

ASX Announcement

27 January 2021

Shekel Brainweigh's collaboration with Hitachi Europe gains momentum

Summary

- **Shekel Brainweigh is continuing its partnering with Hitachi Europe to target Micro stores and convenience stores either independent or as part of retailer chains with the Capsule platform based on its Product Aware Shelf (PAS)**
- **Shekel Brainweigh's PAS technology turns a retail shelf into a smart shelf that recognizes and captures data about products located on, taken off or removed from the shelf**
- **The product recognition engine integrates with Point of Sale software solutions, enabling frictionless and autonomous retail**
- **Knowing what is on store shelves is critical in an industry where shrinkage - the loss of inventory as a result of shoplifting, employee theft, administrative errors and/or supplier fraud - cost retailers US\$61.7 billion in 2019**
- **This go-to-market strategy will be funded by a portion of the A\$2.1 million funds raised by Shekel Brainweigh through a placement to sophisticated and professional investors that was announced to the ASX on 18 January 2021**

Global weighing technology firm, Shekel Brainweigh Limited (ASX: SBW) is pleased to announce its partnership with Hitachi Europe for the sales and marketing of its smart shelf solution is gaining momentum.

At the heart of this solution is weighing technology called Product Aware Shelf developed by Shekel Brainweigh Retail innovation Division which can convert any supermarket shelf into an AI-powered smart shelf that "feels" the products on it.

By perceiving the weight and location on the shelf and identifying the stock keeping unit (SKU) of products by the retailer planogram, the shelf can "tell" the retailer in real time which items were picked up, returned, misplaced or are out of stock. This technology works not only in enclosed vending and micro market machines but also in open stores.

Shekel Brainweigh has successfully piloted already its smart shelf solution as part of an autonomous store. The pilot, published in 31 August 2020, involved the launch of a BlackBox store for Monoprix, part of the French Casino group, based on the Capsule autonomous micro store platform. This 18 square metre store offers more than 300 products, targeting clients who need to shop when traditional stores are closed.

Following on the success of this pilot, Shekel Brainweigh and Hitachi Europe are joining forces to set up autonomous stores for an Israeli retail chain in Tel Aviv. The agreement with Hitachi Europe was previously announced on 12 September 2019. The Company does not consider that the commercial agreement with Hitachi Europe is material to the Company. The companies are jointly pursuing joint development and marketing of first of its kind autonomous retail shopping solutions.

There are no material conditions that need to be satisfied before the partners become legally bound to proceed with the terms of the commercial agreement. There is no other material information relevant to assessing the impact of the commercial agreement on the price or value of the Company's securities.

Autonomous stores are a compact retail solution that enable a 24-hour sales capability in areas traditionally not accessible to large retailers.

Autonomous stores enable customers to choose and pay for products without either a cashier or a self-checkout station. This enables customers to shop at any time without the need of human interaction/supervision, typically using a digital App while having a frictionless customer journey.

"Our AI-enabled smart shelf technology knows how to identify what was bought, using product weights rather than visual monitoring or RFID. Added to this are Hitachi LiDAR sensors that can identify the customer and track any customer from the moment they enter the store and until they leave," said Mr. Arik Schor, Chairman and CEO of Shekel Brainweigh.

Mr. Schor said the main competition in the field of autonomous stores comes from companies that base their identification capabilities on video analytics from cameras.

"One drawback is that a camera does not have the ability to detect what is happening, for example, in the back of a bottom shelf or in the part of the shelf that is hidden by a customer standing between a camera and the shelf.

"Another drawback is that there may be privacy issues around images recorded by a camera. The Hitachi sensor technology - Light Detecting and Radar (LiDAR) - identifies shoppers not by photo image from a camera but on the volume and scope of the character. By not relying on the visual tracking of individuals via cameras, our solution protects the privacy of customers.

"Finally, the computing power required for image processing in any store is expensive. Our solution, in contrast, does not require such computing power."

For customers to access an autonomous store, all they have to do is simply unlock the door with a credit card or a smartphone payment application, take the desired products, close the door and walk away. Once the customer leaves the autonomous store, artificial intelligence records the customer's transactions. It's like buying with e-commerce experience but in a true physical store.

For retailers, autonomous stores with smart shelves enable them to extend business opening hours at no added expense, strict control over inventory levels, and increased self-service options for customers, all yielding potential increase in sales while gaining operational excellence and cost savings.

Another major benefit is that the smart shelf recognises and captures data about which products have been removed, whether they were returned to the shelf and even if they are placed in a different location. All of this data can then be analysed by the retailer to alter inventory and ordering processes.

Knowing what is on store shelves is critical given the loss of inventory through shrinkage across the retail industry totaled US\$61.7 billion in 2019, a significant increase from the US\$50.6 billion reported the year before.

That's according to 2020 National Retail Security Survey which showed that to combat shrinkage, retailers reported they had increased use of technology such as point-of-sale analytics, surveillance cameras, wired alarms on high-value merchandise and online training for employees among other steps.

“Some of these shrink losses can be attributed to ineffective operating practices including poor inventory management,” says Mr Schor.

“Our smart shelf solution combined with Hitachi’s sensor technology has a key role to play in helping retailers address the challenges of shrinkage.”

This announcement has been approved for release by the board of directors.

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About Shekel Brainweigh (the Company)

Shekel Brainweigh has for over 40 years been a global leader in developing scale and weighing technology. The company provides weighing solutions to the highly regulated retail and healthcare markets via global giants such as G.E Healthcare, Toshiba, Fujitsu, Diebold Nixdorf and others.

Utilising its experience in weighing technology, Shekel Brainweigh is developing a suite of new products aimed at meeting the challenges that traditional retailers face today, such as store automation, operational efficiency including overstock and understock inventory issues and enhancing the consumer experience.

Shekel's patented combination of weighing technology with Artificial Intelligence (AI) and Internet of Things (IoT) technology has led to the development of its "Product Aware Technology". Shekel Brainweigh is committed to continuing to innovate and expand into global markets. For more information, visit www.shekelbrainweigh.com

About Hitachi Europe

Hitachi Europe Ltd. is the parent company to Hitachi Europe GmbH, "Industrial Components & Equipment group" and a wholly owned subsidiary of Hitachi, Ltd., Japan.

Headquartered in Maidenhead, UK, it is focused on its Social Innovation Business - delivering innovations that answer society's challenges.

Hitachi Europe and its subsidiary companies offers a broad range of information & telecommunication systems; rail systems, power and industrial systems; industrial components & equipment; automotive systems, digital media & consumer products and others with operations and research & development Laboratories across EMEA.

For more information visit www.hitachi.eu

About Product Aware Shelves

Product Aware Shelves are also part of Shekel's intelligent vending machine solution, called Innovendi.

Earlier in January 2021, Shekel Brainweigh's Innovendi solution was chosen by IoT Breakthrough as the IoT Connected Retail Innovation of the Year for 2021.

Innovendi also received Market Ready Solution recognition from Intel, making Shekel Brainweigh a member of Intel's IoT Solutions Alliance, thereby enjoying joint marketing and sales efforts with Intel.

About the 2020 National Security Survey

The National Retail Security Survey, now in its 29th year, is an annual survey among retail loss prevention professionals, covering inventory shrink, employee integrity, external retail crime and more.

The latest survey can be viewed at: <https://nrf.com/research/national-retail-security-survey-2020>