

**HIGHLY
CONFIDENTIAL****MICROSOFT KK OEM SALES
May 1992 Status Report**

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KK OEM Summary

Business Show was held, where all of major Japan OEMs took considerable space for showing their PC based office solution. Pen Computing machine was one of epochmaking product from several OEMs. Windows for Pens Kanji Version was demoed by NEC, SANYO, CANON, OKI and WACOM, however Pen Point US Version was demoed by OKI and FUJITSU.

On going in parallel Windows 3.1 Retail Pack project and Windows 3.1/V co-development work with AX OEMs. Need to fix the schedule as well as DOS5.0a/V and Win for Pens and we have to push OEMs more for preinstall.

Good news closing FUJITSU amendment for \$40M Agt, where we defined \$28/sys for DOS/WIN for most of their business machines, however it's bad that we may not get \$2.5M from SANYO agreement this FY92. The year is ending up at \$49.3M at the current forecast.

Revenue**Monthly:**

	May Actual	May Budget	% Achieved
Epson	\$17,890	\$130,750	14%
Fujitsu	\$0	\$2,500,000	0%
Hitachi	\$0	\$0	-
IBM-J	\$267,683	\$35,000	765%
Matsushita (MEI)	\$0	\$0	-
Mitsubishi (MELCO)	\$345,475	\$285,720	121%
NEC	\$4,163,783	\$547,500	761%
OKI	\$0	\$0	-
Sanyo	\$0	\$0	-
Sharp	\$0	\$0	-
Sony	\$31,139	\$0	-
Toshiba	\$16,210	\$2,486,700	1%
All Others	\$56,902	\$0	-
KK Total	\$4,899,082	\$5,985,670	82%
KK YTD	\$46,561,450	\$49,440,230	94%

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Quarterly: (in \$K)

FY 1992	Q1 Actual	Q1 Budget	Q2 Actual	Q2 Budget	Q3 Actual	Q3 Budget	Q4 Frest	Q4 Budget	FY92 Total
Epson	\$176	\$2,500	\$14	\$621	\$31	\$0	\$1,033	\$724	\$1,253
Fujitsu	\$2,503	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$20	\$2,500	\$7,520
Hitachi	\$18	\$0	\$0	\$0	\$0	\$0	\$82	\$0	\$100
IBM-J	\$243	\$35	\$259	\$35	\$423	\$35	\$268	\$35	\$1,193
MEI	\$545	\$580	\$2	\$60	\$500	\$540	\$60	\$40	\$1,107
MELCO	\$314	\$168	\$51	\$275	\$27	\$275	\$347	\$286	\$738
NEC	\$4,900	\$1,166	\$4,294	\$4,474	\$2,218	\$1,885	\$4,671	\$5,039	\$16,083
OKI	\$1,266	\$1,500	\$500	\$0	\$401	\$0	\$1	\$0	\$2,168
Sanyo	\$0	\$0	\$1,714	\$0	\$1,552	\$0	\$0	\$1,000	\$3,266
Sharp	\$359	\$820	\$531	\$850	\$515	\$889	\$500	\$926	\$1,905
Sony	\$0	\$400	\$453	\$0	\$327	\$0	\$31	\$0	\$811
Toshiba	\$2,087	\$1,900	\$1,667	\$2,471	\$1,205	\$2,471	\$1,962	\$2,487	\$6,920
Others	\$1,109	\$1,839	\$926	\$2,164	\$2,137	\$3,739	\$2,091	\$2,351	\$6,264
Total	\$13,518	\$13,408	\$12,910	\$13,449	\$11,836	\$12,334	\$11,065	\$15,388	\$49,329

Signals

Green Flag:

- FUJITSU amendment was signed under the condition of \$28/sys for DOS/WIN and \$40M payment reschedule.
- NEC, SANYO, CANON, OKI and WACOM demoed Kanji Win for Pens at Business Show.
- NEC have made Windows NT US Version booted on PC-9800.

Yellow Flag:

- Need to fix the product schedule for Kanji Windows 3.1 MS Retail Version, DOS/V Version and Win for Pens.
- There look several hurdles to clear for having more OEMs to preinstall Windows.
- IBMJ released OS/2 2.0 Kanji and made it available on AT compatible VGA machines also.

Red Flag:

- SANYO agreement has taken unexpected time for signature and it seems hard to reach \$50M in FY92 total.
- Six Japan OEMs have been offered to take part in Kaleida Assotiation by IBM and APPLE.

Significant New Business Signed

Account	Product	Comments
FUJITSU	True Image	\$25/sys, \$95K for Source Code

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News

- The amendment with FUJITSU was signed by them thru long and tough negotiation. The main conditions are (1) \$28 per all FMR 386/486 desktop for DOS and WIN, (2) one year extension of term and (3) one year shift of payment schedule of \$5M in M/C.
- Business Show was held May 20 thru 23, where prototype machine for Pen Computing was one of epochmaking product from several OEMs. Windows for Pens Kanji Version was demoed by NEC, SANYO, CANON, OKI and WACOM, but Pen Point US Version was demoed by OKI and FUJITSU. JUST SYSTEM demoed Pen DOS with Ichitaro and IBMJ showed OS/2 2.0 base proprietary Pen system. HITACHI, who has developed Pen PC, decided not to show it this time but to focus on pre-marketing for the time being.
- The third Windows for Pens Seminar was successfully held, where 80 people attended as well as 30 ISVs.
- NEC, working at Redmond for porting NT US version onto their machines, have successfully made NT booted on PC-9800. They plan to run NT (US) fully on PC-9800 by our release of Beta version in July.
- IBMJ released OS/2 2.0 Kanji and delivered its preinstalling machines, on desktop and two notebooks. The SRP of OS/2 2.0 is 33,200Yen (\$250).
- EPSON decided to release VGA PC, in addition to PC-9800 compatible series, starting from our release of DOS 5.0a/V this October.
- It's reported IBM (Japan?) determined to license AT BIOS to MATSUSHITA.
- The negotiation with FUNAI on New Handy Systems are being closed at \$7/sys for ROM-DOS with \$700K for two years.
- Apple announced "Newton" at CES, new Pen base system which is to be manufactured by SHARP.
- DEC Japan and EPSON co-announced to cooperate with each other for marketing WS and PC in Japan.
- DECJ announced DEC PC Series and launched into Japan market.
- AST Japan announced new lineup, Power Premium as DOS/V machine.
- Olivetti Japan announced R4000 PC and showed demo running Windows NT on it.
- NEC released new 386 Desktop series, PC-9800 FX and FS. FX is using 12MHz of 386 and this makes NEC's 286 Desktop discontinue in sale.
- EPSON released new PC-486 series against for NEC PC-9800 series at higher throughput per price. Also it has the availability for upgrading CPU at user field.
- FUJITSU released new FM-R lineup, including 486DX (50MHz) machine.
- SHARP announced new Dedicated Japanese Wordprocessor, PC-WD series, which has the capability of DOS/V machine. For the time being they offer user to buy IBMJ DOS/V package in the market as an optional OS.

Issues

- The Consolidated new agreement with SANYO has taken unexpected time at their signature, and it seems hard to post \$2.5M in June. In the case we can't reach \$50M nor our final estimation for this FY revenue.
- IBM and Apple have offered to establish the association for Multimedia Specification based on "Kaleida" to six Japanese OEMs and some European OEMs. MATSUSHITA, SONY, NEC, HITACHI, TOSHIBA and SHARP are listed in the Japanese OEMs.
- Had Marketing, Engineering and Sales meetings with NEC on Windows 3.1 Retail Package from MS. We made much progress on the project but have to clarify how to implement a number of functionality requirement from NEC, and when to release the product.
- The working group for co-development of MS-DOS 5.0a/V and Windows 3.1/V is going well. Problem is there's schedule delay of the shipment of these products, currently planed at Oct/E, and also the release plan of MS Win 3.1 Retail Pack may shift Win3.1/V a little more later. We have to consider about the possibility of Win 3.0/V release if 3.1 can't keep the pace with DOS/V release.
- NEC and some other OEMs want MS to release Kanji Windows for Pens based on both Win 3.0A and 3.1, but our product release plan has not been confirmed. This relates to the timing of next version of Win for Pens.
- Got consensus from NEC and other six OEMs for preparing and releasing Multi Vendor Lan Man from MS in July. As for EPSON, we plan to authorize their PC-9800 compatible machines in next release.
- TOSHIBA's requires us extremely low royalty for DOS/WIN for preinstalling them onto their Harddisk Pack (\$0 for DOS and \$15 for Win). We have to check out different points of factors for this nego. In parallel they've got interested in Ready-to-Run on overseas machines.

- Since MS WPG presented JUMBO/DUMBO to CANON, we've kept the nego held because the announcement with HP has not done. We plan to move next stage with CANON as soon as the further nego is available, since they've been much interested in DUMBO on their new printer systems.
- RICOH, who have provided StarLan MS Networks, want to implement the portion of DOS Lan Man Enhanced version for improving memory management and DOS4/5 Redirector. We're closing this deal with going ahead and RICOH will pay DOS LM royalty for the enhanced MS Net.
- Had meeting between RICOH and KarenH on E-Fax project. The matter of which "protocol" for Fax being used as standard is not fixed and we have to keep nego on several items.
- The contractual matter about Multimedia Viewer is still under nego between SONY, SONY-America and MS.

Account Summaries

Please see each report by account manager on OEM summary and status in detail.

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Windows/DOS Watch (Estimated)

Company	Shipment	DOS 5	Win 3	Win 3 Pre-Install
NEC	110,000	20%	6%	1%
Fujitsu	14,000	40%	8%	0%
Toshiba	7,000	30%	3%	0%
Epson	10,000	30%	5%	0%
IBM-J	12,000	90%	18%	6%

Next Month Goals

- Follow up Red Flag items.
- Push again OEMs for Windows thru the revised Kanji Windows products plan.
- Have GM meetings with OEMs.
- Prepare for BillG visit in OEM part, and CarlS visit in OEM meetings.
- Attend World Wide OEM Sales Retreat.