



ORCHESTRA HOLDINGS

Results of Operations  
for the Second Quarter of  
the Fiscal Year Ending  
December 31, 2023

# Executive Summary



FY2023 Second Quarter	Net Sales (Gross) 6,148 mil yen YonY+22.4%	Operating Profit 92 mil yen YonY▲71.6%
	Gross Profit 1,472 mil yen YonY+24.5%	EBITDA 209 mil yen YonY▲44.9%
<p>Full-year forecasts were revised downward (main factors: expected contraction of advertising budgets at several major clients in the DM business, growth investment in VES, Inc. in the DX business, and a one-time M&amp;A fee of 75 million yen - see p.3).</p> <p>Established a medium- to long-term growth strategy, aiming for EBITDA of 5 billion yen in 5 years and 15 billion yen in 10 years. (see p.4)</p>		

## Digital Marketing (DM) Business

Several of the major clients are expected to reduce their advertising budgets in 2H due to individual business factors.

We aim to achieve an early recovery by strengthening the new client acquisition system, strengthening cross-selling by leveraging the Group's client base, and maximizing return on investment by utilizing the generated AI.

## Digital Transformation (DX) Business

Investing in the growth of VES, aiming to grow its sales to 10 billion yen in five years.

The initial phase of structural reforms in the Cloud Integration business has largely been completed, and the business is expected to return to profitability for the full year.

(see p.35-36)

## M&A

In May 2023, acquired VES, Inc. in the DX business. Aiming to enter and capture a share of the approximately 6 trillion-yen software testing market. (see p. 37-41, p. 58-61)



# Revisions to the earnings forecast for the fiscal year ending December 31, 2023



## Downward revision of full-year forecasts due to the following factors

- In the digital marketing business, several of our major clients are expected to reduce their advertising budgets in the second half of the fiscal year due to individual business factors. In addition, we will review transactions with low productivity in order to achieve medium- to long-term development.
- In the DX business, investment for growth was made in VES, which was consolidated to the group in 2Q. The number of employees has already been increased by 22 after the M&A to strengthen the sales and development structure, and plans to strengthen human resource investment for mid-term growth in 2H as well.
- Approximately 75 million yen in unbudgeted brokerage fees associated with the VES, Inc. M&A.

	Revised Forecasts		Initial forecasts		Change from initial forecasts		Results		YoY Change	
	(Millions of yen)	FY2023	FY2023	Amount	%	FY2022	Amount	%		
Net Sales(Net)		11,500	12,500	△ 1,000	△8.0%	10,377	1,122	10.8%		
Operating Profit		1,150	1,630	△ 480	△29.4%	1,350	△ 200	△14.9%		
Ordinary Profit		1,150	1,640	△ 490	△29.9%	1,400	△ 250	△17.9%		
Net income attributable to owners of the parent		705	1,000	△ 295	△29.5%	853	△ 148	△17.4%		

# Medium- to Long-term Growth Strategies

Medium- to long-term growth strategy formulated, with a commitment to growth in the next fiscal year and beyond, bottoming out in FY2023.

Based on the growth of 2 main businesses, aim for EBITDA of 5 billion yen in 5 years and 15 billion yen in 10 years through M&A and contribution from new businesses.

## New business

New business under development is growing steadily and will contribute significantly to the Group's earnings in the future.

## M&A

Accelerate growth of existing businesses by expanding business scale and service areas through M&A

## Organic growth in two main businesses

### Digital Marketing Business

Steadily capture market growth and drive overall growth

### Digital Transformation Business

Sharing Innovations will return to profitability in the second half of the year due to progress in structural reforms, and will be on a revenue and profit growth path from the next fiscal year. VES aims to grow its software testing business to 10 billion yen in sales over the next five years.

15  
(EBITDA billion yen)

10

5

0

2023

2028

2033

**EBITDA**  
15 billion yen

**EBITDA**  
5 billion yen

New Business

M&A

Organic Growth

# Future Outlook and Initiatives

## Future Outlook and Initiatives for Each Business

<b>Digital Marketing Business</b>	Sustain 10-20% annual growth through organic growth + M&A and drive overall group growth by strengthening the new customer acquisition system, strengthening cross-selling by leveraging the group's customer base, and maximizing return on investment by using generative AI.
<b>Digital Transformation Business</b>	<p><b>【Sharing Innovations, Inc.】</b> The initial phase of structural reforms is almost complete. Full-year earnings are expected to return to the black, and the company is expected to achieve its initial budgeted level. The company will enter the re-growth phase with a significant recovery in business performance. (See p.35-36)</p> <p><b>【VES, Inc.】</b> Utilizing the resources of the ORCHESTRA Group, the company will expand its organizational structure and service areas, aiming to grow to 10 billion yen in sales over the next five years. (See p.40-41)</p>
<b>New business</b>	<p><b>【Skill Navi】</b> Focusing on "skill management," the most important aspect of building a framework for human resource development. The company is expanding its introduction mainly among major manufacturing companies that require detailed skill management. In the future, the company aims to become the de facto standard for overseas development in the manufacturing industry and for building a framework for human resource development. (See p.44-46)</p> <p><b>【IT Human Resources Business】</b> Continued annual growth of 20-30%. TechReach, a recruitment media, is expected to return to profitability in the first half of next year, and is expected to improve its profit structure from next year onward. In addition, by recruiting IT personnel through in-house HR agency, we can reduce recruiting costs significantly at the Group level (See p.47).</p>

01 Financial Overview: 2Q FY2023

02 Earnings Forecast: FY2023

03 Business Summary

04 Growth Strategy

05 ESG Activities



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# 01 Financial Overview: 2Q FY2023

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# 2Q FY2023 Consolidated Results



Net sales (gross) was the highest in 2Q, and gross profit reached a record high for the quarter.

On the other hand, operating income decreased due to following reasons: M&A brokerage fees for acquiring VES, Inc.\*1, human resource investment, on-going structural reform in DX business(see p.35-36), investment in new business (HR SaaS "Skill Navi")\*2

\*1 M&A brokerage fee of VES, Inc.: Approx. 75 million yen \*2 Upfront investment in SkillNavi: YTD 127million yen QTD 67million yen

(Millions of yen)	1H/FY2023	1H/FY2022	% Change	2Q/FY2023	2Q/FY2022	% Change
Net Sales(Net)	5,786	4,935	17.2%	3,004	2,470	21.6%
Gross Profit	2,870	2,481	15.7%	1,472	1,183	24.5%
SG&A expenses	2,486	1,629	52.6%	1,379	856	61.1%
Operating Profit	383	851	△54.9%	92	326	△71.6%
EBITDA	578	950	△39.2%	209	380	△44.9%
EBITDA margin	10.0%	19.3%	△9.3%	7.0%	15.4%	△8.4%
Ordinary Profit	394	879	△55.2%	95	349	△72.7%
Profit attributable to owners parent	202	489	△58.6%	△ 3	198	-

**Reference: Before applying the new revenue recognition standard ※**

Net Sales(Gross)	12,535	9,920	26.4%	6,148	5,022	22.4%
EBITDA margin	4.6%	9.6%	△5.0%	3.4%	7.6%	△4.2%

※ From the beginning of the first quarter of FY2022, due to the application of the new revenue recognition standard, part of the sales of the digital marketing business has been changed from Gross to Net. The change has no impact on profits. Refer page10 for the details.



# 2Q FY2023 Segment Results



DM business sales (gross) increased 27.8% YonY due to the growth of M&A companies.

DX business sales increased due to the start of consolidation of VES, Inc. but profits decreased due to investment in human resources, etc.

Segment (Millions of yen)	1H/FY2023	1H/FY2022	% Change	2Q/FY2023	2Q/FY2022	% Change
<b>Digital Transformation(DX) business</b>						
Net sales	2,556	2,434	5.0%	1,388	1,230	12.8%
Segment profit	122	272	△55.2%	61	67	△9.9%
<b>Digital Marketing business</b>						
Net sales(Net)	2,779	2,057	35.1%	1,389	995	39.6%
Segment profit	1,020	1,056	△3.4%	479	484	△1.0%
<b>Other businesses</b>						
Net sales	511	514	△0.5%	264	274	△3.8%
Segment profit	△ 49	△ 23	-	△ 34	1	-
<b>Reference: Before applying the new revenue recognition standard ※</b>						
<b>Digital Marketing business</b>						
Net sales (Gross)	9,528	7,042	35.3%	4,533	3,547	27.8%

VES started consolidation from 2Q.

Sales increased, but segment income decreased due to increased expenses for 43 new graduates of 2023 at SI, which is undergoing structural reform (see p.35-36).

Sales increased significantly from the previous year, but profits remained flat due to strengthened investment in human resources

Decrease due to investment in new business "Skill Navi"

※ From the beginning of the first quarter of FY2022, due to the application of the new revenue recognition standard, part of the sales of the digital marketing business has been changed from Gross to Net. The change has no impact on profits. Refer page10 for the details.

# Impact of applying the new revenue recognition standard

**“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. has been adopted from the beginning of FY2022**

Until the previous year, we recognized revenue on a gross basis from the programmatic advertising service etc. in the digital marketing business, as it was considered we were acting as a principal in the transactions. However, after the application of this standard, it is considered we are acting as an agent in the same transactions, and we recognize revenue on a net basis.

Both sales and cost of sales decreased 6,749 million yen in the digital marketing business segment for 2Q FY2023, compared to the conventional revenue recognition method.

There is no impact on profits and the balance at the beginning of retained earnings.

# Quarterly Consolidated Results



## Net sales

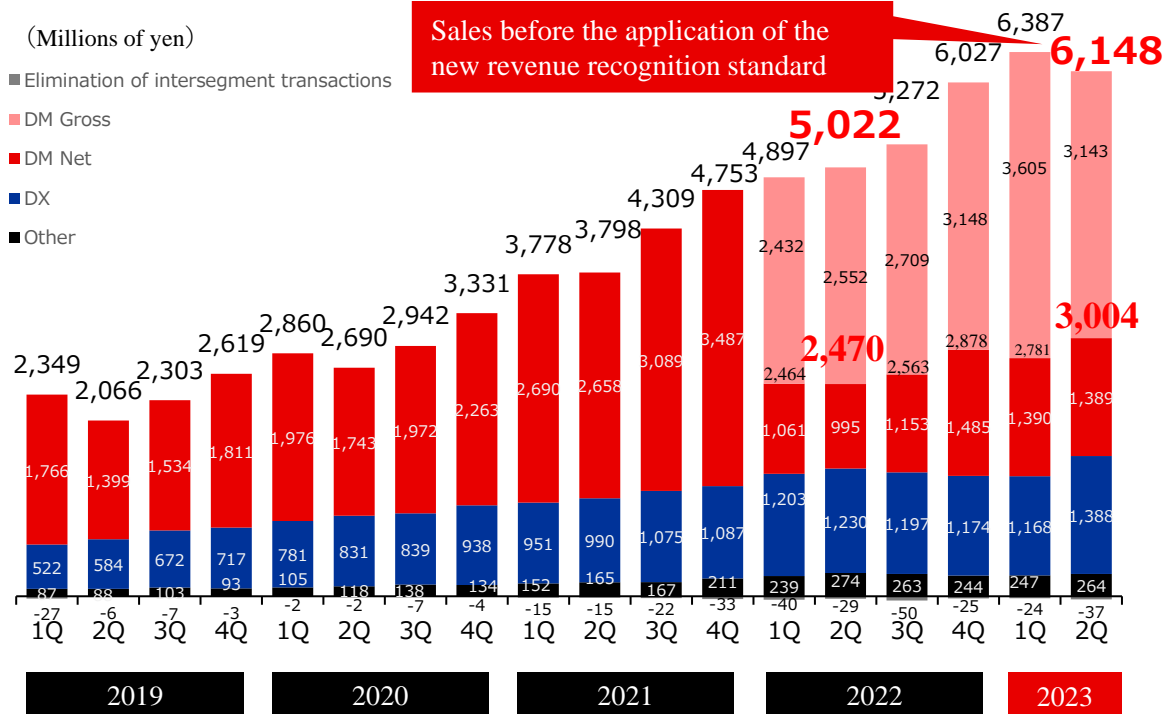
Up 22.4%  
YonY

※ Before the application of the new revenue recognition standard

Gross sales increased YonY due to sales growth in the DM business from M&A and the start of consolidation of VES, Inc..

Net sales reached a record high.

※ From the beginning of FY2022, due to the application of the new revenue recognition standard, part of the sales of the digital marketing business has been changed from Gross to Net. The change has no impact on profits. Refer page10 for the details.

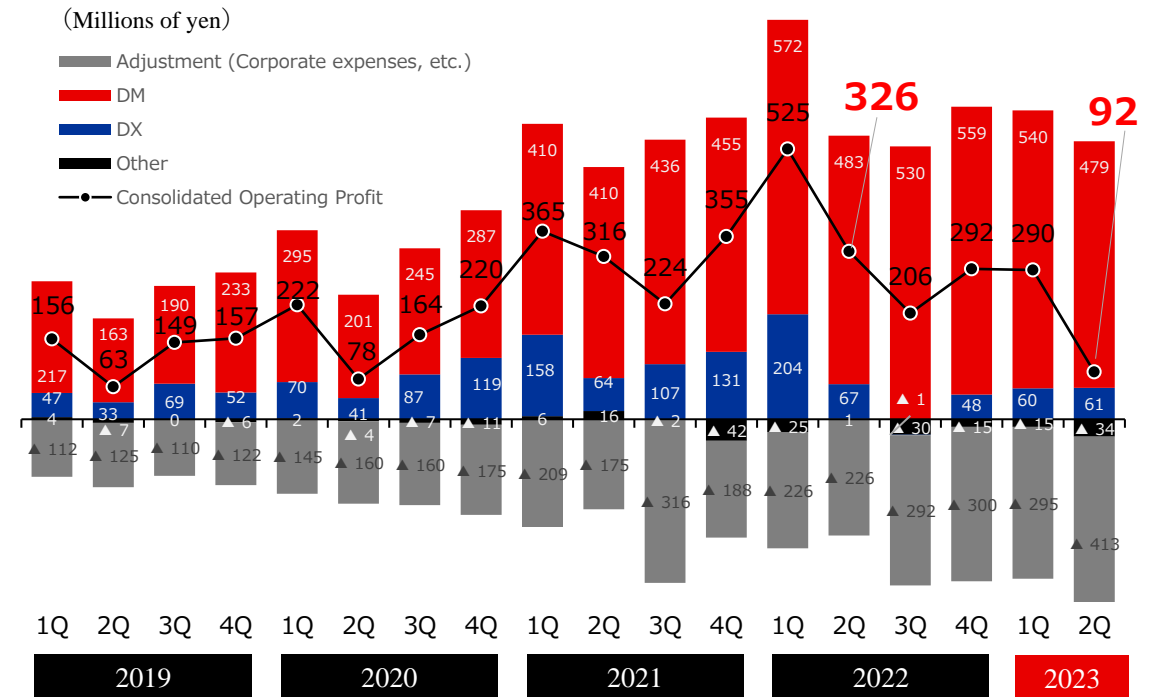


## Operating profit

Down 71.6%  
YonY

Profit declined in YonY due to the M&A brokerage fee payment of approx.75 million yen and the impact of enhanced investment in human resources.

※ The method of aggregating segment expenses will be changed from the second quarter of 2023. Figures for Q1 FY2022 and thereafter are based on the new aggregation method. For details, please refer to "Matters related to changes in reportable segments" on p. 10 of the Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023.c



# DX Business: Quarterly Results



## Net sales

Up 12.8%  
YonY

Significant growth due to the start of consolidation of VES, Inc. from 2Q.

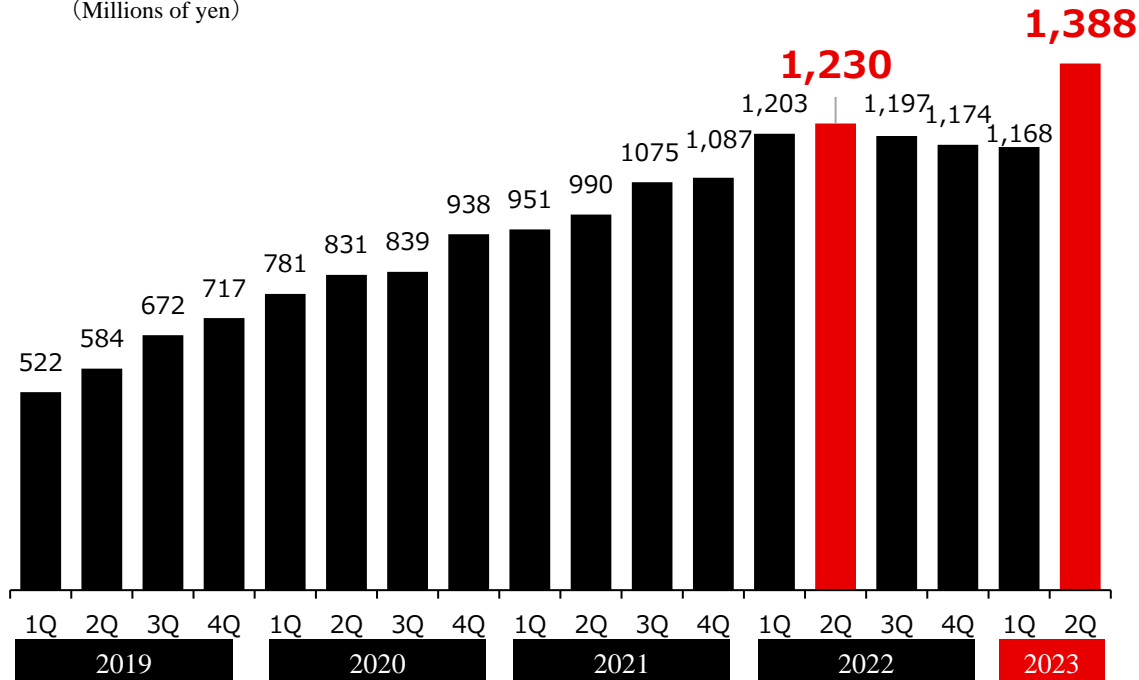
Further structural reforms (see p.35-36) are underway in the Cloud Integration business.

## Segment profit

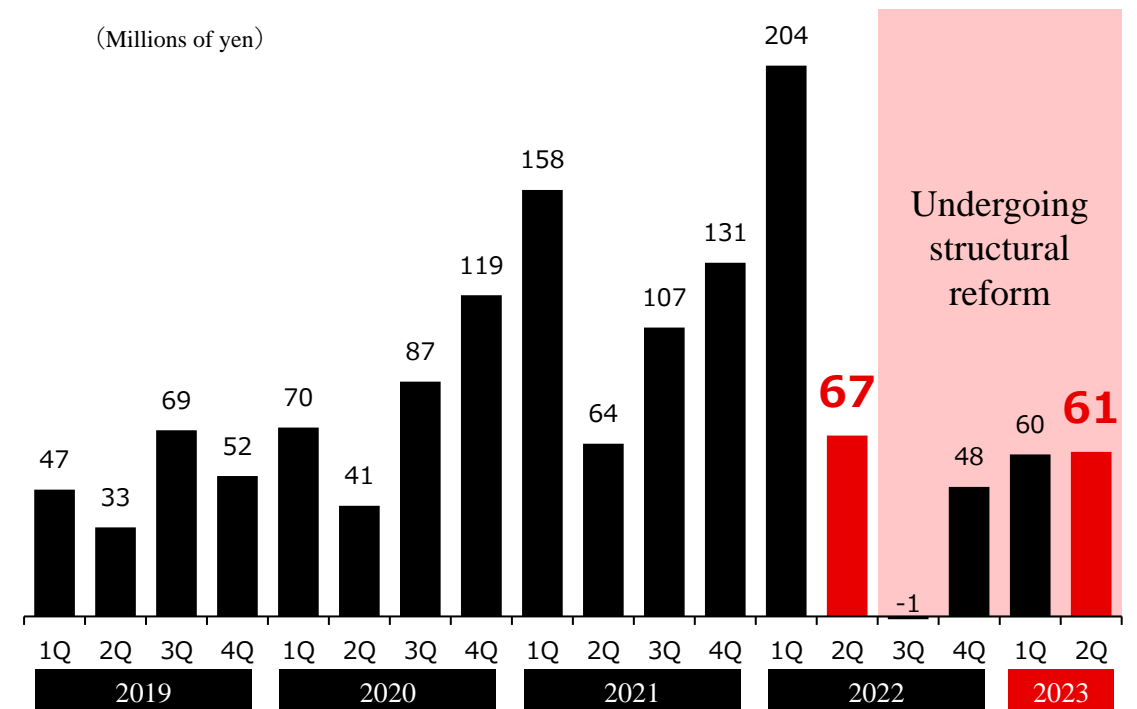
Down 9.9%  
YonY

Decreased by 9.9% in YonY and maintained the same level in QonQ due to a certain level of profitability improvement resulting from the largely completed initial phase of structural reform (see p.35-36) and the contribution of VES, Inc., despite an increase in expenses for 43 new graduates in 2023 at SI.

(Millions of yen)



(Millions of yen)



# Digital Marketing Business: Quarterly Results



## Net sales

Up 27.8%  
YonY

※ Before the application of the new revenue recognition standard

Gross sales were strong due to sales growth in the DM business from M&A.

Net sales also increased by 39.6% YonY.

※ From the beginning of FY2022, due to the application of the new revenue recognition standard, part of the sales of the digital marketing business has been changed from Gross to Net. The change has no impact on profits. Refer page10 for the details.

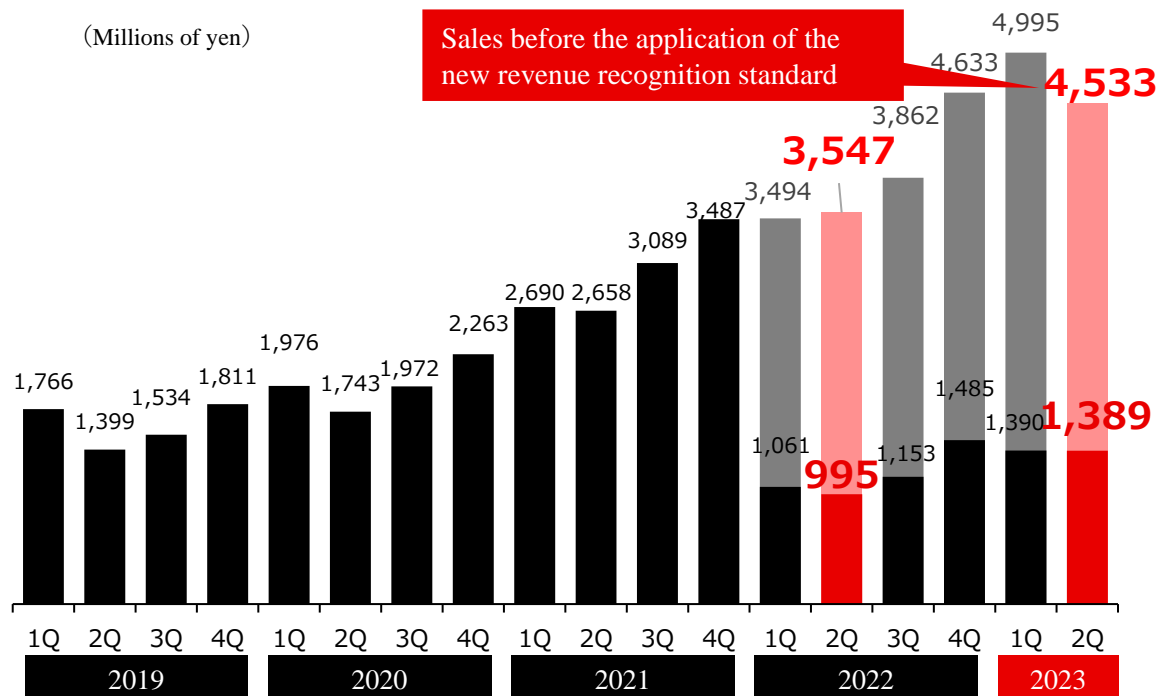
## Segment profit

Down 1.0%  
YonY

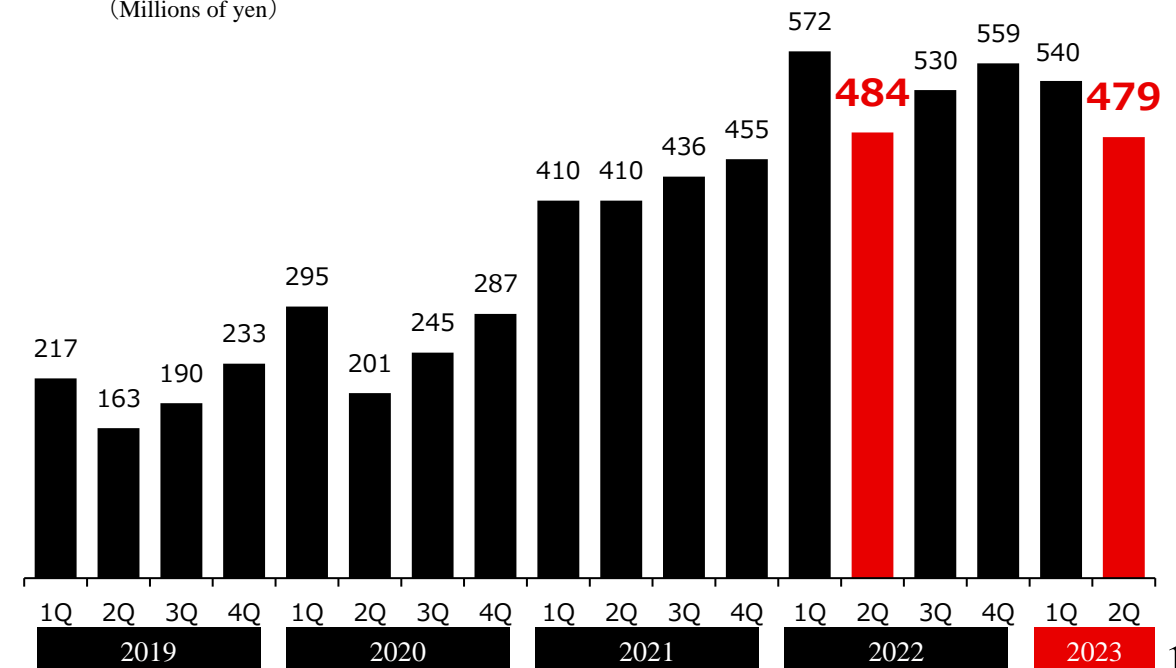
Although expenses increased due to strengthened investment in human resources, profits remained at the same level as in the previous year.

※ The method of aggregating segment expenses will be changed from the second quarter of 2023. Figures for Q1 FY2022 and thereafter are based on the new aggregation method. For details, please refer to "Matters related to changes in reportable segments" on p. 10 of the Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023.c

(Millions of yen)



(Millions of yen)



# Digital Marketing Business: Post-M&A Growth



Combined growth rate of companies\* M&A in DM business in 2021 will be 20.9% YonY for net sales (gross) and 21.7% YonY for gross profit due to cross-selling and other group synergies.

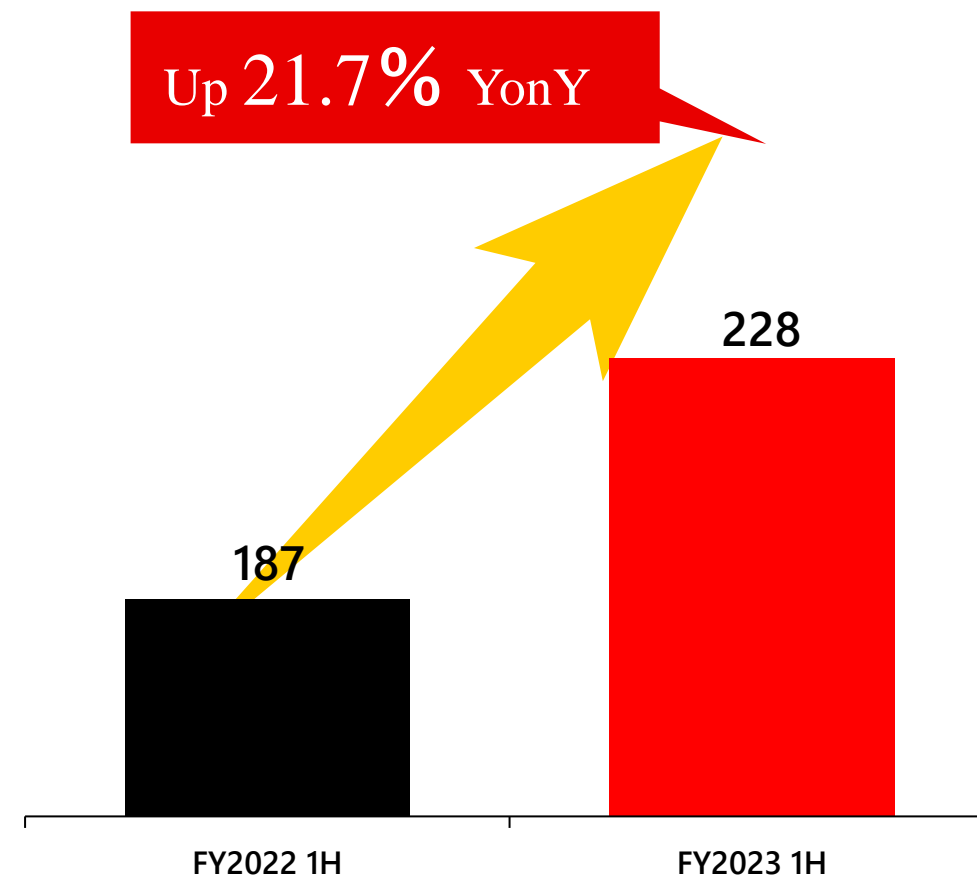
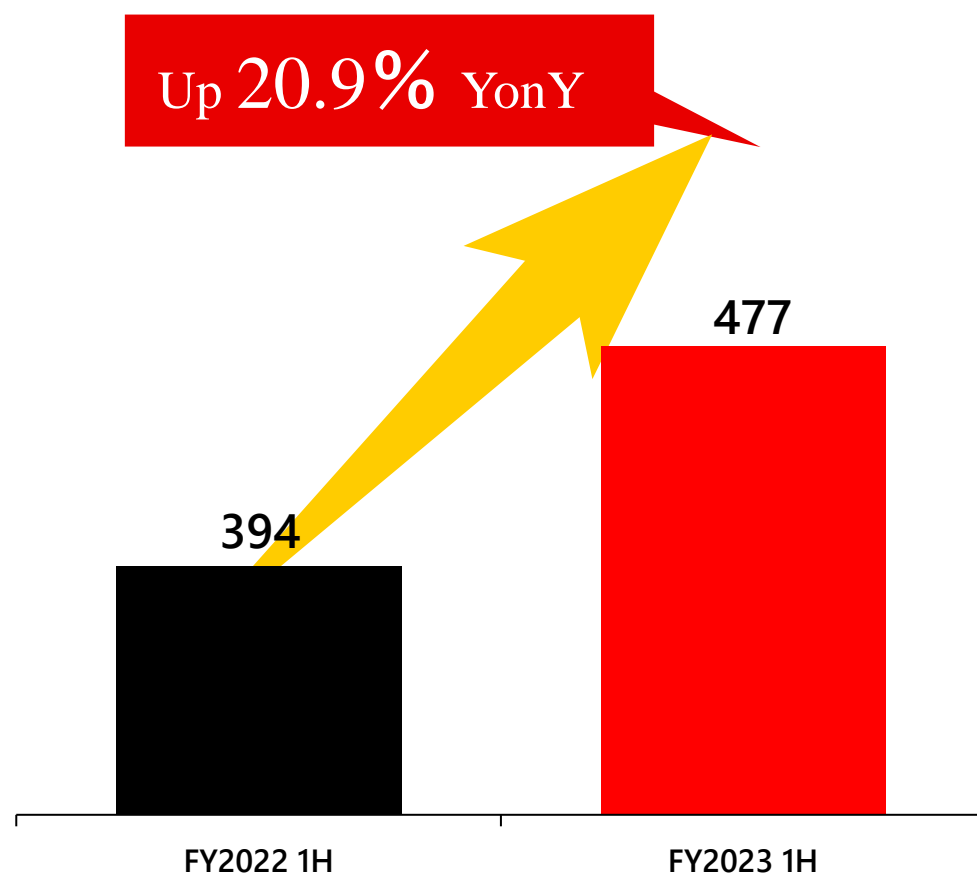
※ Pam Inc. , Peace Inc. , and MediaFox Inc. are included. Mint'z planning Inc. and DI marketing Partners Inc. (ex- LIFULL Marketing Partners) are not included as the acquisition was in FY2022.

## Net sales

(Millions of yen)

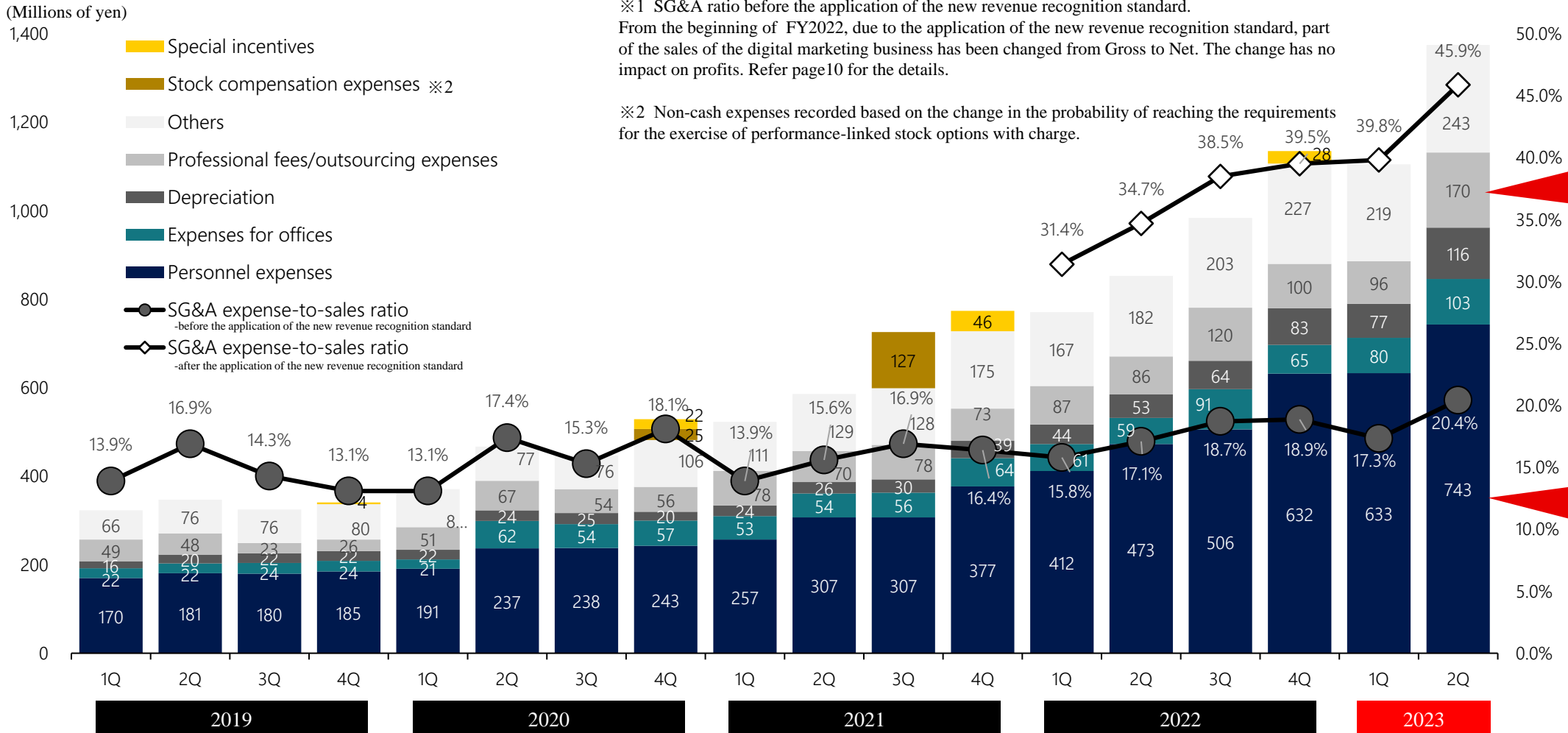
## Gross profit

(Millions of yen)



# Changes in SG&A Expenses

SG&A expenses increased significantly in YoY due to investment in human resources and spot expenses (M&A brokerage fee of JPY75M) from the acquisition of VES, Inc. The SG&A-to-sales ratio was 20.4% before the application of the new revenue recognition standard\*1 and 45.9% after.



※1 SG&A ratio before the application of the new revenue recognition standard.  
 From the beginning of FY2022, due to the application of the new revenue recognition standard, part of the sales of the digital marketing business has been changed from Gross to Net. The change has no impact on profits. Refer page10 for the details.

※2 Non-cash expenses recorded based on the change in the probability of reaching the requirements for the exercise of performance-linked stock options with charge.

JPY75M in M&A brokerage fees related to the acquisition of VES, Inc.

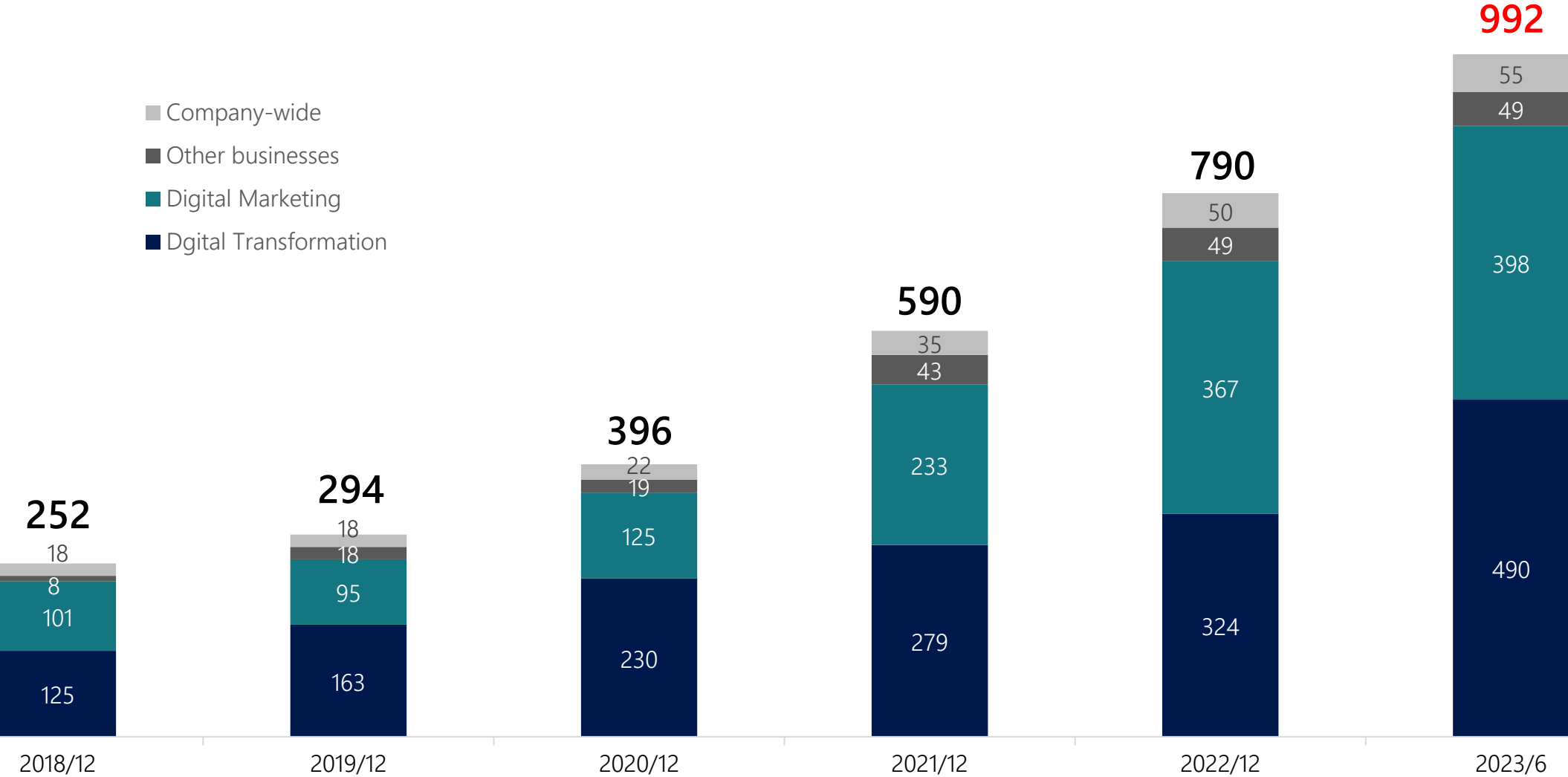
Investment in human resources: 89 new graduates of 2023 in DM and DX business

# Changes in The Number of executives and employees



The number of positions will be approximately 1,000 at the end of June 2023

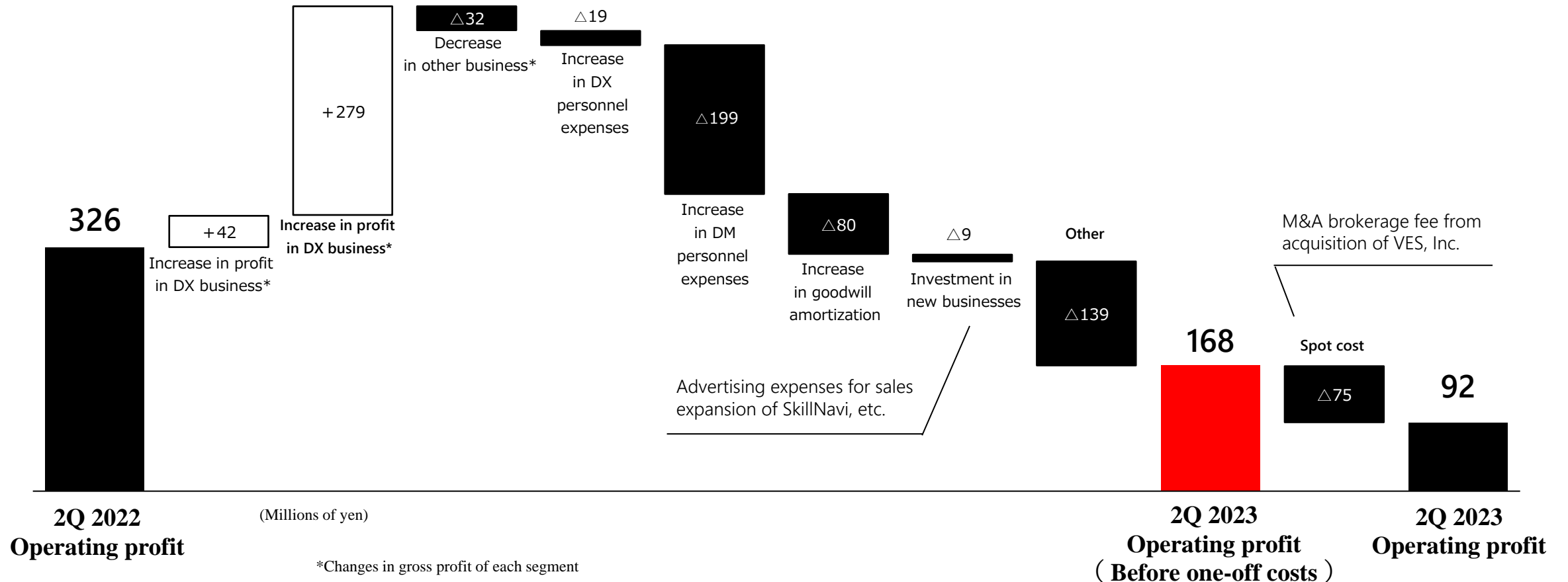
- Company-wide
- Other businesses
- Digital Marketing
- Dgital Transformation





# FY2022 Changes in Operating profit

Operating income before one-time M&A brokerage fee of JPY75M from the acquisition of VES, Inc., declined to JPY168M (YonY -48.6%).



# Performance-linked stock options (4th SO)

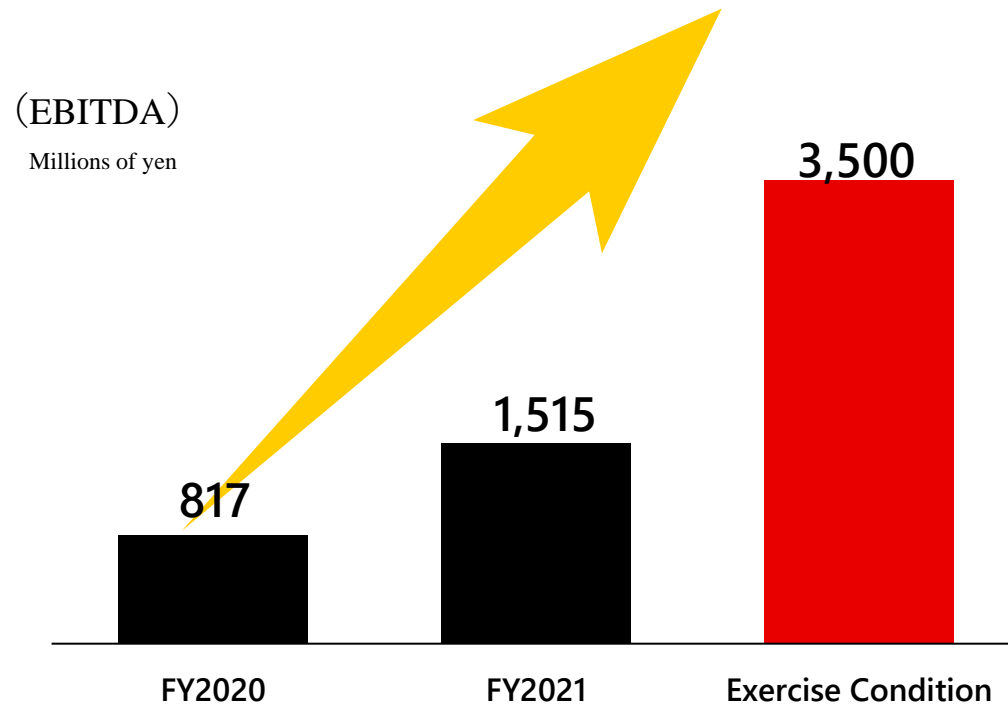
New Performance-linked stock options (4th SO) were issued in 2022 under the following conditions for the purpose of incentives for officers and employees, as the exercise conditions for the 3rd SO have been achieved.

## Condition 1

### Consolidated EBITDA – over 3.5billion yen

in any fiscal year from FY2022 to FY2025

➔ 50% of stock options can be exercised



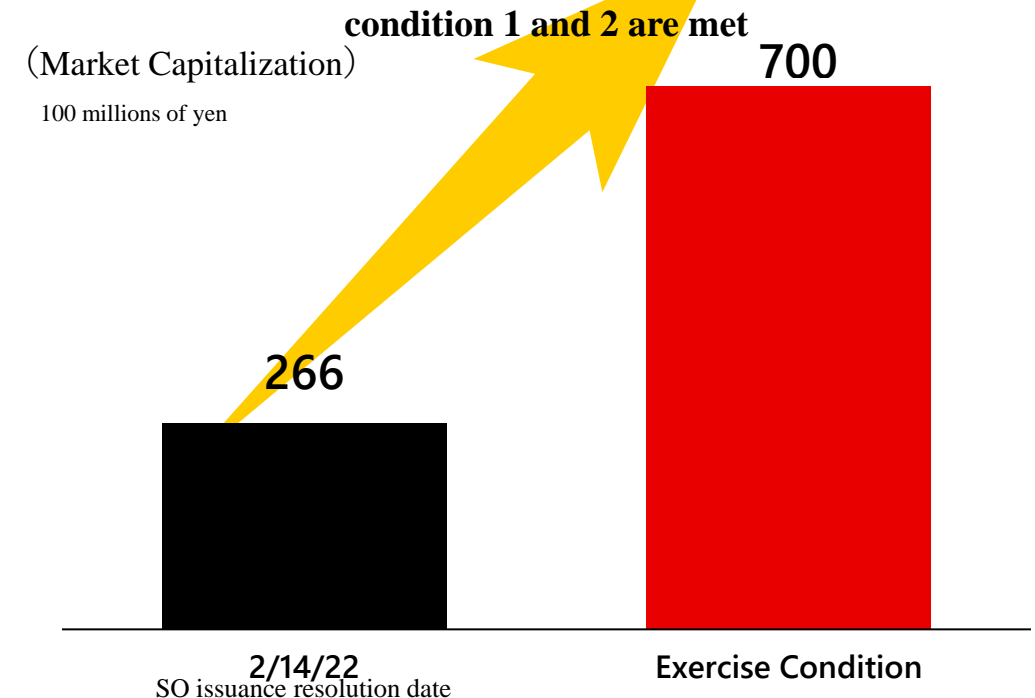
## Condition 2

### Market capitalization– over 70billion yen

at any point until the expiration of the exercise period

Market capitalization should be calculated based on the number of shares issued at the time of stock option issuance.

➔ 100% of stock options can be exercised when both  
condition 1 and 2 are met



# 2Q FY2023 Consolidated Balance Sheet



Equity ratio of 39.4%, goodwill to capital ratio of 0.6x, maintaining financial soundness while continuing to invest in growth.

(Millions of yen)	Jun.30, 2023	Dec.31, 2022	Change
Current assets	7,627	7,275	351
Non-current assets	6,185	4,134	2,051
Property, plant and equipment	647	646	0
Intangible assets	3,754	2,042	1,712
Investments and other assets	1,783	1,444	338
Total assets	13,813	11,410	2,403
Current liabilities	4,977	4,385	592
Non-current liabilities	2,853	1,289	1,564
Total liabilities	7,831	5,674	2,156
Total net assets	5,981	5,735	246
Total liabilities and net assets	13,813	11,410	2,403

Mainly due to an increase in goodwill resulting from the acquisition of shares in VES, Inc.

Mainly due to an increase of 1.5 billion yen in long-term debt resulting from M&A financing (approx. 1.9 billion yen) in connection with the acquisition of shares of VES, Inc.



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# 02 Earnings Forecast: 2023

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# FY2023 Consolidated Forecast



This represents progress of about 30% to 50% against the revised full-year forecast.

See p.3-4 for downward revision of full-year forecasts.

	1H/FY2023		FY2022	FY2023	YoY Change		
	(Millions of yen)	Amount	Progress ratio	Results	Revised Forecasts	Amount	%
Net Sales(Net)		5,786	50.3%	10,377	11,500	1,122	10.8%
Operating Profit		383	33.4%	1,350	1,150	△ 200	△14.9%
Ordinary Profit		394	34.3%	1,400	1,150	△ 250	△17.9%
Net income attributable to owners of the parent		202	28.7%	853	705	△ 148	△17.4%

# 2023 Shareholder Distributions



Forecast a 2023 ordinary dividend of 10 yen per share, 1 yen higher than for 2022

## 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 2023, based on our forecast for sales and earnings, our financial position, and other considerations, we plan to raise the ordinary dividend from 9 yen to 10 yen.

	2022	2023
<b>Dividend per share</b>	<b>9.0 yen</b> (Ordinary dividend: 9.0 yen)	<b>10.0 yen</b> (Ordinary dividend: 10.0 yen)



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# 03 Business Summary

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# Business Segment



\* Only listed main businesses



Jun 2009 : Established  
Sept 2016 : Listed with Mothers of TSE  
Dec 2018 : Listed with 1<sup>st</sup> section of TSE

## Digital Marketing (DM) business



Digital Identity

Mint'z  
Planning co.,Ltd.

## Digital Transformation (DX) business



Mar 24, 2021  
Listed with Mothers  
(Growth Market)



May 31, 2023  
Start of consolidation

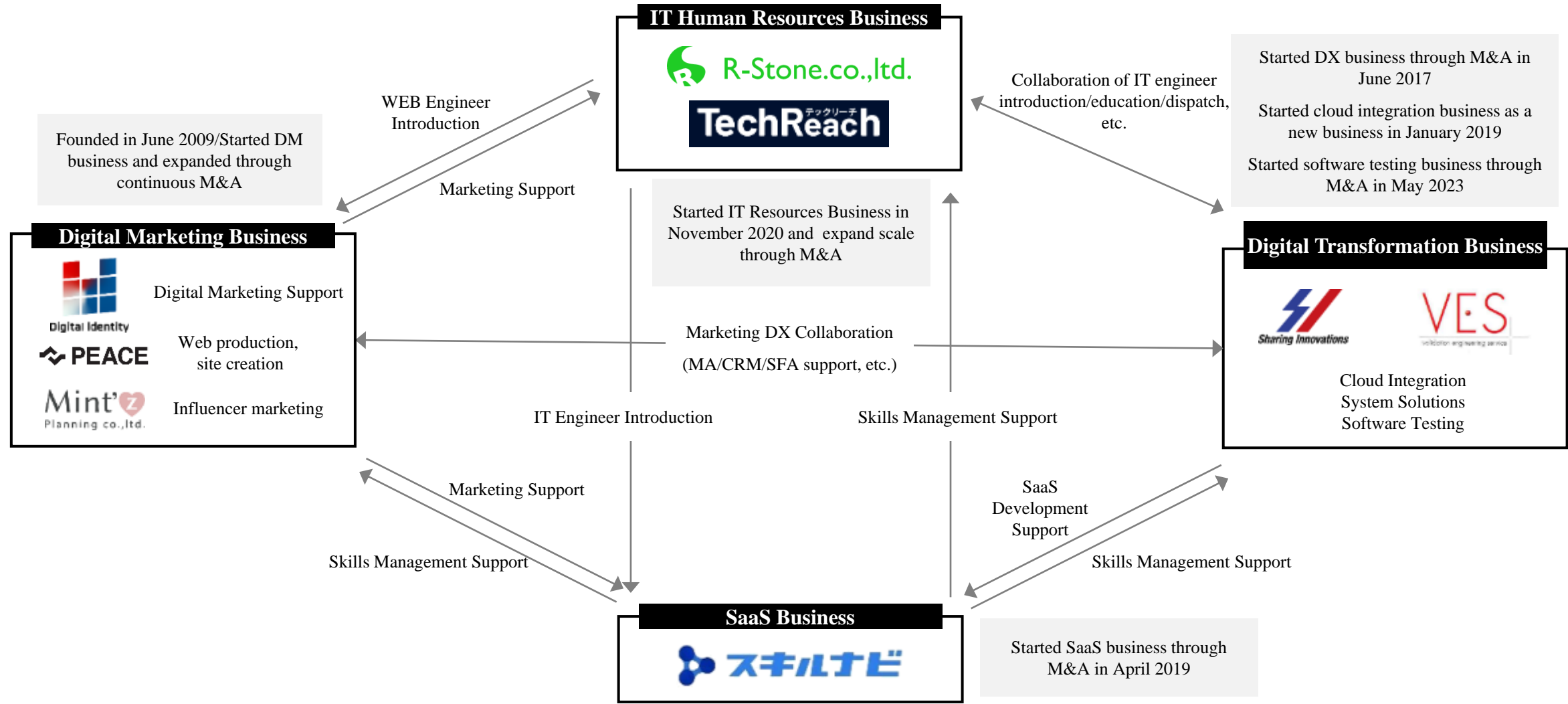
## Others





# Business Synergies

Create synergies among businesses to build a high-growth × high-profit business model



# Digital Marketing (DM) Business

\* Only listed main businesses



ORCHESTRA HOLDINGS

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Mar 24, 2021  
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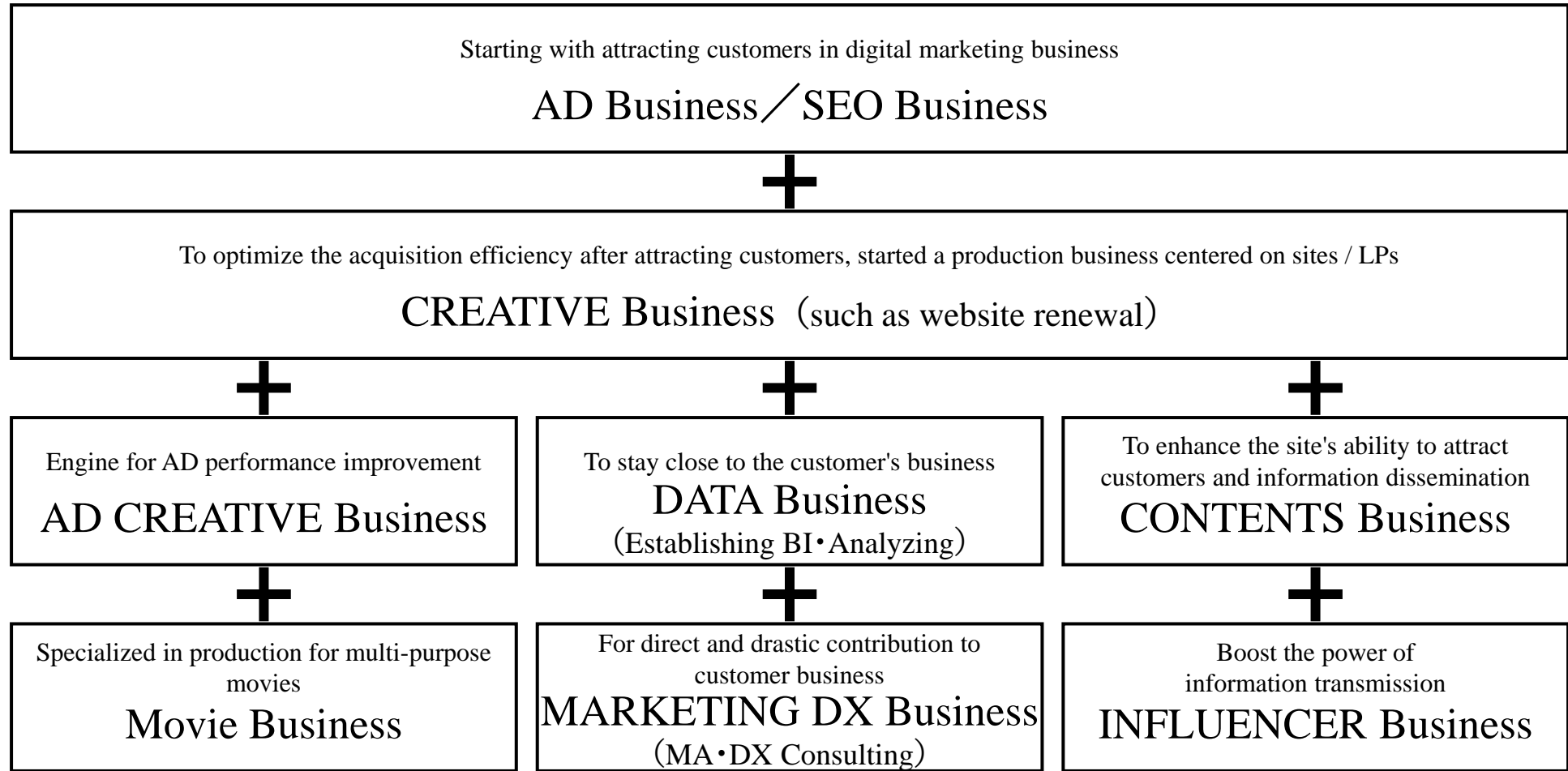
May 31, 2023  
Start of consolidation

## Others



# Business Overview

Starting with attracting customers digitally, developing into various products to provide end-to-end digital marketing service to customers.



# Business Overview

Build a system that can be executed in a one-stop system from end to end

## Overall design and Consulting

Understanding Users			Data Driven		
Market research	Customer journey	In-store survey	Data integration management	Dashboard	BI
Persona development		Action roadmap	Tag management	Statistics/analysis	RPA・AI・machine learning
Insight development	Story Design	Contact channel	Algorithm analysis	Tracking analysis	API・automatic processing

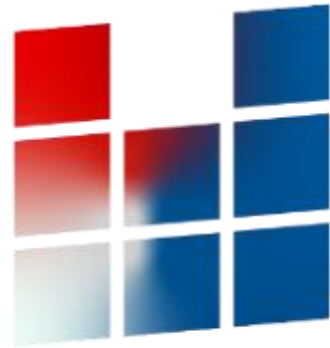
## Execution of measures and promotion

Cognitive Advertising	Programmatic Advertising		SEO	Creation	OTHER
Tie-up	Listing Ad	App Ad	Internal enforcement	Website creation	MA
Pure Ad	Display Ad	Affiliate Ad	Keyword research	LP	CRM
PR	Ad network・DSP	PMP	Content production	Banner Ad	LINE@
Influencer	Social Ad	Specialized Media <small>例：インテイド</small>	Media management	Movie	SalesForce Implementation
Event	Movie Ad	Overseas Streaming	External link scrutiny	Email	System development
In-store linkage	Dynamic Ad	In-house production support	Speeding up display speed	UI evaluation/improvement	Chatbot
Mass linkage	Infeed Ad	Report automation	Backend SEO	Access analysis	WEB customer service tool
Campaign	Ad Creative	Account diagnosis	Mobile friendly	App creation	Customer management tool

# Highlights

## Certified as an Advertisement Operation Certified Partner of the Yahoo! Marketing Solutions Partner Program for 9 consecutive terms

Only 8 companies have accomplished this since the Yahoo! Marketing Solutions Partner Program started.



**Digital Identity**

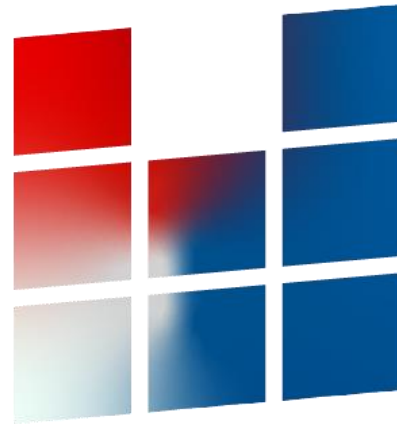


# Highlights

## Utilization of Generative AI

A creative production platform utilizing generative AI has been developed, and test use began in August of this year. Through machine learning of ad data and verification result data, creative with high potential effect can be proposed.

In the future, the accuracy of the platform will be enhanced based on practical feedback and ad delivery results, leading to the utilization of AI in marketing and the development of AI-based marketing tools to improve results, increase operational efficiency, and strengthen the organization.



## Digital Identity



# Digital Transformation (DX) Business



\* Only listed main businesses



ORCHESTRA HOLDINGS

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Digital Marketing  
(DM) business



Digital Identity

Mint'z  
Planning co.,ltd.

Digital Transformation  
(DX) business



Mar 24, 2021  
Listed with Mothers  
(Growth Market)



May 31, 2023  
Start of consolidation

Others



# Sharing Innovations / Business Overview

## CLOUD INTEGRATION

Cloud service implementation support centered on Salesforce



## DATA SUCCESS

Support for a full range of data utilization from data success consulting to environment construction and utilization support



## SYSTEM SOLUTION

DX support in scratch development centered on open technology



WEB



Smart Phone

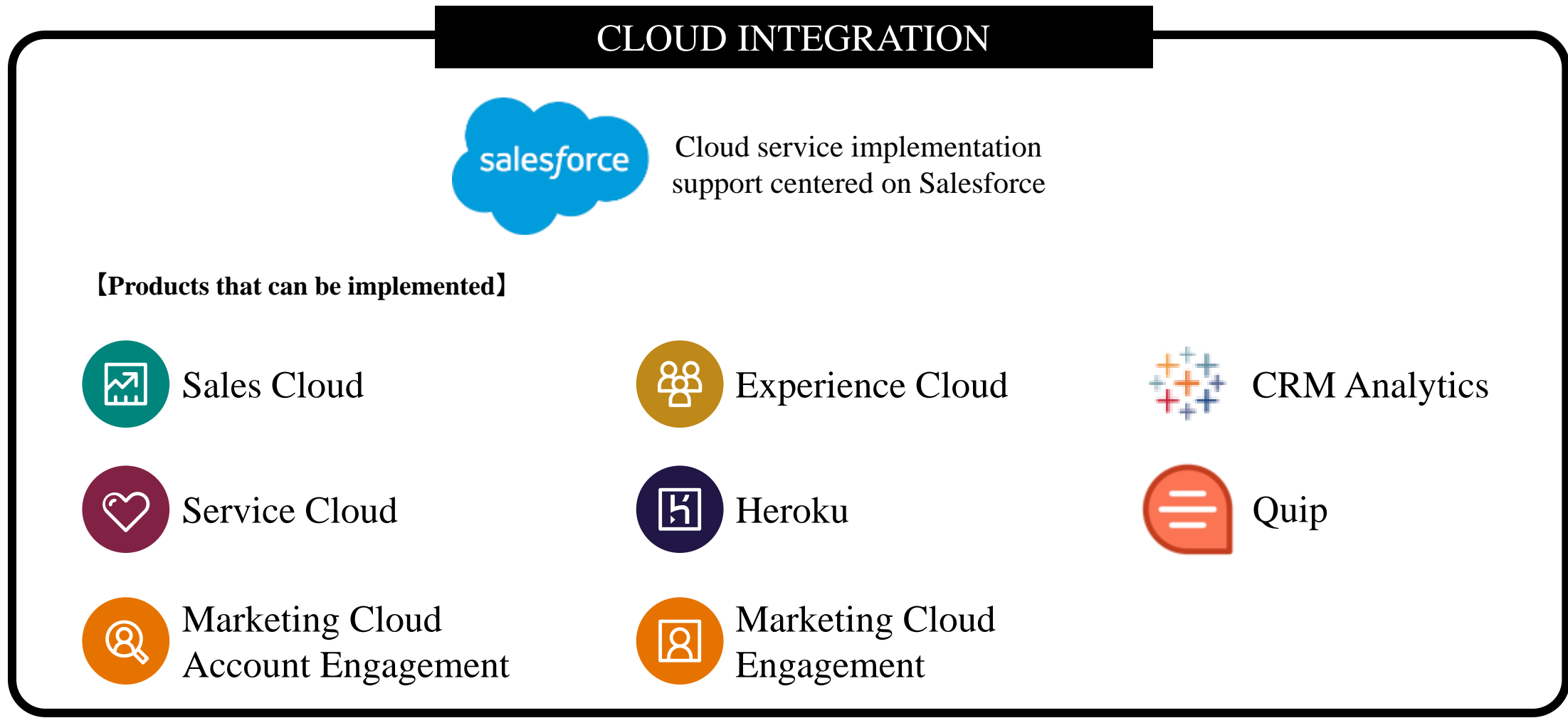


core system

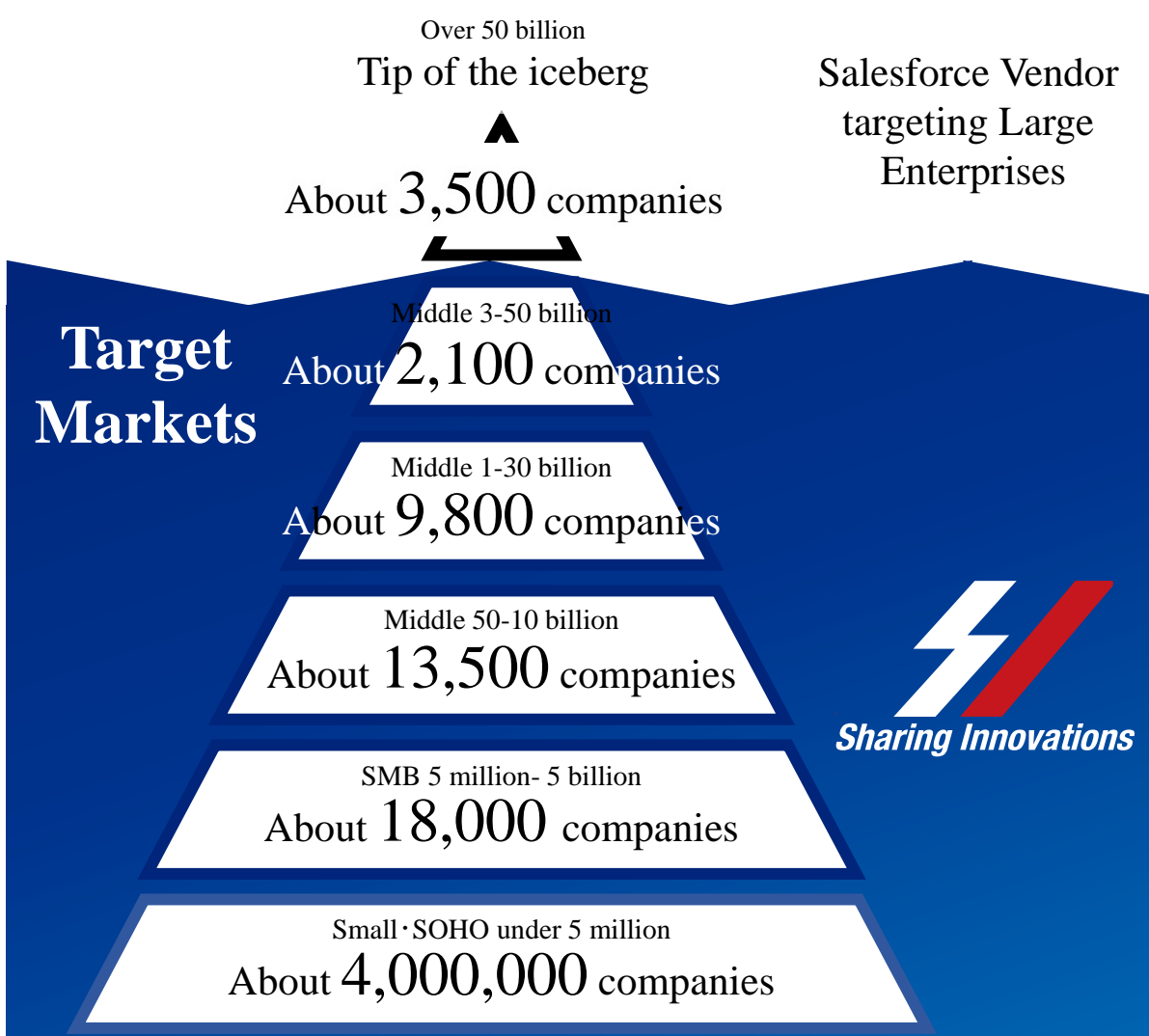


# Sharing Innovations / Business Overview

## Approach for Multi-Cloud Tools



# Sharing Innovations / Business Overview



Salesforce Vendor targeting Large Enterprises

Market	Project Risk	Engineer Resource
Many major system companies entered the market with multiple subcontracting structures <b>(Red Ocean)</b>	<b>High risk</b> due to long-term implementation of large-scale and high-difficulty projects	<b>Large number of experienced and skilled engineers</b> required

there are many business opportunities, and Venders can proceed projects under prime contact  
**(Blue Ocean)**

The size of each project **makes it easy to appropriately manage risk**

If there is a solid education system, **engineers can be brought into the workforce at an early stage**

# Sharing Innovations / Restructuring

Current Phase

**Present point**

## Actions for Further Growth

In addition to reinstating our position in the DX market, which we have been doing business so far, we will approach new areas that will become a source of new revenue

## Profit Recreation Phase

Reforms proceeded with both cost optimization and sales expansion, and the company became essentially profitable

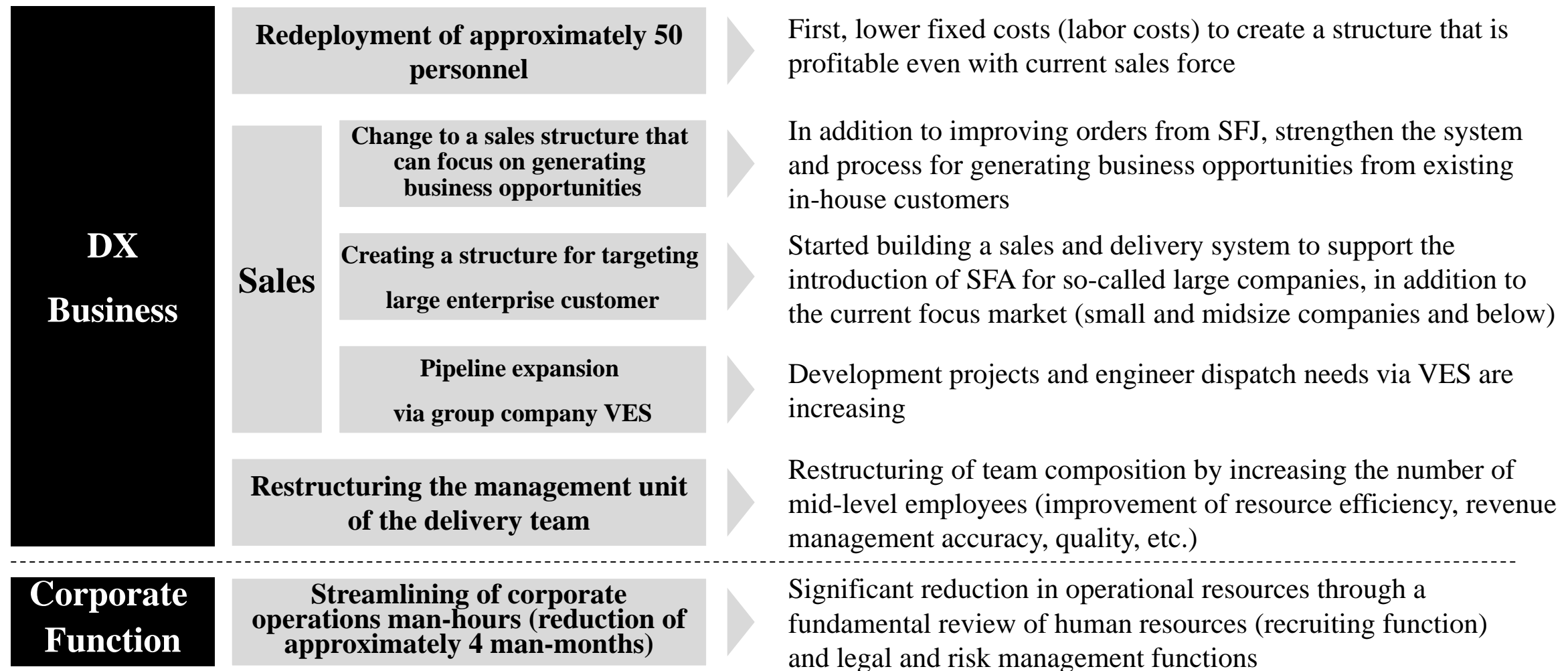
## Initial phase of structural reform (= actions to improve profitability)

Optimization of human resources and organization, structuring of sales and delivery  
(Building a foundation for risk-free and efficient operations)

# Sharing Innovations / Restructuring

Reforms are being promoted with a dual focus on cost optimization and sales expansion.

While fundamentally improving the profit structure from a human and organizational perspective, we will transform the company into a profitable one by strengthening sales and project delivery.



# VES / Business Overview

## Main Business

- Software Third-Party Verification Services
- Test Automation Services
- Nearshore Verification Services
- Usability Verification Services
- Test Engineer Training Support Services

## member organization

- Tokyo Chamber of Commerce and Industry Shinjuku Branch
- IT Verification Industry Association (IVIA)
- Iwate Information Service Industry Association (IISA)
- Takizawa City Chamber of Commerce and Industry

## Select the best verification system for each client



**Takizawa Software Verification Center**  
 152-409 Sugo, Takizawa City, Iwate Prefecture  
 Takizawa IPU Innovation Center 2 Laboratory 2-4



**Head Office/Metropolitan Area Verification Lab**  
 2-11-6 Yotsuya, Shinjuku-ku, Tokyo FORECAST Yotsuya 7F

## Cumulative total of over 12,000 cases Extensive verification experience

Since starting software verification services in 2003, we have accumulated specialized technology and expertise in verification in a variety of industries.



## No.1 in the industry IVEC's highest rank Platinum Partner Certification

No. 1 in the industry for LEVEL 5 certification, the highest level of the IT Verification Engineer Certification Examination (IVEC). We have high-level test engineers.



## Software Testing International Certification JSTQB Gold Partner Certification

We have been certified as a "Gold Partner" by ISTQB, an international certification body, as a sign of recognition of our high-quality testing services.





# VES / Business Overview

## Software and Web Verification

**Software Verification Services**  
 Verify and evaluate software from an objective perspective to ensure that problems that are often overlooked are identified.

**Business Application Verification Services**  
 Contribute to the improvement of customer satisfaction and streamlining development costs by reducing the occurrence of post-operational defects, and lead to high quality applications.

**Smartphone Verification Services**  
 High-quality, efficient smartphone verification is achieved by utilizing accumulated knowledge.

**Web Verification Service**  
 High-level verification services by verification engineers to ensure high quality even in speed-oriented development.

## Embedded Software Verification

**Embedded Verification Services**  
 Experienced engineers assist in the verification of networked and complex embedded devices.

**Medical Software Verification Services**  
 Third-party verification services to solve various issues in medical software development for business expansion.

**IoT Verification Services**  
 VES provides total support from embedded systems to the Web to solve quality issues for IoT products.

## Upstream process

**Agile Development Validation Services**  
 Solving quality control issues in agile development, especially scrum development, with "2.5-party verification".

**Upstream Process Verification Services**  
 To build in quality, third-party verification is introduced in the upstream process to improve quality.

**Consulting Services**  
 The know-how of a verification company is used to analyze the current situation from a third-party verification perspective to improve quality and productivity.

## Testing sophistication and efficiency

**Test Automation Services**  
 Select test ranges suitable for automation and support programmatic automation.

**Nearshore Verification Services**  
 Experienced engineers at the Iwate verification center are in charge of testing.

## Non-functional verification services

**System Performance Verification Services**  
 Investigate bottlenecks to meet performance requirements and analyze system performance details including DB servers.

**Web Security Verification Service**  
 To make your web system safe and comfortable, our professional verification engineers provide thorough support.

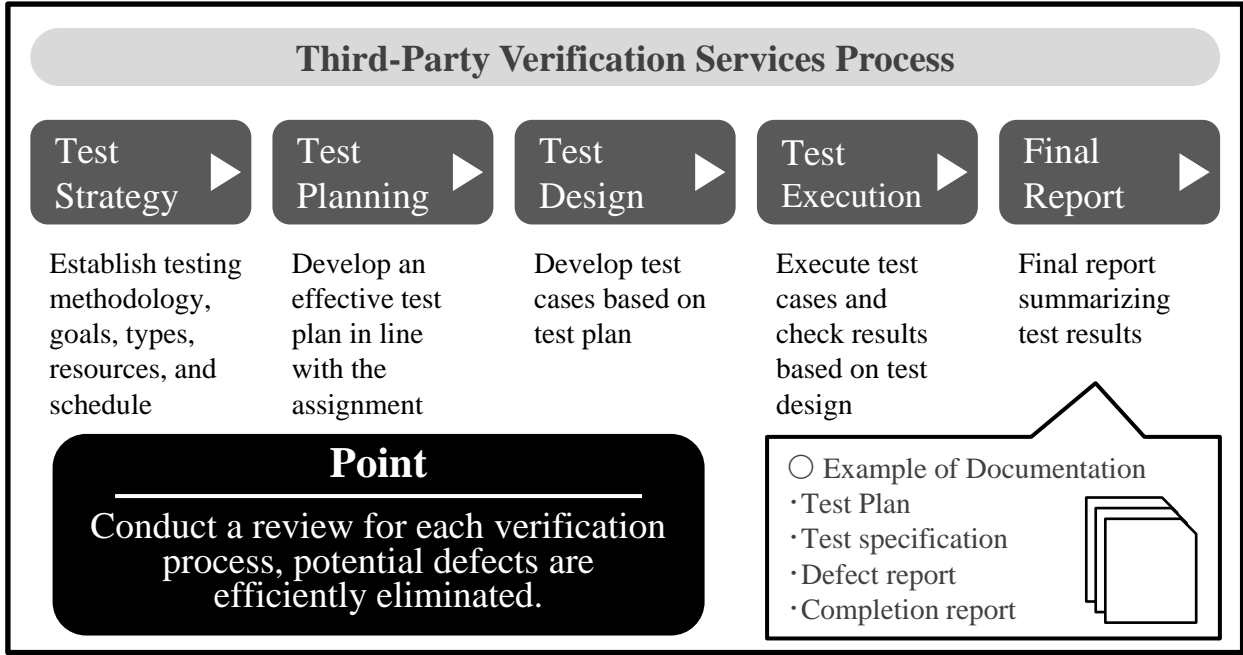
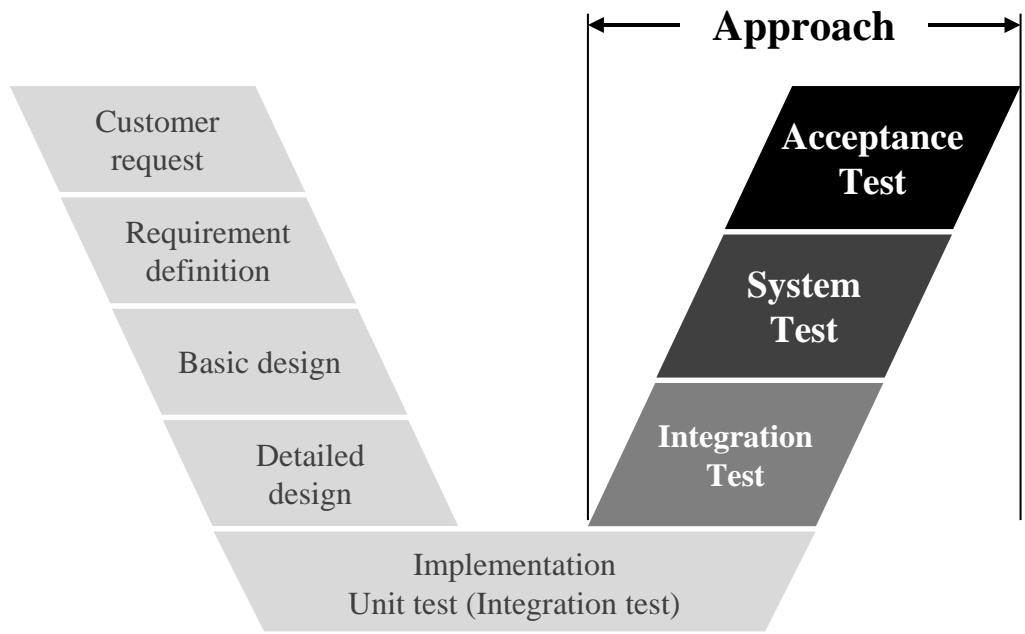
**Usability Verification Services**  
 Reinforcing product superiority through unique perspectives to improve the quality of usability from the user's point of view.

## Educational Services

**Test Engineer Training Support Services**  
 Supporting the development of human resources with practical application skills for training test engineers.

# VES / Business Overview

Third-party verification services can support all phases of testing after the integration test, from test strategy, planning, design, execution, and final report.

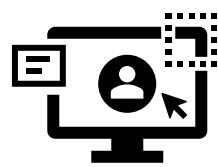


## Third-party verification solutions (excerpts)



### ● Software Verification Services

Verify and evaluate software from an objective perspective to identify and report on problems that are often overlooked



### ● Embedded Verification Services

Various tests are conducted to verify that the embedded control software operates correctly and achieves its objectives

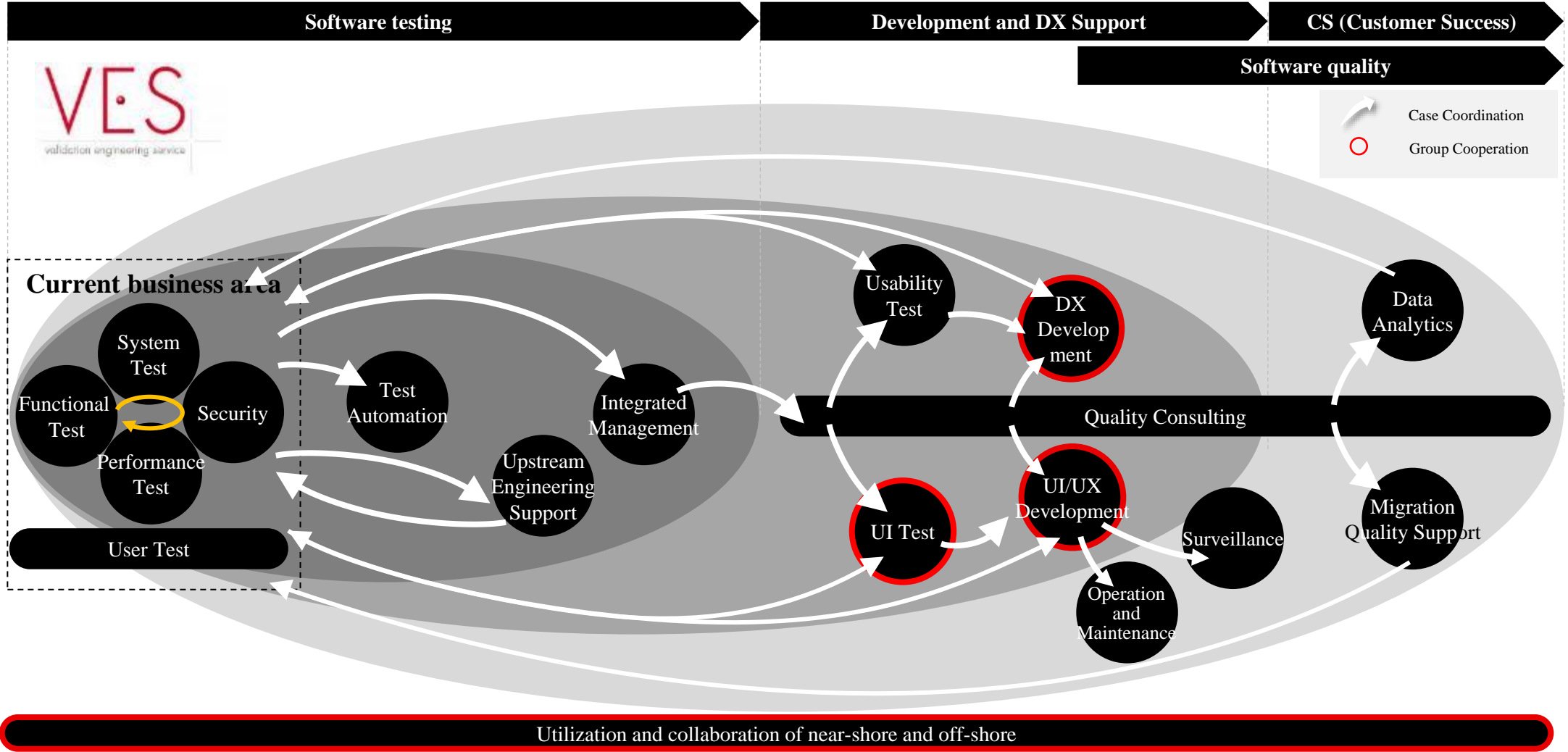


### ● EC/Web Verification Services

One-stop, speed-oriented verification from test planning to implementation for customers developing web services

# VES / Business Strategy

Starting from software testing, expanding to DX and CS areas to become an expert in software quality.



Expand our service area to become “Software Quality Experts”



# VES / Business Strategy

Utilizing the resources of the ORCHESTRA Group to expand its service areas and organizational structure. Aiming to grow to 10 billion yen in sales in 5 years.

FY2023

FY2028

	Step0 Existing state	Step1 Upstream + development	Step2 Offshore Utilization	Step3 In-house development	Step4 Expansion into new areas	Step5 Customer Success Deployment
Objective	<b>Stable profitability</b> through the establishment of a business foundation	<b>Increase revenue</b> by expanding the range of requests handled	Near-shore and off-shore utilization to <b>Strengthening Cost Competitiveness</b>	Reinforcement of Implementation Capability <b>Expansion of Earnings</b>	Reinforcement of Implementation Capability <b>Expansion of Earnings</b>	Cyclical Response to Fixation <b>Expansion of Earnings</b>
Business development						
Estimated sales	1.54 billion yen	2.40 billion yen (YonY 156.3%)	3.50 billion yen (YonY 145.6%)	4.91 billion yen (YonY 140.2%)	7.01 billion yen (YonY 142.6%)	10.03 billion yen (YonY 143.1%)
Number of engineers	223 people (Full-time employee 71.3%)	261 people (Full-time employee 67.0%)	317 people (Full-time employee 62.7%)	358 people (Full-time employee 58.4%)	485 people (Full-time employee 54.2%)	614 people (Full-time employee 49.9%)
Point	<ul style="list-style-type: none"> <li>Deployment of automation, security, and other areas around test validation</li> <li>Improvement of PM and PL delivery skills to stabilize service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Test Verification area aims to expand from adaptation to loyal customers</li> <li>Hiring upstream process skills &amp; experience</li> </ul>	<ul style="list-style-type: none"> <li>Offshore expansion through SIV utilization</li> <li>Acquisition of global projects</li> <li>Become a client of a major local company (Takizawa TC model → 2nd TC development)</li> </ul>	<ul style="list-style-type: none"> <li>Capability of development</li> <li>Provide collaborative solutions with upstream and testing areas</li> <li>Provide quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>Quality expertise (compliance with laws, regulations, standards, etc.), not just IT consulting</li> <li>DX and operational monitoring works with seasonal products</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a position as a quality control</li> </ul>

\* Only listed main businesses



Jun 2009 : Established  
Sept 2016 : Listed with Mothers of TSE  
Dec 2018 : Listed with 1<sup>st</sup> section of TSE

## Digital Marketing (DM) business



Digital Identity

Mint'z  
Planning co.,ltd.

## Digital Transformation (DX) business



Mar 24, 2021  
Listed with Mothers  
(Growth Market)



May 31, 2023  
Start of consolidation

## Others



# Other Businesses

## Raising the next core businesses

Major businesses within other business segments:

### SaaS Business



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



- ✓ The number of customers continue to increase as a result of the expansion of marketing investment

### Platform Business

Urala




- ✓ An iPhone/Android app for fortune telling chat consultations by more than 1000 fortune tellers throughout Japan
- ✓ Cumulative number of consultations exceeded 1.3 million.

### IT Human Resources Business



×



- ✓ Launched "TechReach", a job information site for freelance engineers
- ✓ Acquired "R-stone", a recruiting firm specializing in IT engineers and creators in 2021.

# SaaS Business / Business Overview

## Developing "Skill Navi" with strength in skills management

- Skill Navi has strengths in skills visualization and management, and is being adopted by major manufacturing companies that require such skills.
- We can also support reskilling and job-based work styles.

スキル管理特化型  
タレントマネジメントシステムなら  
**スキルナビ**

評価シートのデジタル化だけではない、本格的なタレントマネジメントを実現！  
スキル管理、目標管理、統計データ、人材情報の見える化や分析など、  
人事戦略の立案と実行に役立つクラウドシステムです。

### スキルナビは豊富な標準機能を搭載

得意先向け	部署・課長・部長向け	業務機能	その他特長
<ul style="list-style-type: none"> <li>スキル管理</li> <li>スキルマップ</li> <li>スキル履歴</li> <li>スキル評価</li> </ul>	<ul style="list-style-type: none"> <li>スキル管理</li> <li>スキルマップ</li> <li>スキル履歴</li> <li>スキル評価</li> </ul>	<ul style="list-style-type: none"> <li>スキル管理</li> <li>スキルマップ</li> <li>スキル履歴</li> <li>スキル評価</li> </ul>	<ul style="list-style-type: none"> <li>スキル管理</li> <li>スキルマップ</li> <li>スキル履歴</li> <li>スキル評価</li> </ul>
<ul style="list-style-type: none"> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> </ul>	<ul style="list-style-type: none"> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> </ul>	<ul style="list-style-type: none"> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> </ul>	<ul style="list-style-type: none"> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> <li>人事評価</li> </ul>

スキルナビは全て標準機能で設定可能！！（※上記機能は一例です。）  
スキルナビは標準機能の豊富に選定されており、標準機能すべてがオプションなしで活用可能です。そのほかにも様々な機能を追加することができます。



# SaaS Business / Business Overview

## Skill Management System

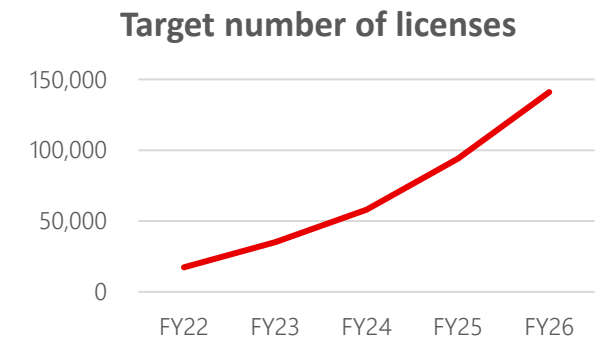
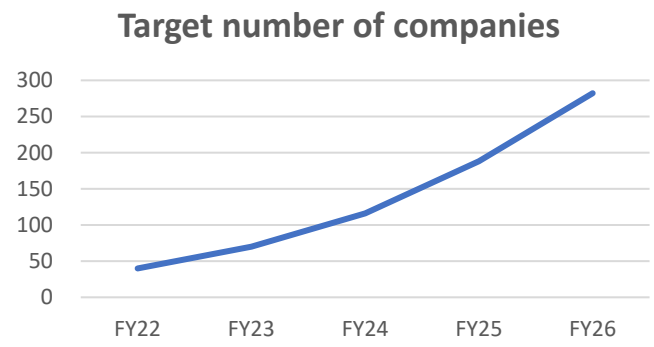
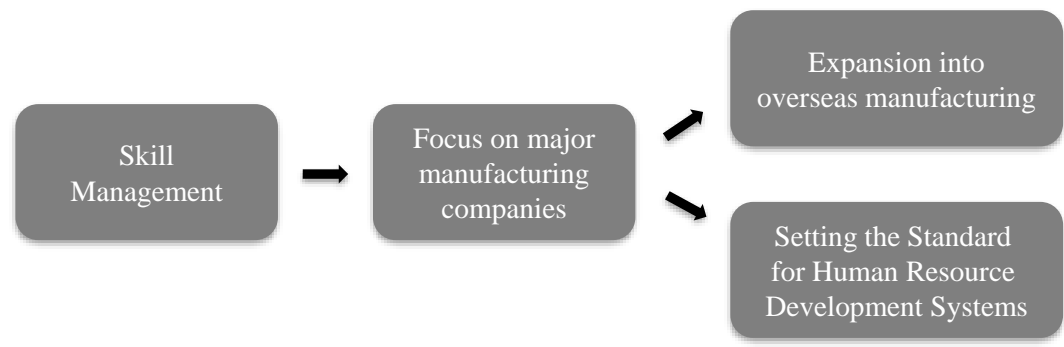
As the working-age population continues to decline, there is an increasing need to build human resource management systems in order to "maximize human capital," "improve productivity," and "reskilling".

Among these, Skill Navi's competitive advantage of visualizing skills and managing the implementation and effectiveness verification of necessary training programs in real time is expected to be needed by many companies, and we aim for significant growth in this field.

### Growth strategy

Of the human resource management systems, we focus on "skill management," which is the most important aspect of building a framework for human resource development. We aim to increase the number of companies that have adopted the system, particularly in the manufacturing industry, which requires more detailed skills management.

Few competitors focus on skills management, and because of the competitive advantage of its functions, Skill Navi has recently been adopted by major manufacturing companies. In the future, we plan to further expand its business overseas and establish a de facto standard for building a framework for human resource development in the manufacturing industry.



# SaaS Business / Business Overview

## Skill Navi Major Installation Results

Number of Companies and Leads Acquired Continues to Grow  
continues to grow

# IT Human Resources Business / Business Overview

- Launched “TechReach”, an IT recruiting and project introduction media
- Acquired R-Stone, a career change agency specializing in the IT field, through M&A

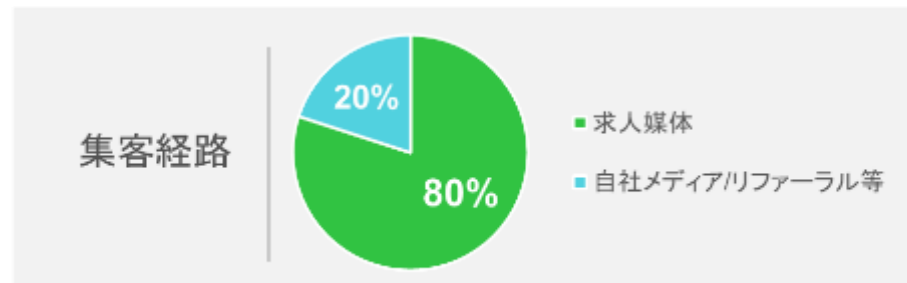


## 人材紹介サービスについて

クリエイター・エンジニアに特化したコンサルタントが採用活動をサポート

主なターゲット層	年齢	希望勤務地	現在年収
	20代後半～40代後半	東京	350～1000万円台

月間登録者数	エンジニア <b>120</b> 名	クリエイター <b>80</b> 名
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- Specialized in freelance
  - Engineer
  - Creator
  - PM・PMO...
- Strength of TechReach
  - 80% are end/main contractor direct projects
  - 15 days payment cycle

# Corporate Venture Capital Investments

Five investees achieved IPO on the Tokyo Stock Exchange

IPO July 2020



HR

IPO Nov. 2020



Marketing

IPO Dec. 2020



Fraudulent  
order detection

IPO Sept. 2021



Payments

IPO Mar. 2022



Health care



Point mall



BtoB matching



Cosplay



HR



AI



Fintech



MEO



Real estate



Smart homes



P2C



HR



Health care



HR



Con-tech



Project  
Management





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# 04 Growth Strategy

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# Growth Strategy

Strength

01

**Compete in a growing market**

Strength

02

**Active utilizations of M&A**

Strength

03

**Cultivate new business**

# 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 **20.8%** between 2021 and 2026.

In 2026, this market is expected to be **4,279 billion yen, 160% higher** than in 2021 <sup>\*2</sup>

<sup>\*2</sup> Source: International Data Corporation Japan "Japan Public IT Cloud Services Forecast, 2022 - 2026"

The domestic software industry market is growing steadily.

Among them, the software testing market size is estimated to account for

**more than 30%**, or **6 trillion yen.** <sup>\*3,4</sup>

<sup>\*3</sup> Source: Ministry of Economy 「Basic Survey of Information and Communication Industry」

<sup>\*4</sup> Source: IPA 「Software Development Data White Paper」

## Digital Marketing business

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 15.3%** in 2022 <sup>\*5</sup>

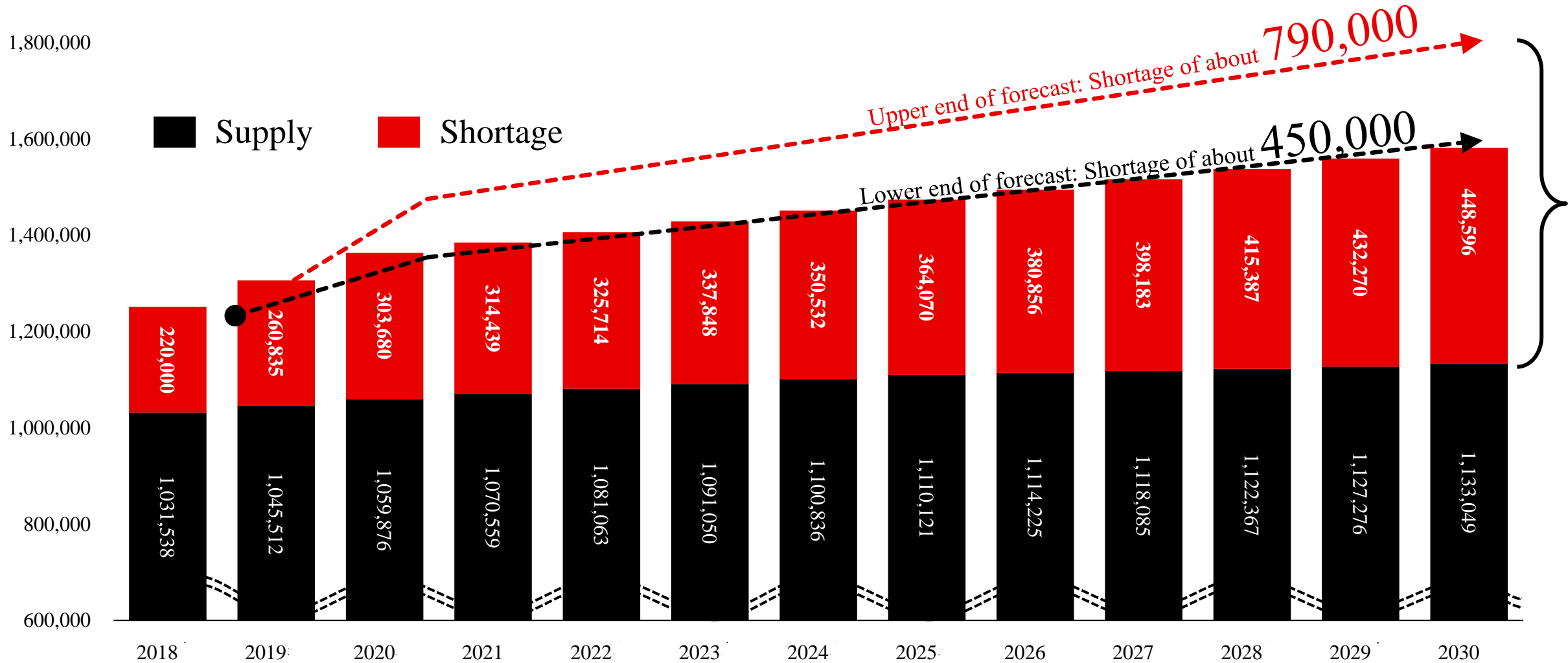
<sup>\*5</sup> Source: Dentsu Inc. "2022 Advertising Expenditures in Japan"

# 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

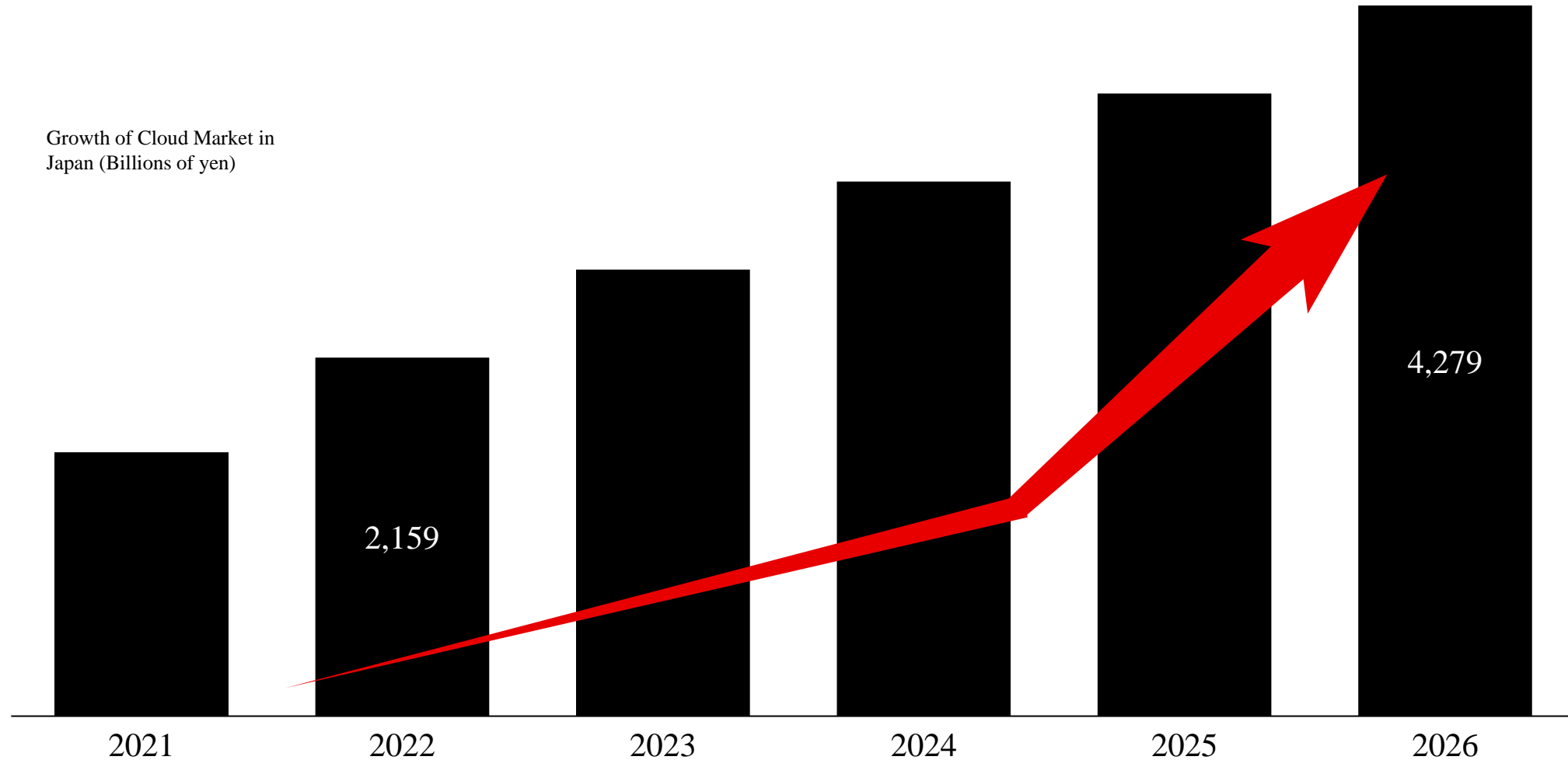


Source: "IT Personnel Supply and Demand Survey" conducted for the Ministry of Economy, Trade and Industry

# Market Data: Growth of the Cloud Market in Japan

Forecast annual average growth rate of 20.8% between 2021 and 2026

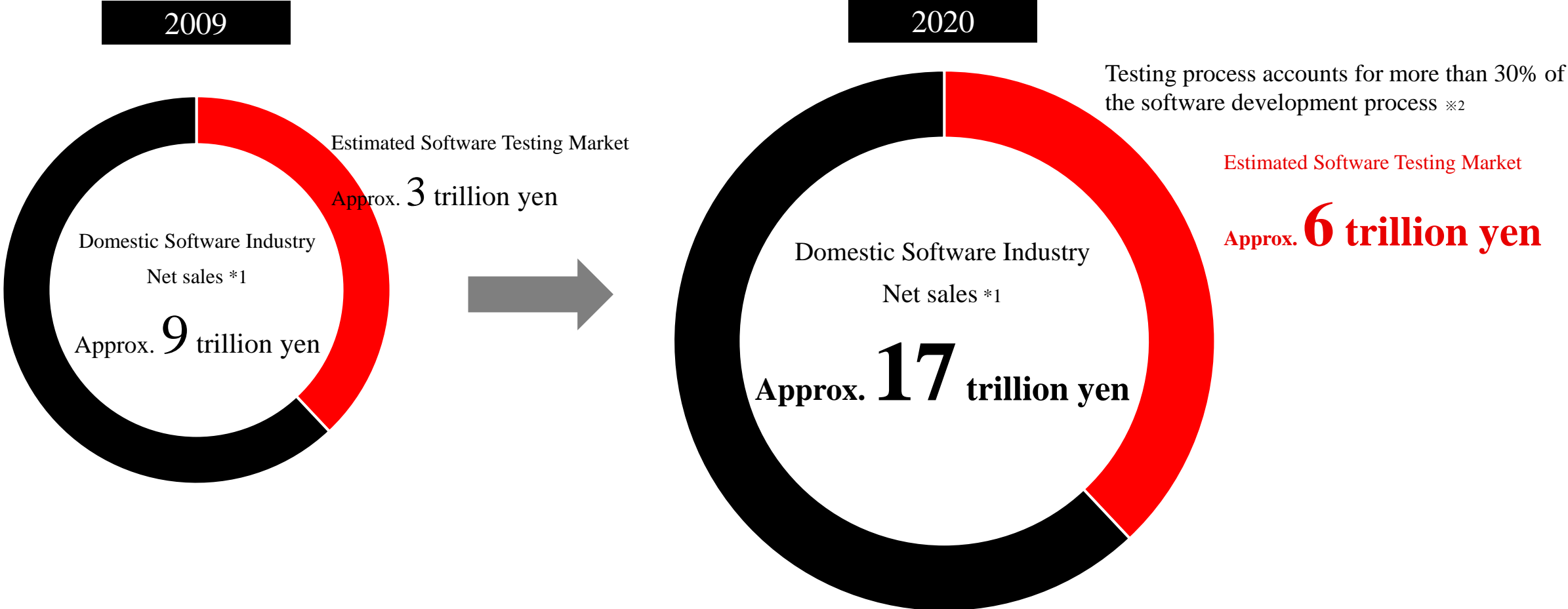
Forecast value of 4,279 billion yen in 2026, 160% higher than in 2021



# Market Data: Software Testing Market in Japan



New entry into the approximately 6 trillion yen software testing market through M&A of VES, Inc.

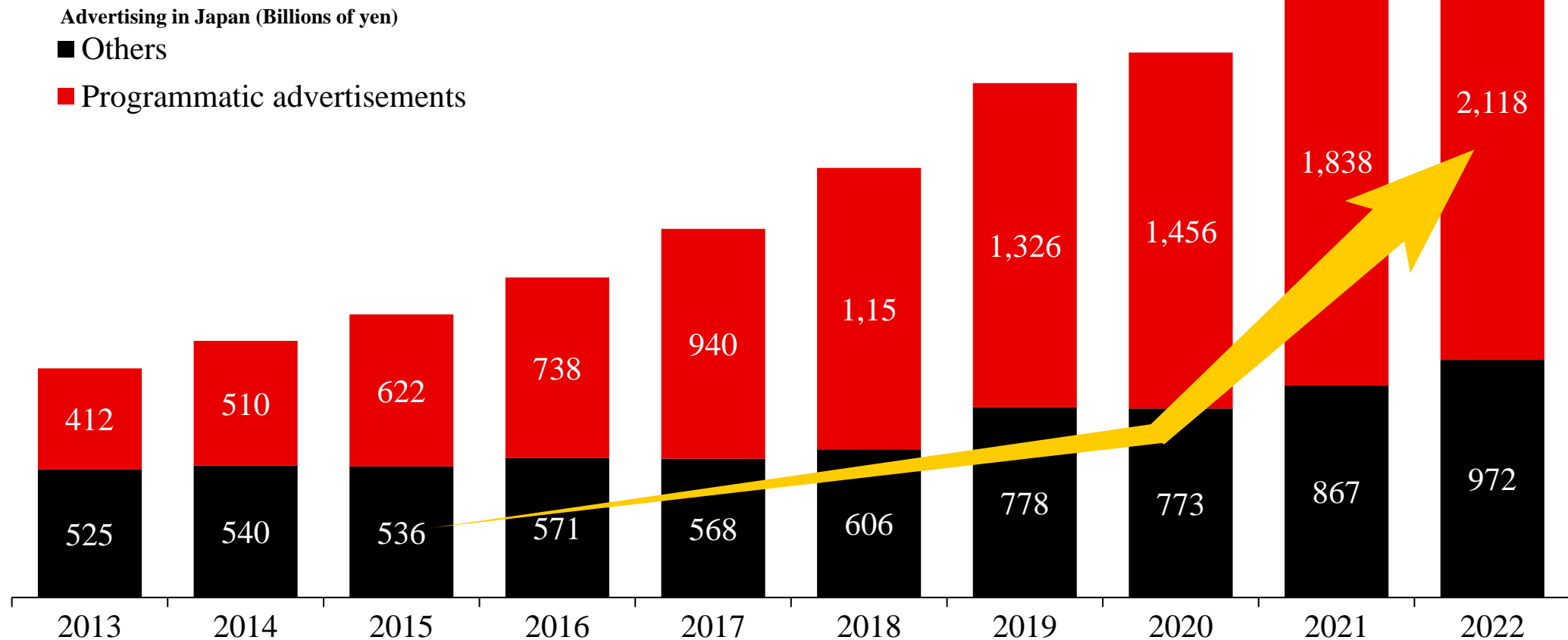


\*1 Source: Ministry of Economy [Basic Survey of Information and Communication Industry]

\*2 Source: IPA [Software Development Data White Paper] Refer to the percentage of the 5 development processes in the new development, including the integration test and comprehensive test processes.

# Market Data: Internet Advertising Market in Japan

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 15.3% in 2022



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

# Growth Strategy

Strength

01

Compete in a growing market

Strength

02

**Active utilization of M&A**

Strength

03

Cultivate new business



# Growth Strategies: Active use of M&A

Implemented 2 M&As in FY2023



※Details are explained on the next slide



In January 2023, at our consolidated subsidiary Digital Identity, Inc, In January 2023, Digital Identity, a consolidated subsidiary of the Company, made a resolution to acquire shares of Adam Technologies and e2e, and made them its subsidiaries in February.

Adam Technologies specializes in content marketing with strength in SEO, and e2e specializes in WordPress system development, maintenance, and operation.

# Growth Strategies: Active use of M&A / VES, Inc.



VES, a company in the software testing business, joins the group.

## Overview of the M&A and VES

Outline of Transaction	Shares acquired	100% of the shares of VES, Inc.
	Date of agreement	April 25, 2023
	Date of share acquisition	April 28, 2023
	Acquisition company	Orchestra Holdings Inc.
	Acquisition price	Approx. 1.95 billion yen (including advisory fees, etc.)
	Acquisition funds	Use of borrowed funds and cash on hand
	Impact on business performance	No change to the full-year forecast due to the acquisition during the period, etc.
Outline of VES	Trade name	VES, Inc.
	Establishment	July 1, 2003
	Business	Software Testing Business
	Number of Employees	Approx. 130 employees
	Business Performance	Net sales approx. 1.3 billion yen, Operating income Approx. 38 million yen (FY3/2022) <b>※ Operating income after reduction of unnecessary expenses is expected to be less than goodwill amortization.</b>

# Growth Strategies: Active use of M&A / VES, Inc.



New entry into the approximately 6 trillion yen software testing market by M&A of VES, Inc.  
Acquired new markets, services, resources, and customers through M&A.

Segment	Domain	Track record	M&A Objectives	Market scale
Digital Marketing	AD/SEO Creative SNS Marketing Started Jun 2009	LIFULL Marketing Partners	<ul style="list-style-type: none"> <li>• Expansion of service lineup</li> <li>• Share customer base and expand cross-selling opportunities</li> <li>• Strengthen digital human resources</li> </ul>	Approx. 3 trillion yen ※1
DX	System Solutions Started Jun 2017	*M&A and integration of 9 companies in the DX area	<ul style="list-style-type: none"> <li>• Expansion of TAM (*4) (new entry into DX market)</li> <li>• Share customer base and expand cross-selling opportunities</li> <li>• Expansion of service lineup</li> <li>• Enter marketing DX with Salesforce at the core</li> <li>• Strengthen DX human resources</li> </ul>	Approx. 16 trillion yen ※2
	Cloud Integration Started Jan 2019			
	Software testing Started May 2023		<ul style="list-style-type: none"> <li>• Expansion of TAM (*4) (new entry into the testing market)</li> <li>• Create synergies with existing businesses                              ⇒Details are explained in the next slide.</li> </ul>	of which Approx. 6 trillion yen ※3

\*1 Source: Dentsu "Advertising Expenditures in Japan" \*2 Source: Ministry of Economy, Trade and Industry, "Basic Survey of Information and Communication Industry" (calculated from software industry sales)

\*3 Source: Information-technology Promotion Agency, Japan (IPA) "Software Development Analysis Data Collection" \*4 TAM=Total Addressable Market

## VES M&A Objectives

### Strengths of VES

Approximately 130 people, mainly test engineers, belong to the company.  
Providing software testing services for 20 years.  
Experience in more than 12,000 cases of verification.

### Group synergies

- ◆ Collaboration with Sharing Innovations (SI), a DX business
  - Enables us to provide a full range of services from design to development to testing
  - By sharing SI's engineering resources with VES, the following synergies will be created;
    - ⇒ Accelerate business growth by expanding development and verification system
    - ⇒ Improve profitability of the entire group by increasing the utilization ratio of engineers in the DX business
- ◆ Sharing of customer base and expansion of cross-selling opportunities throughout the group
- ◆ Accelerate growth by sharing resources within the group  
(recruiting and training system, marketing support, corporate functions, etc.)

# Growth Strategies: Active use of M&A / VES, Inc.

Under the basic M&A policy of the Group, M&A is utilized as part of the growth strategy.

## Basic policy

### Selection Criteria for M&A deals

- ◆ Profitability in operating income after amortization of goodwill is expected
- ◆ Further increase in sales and profit through group synergies
- ◆ Business domain with large market size and growth potential

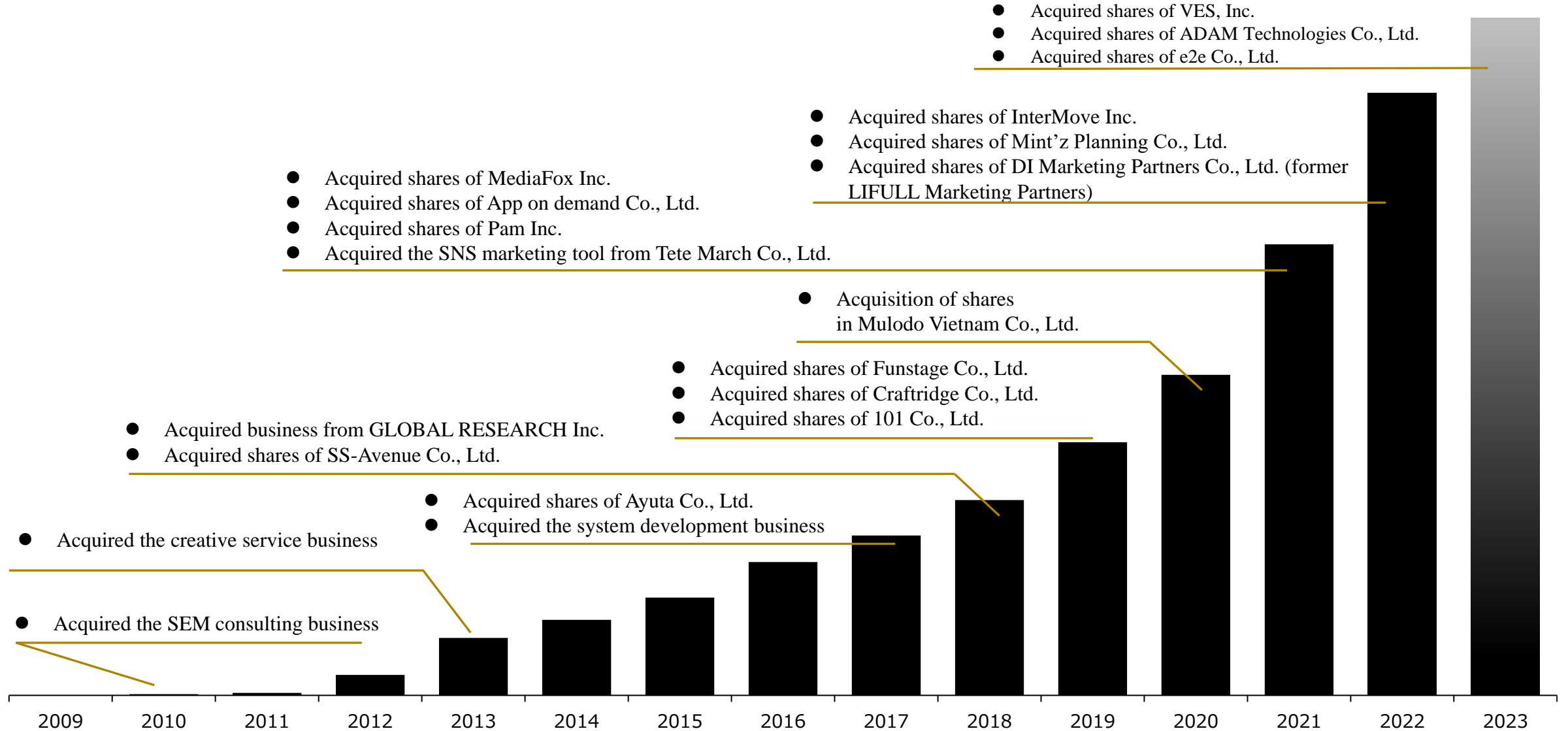
## VES M&A

- ◆ Expect to achieve positive operating income after amortization of goodwill by divesting loss-making businesses other than software testing (already divested prior to M&A) and reducing expenses that will no longer be necessary after M&A.
- ◆ Business growth potential through utilization of group resources, including collaboration with Sharing Innovations, is large.
- ◆ Software testing market is approximately 6 trillion yen

# Growth Strategy: Active Utilization of M&A



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



# Growth Strategy

Strength

01

Compete in a growing market

Strength

02

Active utilizations of M&A

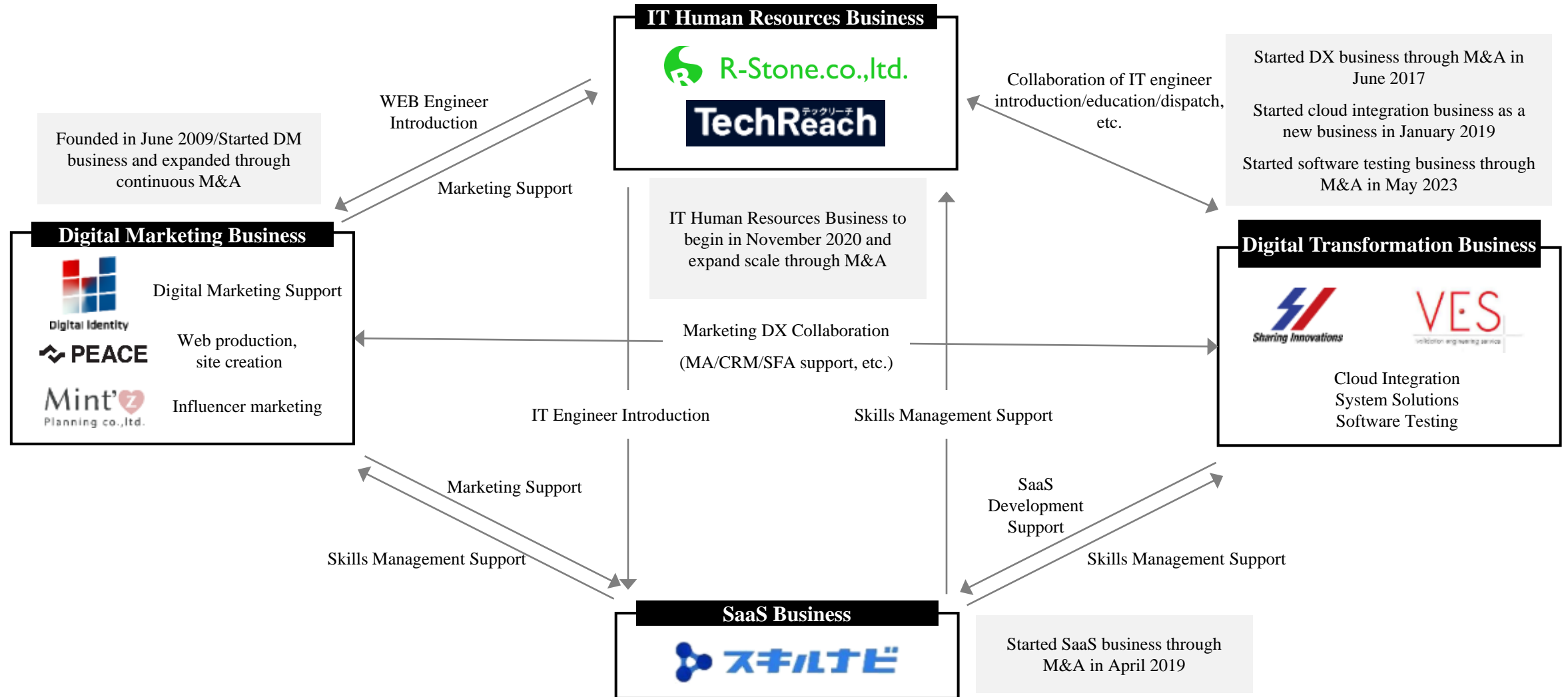
Strength

03

Cultivate new business

# Cultivate new businesses

Aim to develop and expand new businesses, focusing on business areas where synergies can be created.





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## Digital Marketing business

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

## 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
- 

## 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

New businesses/M&A

DX business

Digital Marketing business



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# 05 ESG Activities

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## Basic Sustainability Policy

We believe that contributing to the resolution of social issues through our business activities contributes to the creation of a sustainable society, which in turn leads to the sustainable growth of our group and enhancement of our corporate value.

To this end, we will set materiality issues and promote sustainability activities through our business activities, taking into consideration various factors such as the business environment surrounding our group, our business situation, and the stage of our business.

### Environment



### Social



### Governance



## Materiality Initiatives

### Environment

#### Realization of office ecology through support for corporate DX

The Group will contribute to paperless, energy-saving and CO2 reductions by supporting the DX of companies through salesforce implementation support and its consulting services, by promoting the computerization, streamlining of internal procedures and the reform of work styles through teleworking, etc.

### Social

#### IT Human Resource Development

The group will promote the development of IT human resources in order to address the increasingly serious shortage of IT personnel, contribute to the realization of an efficient and affluent society by addressing the digitization of society, which is expected to become even more prominent in the future.

#### Promoting Diversity and Diverse Work Styles

The Group does not tolerate discrimination on the basis of race, nationality, gender, age, religion or political ideology, disability, marital status, child status, sexual orientation, gender identity, etc., in its corporate activities.  
The Group provides equal opportunities to all people and respects their human rights to the fullest extent.

#### Respect for human rights

In accordance with the "Orchestra Holdings Human Rights Policy, we will contribute to the development of a sustainable society by respecting human rights in all aspects of our operations.

### Governance

#### Strengthening the Governance System

The Group recognizes that strengthening and enhancing corporate governance is an important management issue in order to maintain and improve its competitiveness over the long term.  
We will implement measures such as the establishment of various committees, further appointment of outside directors, and evaluation of the effectiveness of the Board of Directors.

Environment



## Initiatives in Business Activities

### Digitization of operations by supporting companies' DX



DXing Support



- Complicated workflow
- Face-to-face meetings and contracts
- Exchange of paper forms

- Increase in operational efficiency
- Reduction of transportation and logistics
- Reduction of paper

Supporting companies' DX will not only increase operational efficiency, but also reduce the movement of people/things and the use of paper.

## In-house Activities

### Utilization of remote work

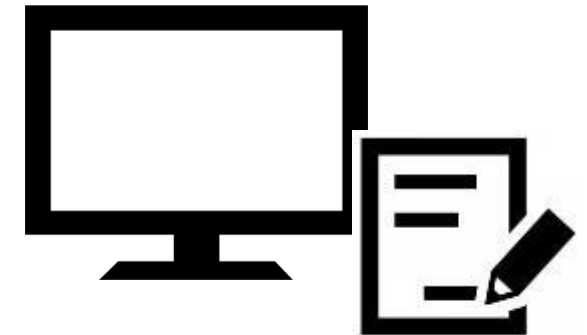


We have already introduced a hybrid work system that combines remote work and office work.

By using different types of work depending on the nature of the business and operations, we have been able to control the movement of people without reducing operational efficiency.

Using remote work reduces traffic and CO2 emissions.

### Digitization of documents

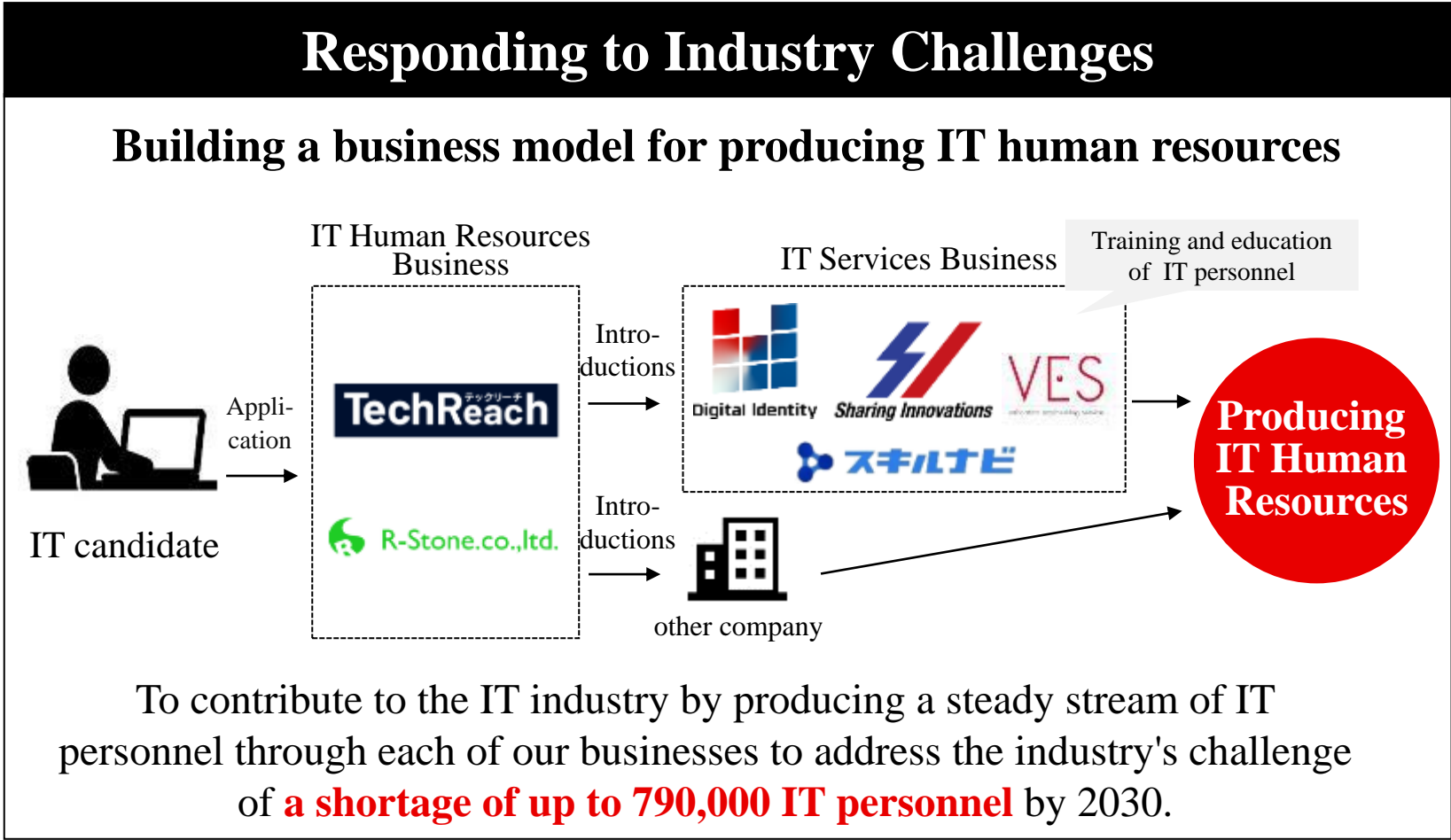


< Documents that have been digitized >

- Contracts (with electronic signatures)
- Human resource documents (HR software installed)
- Meeting documents (monitors installed in meeting rooms)

The paperless workflow is being promoted through the construction of a workflow that involves as little paper as possible.

Social



## Diversity

### Promotion of women's activities

The Group's Percentage of women among all employees

# 40.0%

The Group's Percentage of women on the board of directors

# 18.4%

The Group's Percentage of women in management positions

# 18.9%

(As of June 30, 2023)

Creating an internal environment in which women can play an active role to ensure sustainable growth.



### Governance Features

#### ① Corporate Governance Structure

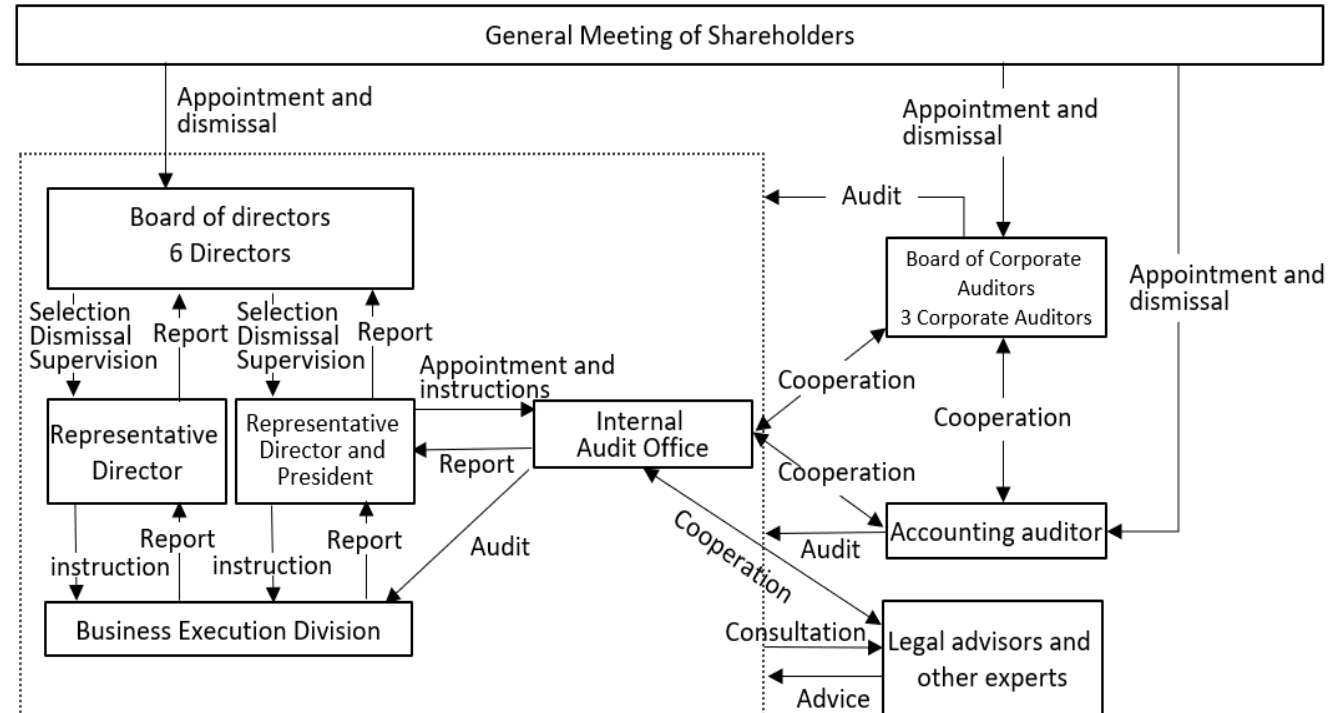
As a company with a board of auditors, we have established a corporate governance system centered on the board of directors, board of auditors, and accounting auditors.

Two of the six directors on the Board of Directors are outside directors, and all three members of the Board of Corporate Auditors are outside corporate auditors, who make management decisions while incorporating objective opinions, and supervise and audit from a standpoint independent of the Board of Directors.

#### ② Maintenance of Internal Controls

In order to ensure transparency and fairness in corporate management, the Company has established an Internal Audit Office to check and determine whether various rules and regulations have been established and are functioning properly.

In cooperation with the accounting auditor, the Internal Audit Office conducts regular internal audits of each division and each company in our group in accordance with the "Internal Audit Regulations."



*Vision*

*The Chain of Creation*



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## Precautions concerning forward-looking statements

- 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.
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*Thank You!*