

FY2017

Financial Results Briefing

-FY2017 Financial Results and FY2018 Targets

FUJITSU FRONTTECH LIMITED

April 26, 2018

1. Summary of FY2017 Consolidated Financial Results

Consolidated Results of Operations

[Billion yen]

	Net sales	Operating Income	Ordinary Income	Net income Attributable to Owners of parent	Net income per share
FY2017	96.7	3.9	3.8	2.4	100.50yen
FY2016	111.2	5.7	5.1	3.7	153.37yen
Year-on-Year	-14.4	-1.8	-1.3	-1.3	
Figures announced In January	100.0	5.6	4.8	3.4	141.67yen
Changes from the figures announced in January	-3.3	-1.7	-1.0	-1.0	

■ Reasons for changes from the figures announced in January

Changes of sales mix and a decrease in gross profit of global cash handling components, businesses for domestic financial institutions, mobile terminals and display systems, caused by the postponement of sales.

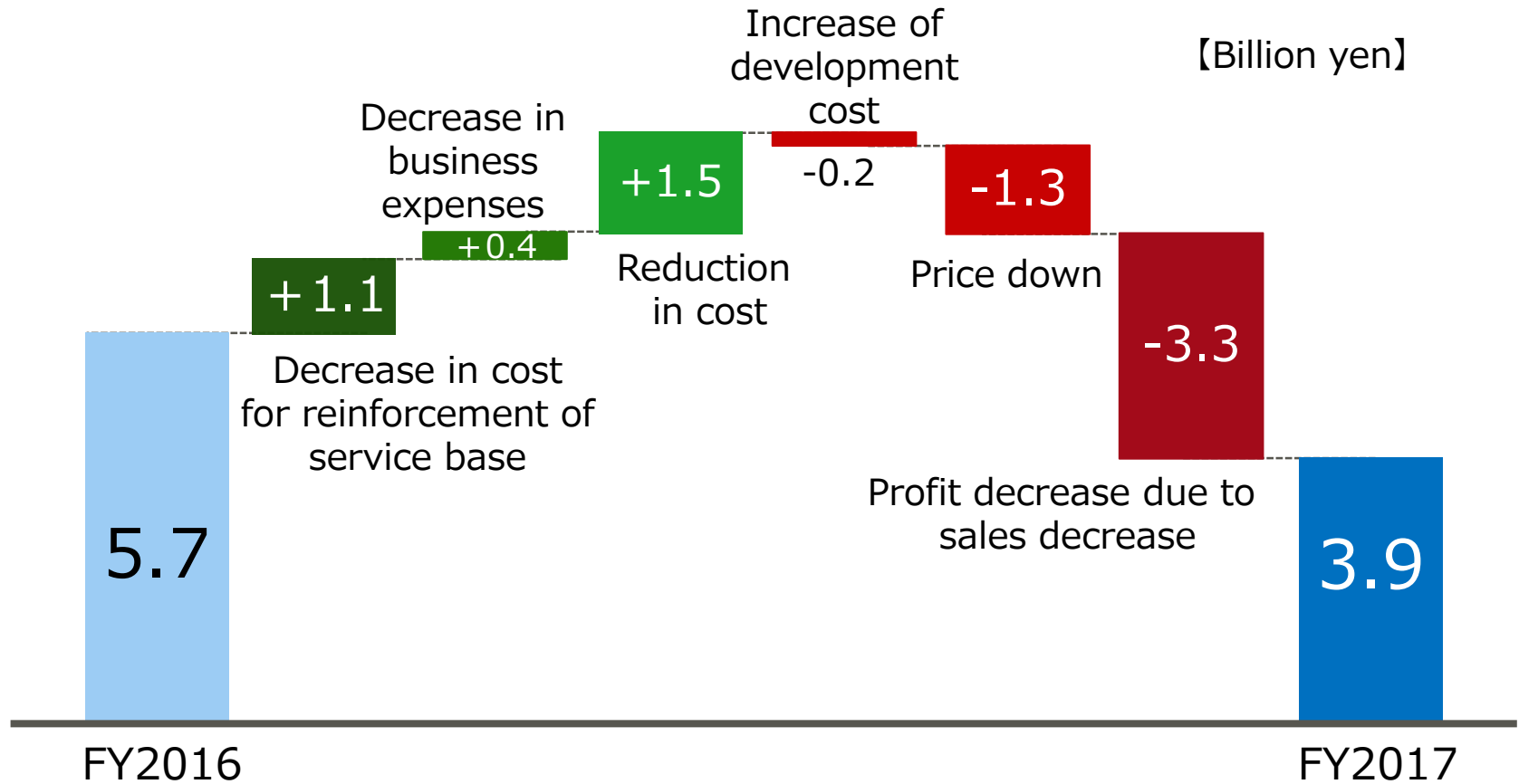
■ Sales Outside Japan (Ratio of Sales outside Japan)

	[Billion yen]
FY2017	23.2 (23.9%)
FY2016	28.0 (25.2%)

■ Average exchange rate during period

FY2017	111yen (1USD=)
FY2016	108yen

Major Factors for Changes in Operating Income



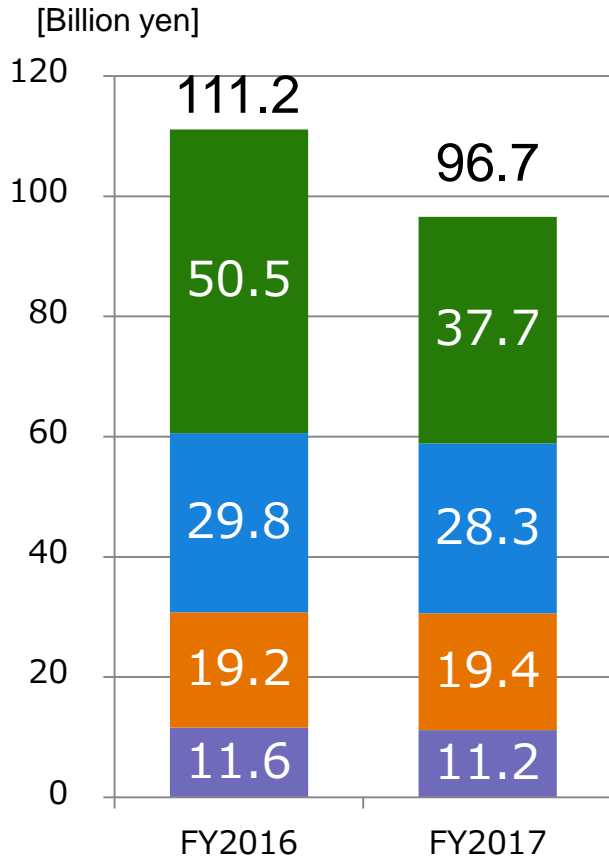
Sales / Operating income by Business Segment



[Billion yen]

	FY2016		FY2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Global Product Business	50.5	2.9	37.7	1.1	-12.8	-1.8
Service Integration Business	29.8	2.3	28.3	2.7	-1.5	+0.5
Public Solution Business	19.2	1.8	19.4	1.1	+0.2	-0.7
Frontline Solution Business	11.6	0.3	11.2	0.4	-0.4	+0.1
Other/Corporate (Including Strategic investments)	0.1	-1.6	0.1	-1.5	±0.0	+0.1
Total	111.2	5.7	96.7	3.9	-14.4	-1.8

Sales by Business Segment (Factors for Change)



Global Product Business 37.7Billion yen (Year on year : -12.8, -25%)

- Positive impact of marketing on sales of new small sized BRU models
- Prolonged business deals on back office cash management systems for retail stores in North America
- Peak out of large orders for ATMs and domestic banking terminals

Service Integration Business 28.3 Billion yen (Year on year : -1.5, -5%)

- Growth of cash management services and RFID solution business in the USA
- Decrease in software packages for ATMs and banking terminals
- Peak out of large orders for kitting services for financial institutions

Public Solutions Business 19.4 Billion yen (Year on year : +0.2, +1%)

- Positive impact of marketing on sales of new totalizator terminal models
- Growth of management services for public racing

Frontline Solutions Business 11.2Billion yen (Year on year: -0.4, -3%)

- Increase in mobile terminals for logistics companies
- Domestic and overseas growth of RFID systems and overseas growth of palm vein authentication systems
- Decline in sales due to the change in scheme of POS terminal supply chain in Japan and Asia

Sales by Regions

[Billion yen]

	FY2016	FY2017	Change
Japan	83.2	73.6	-9.6
Outside Japan (Ratio of Sales outside Japan)	28.0 (25.2%)	23.2 (23.9%)	-4.8
Americas	15.9	10.7	-5.2
Europe	7.6	7.6	±0.0
Asia	4.4	4.9	+0.5
(China)	(3.0)	(2.9)	(-0.1)
Other	0.1	0.0	-0.1
Total	111.2	96.7	-14.4

Consolidated Financial Positions and Cash Flows

■ Consolidated Financial Position

[Billion yen]

	Total Assets	Total Liabilities	Total Equity	Capital Adequacy Ratio
FY2017	71.3	25.2	46.1	63.9%
FY2016	74.6	30.6	44.0	58.6%
Change	-3.3	-5.4	+2.1	

■ Consolidated Cash Flows

[Billion yen]

	C/F from operating activities A	C/F from investing activities B	Free C/F A+B	C/F from financing activities C	C/F A+B+C	Cash and cash equivalents at the end of year
FY2017	8.1	-4.8	3.3	-1.7	1.6	20.3
FY2016	12.5	-3.0	9.5	-1.7	7.8	18.8
Change	-4.4	-1.9	-6.3	±0.0	-6.2	+1.5

2. Review on FY2017 and medium-term strategy

■ Overseas Business

- Marketing of scalable cash recyclers for self checkout systems, small ATMs and ticket vending machines
- Positek RFID, Inc. established in North America for expansion of RFID solution business
- Construction of a structure to expand the cash management solution business in Europe
- Enriching the product portfolio for cash management solutions in retail stores

■ Domestic Business

- Sales expansion of solutions for mini banks (business deals stimulated mainly with regional banks)
- Introduce an advance proceeds transfer service to cloud-based cash management services and obtain a large deal
- Start of marketing for toto terminals and 8th generation totalizator terminals
- Development of multi-settlement solutions in preparation for compulsory acceptance of IC credit cards

■ Technology and New Fields

- Pushing ahead with the IoT sensor solution business, covering beacons and temperature sensors
- Broadening the lineup of palm vein authentication sensors and release of standalone external authentication systems
- Planning and development of cloud-based integrated authentication solutions (covering palm vein, FIDO and others)
- Technical development for enhancing bill validation performance using AI-applied algorithm

- Increasingly adverse business environment in Japan and overseas
 - Change in business environment for domestic financial institutions due to continuation of the zero interest rate policy
 - Rapid shift towards cashless payments in China and other countries
 - Worldwide shrinkage in demand for large ATMs and emergence of small, low-cost ATMs

- Positive changes
 - Progress in automation and labor saving following from the labor shortage and work-style reform
 - Mounting needs for security and reassurance
 - Activation of domestic and overseas markets on cash management for retail stores
 - Diversification of settlement methods and compulsory acceptance of IC credit cards

Basic Policy

Define our advantages, technologies and products as core items that bring about digital innovations on the frontline and achieve business development and growth from the perspective of “Koto” (service oriented way of thinking) such as labor saving, automation, security, reassurance and other intangible factors

1. Advance business with union of products, solutions and services

2. Expand business horizons

(business types and geographic areas)

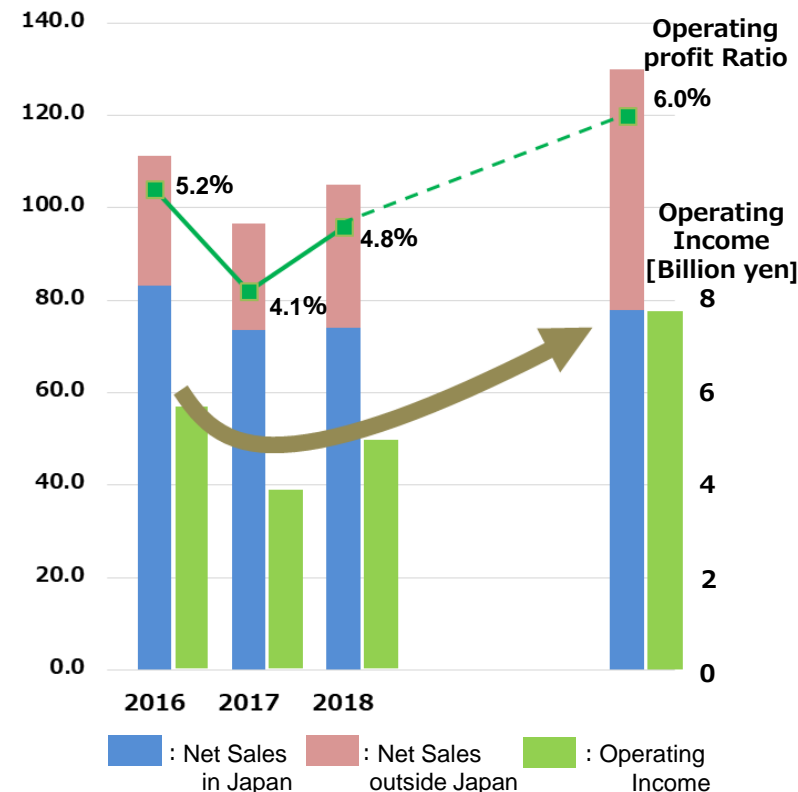
3. Solidify business foundations

Performance Targets

[Billion yen]

	FY2017 record	Medium-Term Business Targets
Net Sales	96.7	130.0
Operating Income	3.9	7.8
Operating profit Ratio	4.1%	6.0%
Ratio of Sales outside Japan	23.9%	40%

Net Sales [Billion yen]



■ 7 Key themes

1. Expanding our business domain into the new field by making the best use of our own knowledge, technology and customer base in our products and solutions assets
2. Coming up with new proposal by anticipating changes in financial customers' needs and to gain business area
3. Expanding number of service business customers / segments (i.e., industry segments) and to create new business model
4. Driving solution service oriented business by anticipating market demand change and customers' needs in the field of retail and public sector
5. Expanding product business by leveraging our own unique core technologies such as RFID / PalmSecure and to create total solution business model.
6. Expanding sales for outside of Japan ratio through transformation of business model and enhancement of business structure for outside of Japan
7. Reinforcement of business infrastructure i.e., global quality assurance, global competitive cost structure, etc.

■ Global Product Business

- Enlarge the cash management business for retail stores in North America
- Deal with smart counters at bank branches in China and expand business for transport and retail
- Launch the cash management solution business in Europe
- Enhance a global system for developing equipment and solutions and the product portfolio
(Established a new company in the Republic of Korea)
- Boost sales of scalable cash recycler modules for downsizing ATMs

■ Service Integration Business

- Propose innovative operating systems for mini banks suitable for labor saving and streamlining of domestic financial institutions
- Increase sales of cloud-based cash management services such as an advance proceeds transfer schemes
- Enlarge the overseas solution business dealing with RFID, palm vein, cash management and others (set up a global solutions center in North America; collaborate with Positek RFID, Inc.)
- Generalize the keyword recognition technology to use it for various purposes associated RPA other than the financial market, where it is currently targeted
- Apply cash management solutions to other business domains, making use of ATM system development knowhow (Contact point solutions)

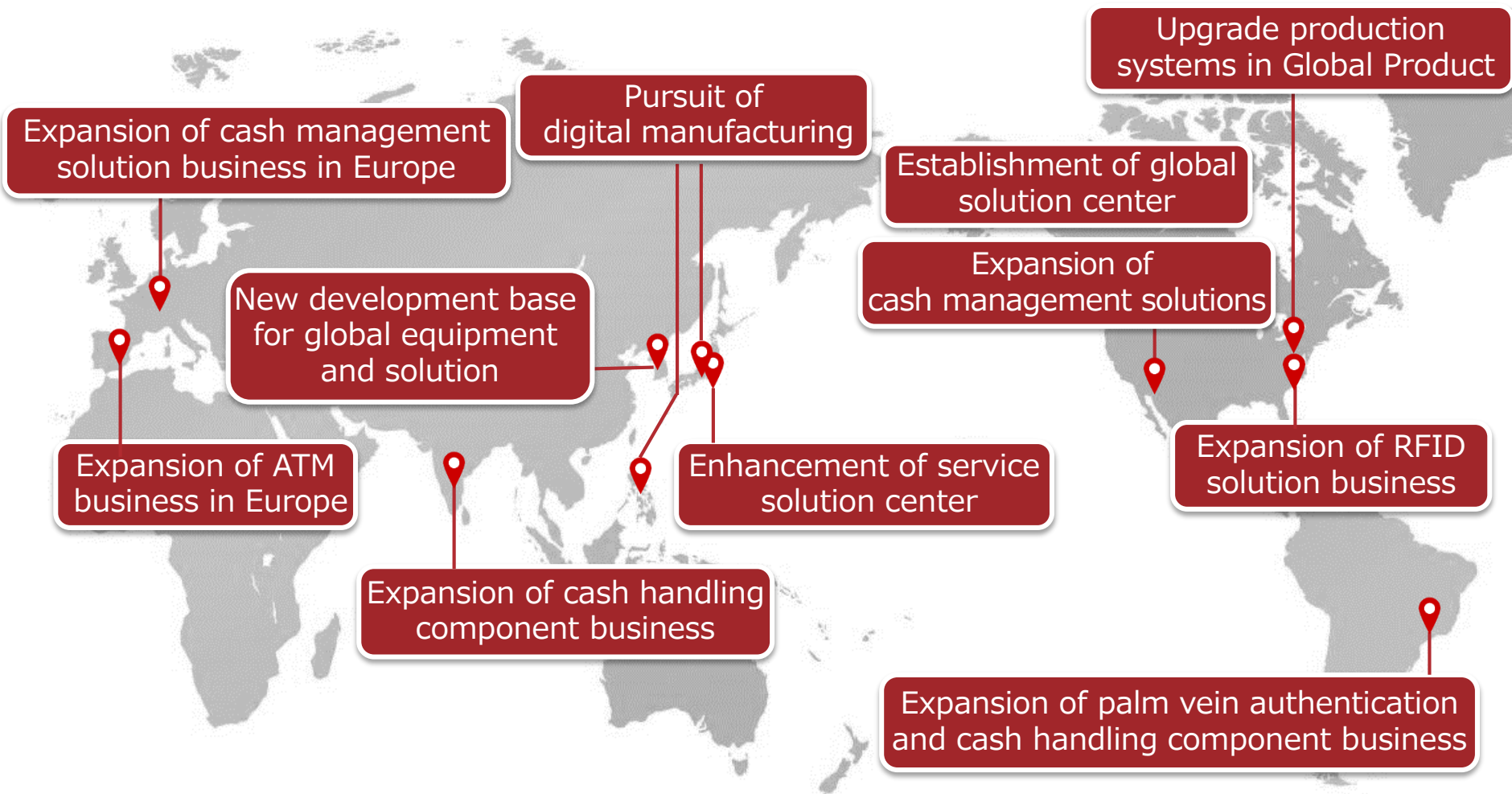
■ Public Solution Business

- Develop and spread cashless betting solutions for public racing
- Enlarge the comprehensive management service business for public racing fields
- Unfailing delivery of toto terminals and further cultivate the solution business
- Develop system solutions using large display products with an eye to application and operation
- Enlarge the auction system business such as cloud-based auction system of used cars

■ Frontline Solution Business

- Expand sales of multi-settlement solutions and services cater to IC credit cards
- Push ahead with mobile system business integrated with management, maintenance and other services
- Increase applications of RFID and develop a total solutions business
- Broaden the lineup of IoT sensors, such as beacons and tags with sensors
- Improve precision of palm vein authentication, expand embedded applications and enlarge business for external authentication systems and other peripheral devices

Global Actions



3. Summary of FY2018 Full-year Targets

Consolidated Earnings Forecast

[Billion yen]

		Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
FY2018 Forecast	1 st Half	47.7	1.8	1.6	1.1	45.84 yen
	Full-year	105.0	5.0	4.2	3.0	125.02 yen
FY2017 Results	1 st half	47.4	1.9	1.9	1.3	55.40 yen
	Full-year	96.7	3.9	3.8	2.4	100.50 yen
Change	1 st half	+0.3	-0.1	-0.3	-0.2	
	Full-year	+8.3	+1.1	+0.4	+0.6	

■ Sales Outside Japan

[Billion yen] (Ratio of Sales Outside Japan)

FY2018 Forecast	30.7 (29.2%)
FY2017 Results	23.2 (23.9%)

■ Average Currency Exchange Rate During Period (1USD=)

FY2018 Assumption	105 yen
FY2017	111 yen

Forecast of Sales / Operating Income by Business Segments



[Billion yen]

	FY2017		FY2018		Change	
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
Global Product Business	37.7	1.1	36.4	1.1	-1.3	±0.0
Service Integration Business	28.3	2.7	30.3	2.9	+2.0	+0.2
Public Solution Business	19.4	1.1	24.8	1.9	+5.4	+0.8
Frontline Solution Business	11.2	0.4	13.4	0.8	+2.2	+0.4
Other/Corporate (Including Strategic investments)	0.1	-1.5	0.1	-1.7	±0.0	-0.3
Total	96.7	3.9	105.0	5.0	+8.3	+1.1

Sales Forecast by Regions

[Billion yen]

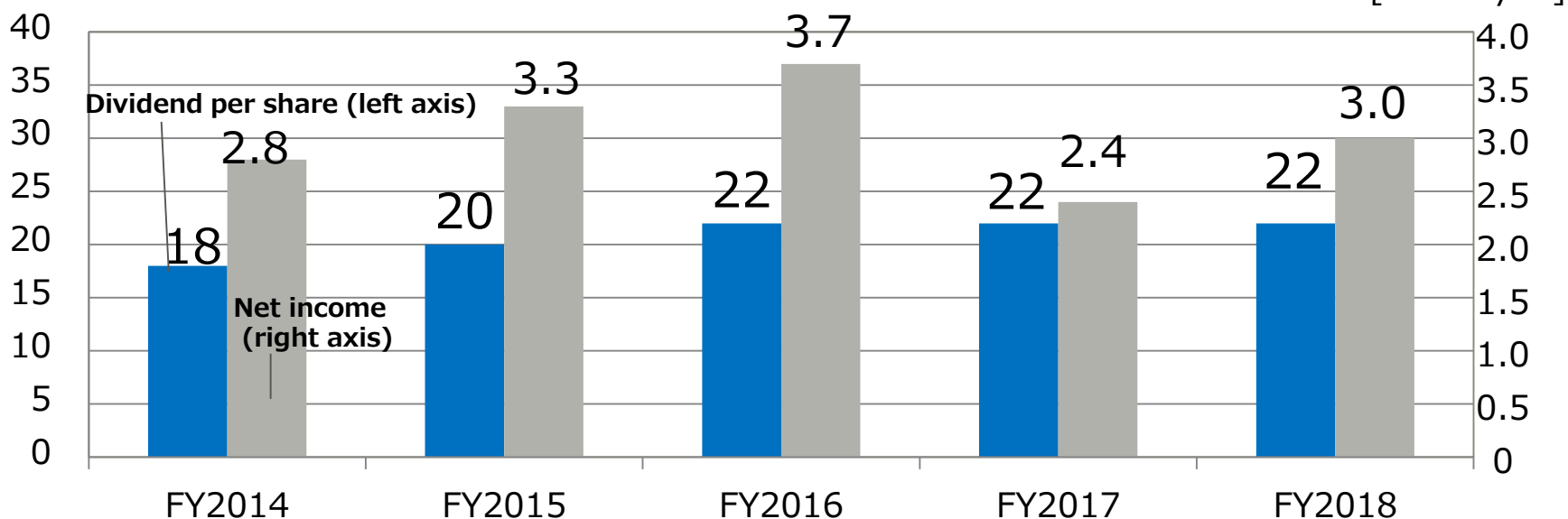
	FY2017	FY2018	Change
Japan	73.6	74.3	+0.7
Outside Japan (Ratio of Sales outside Japan)	23.2 (23.9%)	30.7 (29.2%)	+7.5
Americas	10.7	15.3	+4.6
Europe	7.6	7.3	-0.3
Asia	4.9	8.1	+3.2
(China)	(2.9)	(4.4)	(+1.5)
Other	0.0	0.0	±0.0
Total	96.7	105.0	+8.3

Dividends

Dividend Policy : Placing a focus on stable dividend payouts, dividends are decided in consideration of profits in each fiscal year and future business developments.

Item	Interim	Year-end	Full year
FY2018	11 yen (planned)	11 yen (planned)	22 yen (planned)
FY2017	11 yen	11 yen (scheduled)	22 yen (scheduled)

[Yen] Past dividend distributions

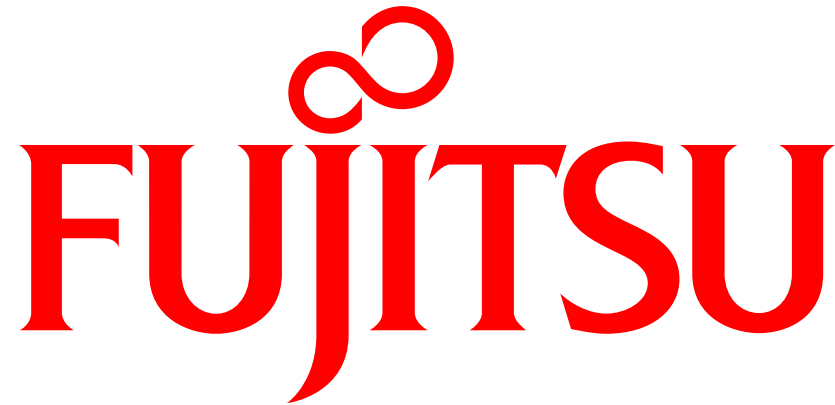


<Notes Regarding Forward-Looking Statements>

- This material contains certain statements about projections and forecasts for the future plans, strategies, and performance based on assumptions made using information available to Fujitsu Frontech at that time.
- In addition, this material contains various risks and uncertainties (including economic trend, fierce competitions in the related industries, market demands, informed that the actual results may materially differ from the forecasts made by the Company.

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