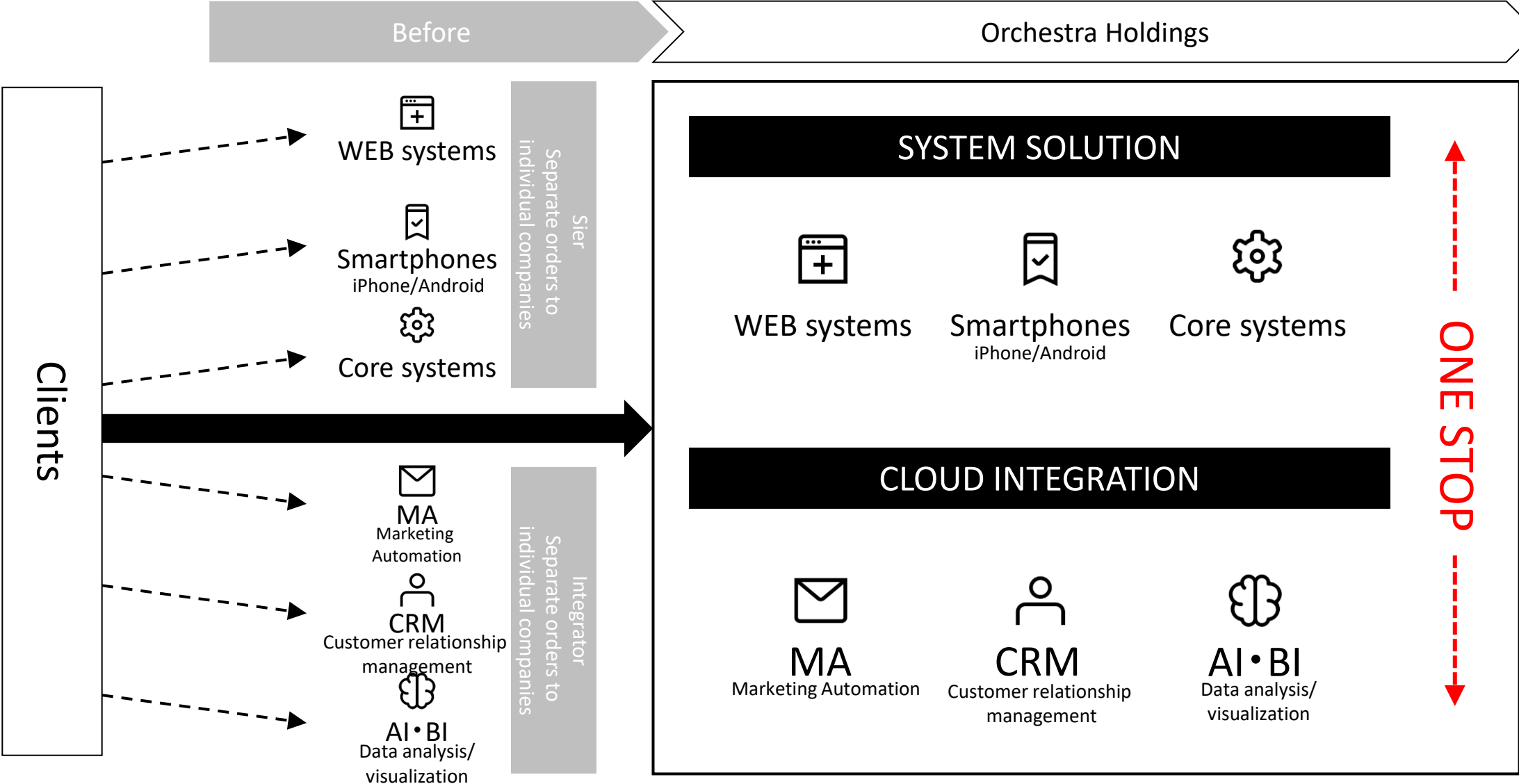
by combining DX business and DM business



# Business Overview: DX Business



Our Strength: One-stop DX support



# Business Overview: DX Business

Why we are competitive

## ONE STOP

One-stop DX support

Services cover both conventional IT system development and the use of Salesforce for the development of IT systems.

One-stop convenience for the DX at client companies.

## MARKETING

Marketing is the starting point for building IT systems.

We do more than simply build systems. Our IT system development services begin by examining the marketing issues of each client company.

## HR DEVELOPMENT


Training and skill development

Organizational programs for acquiring certifications

Innovative training programs with priority on developing skills

A framework for acquiring the required resources, including the use of partners in fields other than our own core businesses

# Faster growth



These strengths have been generating rapid growth over a short time



## Market selection

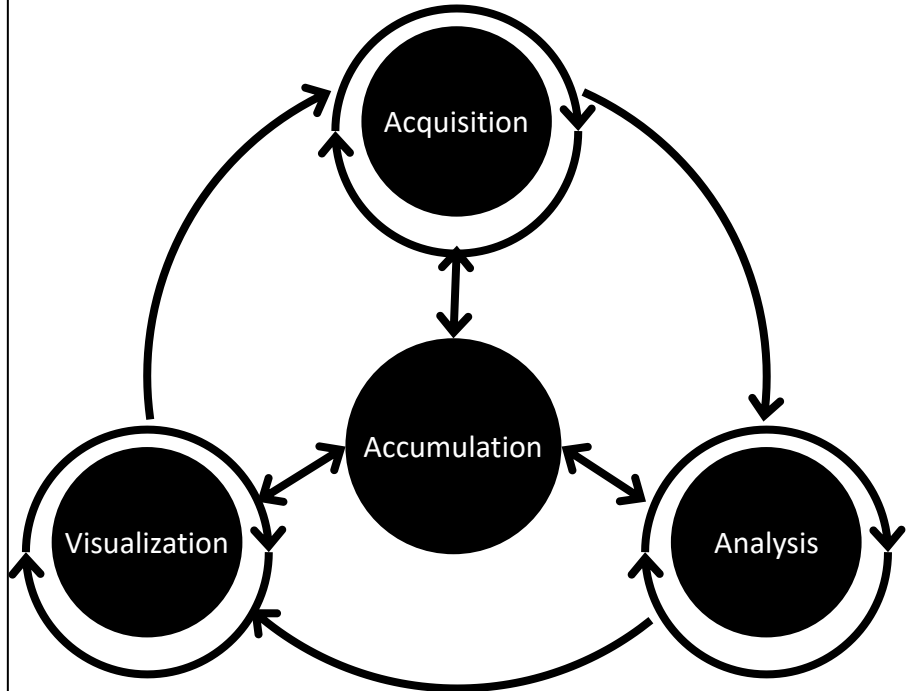
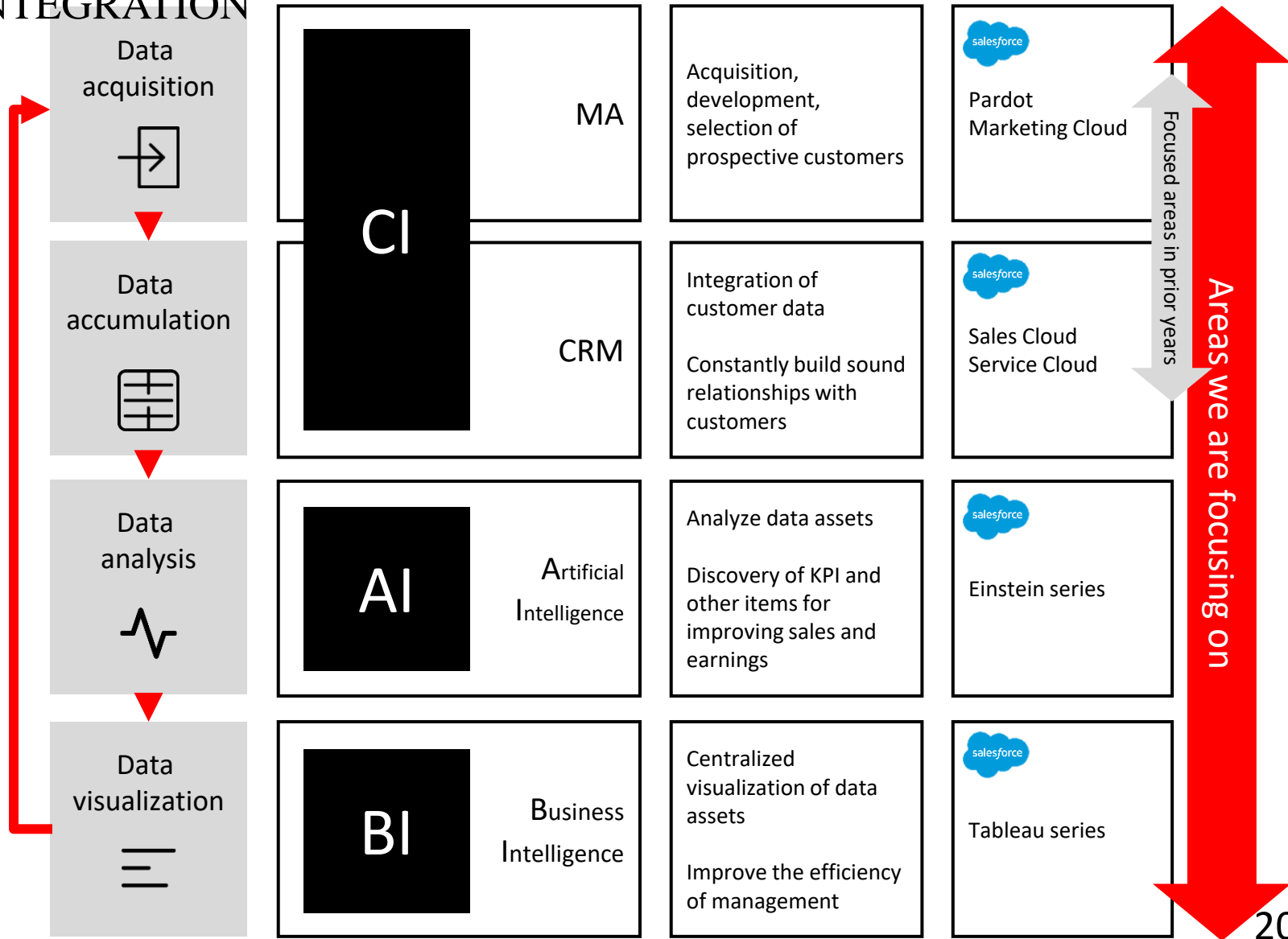
We select markets with excellent prospects for growth. In the DX market, we are focusing on Salesforce from among the many cloud services.

# Capabilities

# Business Overview: DX Business

## Growth Strategy: AI×BI×CLOUD INTEGRATION

Aiming for growth as an integrator encompassing AI x BI x CI for the digital transformation of our client companies



# Business Overview: DX Business

## Recognized as “Agile Integration Partner of the Year” in Salesforce Partner Summit 2021

Sharing Innovations Inc. was recognized as the Agile Integration Partner of the Year for FY2021 (Feb. 2020 to Jan. 2021) from an overall perspective (Salesforce business growth rate, number of certified personnel, number of Salesforce products introduced, and other performance indicators).

Sharing Innovation acquired a high score of 4.77 out of a possible 5 in the Salesforce Project evaluation survey at client companies.



## Partner Network rank of Tableau Software raised to “Select”

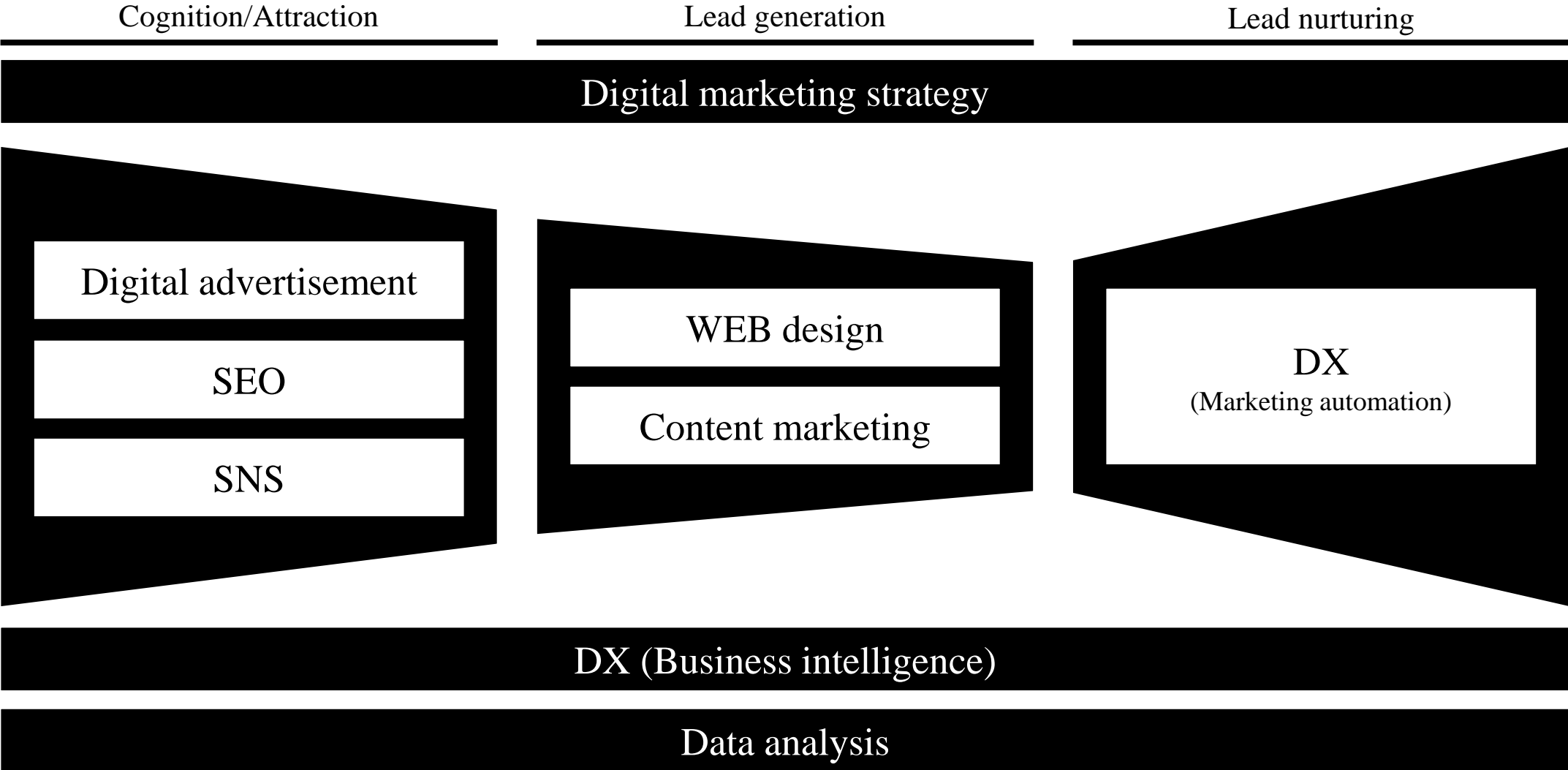
Since a partner agreement was signed with Tableau Software in August 2020, Sharing Innovations has trained engineers, and provided services at many companies. Due to these accomplishments, Sharing Innovations has been upgraded to a “Select” partner of Tableau Software.



# Business Overview: Digital Marketing Business



End-to-end services for digital marketing, from the creation of strategies, proposal and execution to the analysis of data



# Business Overview: Digital Marketing Business

## Certified as an Advertisement Operation Certified Partner and an Advertisement Examination Certified Partner in the Yahoo! Marketing Solutions Partner Program

Advertising Operation Certified Partner for five consecutive years. Only 10 companies have accomplished this since the Yahoo! Marketing Solutions Partner Program started (according to Orchestra Holdings).

Also became the first company in Japan to be certified as an Advertisement Examination Certified Partner for both search advertisements and display advertisements (programmatic).



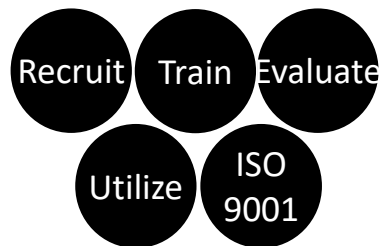
# Business Overview: Other Businesses

Raising the next core businesses

## TALENT MANAGEMENT



- ✓ An SaaS talent management system
- ✓ Visualize HR related activities for more effective and efficient talent management



- ✓ Used by an increasing number of companies by starting digital marketing (see next page)

## PLATFORM



- ✓ An iPhone/Android app for fortune telling chat consultations by more than 800 fortune tellers throughout Japan
- ✓ The cost is based on the number of letters. Telephone and e-mail consultations are also possible.

## CLOUD CONTACT CENTER



- ✓ Established a joint venture with Skyarch Networks Inc., which has been certified as AWS Advanced Consulting Partner
- ✓ Uses Amazon Connect for the DX of contact centers
- ✓ Received the first Sales Cloud Voice order. Aiming for the first to introduce this product in Japan



# Business Overview: Other Businesses

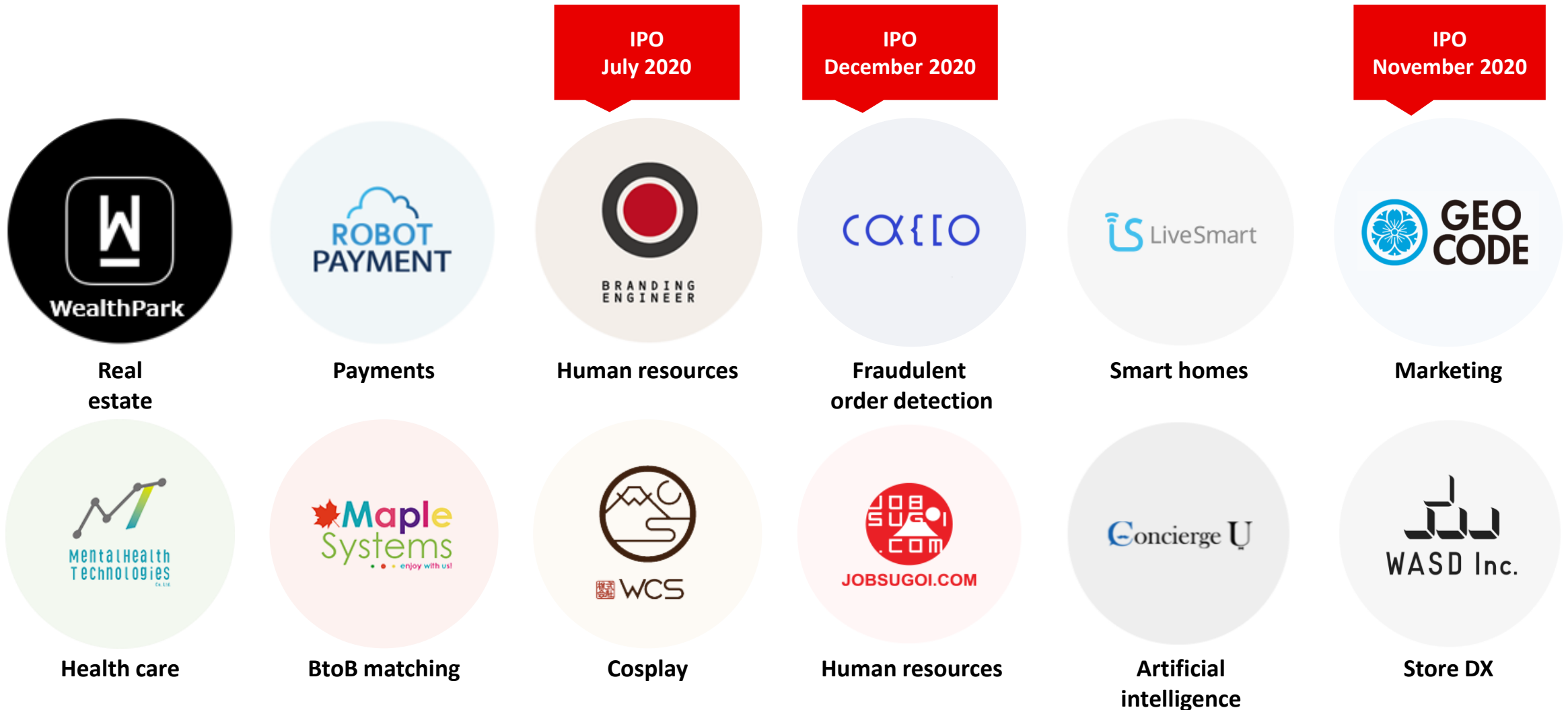
## Major customers of Skill Navi

The number of companies using Skill Navi and prospective companies are steadily increasing

 SoftBank					 Cross Cat Co., Ltd.	
	 JFE JFEシステムズ		 Sumitomo Mitsui Trust Systems & Services Co., Ltd	 NISSAN GROUP OF JAPAN NISSAN TRADING OPERATION JAPAN CO., LTD.	 YOKOGAWA Yokogawa Solution Service Corporation	
 SEVEN&i Food Systems		 infosense			 Tsukiden 月電ソフトウェア株式会社	
 北銀ソフトウェア株式会社 Hokugin Software Co., Ltd.			 AMMIC Corporation Advanced Manufacturing Management Information Consulting			
 桜の森白子ホーム Sakuranomori Shiroko Home			 野口精機株式会社 Noguchi Seiki Co LTD.	 多田ファーム TADA farm	 HBE KOGYO	 Dortoise Corporate

# Business Overview: Corporate Venture Capital Investments

Three investees achieved IPO on the Tokyo Stock Exchange



# Growth Strategy: Market Selection

Focusing on growth market

## DX business

Japan's IT professional shortage will become even worse

Forecast **a shortage of as much as 790,000** in 2030<sup>\*1</sup>

<sup>\*1</sup> Source: "IT Personnel Supply and Demand Survey" conducted for Ministry of Economy, Trade and Industry

Japan's market for public cloud services is expected to expand at an average annual rate of **19.4%** between 2020 and 2025.

In 2025, this market is expected to be **2,586.6 billion yen, 140% higher** than in 2020<sup>\*2</sup>

<sup>\*2</sup> Source: International Data Corporation Japan "Japan Public IT Cloud Services Forecast, 2021 - 2025"

## Digital Marketing business

Although the COVID-19 pandemic has temporarily reduced the volume of advertising, the increasing speed of the digitalization of society is fueling growth of the internet advertising market. The programmatic advertising market, a key strength of Orchestra Holdings, recorded **growth of 9.7%** in 2020<sup>\*3</sup>

<sup>\*3</sup> Source: Dentsu Inc. "2020 Advertising Expenditures in Japan"

# Growth Strategy: Active Utilization of M&A

## Two acquisitions in 2021



In June 2021, consolidated subsidiary Digital Identity purchased all shares of MediaFox to make it a subsidiary.

MediaFox was started by a student entrepreneur at Hitotsubashi University and is primarily engaged in the operation of media in the financial sector. The company has been profitable since starting operations in 2019.

Synergies are expected with the digital marketing business of the Orchestra Group.



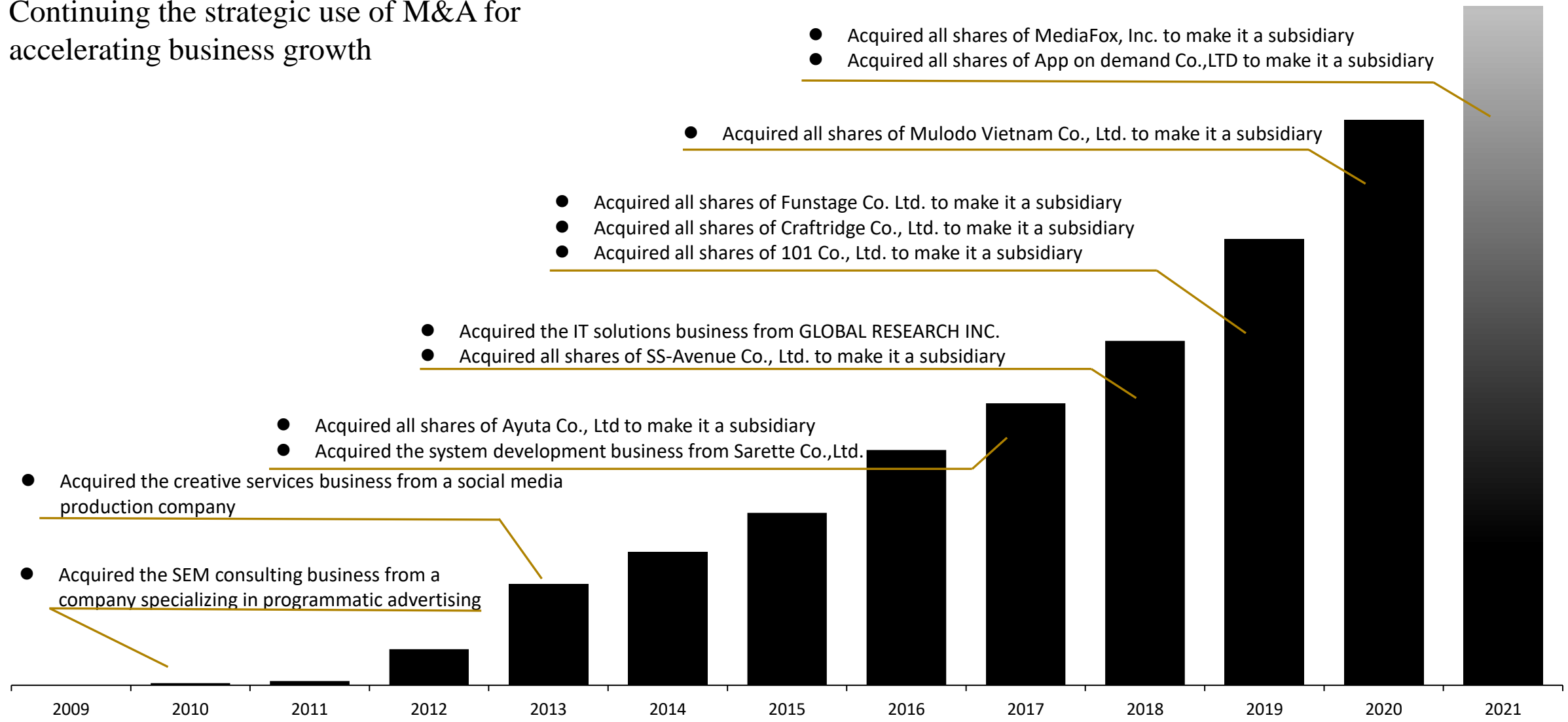
In July 2021, consolidated subsidiary Sharing Innovations purchased all shares of App on demand to make it a subsidiary.

Since starting operations in Kyoto in 2010, this company has served a large number of companies, mainly in the Kansai region, as a certified consulting partner of Salesforce.com.

We plan to use App on demand as the main base for the growth of our DX business in the Kansai region.

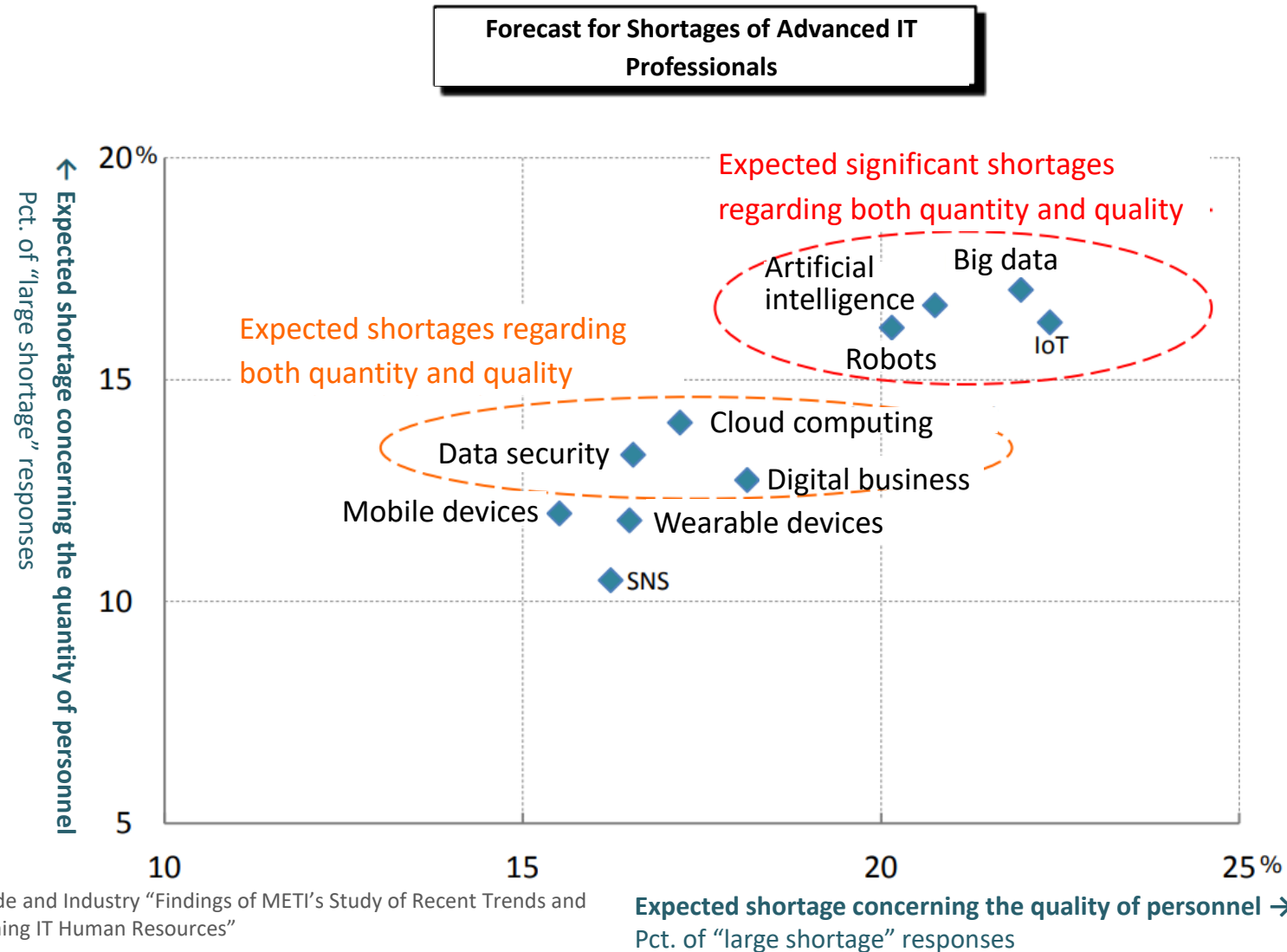
# Growth Strategy: Active Utilization of M&A

Continuing the strategic use of M&A for accelerating business growth



# Growth Strategy: Active Utilization of M&A

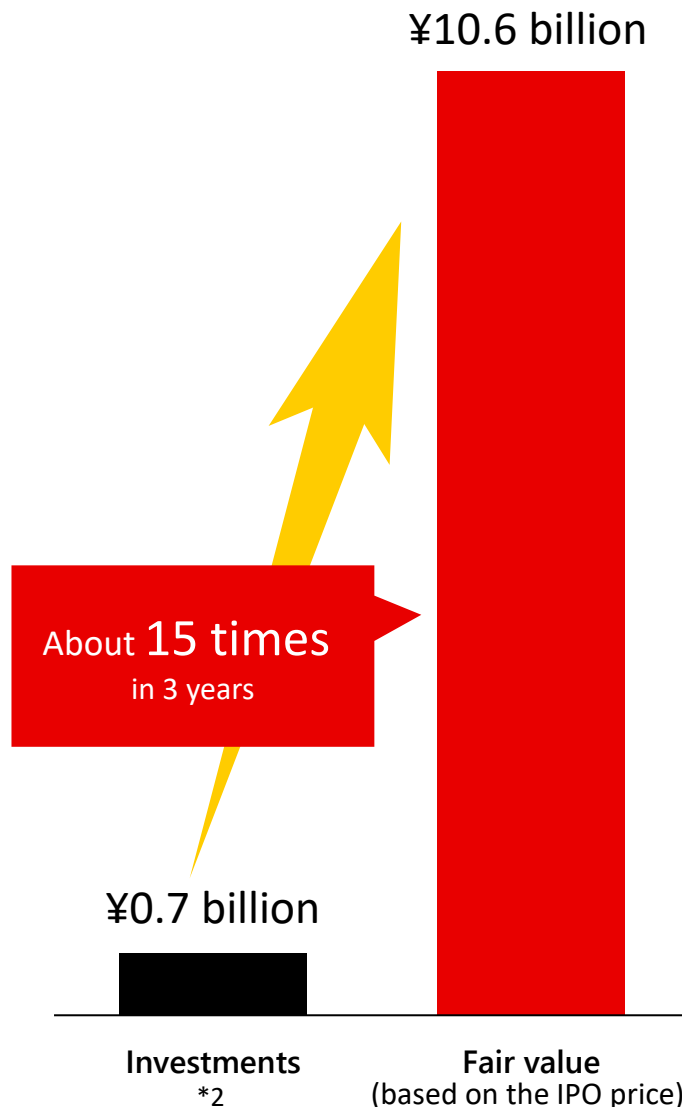
Targeting companies that have IT professionals with expertise with leading-edge technologies for M&A



Source: Ministry of Economy, Trade and Industry "Findings of METI's Study of Recent Trends and Future Estimates Concerning IT Human Resources"

# Growth Strategy: Active Utilization of M&A

Consolidated subsidiary Sharing Innovations was listed on the TSE Mothers\*1



## Use of M&A and the group platform to increase value

- Joined the Orchestra Group following the 2017 acquisition
- M&A of six companies enlarged the base for business operations
- Recruiting and training activities strengthened the company's infrastructure
- Started operations in a rapidly growing market sector (Cloud integration)

## Proceeds of about 2.6 billion yen from the secondary offering of 27% shares of total ownership\*3

- The cash from the secondary offering will be utilized on M&A and investments in rapidly growing market sectors

\*1 Date of listing: March 24, 2021

\*2 Total investments of Orchestra Holdings in Sharing Innovations

\*3 Before deduction of expenses related to the offering, taxes and other items

# Group Growth Strategy

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## Digital Marketing business

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- A driver of overall growth by targeting the steady growth of this market
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## DX business

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- Quickly establish DX as the second core profit center by expanding the presence of this business in rapidly growing market sectors
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## Other new businesses/M&A

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- Aim for rapid growth by adding new services
- Using M&A for the faster growth of existing businesses and making investments in new business domains with rapid growth and high profitability

Other new businesses/M&A

DX business

Digital Marketing business





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# 04 Appendix

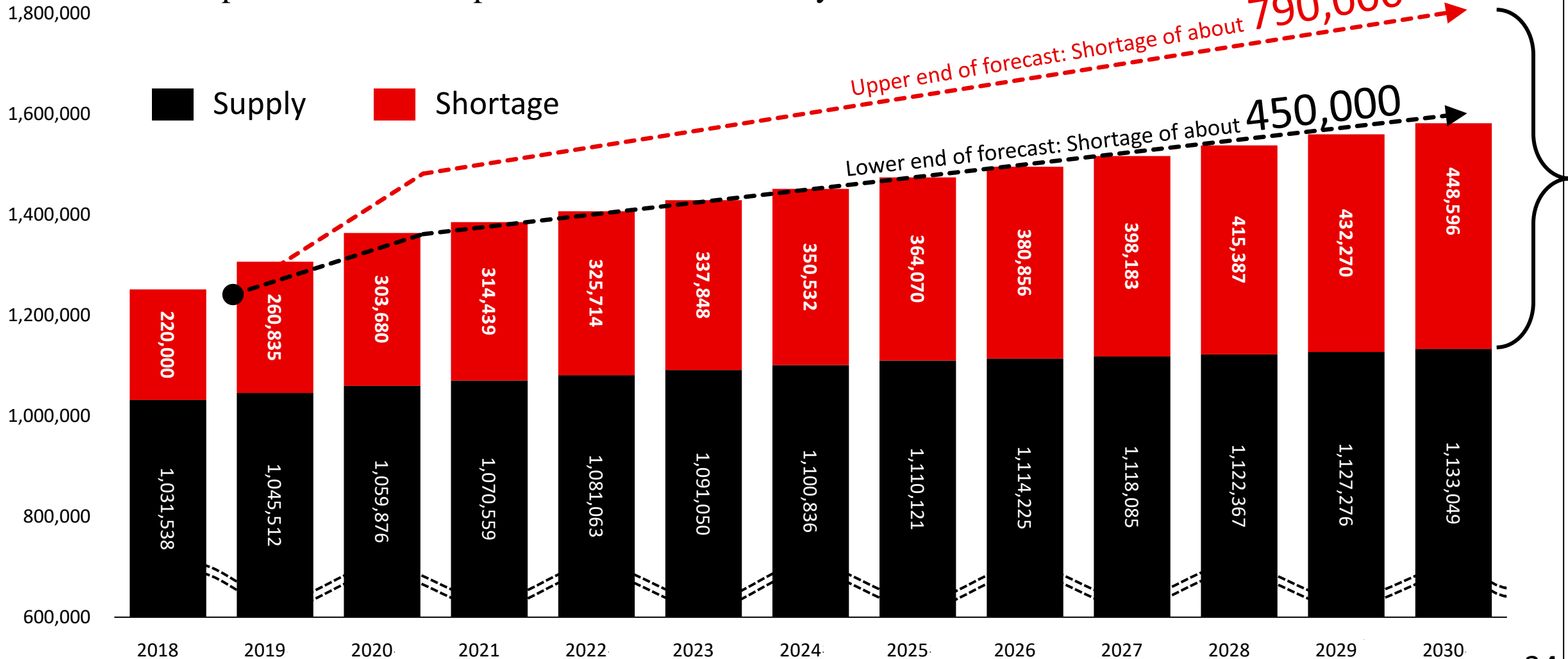
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# Market Data: Projected Shortage of IT Professionals in Japan



Forecast a shortage of up to 790,000 in 2030

Demand for IT professionals is expected to increase steadily

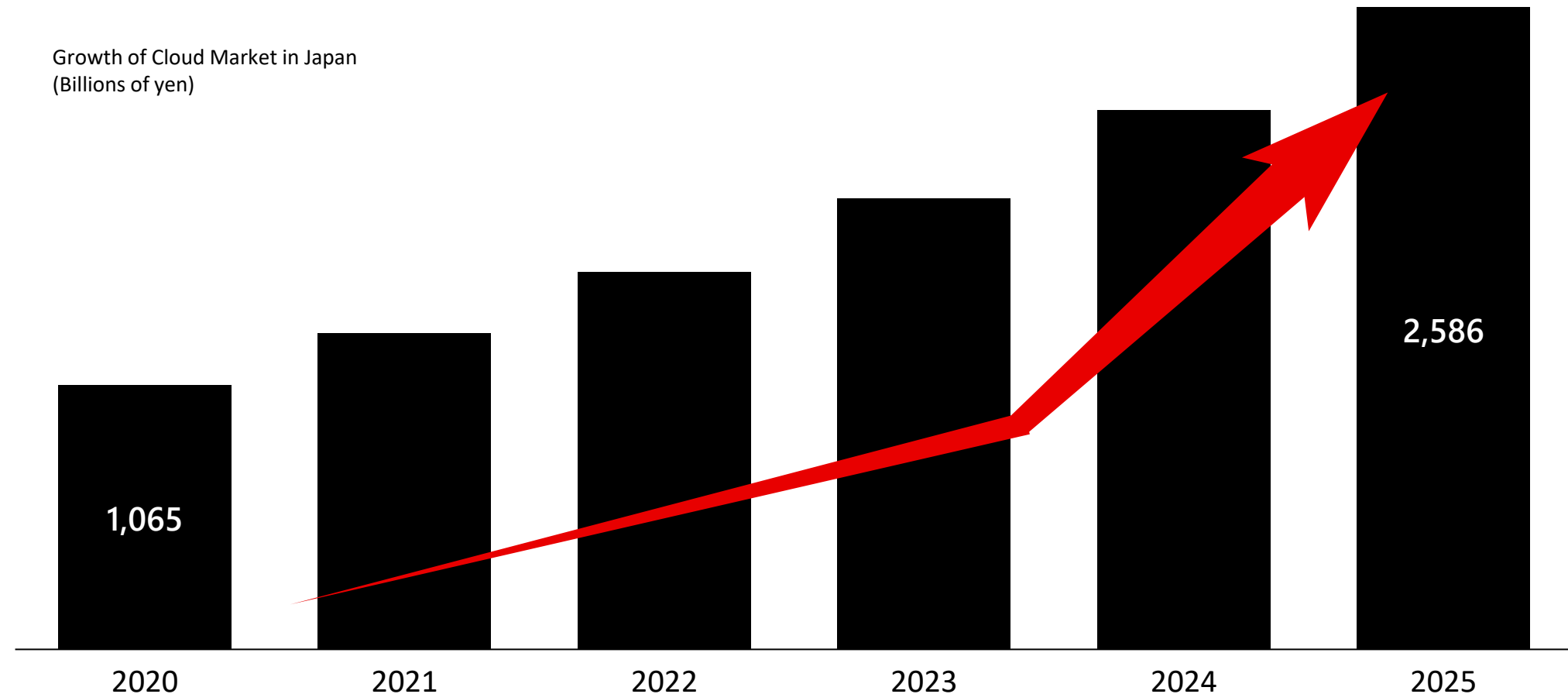


\*Source: "IT Personnel Supply and Demand Survey" conducted for the Ministry of Economy, Trade and Industry

# Market Data: Growth of the Cloud Market in Japan

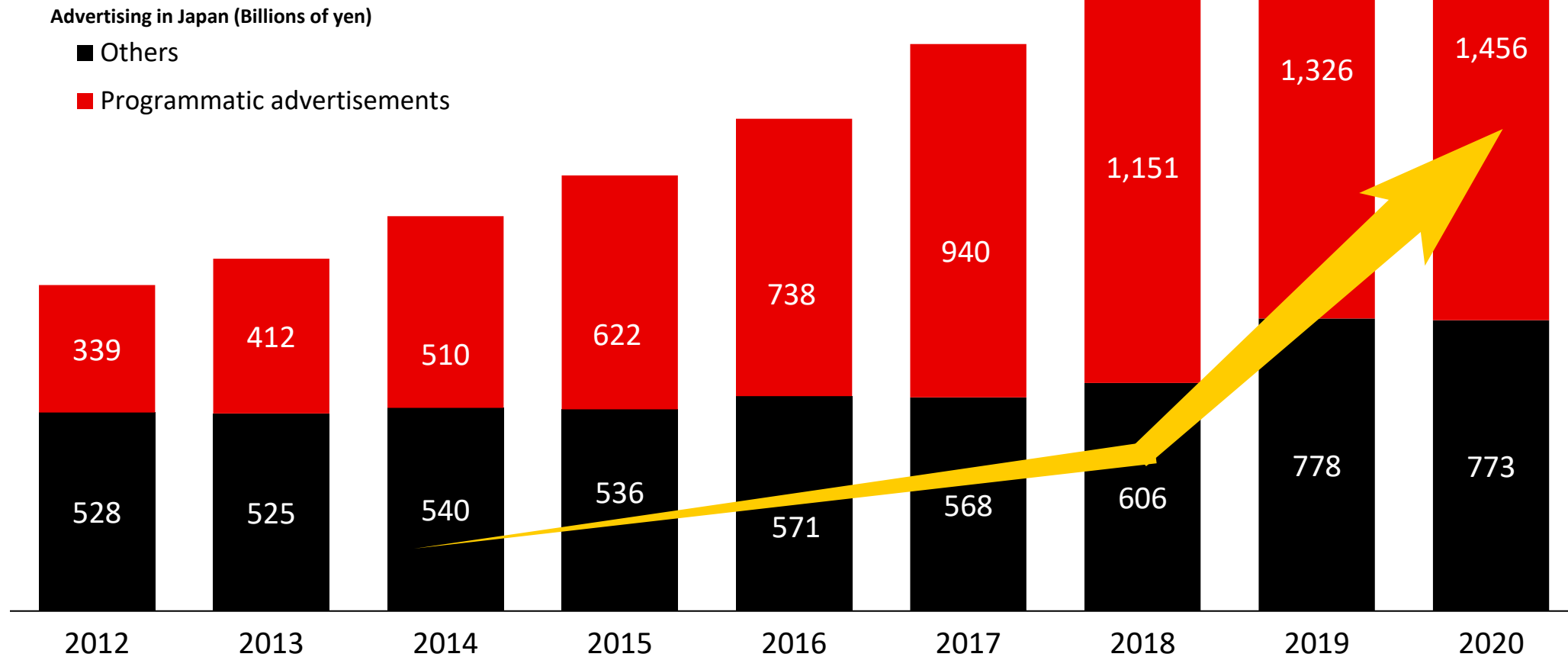
Forecast annual growth of 19.4% between 2020 and 2025

Forecast value of 2,586.6 billion yen in 2025, 140% higher than in 2020



# Market Data: Growth of the Internet Advertising Market

Although the COVID-19 pandemic has temporarily reduced the volume of advertising, the increasing speed of the digitalization of society is fueling growth of the internet advertising market. The programmatic advertising market, a key strength of Orchestra Holdings, recorded growth of 9.7% in 2020



Source: Publicly announced advertising data since 2012 using "Advertising Expenditures in Japan" by Dentsu Inc.

*Vision*

*The Chain of Creation*



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- This presentation includes forward-looking statements that are based on current outlooks, forecasts and assumptions concerning risk factors. Actual results of operations may be different because these statements incorporate uncertainties. These risk factors and uncertainties include, but are not limited to, changes involving industries and markets and the Japanese and global economies, such as interest rate and foreign exchange rate movements.
- Orchestra Holdings is not obligated to update or revise forward-looking statements in this presentation even if there is new information or events that affect these statements.
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*Thank You!*