



**Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending December 31, 2021**  
**(Nine Months Ended September 30, 2021)**

[Japanese GAAP]

November 12, 2021

Company name: Orchestra Holdings Inc. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 6533 URL: <https://orchestra-hd.co.jp/>  
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Scheduled date of filing of Quarterly Report: November 12, 2021  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: None

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

**1. Consolidated Financial Results for the First Nine Months of 2021 (January 1 to September 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	%
Nine months ended Sep. 30, 2021	11,887	39.9	906	94.5	918	98.8	519	87.1
Nine months ended Sep. 30, 2020	8,494	26.4	466	26.0	462	22.7	277	31.9

Note: Comprehensive income (millions of yen)      Nine months ended Sep. 30, 2021: 741 (up 81.8%)  
 Nine months ended Sep. 30, 2020: 407 (up 93.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Sep. 30, 2021	53.06	52.90
Nine months ended Sep. 30, 2020	30.33	28.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	8,822	4,749	47.0
As of Dec. 31, 2020	4,689	1,885	38.9

Reference: Shareholders' equity (millions of yen)      As of Sep. 30, 2021: 4,143      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	15,620	32.1	1,131	64.8	1,124	64.6	702	61.2	71.69

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 Sep. 30, 2021:	9,793,600 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 Sep. 30, 2021:	97 shares	As of Dec. 31, 2020:	97 shares
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3) Average number of shares during the period

Nine months ended Sep. 30, 2021:	9,791,745 shares	Nine months ended Sep. 30, 2020:	9,157,012 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 3 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. Japan's public cloud service market is expected to grow 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, in 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 the first three quarters of 2021, net sales increased 39.9% year on year to 11,887 million yen. Operating profit increased 94.5% to 906 million yen, ordinary profit increased 98.8% to 918 million yen, and profit attributable to owners of parent increased 87.1% to 519 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 three quarters 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, sales in the first three quarters were 3,017 million yen, up 23.0% year on year and segment profit (operating profit) increased 65.8% to 330 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 were 8,438 million yen, up 48.2% year on year and segment profit (operating profit) increased 69.3% to 1,257 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 which is a comprehensive human resources management system for companies and other activities involving new businesses.

As a result, sales were 485 million yen, up 34.0% year on year and segment profit (operating profit) was 20 million yen, compared with a loss of 9 million yen one year earlier.

## **(2) Explanation of Financial Position**

### **Assets**

Total assets increased 4,132 million yen from the end of 2020 to 8,822 million yen at the end of the third quarter of 2021. This was mainly due to increases of 3,129 million yen in cash and deposits, 555 million yen in notes and accounts receivable-trade and 311 million yen in investment securities.

### **Liabilities**

Total liabilities increased 1,268 million yen from the end of 2020 to 4,072 million yen. This was mainly due to a decrease of 208 million yen in borrowings, and increases of 734 million yen in income taxes payable and 487 million yen in accounts payable-trade.

### **Net assets**

Net assets increased 2,864 million yen from the end of 2020 to 4,749 million yen. This was mainly due to increases of 1,670 million yen in capital surplus due to sales of part of shares of consolidated subsidiary Sharing Innovations Inc. and 450 million yen in retained earnings due to recording of profit attributable to owners of parent.

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

There are no revisions to the consolidated forecasts for 2021 announced on September 21, 2021 because the pandemic had only a negligible effect during the first three quarters 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)	Third quarter of 2021 (As of Sep. 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,413,863	4,543,389
Notes and accounts receivable-trade	1,674,888	2,230,742
Work in process	19,477	14,583
Deposits paid	145,511	191,349
Other	111,696	139,104
Total current assets	3,365,438	7,119,167
Non-current assets		
Property, plant and equipment	87,187	83,886
Intangible assets		
Goodwill	596,312	659,317
Other	11,860	7,678
Total intangible assets	608,172	666,996
Investments and other assets		
Investment securities	382,574	694,413
Other	245,717	257,564
Total investments and other assets	628,291	951,977
Total non-current assets	1,323,651	1,702,860
Total assets	4,689,089	8,822,027
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,272,728	1,760,156
Short-term borrowings	28,000	-
Current portion of long-term borrowings	233,360	233,360
Income taxes payable	196,291	930,721
Accrued consumption taxes	134,992	176,833
Provision for bonuses	34,124	41,952
Other	339,576	432,066
Total current liabilities	2,239,073	3,575,089
Non-current liabilities		
Long-term borrowings	529,800	349,780
Other	35,068	147,469
Total non-current liabilities	564,868	497,249
Total liabilities	2,803,941	4,072,338
<b>Net assets</b>		
Shareholders' equity		
Share capital	194,578	194,614
Capital surplus	121,832	1,792,642
Retained earnings	1,426,921	1,877,902
Treasury shares	(102)	(102)
Total shareholders' equity	1,743,231	3,865,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79,441	278,801
Foreign currency translation adjustment	382	(241)
Total accumulated other comprehensive income	79,824	278,560
Share acquisition rights	26,803	154,565
Non-controlling interests	35,289	451,505
Total net assets	1,885,148	4,749,689
Total liabilities and net assets	4,689,089	8,822,027

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(Quarterly Consolidated Statement of Income)**  
**(For the Three quarters Period ended September30)**

(Thousands of yen)

	First three quarters of 2020 (Jan. 1 – Sep. 30, 2020)	First three quarters of 2021 (Jan. 1 – Sep. 30, 2021)
Net sales	8,494,295	11,887,555
Cost of sales	6,736,429	9,137,627
Gross profit	1,757,866	2,749,927
Selling, general and administrative expenses	1,291,746	1,843,224
Operating profit	466,119	906,703
Non-operating income		
Interest income	13	35
Subsidy income	1,645	7,118
Gain on adjustment of account payable	-	6,665
Other	939	2,272
Total non-operating income	2,597	16,091
Non-operating expenses		
Interest expenses	2,246	1,967
Commission expenses	1,807	1,808
Office relocation expenses	1,710	-
Other	645	94
Total non-operating expenses	6,409	3,870
Ordinary profit	462,307	918,924
Extraordinary losses		
Impairment losses	1,936	-
Total extraordinary losses	1,936	-
Profit before income taxes	460,371	918,924
Income taxes-current	182,013	382,251
Income taxes-deferred	715	(6,355)
Total income taxes	182,728	375,895
Profit	277,642	543,028
Profit (loss) attributable to non-controlling interests	(64)	23,522
Profit attributable to owners of parent	277,706	519,506

**(Quarterly Consolidated Statement of Comprehensive Income)**  
**(For the Three quarters Period ended September30)**

(Thousands of yen)

	First three quarters of 2020 (Jan. 1 – Sep. 30, 2020)	First three quarters of 2021 (Jan. 1 – Sep. 30, 2021)
Profit	277,642	543,028
Other comprehensive income		
Valuation difference on available-for-sale securities	130,137	199,360
Foreign currency translation adjustment	160	(723)
Total other comprehensive income	130,298	198,637
Comprehensive income	407,941	741,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	408,005	718,265
Comprehensive income attributable to non-controlling interests	(64)	23,400



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

Not applicable.

**Significant Changes in Shareholders' Equity**

Orchestra Holdings sold a portions of their shares of consolidated subsidiary Sharing Innovations Inc. As a result, capital surplus has increased by 1,670 million yen during the first three quarters of 2021.

Capital surplus was 1,792 million yen at the end of the third quarter of 2021.

**Segment and Other Information**

## Segment Information

I. First three quarters of 2020 (Jan. 1 – Sep. 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	2,444,317	5,687,987	8,132,304	361,990	8,494,295	-	8,494,295
Inter-segment sales and transfers	8,175	4,649	12,825	-	12,825	(12,825)	-
Total	2,452,493	5,692,636	8,145,130	361,990	8,507,120	(12,825)	8,494,295
Segment profit (loss)	199,271	742,310	941,582	(9,124)	932,457	(466,338)	466,119

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 -466,338 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.

## II. First three quarters of 2021 (Jan. 1 – Sep. 30, 2021)

## 1. Information related to net sales and profit 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	2,988,184	8,427,184	11,415,369	472,186	11,887,555	-	11,887,555
Inter-segment sales and transfers	29,083	11,259	40,343	13,030	53,373	(53,373)	-
Total	3,017,268	8,438,443	11,455,712	485,216	11,940,929	(53,373)	11,887,555
Segment profit	330,454	1,257,037	1,587,492	20,864	1,608,356	(701,653)	906,703

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 -701,653 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 three quarters 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.

## Significant Subsequent Events

### Business combination through acquisition

Board of Directors of consolidated subsidiary Digital Identity Inc. resolved at a meeting held on September 16, 2021 to purchase the stock of PAM, Inc. to make it a subsidiary. A contract to purchase this stock was signed on the same day, and all shares of PAM were purchased on October 15, 2021.

#### (1) Summary of business combination

##### 1) Acquired company and its business activities

Acquired company: PAM, Inc.

Business activities: Digital marketing

##### 2) Reasons for acquisition

The objective is to accelerate the growth of our business by securing digital marketing human resources and acquiring new customers.

##### 3) Acquisition date

October 15, 2021

##### 4) Legal form of acquisition

Acquisition of shares

##### 5) Company's name after acquisition

There is no change in the company's name.

##### 6) Percentage of voting rights acquired

100%

##### 7) Basis for choosing the company to acquire

Consolidated subsidiary Digital Identity acquired the shares in exchange for consideration in cash.

#### (2) Acquisition cost of acquired company and breakdown by type of consideration

Payment for the acquisition:	Cash	570,000 thousand yen
Acquisition cost:		570,000 thousand yen

#### (3) Details of major acquisition-related costs

Remuneration for advisory members and other related fees: 2,200 thousand yen (estimate)

#### (4) Goodwill resulting from the acquisition

Not yet determined.

#### (5) Breakdown of assets acquired, and liabilities assumed on the acquisition date

Not yet determined.

*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.*