

Hideya Utagawa

From: Jeff Lum
To: Hideya Utagawa; Ted Hannum; Toshiro Mikanohara
Cc: Ichiro Fukuchi; Kiyokazu Omi; Tom Brubaker
Subject: RE: AMENDMENT #9 for EPSON
Date: Tuesday, August 25, 1992 10:40AM

You definitely want to get more than budget for FY93. I believe we should be able to get at least \$2-\$2.5M in April for the new agreement given the increased MSDOS royalty and increased windows penetration.

From: Ted Hannum
To: Hideya Utagawa; Toshiro Mikanohara
Cc: Ichiro Fukuchi; Kiyokazu Omi; Tom Brubaker
Subject: RE: AMENDMENT #9 for EPSON
Date: Tuesday, August 25, 1992 8:59AM

Hideya,

Sorry for my late response. I wanted to discuss with Jeff before I answered. We finished our discussion a few minutes ago.

Here is what I would like to do:

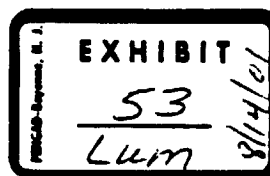
- 1) Have Aldhane sign a multi-year (3 years) master license before end of Sept.
- 2) MSDOS remains at \$10 royalty *until* April 1st. After April 1, 1993 msdos royalty goes to PGL (*\$17-18)
- 3) Other than the \$516K Credit Memo, No additional mincommits until April 1st. This means they can eat up as much of the \$2.1M PPB plus the \$516K Credit MEMO as they can between Sept 30, 1992 and March 30, 1993.
- 4) There be a mincommit payment paid by Epson to MS between April 1 and June 15, 1993 (you decide) that "at minimum" gives Toshim his Epson budget for FY93. (for example-these are not real numbers, just an example-say by 9/30 Epson has paid MS \$375K. By 12/30 MS can recognize the \$516K Credit MEMO as revenue. Since Epson's FY93 budget is \$2.26M, you should have them commit to an additional \$1,369,000 as a mincommit during our q4fy93. If you can get more, fine. Actually, if we raise their msdos royalty, I think there would be more mincommit due. But that will give Toshim his Epson budget for fy93.)
- 5) Our opening position is that WFW and NT each need additional mincommit.

I do not want Epson to use up their \$2.1M PPB over next 6 months without MS getting something for it. That PPB gives us negotiating power. It does not make sense to give away negotiating power without getting something back for it.

HIGHLY
CONFIDENTIAL

MS 0049212
CONFIDENTIAL

Page 1



MS-PCA 1159735
CONFIDENTIAL

Please remember Richard's presentation in Hong Kong...that \$2.1M PPB is not money we owe Epson. That is money they promised to pay MS in exchange for lower royalty rates. They promised to ship that many systems and they failed to do so. We should not be ashamed of the PPB. It is not MS' fault that Epson did not accomplish what they promised us they would do.

Please send me any questions, comments, criticisms.

Thanks,
Ted

| > From: hideyasu Mon Aug 24 19:42:00 1992
| To: tedha toshim
| Cc: ichif kiyoo tombu
| Subject: RE: AMENDMENT #9 for EPSON
|
| X-MSMail-Message-ID: 7D76D51A
| X-MSMail-Parent-message-ID: 66EB40DC
| X-MSMail-Conversation-ID: 66EB40DC
| X-MSMail-Priority: High
| X-MSMail-WiseRemark: Microsoft Mail - 3.0.729
| From: Hideya Utogawa <hideyasu@microsoft.com>
| Date: Tue, 25 Aug 92 11:24:40 PDT

| Hi Ted, very sorry to late rate response on this issue and thank you
| very much for your great help. I was considering about this issue
| which
| way is best solution for both of Epson and us, and we (Charly and me)
| were having meeting among this problem many time. As you know,
| the expire date of this agreement getting closer and closer, and in
| addition,
| It is suddenly decided that Mr. Akabane (Biggest key person in EPSON,
| working at EPSON Research Center at US now) comes to KK on this
| Friday.
| I must decide the direction among this issue in more hurry because we
| are
| going to explain next amendment plan to him at that time.
| I'm afraid to say, I will be glad if you advise me quickly.
|
| 1) Why Epson cannot make a multi-year agreement now.
| For making Epson's DOS royalty to increase to correct price, we
| need 6 months
| expansion on this agreement.
| Reasons as follows:
| - For having them to pay correct DOS royalty, next April is good
| season.
| April is a starting month of Japanese companies' physical year.
| Almost Japanese companies are start to make the budget for next

Page 2

HIGHLY
CONFIDENTIAL

MS 0049213
CONFIDENTIAL

MS-PCA 1159736
CONFIDENTIAL

physical
| year. In September or October. We are planning to propose them
| that increasing
| DOS royalty to correct price at that time. This is practical to
| negotiate.
| If we make multi-years amendment at this time, it will carry out

| to fixing DOS royalty
| to more difficult, because Epson doesn't like to change royalty
| rate in middle of
| their physical year.

| - Expiring of the agreement with large PPB that \$2.1M. Epson
| probably
| will try to back this money with some way in next agreement (i.e.

| cheaper royalty more.
| .some special good deal for them, etc.).

| - The Value that \$2.1M plus \$516K of M/C for this expansion,
| approximates their total
| forecasted running royalty until next March from now.
| This means amendment #9 will be terminated with no or few PPB on

| next March.
| This is good posture to really terminate current agreement
| conditions.

| - \$516K of M/C is easy to pay for them, because this money is their
| overpaid amount in
| 2 years ago. It doesn't make them to pay actually now.

| After termination of this amendment #9 with above conditions, we
| provide all new agreement
| with correct conditions for from next April as a standard one, and

| we start this negotiation
| right after this September that will be effective date of this
| amendment. Please remember
| September or October is starting time for making next physical
| year's budget.

| I hope you to advise me.

| Best regards,
| Hideya

| From: Ted Hannum

HIGHLY
CONFIDENTIAL

MS 0049214
CONFIDENTIAL

MS-PCA 1159737
CONFIDENTIAL