

# Microsoft

*Microsoft Interoffice Memo  
 International OEM Sales  
 March, 1991 Monthly Report*

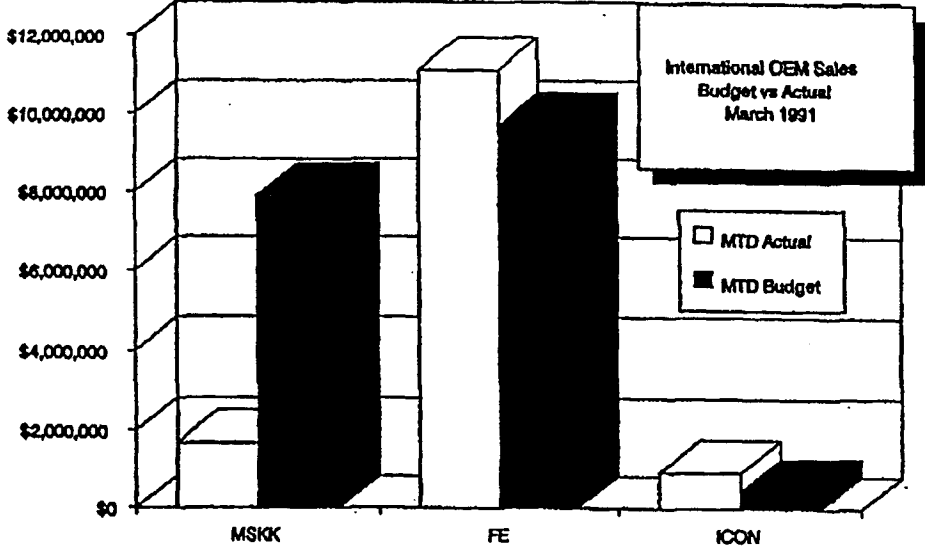
To: Joachim Kempin  
 Fr: Ron Hosogl  
 Date: 4/22/91

cc: Chris Smith    All FE/ICON General Managers and OEM Sales Managers  
 Peter Neupert    Tim Beard    Neil Miller    Jody Snodgrass    Tom Sherrard  
 Brad Chase    Sergio Pineda    Rick Tsang    Tom Brubaker    Steve McLeod    Gary Perez

**SUMMARY**

International OEM's aggregate sales in March was disappointing as we finished 24% below budget. We completed the month at a total of \$13,733,687 in licensing revenue versus budget of \$18,092,964. Japan continues to perform significantly under expectation and finished the month below budget by 79%. Far East, and ICON finished above budget by 14% and 103% respectively. Finished goods sales to F.E. OEMs in the U.S. only booked \$64,349 versus budget of \$152,310 (-58%V).

YTD, International OEM achieved \$72,907,341 against its budget of \$81,498,941 (inclusive of Redmond F.E. OEM packaged goods sales) and is 11% behind plan.



**JAPAN OEM TOTAL**

March Actual	March Budget	QTD Actual	Q3 Budget	V% QTD	Q1 thru Q3 Budget	Q1 thru Q3 % Actv/d
\$1,685,986	\$7,910,200	\$9,743,352	\$17,900,635	-45%	\$44,591,009	70%

MSKK's March billing was \$1,685,986 versus a budget of \$7,910,200 (-79%V) and concluded a very dismal quarter. The usually large PC export shipments are down sharply in Q3 again. The Japan OEM group, short of account manager headcount this quarter, has not been able to close a number of licenses and amendments that would have resulted in incremental revenue in March. These outstanding contacts will close in Q4 but KK will now end the FY at slightly under \$52 million (another \$2 million under half year projection). As of the end of the March, the OEM budget for FY92 were also close to final. KK will only

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grow its revenue from \$52 million to \$55 million next year. YTD, MSKK OEM booked a total of \$31,186,920 against budget of \$44,591,009 and is only 70% of its planned revenues.

**FAR EAST OEM TOTAL**

March Actual	March Budget	QTD Actual	Q3 Budget	V% QTD	Q1 thru Q3 Budget	Q1 thru Q3 % Actvd
\$11,118,854	\$9,724,472	\$14,586,388	\$13,193,208	11%	\$32,507,183	112%

Far East OEM's March performance was \$11,118,854 versus budget of \$9,724,472 (over budget by 14%) and continues to do well. Korea was 11% above budget, while Taiwan was 13% above budget. Asia Pacific enjoyed a strong billing month at 58% over budget. Australia fell below its budget by 36%, but remains above its YTD revenue target. The FY92 budgets were also close to complete for the Far East subs. Korea and Taiwan will remain relatively flat in revenue growth next year. YTD, FE OEM booked \$36,246,384 against budget of \$32,507,183 (over budget by 12%).

**ICON OEM TOTAL**

March Actual	March Budget	QTD Actual	Q3 Budget	V% QTD	Q1 thru Q3 Budget	Q1 thru Q3 % Actvd
\$928,847	\$458,292	\$1,766,868	\$1,091,618	62%	\$3,285,439	124%

ICON's sales were \$928,847 against budget of \$458,292 (above by 103%). Canada finished over budget by 471%. Mexico and Brazil finished over budget by 75% and 44% respectively. AIME billing came in above budget by 56% but we have invoiced to areas where payment collection could be difficult.

All areas in March were in process of finalizing FY92 budget. GaryPe in addition spent time on a special OEM deliverables/policies and procedures memo project scheduled for distribution in early April.

Canada is concerned about the impact of the IBM-Novel announcement vis-a-vis the LAN Manager licenses. Honeywell and Micro Tempus are very disturbed by this.

In Brazil, Microtec will sign a new agreement, effective April 1st. Additionally, MS Brazil will close DOS/Win licenses with Monydata and SID (lower DOS royalties).

In Mexico, we have approval for the DOS/Windows campaign with participation from Lanix, Electron, Bull and Acer. MCA continues to be a problem with inability to make scheduled payments on their payment plan.

YTD billing performance is actual of \$4,081,649 versus budget of \$3,285,439 (24%V).

**SALES BY COUNTRY SEGMENT**

**JAPAN OEM TOTAL**

March Actual	March Budget	QTD Actual	Q3 Budget	V% QTD	Q1 thru Q3 Budget	Q1 thru Q3 % Actvd
\$1,685,986	\$7,910,200	\$9,743,352	\$17,800,835	-45%	\$44,591,009	70%

MSKK's March billing was \$1,685,986 versus a budget of \$7,910,200. During the month, we billed Casio (\$550K), Epson (\$771K), Hagiwara (\$80K), IBM-J (\$255K) and Toshiba (\$30K). The OEM license business in Japan during the month was dismal due to delays in signing new agreements and amendments, coupled with poor shipment and earned royalty payment performance especially by the export OEM manufacturers. The current forecast for all of FY91 is \$51.3M (85% of budget) and we should book more than \$20M in the fourth quarter. MSKK needs to get quick closures on agreements and amendments from NEC, Epson, Hitachi and Mitsubishi.

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**CANADA** (Ron Hosogl)

**Budgetron**

Budgetron renewed its two year agreement for MS-DOS and OS/2. The current recession and unwillingness to commit financially made it impossible to license Windows on a per systems this year. However, the finished goods deal may be extended. Budgetron is the one account in Canada where DRI's presence was very strong. Budgetron's market is strictly the low end VAR (or dealer) who would endure DRI DOS for a lower priced machine. This new contract guarantees MS-DOS on every processor manufactured and shipped by Budgetron, therefore excluding DRI.

**Everich**

Everich wants to terminate its OS/2 agreement. They want to keep a good relationship and have committed to putting Windows on their 386 line. They have also included Windows in their recent advertisements.

**Honeywell**

Honeywell Canada is interested in moving their system offering from LAN Manager 1.0 to version 2.0. The royalty rate increase is acceptable, while the commitment volume is not. A proposal will be prepared this month which would allow them to make this move.

**Micro Tempus**

Micro Tempus is very critical of our sales record worldwide for LAN Manager. The IBM-Novell licensing issue was very damaging in their channel. Micro Tempus' lack of success with the "Router" and the apparent lack of demand for LAN Manager has left this company ambivalent about licensing LAN Manager. A high level technical meeting with Micro Tempus in Redmond will be necessary to orient the development and implementation of LAN Manager in their Enterprise server.

**Primax**

Primax started shipping MS-DOS and Shell this quarter. Their run-rate looks very good. This is a good win for Microsoft since this company was previously purchasing Phoenix DOS on demand. Now the agreement is a per processor and the royalty rate is quite high. Mark Durst, the President is interested in licensing Windows on every machine if we can exempt the machines shipped under government bids.

**REDMOND FE** (Ron Hosogl)

**Acer Technologies**

Applications: Acer Miami will stage a regional sales conference during the 2nd week of April. Karl Dottlinger, Product Marketing Manager, will propose several alternative MS Win application distribution promotion opportunities. He is using Win Excel and PowerPoint to build his presentation and will stress the practical application of these products to his sales force.

DOS: AT&T is buying a system from Acer which AT&T will market as a "Voice Adjunct Applications Processor". It will be necessary for AT&T to use Acer MS-DOS 3.3 with this system and they wish to ship Acer DOS without Acer label. Russ Lee is investigating the need for such amendment.

Acer America expects to ship DOS 5 in July.

LAN Manager: Four existing Altos licenses which cover MS Networks, Xenix 286/386, Xenix 286 and Xenix Multiplan are all due to expire within 30 days. We are working with the Acer/Altos purchasing director to determine which of these agreements need to be extended.

Mouse: An order for 2,300 MS Mouse was placed. This was a fill order shipped directly from Redmond to Acer America. Expect that regular Mouse fulfillment, thru the master OEM Agreement in Taiwan, will resume in April.

OS/2: At this time it is probable that Acer will ship OS/2 1.3X when available in June.

Windows: Acer will OEM a 386SX system to Canon (Canon model # C-200 M55) which will include Acer Windows.

Works: Final draft of the Smith Corona Acer Works agreement is at Acer for signature. Agreement is one year, 30K unit commitment with \$300K minimum commitment. Product shipment starts in April.

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#### Canon USA

Mouse: Final copy of MS Mouse distribution agreement has been sent to Canon for signature. Expect first order to be placed against this agreement in mid April.

Windows: Windows will be distributed with each of the new C-200 M55 HD120 systems (386SX) which are OEM'd by Acer. The Windows product will be supplied by Acer to Canon as part of the OEM agreement. This model will be also bundled with MS Works in addition to Windows. Quotes have been submitted to Y. Okada, Canon US Product Manager, for the Win Entertainment Pak and also for potential Windows business application promotions. These quotes are currently under consideration and one or a combination of these MS products may also be distributed with the C-200 M55.

Works: Final MS Works agreement has been sent to Canon for signature. First product order against this agreement is expected mid April. MS Works will be distributed with each of Canon's new 386SX systems which are OEM'd by Acer.

#### Epson America

LAN Manager: Holly Cole, Manager for Product Planning, came to MSHQ to discuss LM marketing opportunities for Epson America. RuthW, OEM Marketing Manager, cleared up the confusion in regards to Epson America shipping LM in the US. Epson Japan has signed a license to distribute LM in Japan. However, Epson America does not have this ability. RuthW explained MS's "Server Partner" program where Epson can co-sponsor seminars and training sessions for LM for end users and resellers while showcasing Epson hardware. Action items are for Epson America to supply MS a list of it's dealers and resellers. RuthW will match this list against the one targeted by MS for authorized resellers of LM. Seminars will be co-sponsored with the dealers which match both lists. Holly plans to send Epson's list by the end of April.

EBU, Works: John Sage, Group Manager for Works, gave EBU's strategy for Works and other products coming out this fall which run under Windows. Another meeting is scheduled for early April to present EBU's new product line to the Marketing Managers at Epson's facility.

#### Fujitsu America

DOS: Fujitsu America is licensing MS-DOS ROM 3.22, through the master agreement in Japan, for use with their new Handheld Computer product line. They contacted me for pricing for CRC for DOS 3.2X. This quote may lead to \$4K in incremental revenue.

MM Windows: Bookshelf for Windows was presented to a group of Fujitsu executives (including Mr. Furukawa) during the CD-ROM and MM Conference. During the presentation, it became clear that Fujitsu is focusing their MPC marketing effort on the Japanese marketplace with limited emphasis on US distribution. In fact, they must first build a PC distribution channel in the US before any volume shipments can occur. This development does not appear likely in the near term.

#### Goldstar Technology

MM Windows: PamelaGo, Product Manager for MM Windows, and TomBru met with Don Son, Senior Engineer, Young-Man Park and Pil-Tae Kim at the CD-ROM Conference to discuss Goldstar joining the MPC Council. This is the fourth time PamelaGo has met with Goldstar to explain the benefits of joining the council. Unfortunately, one of the primary decision makers from Korea cancelled coming to the conference. Off the record, Don Son told us that, "If Samsung joins, Goldstar would probably join".

#### Hitachi America

LAN Manager for Unix: A meeting to discuss the latest developments with LM for Unix was scheduled for early May at MSHQ.

#### Hyundai America

Applications: Met with Song Choi, Product Planning Manager, to discuss possible software bundlings in the US with Hyundai machines. Hyundai's main distribution is through small price sensitive dealers which carry several low end clone lines. Song Choi indicated that these dealers do not want any software bundled. They receive many machines bare bones and build to order. Furthermore, these dealers will swap out hardware and replace

with the cheapest parts to improve margins. Thus, at this time, Hyundai America is very resistant to software bundles.

#### Leading Edge Products

**Windows:** GeoWorks continues to be a threat to Windows in Leading Edge. Although DWT has licensed Windows on every 386, LE has the flexibility to not load this product. A major win for Microsoft is Works which will be loaded on the 286 and 386SX/16. However, Windows is still threatened. GeoWorks will support their product direct. With Windows, LE must support. Furthermore, GeoWorks is willing to license only their GUI shell Geos. Again, GeoWorks will support this product directly. MSCH action is to convince DWT to tell LE that they need to offer Windows over Geos. Since DWT owns LE, DWT may pressure LE to comply. TomBru informed the Windows group to address LE's support issues

**Mouse:** Closely associated with Windows is the opportunity for LE to bundle the Microsoft Mouse. However, for our pricing to be competitive, LE must ship Windows with the 386SX. The Windows License with DWT requires a \$5 royalty uplift if the OEM ships a competitor's mouse. Logitech has quoted a price of \$13 per mouse. MSHQ has quoted \$17.50 per mouse with a 50,000 unit commitment. MSHQ can win this business only if LE incurs the \$5 royalty uplift if they ship the Logitech Mouse. This is still an open issue and will require the cooperation of MSCH.

#### Matsushita (Panasonic)

**Windows:** The "Tune to Win" promotion, which included Windows 3.0 distributed with the Panasonic C-1391, was less than successful according to the Panasonic Product Manager. Late execution was cited as the chief reason for the lackluster sales. The promotion was scheduled to kick off no later than mid-December, but was not implemented until February 15. The MS Windows distribution agreement with Panasonic expires in May. No additional orders of Windows are planned against this agreement.

#### NEC Technologies

**DOS:** A new MS CD-ROM Extension license, directly between MS and NEC Tech., is currently under evaluation. This license will cover the new P 43 (386 notebook computer) and a NEC Caching SCSI Host Adapter kit. Royalty will be \$2.00/system with volume as of yet undetermined. NEC Tech. Systems Development has discovered a bug with DOS 5 and NEC's large disk partition utility. It may be necessary to acquire Source for DOS 5 to resolve. NEC Tech. will address the need for Source directly with NEC Corp. In order to initiate license negotiations.

**LAN Manager:** DrawF is communicating directly with Paul Reed regarding details of the LM Certification Program participation. Since NEC has committed to doing OS/2 1.3X, I believe they will be very receptive to the Certification Program.

**Multimedia:** NEC Tech.'s plan regarding marketing and licensing MM Windows is becoming foggy. First they are concerned about feedback from various ISVs and IHVs stating that these vendors are writing MM drivers for their products for the DOS, Windows and MM Windows platforms. NEC feels this development may obsolete the need for a specific MM Windows license. Also, their MM strategy is to make their entire product line (386 and up) MM ready. It is unrealistic to believe that NEC Corp. will commit to licensing MM Windows on per system basis for all 386 and 486 computers. But NEC Tech. will also sell components of this kit (audio board, CD-ROM drive) separately and they will not create a separate SKU, which includes MM Windows bundled, for each component sale. New discussion, directly between the MS MM Systems Group and NEC Tech., are necessary in order to ensure closure of this license.

**OS/2:** The call last month by the OS/2 development team proved productive. NEC has committed to producing a NEC OS/2 1.3X version.

**Pen Windows:** The NEC 486 based laptop designed to run Pen Windows will be release prior to availability of Pen S/W. Until Pen Win is available, they plan to bundle Win 3 with mouse emulation capability with pen.

Negotiations ongoing in Japan regarding NEC using the MS Mouse driver for their DOS-Pen system.

**Windows:** Meetings were held during February regarding Win application bundle opportunities and also NEC's sales force standardizing on Win apps. Follow-up discussions planned for March and April.

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**Okidata**

No correspondence in March. TomBru took over the printer business unit from OEM which was handled by NancyRi.

**Samsung Information Systems of America (SISA)**

Applications, Works: Samsung is announcing the Spensor line which is made up of a 286 and a 386SX machine for distribution in the mass merchant channel. The 286 will bundle GeoWorks and the 386SX will bundle Windows. Additional software bundles on the 386SX have not been finalized. KW Jun, Director of Marketing, met with CraigB at the CD-ROM Conference to evaluate MM Bookshelf. KW Jun is planning a trip to MSHQ in early April to discuss EBU's new product line and other MM titles supplied by MS.

MM Windows: Samsung has decided not to join the MPC Council. Samsung believes there are not enough benefits to warrant the \$1,000,000 presented as funds and "in kind" contributions.

**Sanyo USA**

Works: Works evaluation copy sent to Jerry Flynn, Product Manager, at Sanyo. This is first step in qualifying Works distribution opportunities at Sanyo.

**Sharp USA**

Windows: A meeting to discuss package product Windows and MS Mouse/Ballpoint Sharp distribution opportunities will be held in April.

**Sony USA**

MM Windows: CD-Bookshelf Agreement is not yet signed. Patent acknowledgement issues have stalled final closure. Expect agreement to be signed early April.

**Toshiba America (TAI)**

Meetings with TAI's product marketing people was pushed into April. Good news, according to Steve Andler, Product Planning, TAI was above forecast for the month of March for machines shipped. However, two more people left TAI marketing. Tom Sherrard who was Director of Marketing and Marc Rubenstein in Market Planning. As of March 30th, there are only two Product Managers handling all product lines at TAI. Bill Johnson, GM of TAI, resigned April 1st. The interim GM is Mr. Nishida. TomBru will set up a meeting with Mr. Nishida and RonH to discuss how we are to work with TAI given the new relationship.

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WORLDWIDE OEM SALES

MARCH 1991

(\$000s)

	— CURRENT MONTH —			— YEAR-TO-DATE —		
	ACTUAL	PLAN	VARIANCE	ACTUAL	PLAN	VARIANCE
<b>DOMESTIC</b>						
LICENSING	\$ 6,352	\$ 1,398	\$ 4,956	\$ 109,494	\$ 97,379	\$ 12,114
PACKAGED GOODS	3,246	519	2,728	25,190	16,430	8,761
GROSS DOM REVENUE ---->	9,598	1,914	7,684	134,684	113,809	20,875
GAAP ADJ.	1,300	0	1,300	(3,500)	0	(3,500)
OTHER ADJUSTMENTS	(3,000)	0	(3,000)	(10,000)	0	(10,000)
NET DOM REVENUE ---->	\$ 7,898	\$ 1,914	\$ 5,984	\$ 121,184	\$ 113,809	\$ 7,375
<b>INTL SUB / AREA</b>						
<b>EUROPE</b>						
MS LTD	\$ 2,948	\$ 1,368	\$ 1,580	\$ 8,751	\$ 5,472	\$ 3,280
MS AB	1,070	550	520	5,234	5,144	89
MS GmbH	5,283	1,872	3,412	12,186	13,867	(1,681)
MS AG	0	0	0	5	0	5
MS SARL	1,089	545	544	3,932	3,104	828
MS BV	922	44	877	4,075	2,242	1,833
MS Spa	3,259	2,632	627	9,618	9,596	23
MS SRL	23	131	(108)	91	408	(317)
TOTAL EUROPE	14,694	7,142	7,452	43,893	39,832	4,061
<b>ICON</b>						
MS INC	259	45	214	992	557	435
MEXICO	365	203	153	1,352	1,234	118
BRAZIL	158	110	48	882	1,066	(184)
VENEZUELA	0	0	0	0	0	0
AIME	157	101	56	856	429	427
TOTAL ICON	929	458	471	4,082	3,285	796
<b>FAR EAST</b>						
MS CH	5,210	4,681	528	15,932	13,325	2,607
MS TC	4,808	4,251	558	16,698	16,976	(278)
ASIA PACIFIC	804	572	232	2,573	1,703	870
SINGAPORE	191	56	135	574	113	461
MS PTY	105	164	(59)	470	391	79
TOTAL FAR EAST	11,119	9,724	1,394	36,246	32,507	3,739
<b>KK</b>						
MS KK	1,688	7,910	(6,224)	31,187	44,591	(13,404)
<b>OTHER REDMOND SALES</b>						
MS HQ	708	307	401	2,249	2,100	149
TOTAL OTHER	708	307	401	2,249	2,100	149
<b>TOTAL NON-EURO</b>	14,442	18,400	(3,959)	73,763	82,484	(8,720)
<b>GROSS INTL REVENUE ----&gt;</b>	29,035	25,542	3,493	117,656	122,315	(4,659)
<b>ADJUSTMENTS</b>						
GAAP ADJ.	(500)	0	(500)	2,700	0	2,700
OTHER ADJUSTMENTS	(6,000)	0	(6,000)	(14,500)	0	(14,500)
TOTAL ADJUSTMENTS	(6,500)	0	(6,500)	(11,800)	0	(11,800)
<b>NET INTL REVENUE ----&gt;</b>	\$ 22,535	\$ 25,542	\$ (3,007)	\$ 105,856	\$ 122,315	\$ (16,459)
<b>NET WORLDWIDE TOTALS ----&gt;</b>	\$ 30,433	\$ 27,458	\$ 2,977	\$ 227,040	\$ 236,124	\$ (9,084)

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