

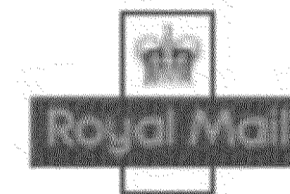
31st January 2007
ACCOUNT PLAN



Account Review

Post Office & Royal Mail Group

Dave Baldwin – Business Unit
Director



Account Plan Summary

- Deliver programmes to time, cost and quality
 - T Release, HNG-x, SIP, Kiosk, Project LIGHT
- Superb service with demonstrable continuous improvement
 - CSIP 9 and 8.5 during 2006/7
- Grow business in line with POL business channels
 - Local, Rural, Handheld, segmentation etc
- Extend outside of traditional Horizon through SI Partnership and IT Business Partnerships
- Campaign to take a share of CSC business in Royal Mail
- Be perceived and act as innovative and proactive supporting POL and RMG strategies

Customer's business

- Royal Mail Group
 - 100% shareholder UK Government
 - Letters, Parcelforce, Post Office, GLS
 - UK (GLS Europe) letters and parcels logistics and mails
 - £9.1bn Revenue
 - Letters £355m Operating Profit (05/06) and expectation to reduce greater than forecast
- Post Office
 - Retail arm – Mails, Telephony, Financial, Government
 - 14,500 -> 12,000 branches UK wide
 - £900m Revenue
 - (£111m) Operating Loss -> (£400m) in 2007

Customer's – Drivers, Issues & Outcomes

Top 5 Business

Drivers/Issues/Outcomes:

- Post Office
 - Business is unprofitable and getting worse
 - Five 2 Eleven programme – break even by 2011
 - Significant network change
- Royal Mail
 - De-regulation hitting harder than expected
 - Reliance on manual labour vs automation, not helped by Unions
 - RMG vs Government view on employee share ownership

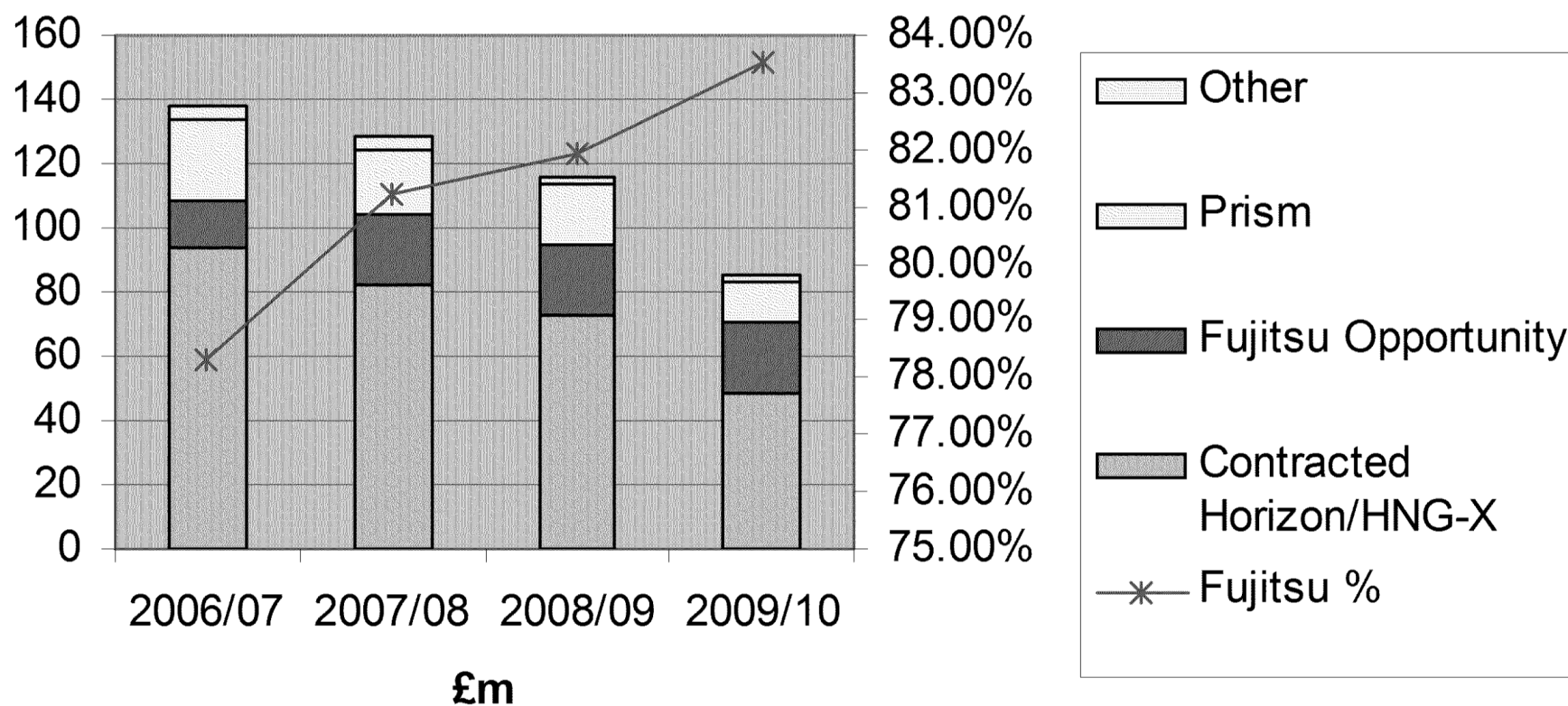
Top 5 IT

Drivers/Issues/Outcomes:

- How can IT help to drive cost out of the business
- How can IT drive innovation
- How can IT support the new strategies vs being a blocker
- How IT can help move from transactional culture to selling
- How does strategic relationship with Fujitsu drive Strive

Post Office Spend Analysis

Post Office IT Spend Analysis



Analysis of Competitors

Competitor Name	Services they provide	Strengths (+) And weaknesses (-)	Actions required
CSC (Prism Alliance)	All Royal Mail IT excluding Post Office branch	+ Incumbent supplier + Reduced significant cost -Poor service quality and resources -Deliver to contract, little innovation	<ul style="list-style-type: none"> • Campaign to secure some of Prism business from review in April 2008 •Continue to grow relationships across RMG •Back both BT and C&W in network consolidation •Drive wedges between Prism partners
Accenture	IT Infrastructure services for BofI JV	- Incumbent supplier to Bank of Ireland	<ul style="list-style-type: none"> • Ensure that BoI (POFS) are aware of Fujitsu capability •
EDS	Card Account IT and BPO Helpdesk	+ High Quality service + Reliable - Expensive, not passing on savings from JPM	•Engage with JPM re Card Account renewal / replacement

Customer's overview of Account

- Customer (POL) sees Fujitsu as a strategic partner
- Highly and over referenced
- Royal Mail Group and Post Office Vendor of the Year
- CSIP average 8.75 (8.5 and 9)
- The top 3 attributes from the CSIP are:
 - *Being honest in what they say and do*
 - *Being realistic in their promises*
 - *Always delivering on their promises*
- Nervous about HNG-x development meeting pre-pilot timescales (Jan 2008 -> Mar 2008)

Finances – KPI's (RMG Account)

High Level Financial Summary

Actuals & Forecast YTD (£m)

	Actuals	Forecast	Budget	Prior
Orders	32.3	32.3	195.0	16.3
Revenue	71.5	71.5	80.1	72.9
Revenue Growth %	-2%	-2%	10%	
Gross Margin	20.8	20.8	18.2	22.6
Gross Margin %	29%	29%	23%	31%

Current 06/07 (F/Y) & forecast (£m)

	Forecast	Budget	Prior
Orders	250.0	200.0	17.3
Revenue	109.7	109.7	106.6
Revenue Growth %	3%	3%	
Gross Margin	26.6	23.8	42.1
Gross Margin %	24%	22%	39%

Current 06/07 (F/Y) & forecast (£m)

	Q1	Q2	Q3	Q4	FULL YEAR
Orders	8.1	9.7	14.6	217.7	250.0
Revenue	21.1	23.8	26.6	38.2	109.7
Gross Margin	7.2	6.7	6.9	6.0	*
Gross Margin %	34%	28%	26%	16%	24%

* - Q4 includes £900k of risk spend which is an opportunity

Jan07 Forecast for 2007/08 RMG Account

High Level Financial Summary (FY07/08)

JAN07 Forecast for 2007/08

	Q1	Q2	Q3	Q4	FULL YEAR
Orders	12.9	4.6	3.2	13.8	34.4
Revenue	23.0	30.2	28.7	29.5	111.4
Margin	6.1	6.7	6.5	6.2	25.5
Margin %	27%	22%	23%	21%	23%
Headcount	95	95	95	95	95

Risks and mitigations (2007/08)

Development Risks

POA resourcing problems introduces delay to Programme
SI development effort under-estimated

Planned server consolidation cannot be achieved

Zensar development fails to deliver assumed savings

Zensar working fails

RV testing does not complete on time

Operational Risks

Key FS (Services) resources not available when required
Unexpected RATEX following implementation

Complete failure of Counter component

Denial of Service to Post Office

NWB non-availability (through network problems) causes SLT failures

Horizon software releases generate extra costs

Horizon CMOS battery failure in Counter PCs

Commercial and Finance Risks

Over complex contract hinders progress and diverts resources

Labour indexation exceeds RPI

Escher work to rule following HNG decision

£k Mitigation Actions

Early completion of ERICS and dedicated
75 resource manager

100 Fortnightly review of level 3 plan

Fortnightly review of infrastructure

20 deployment

Full off-shore failed but mitigating through

427 beneficial day rates

Full off-shore failed but mitigating through

575 beneficial day rates

210 Fortnightly review of level 3 plan

Early completion of ERICS and RAR's and

38 dedicated service delivery manager

6

Catastrophic failure risk passed to POL
under contract, impact assessments being

16 undertaken

Understand threats and available counter
measures. Working with POL on intruder

35 detection and PCI compliance

Mitigated through revised LD arrangement -
24 to be released

60 Tight control over changes affecting HNG-X

Costs included in operational service costs -

25 to be released

15 To be released

69 To be released re 2008

35 Continuing to work well together

Finances – Major Contracts

Major Contract/s	TCV	GM % approved at CAR		GM %		Reason for the variance & Impact on the contract
		In Year	For life of contract	Actual/ Forecast in year	For life of Contract	
HNG-X Development exc H/W	£31m	35%	33%	35%	33%	
Digital Media Network	£14.9m					
	£5.6m Hardware	3%	3%	3%	3%	Delivery delays by BT Openreach and Samsung resulting in need for replan.
	£2m Implementation	22%	22%	8%	8%	Target to mitigate additional costs
	£7.3m On-going 3 yrs	11%	11%	11%	11%	

Status of Projects and Service Delivery

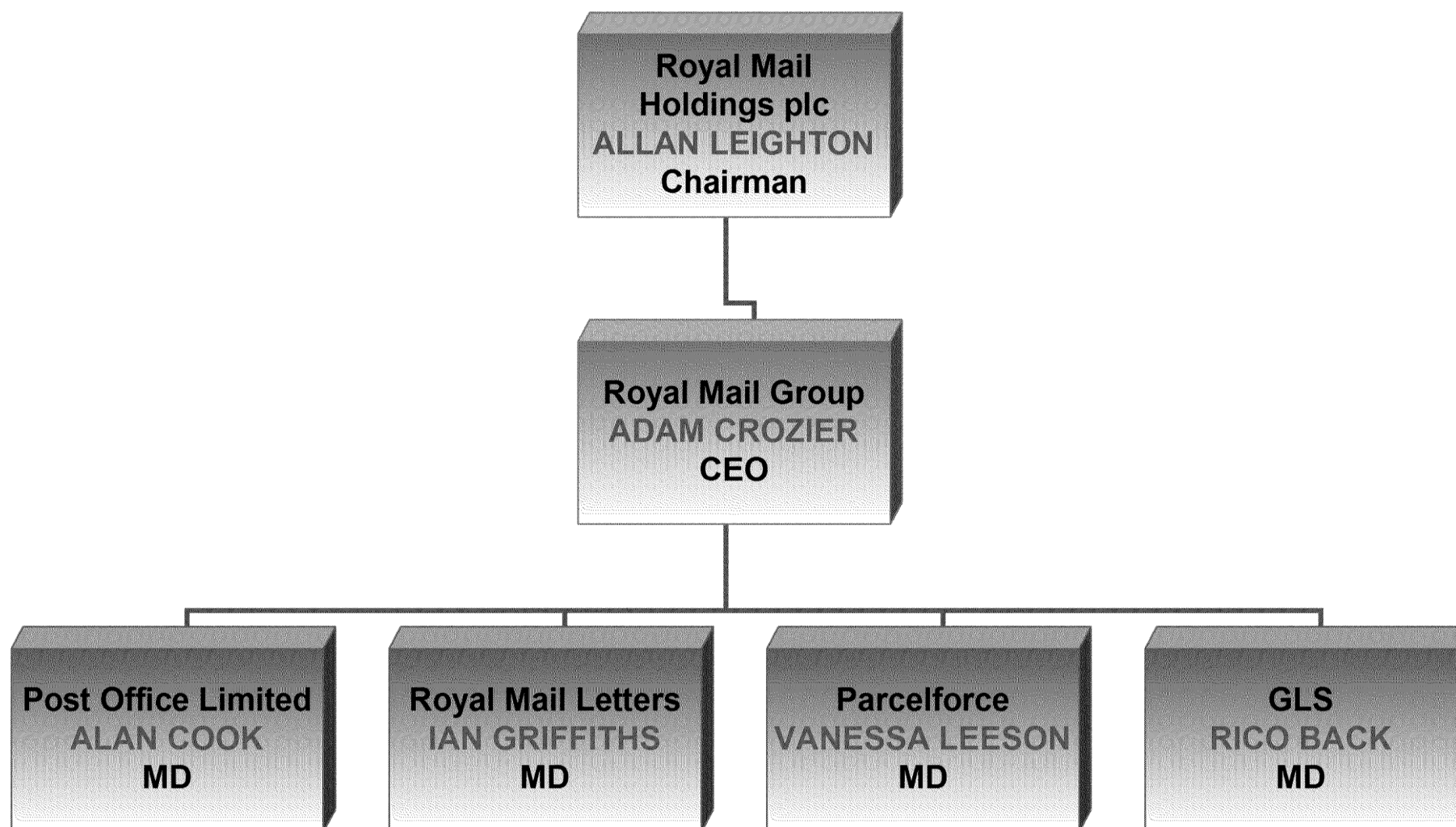
- Highs

- Positive Customer Relationship with POL
 - Operations, Development and Programme
- Horizon performance stable – Business as Usual, T Releases
- HNGx architecture and high level designs progressing to plan
- HNGx programme budget stabilised to plan

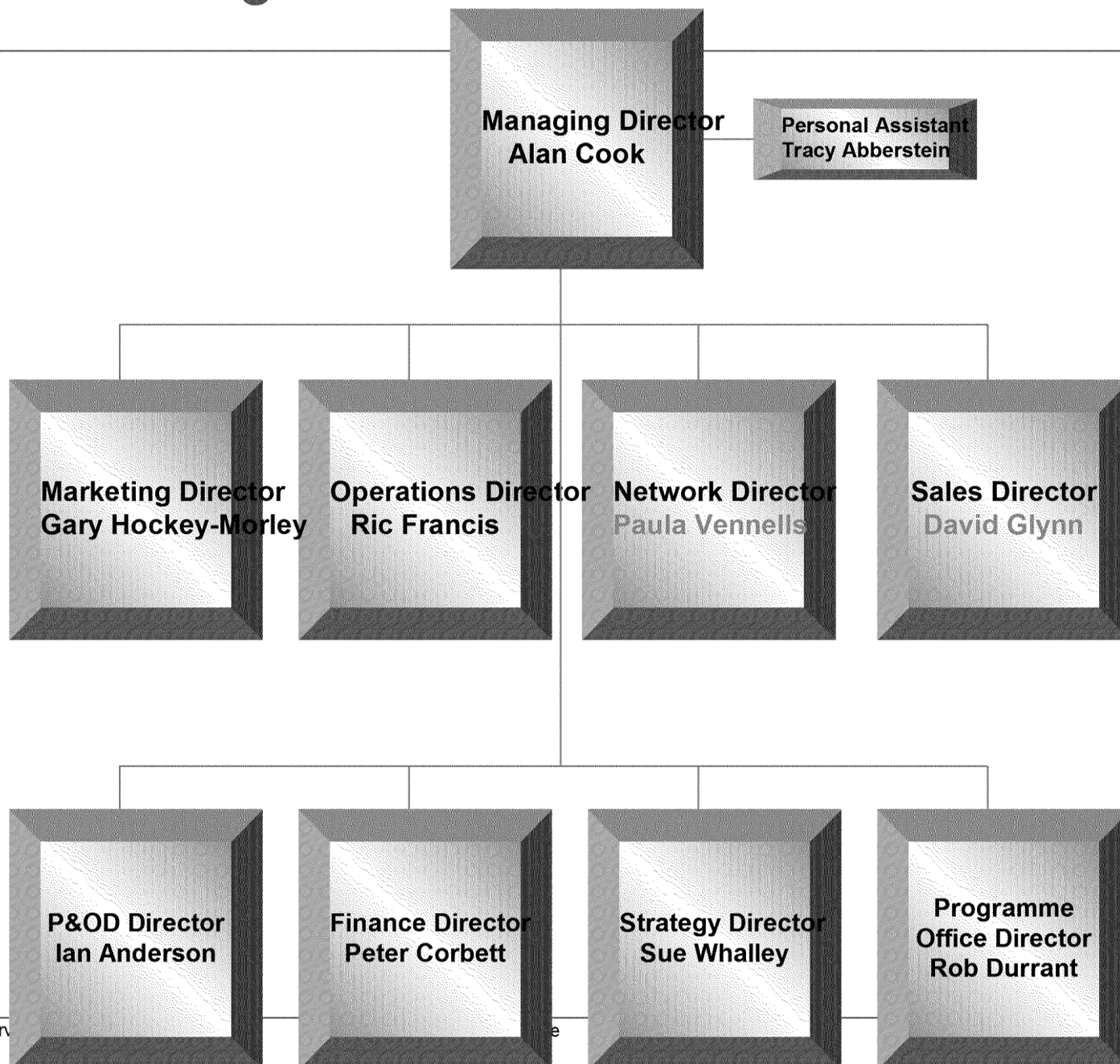
- Lows

- RMG Digital Media Network project on Amber Alert
 - Revised proposal agreed and in execution
 - Lessons Learnt from pilot phase included
- POA service - Engineering SLT performance
 - SIP in place, including dependencies on customer
- HNGx Release Authorisation date and confidence

Customer's organisation chart



Post Office Organisation



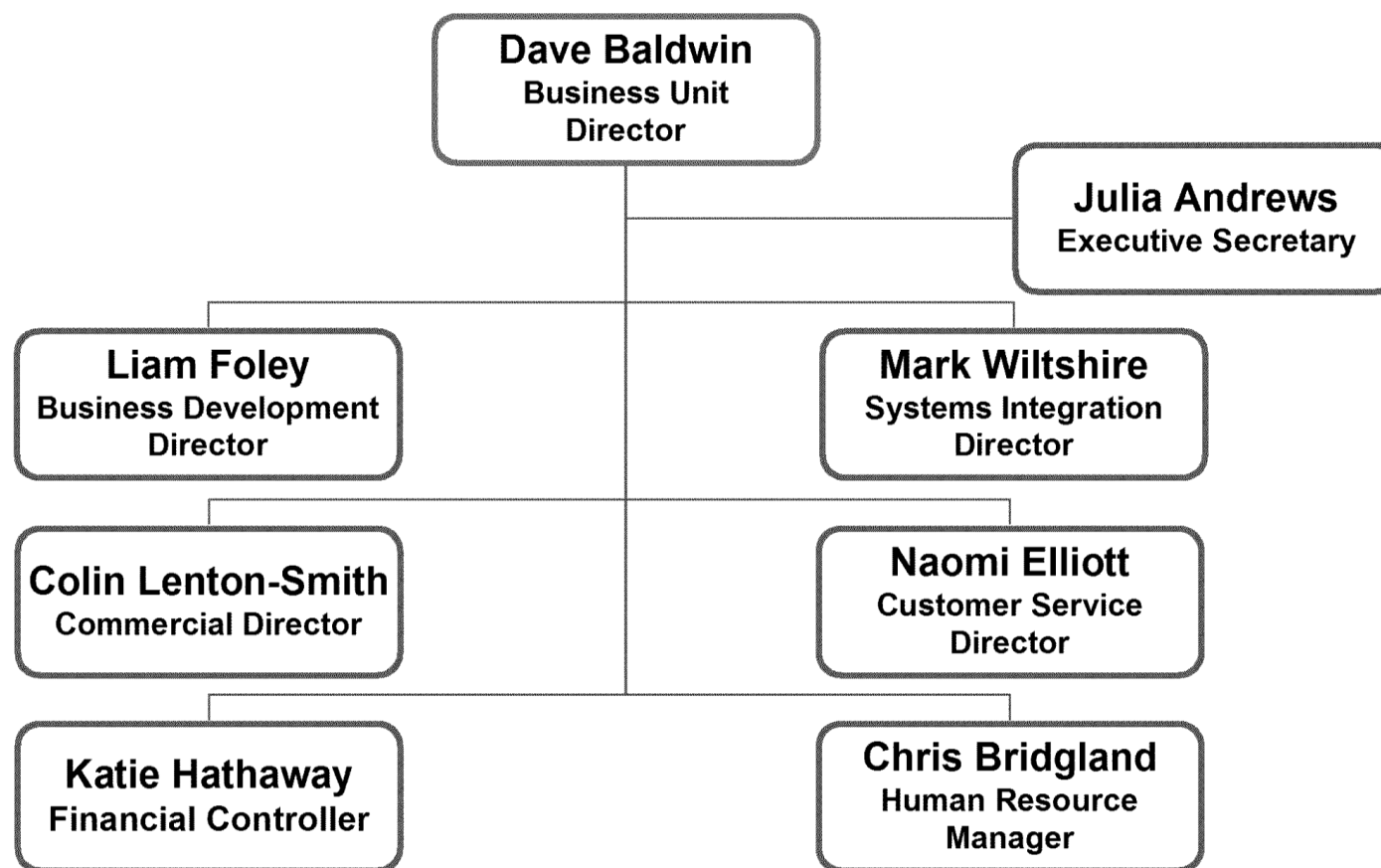
Customer stakeholders

Customer / stakeholder contact name & title	Type of Buyer	Prime FJS contact & Status of relationship	Actions to build systematic executive level relationships
Alan Cook CBE Managing Director – POL	Economic	Dave Baldwin	Continue with regular exec contact
Ric Francis Operations Director – POL	Economic	Dave Baldwin Liam Foley	Continue with regular contact and Japan visit Feb07
Dave Smith Head of IS and Change – POL	Technical	Dave Baldwin Liam Foley Mark Wiltshire	Continue with weekly contact
Andy Mclean Head of Operations Control – POL	User	Dave Baldwin Liam Foley Naomi Elliott	Continue with weekly contact
Sue Whalley Strategy Director - POL	User	Liam Foley Dave Baldwin	Build on the strategic briefings
Ninian Wilson Group Procurement Director - RML	Economic	Dave Baldwin Liam Foley	Continue to explore close working
Gary Hockey-Morley Marketing Director - POL	User	Liam Foley Dave Baldwin	Continue to identify new business initiatives
Gerard Banaskiewicz Head of IT Procurement - RMG	Economic	Liam Foley	Continue to explore opportunities
David Burden, Group CIO	Technical	Liam Foley	Continue to explore strategic options, especially in the individual service space
Dominic Wilson, IT director – Royal Mail Letters	Technical	Liam Foley David Hunt	Continue to identify opportunities

Customer satisfaction

Date of Last CSIP Interview	7/12/06	Score	8.5	Date of Next CSIP Interview	tba
Key Feedback Points from last Interview			Actions to address/exploit feedback		
Case study on relationship			In planning - copywriter engaged		
Focus on proactivity & innovation			Coaching and change programme		
Maintain high quality service delivery			Deliver continuous service improvement plan		
Engage more people into POL Exec			Engage more people into POL Exec from Account Team		
Average Scorecard over last 6 months		8.2	Average SLA Performance over last 6 months		91.1%
Present Service Delivery Issues			Actions to address		
HNG-x time to RAB			Fortnightly review and pressure on L3 plan		
Engineering performance			Deliver action plan by end Feb 07		

Post Office Account – HQ Management



Summary of opportunities to add business value


KEY AREA where we can add Business Value to the Customer (+ what we would provide)	What would be the value to the Customer in their terms	TCV for Fujitsu (+ start date / duration)
Identify appropriate cost effective solutions for Post Office Local	A reduction in operating costs and increased flexibility that enables solutions outside the physical post office	£1 million June 2007 – length of contract
Self Service through the implementation of a first class solution	Queue reduction/faster service/happier customers	£4.7 million September 2007 – length of contract
SIP – Systems Integration Partnership where we will provide excellent strategic level resource to help achieve POL business objectives	Better ROI in IT	£1 million per annum direct £? Millions indirect
Data management and Management Information	Accurate up to date MI and a single data repository across the organisation	£0.65M for data management £1.5M for MI
Call centre rationalisation	A reduction in call centre costs and a simplified view of the customer	Unknown at this stage
Potential take over elements of the Prism contract	Better ROI on IT costs. More pro-activity for new developments Better relationship with service provider.	

Key dependencies & Issues

- Business Consultancy from BTG that can work with POL in the strategic development
 - (Mark Dorgan and Philip Warley engaged at board level in POL)
- Sufficient high quality resource to fill the SIP (up to 30 heads)
- Technical capability in the technical devices space, especially in low cost payment terminals
- Network consultancy to enable Fujitsu to advise POL on the most effective approach to achieving VfM across their points of service
- Possible high quality bid team for Prism contract
 - Services architect, Transition Expert, TUPE, Programme Manager

Actions

Action No:	Action:	Actionee:	Due Date:
1.	Look to build relationship with Alan Cook with sponsorship/support from Ric Francis. Take opportunity to celebrate contract signature (June 2006) Complete - A relationship has been built with Alan Cook with meetings hosted with David Courtley, Richard Christou and Akikusa-san. Contract due to be signed on 31/8/06 and will be low key celebrations at Post Office request.	DB/LF CLOSED	ASAP
2.	Good news story around overall service availability to be publicised once the HNG-X contract is signed. Complete - We will publicise internally in a low key manner due to Post Office request that no external publicity be made for at least 3 months after contract signature. Reasons are valid and can be disclosed separately.	DB CLOSED	Contract signature
3.	Branch Network Resilience – there is risk around movement from C&W. Discuss with Ray Clarke. Complete - Risks discussed and corrective actions eventually put in place. Service take on successful.	DB CLOSED	As appropriate



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