



Monthly Report
NEC and Others

September, 1991
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1. Key Accomplishment

NEC:
An agreement for CD-ROM Extensions was closed.
We have pushed NEC to bundle Windows. At last, NEC announced machines bundle Windows. The name of the machines are PC-98GS and PC-9800CS5/W. NEC also announced to prepare a machine pre-install MS-DOS. The name of the machines are PC-9800NC and PC-9800CS.

2. Sales/Billing V.S. Budget

	Sept. Actual	Sept. Budget	QTD Actual	QTD Budget	% of	YTD Actual	YTD Budget	% of
NEC	910k	0	4,900k	1,166k	420.2%	4,900k	1,166k	420.2%

3. Business Closed

J015-1249 with NEC
Product : CD-ROM Extensions 2x, Royalty : \$2.0, M/C : \$40K

4. Significant OEM opportunities in progress

NEC asked us to reduce 15% to 40% of royalties of DOS and Windows. Their demand is to set royalties at the lower rank which means to change the royalty for 386SX for current 286 royalty. This is really a serious matter. I don't estimate how big it influence our revenue yet. I will estimate it and report to you as soon as possible.

An Amendment to J015-8327 for MS-DOS 2.11
This amendment is still on the way of NEC's signature.
But additional M/C came into issue. NEC intended to pay \$30K due on signing. However, it was ascertained that they should pay only \$500 due on signing though additional M/C is set at \$30K because this agreement is so old that "Initial Term" is not defined in the agreement. So we have to write side letter to make confirm of this.

An Amendment to J015-9285 for ROM-DOS 2.11.
I offered the conditions that Royalty is \$3.5 and additional M/C \$700K to NEC HE. They basically agreed with the conditions. We don't have any issues.
Next Step is that NEC will provide machine names and so on to be described in Exhibit D. Then I will make a draft. I expect this deal will be completely closed by the end of this year.

Kanji CS status
In a contractual point of view, we are still waiting for NEC's comments to the localization agreement though they said that they gave us their comments by 9/12. Anyway, we will have a meeting on 10/9. Then I will get their comments. It embarrasses us that NEC lawyers make slow progress.

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In a technical point of view, We had the technical training from 9/9 to 9/11 in Seattle. Unfortunately I couldn't attend the training. So I'm not sure the detail, but so many questions that NEC asked were clarified.

But judging from the attendees' impression in MS side, It seems very tough to develop Kanji CS. Because NEC, actually Chubu NEC Software Corp. is developing, is not accustomed to develop a software with the source code and they are not good English speakers.

I will hold a follow-up meeting on 10/9.

Kanji SQL status

In a contractual point of view, I received their comments and had a meeting with Marty, who is lawyer and work for PTSG, and Nancy. Marty will contact Sybase and get Sybase's comments. But we felt it's impossible that Sybase accept NEC's comments.

The point of their comments is, I feel, that NEC don't want that Sybase is expressly entitled to monetary relief.

I will have a meeting on 10/8.

Pen-Windows

As you already know, we had meetings with NEC and NEC HE.

The issues that I'm concerned are;

- Schedule delay of Pen-Windows US. Pen-Windows schedule depends on Windows 3.1. Windows 3.1 is scheduled to be released January though it's scheduled at the end of this year at first. And Windows 3.1 schedule tends to be delayed. Mr. Tosaka, who is General Manager in 2nd OA, is very concerned export PC because he recently took over export PC. He also takes charge of domestic PC still. At this meeting, we explained that Pen-Windows ODK would be shipped at the end of this year.

If the schedule will be delayed, It becomes big problem.

- Schedule of Kanji Pen-Windows. NEC still want to launch kanji pen-windows in May '92. Our current schedule doesn't match their request. So Pen group and KK R&D discussed this issue and at the result of the meeting, we may be able to ship kanji pen-windows in spring '92 but this is not fixed.

5. Significant OEM events

NEC announced the following 5 types of PCs.

At the same time, NEC announced MS-DOS 5 and Multimedia Extensions.

Name	CPU	Memory	HD	Price(Yen)
PC-9800NC	386SX(20MHz)	2.6MB	40MB	738,000
NS200 model 03NC	386SX(20MHz)	2MB	40MB	848,000
PC-98GS	386SX(20MHz)	2.6MB	40MB	698,000
PC-9800CS	386SX(20MHz)	640KB	40MB	548,000
NS200 model 03NS	386SX(20MHz)	2MB	40MB	498,000

Note)

- PC-98GS is the PC for MultiMedia.
- MS-DOS5, Windows and Authorware are preinstalled in PC-98GS.
- TFT color LCD come up with PC-9800NC and NS200 model 03NC
- PC-9800NC, NS200 model 03NC and NS200 model 03NS is note type PCs.
- End users can purchase PC-9800NC and PC-9800CS with pre-installed DOS.
- MS-DOS and Windows are preinstalled in PC-9800CS5/W.

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Font

We had a meeting regarding Font issue. Actually NEC Office System Corp. is making font business. NEC's strategy about font is to disclose specification of font I/F and bundle TrueType font without hint into Windows 3.1 when Windows 3.1 is launched.

MultiMedia

We had a meeting to discuss multimedia strategy in Japan.

In a sense, Fujitsu go ahead of multimedia. NEC regard themselves as top runner in PC world so they are destined to ship MS product fastest than other OEMs. That's why NEC was flustered.

Our issue is that the specification of MPC US is irreconcilable. It means that we cannot ignore NEC nor Fujitsu that is making business in cooperation with MS according to our strategy.

The result of the meeting is that it's better not to define MPC-J. This is a sort of strategy. Actually NEC or Fujitsu can recruit more ISVs than MS recruit with defining MPC-J.

And NEC's strategy regarding multimedia is not to manufacture new PC for multimedia but to target existing 4.8 million users. So NEC prepared a kind of upgrade kit. However They also prepare dedicated multimedia PC for professional. That's PC-98GS. They expect their competitor is not Fujitsu nor IBM, but Apple.

6. Next Monthly Goal

NEC:

- Offer new royalties.
- make a draft to consolidate an agreement to NEC HE into the agreements to NEC 20A.
- Proceed with Kanji CS localization agreement
- Proceed with an NDA for Kanji SQL

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