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FRONTEO launches "KIBIT G2," the next-generation of its independently developed AI engine

Commitment to incorporation of AI in a wider range of business situations with increased scope for scalability; shorter processing time along with the API "KIBIT-Connect" expected to expand the KIBIT ecosystem

TOKYO, November 5, 2018 — FRONTEO, Inc. ("FRONTEO") (NASDAQ: FTEO) (TSE: 2158), a leading provider of artificial intelligence ("AI") based big data analysis services, has launched "KIBIT G2 (G2 = Generation 2)," a next-generation artificial intelligence (AI) engine that strengthens its independently developed AI-based engine "KIBIT" and increases the versatility for incorporation of AI, as well as "KIBIT-Connect," an API* that facilitates links with external systems.

Through the new "KIBIT G2" engine and "KIBIT-Connect," FRONTEO will realize the optimization of analytical processing for the purpose of text analysis tailored to the aggregate amount of data while embedding the engine into customers' business systems and promoting the development of new AI solutions by external partners. As a result, FRONTEO will promote the expansion of ecosystems with KIBIT at the core. We will progressively incorporate KIBIT G2 in FRONTEO's AI products during FY2018.

In text analysis, KIBIT can reproduce "tacit knowledge" provided by experts and people with excellent intuition without relying only on keywords. By using our own machine learning algorithm, which is distinct from traditional text mining and search technology, it is possible to conduct analysis in a short time with small calculation resources and a small amount of training data. In addition, KIBIT has been highly acclaimed for its advanced natural language processing technology and the ability to obtain practical results. For example, it captures similarities and context in different expressions, and can extract the feature value of sentences.

At present, KIBIT is in use at more than 100 companies in Japan, including the finance, manufacturing, service, transportation, and government agency sectors. It provides a broad range of solutions and facilitates operational support in such areas as extraction of similar sentences, risk detection, discovery of business opportunities, prevention of misconduct, matching of individual preferences, and behavior prediction.

FRONTEO will continue to strengthen KIBIT's analytical capability and review improvements to application functions. Furthermore, we will accelerate contracted development that takes into account scope for expansion into customers' business systems and the development of new AI solutions based on cooperation with external development partners. We will realize the versatility for incorporation of AI in diverse business situations.

On November 16, 2018, we will open "FRONTEO AI BizDevOps Lab." with the aim of

1

developing and providing "usable AI." It will realize processes spanning the detection of issues and the planning of solutions to the operation and design of feasible AI in the shortest possible time. As a platform for jointly creating highly effective AI solutions, it will strengthen cooperation and co-existence with external development partners and customers.

KIBIT G2 has the following features.

1. **KIBIT-Connect, an API that seamlessly links with large-scale business systems within companies**

We will release and commence the full-scale services of KIBIT-Connect, an API that can links to customers' business systems and enable the development of AI applications by external development partners. Through the link between a company's internal system and the KIBIT G2 engine in the cloud, data is seamlessly collected via KIBIT-Connect, including registration of text data, creation of training data, and the provision of scoring which comprises the analytical results.

KIBIT-Connect helps to incorporate highly effective AI in many business situations. It will enable contracted development to effectively use KIBIT G2's analytical data in business systems in line with an individual company's business requirements. In addition, it will enable the creation of new applications and systems that utilize the KIBIT G2 engine by external partners.

FRONTEO will offer KIBIT-Connect in two ways: by providing the KIBIT G2 engine directly and through OEM (embedding the engine into other company's software). There will be two options for acquiring the KIBIT G2 engine: a full plan without restrictions on functions, etc. according to the user's usage requirements and environment, and a lighter plan with some constraints.

2. **Increased scope for expansion based on parallel processing of analysis; shortened processing time**

The conventional KIBIT engine processed data on one server when processing natural language such as morphological analysis and processing weighed on the basis of "Landscaping," our own machine learning algorithm. Processing time when using the conventional KIBIT was determined by the amount of training data and data for analysis and their settings, as well as the server capacity in the cloud or on the premises. KIBIT G2 will enable parallel processing on multiple servers, so that analytical processing can be flexibly coordinated according to the customer's requirements, in line with the total amount of data and the degree of analytical results required. Moreover, KIBIT G2 can enhance the availability of systems through parallel processing. In principle, the number of servers that can be used in parallel is unlimited (depending on the system environment), and since the data can be allocated automatically, the burden on the persons in charge of analysis and system administrators can also be minimized.

3. **Customization of the machine learning algorithm**

KIBIT G2 can customize Landscaping, the machine learning algorithm, according to the analytical cases of individual corporate customers. Previously, the tuning we conducted to

enhance analysis precision was mainly by changing the weighing through the adjustment of training data and the combination of keyword registration. In the case of KIBIT G2, customization is possible, such as the addressing of many parts of speech and the expansion of synonyms according to special cases of matters for analysis. It will also be possible to have individual settings for the algorithm according to the case of analysis. As a result, FRONTEO's AI solutions will further promote the resolution of wide-ranging issues and the creation of new applications.

KIBIT has produced numerous achievements as an AI engine since it was released to customers in 2014. In 2018, FRONTEO participated in the FinTech Experiment Hub conducted by the Financial Supervisory Agency (FSA), which verified that the use of KIBIT reduced the time to check records compared to manual only checks by 42% with approximately double the accuracy. In addition, KIBIT has produced various achievements on-site at corporate customers, such as the discovery of signs of misconduct at companies and signs that point to employee turnover, as well as behavior prediction.

Now that AI has entered a full-scale phase of commercialization where it is used by companies and society, in addition to our proprietary expertise in natural language processing technology, text analysis, and know-how in establishing business operations, this launch of KIBIT G2 and KIBIT-Connect will contribute to improving productivity of companies and society not just through the commercial use and introduction of AI, but through our ongoing commitment to the establishment of results-oriented operations.

KIBIT G2 Special Site (only in Japanese)
http://www.kibit-platform.com/g2/

About KIBIT
KIBIT is an AI engine developed by FRONTEO. KIBIT is a word coined by combining "kibi," a Japanese word meaning "subtlety," and "bit," the smallest unit of digital information, in order to indicate an AI capable of understanding the subtle elements of human behavior and personality.

About FRONTEO, Inc.
FRONTEO, Inc. ("FRONTEO") (NASDAQ: FTEO) (TSE: 2158) supports the analysis of big data based on behavior informatics by utilizing its technology, "KIBIT". FRONTEO's KIBIT technology is driven by FRONTEO artificial intelligence based on knowledge acquired through its litigation support services. KIBIT incorporates experts' tacit knowledge, including their experiences and intuitions, and utilizes that knowledge for big data analysis. FRONTEO continues to expand its business operations by applying KIBIT to new fields such as healthcare and marketing. FRONTEO was founded in 2003 as a provider of e-discovery and international litigation support services. These services include the preservation, investigation and analysis of evidence materials contained in electronic data, and computer forensic investigation. FRONTEO provides e-discovery and litigation support by making full use of its data analysis platform, "Lit i View", and its Predictive Coding technology adapted to Asian languages. The

company name was changed from UBIC, Inc. to FRONTEO, Inc. as of July 1, 2016.

For more information about FRONTEO, contact global_pr@fronteo.com or visit http://www.fronteo.com/global/.

Safe Harbor Statement

This announcement contains forward-looking statements. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the amount of data that FRONTEO expects to manage this year and the potential uses for FRONTEO's new service in intellectual property-related litigation, contain forward-looking statements. FRONTEO may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about FRONTEO's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: FRONTEO's goals and strategies; FRONTEO's expansion plans; the expected growth of the data center services market; expectations regarding demand for, and market acceptance of, FRONTEO's services; FRONTEO's expectations regarding keeping and strengthening its relationships with customers; FRONTEO's plans to invest in research and development to enhance its solution and service offerings; and general economic and business conditions in the regions where FRONTEO provides solutions and services. Further information regarding these and other risks is included in FRONTEO's reports filed with, or furnished to the Securities and Exchange Commission. FRONTEO does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this press release and in the attachments is as of the date of this press release, and FRONTEO undertakes no duty to update such information, except as required under applicable law.

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