

# Evolable Asia Corp.

TSE Mothers: 6191



**EVOLABLE ASIA**

“Materials Concerning Growth Potential”

March 31, 2016

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# 1. Corporate Profile

Company name	Evolable Asia Corp. (formerly Tabi Capital Corp.)
Established	May 11, 2007
Capital	Capital stock ¥893 million Paid-in capital ¥1,591 million *As of the end of March 2016
Fiscal year end	September
Representative	Hideki Yoshimura, CEO
Head office	6F, Shiba-Kouen Bldg., 3-5-5 Shiba, Minato-ku, Tokyo Japan
Employees	550 (consolidated) * As of the end of March 2016
Registered Travel Agency No.	Japan Tourism Agency Registered Travel Agency No. 1872
Consolidated subsidiaries	<ul style="list-style-type: none"> <li>• EVOLABLE ASIA Co., Ltd</li> <li>• EVOLABLE ASIA SOLUTION &amp; BUSINESS CONSULTANCY COMPANY LIMITED</li> </ul>
Business activities	Online travel agency business Inbound travel business IT off-shore development business
Agreements with airline company groups	JAL Group (JAL Sales Co.,Ltd.), ANA Group (ANA Sales Co.,Ltd.), Skymark Airlines Inc., Peach Aviation Limited, Jetstar Japan Co., Ltd., Vanilla Air Inc., Spring Airlines Japan Co.,Ltd., Fuji Dream Airlines Co.,Ltd.



**Hideki Yoshimura, CEO**  
(Born in 1982; graduate of the University of Tokyo)

While a university student, founded Valcom Co., Ltd. (merged in October 2009 with Tabi Capital Corp. (current Evolvable Asia). Jointly founded Tabi Capital Corp. in 2007, appointed Representative Director and CEO.



**Munenori Oishi, Director and Chairman**  
(Born in 1972; graduate of Meiji University)

While a university student, founded I.V.T. inc. (merged in October 2011 with Tabi Capital Corp. (current Evolvable Asia). Jointly founded Tabi Capital Corp. in 2007, appointed Director and Chairman.



**Yusuke Shibata, Director and CFO**  
(Born in 1982; graduate of the University of Tokyo)

In charge of administration. Certified public accountant. Former Manager at Deloitte Touche Tohmatsu. On temporary transfer to the Underwriting Examination Division of Nomura Securities Co., Ltd.



**Toru Matsunami, Director and CMO**  
(Born in 1972; graduate of Tokyo Metropolitan University)

In charge of the Marketing Solutions Office. Formerly responsible for the Yahoo! Travel business at Yahoo Japan Corporation and General Manager of the Travel Business of the Google Advertising Division.



**Takao Kobayashi, External Director**  
(Graduate of the University of Tokyo, Ph.D. from the Stanford Graduate School of Business)  
Professor emeritus of the University of Tokyo. Has served as President of the Asian Finance Association and the Nippon Finance Association, and Chairman of the Securities Analysts Association of Japan.

## One Asia

アジアは一つとなり世界をリードする

Asia will come together and be a leader in the world.

ひとつのアジアとして経済圏が巨大化するなかで、当社は、人の移動と仕事の移動を通じて、

アジアを繋ぐ架け橋となることを目指しております。EVOLABLE ASIAが繋げる。アジアが繋がる。

Through the movement of people and work, EVOLABLE ASIA will serve as **the bridge linking Asia**, buffeted by change but emerging as a burgeoning economic zone.



### Mission

Harnessing the power of IT for the **movement** of people and **collaboration** in Asia



### Code of Conduct

Always put the user first!

Think from the customer's perspective and work for the customer.

Conscientiousness, peace of mind and trust are more important than anything!

Working conscientiously to provide peace of mind to customers and earn their trust is the foundation of business.

Continue to improve as professionals!

Growth can only be achieved through individual business improvements.

Swift response, fast implementation, speed!

Respond faster and create structures faster than anyone.

# 1. Our Current Status (Overview)

## Online Travel Agency Business

### Business Overview

In the online travel agency business, one of the leading issuers(\*1) of airline tickets in Japan, by value  
The only company in the industry(\*2) having agreements in place with all domestic airlines

### Principal Services

- Operation of websites for direct sales via PC and smartphone
- OEM provision of travel content
- Wholesaling of travel commodities and systems
- Travel arrangement service for companies

## Inbound Travel Business

### Business Overview

In line with brisk market conditions, enhancing our focus on this area, where we can maximize our expertise in the online travel agency business

### Principal Services

- OEM provision of travel content to media for inbound travel customers
- Operation of multilingual direct selling websites for inbound travel customers

## IT Off-shore Development Business

### Business Overview

Engineers employed in Vietnam: Around 500  
Scale of off-shore development in Southeast Asia: Industry leader (\*3)  
Off-shore locations: 3 locations

### Principal Services

- Utilizing system engineers in Vietnam to provide lab-style development and BPO services



We...

Are involved in markets that are **growing and expanding rapidly**.

Have a competitive **business model**.

We are leveraging these advantages:

From the time of our founding we have made the online travel agency business a **core business**, and we are currently the **industry leader(\*1)** in domestic airline tickets handling volume.

In the IT off-shore development business, we are a **leading(\*3)** Japanese off-shore development company in Southeast Asia.

Going forward, we will continue to develop these businesses, which have **profit and growth potential**.

(\*1) As of February 2016, research by Evolvable Asia (\*2) As of February 2016, research by Evolvable Asia (\*3) As of September 2014, Source: *Nikkei Sangyo Shimbun*, August 26, 2014

# 1. Results of Operations (Handling Volume)

Handling Volume (Billions of yen)

Note: Handling volume refers to the total transaction volume of sales in the online travel agency business and sales in the IT off-shore development business.

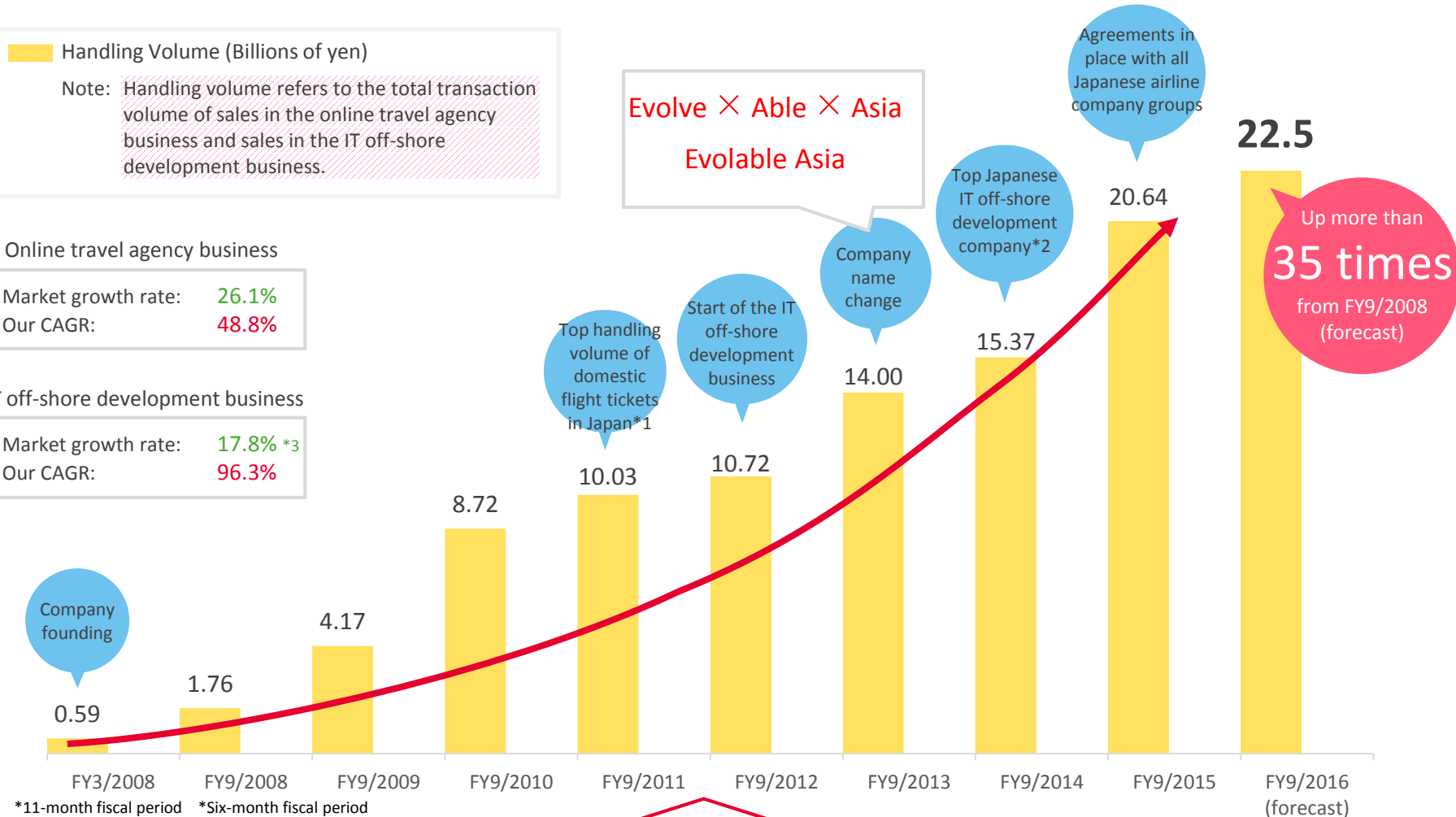
Online travel agency business

Market growth rate: 26.1%  
Our CAGR: 48.8%

IT off-shore development business

Market growth rate: 17.8% \*3  
Our CAGR: 96.3%

Evolve × Able × Asia  
Evolable Asia

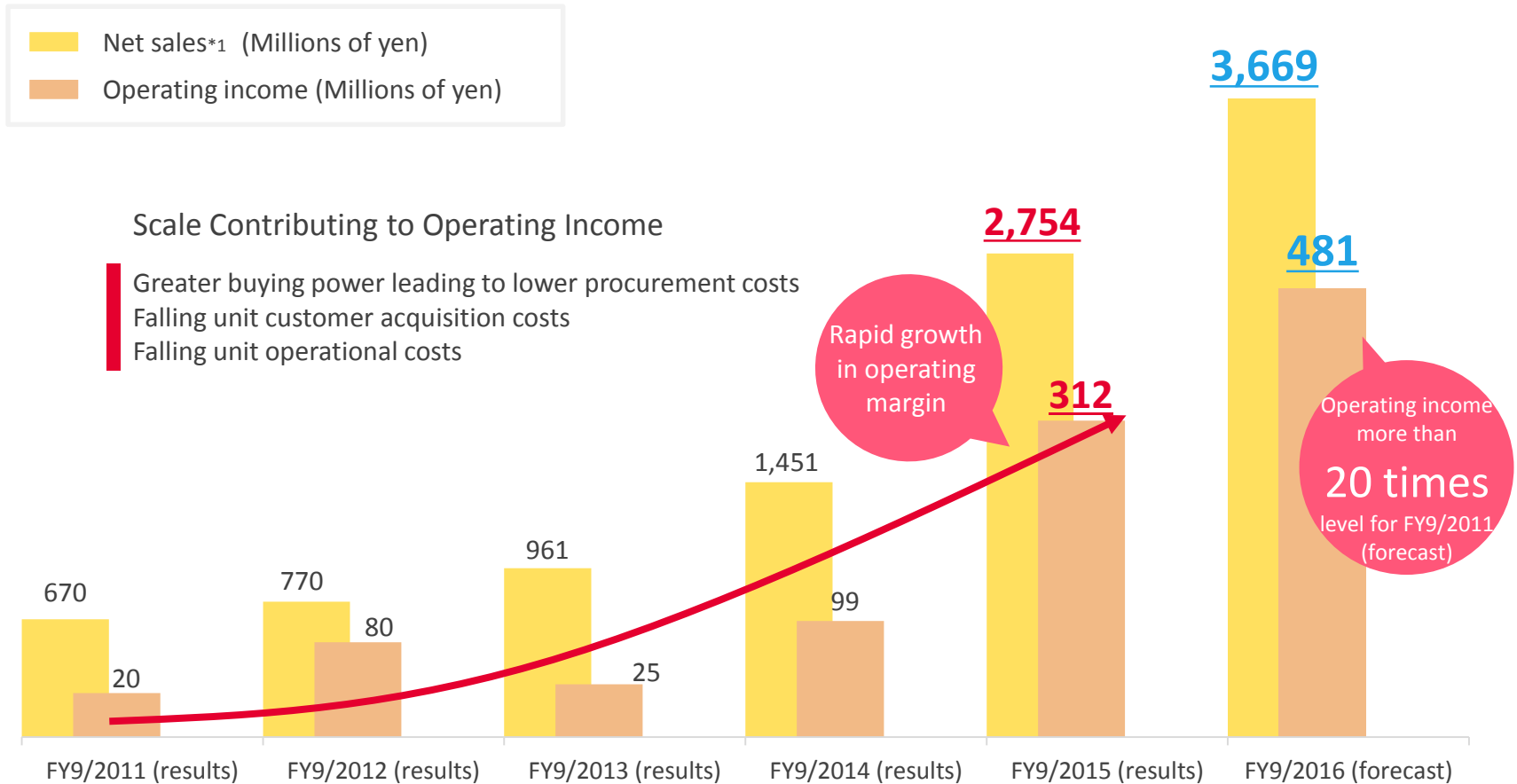


Our handling volume has continued to grow, due to market expansion and ongoing new customer acquisition. We anticipate continued **expansion** in the current term (FY9/2016).

(\*1) Among online-only travel agents (research by Evolvable Asia) (\*2) As of September 2014 (Nikkei Sangyo Shimbun, August 26, 2014)

(\*3) Rate of growth in IT off-shore commission fees from Japan to Vietnam (See p. 18 for details.)

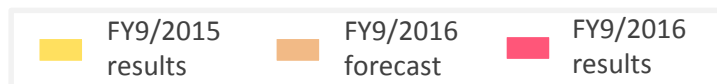
# 1. Results of Operations (Net Sales and Operating Income)



As a result of growing business scale, **profitability is rising**, and we have **passed the break-even point** on stock businesses (BTM, IT off-shore development), leading to **substantially higher profit**.

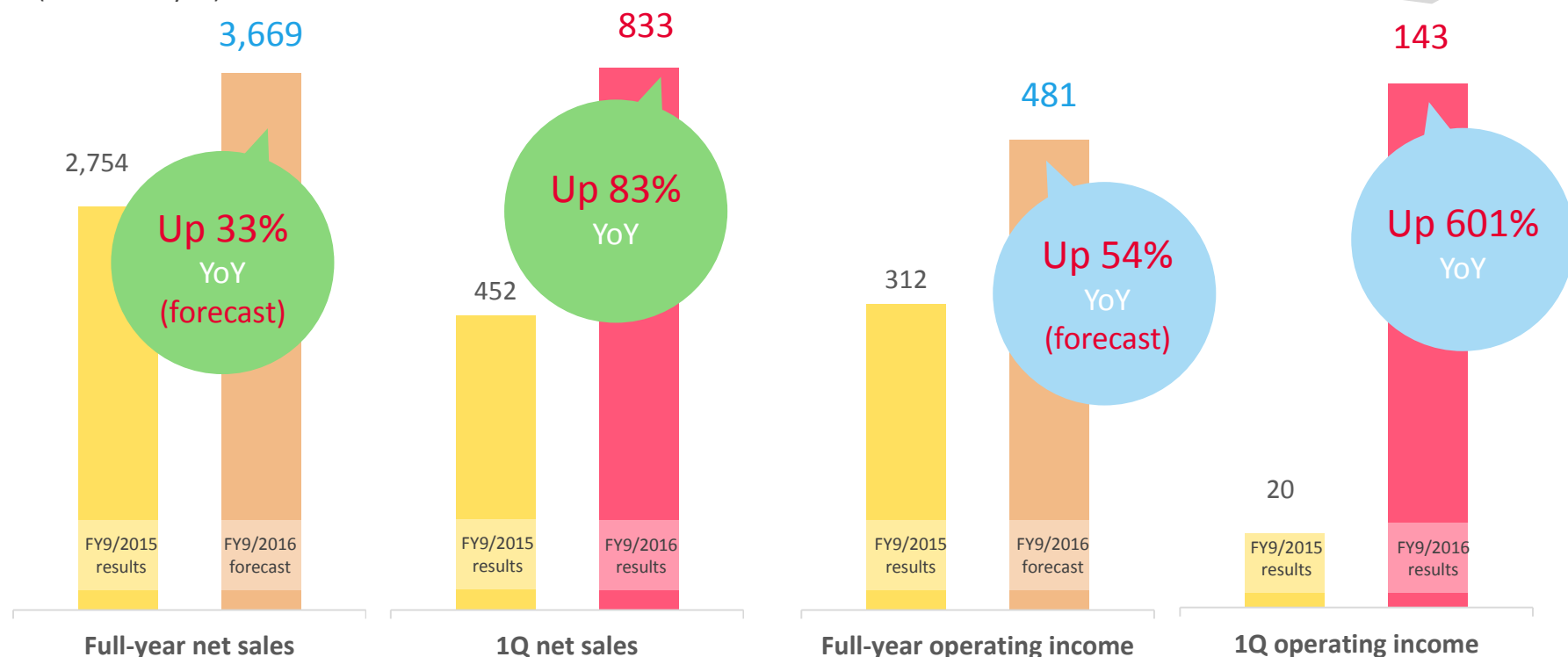
(\*1) Gross handling volume was indicated as sales for FY9/2011 and FY9/2012. For simplicity's sake, these figures are recalculated based on the method used after FY9/2012.

# 1. Results of Operations (1Q FY9/2016)



**Extremely positive** progress for 1Q, which is the low season (for the past two years, 4Q profit has accounted for around 40% of the annual total)

(Millions of yen)



Due to SEM reinforcement and advertising investment, sales have grown, primarily in the online travel agency business. **Operating income has grown substantially**, mainly thanks to more efficient advertising measures.



# 1. FY9/2016 Forecast and 1Q FY9/2016 Financial Position

P/L	FY9/2016 (plan)		
	Amount (Millions of yen)	Comp. (%)	YoY change (%)
Net sales	3,669	100.0	133.2
Gross profit	2,846	77.6	140.5
SG&A expenses	2,365	64.5	138.1
Operating income	481	13.1	154.2
Ordinary income	449	12.2	147.2
Net income	270	7.4	157.0

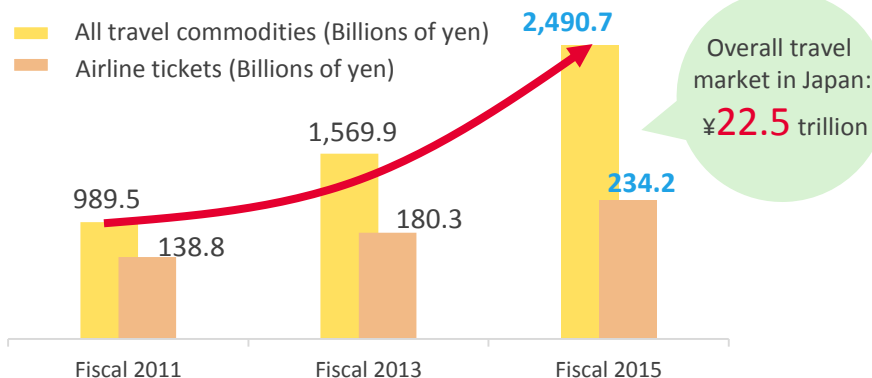
B/S	1Q FY9/2016 (results)		
	Amount (Millions of yen)	Comp. (%)	Vs. End-FY9/2015 (%)
Total assets	2,363	100.0	114.4
Net assets	822	34.7	206.8
Cash and deposits	965	40.8	150.9

## 2. Online Travel Agency Business (Market Conditions)

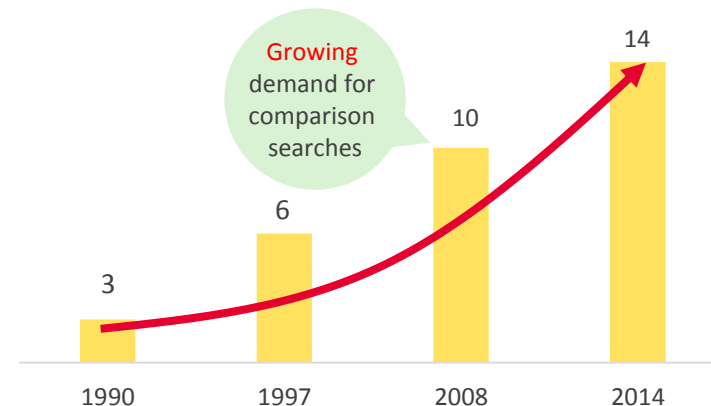
Scale of ¥2.5 trillion; Annual growth of 26%

The market entry of LCCs has prompted growing demand for comparison cross-searches of airline tickets. As a result, the OTA travel commodity handling volume in Fiscal 2015 had a scale of ¥2.5 trillion\*<sub>1</sub> (annual growth of 26%), with airline ticket handling volume at a scale of more than ¥230 billion\*<sub>1</sub> (annual growth of 14%) and growth continuing.

OTA Handling Volume



Number of Japanese Carriers (Year Established)\*<sub>2</sub>



In the online travel agency market, the domestic lodging business has been the mainstream to date. The domestic airline market has now begun to take on a leading role.

Rakuten Travel, Jalan and Ikyu are leading players in the Japanese lodging business, but we have the top share\*<sub>3</sub> of the market for domestic airline tickets

(\*1) Calculated by Evolvable Asia from a study as of December 2014 by PhoCusWright Japan (calculated as annual growth of 26% for all travel commodities, annual growth of 14% for airline tickets)

(\*2) Research by Evolvable Asia

(\*3) As of February 2016, research by Evolvable Asia

## 2. Online Travel Agency Business (Outline)

A core business for the company since founding,  
accounting for 80% of overall operating income

### Domestic airline tickets

- Agreements with all Japanese airline company groups, including JAL Group, ANA Group, Skymark and LCCs
- Loans of ticket vending machines from all domestic airline groups



### Domestic lodging facilities

- Handling 1,500 facilities in Japan, centered on luxury hotels and hot-spring ryokan



### Overseas airline tickets and lodging facilities

- Issue overseas airline tickets as officially recognized IATA agent
- Handling 40,000 overseas facilities



# IT x Travel

Product cross-selling

Diverse sales routes

### Direct selling websites

(PC, smartphone, apps) (BtoC)

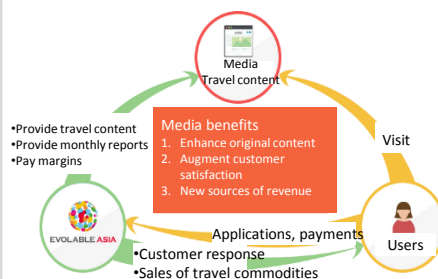
- Japanese leader in domestic route handling volume in the OTA industry



### OEM provision

(BtoBtoC)

- Provision of travel content to web media of 300 companies



### Wholesale sales

(BtoB)

- Provision of airline tickets and sales management systems to travel agencies

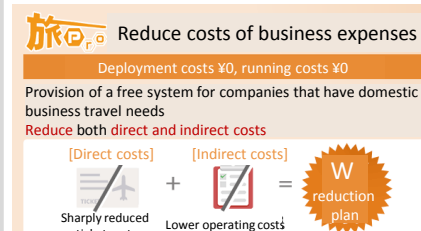
- Provision of travel commodities
- Provision of travel commodities + systems
- Provision of travel commodities + systems + management operation

Travel agencies

### Business travel arrangement

(BTM)

- Provision of corporate travel arrangement services to 300 companies using cloud-based tools



## 2. Online Travel Agency Business (Our Strength 1)

The leader in domestic airline ticket handling volume in the OTA Industry\*1

### 1. Competitive purchasing route

Strong relationships due to long-term business relationships and high guarantee amounts

### 2. Diverse sales routes

### 3. Proprietary off-shore IT development capabilities



In an expanding market (p. 10), our **robust agreements** as shown on the next page and **IT off-shore development capabilities** (p. 16 onward) are reinforcing marketing through new CMO entry, creating a business with high **barriers to entry** by other companies.



The Leader in Domestic Airline Ticket Handling in the OTA Industry\*1



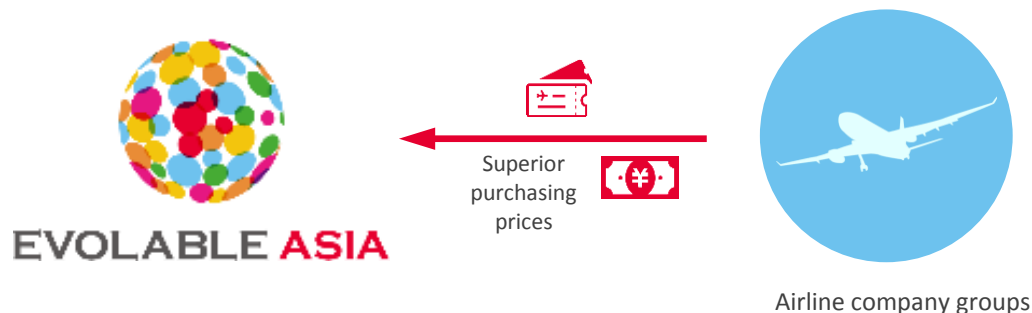
(\*1) As of February 2016, research by Evolvable Asia

## 2. Online Travel Agency Business (Our Strength 2)

More attractive purchasing prices than other companies,  
due to strong purchasing routes

We are the only company in the OTA industry\*<sub>1</sub> having **agreements in place with all Japanese airline company groups**, including the JAL Group, ANA Group, Skymark and LCCs. We are also the only company in the OTA industry\*<sub>1</sub> to have **ticket vending machines on loan** from all Japanese airline company groups, allowing us to issue tickets ourselves. As a result, we combine **superior purchasing prices** with the ability to issue tickets without having to go through other companies, lending us cost competitiveness.

Since the time of our establishment, we have increased our number of agreements, **taking time** and meticulously working out agreements with each company. We have also provided each of these companies with guarantees (including bank guarantees), thereby cultivating **strong trust-based relationships** on the operational and financial fronts.



(\*1) As of February 2016, research by Evolvable Asia

### 3. Inbound Travel Business (Outline and Our Strength)

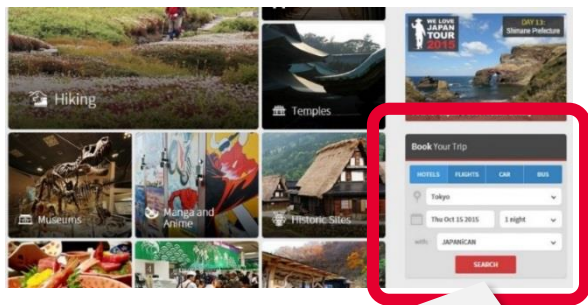
#### Developing inbound travel by leveraging our expertise in OEM provision

We develop multilingual websites to sell travel commodities directly to inbound travelers, and provide travel content on an OEM basis to the Web media of local travel agencies and domestic inbound travel websites. Our **expertise in OEM provision** enables development, and our proprietary off-shore development allows us to **meet customer needs with inexpensive and speedy development**. Both points are company strengths.

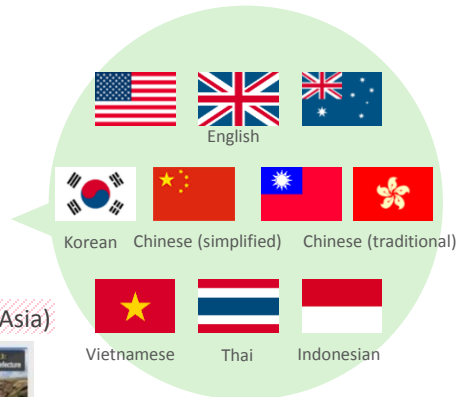
Direct sales websites



OEM provision (overseas OTA, travel agencies in Asia)

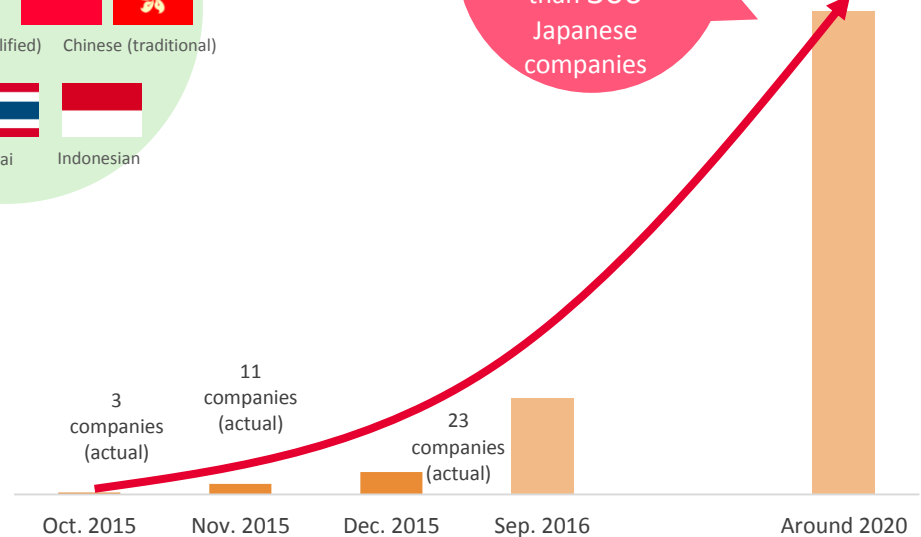


Transition of existing systems to our travel commodity reservation search



Over the past five years, OEM provision to more than 300 Japanese companies

Scale of ¥10 billion

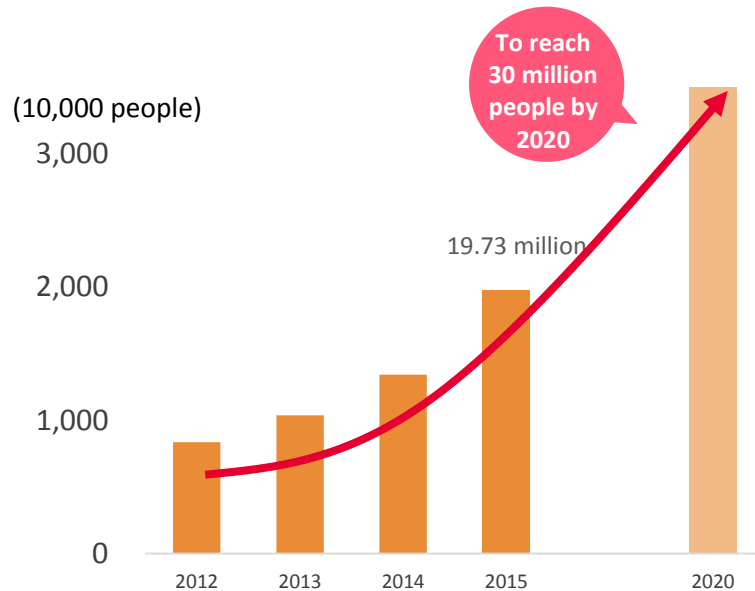


### 3. Inbound Travel Business (Market Conditions)

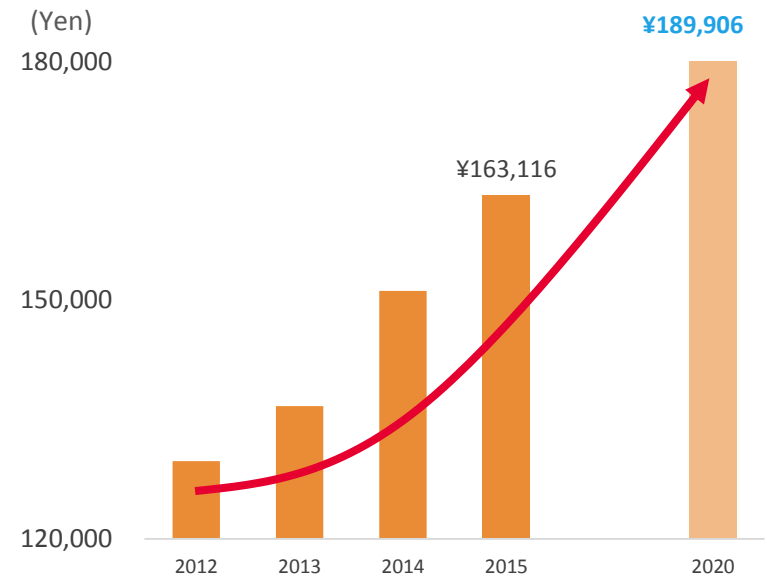
Scale of ¥3.5 trillion; Annual growth of 71.5%

In 2015, the inbound travel market had a scale of **¥3,477.1 billion** (preliminary figures, year-on-year **growth of 71.5%**)\*<sup>1</sup>. Based on current government policies to promote inbound tourism, the number of inbound travel customers has reached a record high\*<sup>1</sup>. The Japan Tourism Agency has set a new target\*<sup>2</sup> for **30 million** inbound travelers in 2020. Thus, we consider the inbound travel market to be brisk.

Forecast Number of Inbound Travelers



Per-person Spending by Inbound Travelers\*<sup>3</sup>



(\*1) Tourist statistics (January 19, 2016) (study by the Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism)

(\*2) 2015 Action Program Toward the Realization of Japan as a Tourism-Oriented Country (Ministerial Council on the Promotion of Japan as a Tourism-Oriented Country)

(\*3) Calculations based on global real GDP growth of 3.8% (study by Mizuho Research Institute Ltd.)



## 4. IT Off-shore Development Business (Outline)

Web service development demand x Needs for development control x New service model

Vietnamese engineers x Office environment in Vietnam x Management of diligence and motivation

- Vietnamese engineers: We employ approximately 500 people, mainly skilled engineers located in Ho Chi Minh City, Hanoi and Danang.
- Office environment in Vietnam: Office environment in Vietnam (networks, development hardware and software)
- Management of diligence and motivation: Labor management, motivation management and back-office functions

Entrusted system development, personnel dispatch

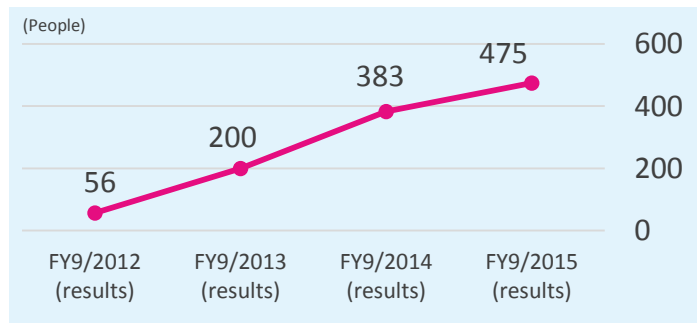
The leading\*<sub>1</sub> Japanese IT off-shore development company in Southeast Asia

Providing customers with a platform

System development (Web services, applications, etc.)/BPO services

### Personnel numbers

We began service as a latecomer in off-shore development in Vietnam, but three years after commencing operations, we became the leading\*<sub>1</sub> Japanese off-shore development company in Southeast Asia.



Mainly, provision to Web service companies

(\*1) As of September 2014 (Nikkei Sanyo Simbun, August 26, 2014)



## 4. IT Off-shore Development Business (Our Strength)

Shortage of  
IT engineers

A stock business based on a development model with 100% utilization, without the risk of overheating or going into the red

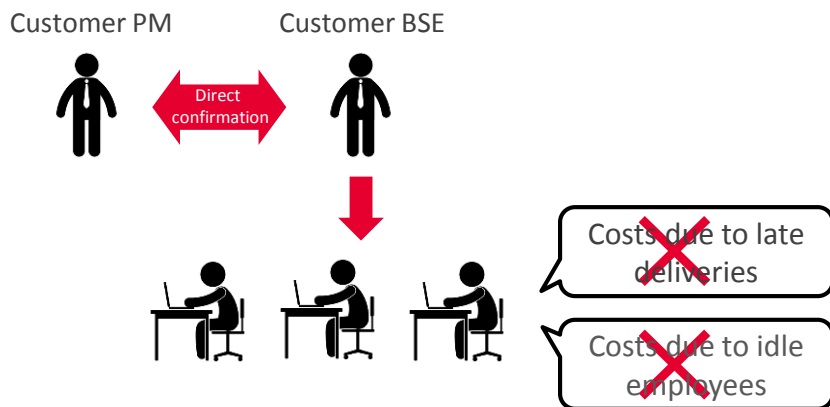
Rising  
salaries for  
engineers

We have **recruiting capabilities** in Vietnam and strong **expertise in getting** development teams **up and running**.

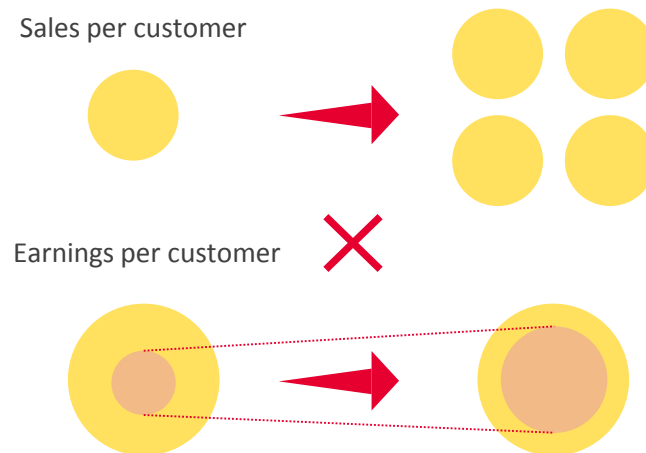
Against the backdrop of a shortage of IT engineers and rising salaries for engineers in Japan, from the time we began operations in 2012 through 2014 we have grown to become **the leading\*1** Japanese off-shore development company in Southeast Asia.

As a limited-risk **stock business**, we anticipate a **sharp rise** in earnings as our scale of operations increases.

### Our Lab-style Development Model



### Earnings to Multiply as Scale Increases



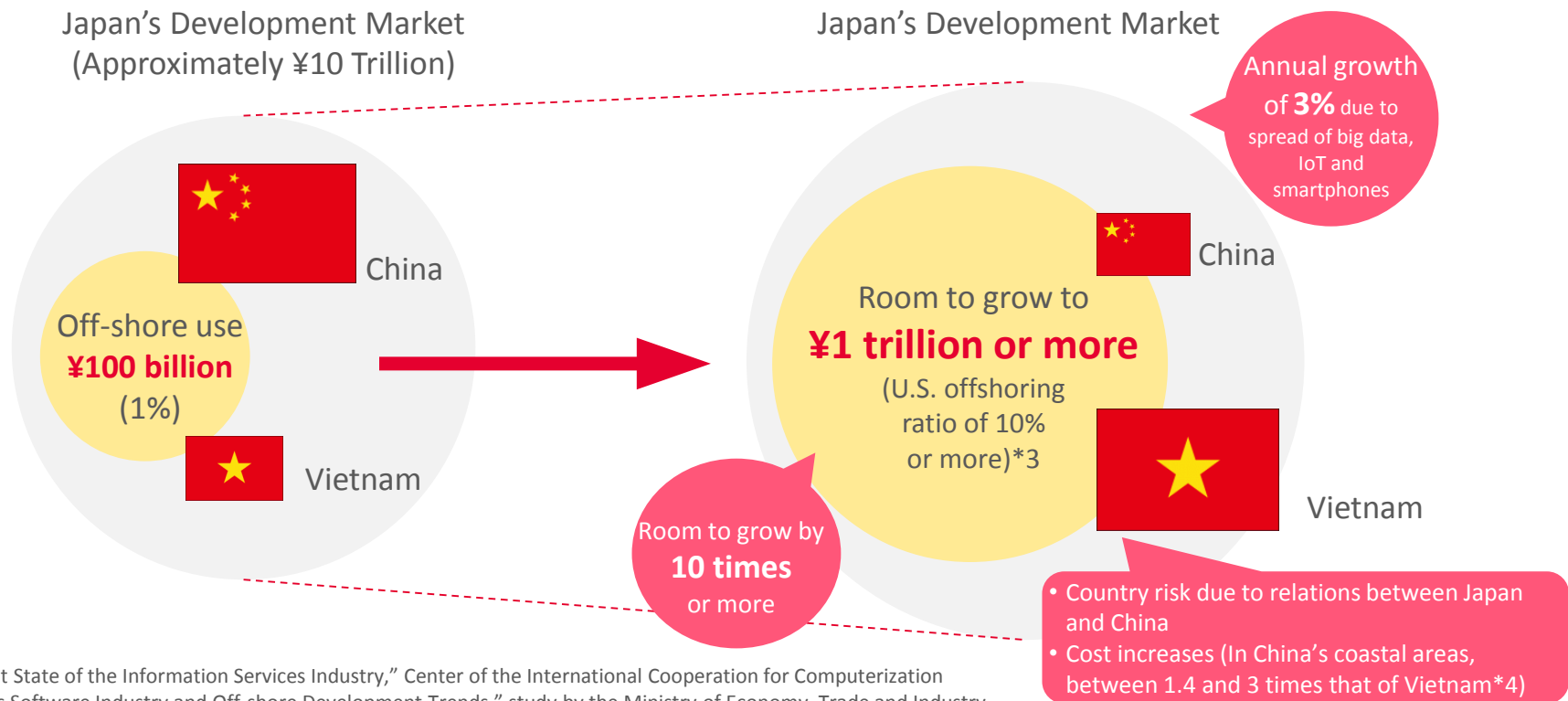
As a stock business, profitability increases as the number of customers grows

(\*1) As of September 2014 (Nikkei Sanyo Simbun, August 26, 2014)

## 4. IT Off-shore Development Business (Market Conditions)

Scale of ¥100 billion; Annual growth of 17.8%

Currently, the Japanese market for outsourced software development has a scale of around ¥10 trillion (annual growth of 3%)\*<sup>1</sup>. By comparison, the off-shore development market is **only around 1%** of this level, at around ¥100 billion\*<sup>2</sup>, whereas the U.S. offshore development rate is **10% or more**\*<sup>3</sup>. We therefore believe the market has room to grow by **10 times** or more, to **around ¥1 trillion**. Off-shore development orders from Japan to Vietnam are growing at an annual rate of **17.8%**\*<sup>5</sup>.



Source

(\*1) "Current State of the Information Services Industry," Center of the International Cooperation for Computerization

(\*2) "Japan's Software Industry and Off-shore Development Trends," study by the Ministry of Economy, Trade and Industry

(\*3) According to the "Study on Measures to Support Globalization by Securing and Educating IT Personnel,"  $\$13,677 \text{ million} / \$132,867 \text{ million} = 10.29\%$

(\*4) Based on studies by Resorz Co., Ltd., and Evolvable Asia (November 2015)

(\*5) Calculated by Evolvable Asia based on the "IT Human Resources White Paper 2012" (Information Technology Promotion Agency, Japan)

## 5. Future Growth Strategies

### Online travel agency business

As the OTA industry leader in the handling volume of domestic airline tickets, connect people's dreams with travel in the skies.

1. **Strengthen our brand** on direct selling websites to **expand direct BtoC sales**.
2. **Increase number of customers** through proprietary sales routes, such as OEM and travel arrangement agreements.
3. **Expand sales** through **cross-selling** of overseas airline tickets and other travel commodities.



### Inbound travel business

Make visiting Japan more convenient for inbound travel customers.

1. **Increase volume of OEM provision** to Asian travel agencies and OTA.
2. **Expand** and **cross-sell travel commodities** other than domestic airline tickets.
3. **Strengthen the operational structure** targeting inbound foreign visitors to Japan and reinforce CRM to boost **customer satisfaction**.



### IT off-shore development business

Make offshoring the standard for development.

1. Further strengthen our **industry-leading development structure** to support growth of the online travel agency business.
2. Pursue **economies of scale** through expanded operations.
3. Increase sales by developing sales activities in **Silicon Valley** and other locations.



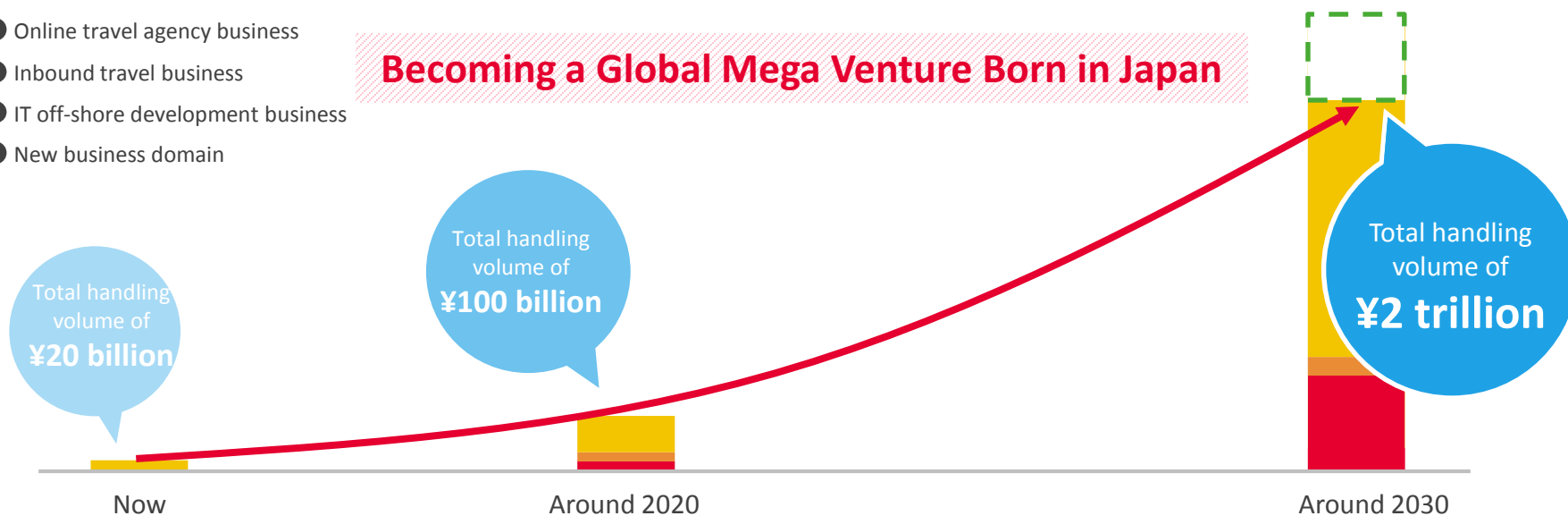
## 5. Future Growth Strategies

A business without limits to profitability and growth

	Now	Around 2020	Around 2030
● Online travel agency business	Japanese OTA leader* <sub>1</sub> in domestic flights	Handling volume to exceed ¥100 billion Japanese leader in comprehensive OTA	Handling volume to exceed ¥1.5 trillion World leader in comprehensive OTA
● Inbound travel business	Start of new business development	Secure solid industry ranking as inbound travel platform	Inbound brand known throughout the world
● IT off-shore development business	Japanese leader* <sub>2</sub> in Southeast Asia, with around 500 people	Leading Japanese off-shore development company, with several thousand people	Asia's leading off-shore development platform
● New business domain	Development in numerous domains not dependent on travel and system development		

- Online travel agency business
- Inbound travel business
- IT off-shore development business
- New business domain

### Becoming a Global Mega Venture Born in Japan



(\*1) As of February 2016, research by Evolvable Asia (\*2) As of September 2014 (Nikkei Sanyo Simbun, August 26, 2014)

## 6. Forward-Looking Statements

### Forward-Looking Statements

These materials contain forward-looking statements related to industry trends and the Company's business development, based on the Company's current expectations, estimates and forecasts.

A variety of risks and uncertainties are inherent in the assertions made in these forward-looking statements. Known and unknown risks, uncertainties and other factors could result in differences from the content included in assertions related to forward-looking statements.

The Company's actual future business content and operating performance may differ from the forward-looking statements contained in these materials.

The assertions related to forward-looking statements made in these materials are based on the best information currently available to the Company. The assertions made in these forward-looking statements may not be updated or revised to reflect future events or conditions.



# EVOLABLE ASIA

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## **Evolable Asia Corp.**

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Japan Tourism Agency Registered Travel Company No. 1872



Member of the Japan Association of Travel Agents

IATA Accredited Travel Agency

*[www.evolableasia.com](http://www.evolableasia.com)*