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Duncan Tait
MD for Private Sector Division Fujitsu
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10 May 2010

Dear Duncan

Recently, members of the Post Office Executive team met with some of our Group Executive colleagues to review our current standing on our Fujitsu contract. The purpose of this meeting was twofold, one to review the current situation of the HNGX Programme and secondly, to review the Fujitsu contract as a whole. These types of review follow best practice and are common within the Group where there is a significant reliance on a partner and/or supplier.

It was recognised during this review process that our relationship with Fujitsu is of long standing, has thus far proved fruitful to both parties and continues to play a pivotal role in the successful delivery of Post Office's products and services. There were several areas where we believe there is room for improvement that would allow us to follow best practice and further reinforce confidence in delivery. There remains a concern that with the long running roll-out of HNGX and the fact you are already contractually realising our savings that this may be too onerous and may be affecting the profitability of the contract. This fear could be allayed if you were prepared to go 'open book'. This has been approach we have used with other contracts of this nature.

The second and third points are related to the HNGX programme itself. We would very much like to see the executive correspondence within Fujitsu related to the recent Red Alert. This, we feel, would give us an understanding of how the Executive Management within Fujitsu are aware and responding to some of the problems we have seen in roll-out. Additionally, we would like you to consider bringing in a qualified independent party and asking them to review and audit how the current programme is being run, as well as testing resource and skill levels both on the programme itself and other key initiatives that we have underway with Fujitsu.



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As a consequence of where we are with the implementation of the HNGX programme and now that the Post Office has a new Managing Director, I think it is imperative that Dave Smith and myself meet Richard Christou and yourself as soon as possible. Following our call on Friday and knowing that Richard has now relocated to Japan, I have no issue in his participation being via video phone or conference call. At this level, we believe it is important that executive relations are maintained, Board to Board.

I must emphasise that the points I have raised in this letter are designed to assist and not hinder our mutual execution in the systems and services arena. Should you need clarification, feel free to drop me a call, otherwise I look forward to your response on the above mentioned issues.

Yours sincerely

GRO

Mike Young
Operations Director
Post Office Ltd