

**MICROSOFT CH
July OEM Status Report**

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CH OEM Summary

REVENUE

MS-DOS amendments for Goldstar, Samsung, Hyundai and Qnix were approved by the government and the pending M/C amounts was invoiced in July.

Monthly:

	July Actual	July Budget	% Achieved
Daewoo Telecom	\$0	\$0	-
Goldstar	\$1,850,000	\$0	-
Hyundai	\$2,000,000	\$0	-
Samsung	\$1,800,000	\$0	-
Trigen	\$0	\$0	-
All Others	\$108,000	\$0	-
Total	\$5,758,000	\$0	-

Quarterly:

FY93	Q1 FCST	Q1 Budget	Q3 FCST	Q3 Budget	Q3 FCST	Q3 Budget	Q4 FCST	Q4 Budget	FY93 Total
DWT	\$1,037,500	\$1,000,000	\$1,037,500	\$1,000,000	\$1,037,500	\$1,000,000	\$1,037,500	\$1,000,000	\$4,150,000
GS	\$2,775,000	\$700,000	\$925,000	\$700,000	\$925,000	\$1,000,000	\$925,000	\$1,000,000	\$5,550,000
HEI	\$3,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$4,000,000
SEC	\$3,125,000	\$1,250,000	\$1,325,000	\$1,250,000	\$1,325,000	\$1,250,000	\$1,325,000	\$1,250,000	\$7,100,000
TYN	\$120,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$300,000
TG	\$1,230,000	\$1,000,000	\$1,025,000	\$1,000,000	\$1,025,000	\$1,000,000	\$1,025,000	\$1,000,000	\$4,305,000
Others	\$170,000	\$188,000	\$110,000	\$188,000	\$60,000	\$188,000	\$60,000	\$188,000	\$400,000
Total	\$11,457,500	\$5,198,000	\$5,482,500	\$5,198,500	\$5,432,500	\$5,498,500	\$5,432,500	\$5,498,500	\$27,805,000

Significant New Business Signed

Finally, Samsung amendment #1 for per system MS-DOS with increasing M/C was signed.
Tongyang Nylon signed one year extension amendment.

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News

- Government announced the change of RFP specification from MS-DOS to K-DOS.
- DR Korea was renamed as Novell Korea and released Hangeul DR-DOS 6.0.
- Major OEMs started one page of newspaper's advertisement for their new PC models with Hangeul Windows and Audio Card bundle.
- The overseas PC shipment for the first half year by Korean OEMs was recorded about 50% of last year's.
- Samsung and Trigen announced another reorganization in PC divisions. Samsung cut off the staffs of planning, marketing and supporting departments. Trigen layed off two hundred employees.
- Phillips formed a CD-I consortium with major Korean consumer electronics companies.
- We made the RFP spec for military PCs adopt MS-DOS and Windows.

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Issues

- Per system MS-DOS amendments of Goldstar, Hyundai, Qnix and Samsung were approved by the government.
- Samsung agreed to increase quarterly M/C amount to change the MS-DOS license to per system base and signed Amendment #1.
- Toyang Nylon refused our proposal for new amendment and accepted one year extension with new price.
- New agreements with Daewoo Telecom was agreed, but one of their domestic sales teams claimed to review Hangul DR-DOS 6.0 inside and their signature was delayed.
- Trigen agree

K-DOS Issues

New PC procurement spec was suddenly announced for the governmental and educational use and it says "K-DOS 3.3 or its compatible". Government officers called PC makers to explain the new spec and urged OEMs to ship K-DOS for the governmental market. They implied that Hangul MS-DOS couldn't be K-DOS compatible. There is no fixed price guide line for K-DOS and no entity to responsible for compatibility issues with current applications. This decision was made without any notification to the industry and published. We started working with OEMs to add Hangul MS-DOS to OEMs' RFP to be submitted until August 1 and provided our Hangul Command version of MS-DOS H.S.O. And several days later, another governmental agency determined not to include H MS-DOS in their purchasing specification. But, announced specification itself is still effective. We expect that they may determine to consider K-DOS only as the Government standard once they get convinced that K-DOS would be OK.

Account Summaries

Daewoo Telecom (DWT)

DWT began to ship Hangul Windows with their 286 Home PCs. New 386 systems will be released next month with Hangul Windows. And Hangul PC Works will be shipped also. We agreed to extend the term of the MS-DOS and Win 3 agreement to three years during the negotiation. Their domestic sales team is considering to adopt DR-DOS for limited low cost models. DWT R&D team started to test Hangul DR-DOS 6. We raised compatibility issue to let their R&D team reject DR-DOS with PPB issue. We'll hold the agreement until their final decision for DR-DOS issue with the time limit.

Goldstar Co., Ltd. (GS)

New agreement was approved by the government. For K-DOS issue, GS submitted RFP for the governmental market with only Hangul MS-DOS. Goldstar is developing PalmTop utilizing 386SL, 2MB Memory, LCD and Flash File system without HDD. This PC is based on WFP and their target is to show the machine at This Comdex Fall. For Entertainment package deal, GS Marketing Dept. internally decided to bundle Hangul Entertainment Pack with GS286 & 386 Windows Systems and tried to get the approval from their management. But the final decision is delayed by their GM of PC division due to a burden of COGs of their machines. They started cost analysis again and will make a decision.

Handok (HDK)

New amendment to revise their old agreement is being discussed.

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Hyundai Electronics

Hyundai's amendment was approved by the government. Their R&D organization was changed and Mr. Y.H. Lee moved to sales group. They are focusing on Multimedia supporting PCs for domestic market. The assignment issue of the agreement from HEI to HEA is not resolved. We cannot allow the subsidiaries to cover the mother company or the other affiliated companies' business in license agreement.

Qnix Computer (QNX)

The agreement was approved by the government.

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Samsung Electronics (SEC)

Samsung accepted our offer finally after meeting with Dr. Ahn and sending their signed documents for Windows commitment number. The amendment #1 was signed with increasing quarterly M/C reflecting their selection of per system term for MS-DOS. And the amendment was approved by the government faster than we expected.

Samsung PC division was reorganized. Officially Dr. Ahn became a responsible person for the licensing agreement.

They reduced the number of supporting staffs such as marketing, planning and managing departments to cut the overhead cost. A software marketing manager quit the company and moved to the position of GM, Lotus Korea.

Separately from CD-I projects in consumer electronics division, Samsung formed the Task Force Team to set their long term Multimedia strategy for whole Samsung electronics products. We'll let them visit Redmond to exchange both parties' plan and strategy for Multimedia. Samsung announced their Multimedia authoring systems based on the localization of AuthoWare product. Their R&D center considered to review the plan to build Windows NT machine and the R&D team attended the FDC in San Francisco. New Amendment for WFP and MME was agreed and the draft agreement was made for their review.

TongYang Nylon (TYN)

We persuaded TYN to extend the agreement term to three years, but they don't have the concrete plan to continue PC business.

They will determine whether they will continue PC business or not within this year. And they accepted new price to reduce their PPB. The agreement was signed.

Trigem Computer (TG)

Trigem insisted not to increase quarterly M/C due to FTC issue. But, finally they accepted three years agreement offer not to change M/C amount. We agreed to make the agreement to be effective as of April 1.

The WinWorks deal is being discussed for some of their buyer labeling export PCs. They was reorganized and old directors and managers were layed off. Their number of employees was decreased to around 1,200. The number is around 60% of last year's employees number. The reorganization made the delay of the signature on new amendment.

Windows/DOS Watch

Company	Shipment	DOS 5%	Win 3%	Win 3 Pre-install
Daewoo Telecom	14,000	100%	75%	
Goldstar	7,000	100%	40%	80%
Samsung	19,000	100%	70%	60%
Hyundai	9,000	100%	85%	
Trigem	12,000	85%	20%	
Tongyang Nylon	300	100%	66%	

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WFW Seminar

WFW seminar was held with Redmond WFW group, Tim Breidigan. Had a internal seminar for the training and meetings with Samsung and Onix. Sixty engineers attended the seminar and there was Q&A for WFW.

Non-Royalty Business

Achieved retail sales revenue of W113,972,954 versus the target budget of W95,770,000.

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The OEM Sales Summary

Jul-02

Month	Monthly		Cumulative		
	Actual Sales	Budget	Actual Sales	Budget	Achievement
Jul	\$5,758,000.00	\$0.00	\$5,758,000.00	\$0.00	
Aug		\$0.00		\$0.00	
Sep		\$5,198,000.00		\$5,198,000.00	
Oct		\$0.00		\$5,198,000.00	
Nov		\$0.00		\$5,198,000.00	
Dec		\$5,198,000.00		\$10,396,000.00	
Jan		\$0.00		\$10,396,000.00	
Feb		\$0.00		\$10,396,000.00	
Mar		\$5,498,000.00		\$15,894,000.00	
Apr		\$0.00		\$15,894,000.00	
May		\$0.00		\$15,894,000.00	
Jun		\$5,498,000.00		\$21,392,000.00	
Total	\$5,758,000.00	\$21,392,000.00	\$5,758,000.00	\$21,392,000.00	26.92%

OEM Revenues in Detail

Company	MTD	YTD	Remarks
Daewoo Telecom	\$0.00	\$0.00	
Goldstar	\$1,850,000.00	\$1,850,000.00	1st, 2nd M/Cs
Samsung Electronics	\$1,800,000.00	\$1,800,000.00	3rd, 4th M/Cs
Hyundai Electronics	\$2,000,000.00	\$2,000,000.00	1st, 2nd M/Cs
Trigem	\$0.00	\$0.00	
Tongyang Nylon	\$0.00	\$0.00	
Koryo Systems	\$0.00	\$0.00	
Onix	\$108,000.00	\$108,000.00	1st, 2nd, 3rd M/Cs
Handok	\$0.00	\$0.00	
Total	\$5,758,000.00	\$5,758,000.00	

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OEM Revenues Forecast

Company	August	September	October	Total
Daewoo Telecom	\$0	\$1,037,500	\$0	\$1,037,500
Goldstar	\$0	\$825,000	\$0	\$825,000
Samsung Electronics	\$0	\$1,325,000	\$0	\$1,325,000
Hyundai Electronics	\$0	\$1,000,000	\$0	\$1,000,000
Trigem	\$0	\$1,230,000	\$0	\$1,230,000
Tongyang Nylon	\$80,000	\$80,000	\$0	\$120,000
Koryo Systems	\$0	\$0	\$0	\$0
Onix	\$0	\$82,000	\$0	\$82,000
Handok	\$0	\$0	\$0	\$0
Total	\$80,000	\$5,639,500	\$0	\$5,809,500

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