

Update Bulletin

StoreNext Questions and Answers

July 30, 2002

Here are some questions and answers that have come up regarding StoreNext Retail Technologies.

THE PITCH

What's great about StoreNext?

- On Day One, StoreNext is the #1 supplier of technology to the Independent and small chain grocery market.
- StoreNext is the only company totally focused on Independents. It's all we do.
- StoreNext's entire staff is committed to the Dealer channel. No conflicting sales channels or interests.
- All StoreNext products are packaged and integrated and designed for Dealer sale, installation and support. This makes the Dealer a true one-stop shop for your users.
- StoreNext is going to enable StoreNext Dealers to double or triple the size of their business in the next two or three years, – first, by offering more and more of the key in-store technologies ¹ you need, then extending the reach to new products we've never sold before.² By combining forces, StoreNext creates a powerhouse supplier to this market that offers everything.
- StoreNext can run like a small entrepreneurial company, but the total financial backing of Fujitsu and Retailix removes business risk. We are profitable on day one.
- With StoreNext Connected Services (coming up soon) StoreNext Dealers can offer Independent Grocers new applications that until now have been affordable only to the largest chains this will help your grocers:
 - Relentlessly drive down costs, and
 - Differentiate their business performance ³

STORENEXT AS A COMPANY

Who owns the new company? StoreNext is a joint venture of Fujitsu and Retailix, and is equally owned by these two companies.

¹ The PoS wheelhouse: Fuel, Self-Checkout, Check Imaging, Signature Capture, line-busting, remote manager authorization, checker age restriction, WinPoS PIP, etc. etc. etc.

² Back Office, Low-Cost Mobile Computing, including Pocket Office, ESL.

³ That means "increase their profitability and growth faster than their competitors and take customers away from their competitors." This is not the last time you will see this phrase.

Why a new company? Why not just a stronger Fujitsu/Retalix partnership? We believe that we can streamline our processes, be more responsive and provide better products if all conflicts and distractions are removed for the entire StoreNext staff. This is possible only with a new company that's totally focused on Dealers and Independents.

When will it start? It's started.

Where does the name come from? Despite the competitive onslaught from the mega-chains, smart independent grocers continue to thrive. StoreNext is focused on moving the completely new types of top-grade technologies and tools to these operators to help them continue to drive cost out of their stores and put their business performance at the very highest level. It's the *next* stage of evolution for their *stores*.

Is this just a "shell" partnership? StoreNext is a real company, with real revenues, real employees, etc. It has a completely different charter than either Retalix or Fujitsu.

What's the charter or mission of StoreNext? StoreNext was created to focus exclusively on the Independent Grocery and small chain market. StoreNext sells only through Dealers. StoreNext's value proposition to users is bringing relentless cost reduction and differentiated business performance to the Independent Grocer with connected lifecycle solutions.

But the Indirect Channel group at Fujitsu has done this for years. What's different? With the large number of new technologies coming on line for the Dealer/Independent business, Retalix and Fujitsu agreed that creating a new venture that was more entrepreneurial in spirit and totally focused on this business would be a benefit to the Dealers, to Retalix and Fujitsu, and also to end users. Between Retalix and Fujitsu, the combined market share for Independents is over 60%.

Who are StoreNext's employees? The entire ISS45 Indirect Channel group from Fujitsu has moved to StoreNext, including all Sales and Support, Marketing, and the Santa Clara Development and Technical Support group. From Retalix, the Connected Services/ASP group joins StoreNext, and from Retalix' Dayton/Bass group, Bill Taggart and Ron Trainer join StoreNext from the Dealer Sales and Services area.

Does this mean the end of Centurion Club? No possible way. The only questions are timing, getting in synch with the new StoreNext fiscal year, and finding the best 5-Star resort on the planet.

PRODUCTS

What are the products that StoreNext will sell? ISS45, of course, plus the ISS45 extensions coming on line for low cost Mobile Computing, Fuel, Electronic Shelf Labels, and CRM. Then, for the back office, the previous Bass "MerchaNT" system is being retooled and re-released as "Retalix Back Office." A great new product, "Retalix Pocket Office" (RPO) is in the development stage, putting some amazing new applications on the Fujitsu iPad that the industry has never seen before. Finally, there is StoreNext Connected Services – these are the new online applications for reporting, consolidation, chain-wide electronic journal, loss prevention, hosting, software management, etc. etc. etc. Connected Services will be provided as a subscribed service.

Since Retalix builds ScanMaster, can StoreNext Dealers sell ScanMaster too? ScanMaster is a solution marketed by NCR, and is not a solution offered or supported by StoreNext.

Does this mean that Retalix will stop developing ScanMaster? Retalix' ScanMaster product and Retalix' agreements with NCR are entirely separate from StoreNext. We have no visibility regarding plans for this product.

Can StoreNext Dealers sell BASSpoiNT? This will not be a solution offered or supported by StoreNext.

Then who WILL be selling BASSpoiNT? Technically, BASSpoiNT can be sold by authorized BASSpoiNT Dealers, or by Retalix' direct sales force. With the Retalix direct salespeople actively assisting the conversion of BASSpoiNT users to ISS45/StoreLine, and most Bass Dealers already moving to ISS45, the forecast for BASSpoiNT is somewhat less than overwhelming.

Does this mean that Retalix will stop developing BASSpoiNT? Although there are no specific statements from Retalix regarding BASSpoiNT, it may be safe to assume that BASSpoiNT will continue to be supported, but unlikely that it will be significantly enhanced.

There are legacy BASSpoiNT rollouts in progress. Can I jump in and change them over to ISS45? Given current events, it is reasonable that most BASSpoiNT users would be receptive to an ISS45 discussion. Depending on the size of the opportunity and current account control, StoreNext will work to negotiate an agreement between Dealers and Retalix on a chain-by-chain basis. If the chain is being rolled out by a "Bass" Dealer, you will have to win this business, but there may be avenues for cooperation here too, depending upon who will be staying under the big new tent.

How do V8 and BASSpoiNT stack up? I don't know much about BASSpoiNT so I don't know where the issues will be moving these sites to V8. StoreNext will shortly publish an exhaustive comparison between **V8** and BASSpoiNT (you don't believe me, do you) to help users determine the best course of action and prepare for a changeover with eyes wide open.

Most Dealers sell S4 and/or TCI. How will RBO fit into this mix? We understand the many issues involved, including experience, expertise and wholesaler support. As a result, no StoreNext Dealer will be pressured to "change over" to RBO. RBO *does*, however, provide Dealers with an outstanding migration path for most of the 5,000 2127 stores that will need to install new PoS in the next 2½ years. RBO and the RBX interfaces to ISS45 will be available to all StoreNext Dealers.

True, migrating 2127s to ISS45 is a big part of my business plan, but learning a new office system is a major issue. Don't worry – StoreNext's plan will let Dealers work on a sell-only plan with RBO. A central support staff for levels 1-4 can support your users directly so you don't have to staff up for RBO support. This takes the risk out of the proposition.

Retalix has made a lot of noise about rental programs for PoS. Is StoreNext going to change things so you can only rent ISS45? No, there are no plans to do that. We *do* believe that there are customers that we could reach – especially in Tier IV – with a rental or lease plan, but this would be above and beyond standard purchase. Obviously, the service subscriptions for Connected Services will be on a periodic fee basis.

Dealers want "enormous" benefits from StoreNext. So: what can StoreNext deliver? StoreNext offers Dealers a staggering set of offerings, focused and targeted squarely at the Dealers' core business markets. From PoS software, to in-store hardware to back office solutions to servers to hosting systems, Web-based Connected Services, integrated mobile computing, electronic shelf labels, 100% integrated fuel systems, Corema and integrated CRM systems – the list goes on and on. And to get these fully finished turnkey solutions from a single vendor, completely pre-integrated, can easily drive dealer businesses to double or triple their current size without taking on new risks. This is a *very* bright day for StoreNext Dealers.

CHANNEL AND TERRITORY

But will Dealers get to sell all these products? Yes. Everything StoreNext does is focused on integrating packaged solutions for Dealer sale to independents and small chains.

What will StoreNext sell directly? Nothing. StoreNext has no direct sales staff.

Will StoreNext solve the exclusivity issues we've had for the last 18 months? StoreNext is the exclusive channel for Retalix and Fujitsu products moving to the Independent Grocery market and to smaller Tier II chains.

What about Wholesalers? Wholesalers serve Independent Grocers. So you will not have competition selling to these users.

What about larger Tier II chains? Retalix maintains a direct sales force to call on Tier I the larger Tier II accounts. There is a named accounts list – the line is drawn at about \$1 Billion in sales, but it's a dotted line. Dealers can call on any customers they wish, and of the roughly 60 chains on the Tier II list, more than half will be exclusively for Dealers.

What does that mean regarding the size of the chain? Retalix will call on only seven chains with fewer than 100 stores. StoreNext Dealers will be exclusive for eight of the chains over 100 stores. Retalix will call on four chains less than \$1 Billion. StoreNext Dealers will call exclusively on 14 chains larger than \$1 Billion.

What about chains not on the list? Smaller chains not on the list are considered Tier III, and these will all be exclusive to StoreNext Dealers.

Does Retalix still have a sales channel for the "Bass" products? Yes, but not for Dealer sales or for the accounts discussed above. Retalix has a single direct sales force to sell all Retalix products to the largest chains.

Who will sell Retalix/Bass systems to the smaller chains? StoreNext Dealers.

Who will the StoreNext Dealers be? Most of the StoreNext Dealers will be the previous Fujitsu Dealers. Some Bass/Retalix Dealers will join the StoreNext Dealer group, and StoreNext intends to continue to recruit the strongest competing Dealers from other manufacturers to strengthen the channel.

What about my Fujitsu territory? What if there's a conflict between my territory and a Retalix/Bass Dealer? Most of the strong Retalix/Bass Dealers had already joined Fujitsu and will continue with StoreNext. A very small number of territory overlaps exist with other Retalix/Bass Dealers we hope to bring into StoreNext – if your dealership is affected by such an overlap, we will be calling to discuss in the next 24-48 hours.

How will decisions on territory be made? Through negotiation, with the intent for a "win" for all parties. Key factors, however, are the performance of the Dealer, technical competence required for current and future business offerings and commitment to the Independent Grocery business.

What about Retalix' own Dealer out of Pittsburgh? StoreNext is in final discussions with RCS regarding becoming a StoreNext Dealer.

What about NCR Dealers? There are some Dealers currently working with NCR that StoreNext will recruit to take on the Fujitsu/Retalix solutions sold by StoreNext.

But are NCR Dealers selling ScanMaster part of this new deal? No. NCR Dealers are still NCR Dealers. The fact that ScanMaster is licensed from Retalix does not include NCR's Dealer channel in the StoreNext mix.

If I'm already a Fujitsu Dealer, will I have to sign an entire new Dealer Contract with StoreNext? Probably not. There will be some additional paperwork, and it will be different depending upon which contract the Dealer currently holds.

SUPPORT AND QUALITY

With product lines now from Santa Clara (ISS45), Dayton (RBO/RPO) and Dallas (StoreNext Connected Services) how can we keep support straight? All StoreNext support functions will be

centralized; Dealers will have one point of contact to ensure fast, coordinated response. A single 800 number will be automatically routed to the right group.

What about phones and email addresses? StoreNext employees can all now be reached using the format first-initial+lastname@storenext.com (e.g. jd@storenext.com). (Current email addresses will also remain active in the immediate future.) No telephone numbers have changed.

Web Sites? StoreNext has its own Web site at www.storenext.com.

And the ISS45 Dealer Site? The ISS45 Dealer Support Site will move. It can now be accessed from the front page of www.storenext.com.

With StoreNext now part of both Fujitsu and Retalix, will this increase product releases and improve quality? StoreNext is probably the #1 "customer" of both Retalix and Fujitsu, and we have made specific agreements with Retalix and Fujitsu regarding software and hardware development. Steps have been agreed that will improve the speed of response to software faults as well as reduce the incidence of additional problems. We are focused on the target of clean releases, and the progress you have seen over the last 18 months will continue at a faster rate.

BRANDING AND LOGOS

Holy cow! I just finished selling my customers on the "Fujitsu" brand and now we're StoreNext. Now what? StoreNext sells Fujitsu and Retalix products. We strongly encourage StoreNext Dealers to stay with those brand names. Over time, the StoreNext brand will become strongly associated with complete, packaged solutions together with Connected Services, but we will continue to ship Fujitsu hardware, etc. under that brand name.

Retalix uses the name "StoreLine" for their software. But all my customers know and refer "ISS45." Can we keep ISS45 as the system name? Absolutely. StoreNext will continue the ISS45 brand and leverage the goodwill of its enormous installed base. Together, we have built the ISS45 brand to the point where it enjoys deserved recognition as the best software ever offered to the grocery business – our objective is to continue promoting the ISS45 name and build on the equity it enjoys.

BERNARD

With StoreNext, what happens to Bernard? Who do you think put this whole thing together?

To Your Success,



Antony van Bever