

**September 1992 Status Report**  
 Far East OEM Sales  
 Jeff Lum, Director

**Highlights**

FE OEMs suffering export decline as prices in the US drop dramatically. Taiwan is feeling the heat as OEMs struggle to stay in business. Korean OEMs complain that the prices they are seeing in the US are below their cost for similar configurations. Japanese OEMs are not in any better shape, and in their own market.....

Japanese subsidiaries of US OEMs cutting prices dramatically. Apple announced an average 20% cut in the prices of its personal computers and Digital announced an average 46.5% cut. IBM will introduce three new models, starting from \$1,700. Compaq announced that it will begin selling computers in Japan at prices half the prevailing market levels. The Prolinea line will list for as little as \$1,100. But NEC, with 50+% share, announced it has no immediate plans to cut prices. I don't believe that attitude will last long.

MS-DOS 5.0a/V slipped into January as compatibility issues with IBM DOS/V surface. No plans to support AX anymore, which makes sense.

Win 3.1/V on an aggressive schedule to ship by March. Stevbe was instrumental in getting NEC to see the light in not shipping Win 3.1/V until it is ready. All key Japanese OEMs and US OEMs in Japan have pledged their support to preinstall (where feasible) Win 3.1/V when it becomes available.

PCMCIA strategy (or lack of) is a major concern for OEMs. We have not yet articulated a clear strategy for providing PCMCIA support in DOS and Windows.

HP printing technology deal getting closer to reality as the general business terms are agreed upon between Maritz, Camahan and Beluzzo. The agreements consists of \$1.5M for the user interface and \$8M for RBA royalties. Contract terms, schedules, prepayments, and royalties being worked out now.

Strong support for W4W in my Solution Providers group from HP, NCR, Compaq (all 3 will be at launch), and Unisys (press announce only). Dell and DEC are holdouts. DEC because they're slow and have some technical issues, and Dell because they want to be stubborn (Novell may be pitching them hard as they are doing with Compaq).

**Revenue**

Area	September Actual	September Budget	FYQ1 Actual	FYQ1 Budget	Qtr. % of Budget
Far East OEMs	\$16.2M	\$12.8M	\$32.0M	\$26.3M	122%
Solution Provider OEMs	6.9M	3.1M	26.7M	15.2M	176%
Far East Redmond OEMs	\$0.2M	0M	0.5M	0.3M	159%
<b>Total Far East Region Sales</b>	<b>\$23.3M</b>	<b>\$15.9M</b>	<b>\$59.2M</b>	<b>\$41.8M</b>	<b>142%</b>

In the FE Japan finished the quarter at **\$11.1M (116% of budget)**. We closed several agreements with considerable minimum commitments which helped get us over budget as machine shipments in Q4'92 reached only 85% of the same quarter last year. In addition, Karenh's group contributed a lot to this by helping complete the agreements with Ricoh and Murata for E-FAX. Korea had a strong quarter finishing at **\$10.1M (194% of budget)** due largely in part for delayed minimum commitment billings from Hyundai, Goldstar, and Samsung in the conversion from per processor to per systems licensing per Korean government requirements. Daewoo Telecom expected revenue of \$1M was delayed to October due to MS internal processing. Taiwan finished the quarter with **\$9.1M (88% of budget)**. Acer's revenue hit of just over \$1M was for PPB usage, and several accounts worth \$.5M have basically quit business. CS is confident his revenue will turnaround by Q3 as some pending business comes thru and MED picks up. Hong Kong finished Q1 with **\$1.8M (163% of budget)**.

Markche's Solution Provider Group had a strong September finish (\$6.9M vs. \$3.1M, completing Q1 at **\$26.7M (176% of budget)**. Dell's min commit on the Office license plus large mouse orders accounted for \$4M of September revenue. Dell and Compaq accounted for over \$10M of the \$11.5M surplus for Q1.

Tedha's FER Group finished the quarter with **\$521K (159% of budget)**. This accomplished in spite of the restructuring of our NEC-T Office license which resulted in NEC reaching 12% of their \$139K budget in Q1. We will need to focus on new opportunities at Hyundai, Sony, VTech, Epson, HP and Compaq printer groups to exceed budget for FY'93.

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**New Business Signed**

Account	Product	Comments
<b>FE OEMs</b>		
Columbia (Japan)	MS-DOS & CD Ext.	Amendment, \$1.30/sys, M/C: \$170K
Mitsumi (Japan)	CD Ext.	New Agreement, \$1.30/sys, M/C: \$130K
Ricoh (Japan)	E-Fax	New Agreement, \$10 - \$20/sys, M/C: \$1M
Shima Seiki (Japan)	MS-DOS 3.0, 4.0 & 5.0	Amendment, \$45/sys, M/C: \$112.5K
Sony (Japan)	CD Ext.	Amendment, \$1.30/sys, M/C: \$170K
Toshiba (Japan)	Ballpoint (DCBP)	New Agreement, \$5.50 - \$11.50/unit, M/C: \$600K
Daewoo (Korea)	MS-DOS, Windows, NT	New 2 year agreement
Daewoo (Korea)	Works, WinWorks	New 1 year agreement
CAF (Taiwan)	Works for Windows	2.5K/year, English and German, M/C: \$50K
CAF (Taiwan)	MS-DOS	Amendment #1, 70K/yr, was 40K/yr., M/C: \$1.24M
Elitegroup (Taiwan)	MS-DOS & Windows	5K/year for MS-DOS; and 1K/year for Windows
Lite-On (Taiwan)	ROM MS-DOS	Amendment #1, updates localized versions
<b>US OEMs</b>		
NCR	Win, Pen, SQL, DOS/V	Increases M/C by \$2.2M/yr.
HP Grenoble	MS Mouse Chipset WFW Windows	\$4/unit; \$400K/year \$8/system; \$200K/year \$19/system; \$2.85M/year
<b>FER OEMs</b>		
Sony Government	Bombay, Works	

**Area Summaries**

**Japan**

As our Modular Windows strategy takes shape, we see more consumer electronic OEMs interested in what we're doing. We need an extra strong focus in this area to gain momentum. Recent organizational changes should help this effort; ReijiS will be the section lead for Consumer Systems products, and he will hire 2 AMs this year to focus on consumer electronics accounts.

KK engineers and OEM engineers have started to move to MSHQ campus for work on NT-J. The total staffing from OEMs will be Fujitsu (3 people), Hitachi (3), OKI (2), Epson (1), DEC-J (1) and Compaq-J (1).

Compaq is forced to purchase IBM's package of Win 3.0 to ship with their new systems in Japan. I am working on a reasonable proposal to help them absorb some of the extra costs of purchasing IBM's product.

**Korea**

Samsung announced new 486 models at the price of their 386DX models and other OEMs will join this price war in the domestic market.

Samsung and HP announced their joint project for PA RISC workstation.

Hyundai will announce new 386SX with sound card and speakers for home and educational markets.

The Electronic Times in Korea headlined Modular Windows as next Korean OEMs' platform.

CH spreading the word on Modular Windows to Consumer Electronics Companies.

**News**

Compaq - Compaq expands Retail Channel to include Circuit City, CompUSA and Office Depot.

Unisys - received a 3-year, \$90 mil contract from the Czech Savings Bank (Ceska Sporitelna). Unisys has also received a contract from Ferro (Sweden) that could be worth \$13 mil. The contract is expected to last 5 years.

HP - signed a deal with Samsung Electronics Company Ltd., that involves HP's PA-RISC hardware platform.

NEC: Announced the Select Solutions program which offers 16 preconfigured systems designed for such areas as desktop publishing, CAD and general business. Released the Powermate DX2/66e (\$3459) and DX2/66Te (\$8049) which are based on Intel's latest microprocessor.

HP Printer: HP announced that it has signed an agreement with Colorado Memory Systems (CMS) to acquire the PC tape backup company.

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Canon Printer: Canon and IBM announced the formation of a joint venture to develop next-generation personal computers combining PS/2 technology with Canon's bubble-jet printing technology. First product to be covered will be the "Jet PC" that Canon developed and showed to us both in meetings in Tokyo and in Redmond.

Acer: Will introduce a low cost MIPS R/4000 desktop system during Comdex.

**Issues**

NCR - NT- It appears that we released what was determined somewhat of a bombshell at the LM Council Meeting. In order for an NT workstation to be added as a desktop to an existing network, LM/NT must then become the domain controller in order to administrate the NT workstation. This eliminates LM for OS/2 and LM for UNIX as being viable alternatives for the server OS in a LM environment. In NCR's mind this breaks the "openness" we have been preaching about our LM strategy.

Dell - has become increasingly protective of their installed base and their desire to maintain control over product offerings. This will have significant impact on new business that requires Dell to include registration cards and/or changes the royalty model for upgrade business (MS-DOS 6.0, WFW, etc.) Dell expressed violent concern over registration card usage for Anti-virus upgrades in conjunction with Central Point Software.

HP is very interested in an MS strategy for allowing CIA based machines to be upgraded to Mobile Windows machines. Systems has ruled this out for now. At the very least, we need a "family" strategy for these two products.

**Key Account Summaries**

Japan

Casio (IchiF)

MSHQ, Intel and VLSI had a presentation on PIA to CASIO-Personal Communication Division. Hard to know if CASIO is interested in this project. However, they are interested in focusing on the very low-end machines. CASIO will give us their questions in the middle of October. CASIO will reply to MS after internal discussion is done including the president in 2 or 3 weeks.

Epson (HideyaU)

Negotiation in progress for royalties for MS-DOS and Windows. Epson has enjoyed gut low prices (\$10) for years. We are negotiating to get them closer to guideline. We offered two types of proposal listed below:

- a) \$10 until 4/1/93, then \$15 until 10/1/93, then it goes to \$17.
- b) \$11 until 4/1/93, then \$13 until 10/1/93, then \$15 until 4/1/94, then it goes to \$17.

Regarding the MS-DOS 6.0 US version royalty (incl util) , \$18 until 10/1/93, then it goes to \$22. Any other localized version should be added at \$2 as a localized version fee.

Fujitsu (KenjiN)

They are developing a middle class laser printer that is capable of 16ppm. Target sales are 20K units per year, including OEM. Shipping will start early next year. They started shipping their new highest-end desk-top type of PC, which utilizes 486DX2 66MHz. However, the price is more than US\$17,000 which is much too expensive compared with one that is manufactured in US or Taiwan.

Kanematsu (IchiF)

Omron Issue: Kanematsu failed to get Omron deal. Kanematsu did not understand Omron's needs: i) Interlink, and ii) Kanji Version support with inexpensive way. Kanematsu asked \$48K development fee for FEP (Kana-to-Kanji conversion software), which Omron cannot afford.

<u>Comparison Sheet:</u>	<u>ASCII (DR-DOS)</u>	<u>Kanematsu (MS-DOS ROM V3.22)</u>
1. DOS feature	120 yen	360 yen
2. FEP	n/a	300 yen ***--> 0 yen
3. NRC / Develop.	40 yen	240 yen ***--> help plan
4. BIOS /KB Driver	about the same	about the same
5. ROM /RAM	about the same	about the same (80 yen)

Status

1 MS's offer to Kanematsu was:

- i) to license MS's FEP for free of charge. and
- ii) help in development fee for Kanematsu by giving commission of WORKS-Kanji offering to Omron together.

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- 2 However, Omron just wants an inexpensive solution and Interlink for Kanji version, Works.
- 3 Omron does not understand why MS is good and valuable.
- 4 If Omron selects DR, MS cannot guarantee that Works will work properly. This has to be told to Omron.

#### **Matsushita Electric (MEI)(KenjiN)**

They decided to pre-install both MS-DOS 5.0a/V and Windows 3.1J starting next Spring, but the exact date depends on Win 3.1J. Target market is just Japan.

We have to think of a remedy plan for their large remaining PPB. The estimated PPB at the end of their current agreement is approx. \$1.6M, which originally came from their OS/2 agreement (M/C: \$1.5M). In order to make all of the remaining PPB available to their new agreement, Mr. Matsuda of MEI has signed an LOI stating "Matsushita is now shifting its sales power and software development resources from MS-DOS to Windows systems. Now planning to preinstall MS-DOS and Windows on the PCs that utilizes 80386 or 80486. The preinstalled ratio of current plan is more than 50% of all the PCs marketed in Japan at the end of 1993". Now, we need to conclude as soon as possible.

#### **Minolta (IchiF)**

Amendment to Truelmage Agreement: Minolta requested to reduce their royalty down to \$10/sys - \$15/sys range after digesting (consuming) 10K units of their commitment \$270K. Advanced M/C payment is also hard for Minolta, they say, because PostScript Level1 and its clone in the market have declined. New royalty of \$25/sys is offered with M/C of \$75K. Additional option is to reduce the rate from \$25/sys to \$15/sys, but keep the M/C at \$150K, with 10K unit commitment needed.

Dumbo Opportunity: Dumbo Plan was presented to Minolta, who is interested in this project and will have a presentation to MSKK to prove that they can do mass-production.

#### **Mitsubishi Electric (MELCO)(ToshimiH)**

Had a ROM-DOS meeting with JonK after the ROM-DOS Seminar held on 9/10 and further discussed in more detail ROM-DOS, FFS and MS-DOS v6.0. Especially for FFS which is licensed, very aggressive discussion was made for their future products using it. They have announced 2 types of highend Apricot series. One is a server model (i486DX2 66MHZ/SCSI-2 2GB HDD, 10GB at max/16MB memory, 64MB at max) for more than 50 clients. They expect to sell 2,500 units/year, starting in this Nov. The other is DOS/V Apricot Notebook PC (i386SL/25MHZ/VGA) and they expect to sell 20,000 units/year, starting this Dec.

#### **NEC (Kiyoo)**

NEC visited HQ and Tandy to investigate VIS, Multimedia, Modular Windows, advanced products and MS' future strategy. Before the meeting, NEC visited Tandy on 9/8 and learned about VIS hardware. NEC's impression of the meeting is that Tandy already announced their new PC ("Sensation") with multimedia features, at low cost and high function, for the business market. That's why Tandy is focused on selling VIS into the home market. Tandy couldn't understand NEC's plan to launch PC-9800 with VIS into multimedia market by taking advantage of huge install base of PC-9800, sales and support power and NEC's brand image. We need to communicate with NEC and Tandy to launch a sort of VIS into the Japanese market.

NEC committed to using Modular Windows even though they don't have a concrete plan yet. We need to sell Modular Windows to each division that currently manufactures consumer electronic devices. For Modular Windows, they think we are too focused on TV-based devices. I think we can sell Video for Windows, Clockwork that is a product coming soon. In other words, at least participants seem to persist in current situation, i.e. they seem to prefer a standard that is defined by a committee to DeFacto Standard, they think it's very hard to establish information hierarchy for digital communication world, they were not sure if end users can recognize value of digital world or not. As Robg asked, we need to get their feedback, which means how NEC executives think about our vision and product plan and we need to continuously discuss our vision and future products with NEC. I think this meeting was a good beginning to work with not only the NEC PC division but, also other divisions. They went away with a lot of info and had a lot of studying to do. We need to sell I-FAX and Homer to appropriate divisions as well.

SamF and MarkAn met with Mr. Mizuno (CEO & VP, responsible for domestic sales) and others and gave them a demo of VIS and AVI. He is not directly responsible for their product plan, but has power to direct NEC's direction. The demos went pretty well, although it was difficult to gauge his response. Such activity helps us to persuade PC Div. to use our products. He was surprised to learn the number of titles being developed for the VIS and MPC, and wanted to know which titles and tools were available, and if any Japanese titles were being developed. He seemed to think that the VIS was an interesting lowend machine that NEC Home Electronics should look at. Mr. Mizuno is one of the guys Apple and IBM have been pitching. He seems most interested in teleconferencing and not much on consumer technology or lowerend PC stuff. He said that Japan was currently installing more teleconferencing systems than any other country. Since these systems require a lot of dedicated space and hardware, the idea of being able to teleconference directly from

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your PC is very compelling. He wanted to know if MS was working in this area, or if we had opinions on the hardware being developed. Mizuno said they were very interested in ISDN-based systems. This is going to be a big focus for NEC. He didn't mention Kaleida, but NEC clearly has a fear and respect of Apple. He commented that Apple would have a much larger installed base if they only licensed software and didn't make hardware. (He asked if MS had any plans to get into the hardware business.) Impression of MarkAn is that they don't understand how it relates to their mainstream business. That's why it's more important than ever that we keep them up to date on our technology and keep feeding them advice about where to take their platform.

#### NTT Data (ShigeruN)

##### Automobile Registration Project

NTTD revealed their plan to use NT for new project; nation wide project with government, that is a Car registration program. They also told us that they officially decided to adapt Windows NT as official OS of NTTD's corporate strategy.

#### Sharp (IchiF)

VIS/Modular Windows: MSKK (MarkAn) and A&A (Tandy-J) had a presentation regarding VIS and Modular Windows to Sharp-Corporate Research and Development Group including Multimeida Systems Research and Development Center. VIS offered by A&A is one of the good approaches to open up a new channel between MS and OEM to promote multimedia related Product.

WinPad: RP has decided to participate in the PIA Project. Mr. Tsuji, President, sent a letter to Mr. Andy Grove, CEC of Intel. MS offered Haiku, Rover and WinPad to Sharp, so we need to develop a clear vision on the OS plan for PIA.

#### Toshiba (ShigeruN)

Windows Pre Install to HDD/RTR: Held meeting and agreed with Toshiba's idea to preinstall Windows 3.0A Kanji on HDD for the Japanese market. Toshiba plans to ship it as soon as possible. Current plan is as follows:

- PC with HD ship (RTR)
  - + Windows royalty is \$22 and regular "MS-DOS" royalties on the HDD
  - + Upgrade from 3.0A to 3.1: will be no royalty from Toshiba to MS
- HD units standalone for endusers who bought PC already
  - + in HDD, Windows and MS-DOS will be installed (Toshiba specific)
  - + MS-DOS will be free royalties, because Toshiba already pays for it for all the systems they ship
  - + Windows royalty is \$12, and upgrade from 3.0A to 3.1 is \$10
  - + Toshiba puts in registration card and will share the database with MS
  - + Toshiba also puts a notice for availability of discount upgrade for all the registered users
  - + Toshiba will upgrade all the registered users, and will report to MS the number

#### Korea

##### Daewoo Telecom (DWT)(SIKim)

Three agreements including a new two year agreement for system softwares with an annual \$3.75M M/C were signed by DWT and are under MS internal processing. The agreements includes MS-DOS, Windows, NT, and Works for MS-DOS and Windows. We got their verbal commitment for WFW from C.M. Kim of DWT and Steve Eleia of LE. The deal was initiated with DWT. Leading Edge is considering Windows Sound System and Video for Windows. DWT plans to develop a new Fax machine which will connect to PCs on the network. Modular Windows for FAX was introduced. Their R&D Team completed the testing of Hangeul DR-DOS 6, but the DR-DOS issue has disappeared inside DWT with signing of these new agreements.

##### Goldstar Co., Ltd. (GS)(CHCho)

With our presentation for MS Modular Windows, the staffs of Planning, R&D, Sales and Marketing departments from Consumer Products and computer divisions gathered to discuss their product strategy to adopt Modular Windows. GS especially showed strong interest in the Tandy VIS system. GS plans to consider VIS system as their next strategic project. Tandy will visit GS to discuss this issue in October.

##### Hyundai Electronics(HEI)(DJChoi)

HEI reorganized and the new GM, Moon-Kyung Kim, will take charge of the computer division. This reorganization will not affect the overseas business. HEI decided to assign Ed Thomas of HEA to sign the MS license agreement for HEA's effective decision making in US market. This assignment will be effective until '93 and dependent on their overseas marketing strategy. Hyundai has tried to participate in consumer electronics products for a long time and we are persuading them to initiate their product plans with Modular Windows. They announced two 386SL notebook models

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supporting PCMCIA which will be shipped to HEA and domestic markets. Another 486 machine at competitive prices will be announced in October.

#### **Samsung Electronics (SEC)(JoonP)**

PC business has been decreasing, especially in their overseas shipment, and their PPB is more than \$3M and will increase. After executing Amendment #2 in October, they will request another PPB reduction plan. SEC executed an agreement with IBM to ship 486 machines, MS-DOS and Windows in ROM, based on IBM's specification. The first shipment is anticipated in March '93. SEC forecasts 300K in 1993. Their R&D team has started designing the machines with MS OAKs. SEC Multimedia TFT drafted the first specification of Tandy VIS compatible machine. The spec was sent to Redmond Multimedia group for their reference. For the domestic market, SEC announced the aggressive price of 486SX models, W1,700,000 including VGA color monitor. This announcement will result in a new price competition and have an overall impact on the domestic PC market. Samsung and HP officially announced their joint project for PA RISC workstation.

#### **Trigem Computer (TG)(SIKim)**

All terms and conditions of Amendment #1 were agreed to, and the agreement is under MS legal group's review. Trigem cancelled their 386 Home PC for the domestic market and will launch new models for the business market. They began to ship WinWorks to Computer Technology.

Jin-Koo Seo, Executive Director of R&D Division, was named to take charge of the licensing issues. He became their new counterpart for MS agreements. Their Chairman, Y.T. Lee, will make a presentation for the strategy for Korean PC industries as a representative of the Korea Information System Industry Association to Korean President, Noh Tae-Woo, at the presidential office on October 28th.

#### **Taiwan**

##### **Acer (PWong)**

We have concluded the 10K/year NT license and 25K/year Windows for Workgroups license with Acer. We also arranged for Tim Dunley, Product Manager of Modular Windows, to visit Acer.

##### **Autocomputer (EddieW)**

MED Agreement will be signed within two months, and starts to ship from Jan 1 1993.

To ensure "standalone sales" are being kept to a minimum between now and Jan 1st 1993, we have informed AUVA to take solid actions immediately.

- 1 Sending a warning letter to all of its channels and distributors to emphasize that standalone sales seriously violates the agreement between MS and AVUA.
- 2 To put warning letter on P.O., Shipping Document and Documentation.

##### **Copam (RLee)**

Copam used to ship the computer system with 90%+ by using their own brand with Europe as their major market, but now their strategy is changed, and in order to gain the profit and lower the cost, they now want to also try OEM business. At the same time, they feel that taking the motherboard business is another way to get money.

##### **DTK (RLee)**

Starting 10/92, DTK will pre-install Windows into the HDD with the computer system. They will also include a MS registration card in the package. Starting with Windows, they have worked with RR Donnelley to get manuals and diskettes and we hope this is a good first step. DTK is happy to work with them, but they suggested more flexibility provided by RRD would be better, such as setting up a warehouse in Taipei, etc.

##### **Lyi-Cheng (MaxKang)**

We had final discussion with the Chairman of the Board and Finance Manager of Lyi-Cheng and they fully understood their responsibilities to reschedule the payment due to Microsoft before further action is taken. (Note: We have audited their books and awaiting final report).

##### **Personal Computer Upgrade (PCU)(EddieW)**

MED program will be implemented in the near future. They signed two new OEM customers, which are GEOS Data System (H.K.) LTD and Hrisak Wolfgang Ges.M.B.H.

##### **Plus & Plus (EddieW)**

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The account has filed chapter 11, and legal proceeding is in process.

#### **Twinhead (MaxKang)**

Trying to sell them pc-works for sub-notebook, they also show great interest in Microsoft Multimedia products and it's good for both MS and Twinhead for a new business opportunity.

#### **Hong Kong/PRC (SYang)**

##### **Ocean**

New customer. Was the largest DRI customer in Hong Kong. They are planning to ship in late October and we are helping them gear up all their products so they can ship very soon. This customer was recently listed in the Hong Kong Stock Exchange, and for sure they are a healthy company with strong sales in the coming year.

##### **UO**

New customer. This company was founded by two gentlemen who were working at Ocean. They were very aggressive in the European market. We are negotiating a WinWorks contract with them, and expect to close this deal by the end of October.

#### **Video Technology (VTC)**

They are increasing their sales volume worldwide and Bosco Ho plans to negotiate a new contract for MS-DOS and Windows. This negotiation will include the commitment of MS-DOS and per processor deal in Windows. All future machines manufactured from VTech will bundle MS-DOS and Windows. The discussion of Windows for Workgroup is also in the process. We expect them to sign the contract early next month. In the meantime, Bosco had planned to travel to the US to visit JoachimK and JeffL in Redmond to build a strong relationship for both companies. Their major concern in the US is trying to push out their multi-processor machines in the market early next year, but their engineer will need more technical support on Windows NT. They are also being aggressive in the PRC market. They are planning to build a channel in PRC to sell software, which is the Chinese input method.

#### **US OEMs**

##### **AT&T (MarkBu)**

Although we were led to believe last month that the Telepen project was going to General Magic this does not appear to be the whole truth. It is true that GM will be involved with Magic Mail but PenPoint does appear to have the design win here. Karen Hargrove has not been very helpful in providing OEM with details of her meetings with AT&T. The political nature of the DSP/VCOS business has escalated to the point of Tom Sarazen being fired over his role in working with MS. I have asked AT&T to provide me with a clear statement of direction in how they would like to continue this relationship with MS. Once reviewed we can set some more concrete steps with the AT&T MM group.

##### **Compaq (MarkBa)**

During the month of September we focused our energies in two areas. The first was the continued work on the joint development projects for CIA, Plug and Play and Pen computing. Secondly, we have been working on repositioning Compaq as a more strategic business partner, specifically as it relates to NT and WFW. There has also been a great deal of effort in the preparation of Compaq's role in the WFW Launch Event in New York. Compaq's unit production and sales continue to increase and they are forecasting approximately 250,000 systems per month for the rest of the calendar year.

##### **Dell Computer (CarlG)**

Dell continues to reject our WFW proposals on the basis that our offer is a financial mis-fit with their "Build-to-order" marketing model and our per copy pricing is too high. Executive discussion between JoachimK and Joel Kocher yielded no progress. DELL is fully aware of our announcement and launch events. Progress was made in developing a high level of interest in FOGHORN. LOI and signed Amendment expected in early October. DELL revealed plans to announce a Video System in Q2 CY93. DELL's plans to offer their OEM Office Bundle to the installed base has been halted. Microsoft participated in DELL's first release of DELLWare with two full page advertisements, one from Excel and one from WinWord. CarlG has prepared a Sr. Partner Marketing Plan and obtained necessary approvals to engage DELL in the plan mid-semester. In exchange for Sr. Partner Funds, MS is negotiating for one guaranteed page per issue, content for which to be controlled by the MS account manager. If negotiations are successful, expect to see WFW and several MM Titles in the Nov-Dec issue and a feature on Access in the Jan issue.

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#### **Digital Equipment Corp (GregAn)**

The Open LAN Manager Conference, OEM Briefing and associated meetings with five Digital visitors the week of Sept 21st consumed 25% of my time this month. All in all a good, productive week. Other activities for the month included finally being able to send a WFW pricing proposal to the DEC PC Group, preparing a Multimedia pricing proposal to for Bookshelf, MM Works, Word/Bookshelf bundle, MM Windows and MSCDEX, organized an MS/DEC meeting re wireless issues and opportunities. Also spent a fair amount of time laying the groundwork for the next round of executive meetings in October.

#### **Hewlett Packard (DarcyH)**

PPG - Continuing to proceed on defining mutually interesting patent portfolios for exchange in a cross-patent license. Defining this with HP/MS Attorneys and HP VP Bob Frankenberg.

HP Corvallis - Delivered a proposal for Pendragon, and are coordinating meetings with HP Bristol for the Penlizard investigation. HP has decided to initially release a Pendragon and "Small Pendragon" that will provide a lower end entry into the market. We are discussing this strategy in a meeting in early October, and are also pushing for the Mobile Windows design win for this system.

HP Grenoble - HP has signed a license for Sparta! They will initially commit to 25K/yr at \$8 per system. HP will also increase their Windows commitment to 150K/yr. We had one meeting on the Pike project which is a desk-slate machine that will allow users to send and annotate faxes over same line as their phone. We have a meeting scheduled with KarenH for IFAX and the Mod-Win guys in early October to investigate best OS for this platform. Grenoble has also asked for quotes on mice for 100-150K/yr. DarcyH working with DavePru to provide.

HP Sunnyvale - HP Sunnyvale has absorbed the Network Server Division. As result, they are still finalizing a re-org, and have asked to postpone a meeting on NT until mid-October. The TVA project has been moved from Sunnyvale to the Personal Software Division (formerly the New Wave division, under Webb McKinney). DarcyH is working to set up a meeting with Webb to discuss strategy. In the interim, we are continuing to work with the TVA project group. HP claims we have a superior ISV and service provide strategy, but is still determining if Haiku is best OS strategy. HP is working to make a decision with TVA by early October. For licensing, at this time we are very far apart, and are postponing any further discussions until HP gives clear signals they want Haiku.

Personal Software Division - We are working on a strategy for cooperation on HP Openview and Hermes. HP has expressed an interest in a publicly stated commitment for cooperation. MS is interested, and DarcyH is working to set up meeting for business discussions.

#### **HP Colorado Networks Division (CND)/Information Networks Division (IND)**

We are in the final stages of an NT source license. HP has verbally stated a desire to move towards a more aggressive commitment to NT on PA. DarcyH is working to set an executive meeting with PaulMa to discuss terms of such an agreement.

#### **Insignia (PeteP)**

Insignia has now withdrawn their application stating an intent to use "SoftWindows" as a trademark. This means the amendment draft to add Windows to their agreement and license them to deliver a product based on SoftPC with Windows can be re-submitted in October. I expect that Insignia will avoid pending price increases and sign this amendment in October even though their product won't be available until January, 1993. Insignia was represented at the OEM briefing by a product marketing manager from the UK.

#### **NCR (MarkBu)**

There were two significant events in September with NCR. The first was the Executive Review on Sept: 16 and the second was that the Windows Amendment was finally executed. The Executive Review was very successful. The focus of the meeting was for MS to gain an understanding of NCR's architectural and systems strategy. Key to gaining corporate commitment to NT will be the feasibility of porting NT to the high end loosely coupled systems in NCR's 3600 and 3700 line. We will be pursuing this opportunity over the next couple of months. Additional areas of interest were in Object Management and development of Multimedia capabilities over the network. With the Windows Amendment now finally signed NCR has committed to a minimum of 100K Windows units per year. This increases NCR's commitment by 4.4M over the next two years, the first time NCR has been willing to step up to additional minimums since the OS/2 problems from a year ago. The MS-Mail license with StarGroup continues to be a trouble spot and is still not resolved. The problems stem from NCR's concern that with the release of the DOS client in MS-DOS 6 and the Windows Mail client in Windows for Workgroups, NCR's potential market will be drastically reduced and they will be unable to meet their minimum commitment obligations. There is still pressure to complete this license but it may be for a significantly reduced Minimum Commitment. A follow-up meeting with the NCR Dundee was held in Scotland with Bill Anderson, John Hall and David McBride attending. This was a very productive and successful meeting with NCR agreeing to show

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NT on an ATM and the next big banking show in Europe. Jim Adamson attended the majority of the meeting and has given his blessing to move forward with the NT investigation. As mentioned before Adamson controls the Financial end of NCR's business and support from him for NT would have dramatic impact throughout Financial and Retail. We also met with both Safari and Clemson to discuss Pen opportunities. It appears all but a high end notepad has been killed in Clemson due to lack of market acceptance for the 3125. This puts on hold all smaller form factors. The only thing that could change this is if there is a large market opportunity for a smaller form factor the 3115 could be revived. NCR also attended the LM Council meeting and was very disturbed at some of the architectural decisions we have made with NT. ( See Issues )

#### **Unisys (PeteP)**

An amendment draft will be delivered in October involving WFW, Windows NT, registration cards in shipments of all MS products, and other important, housekeeping things. We have reached tentative agreement that certain network cards will be shipped on a "per-system" basis with WFW as an element of the system accessory kit which includes the keyboard, mouse, operating system, etc. They are eager to hear details about the strategic integrator program which we should be ready to present later in October. Unisys plans to begin pre-installing all their systems on a worldwide basis in 4-5 months, to coincide with the release and availability of their new network ready systems next year. They are also interested in licensing C7 sources for portation to their CTOS platform and as the compatibility story between platforms. This is important because of the mutual work being done on WOSA specifications for the financial industry and commitments Unisys has made to support our architecture.

#### **AT & T/NCR Projects (TomDa)**

Currently, KarenH of ATDB is acting as the interface with AT&T on the Telepen Project. This is currently not an active project for OEM as this project is being driven by the Strider group with the direct involvement of BillG. Billand of USFG met with the NCR ATM group in Dundee Scotland on 9/15 to discuss the ATM Project. The AT&T Safari group has set out to design and build a convertible machine. The objective of the Safari Project is to achieve a Mobile Windows design win. This past month MarkBu and TomDa met with the Safari group and a group from NCR Clemson (the NCR 3125 group). We discussed NCR product plans, Mobile Windows, CIA, etc. TomDa and MarkBu plan a follow on meeting with the Safari group in Somerset, NJ this month. NCR is very interested in a protect mode OS for the POS Project. MS DOS 7.0 was a candidate for NCR's POS (Point of Sale) machines but this product has now been delayed. MarkBu and TomDa are tentatively scheduled to meet with the NCR POS group in Atlanta later this month to discuss NCR's POS requirements and to explore alternatives.

#### **Compaq Projects**

**Convertible Project** - Compaq is planning to ship a convertible machine in the mid '93 timeframe. We are working with Compaq to get their feedback on Mobile Windows, however Mobile Windows is not scheduled to ship until September '93. Compaq has provided some details on their convertible plans. Compaq has agreed to review the Mobile Windows spec but a follow on meeting is needed. The objective of this meeting should be to get Compaq's support and commitment to Mobile Windows upon the shipment of this product.

**CIA Project** - Compaq's plans are very much in the formative stages. Compaq has requested that we meet to discuss Intel/VLSI issues. This meeting has not yet been confirmed.

**Plug and Play Project** - Weekly conference calls have been ongoing with CarlS, TomLe, TomDa and Compaq to discuss the . Compaq intends to ship systems in Q293 and would like these systems to take advantage of the Win 3.1 Plug and Play enhancements. MS Systems is not clear on Compaq's requirements for these enhancements. Systems would also prefer to remain focused on Chicago. Compaq has committed to provide MS with a letter clearly documenting their requirements.

**HP Projects** - This past month we provided a response to HP's RFP for Pendragon. In this response we specified Mobile Windows.

**Pen Dragon Project** - LuisT, DarcyH and TomDa are scheduled to meet with HP this week to discuss this RFP response. The object of the meeting is to discuss and resolve any outstanding issues concerning this response. We will also discuss the software suite for Mobile Windows, handwriting recognition, etc.

**Pen Lizard Project** - ByronB LloydFr, TomDa and DarcyH are scheduled to meet with HP this week to discuss. The objective of the meeting is to discuss and influence HP's PDA plans. A follow on meeting with the CIA group is also planned with HP in Bristol England. The Bristol R&D group is currently conducting the investigation of HP's CIA project.

**MS-PCA 2613484**

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## FER OEMs

### **Acer America (PeteM)**

- Commit to develop a multimedia player based on Modular Windows. Acer America completed the cost and feasibility analysis. The project has been turned over the Acer, Inc. in Taiwan.
- In addition to Intel based high-end multiprocessor servers that support Windows NT, Acer will also introduce low cost NT desktop based on MIPS processor.
- Acer is interested in considering a new software bundle as a follow-on or replacement for Power-to-Choose application bundle.

### **Fujitsu (SteveMc)**

Executive Review with Fujitsu J top engineering contacts was held after OEM Briefing. Sadao Fukatsu, Director of Software Engineering at FPS, attended. He may become main OEM contact for Fujitsu in US regarding MS Systems platform evangelization. Near term objective is to influence FPS to implement the MS DOS 5 and Win 3.1 platform on their portable (old Poqet brand) PC line.

### **Hyundai America (TomBru)**

Hyundai America is announcing a new line of PCs which will be RTR Windows machines. TomBru worked with Systems Marketing to provide a quote from one of MS's Vice Presidents giving a favorable opinion of Hyundai's decision to participate in MS's RTR program. JoonP stated that Hyundai Electronics will sign a letter authorizing Ed Thomas as the agent for Hyundai to sign Agreements between MS and Hyundai.

### **NEC Technology (SteveMc)**

Due to a late start, and confusion regarding the Select Solutions program distribution strategy (i.e. first product delivered to market end of August, catalogs targeted at direct sales channel yet to go out), it appears that this effort is in deep trouble already. Process to extend the Office agreement for an additional six months, including reduced commitment and higher royalty pricing, is now underway. New "Ready" line of entry level PCs, targeted for distribution through mass merchants, started shipping end of September. NECT's strategy, of offering "high end", easy to use PCs to end users through mass merchants, appears to have little chance of succeeding! To-date they have not established a wide distribution channel (i.e. only Lechmere and Brandsmart, regional resellers, have agreed to carry the product line). Also, it is not clear that end users will pay the premium price that NECT is offering for an entry level PC (i.e. "home office" type). Discussions with high level contacts leads SteveMc to believe that there is a growing sense of frustration at Boxborough related to their lack of success to-date in growing their PC business (i.e. lack of coherent direction, little communication and poor execution)! Monitor and CD-ROM business remains healthy.

### **Toshiba America (TomBru)**

Tom Scott, VP of Sales, explained how TAI's sales organization is set up. Tom Scott committed to get Greg Cegan, in charge of special bids within TAI Sales, in touch with TomBru to look at the number of Requests for Proposal that include Windows as a necessary requirement in the proposal. From this data, TomBru will be able to quantify the opportunities that TAI is missing by not shipping Windows. In competitive situations, TAI must add an additional \$80 to every system quoted to include retail versions of Windows. This information will be presented to Steve Lair, VP of Marketing, at TAI in the future. TomBru also worked with the Windows for Pen Group (Mobile Windows) to help TAI begin writing their Pen Driver for the upcoming Tablet which will show at Comdex. This driver should be finished by TAI by the end of October.

### **Printer Business (RichAb)**

- HP - We had a successful meeting between Maritz, Carnahan, and Belluzzo, where they agreed upon the essential business terms for a printing technology deal. The agreement consists of two parts: \$1.5 million for the user interface and \$8 million for RBA royalties to accrue in 1994. \$3 million of the RBA royalty will be non-refundable and prepaid in 1993. There remains significant work to conclude a contract covering this arrangement. Key items to be worked out in early October are the unit royalty schedules for ink jet and laser printers and the project milestones in 1993 to which the \$3 million pre payment will be tied to. Since exact deliverables cannot be well defined for the RBA portion of the agreement, a process must be defined by which both companies work toward closure on specific implementations.
- Compaq - productive meeting was held in Houston where we demonstrated and briefed the Compaq printing marketing and engineering team on our technology. We had preliminary business discussions as well. Compaq is giving us every indication that they will buy our technology for use in both laser and ink jet products.

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**MS-PCA 2613485**

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- **Canon** - A meeting was held with Kadokura of Canon to discuss the deadlock we have on NDA. Kadokura agreed to go to Canon corporate legal with Mr. Adachi of CIS assistance to get approval on our agreement. The sticking point continues to be Canon's "...reduced to writing..." requirement of confidential information.
- **HP** - A conference call was held between Doug McChord of HP - GHC and Adam Bosworth where HP shared their thoughts on an "electronic briefcase" personal image database product. HP wanted to gauge our interest in such an application, one that they see as potentially creating demand for their scanner products.

**MS-PCA 2613486**

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**MS-DOS 5.0/Windows Watch**

**Japan**

Company	MS-DOS 5 %	Win 3 %	Win 3 Pre-Install %	RTR (Y/N)	Reg Card (Y/N)
NEC	5%	5%	1%	Y (partial)	N
Fujitsu	10%	7%	-	N	N
Toshiba	5%	10%	-	N	N
Epson	3%	12%	-	N	N
IBM-J	90%	20%	10%	Y (partial)	N
Sanyo	90%	50%	45%	Y (partial)	N

**Korea**

Company	MS-DOS 5 %	Win 3 %	Win 3 Pre-Install %	RTR (Y/N)	Reg Card (Y/N)
Daewoo	100%	65%	50%	Y	N
Goldstar	90%	70%	100%	N	N
Samsung	100%	60%	80%	Y	N
Hyundai	95%	66%	95%	Y	N
Trigem	100%	40%	100%	Y	N
Tongyang Nylon	100%	100%	100%	N	N

**Taiwan**

Company	MS-DOS 5 %	Win 3 %	Win 3 Pre-Install %	RTR (Y/N)	Reg Card (Y/N)
Acer	100%	50%	15%	Y	N
Arche	100%	43%	-		
Autocomputer	100%	-	-		
CAF	0%	-	-		
Chaplet	100%	45%	-		
Chicony	100%	1.4%	-		
Copam	100%	45%	-		
DTK	100%	0%	-		
Lyi-Cheng	100%	10%	-		
Mitac	100%	10%	-		
Modern	8%	80%	-		
Mustek	100%	17%	-		
P.C.U.	100%	50%	-		
Sampo	100%	-	-		
Tatung	100%	30%	-		
Twinhead	100%	5%	-		

**Hong Kong/PRC**

Company	MS-DOS 5 %	Win 3 %	Win 3 Pre-Install %	RTR (Y/N)	Reg Card (Y/N)
Bondwell	100%	-	-		
Elite	-	-	-		
Legend	100%	-	-		
Ocean	-	-	-		
Porro	100%	-	-		
VTC	100%	40%	100%	Y	
UO	-	-	-		

**US OEMs**

Company	MS-DOS 5 %	Win 3 %	Win 3 Pre-Install %	RTR (Y/N)	Reg Card (Y/N)
Compaq	90%	40%	95%	Y	Y
Dell	93%	100%	65%	N	N
Digital	100%	100%	100%	N	N
HP	98%	10%	0%	N	N
NCR	85%	15%	100%	Y	Y
Unisys	97%	97%	5%	N	N
Canon USA	100%	66%	66%	N/A	N
Fujitsu PS	0%	0%	0%	N/A	N
NEC Tech	88%	100%	90%	Y	N

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