

PROPOSAL

SONY/MATTEL ELECTRONICS
JOINT STUDY TEAM OBJECTIVES

S. Prodromou
Sept. 2, 1982

PROPOSAL

SONY/MATTEL ELECTRONICS
JOINT STUDY TEAM OBJECTIVES

1) VIDEO GAME STUDY TEAM

- a) Define relationship between Sony & Mattel leading to a Sony video game in market
- b) Define marketing of Sony hardware
 - In Japan
 - In Europe
 - In U.S.
 - In R.O.W.
 - Separate component
 - Built into TV receivers
- c) Define distribution plan for software in Japan under Intellivision brand
 - Electronics specialty shops
 - Department stores
- d) Define cooperative development plan for future compatible video game system combining Sony plus Mattel video technologies
 - VLSI
 - Interactive video disk
- e) Define cooperative development plan for compatible handheld flat TV color video game

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JOINT STUDY TEAM OBJECTIVES

2) SOFTWARE DEVELOPMENT STUDY TEAM

- a) Evaluate various relationships between Sony and Mattel to develop unique software for the Japan market
 - Co development
 - Joint venture

- b) Evaluate alternative methods for development of software creative tools
 - High level languages
 - Graphic development systems

- c) Evaluate business relationships for development of personal computer software for worldwide markets
 - Mattel Computers
 - Sony Computers
 - Other Computers

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3) PERSONAL COMPUTER STUDY TEAM

- a) Evaluate the potential of creating Mattel software for the SMC-70 and the business conditions necessary to enable such development
- b) Evaluate the potential of applying Sony technology (e.g. interactive video disk) to Mattel personal computers
- c) Define alternative plans for joint development of next generation personal computers, and software therefor

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STUDY TEAMS

- 1) Composed of Sony personnel and Mattel Electronics personnel assigned by each company to be dedicated to the Study Team. Minimum of two plans for each company for each team.
- 2) Alternate meetings in Tokyo (Shinagawa-ku) and Los Angeles (Hawthorne).
- 3) Each team will present a written report to the joint management committee with recommendations for a development plan agreement.
- 4) All discussions and study team meetings will be conducted under "Keep Confidential" agreement and will be exclusive of any other discussions with similar companies.

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LONG TERM OBJECTIVES

- Develop hardware products which are built upon the technology and expertise of each of the companies:

SONY

Video storage/playback
Video displays
VLSI manufacturing
Audio
Computer hardware

MATTEL ELECTRONICS

Video game design
VLSI video game application
Software creation
Graphics/creative knowhow

BOTH

Innovation
Consumer Marketing

MATTEL ELECTRONICS
INTELLIVISION SPECIFICATIONS

- POWERFUL MICROPROCESSOR (16 BIT)
- CUSTOM VIDEO ARCHITECTURE
- RESIDENT EXEC ROM (4K x 10)
- 16 COLOR PALETTE
- EIGHT MOVING OBJECTS
- 3 CHANNEL SOUND

PERIPHERAL EXPANSION CAPABILITY

- INTELLIVOICE
- OTHER

MATTEL ELECTRONICS

SOFTWARE DEVELOPMENT

- ALL SOFTWARE PROVIDED IN CARTRIDGE FORM
- 4K x 10 IS MATTEL "STANDARD" ROM
- 8K x 10 ROM WILL BECOME STANDARD SOON
- 16K x 10 ROM NEXT GENERATION
- RAM CAN ALSO BE LOCATED IN CARTRIDGE
- HIGH QUALITY VOICE SOFTWARE IS A MAJOR COMPETITIVE ADVANTAGE
- PROPRIETARY DEVELOPMENT TOOLS
 - GRAPHICS DEVELOPMENT SYSTEMS (GDS)
 - SOUND
 - CROSS ASSEMBLERS
 - SPEECH ANALYSIS
 - HIGH LEVEL LANGUAGE (HLL) IN DEVELOPMENT

MATTEL ELECTRONICS

POTENTIAL BUSINESS RELATIONSHIPS

- PRIVATE LABEL
- SUB ASSEMBLIES
- CUSTOM VLSI COMPONENTS
- MANUFACTURING UNDER LICENSE

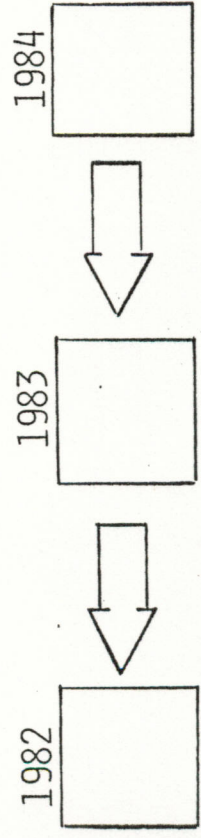
MATTEL ELECTRONICS

VLSI INTEGRATED CIRCUITS

- 7 CHIP SYSTEM (CURRENT)
- M GATE NMOS
- 3 CHIP SYSTEM (1983)
- ALL SIGATE NMOS
- ENHANCED VIDEO PROCESSOR VLSI (1983)
- SPEECH SYNTHESIS (LPC)
- SPEECH INPUT (1984)
- DSP DIGITAL SIGNAL PROCESSOR (1984)

MATTEL ELECTRONICS
FUTURE COMPATIBILITY

- BACKWARDS COMPATIBLE
- SOFTWARE
- PERIPHERALS



- ALL NEW SYSTEMS WILL BE COMPATIBLE WITH
ALL PREVIOUS SOFTWARE, HARDWARE, AND
PERIPHERALS

September 23, 1982

TO: DAVE CHANDLER
HUGH BARNES
BOB DECARO
JOHN FAIRBANKS

CC: JOSH DENHAM
PETE PIRNER
BILL CATRON
PAUL RIOUX

FROM: STAV PRODROMOU *SP/hf*

SUBJECT: SONY MEETING

On Monday and Tuesday, September 27th and 28th, we will be having a Sony meeting in my conference room in Bldg 2. These will be all day meetings and lunch will be brought in. Please adjust your schedules so you may be able to attend.

Those attending from Sony will be:

Mr. Iba, General Mgr., Planning Div., Domestic Sales Group
Mr. Kamimara n/a
Mr. Morita n/a

Primarily, the meeting will be to discuss non-disclosure agreement and joint study team objectives.

SP:hf

SONY-MATTEL ELECTRONICS
STUDY TEAM MEETING
SEPTEMBER 27-28, 1982

● WELCOME TO OUR GUESTS FROM SONY:

Mr. T. Iba - General Manager, Planning Division
Domestic Sales Group

Mr. F. Kamihara - Engineering Department

Mr. M. Morita - Business Department

Mr. T. Tokunaka - Contracts Department

● YOUR HOSTS FROM MATTEL ELECTRONICS ARE:

Mr. Stav Prodromou - Senior Vice President, Operations

Mr. Hugh Barnes - Vice President, Systems and Software

Mr. Dave Chandler - Chief Scientist, Strategic Development
and Vice President

Mr. Bob DeCaro - Director, Product Engineering - Video

Mr. Wayne Pfannkuch - Manager, International &
Regulatory Engineering

Mr. Bill Catron - Assistant General Counsel

Mr. Roy Ekstrand - Assistant Patent Counsel

SONY-MATTEL ELECTRONICS
STUDY TEAM MEETING
SEPTEMBER 27-28, 1982

AGENDA
SEPTEMBER 27TH

9:00 A.M.	Welcome and IntroductionsMr. Prodromou
9:15 A.M.	Discuss Confidentiality Agreement	All
11:00 A.M.	Discuss Proposed Study Team Objectives	All
12:15 P.M.	Lunch	
1:00 P.M.	Continue Discussions of Study Team Objectives	All
4:15 P.M.	Discuss Agenda for September 29th Meeting	All
4:30 P.M.	Adjourn	

MATTEL ELECTRONICS

Stavro E. Prodromou

Senior Vice President

Operations

(213) 416-9169 Ext. 111

September 7, 1982

Mr. M. Mizushima, Manager
R & D Planning & Coordination
Sony Corporation
7-35 Kitashinagawa-6
Shinagawa-ku
Tokyo, 141 Japan

Dear Mr. Mizushima:

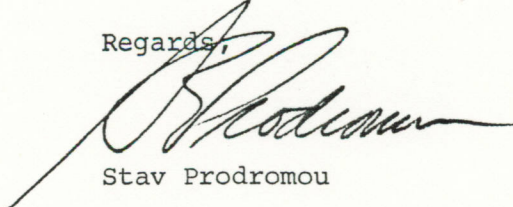
Please find enclosed the following items:

- a) Proposed Sony/Mattel Electronics Joint Study Team Objectives
- b) Two signed copies of amended non-disclosure agreement, plus a copy marked up with our changes

The amendments to the non-disclosure agreement were incorporated to allow for broader subjects for exchange of information and to permit the transfer of verbal confidential information if properly documented at a later time.

We are anxious to discuss the proposed Study Team Objectives as soon as possible. We are willing to meet in Japan, Los Angeles, or New York. Please let me know your preferred dates.

Regards,



Stav Prodromou

SP:hf

Enclosures

cc: Josh Denham

PROPOSAL

SONY/MATTEL ELECTRONICS
JOINT STUDY TEAM OBJECTIVES

PHASE I: EVALUATE FEASIBILITY OF FOLLOWING RELATIONSHIPS & APPROACHES

- Mattel to provide system specifications and information necessary to produce Intellivision system
 - Sony to manufacture and market in Japan with extension to worldwide rights under a license agreement from Mattel (% of Sales Royalty)
- Sony to take above information and develop a flat, color, portable Intellivision
 - Mattel to receive worldwide marketing and manufacturing rights under a license agreement from Sony (% of Sales Royalty)
- Mattel & Sony to establish a software joint venture to develop software compatible with Sony video game and Mattel Intellivision
 - Mattel to provide software specifications and development system
 - Sony to provide management and staff
 - Venture to be located in Japan
 - Sony & Mattel to jointly share home video game rights
 - Mattel to have exclusive worldwide arcade video game rights and other derivative game rights

PHASE II: EVALUATE FEASIBILITY OF FUTURE JOINT PROJECTS

- Sony & Mattel to provide a joint development team to define a "Second Generation Home System"
 - Network definition
 - Bus configuration
 - Protocols
 - Mattel to provide advanced video game system
 - Sony to provide advanced combination disc (audio/video/digital)

NON-DISCLOSURE AGREEMENT

AGREEMENT by and between SONY CORPORATION ("SONY"), having a place of business at 7-35 Kitashinagawa 6-chome, Shinagawa-ku, Tokyo, Japan, and MATTEL, INC., ("MATTEL"), having a place of business at 5150 Rosecrans Avenue, Hawthorne, California 90250, U.S.A.

WHEREAS, SONY and MATTEL wish to exchange with each other on a confidential basis certain technical and/or business information ("INFORMATION") relating to the MATTEL "INTELLIVISION" and "INTELLIVOICE" video game system and to the SONY "Profeel" Component TV, "Flat TV (Watchman)", "Compact Digital Audio Disc", "High Definition TV", "Interactive Videodisk Personal Computer", "Mavica", "Magnetic Video Camera System, and other advanced development and technology programs in the areas of video games, personal computers, and home video/audio entertainment systems, (hereinafter collectively referred to as "PRODUCTS") for the purpose of evaluation and a feasibility study of possible future business arrangement(s) between SONY and MATTEL involving the PRODUCTS.

NOW, THEREFORE, the parties hereto agree as follows:

A. Proprietary Information, as used herein, shall mean INFORMATION disclosed or delivered by SONY or MATTEL which the disclosing party desires to protect against disclosure to third

parties and which if written bears a designation as proprietary and confidential or if verbal is so designated by the disclosing party at the time of disclosure to the receiving party and subsequently reduced to a summary writing bearing a proprietary information designation.

B. SONY and MATTEL shall not disclose or permit disclosure, in whole or in part of any Proprietary Information to any third party, except the receiving party's wholly-owned subsidiary(ies) which is (are) involved in the aforementioned evaluation and feasibility study, for a period of two (2) years from the date of disclosure. This non-disclosure obligation shall not apply to the Proprietary Information which:

- (i) is already known to the receiving party;
- (ii) is or becomes publicly known through no wrongful act of the receiving party; or
- (iii) is rightfully received from a third party without restriction and without breach of this Agreement; or
- (iv) was independently developed by the receiving party prior to and without breach or benefit of this Agreement; or
- (v) is approved for release by written authorization of the disclosing party.

C. It is understood and agreed that no license under any patent or copyright is hereby granted by the disclosing party to the receiving party.

D. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California in the United States of America.

E. All proprietary information disclosed and received hereunder shall be used by the receiving party and/or its subsidiaries solely for said evaluation and feasibility study and for no other use.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on August _____, 1982.

SONY CORPORATION

MATTEL, INC.

By _____

By *Robert E. Peterson*

Title _____

Title *Si Vice President - Operations*

MATTEL OBJECTIVES FROM SONY RELATIONSHIP

In addition to establishing a relationship which will provide Sony a basis for producing video game products in the Intellivision format and a mutually rewarding arrangement for developing software for those products, Mattel is interested in the following which should be of mutual interest to both companies:

- 1) For Mattel to be aware of future Sony developments which could relate to the video game/home computer field, such as peripherals and video discs:
 - a. To be prepared with products to make use of the Sony products when they get on the market.
 - b. To be able to propose to Sony interfaces for their products which would enable better integration with our future products.
- 2) For Sony to be a partner with Mattel in the development of peripherals for our I4 system. Several of Sony's technologies would appear to provide a basis for some developments which would be mutually advantageous to both companies.

MATTEL ELECTRONICS

Stavro E. Prodromou
Senior Vice President
Operations
(213) 416-9169 Ext. 111

OCTOBER 5, 1982

DR. M. MIZUSHIMA
MANAGER - R&D PLANNING
SONY CORPORATION
SHINAGAWA-KU, TOKYO, JAPAN

MIZUSHIMA-SAN, ENCLOSED IS THE DETAILED PROPOSAL FOR SONY/MATTEL ELECTRONICS BUSINESS RELATIONSHIP. THIS IS A CLARIFICATION OF THE PROPOSAL WE DISCUSSED WITH YOUR STUDY TEAM ON SEPTEMBER 27TH IN LOS ANGELES.

WE ARE LOOKING FORWARD TO MEETING WITH YOU ON OCTOBER 8TH.

SINCERELY,



PROPOSED SONY/MATTEL ELECTRONICS
VIDEO GAME BUSINESS RELATIONSHIP

I. CURRENT INTELLIVISION-COMPATIBLE SONY VIDEOGAME
PRODUCT ("SONYVISION") FORMAT I, AND I2

A. HARDWARE (MASTER COMPONENT)

- 1) MATTEL ELECTRONICS WILL LICENSE SONY TO MANUFACTURE "SONYVISION" FOR A ROYALTY FEE OF 5% OF HARDWARE SALES PRICE, BUT NOT LESS THAN \$5.00 U.S. PER UNIT
- 2) MATTEL ELECTRONICS WILL PROVIDE HARDWARE SPECIFICATIONS, DRAWINGS, TECHNICAL ASSISTANCE*, TEST PROGRAMS AND OTHER HARDWARE MANUFACTURING KNOW-HOW TO SONY FOR A ONE-TIME FEE OF \$500,000 U.S. PAYABLE 1/2 AT SIGNING OF AGREEMENT AND 1/2 UPON DELIVERY OF ALL DOCUMENTATION.
- 3) INCLUDED IN FEES ABOVE, MATTEL ELECTRONICS WILL RELEASE ITS EXCLUSIVE LSI VENDORS TO SELL ALL INTELLIVISION M. CUSTOM IC'S TO SONY, INCLUDING THE EXECUTIVE ROM PATTERN.

* UP TO 25 MAN-DAYS OF ENGINEER TIME, INCLUDING TRAVEL

B. HARDWARE (PERIPHERALS)

(SUCH AS "INTELLIVOICE" AND OTHER HARDWARE PERIPHERALS DEVELOPED BY MATTEL ELECTRONICS WHICH SONY CHOOSES TO MANUFACTURE)

- 1) MATTEL ELECTRONICS WILL LICENSE SONY TO MANUFACTURE PERIPHERALS FOR "SONYVISION" FOR A ROYALTY FEE OF 5% OF PERIPHERAL HARDWARE SALES PRICE, BUT NOT LESS THAN \$1.00 U.S. PER UNIT
- 2) MATTEL ELECTRONICS WILL PROVIDE PERIPHERAL HARDWARE SPECIFICATIONS, DRAWINGS, TECHNICAL ASSISTANCE*, TEST PROGRAMS AND OTHER PERIPHERAL HARDWARE MANUFACTURING KNOW-HOW TO SONY FOR A ONE TIME FEE OF \$100,000 U.S. PAYABLE 1/2 AT SIGNING OF AGREEMENT, AND 1/2 UPON DELIVERY OF ALL DOCUMENTATION.
- 3) INCLUDED IN FEES ABOVE, MATTEL ELECTRONICS WILL RELEASE ITS EXCLUSIVE LSI VENDORS TO SELL ALL PERIPHERAL HARDWARE CUSTOM IC'S TO SONY, INCLUDING THE EXECUTIVE ROM PATTERNS.

* UP TO 5 MAN-DAYS OF ENGINEER TIME, INCLUDING TRAVEL

C. SOFTWARE CARTRIDGES

- 1) MATTEL ELECTRONICS - DEVELOPED CARTRIDGES AVAILABLE TO ALL DISTRIBUTION WILL BE MANUFACTURED FOR SONY IN PRIVATE LABEL PACKAGING FOR A SPECIAL DISCOUNT BELOW MASTER DISTRIBUTOR PRICING. SONY PAYS UP-FRONT TOOLING, TRANSLATION, ARTWORK AND OTHER SIMILAR EXPENSES FOR PRIVATE LABEL CARTRIDGES. NO ROYALTY FEE FOR SONY PRIVATE LABEL SOFTWARE CARTRIDGES MANUFACTURED BY MATTEL ELECTRONICS.
- 2) JOINT VENTURE (50/50) TO DEVELOP AND MARKET SONYVISION CARTRIDGES:
 - a) MATTEL ELECTRONICS PROVIDES SOFTWARE SPECIFICATIONS AND DEVELOPMENT TOOLS TO JOINT VENTURE, INCLUDING EXECUTIVE FOR MASTER COMPONENT AND PERIPHERALS
 - b) JV WILL DEVELOP NEW SOFTWARE CARTRIDGES FOR SONYVISION AND PERIPHERALS
 - c) JV WILL MANUFACTURE OR CONTRACT FOR MANUFACTURE (WITH MATTEL ELECTRONICS OR SONY OR OTHER) ANY CARTRIDGES IT DEVELOPS UNDER "SONYVISION" LABEL
 - d) JV WILL SELL TO SONY PRIVATE LABEL CARTRIDGES AT DISTRIBUTOR PRICING COMPARABLE TO (1) ABOVE. SONY TO MARKET WORLDWIDE AS IT CHOOSES
 - e) JV CANNOT PRODUCE FOR ANY OTHER MARKETER EXCEPT SONY; SONY CANNOT DEVELOP SONYVISION SOFTWARE

3) SONY, AT ITS OPTION, MAY PURCHASE MATTEL ELECTRONICS DEVELOPED CARTRIDGES FROM THE JV. IN SUCH CASES, THE JV WILL PAY TO MATTEL ELECTRONICS A ROYALTY FEE OF 5% OF THE SONY SALES PRICE FOR THE CARTRIDGE (AS PAYMENT FOR A LICENSE FROM MATTEL ELECTRONICS TO THE JV FOR MANUFACTURING SUCH CARTRIDGES. THIS ARRANGEMENT DOES NOT APPLY TO ANY MATTEL ELECTRONICS CARTRIDGES WHICH ARE LICENSED FROM A THIRD PARTY (SUCH AS ARCADE GAMES, OR CARTOON CHARACTERS)

OTHER THAN THE ABOVE ROYALTY FEE, THESE CARTRIDGES WOULD BE MANUFACTURED AND MARKETED AS IN PARAGRAPH (2) FOR JV- DEVELOPED CARTRIDGES

II. CONDITIONS FOR BUSINESS RELATIONSHIP

A. LONG TERM RELATIONSHIP-

- 1) FOR ANY SONY VIDEOGAME PRODUCT COMPATIBLE WITH FORMAT I₁ AND I₂, TERMS OF AGREEMENT EXTEND FOR 5 YEARS FROM DATE OF AGREEMENT
- 2) FOR ANY FUTURE SONY PRODUCT COMPATIBLE WITH FUTURE FORMAT (I₃, I₄, ETC.), TERMS OF AGREEMENT EXTEND FOR 3 YEARS FROM DATE OF FIRST PRODUCTION
- 3) SOFTWARE FOR ANY I₁, I₂ OR FUTURE FORMAT ONLY DEVELOPED BY JV FOR AS LONG AS ANY HARDWARE AGREEMENT IS IN EFFECT; (1) & (2) ABOVE

B. NON-COMPETITION

- 1) SONY WILL NOT MARKET, MANUFACTURE OR DEVELOP ANY VIDEOGAME PRODUCT NOT COMPATIBLE WITH INTELLIVISION
- 2) SONY WILL NOT ENTER INTO ANY JV OR OTHER BUSINESS RELATIONSHIP FOR INTELLIVISION-COMPATIBLE SOFTWARE

C. FUTURE DEVELOPMENTS

1) FLAT COLOR TV VIDEOGAME - AT SUCH TIME AS SONY DEVELOPS A FLAT COLOR TV, IF THIS OCCURS, SONY WILL DEVELOP A PORTABLE VIDEOGAME USING THIS TECHNOLOGY. RESULTING PRODUCT TO BE AVAILABLE FOR MATTEL ELECTRONICS UNDER LICENSE TERMS FROM SONY SIMILAR TO TERMS MATTEL ELECTRONICS OFFERED SONY ON INTELLIVISION.

PRODUCT SPECIFICATIONS TO BE MUTUALLY AGREED UPON.

2) "SECOND-GENERATION HOME VIDEOSYSTEM"

MATTEL ELECTRONICS & SONY WILL ASSIGN A JOINT DEVELOPMENT TEAM TO DEFINE SUCH SYSTEMS, ON A NON-EXCLUSIVE BASIS.

TEAM WILL CONSIDER FORMATS OF ADVANCED VIDEOGAME / VIDEOCOMPUTER HARDWARE & SOFTWARE, HOME NETWORK BUS CONFIGURATION & PROTOCOLS, COMPATIBILITY WITH OTHER HOME VIDEO SYSTEMS SUCH AS COMPONENT TV, HDTV, VIDEOTEXT, VIDEODISCS, VCR'S, COMPACT DIGITAL AUDIO DISC, ETC.

OBJECTIVE OF THE TEAM IS TO DEFINE 1985-1990 SYSTEMS. PRODUCT DEVELOPMENTS UNDERTAKEN INDEPENDENTLY BY EACH COMPANY TO AGREED UPON SPECIFICATIONS.

NON-DISCLOSURE AGREEMENT

AGREEMENT by and between SONY CORPORATION ("SONY"), having a place of business at 7-35 Kitashinagawa 6-chome, Shinagawa-ku, Tokyo, Japan, and MATTEL, INC., ("MATTEL"), having a place of business at 5150 Rosecrans Avenue, Hawthorne, California 90250, U.S.A.

WHEREAS, SONY and MATTEL wish to exchange with each other on a confidential basis certain technical and/or business information ("INFORMATION") relating to the MATTEL "INTELLIVISION" and "INTELLIVOICE" video game system and to the SONY "Profeel" Component TV, "Flat TV (Watchman)", "Compact Digital Audio Disc", "High Definition TV", "Interactive Videodisk Personal Computer", "Mavica" Magnetic Video Camera System, (hereinafter collectively referred to as "PRODUCTS") for the purpose of evaluation and a feasibility study of possible future business arrangement(s) between SONY and MATTEL involving the PRODUCTS.

NOW, THEREFORE, the parties hereto agree as follows:

A. Proprietary Information, as used herein, shall mean INFORMATION disclosed or delivered by SONY or MATTEL which the disclosing party desires to protect against disclosure to

third parties and which if written bears a designation as proprietary and confidential or if verbal is so designated by the disclosing party at the time of disclosure to the receiving party and subsequently reduced to a summary writing bearing a Proprietary Information designation.

B. SONY and MATTEL shall not disclose or permit disclosure, in whole or in part of any Proprietary Information to any third party, except the receiving party's wholly-owned subsidiary(ies) which is (are) involved in the aforementioned evaluation and feasibility study, for a period of two (2) years from the date of disclosure. This non-disclosure obligation shall not apply to the Proprietary Information which:

- (i) is already known to the receiving party;
- (ii) is or becomes publicly known through no wrongful act of the receiving party; or
- (iii) is rightfully received from a third party without restriction and without breach of this Agreement; or
- (iv) is independently developed by the receiving party without breach or benefit of this Agreement where such independent development is documented with sufficient definity to sustain a burden of proof in a court of law of the United States of America; or

(v) is approved for release by written authorization of the disclosing party.

C. It is understood and agreed that no license under any patent or copyright is hereby granted by the disclosing party to the receiving party.

D. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California in the United States of America.

E. All Proprietary Information disclosed and received hereunder shall be used by the receiving party and/or its subsidiaries solely for said evaluation and feasibility study and for no other use.

F. This Agreement shall become effective as of July 27, 1982.

SONY CORPORATION

MATTEL, INC.

By 

Title President

Date October 9, 1982

By 

Title Senior Vice President - Operations

Date September 27, 1982

TRT MULTISPEED
MSI621 15-OCT-82 22:34E

MATTELCO HWTH
96499103257184
78122262+ SONYCORP J22262:

726-12

BT
MATTELCO HWTH
10/15/82
HWTH MSG NO. 30413

TERUHISA TOKUNAKA
HERE IS THE STATEMENT WE PROMISED RELATIVE TO FUTURES TECHNOLOGY
AND LICENSING OF IT

TECHNOLOGY COVERED UNDER THE "FUTURES" PORTION OF THE AGREEMENT

ALL TECHNOLOGIES WHICH COULD BE EXPECTED TO RELATE TO MATTEL'S I4
DEVELOPMENT AND FUTURE DEVELOPMENTS IN THE VIDEO GAME AND HOME
COMPUTER FIELDS, INCLUDING VIDEOTEX AND DATA BASE
APPLICATIONS EITHER,

- . DIRECTLY ENHANCING THE MATTEL SYSTEMS OR
 - . INTERFACING WITH THE MATTEL SYSTEMS SUCH THAT COORDINATION OF
INTERFACES WOULD BE DESIRABLE.
- MORE SPECIFICALLY THIS SHOULD INCLUDE, BUT NOT BE LIMITED TO:
- . STORAGE SYSTEMS FOR DIGITAL, AUDIO AND VIDEO DATA - PREFERABLE
COMBINED INTO ONE MEDIUM.
 - . SOFTWARE SECURITY TECHNIQUES.
 - . FLAT TV AND GAMES BUILT AROUND IT.
 - . HOME NETWORKS, INCLUDING MULTI-USER AND MULTI-TASK APPLICATIONS.
 - . TV AND HI FI DEVELOPMENTS AS THEY WOULD RELATE TO VIDEO GAMES AND
HOME COMPUTERS.

CONDITIONS UNDER WHICH SONY WOULD BE EXPECTED TO PROVIDE MATTEL USE
OR USE AND MANUFACTURING LICENSE
IF SONY ELECTS TO CREATE AND DEVELOP PRODUCT IN THE FOLLOWING
TECHNICAL AREAS AND MATTEL WISHES TO INCORPORATE THE TECHNOLOGY IN A
MATTEL PRODUCT BUT IT IS NOT OTHERWISE REASONABLY AVAILABLE
ELSEWHERE:

- EXAMPLES WHICH WOULD BE LICENSED:
- . A SONY OWNED SOFTWARE SECURITY TECHNIQUE USED BY A MATTEL PRODUCT.
 - . A COMBINED DATA STORAGE MEDIUM NOT AVAILABLE FROM THE SOURCES
- EXAMPLES WHICH WOULD NOT NECESSARILY BE LICENSED:
- . A DIGITAL FLOPPY DISK DRIVE AVAILABLE FROM SEVERAL SOURCES

RECEIVED

OCT 20 1982

D. CHANDLER

DAVID P. CHANDLER

DK
MATTELCO HWTH
NNNN

PRINT OR TYPE ONLY

ILLEGIBLE COPY WILL BE RETURNED

SEE REVERSE FOR INSTRUCTIONS

MESSAGE REQUEST MAT-3472

NOTE TO OPERATOR

RUSH PLEASE --- (REPLY VIA WUI-DIAL 101 WAS ON THEIR TELEX TO US WHICH WE RECEIVED- THOUGHT YOU'D WANT TO KNOW THAT)

MESSAGE TYPE (CHECK ONE)		IF RESTRICTED, MANAGER APPROVAL		REQ. DATE	REQ. TIME	PAGE
<input checked="" type="checkbox"/> GENERAL <input type="checkbox"/> RESTRICTED				10 21 82	1430	1 of 1
MATTTEL FACILITY (INSERT ONE CODE NUMBER PER BOX)	TO (NAMES IN FULL)	CC		CC		
	TO (NAMES IN FULL)	CC		CC		
	TO (NAMES IN FULL)	CC		CC		
DESTINATION (OTHER THAN A MATTTEL FACILITY)	TO (NAMES IN FULL)	COMPANY				
	N. IDEI		SONY			
	ADDRESS (NUMBER, STREET, CITY, STATE, ZIP CODE)					
TOKYO						
TELEX NUMBER/FACSIMILE NUMBER		CC (NAME IN FULL)		CC (NAME IN FULL)		
REPLY VIA		MESSRS IBA/PLANNING				
MESSAGE TEXT						
WUI-DIAL 101						
J22262						
TOKURNAKA, LEGAL						
KAMIHARA, AU DIV						
MORITA, PLANNING						

AS I INDICATED IN OUR MTG ON OCT. 8 IN SONY OFFICES IN SHINAGAWA-KU AND OCT 9TH AT OKURA HOTEL, THE INTELLIVISION 2 SYSTEM IS NOW JUST BEGINNING PRODUCTION ON THE MASTER COMPONENT. THERE ARE TWO SIGNIFICANT DIFFERENCES IN FUNCTION OF THE I-2: A) CHANGES TO EXECUTIVE ROM, AND B) CHANGES TO CARTRIDGE/PERIPHERAL CONNECTOR. THE PLANNED PERIPHERALS OF BASIC-LANGUAGE KEYBOARD UNIT, AND THE MUSICAL KEYBOARD AND SOFTWARE WILL BEGIN PRODUCTION IN APRIL, 1983. WE WILL HAVE PROTOTYPES OF BOTH SYSTEMS IN JANUARY. WE CAN PROVIDE TECHNICAL INFORMATION AND SPECIFICATIONS OF THESE AT OUR NEXT MEETING SO THAT SONY CAN PROCEED WITH ITS OWN DESIGN OF THE TOTAL I-2 SYSTEM. I HAVE CONFIDENCE THAT YOU WILL NOT BE DISAPPOINTED WHEN YOU SEE THE WHOLE SYSTEM OF I-2 AS WE SHOWED YOU ON THE VIDEO TAPE.

(ALSO, HAND CONTROLLERS WILL BE PRODUCED IN THE NEXT 14 DAYS AND WE WILL FORWARD TO YOUR HK OFFICE ASAP)

IDEI-SAN, WE STILL AWAIT OUR INDICATION FROM SONY OF ACCEPTANCE OF OUR VERBAL DISCUSSIONS OF TERMS AT OKURA HOTEL, AND A RESPONSE OF ACCEPTABLE ROYALTY LEVELS. WE ARE ANXIOUS TO MEET AGAIN TO PREPARE AN AGREEMENT IN PRINCIPLE.

REGARDS,

REQUESTOR NAME	BUDGET CENTER NUMBER	TELEPHONE	MAIL STOP
STAV PRODROMOU	4921	978-3111	42-14
HAWTHORNE CC'S (IN FULL)	C.C.	C.C.	C.C.
DAVE CHANDLER			

MATTELINE HWTH

E

TO 910-325-7162, CALIFORNIA, U.S.A.
FM SONY TOK OCT.21 '82

ATTN: MR. S. PRODROMOU, S.V.P OPERATIONS
CC: DR. D. CHANDLER, V.P., STRATEGIC DEVELOPMENT

FRM: N. IDEI
CC: MR. IBA, PLANNING
MR. TOKUNAKA, LEGAL
MR. KAMIHARA, AD DIV.
MR. MORITA, PLANNING

STAV PRODROMOU
OCT 21 1982

FIRST WE WOULD LIKE TO THANK YOU FOR PROVIDING US THE I-2
SAMPLE.

THE SAMPLE WE RECEIVED, HOWEVER, DID NOT COME WITH
HAND-CONTROLLERS AND ALSO SEEMED ONLY THE COST DOWN VERSION
OF THE I-1 MODEL.

QUITE HONESTLY, THE SAMPLE WAS SOMEHOW LOWER THAN WHAT WE
DID EXPECT FROM YOUR DISCRPTIONS OF I-2 FORMAT.
CONSEQUENTLY, IF WE ARE TO MARKET THIS I-2 FORMAT HARDWARE,
IT IS MOST NECESSARY TO HAVE PERIPHERALS.
WE WOULD APPRECIATE IT IF YOU COULD SEND US THE FOLLOWINGS
WHICH WE BELIEVE YOU DID INDICATE US AT THE LAST MEETING
IN TOKYO.

- . HAND CONTROLLERS
- . ASCII KEY BOARD AND ITS SOFTWARE
- . KEY BOARD MUSICAL INSTRUMENTS AND ITS SOFTWARE
- . AND/OR THE INFORMATION FOR THE ABOVE ITEMS

OUR REQUESTS IS A VITAL FOR US TO HAVE THOSE ITEMS AS SOON
AS POSSIBLE IN ORDER TO MARKET I-2 FORMAT HARDWARE NEXT SPRING.

BEST REGARDS

END..

2423094SONYSI J
MATTELINE HWTH
E.....
REPLY VIA WUI-DIAL 101

21/10/82 00:30 50

Mattel

MEMO

DATE: October 22, 1982
TO: Stav Prodromou
FROM: Ronald M. Goldman
SUBJECT: Mattel - Sony - Cross License Proposal

Inquiry was made as to which Intellivision brand cartridges made by Mattel could not be reproduced by Sony as a Sony-Vision cartridge.

First, any Mattel cartridge containing on or in connection therewith a licensed trademark may not be reproduced (with such trademark) by any licensee of Mattel. That amounts to a sublicense. Mattel is not permitted to grant sublicenses under the trademarks to unrelated third parties, such as Sony. Into this prohibited category thus falls all Intellivision brand cartridges upon which Mattel Electronics is paying royalties presently. You may make reference to the accounting records maintained by Cindy Yates. Briefly, this includes CTW - Math Fun and Word Fun, NBA Property Basketball, LCA Hockey, NFL Property Football, NASL Soccer, LCA Baseball, PBA Bowling, PGA Golf, Teletape Backgammon, Teletape Chess, U.S Chess Federation, ABPA Backgammon, U.S. Ski Team Skiing, TSR Hobbies Dungeons and Dragons, Data East Lock 'N Chase, TSR Hobbies Advanced Dungeons and Dragons.

Please note, it is assumed that this list is complete as of the time those cartridges were entered by Cindy upon the books by the Accounting Department. I have not had an opportunity to review the recent outpouring of new cartridges since they have not been delivered to me, although they appear to have made it into some of the local stores. For example, I note that the "Tron" cartridge curiously is not included on Cindy's royalty report form. Tron is also a licensed name and hence that name may not be licensed or sublicensed to Sony to be sold as SonyVision.

If you wish to delete marks from various cartridges, then a different question is presented and a somewhat different answer results. This hinges upon ownership of copyright in the cartridge. Thus, assuming all reference to the trademarks could permissibly be and were deleted in connection with this transfer to Sony for the making of SonyVision cartridges, the following would still not be permissibly sold because ownership of the cartridge copyright is not entirely in Mattel: 1) CTW

Math Fun and Word Fun cartridges; 2) TSR Hobbies Dungeons and Dragons; 3) Data East Lock 'N Chase; 4) TSR Hobbies Advanced Dungeons and Dragons; and the (elusive) Tron.

Note also that with respect to some other cartridges, if you are entitled to grant a sublicense, you are obligated to obtain and pay over a share of royalties and can't give it away free of charge. This would apply to the Teletape Backgammon cartridge and the Teletape Chess cartridge.

It is also noted that Magnavox holds patents in Japan. Sony should be made aware of the possible infringement claims and you should obtain a disclaimer of any indemnity through them, on at least the following cartridges: Hockey, Football, Soccer, Baseball, Basketball, and Tennis.

Regards,



RMG:ce

cc: B. Catron
D. Chandler
J. Denham
R. Ekstrand
P. Rioux

042-14

STAV PRODDROW
OCT 26 1982

MATTECO HWTH

0809 EDT

CPUB947

CONFIDENTIAL

TO: MR. S. PRODDROW SENIOR VICE PRESIDENT - MATTEL, INC.
FM: H. IDEI - SONY CORPORATION

I. WE HAVE GIVEN CONSIDERABLE THOUGHTS AS TO YOUR 10/5/82 PROPOSAL AND THE DISCUSSIONS WE HAD IN JAPAN ON 10/8/82 AND 10/9/82. AS YOU KNOW, WE HAVE DETERMINED TO GO INTO THE VIDEO GAME BUSINESS AND DECIDED TO ADOPT YOUR INTELLIVISION FORMAT. IN ADDITION TO THE QUALITY OF YOUR GAMES, WE FEEL THAT YOUR RELATIVE STRENGTH IN SOFTWARE AND OUR RELATIVE STRENGTH IN HARDWARE CAN PRESENT A GOOD COMPLEMENTARY WORKING RELATIONSHIP AND WE BELIEVE THAT YOU FEEL THE SAME WAY. ON THE OTHER HAND, WE DO NOT KNOW ABOUT YOUR I3 AND I4 FORMATS AND THEIR FUTURE DEGREE OF SUCCESS IN THE MARKET AND, IN ADDITION, SONY IS WORKING ON FUTURE VIDEO GAME-HOME COMPUTER FORMATS. WE MUST HAVE A FREEDOM TO CHOOSE FUTURE FORMAT JUST AS YOU CAN NOT COMMIT TO SONY'S PERIPHERAL HARDWARE SYSTEM NOW.

PROGRAMMERS SPEC (YOUR FRIEND)
THE EXEC

II. SONY'S PROPOSAL

THE FOLLOWING IS PROPOSED TO SATISFY THE OBJECTIVES OF BOTH PARTIES WITHOUT RESTRICTING THE ACTIVITIES OF EACH OTHER. WHAT WE WISH TO RECEIVE FROM YOU ARE BASICALLY SOFTWARE SPECIFICATIONS, INCLUDING SOURCE CODE OF EXECUTIVE ROMS, FOR I1 AND I2 AND OPTIONS TO RECEIVE THE SAME TYPE OF SOFTWARE SPECIFICATIONS WITH RESPECT TO I3 AND I4. ON YOUR PART, WE UNDERSTAND THAT YOU WISH TO ENHANCE THE ACCEPTANCE OF YOUR GAME SOFTWARE IN THE MARKET AND TO RECEIVE FROM US INTERFACE SPECIFICATIONS, AND AVAILABILITY OF CERTAIN PERIPHERALS.

2609
5872
3330
INTELLIVISION
COMPUTER ADAPTOR 4187
MUSIC SYNTHESIZER 4188
PROGRAM EXPANDER 4190
Each package
to be transferred
AT \$100,000
ATARI ADAPTOR

1. MATTEL WILL PROVIDE SONY WITH SOFTWARE SPECIFICATIONS (INCLUDING PATTERNS) OF THE ROMS OF I1 AND I2 MASTER COMPONENTS, PERIPHERALS AND SOFTWARE CARTRIDGES (FOR GAME AND PERIPHERALS) AND GRANT TO SONY A LICENSE TO MAKE AND HAVE MADE THROUGHOUT THE WORLD SUCH CUSTOM ICS FOR USE IN PRODUCTS TO BE MADE, HAVE MADE, USED AND SOLD BY SONY AND SUBSIDIARIES THROUGHOUT THE WORLD. MATTEL WILL ALSO PROVIDE SONY WITH THE TEST PROGRAMS AND WILL RELEASE ITS EXCLUSIVE IC VENDORS TO SELL SUCH ICS TO SONY UNDER THE ABOVE "HAVE MADE" RIGHTS.

MASTER COMPONENT, PERIPHERAL
SOFTWARE CARTRIDGES. ROYALTY OF 5 PCT. ON EX-FACTORY PRICES
FOR MATTEL DEVELOPED SOFTWARE CARTRIDGES FOR AS LONG AS
SONY CONTINUES TO SELL THE CARTRIDGES.

TO FACILITATE PROMPT INTRODUCTION OF SONY'S I1, I2 PRODUCTS,
MATTEL WILL SELL TO SONY PARTS, SUB-ASSEMBLIES AND BOARDS
OF I1, I2 MASTER COMPONENTS AND PERIPHERALS.

2. IF SONY WILL DEVELOP AND INTRODUCE SONY'S OWN VIDEO GAME
WITHIN 2 YEARS FROM THE DATE OF THE AGREEMENT, SONY WILL
DISCLOSE SOFTWARE SPECIFICATIONS TO MATTEL AND GRANT A
LICENSE THEREUNDER AT THE SAME CONDITIONS AS IN 1. ABOVE.
3. ON I3 AND I4, SONY WILL HAVE AN OPTION TO RECEIVE THE SAME
TYPE OF INFORMATION AND LICENSE ON THE SAME CONDITION.
(DOL300,000 FOR EACH OF I3 AND I4, AND 5 PCT. ROYALTY FOR
MATTEL DEVELOPED SOFTWARE CARTRIDGES)
4. MATTEL WILL MAKE ITS SOFTWARE CARTRIDGES AVAILABLE TO SONY
UNDER PRIVATE LABEL PACKAGING AS STATED IN I.C. 1) OF MATTEL
10/5/82 PROPOSAL. PRICING FORMULAE TO BE DETERMINED.
5. YOUR 6 STEP PROGRAM (10/9/82) FOR TECHNICAL COOPERATION IS
BASICALLY AGREEABLE TO US. WE WISH TO CLARIFY THAT THE TYPE
OF INFORMATION WHICH SONY WILL DISCLOSE TO MATTEL UNDER THE
PROGRAM WILL BE THE HOME VIDEO GAME-PERIPHERAL AND HOME
COMPUTER-PERIPHERAL INTERFACE SPECIFICATIONS OF THE FOLLOWING
PERIPHERAL EQUIPMENTS WHICH ARE AND MAY BE DEVELOPED BY SONY
DURING THE PERIOD OF THE TECHNICAL COOPERATION AND WHICH
HAVE, IN SONY'S JUDGMENT, HOME VIDEO GAME, HOME COMPUTER
APPLICATION.
 - 1) OPTICAL AND MAGNETIC STORAGE SYSTEM FOR DIGITAL, AUDIO
AND VIDEO DATA.
 - 2) SOFTWARE SECURITY SYSTEM.
 - 3) FLAT COLOR TELEVISION RECEIVER (COLOR VERSION OF
"WATCHMAN" MONOCHROME TELEVISION RECEIVER).
 - 4) HOME NETWORKS, INCLUDING MULTI-USER, MULTI-TASK
APPLICATIONS, TELEVISION RECEIVERS AND HIFI EQUIPMENT.

SINCE YOU INTEND TO INTRODUCE I4 IN 1985, THE CONTINUED
INFORMATION FLOW UNDER THE STEP 6 WILL END IN DEC. 1985.
MATTEL WILL KEEP THOSE INFORMATION CONFIDENTIAL BUT MAY USE
SUCH INTERFACE SPECIFICATION TO DESIGN ITS HOME VIDEO GAME,
HOME COMPUTER SYSTEM (I4). SONY WILL NOT BE REQUIRED TO
DEVELOP OR MANUFACTURE SUCH PERIPHERAL EQUIPMENT OF TO
DISCLOSE INFORMATION WHICH SONY MAY BE REQUIRED TO KEEP
CONFIDENTIAL BY A THIRD PARTY.

IF SONY DECIDES TO MANUFACTURE SUCH PERIPHERALS, SONY WILL
OFFER THEM FOR SALE TO MATTEL FOR DISTRIBUTION UNDER MATTEL
BRAND FOR USE WITH MATTEL VIDEO GAME OR HOME COMPUTER.) Price

IF SONY DECIDES NOT TO MANUFACTURE SUCH PERIPHERALS AND IF
THEY ARE NOT OTHERWISE AVAILABLE, SONY WILL GRANT TO MATTEL
A NON-EXCLUSIVE LICENSE UNDER SONY'S PATENTS TO MAKE OR
HAVE MADE SUCH PERIPHERALS DURING THE PERIOD WHERE SUCH
NON-AVAILABILITY CONTINUES ON TERMS AND CONDITIONS TO BE
AGREED UPON IN GOOD FAITH. SONY WILL NOT BE REQUIRED TO
MAKE MANUFACTURING KNOW HOW AVAILABLE TO MATTEL BECAUSE IT

*my personal
for electronics
+ systems circuits
but not color tubes*

NON-COMPETE

AS STATED ABOVE, WE FEEL IT BEING EXTREMELY DIFFICULT TO COMMIT OURSELVES TO ANY TYPE OF NON-COMPETE PROVISION IN THIS RAPIDLY CHANGING COMPUTER RELATED INDUSTRY WHICH, WE HOPE, WILL BE ONE OF OUR MAJOR BUSINESS IN THE FUTURE. IN SPITE OF THIS OBSERVATION, WE HAVE ATTEMPTED TO EVALUATE THE VALUE OF THE HARDWARE EXCLUSIVITY IN JAPAN WHICH YOU SEEMED TO BE PREPARED TO GIVE TO SONY IN ORDER TO INDUCE US TO AGREE TO A NON-COMPETE PROVISION. FIRST, THE EXCLUSIVITY IN JAPAN WILL NECESSARILY BE LIMITED TO THE EXCLUSIVITY ON MANUFACTURE. YOU OBVIOUSLY WILL HAVE TO RETAIN YOUR RIGHTS TO DISTRIBUTE IN JAPAN AND WE APPRECIATE YOUR POSITION. SECOND, IN VIEW OF THE FACT THAT YOU DO NOT HAVE PATENTS IN JAPAN AND THE CURRENT UNSETTLED STATUS OF LEGAL PROTECTION ON SOFTWARE IN JAPAN, WE CAN NOT BE SURE AS TO THE PROTECTION WE WILL HAVE EVEN AS TO THE LIMITED EXCLUSIVITY ON MANUFACTURE. ACCORDINGLY, APART FROM THE DIFFICULTIES TO COMMIT OURSELVES TO UNKNOWN IN THE FUTURE, WE BELIEVE THAT THE EXCLUSIVITY CAN NOT WARRANT THE NON-COMPETE RESTRICTION ON SONY.

WE WILL NOT REQUEST YOU TO RESTRICT YOURSELVES IN NEITHER THE CURRENT PORTION NOR THE FUTURE PORTION OF THIS DEAL. LIKEWISE, WE WOULD NOT LIKE TO BE RESTRICTED. WE BELIEVE THAT WE CAN HAVE A GOOD COMPLEMENTARY RELATIONSHIP AND WE PROPOSE THAT WE SEEK SUCH RELATIONSHIPS WITHOUT RESTRICTING EACH OTHER.

IV. SOFTWARE JOINT VENTURE

YOU HAVE PROPOSED A SHORT TERM JOINT VENTURE AS A VEHICLE TO DELIVER YOUR SOFTWARE INFORMATION TO SONY WHILE CONTROLLING THE SECURITY OF THE INFORMATION. FOR ALL OPERATIONAL PURPOSES, THE J.V. IS FOR DEVELOPMENT OF SOFTWARE FOR SONY. IN ORDER TO AVOID THE CONFLICT OF INTEREST, THE J.V. OPERATION AND FINANCIAL ASPECTS WILL HAVE TO BE CONTROLLED BY SONY. SOFTWARE DEVELOPMENT WILL REQUIRE A CONSIDERABLE EXPENSES AND WE INTEND TO OPERATE SOFTWARE DEVELOPMENT AS A COST CENTER. THE J.V. WILL INCUR A CONSIDERABLE LOSS AT LEAST AT THE BEGINNING AND WE ARE RELUCTANT TO HAVE A LOSS OPERATION AS AN INDEPENDENT ACCOUNTING ENTITY. WE WOULD LIKE, THEREFORE, TO EXPLORE AGAIN A POSSIBILITY OF YOUR DISCLOSURE OF THE SOFTWARE INFORMATION TO SONY DIRECTLY WITH A MECHANISM TO SECURE THE SOFTWARE INFORMATION.

WE WISH TO FINALIZE THIS ARRANGEMENT AS SOON AS POSSIBLE AND PROPOSE ANOTHER MEETING NEXT WEEK. WE PROPOSE MEETING HERE BECAUSE WE WISH TO SHOW YOU SOME OF OUR RECENT DEVELOPMENT. AT THAT TIME, WE WISH TO HAVE THE RESULT OF YOUR LAWYER'S REVIEW AS TO WHETHER THE ABOVE ARRANGEMENT CAN BE MADE WITHOUT PROBLEMS WITH YOUR EXCLUSIVE DISTRIBUTORS.

REGARDS,

2054J 26/OCT/82 (1100)

8 TITLES
470

LIST OF TITLES (LIST BY NUMBER)

- | | |
|---------------|------------------|
| BASEBALL | ROULETTE |
| SHARP SHOT | BACKGAMMON |
| SHARK! SHARK! | CHECKERS |
| ROYAL DEALER | BLACKJACK & POKE |
| REVERSI | STAR STRIKE |
| | FROG BOG |

} NON-EXCLUSIVE

3 NEW EXCLUSIVE

-
- PORTOFINO ADAPTOR - TO BE SHOWN AT CES IN PROTOTYPE FORM
 - WE WILL NOT HOLD THEM HARMLESS OR INDEMNIFY THEM OF ANY VIOLATION OF GI PATENT

November 22, 1982

TO: Stav Prodromou

CC: Josh Denham Pete Pirner Paul Rioux
 Dave Chandler Bill Catron Don Payne

FROM: Hugh Barnes

SUBJECT: Sony Trip Report

The Mattel counter proposal to the Sony proposal of October 26, 1982 is attached. It incorporates the latest changes we discussed by phone and served as the main discussion document during the visit Bill and I made on November 17, 18. The focus of our discussions centered on two items, 1) the limited number of cartridges that would be available to Sony at start-up and, 2) the delayed availability of the Lucky peripherals. Other points were briefly discussed but Sony continually returned to these two points.

1) CARTRIDGES: Sony was very concerned that the limited number of carts we offered would not allow them to be successful with their launch. After our phone conversation, we "firmed up" on nine carts at launch, two to three new titles from July, 1983 to December, 1983 and nine additional titles in 1984. This topic is a "deal Killer" to Sony. They are willing to be convinced that the selected list is sufficient for success, but they are having a great deal of difficulty reconciling the "new" posture with the "old" posture.

2) PERIPHERALS: Sony desires to begin shipping the Lucky peripherals (especially the computer adaptor and alphanumeric Keyboard) early in 1984. Per our proposal, transfer of info would not begin until January 1984; thus, availability would not occur until late 1984 or early 1985. We responded that our real concern was limited production capacity and we did not feel that we could be in a position to support shipments to Sony during 1983. We could begin transfer of information sooner, with a goal of supporting Sony shipments early in 1984. Sony would like to begin the styling/mechanical engineering as soon as possible, including, perhaps, sending an engineer to Hawthorne. Sony also mentioned, several times, that they have low cost manufacturing capacity available.

Idei said that he had to review the status of the program with "the board" and they would contact us with regard to setting up a meeting in late November/early December.

Contrary to my earlier opinion that Sony might be fairly far advanced with an approach of their own, discussions on our last day convince me that Sony is virtually at the starting gate on software developments.

RECEIVED
NOV 22 1982
D. CHANDL

Sony presented four demonstrations on the afternoon of our first day.

1) "Writeable" video disc: Sony had publically announced this product on the day before our arrival and had a demonstration set up at the National Library. We viewed the demo; it was impressive but had the drawback that the disc could just be written once. I think commercial application will develop quickly but consumer application will be several years away.

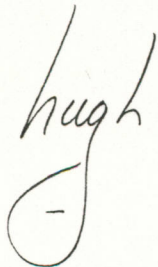
2) "AVC" home bus proposal: No demo, just a paper describing their proposal. Basically it is a simple "packet" approach; I will provide Dave a copy of the Sony confidential paper separately.

3) "Dual" Digital audio disc; The format of Sony's 16 bit digital audio disc leaves approximately 1% of the disc capacity unused. Sony demonstrated three different techniques to utilize this previously unused capacity: 1) still video pictures 2) synthesized speech and 3) text graphics.

4) Prototype music synthesizer; A large (compact organ size) very sophisticated music synthesizer that was more of a technology demonstration than an actual product. It would take somebody like Scott to really appreciate the potential that was demonstrated.

Thank you,

Hugh

A handwritten signature in cursive script that reads "Hugh". The signature is written in dark ink and is positioned below the typed name "Hugh".

17 NOVEMBER 1982

MATTEL - SONY VIDEO GAME PROPOSAL

I. As you know, MATTEL is DISAPPOINTED THAT SONY WAS UNABLE TO ACCEPT MATTEL'S PROPOSAL OF A JOINT VENTURE OR PROFIT SHARING BUSINESS RELATIONSHIP. AS A RESULT, THE FINANCIAL BENEFITS TO MATTEL ARE SIGNIFICANTLY REDUCED AND THUS WE FEEL THAT MODIFICATIONS TO OUR INITIAL PROPOSAL ARE NECESSARY. IN ADDITION, SONY'S DESIRE TO HAVE A FREEDOM TO CHOOSE A FUTURE FORMAT REQUIRES THAT MATTEL, IN TURN, MUST NOT LIMIT POTENTIAL FUTURE BUSINESS RELATIONSHIPS ASSOCIATED WITH OUR I3 AND I4 FORMATS CURRENTLY IN DEVELOPMENT.

II. MATTEL'S PROPOSAL

1. UPON EXECUTION OF THE AGREEMENT, MATTEL WILL FURNISH SONY THE PROGRAMMER'S SPECIFICATION FOR THE EXECUTIVE ROM OF THE I2 MASTER COMPONENT. MATTEL WILL PROVIDE SONY WITH THE TEST SPECIFICATIONS FOR THE IMI TEST ROM FOR THE I2 MASTER COMPONENT. MATTEL WILL RELEASE ITS CUSTOM IC VENDORS TO SELL SUCH IC'S TO SONY. SONY MUST MAKE SUITABLE PURCHASE ARRANGEMENTS WITH SUCH CUSTOM IC VENDORS. MATTEL SHALL NOT INDEMNIFY SONY WITH REGARD TO USE OF SUCH CUSTOM IC'S. SONY WILL PAY A ONE TIME FEE OF \$500,000 U.S. FOR THE I2 MASTER COMPONENT (MODEL 5872); NO RECURRING ROYALTIES WILL BE PAID.

TO FACILITATE SONY'S PROMPT INTRODUCTION OF THE I2 MASTER COMPONENT, MATTEL WILL SELL TO SONY PARTS, SUB-ASSEMBLIES AND BOARDS.

ON 1 JANUARY 1984, MATTEL WILL PROVIDE SONY WITH THE PROGRAMMER'S SPECIFICATION FOR THE EXECUTIVE ROMS FOR THE I2 PERIPHERAL EQUIPMENTS. MATTEL WILL RELEASE ITS CUSTOM IC VENDORS TO SELL SUCH IC'S TO SONY UNDER CONDITIONS AS STATED ABOVE. SONY WILL PAY A ONE TIME FEE OF \$250,000 U.S. FOR THE COMPUTER ADAPTER AND ALPHANUMERIC KEYBOARD (MODEL 4187) AND THE MUSIC SYNTHESIZER (MODEL 4188) AND THE PROGRAM EXPANDER (MODEL 4190). SONY WILL PAY A ONE TIME FEE OF \$100,000 U.S. FOR INTELLIVOICE (MODEL 3330). MATTEL SHALL GRANT SONY THE OPTION TO OBTAIN FUTURE I2 COMPATIBLE PERIPHERALS ON A SIMILAR BASIS.

2. IF SONY DEVELOPS AND INTRODUCES SONY'S OWN VIDEO GAME WITHIN FOUR (4) YEARS FROM THE DATE OF THIS AGREEMENT, SONY WILL DISCLOSE SOFTWARE SPECIFICATIONS TO MATTEL, AND GRANT A LICENSE THEREUNDER, UNDER THE SAME CONDITIONS AS IN 1 ABOVE.
3. THIS PROPOSAL DOES NOT INVOLVE OPTIONS FOR I3 AND I4 SYSTEMS.

4. MATTEL SHALL SELL TO SONY A SELECTED LIST OF MATTEL SOFTWARE CARTRIDGES UNDER PRIVATE LABEL PACKAGING AT A PRICE 50% (FIFTY PER CENT) ABOVE MATTEL'S EX-FACTORY COST (OR EQUIVALENT MARGIN TO MATTEL IF SONY ELECTS TO PRODUCE SAID MATTEL SOFTWARE CARTRIDGES).

IN CONSIDERATION FOR THE SOFTWARE KNOWHOW PROVIDED BY MATTEL, MATTEL SHALL RECEIVE \$2.50 U.S. FOR EACH SOFTWARE CARTRIDGE DEVELOPED AND SOLD BY SONY. SONY SHALL NOT HAVE THE RIGHT TO SUB-LICENSE SOFTWARE PRODUCED FOR THE I2 FORMAT.

5. Sony will disclose to Mattel home video game-peripheral and home computer-peripheral formats and interface specifications of the following peripheral equipments which are and may be developed wholly or in part by Sony during a 4 year period from the date of this agreement and which have, in Sony's judgement, home video game, home computer application. These will include:

- 1) Optical and magnetic storage system for digital, audio and video data.
- 2) Software security system.
- 3) Flat color television receiver (color version of "watchman" monochrome television receiver).
- 4) Home networks, including multi-user, multi-task applications, Television receivers and hifi equipment.

Mattel will keep such information confidential but may use such interface/specifications to design its future home video game and home computer systems.

Sony will not be required to develop or manufacture such peripheral equipment or to disclose information which Sony may be required to keep confidential by a third party.

If Sony decides to manufacture such peripherals, Sony will offer them for sale to Mattel for distribution under Mattel brand for use with Mattel video game or, home computer and will grant Mattel a non-exclusive license under Sony's patents to make or have made such peripherals. If Sony decides not to manufacture such peripherals and if they are not otherwise available, Sony will grant to Mattel a non-exclusive license under Sony's patents to make or have made such peripherals. Sony will not be required to make manufacturing know how available to Mattel because it will pose too much burden on Sony.

III. Mattel shall have the first right of refusal to receive a license for any Sony software cartridge developed by Sony for non-Intellivision video game equipments.

IV. A software joint venture is no longer a consideration.

November 29, 1982

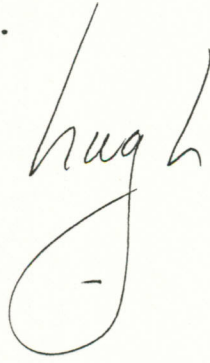
TO: Josh Denham
Stav Prodromou
Pete Pirner
Dave Chandler ✓
Bill Catron

FROM: Hugh Barnes

SUBJECT: SONY VISIT

Sony has confirmed their visit on December 1, 1982. The Jacquard Executive Conference Room has been reserved at 9:00. I expect Mr. Idei, Mr. Iba and Mr. Tokunaka to attend.

Thank you.



RECEIVED
NOV 30 1982
D. CHANDLER

MATTELINEC HWTH
EIK
0631 EDT

CPU7076

SHI-530

TO MATTEL ELEC., TLX(SONY)
FM SONY TOK NOV.25 '82

ATTN: MR. HUGH BARNES, MATTEL
CC: M/S CHANDLER, PRODROMOU, DENHAM, CATRON

FRM: N. IDEI, AU COMPONENTS DIV.
CC: MR. IBA, PLANNING
MR. TOKUNAKA, LEGAL
M/S KAMIHARA, MORITA

AUB2-441
RE: YR TLX OF NOV.23, 1982

RCVD YR TLX.
WE ACCEPT YR PROPOSAL.
I WL SEE YOU AT HAWTHORNE ON DEC 1, AT NINE A.M.
LOOKING FWD TO SEEING YOU SOON.

BEST REGARDS.

END

SHI
1844J 25/NOV/82 (3502)

MATTELINEC HWTH
E

REPLY VIA ITT

25/11/82 03:52 06

MATTEL ELECTRONICS

5150 Rosecrans Avenue
Hawthorne, California 90250
Telephone (213) 978-5150
TWX-910-395-7162

December 16, 1982

Nobuyuki Idei
General Manager
Audio Components Div.
Consumer Products Group
Sony Corporation
Shibaura Plant
7-4 Konan 1-chome
Minato-ku Tokyo, 108 Japan

Dear Mr. Idei:

Please find enclosed the proposed letter summarizing the business discussions which occurred between Sony and Mattel on December 1 and 2, 1982. This reflects our understanding and hope that it does not present any difficulties for Sony.

Several items are worthy of special note:

1. As we have discussed, several companies (Magnavox in particular) have been successful in obtaining rather broad licensing agreements with many participants in the video game industry. Mattel cannot convey any such rights to Sony. Language has been included in IA to explicitly reflect this point.
2. During our discussions, the Intellivoice was discussed and it is our understanding that Sony does not plan to utilize the device. It is our understanding that Sony has taken this posture since the speech processing software is not available from Mattel (Sony would have to negotiate an appropriate agreement with General Instruments) and the system is not compatible with Sony's own Speech Synthesis System. In light of this, reference to Intellivoice has been deleted. This raises a question regarding the language appropriate for Paragraph IVA. Your comments and suggestions will be appreciated.
3. Mattel desires that Sony be responsible for the total design and development of private label packaging; we believe this is consistent with Sony's position. Paragraph VA has been written to be more explicit in this regard.

RECEIVED

DEC 2 1982

D. STANLEY

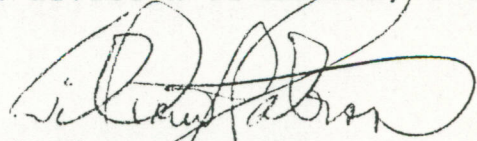
4. Paragraph VF has been written to reflect our understanding of the agreement we reached regarding definition of net sales price for royalty purposes; please review this carefully to insure our mutual understanding of this critical point.
5. Paragraphs VIII A and B have been written to reflect Mattel's posture on future technology exchange procedures. Hopefully, the language is acceptable to Sony and reflects a position that Sony can support.

There are many small changes that are incorporated into this document as a natural refinement of the consolidation of our lengthy discussions. Please bring any problem areas to our attention.

Mr. Prodromou will return to Hawthorne on Thursday, December 16, 1982, and will hopefully have the opportunity to contact you prior to your meeting with Mr. Oga to discuss any points that might be appropriate.

Very truly yours,

MATTEL ELECTRONICS,
a division of MATTEL, INC.



William G. Catron
Assistant General Counsel

WGC:kp

Enclosure

cc: Hugh Barnes
Dave Chandler
Josh Denham
Pete Pirner
Stav Prodromou

December 16, 1982

Sony Corporation
Shibaura Plant
7-4 Konan 1-chome
Minato-ku Tokyo, 108 Japan

Attention: Mr. Nobuyuki Idei
General Manager
Audio Components Div.
Consumer Products Group

Gentlemen:

This letter is intended to summarize the proposed business arrangement between Sony and Mattel Electronics that was discussed during the meetings held on December 1 and 2, 1982 in Los Angeles. It is understood by both companies that the understanding set forth below is contingent upon approval of the higher management of our respective corporations and is further subject to the negotiation and execution of detailed contract documents.

Our arrangement is as follows:

I. Hardware - Intellivision II ("I2")

- A. Upon execution of the agreement between our companies ("Agreement"), Mattel Electronics will grant to Sony the right to make, have made, use, lease and sell (but with no right to sub-license), on a non-exclusive, royalty-free world-wide basis, Mattel Electronics' I2 Master Component as its own home video game product to be produced and sold under Sony's private label. Mattel Electronics will provide Sony with its Programmer's Specification for the Executive ROM and its test specifications for the IMI test ROM for the I2 Master Component. In addition, it is recognized that Mattel Electronics has proprietary positions on certain vendor-supplied custom IC designs. After it has made suitable arrangements with its custom IC vendors, Mattel Electronics will release such vendors to produce and sell those IC's to Sony for use by Sony in its I2 format home video game product. Sony must thereafter

make its own purchase arrangements with such custom IC vendors. Although Mattel Electronics cannot guarantee any such purchase arrangements it will exercise its reasonable efforts and influence in connection therewith, if necessary. Further, with regard to other proprietary custom IC designs that are owned by Mattel Electronics, it will determine suitable arrangements with both its vendor(s) and Sony to secure not only the release of appropriate technical information with regard thereto, but also to release said vendor(s) to produce and sell such custom IC's to Sony for use by it in its I2 format product. However, Mattel Electronics shall not indemnify or hold Sony harmless against any infringement of third party rights in connection with the production, use, lease or sale of any of the custom IC's referenced above or of Sony's I2 format home video game product.

- B. In consideration for the grant contained in Paragraph IA above, Sony will pay to Mattel Electronics a lump sum fee of \$500,000.00 U.S., payable 1/2 upon execution of the Agreement and the remaining 1/2 upon transfer of the Executive ROM and the IMI test ROM test specifications.
- C. In order to facilitate Sony's 1983 introduction of its I2 format version, and upon Sony's request, Mattel Electronics agrees to produce and sell to Sony certain parts, subassemblies and printed circuit boards, in such quantities and upon such terms and conditions as may be mutually agreed to by the parties.

II. Hardware - I2 Peripheral Equipment

- A. With regard to Mattel Electronics' I2 compatible peripheral equipment identified as the Computer Adapter and Alphanumeric Keyboard (Model #4187), the Music Synthesizer (Model #4188) and the Program Expander (Model #4190) which all comprise the Entertainment Computer System, Mattel Electronics will grant rights to Sony identical to and in accordance with all of the provisions of Paragraph IA above.
- B. In consideration for the grant to Sony contained in Paragraph IIA above, Sony will pay to Mattel Electronics a lump sum fee of \$250,000.00 U.S., which fee shall be payable as set forth in Paragraph IB above.

- C. Mattel Electronics grants to Sony an option to obtain a grant of rights to future I2 compatible peripherals on terms and conditions identical to those set forth in Paragraph IIA above. The fee due by Sony for any such grant shall be \$250,000.00 U.S. for a group of one or more products like the Entertainment Computer System and \$100,000.00 U.S. for an independent piece of peripheral equipment.

III. Hardware - Intellivision III ("I3")

- A. Although it is understood that Mattel Electronics' I3 is currently being designed and developed, it is agreed that when it is practical from a technological standpoint Mattel Electronics will grant rights to Sony that are identical to and in accordance with all of the terms and conditions set forth in Paragraphs IA and C above with regard to the I2, for a lump sum fee identical to that in Paragraph IB above.
- B. Mattel Electronics, at its sole discretion, may grant Sony an option to obtain non-exclusive rights to I3 compatible peripherals on terms and conditions to be mutually agreed to.

IV. Hardware Arrangements - Additional Conditions

- A. It is understood that Sony's I2 and I3 home video game format versions (including peripherals) will be software and hardware compatible with Mattel Electronics' I2 and I3 format versions and peripherals, notwithstanding product aesthetic differences.
- B. If Sony develops for introduction and sale its own home video game and/or peripheral equipment(s) specifically intended for use therewith that is not compatible pursuant to Paragraph IVA above, Sony will grant rights to Mattel Electronics with regard thereto that are identical to and in accordance with the grants by Mattel Electronics and all other terms and conditions (such as fees, options, etc.) set forth in all of Paragraphs I and II above.
- C. If Sony develops peripheral equipment(s) uniquely compatible with the I2 format, Sony will grant rights to Mattel Electronics with regard thereto that are identical to and in accordance with the grants by Mattel Electronics and all other terms and conditions (such as fees, options, etc.) set forth in all of

Paragraph II above, except such rights shall be exclusive to Mattel Electronics and its designee(s) (subject only to Sony's right to make, have made, use, lease or sell).

- D. If Sony develops peripheral equipment(s) uniquely compatible with the I3 format, Sony may, at its sole discretion, grant Mattel Electronics an option to obtain exclusive rights (subject only to Sony's right to make, have made, use, lease and sell) to such equipment(s) on terms and conditions to be mutually agreed to. Notwithstanding the foregoing, Sony agrees not to offer and/or grant any rights concerning said equipment(s) without first providing Mattel Electronics with a first right of refusal with regard thereto.
- E. To facilitate Sony's introduction into the home video game business pursuant to this arrangement, Mattel Electronics shall provide reasonable technical and engineering assistance.

V. Software Cartridges

- A. Sony intends to establish their own software cartridge design, development and production capability. However, in order to expedite their 1983 introduction into the home video game marketplace in Japan, Mattel Electronics agrees to provide Sony (pursuant to Paragraphs VB through F below) with the following sixteen (16) software cartridges in calendar year 1983 for use with their I2 format version:

- 1. The following nine (9) software cartridge titles from Mattel Electronics 1982 product line:
 - a. Auto Race (1113)
 - b. Baseball (2614)
 - c. Astrosmash (3605)
 - d. Reversi (5304)
 - e. Basketball (2615)
 - f. Space Battle (2612)
 - g. Roulette (1118)

- h. Triple Action (3760)
- i. Royal Dealer (5303)

- 2. Four (4) game cartridges, at Sony's selection, from the approximately eleven (11) new game cartridges that are currently being designed and developed in-house by Mattel Electronics and which are not licensed properties; and
- 3. An additional three (3) cartridges from Mattel Electronics' existing 1982 product line, which will be mutually agreed to by the parties and exclusive to Sony for use with their I2 format version, and to which Mattel Electronics will make certain graphics and name changes.

- B. Any or all of said sixteen (16) software game cartridges will, at Sony's request, be manufactured and supplied by Mattel Electronics in Sony's private label packaging, in quantities and on terms and conditions of sale to be mutually agreed to at a cost of fifty percent (50%) above Mattel Electronics' ex-factory cost. Said cost to Sony shall not exceed Mattel Electronics' best independent distributor price worldwide (excluding Mattel Electronics' sales subsidiaries), but this shall not include any Mattel Electronics' close-outs, promotional pricings, giveaways or the like.
- C. Sony will pay for all charges and expenses related to, and shall be responsible for, all tooling, translation, artwork and the like in connection with its private label packaging.
- D. If Sony elects to produce any one (1) or more of the said sixteen (16) software game cartridges, Sony shall pay a fee to Mattel Electronics in U.S. dollars that is equal to the fifty percent (50%) margin above ex-factory cost per cartridge that Mattel Electronics would have otherwise charged to Sony had it produced said software cartridge(s).
- E. In addition to the foregoing, and in consideration for the exclusive rights granted to Sony with regard to the three (3) software game cartridges identified in Paragraph VA3 above, Sony shall pay Mattel Electronics, on a quarterly basis, a royalty of five percent (5%) of the net sales price (as hereinafter defined) for each

such cartridge sold or otherwise disposed of (whether given away free of charge, packed-out, used for promotion, or whatever) by Sony, irrespective of whether said cartridge(s) has been produced by Mattel Electronics or Sony.

- F. Sony's obligation to pay royalties hereunder to Mattel Electronics applies to each and every sale or other disposition of any such software cartridge(s) anywhere in the world for a period of three (3) years (thirty six (36) months) from the date of first shipment of Sony's I2 format system. However, recognizing the complexity of Sony's world-wide distribution and sales network, and for the ease and reasonable administration of the arrangement between the parties, the term "net sales price" as used herein shall be deemed to mean the published price at which Sony's Sales Companies in Japan purchase said cartridges from Sony Corporation's Sales Group in Japan that is in effect at the time any such world-wide sale or other disposition is made. It is agreed, however, that the parties have chosen the above as a fair and reasonable definition of "net sales price" on the representation by Sony that it will closely approximate Sony's average world-wide wholesale price and that it will normally represent sixty-six percent (66%) of the retail price in Japan, in order to afford Mattel Electronics an equitable royalty return. The foregoing evidences an intent and reliance of the parties for royalty purposes only, and is in no way designed or intended to influence Sony's complete freedom to determine its own prices.
- G. In calendar year 1984, Mattel Electronics agrees to provide one (1) additional software game cartridge per calendar quarter on a non-exclusive basis to Sony at a cost identical to that set forth in Paragraphs VB and D above. The actual games will be mutually agreed to by the parties.
- H. It is understood that it is premature for Mattel Electronics to identify all software that will be available in 1983 for its various I2 peripheral components. However, Mattel Electronics has committed that some software cartridges will be made available to (and/or developed for) Sony and it is intended that discussions concerning these cartridges will commence in late January, 1983.

VI. Sony Developed Software

- A. Mattel Electronics agrees to provide reasonable technical assistance to Sony on a basis to be mutually agreed to by the parties.
- B. With regard to any software cartridge developed by or on behalf of Sony (by other than Mattel Electronics) Sony agrees to pay to Mattel a royalty of five percent (5%) of the net sales price pursuant to Paragraph VF above. On such cartridges developed for use with the Sony I2 format version, said royalties shall be due and payable for sales or other dispositions made during a period of three (3) years (thirty six (36) months) commencing from the date of first shipment of Sony's I2 format version. On such cartridges developed for use with the Sony I3 format version, said royalties shall be due and payable for sales or other dispositions made during a period of three (3) years (thirty six (36) months) commencing from the date of first shipment of Sony's I3 format version. Sony agrees that it shall not attempt to or actually license, sublicense or otherwise grant any rights to make, have made, use, lease or sell (other than on behalf of Sony and under Sony's private label) any such cartridge(s) for either the I2 or I3 format version to any third party other than a Mattel Electronics' designee, without the prior written approval of the President of Mattel Electronics.
- C. As a result of this arrangement, it is recognized that Sony can and may develop software cartridges, that are different from those identified in Paragraph VA above, for either its I2 or I3 format versions which could also be produced and sold for other home video game formats or for personal/home computer formats. In addition, it is recognized that Sony can and may develop such software cartridges directly for non-I2 or non-I3 format home video games and/or personal/home computers. In consideration for the software start-up assistance provided by Mattel Electronics hereunder, Sony agrees to grant a right of first refusal to Mattel Electronics in the event that Sony decides to license, sublicense or otherwise grant rights to make, have made, use, lease or sell any of the cartridges identified in this Paragraph VIC. Said right of first refusal shall in no way preclude Sony, either directly or on its behalf and under its own private label, from producing and selling any such cartridges, and it shall in no way preclude Sony from receiving and/or negotiating unsolicited inquiries from third parties or

for Sony to itself solicit/negotiate possible licenses, etc. with third parties; provided, however, that Sony cannot enter into any binding commitment or contract with any such third party until it has first given the right of first refusal to Mattel Electronics.

VII. Technology Interchange

- A. It is understood that in further consideration for the hardware and software grants and the transfer of technology by Mattel Electronics hereunder, the parties agree to exchange technology information concerning potential future product applications. Such exchange shall continue to and until December 31, 1985. Sony will disclose to Mattel Electronics home video game peripheral and personal/home computer peripheral formats and interface specifications which are and/or may be developed wholly or in part by Sony and which have, in Sony's judgment, application to the home video game and/or personal/home computer industries. Such formats and specifications will include at least the following:
1. Optical and magnetic storage systems for digital, audio and video data;
 2. Software security systems;
 3. Flat color television receiver (including color version of "Watchman" Monochrome Television Receiver), and improvements in video display technology and capability; and
 4. Home networks, including multi-user, multi-task applications, television receivers, hifi equipment, interface systems, games, personal computers, VCR's and Discs.
- B. In return, Mattel Electronics will disclose to Sony certain of the specifications as they exist in preliminary concept concerning Mattel Electronics INTELLIVISION IV ("I4") which is currently under development.
- C. As part of the technology interchange hereunder, it is intended that each party will suggest to the other party specific changes to such other party's format and interface specifications. However, Sony and Mattel Electronics shall respectively finalize their own

formats and specifications, incorporating where desirable and appropriate the suggested changes of the other party and with the intent of undertaking reasonable efforts to remain equipment compatible. In that regard, prior to the introduction by Mattel Electronics of its I4, and prior to the introduction by Sony of any peripheral equipments utilizing its formats and interface specifications referenced in Paragraph VIIA above, the respective party agrees to inform the other as to the changes in their equipment which would affect interface specifications.

- D. Sony and Mattel Electronics each agrees to keep confidential and not to disclose the information disclosed to it by the other party under this Paragraph VII. Neither party, however, will be required to disclose information to the other which it is required by a third party to keep as confidential.
- E. Sony will not be required to develop or manufacture peripheral equipments from formats and specifications referenced in Paragraph VIIA above, nor will Mattel Electronics be required to develop or manufacture its I4. If any such Sony peripheral equipment(s) and Mattel Electronics' I4 (or other personal/home computer products chosen by Mattel Electronics) will be compatible, and if Sony decides to manufacture such peripheral(s), and if Mattel Electronics desires to utilize any such peripheral, Sony will offer them for sale to Mattel Electronics for distribution under the Mattel Electronics brand name for use with the I4 (or such personal/home computer device as may be chosen by Mattel Electronics) at least until such time as two (2) or more viable sources of supply other than Sony are ready, willing and able to supply such peripherals in quantities reasonably required by Mattel Electronics. If Sony decides not to manufacture such peripherals, or even if Sony decides to manufacture such peripherals but there are less than two (2) viable sources (including Sony) which are ready, willing and able to sell such peripherals in quantities reasonably required by Mattel Electronics, Sony will grant to Mattel Electronics a non-exclusive license (including relevant Sony patents, if any) to allow Mattel Electronics to make, have made, use, lease and/or sell such peripherals, on reasonable licensing terms and conditions to be mutually agreed to. Sony will not be required to make manufacturing know-how available to Mattel Electronics.

VIII. Interchange Procedures

- A. As part of the technology interchange hereunder, it is agreed that representatives of Mattel Electronics will attend regular meetings with Sony's corporate headquarters Research and Development Coordinating Group.
- B. It is the intent of the parties that Sony will disclose to Mattel Electronics its technology innovations comprising the formats and interface specifications identified in Paragraph VIIA above at the earliest practical opportunity, consistent with the intent of the parties hereunder. If Mattel Electronics undertakes to manufacture and sell an equipment application embodying any of Sony's formats and interface specifications, Mattel Electronics shall have an option, to be exercised at its sole discretion, of having an exclusive license (subject only to Sony's right to make, have made, use, lease or sell) for such formats and interface specifications for use in its specific market application for a period of eighteen (18) months from the date of first shipment of said equipment application by Mattel Electronics. However, Mattel Electronics recognizes the need and desirability of industry standards, and Sony's leadership position in this regard. Therefore, if in good faith Sony determines to promote and make available as an electronics industry standard the technology innovation comprising the Sony formats and interface specifications to be utilized by Mattel Electronics in its equipment application, then the foregoing option shall become non-exclusive, but on terms and conditions no less favorable than granted by Sony to any other licenses.

IX. Miscellaneous

The parties agree to keep confidential and not to disclose the existence of this arrangement and/or any of the terms and conditions hereof, until such time as the Agreement has been executed by both parties, except as may be otherwise required by law.

As stated at the beginning of this letter, the points covered above are merely intended to summarize the business discussions between representatives of our respective companies on December 1 and 2, 1982, and it is recognized by both parties that the Agreement will contain numerous provisions, covenants

and concepts not otherwise specifically covered herein, including without limitation definitions of "home video game" and "personal/home computer" products.

If Sony concurs with the foregoing, please signify your approval and acceptance by having a duly authorized representative of Sony sign and date both copies of this letter and return them to Mr. Prodromou.

Accepted and Agreed to this
____ day of _____, 1982.

MATTEL ELECTRONICS,
a division of MATTEL, INC.

By _____

Title _____

Accepted and Agreed to this
____ day of _____, 1982.

SONY CORPORATION

By _____

Title _____



SONY CORPORATION

Revised Outline of Proposed Business Arrangement

Dated January 18, 1983

Resulting from separate discussions with Josh Denham and Dr. Chandler on January 17 and 18, 1983, set forth below is an outline of a revised proposal to be discussed with Stav Prodromou and ultimately presented to Sony as somewhat of a "final" position by Mattel Electronics.

NOTE: References herein to "M.E. Proposal" paragraph numbers correspond to the items set forth in our last written proposal to Sony, dated December 16, 1982, a copy of which is attached hereto. Also NOTE, that references to comments contained in the "Sony Proposal", refer to specific points raised in their communication to us dated December 29, 1982.

PROPOSAL:

I. Hardware - Intellivision II ("I2")

To remain the same as set forth in Paragraphs A, B and C of the M.E. Proposal.

COMMENT:

Contrary to points raised in the Sony Proposal, our agreement with Sony should not be contingent upon their prior assurance of CUSTOM IC supply from our vendors. In addition, and as requested in the Sony Proposal, definitionally we can expand our references to "suitable arrangements".

II. Hardware - I2 Peripheral Equipment

M.E. Proposal Paragraphs A and B to be modified by reinserting reference to Intellivoice Module (model #3330) and inserting lump sum fee of \$100,000.00. M.E. Proposal Paragraph C remains the same.

COMMENT:

Again, as requested in Sony Proposal, definitionally we can expand on our interpretation of a peripheral group versus an independent piece of peripheral equipment.

III. Hardware - Intellivision III ("I3")

M.E. Proposal Paragraph A, except that additional language/clarification should be added to respond to Sony Proposal to clearly evidence that an additional \$500,000.00 lump sum fee is involved.

M.E. Proposal Paragraph B to be revised to affirmatively grant Sony an option to obtain a grant of rights to future I3 compatible peripherals, that is identical to the grant applicable to future I2 compatible peripherals in M.E. Proposal Paragraph IIC.

IV. Hardware Arrangements - Additional Conditions

M.E. Proposal Paragraph A remains the same.

M.E. Proposal Paragraph B to remain the same with two (2) exceptions: First, it will be limited in time to the earlier of December 31, 1985 or Mattel Electronics' first commercial shipments of its Intellivision IV; and second we will add a sentence to the effect that we have no right to sell parts or subassemblies except for repair purposes and services.

COMMENT:

We will not accept Sony's price restrictions or their proposal that if there are two (2) new video game formats we will only have rights to the first format, both points being raised in Sony Proposal Paragraph IVB(i).

M.E. Proposal Paragraph C remains the same with the exception that it should apply to peripheral equipment(s) uniquely compatible for either the I2 or I3 format.

M.E. Proposal Paragraph D is deleted.

M.E. Proposal Paragraph E remains the same (but is revised to read as Paragraph "D").

COMMENT:

We will not agree to any other changes/suggestions set forth in Sony Proposal Paragraph IVB(ii), (iii) or (iv), or with regard to Sony Proposal Paragraph IVC and D. (NOTE: THIS MEANS THAT WE WILL INSIST THAT SONY DEVELOPED I2 AND/OR I3 PERIPHERALS BE EXCLUSIVE TO MATTEL ELECTRONICS SUBJECT ONLY TO SONY'S RIGHTS.)

V. Software Cartridges

M.E. Proposal Paragraph A and subparagraphs 1, 2 and 3 remain the same.

COMMENT:

Responding to certain points in Sony Proposal Paragraph VA, we will clarify that the arrangement is for sales world-wide by Sony; however, it has yet to be decided as to how long

beyond 1983, if at all, we will continue to supply the software titles to Sony; and it should be clarified that the nine (9) titles set forth in M.E. Proposal Paragraph A1 are non-negotiable.

M.E. Proposal Paragraphs B through H to remain the same, notwithstanding various points raised in contrary positions presented in Sony Proposal Paragraphs VB through F.

COMMENT:

With regard to Sony Proposal Paragraph F, discussing Sony pricing, this must be resolved from a business standpoint.

COMMENT:

As to Sony Proposal Paragraph VG, Mattel Electronics' position should be that we will not make available to Sony I3 software.

VI. Sony Developed Software

M.E. Proposal Paragraphs A through C to remain the same.

VII. Technology Interchange

Delete this section (comprised of Paragraphs A through E) in its entirety.

VIII. Interchange Procedures

At most, Paragraphs A and B should be completely revised to merely evidence a mutual intent between the parties that there may be ongoing technology interchange/discussions between authorized representatives of each company, on terms and conditions to be mutually agreed to in the future.

IX. Miscellaneous

M.E. Proposal to remain the same.

One final point - draft letter allegedly from Mr. Ohga, as transmitted by Mr. Idei with his cover memo to Josh Denham of January 14, 1983, can serve as a "statement of intent" on the part of Sony for the ongoing technology interchange ("futures") if and only if it is revised to delete all reference to an intent by Mattel Electronics to assist Sony in video game software development.

MATTEL ELECTRONICS

5150 Rosecrans Avenue
Hawthorne, California 90250
Telephone (213) 978-5150
TWX-910-325-7162

December 16, 1982

Sony Corporation
Shibaura Plant
7-4 Konan 1-chome
Minato-ku Tokyo, 108 Japan

Attention: Mr. Nobuyuki Idei
General Manager
Audio Components Div.
Consumer Products Group

Gentlemen:

This letter is intended to summarize the proposed business arrangement between Sony and Mattel Electronics that was discussed during the meetings held on December 1 and 2, 1982 in Los Angeles. It is understood by both companies that the understanding set forth below is contingent upon approval of the higher management of our respective corporations and is further subject to the negotiation and execution of detailed contract documents.

Our arrangement is as follows:

I. Hardware - Intellivision II ("I2")

- A. Upon execution of the agreement between our companies ("Agreement"), Mattel Electronics will grant to Sony the right to make, have made, use, lease and sell (but with no right to sub-license), on a non-exclusive, royalty-free world-wide basis, Mattel Electronics' I2 Master Component as its own home video game product to be produced and sold under Sony's private label. Mattel Electronics will provide Sony with its Programmer's Specification for the Executive ROM and its test specifications for the IMI test ROM for the I2 Master Component. In addition, it is recognized that Mattel Electronics has proprietary positions on certain vendor-supplied custom IC designs. After it has made suitable arrangements with its custom IC vendors, Mattel Electronics will release such vendors to produce and sell those IC's to Sony for use by Sony in its I2 format home video game product. Sony must thereafter

make its own purchase arrangements with such custom IC vendors. Although Mattel Electronics cannot guarantee any such purchase arrangements it will exercise its reasonable efforts and influence in connection therewith, if necessary. Further, with regard to other proprietary custom IC designs that are owned by Mattel Electronics, it will determine suitable arrangements with both its vendor(s) and Sony to secure not only the release of appropriate technical information with regard thereto, but also to release said vendor(s) to produce and sell such custom IC's to Sony for use by it in its I2 format product. However, Mattel Electronics shall not indemnify or hold Sony harmless against any infringement of third party rights in connection with the production, use, lease or sale of any of the custom IC's referenced above or of Sony's I2 format home video game product.

- B. In consideration for the grant contained in Paragraph IA above, Sony will pay to Mattel Electronics a lump sum fee of \$500,000.00 U.S., payable 1/2 upon execution of the Agreement and the remaining 1/2 upon transfer of the Executive ROM and the IMI test ROM test specifications.
- C. In order to facilitate Sony's 1983 introduction of its I2 format version, and upon Sony's request, Mattel Electronics agrees to produce and sell to Sony certain parts, subassemblies and printed circuit boards, in such quantities and upon such terms and conditions as may be mutually agreed to by the parties.

II. Hardware - I2 Peripheral Equipment

- A. With regard to Mattel Electronics' I2 compatible peripheral equipment identified as the Computer Adapter and Alphanumeric Keyboard (Model #4187), the Music Synthesizer (Model #4188) and the Program Expander (Model #4190) which all comprise the Entertainment Computer System, Mattel Electronics will grant rights to Sony identical to and in accordance with all of the provisions of Paragraph IA above.
- B. In consideration for the grant to Sony contained in Paragraph IIA above, Sony will pay to Mattel Electronics a lump sum fee of \$250,000.00 U.S., which fee shall be payable as set forth in Paragraph IB above.

- C. Mattel Electronics grants to Sony an option to obtain a grant of rights to future I2 compatible peripherals on terms and conditions identical to those set forth in Paragraph IIA above. The fee due by Sony for any such grant shall be \$250,000.00 U.S. for a group of one or more products like the Entertainment Computer System and \$100,000.00 U.S. for an independent piece of peripheral equipment.

III. Hardware - Intellivision III ("I3")

- A. Although it is understood that Mattel Electronics' I3 is currently being designed and developed, it is agreed that when it is practical from a technological standpoint Mattel Electronics will grant rights to Sony that are identical to and in accordance with all of the terms and conditions set forth in Paragraphs IA and C above with regard to the I2, for a lump sum fee identical to that in Paragraph IB above.
- B. Mattel Electronics, at its sole discretion, may grant Sony an option to obtain non-exclusive rights to I3 compatible peripherals on terms and conditions to be mutually agreed to.

IV. Hardware Arrangements - Additional Conditions

- A. It is understood that Sony's I2 and I3 home video game format versions (including peripherals) will be software and hardware compatible with Mattel Electronics' I2 and I3 format versions and peripherals, notwithstanding product aesthetic differences.
- B. If Sony develops for introduction and sale its own home video game and/or peripheral equipment(s) specifically intended for use therewith that is not compatible pursuant to Paragraph IVA above, Sony will grant rights to Mattel Electronics with regard thereto that are identical to and in accordance with the grants by Mattel Electronics and all other terms and conditions (such as fees, options, etc.) set forth in all of Paragraphs I and II above.
- C. If Sony develops peripheral equipment(s) uniquely compatible with the I2 format, Sony will grant rights to Mattel Electronics with regard thereto that are identical to and in accordance with the grants by Mattel Electronics and all other terms and conditions (such as fees, options, etc.) set forth in all of

Paragraph II above, except such rights shall be exclusive to Mattel Electronics and its designee(s) (subject only to Sony's right to make, have made, use, lease or sell).

- D. If Sony develops peripheral equipment(s) uniquely compatible with the I3 format, Sony may, at its sole discretion, grant Mattel Electronics an option to obtain exclusive rights (subject only to Sony's right to make, have made, use, lease and sell) to such equipment(s) on terms and conditions to be mutually agreed to. Notwithstanding the foregoing, Sony agrees not to offer and/or grant any rights concerning said equipment(s) without first providing Mattel Electronics with a first right of refusal with regard thereto.
- E. To facilitate Sony's introduction into the home video game business pursuant to this arrangement, Mattel Electronics shall provide reasonable technical and engineering assistance.

V. Software Cartridges

- A. Sony intends to establish their own software cartridge design, development and production capability. However, in order to expedite their 1983 introduction into the home video game marketplace in Japan, Mattel Electronics agrees to provide Sony (pursuant to Paragraphs VB through F below) with the following sixteen (16) software cartridges in calendar year 1983 for use with their I2 format version:
 - 1. The following nine (9) software cartridge titles from Mattel Electronics 1982 product line:
 - a. Auto Race (1113)
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 - d. Reversi (5304)
 - e. Basketball (2615)
 - f. Space Battle (2612)
 - g. Roulette (1118)

- h. Triple Action (3760)
 - i. Royal Dealer (5303)
-
- 2. Four (4) game cartridges, at Sony's selection, from the approximately eleven (11) new game cartridges that are currently being designed and developed in-house by Mattel Electronics and which are not licensed properties; and
 - 3. An additional three (3) cartridges from Mattel Electronics' existing 1982 product line, which will be mutually agreed to by the parties and exclusive to Sony for use with their I2 format version, and to which Mattel Electronics will make certain graphics and name changes.
-
- B. Any or all of said sixteen (16) software game cartridges will, at Sony's request, be manufactured and supplied by Mattel Electronics in Sony's private label packaging, in quantities and on terms and conditions of sale to be mutually agreed to at a cost of fifty percent (50%) above Mattel Electronics' ex-factory cost. Said cost to Sony shall not exceed Mattel Electronics' best independent distributor price world-wide (excluding Mattel Electronics' sales subsidiaries), but this shall not include any Mattel Electronics' close-outs, promotional pricings, giveaways or the like.
 - C. Sony will pay for all charges and expenses related to, and shall be responsible for, all tooling, translation, artwork and the like in connection with its private label packaging.
 - D. If Sony elects to produce any one (1) or more of the said sixteen (16) software game cartridges, Sony shall pay a fee to Mattel Electronics in U.S. dollars that is equal to the fifty percent (50%) margin above ex-factory cost per cartridge that Mattel Electronics would have otherwise charged to Sony had it produced said software cartridge(s).
 - E. In addition to the foregoing, and in consideration for the exclusive rights granted to Sony with regard to the three (3) software game cartridges identified in Paragraph VA3 above, Sony shall pay Mattel Electronics, on a quarterly basis, a royalty of five percent (5%) of the net sales price (as hereinafter defined) for each

such cartridge sold or otherwise disposed of (whether given away free of charge, packed-out, used for promotion, or whatever) by Sony, irrespective of whether said cartridge(s) has been produced by Mattel Electronics or Sony.

- F. Sony's obligation to pay royalties hereunder to Mattel Electronics applies to each and every sale or other disposition of any such software cartridge(s) anywhere in the world for a period of three (3) years (thirty six (36) months) from the date of first shipment of Sony's I2 format system. However, recognizing the complexity of Sony's world-wide distribution and sales network, and for the ease and reasonable administration of the arrangement between the parties, the term "net sales price" as used herein shall be deemed to mean the published price at which Sony's Sales Companies in Japan purchase said cartridges from Sony Corporation's Sales Group in Japan that is in effect at the time any such world-wide sale or other disposition is made. It is agreed, however, that the parties have chosen the above as a fair and reasonable definition of "net sales price" on the representation by Sony that it will closely approximate Sony's average world-wide wholesale price and that it will normally represent sixty-six percent (66%) of the retail price in Japan, in order to afford Mattel Electronics an equitable royalty return. The foregoing evidences an intent and reliance of the parties for royalty purposes only, and is in no way designed or intended to influence Sony's complete freedom to determine its own prices.
- G. In calendar year 1984, Mattel Electronics agrees to provide one (1) additional software game cartridge per calendar quarter on a non-exclusive basis to Sony at a cost identical to that set forth in Paragraphs VB and D above. The actual games will be mutually agreed to by the parties.
- H. It is understood that it is premature for Mattel Electronics to identify all software that will be available in 1983 for its various I2 peripheral components. However, Mattel Electronics has committed that some software cartridges will be made available to (and/or developed for) Sony and it is intended that discussions concerning these cartridges will commence in late January, 1983.

VI. Sony Developed Software

- A. Mattel Electronics agrees to provide reasonable technical assistance to Sony on a basis to be mutually agreed to by the parties.
- B. With regard to any software cartridge developed by or on behalf of Sony (by other than Mattel Electronics) Sony agrees to pay to Mattel a royalty of five percent (5%) of the net sales price pursuant to Paragraph VF above. On such cartridges developed for use with the Sony I2 format version, said royalties shall be due and payable for sales or other dispositions made during a period of three (3) years (thirty six (36) months) commencing from the date of first shipment of Sony's I2 format version. On such cartridges developed for use with the Sony I3 format version, said royalties shall be due and payable for sales or other dispositions made during a period of three (3) years (thirty six (36) months) commencing from the date of first shipment of Sony's I3 format version. Sony agrees that it shall not attempt to or actually license, sublicense or otherwise grant any rights to make, have made, use, lease or sell (other than on behalf of Sony and under Sony's private label) any such cartridge(s) for either the I2 or I3 format version to any third party other than a Mattel Electronics' designee, without the prior written approval of the President of Mattel Electronics.
- C. As a result of this arrangement, it is recognized that Sony can and may develop software cartridges, that are different from those identified in Paragraph VA above, for either its I2 or I3 format versions which could also be produced and sold for other home video game formats or for personal/home computer formats. In addition, it is recognized that Sony can and may develop such software cartridges directly for non-I2 or non-I3 format home video games and/or personal/home computers. In consideration for the software start-up assistance provided by Mattel Electronics hereunder, Sony agrees to grant a right of first refusal to Mattel Electronics in the event that Sony decides to license, sublicense or otherwise grant rights to make, have made, use, lease or sell any of the cartridges identified in this Paragraph VIC. Said right of first refusal shall in no way preclude Sony, either directly or on its behalf and under its own private label, from producing and selling any such cartridges, and it shall in no way preclude Sony from receiving and/or negotiating unsolicited inquiries from third parties or

for Sony to itself solicit/negotiate possible licenses, etc. with third parties; provided, however, that Sony cannot enter into any binding commitment or contract with any such third party until it has first given the right of first refusal to Mattel Electronics.

VII. Technology Interchange

- A. It is understood that in further consideration for the hardware and software grants and the transfer of technology by Mattel Electronics hereunder, the parties agree to exchange technology information concerning potential future product applications. Such exchange shall continue to and until December 31, 1985. Sony will disclose to Mattel Electronics home video game peripheral and personal/home computer peripheral formats and interface specifications which are and/or may be developed wholly or in part by Sony and which have, in Sony's judgment, application to the home video game and/or personal/home computer industries. Such formats and specifications will include at least the following:
1. Optical and magnetic storage systems for digital, audio and video data;
 2. Software security systems;
 3. Flat color television receiver (including color version of "Watchman" Monochrome Television Receiver), and improvements in video display technology and capability; and
 4. Home networks, including multi-user, multi-task applications, television receivers, hifi equipment, interface systems, games, personal computers, VCR's and Discs.
- B. In return, Mattel Electronics will disclose to Sony certain of the specifications as they exist in preliminary concept concerning Mattel Electronics INTELLIVISION IV ("I4") which is currently under development.
- C. As part of the technology interchange hereunder, it is intended that each party will suggest to the other party specific changes to such other party's format and interface specifications. However, Sony and Mattel Electronics shall respectively finalize their own

formats and specifications, incorporating where desirable and appropriate the suggested changes of the other party and with the intent of undertaking reasonable efforts to remain equipment compatible. In that regard, prior to the introduction by Mattel Electronics of its I4, and prior to the introduction by Sony of any peripheral equipments utilizing its formats and interface specifications referenced in Paragraph VIIA above, the respective party agrees to inform the other as to the changes in their equipment which would affect interface specifications.

- D. Sony and Mattel Electronics each agrees to keep confidential and not to disclose the information disclosed to it by the other party under this Paragraph VII. Neither party, however, will be required to disclose information to the other which it is required by a third party to keep as confidential.
- E. Sony will not be required to develop or manufacture peripheral equipments from formats and specifications referenced in Paragraph VIIA above, nor will Mattel Electronics be required to develop or manufacture its I4. If any such Sony peripheral equipment(s) and Mattel Electronics' I4 (or other personal/home computer products chosen by Mattel Electronics) will be compatible, and if Sony decides to manufacture such peripheral(s), and if Mattel Electronics desires to utilize any such peripheral, Sony will offer them for sale to Mattel Electronics for distribution under the Mattel Electronics brand name for use with the I4 (or such personal/home computer device as may be chosen by Mattel Electronics) at least until such time as two (2) or more viable sources of supply other than Sony are ready, willing and able to supply such peripherals in quantities reasonably required by Mattel Electronics. If Sony decides not to manufacture such peripherals, or even if Sony decides to manufacture such peripherals but there are less than two (2) viable sources (including Sony) which are ready, willing and able to sell such peripherals in quantities reasonably required by Mattel Electronics, Sony will grant to Mattel Electronics a non-exclusive license (including relevant Sony patents, if any) to allow Mattel Electronics to make, have made, use, lease and/or sell such peripherals, on reasonable licensing terms and conditions to be mutually agreed to. Sony will not be required to make manufacturing know-how available to Mattel Electronics.

VIII. Interchange Procedures

- A. As part of the technology interchange hereunder, it is agreed that representatives of Mattel Electronics will attend regular meetings with Sony's corporate headquarters Research and Development Coordinating Group.
- B. It is the intent of the parties that Sony will disclose to Mattel Electronics its technology innovations comprising the formats and interface specifications identified in Paragraph VIIA above at the earliest practical opportunity, consistent with the intent of the parties hereunder. If Mattel Electronics undertakes to manufacture and sell an equipment application embodying any of Sony's formats and interface specifications, Mattel Electronics shall have an option, to be exercised at its sole discretion, of having an exclusive license (subject only to Sony's right to make, have made, use, lease or sell) for such formats and interface specifications for use in its specific market application for a period of eighteen (18) months from the date of first shipment of said equipment application by Mattel Electronics. However, Mattel Electronics recognizes the need and desirability of industry standards, and Sony's leadership position in this regard. Therefore, if in good faith Sony determines to promote and make available as an electronics industry standard the technology innovation comprising the Sony formats and interface specifications to be utilized by Mattel Electronics in its equipment application, then the foregoing option shall become non-exclusive, but on terms and conditions no less favorable than granted by Sony to any other licenses.

IX. Miscellaneous

The parties agree to keep confidential and not to disclose the existence of this arrangement and/or any of the terms and conditions hereof, until such time as the Agreement has been executed by both parties, except as may be otherwise required by law.

As stated at the beginning of this letter, the points covered above are merely intended to summarize the business discussions between representatives of our respective companies on December 1 and 2, 1982, and it is recognized by both parties that the Agreement will contain numerous provisions, covenants

and concepts not otherwise specifically covered herein, including without limitation definitions of "home video game" and "personal/home computer" products.

If Sony concurs with the foregoing, please signify your approval and acceptance by having a duly authorized representative of Sony sign and date both copies of this letter and return them to Mr. Prodromou.

Accepted and Agreed to this
____ day of _____, 1982.

MATTEL ELECTRONICS,
a division of MATTEL, INC.

By _____

Title _____

Accepted and Agreed to this
____ day of _____, 1982.

SONY CORPORATION

By _____

Title _____

→ Dave C

1/2

January 28, 1983

V 00000000
JAN 28 1983

To: Mr. Prodromou - Mattel Electronics

Fm: Idei - Sony Tokyo

We are in the process of preparing for submission of our business plan for approval by our management committee on Tuesday. Although the project will have to be formally approved, I believe that we will have a favorable response from the committee. In view of the time pressure, I would appreciate receiving your draft agreement as soon as possible.

In order to prepare the business plan, we urgently need the following information.

Here is our initial target of cost division for I2.

- All materials (ICs, Mechanical Parts, Circuit Board, Cabinet, etc.) Under ¥7,000
- All ICs Under ¥3,500

Please advise us price, availability and minimum order quantity of the following ICs for I2.

- a. CP1610
- b. AY-3-8900-1
- c. AY-3-8914
- d. AY-3-8915
- e. RA-3-9600-1
- f. RO-3-9503-003
- g. RO-3-9506-010

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Others:

- i. RF MODULATOR UN1285-8
- j. SW REGULATOR AA7170

We would also like to know/have:

- 1. A version of PDP11 and its system structure.
- 2. A working sample of simulator set or its printed circuit board.

Your prompt action would be appreciated.

Regards,

In order to proceed our business plan, we urgently need the following information.

Here is our initial order for your reference:

All materials (ICs, transistors, resistors, capacitors, etc.)

All ICs

Please advise us of your availability and price under quantity of the following items:

- a. CP1612
- b. AY-3-8800-1
- c. AY-3-5111
- d. AY-3-8911
- e. RA-3-8001
- f. RG-3-9143-210
- g. RO-3-9171-010