



Lesley Sewell
CIO
Post Office
140 Old Street
London EC1V 9HQ

12 January 2015

Dear Lesley,

Since our last executive meeting pre-Christmas, there have been a number of separate discussions covering a range of topics such as Risks, IPR, Horizon Extension and Exit activities. Fujitsu's position is consistent across these separate topics and continuing in the spirit of "calling things out" we wanted to reconfirm our strategic position with regards to these subjects as summarised below.

As previously communicated, Fujitsu remains fully committed to complying with its contractual obligations with regard to all associated exit support activities as these materialise under the Post Office's direction whilst you transition to your chosen Towers Model. However, for clarity, we reiterate that we do not intend to offer subcontracting services to any 3rd part as part of transitioning to the Post Office's new operational model or as part of any ongoing support relationship.

With regard to your request for a proposal to extend the Horizon support contract in order to provide you with more time to complete your transition, we note that your original request for 12-18months service and a target date for contractual agreement by the end of this financial year does not appear to be progressing with the traction required to achieve this intent. As of today, the original impacting CT submitted for review on the 8th of December has only just been returned with initial comments. Also, Brian Deveney has informed us that a new Governance protocol is yet to be established within the Post Office limiting the ability to identify the various timelines and associated approval gates required for procurement of such an extension and its associated infrastructure refresh programme. In addition, there has been no confirmation as to the term of the extension or to how the funding for such activities will be made available. We reiterate that the levers associated with this target date are 18months notice to the Datacentre owner and the empirical evidence that the previous Belfast refresh took 2 years and addressed only circa 35% of the estate. Having reviewed these factors we take this opportunity to inform you that an extension offer of 18 months duration will be the only proposal submitted assuming we can come to a commercial agreement on the impacting work and extending terms.

We are also engaged on a number of peripheral extension discussions in regard to items such as POLSAP, Credence, OBC, CMT, BNS, Test Rigs as well as Horizon Anywhere, all of which have time dependent constraints and implications that have been previously narrated. We

feel it is appropriate to state that where these items are not progressed, where appropriate, out of contract service options on a reasonable endeavours basis and associated alternative pricing will need to be considered.

There has also been a number of exchanges with regard to IPR. You will be aware that whilst we made good progress and terms were in an advanced state, we have not concluded the IPR agreement that you requested we provide. Against that backdrop, Post Office has now been made aware that certain documents the Post Office is proposing to share (or has shared) with potential Next Suppliers under the Towers Due Diligence Process contain aspects of Fujitsu IPR. Whilst the Post Office may, in certain limited circumstances (e.g. provided such sharing is reasonably required for the bona fide potential Next Supplier to submit a detailed tender), have the right under the Horizon Agreement to share such documents with such parties, this does not change the fact that the Post Office needs to secure a release from Fujitsu to enable third parties to use this IP. It is Fujitsu's recommendation this IP release is completed as soon as possible to avoid any potential unlicensed use of Fujitsu's IP and ensure that the Post Office does not inadvertently breach the Horizon contract.

Extensions of Horizon support and the conclusion of an IPR agreement would provide additional time, flexibility and security of service enabling you to manage an orderly transition of services to alternative providers should you decide to proceed with the current range of Towers procurements. However, should you choose to proceed, let me give you my assurance that we will continue to provide excellent service to the Post Office and its branches to the best of our ability for as long as we are your service provider. In addition, as I hope you would expect, any transition to alternative service providers will be undertaken by us with the utmost care and professionalism.

After a 17 year relationship I felt between our two companies, my objective is to be straight forward and transparent and I hope you will consider the observations in this letter in the genuinely constructive light in which they are intended. I am, of course, available to discuss these matters further if you would find that helpful.

Paul Patterson
Executive Director, Private Sector