

MEMOREX

1975 Annual Report

Memorex Corporation
1975 Annual Report

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The nearly 5,400 employees of Memorex design, manufacture, market and service high-quality products used throughout the world in data processing, data communication, word processing, entertainment, broadcasting, education, training and vital record storage.



Financial Highlights*

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	1975	1974	Difference
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(For the year ended December 31)

Revenues	\$263,994,000	\$217,627,000	\$46,367,000
Depreciation and amortization charged to operations	40,532,000	46,323,000	(5,791,000)
Income (loss) before extraordinary credits	8,245,000	(8,972,000)	17,217,000
Extraordinary credits	9,777,000	—	9,777,000
Net income (loss)	\$ 18,022,000	\$ (8,972,000)	\$26,994,000
Average number of common shares and equivalents	4,740,000	4,314,000	426,000

(End of year)

Cash and temporary investments	\$ 40,182,000	\$ 11,783,000	\$28,399,000
Total assets	228,137,000	236,395,000	(8,258,000)
Notes payable	117,562,000	163,117,000	(45,555,000)
Convertible subordinated debentures	68,045,000	75,000,000	(6,955,000)
Shareholders' equity (deficiency):			
Preferred shareholders' equity	59,057,000	50,390,000	8,667,000
Common shareholders' (deficiency)	(55,966,000)	(74,067,000)	18,101,000
Total shareholders' equity (deficiency)	\$ 3,091,000	(\$23,677,000)	\$26,768,000
Number of employees	5,364	4,971	393

***Please refer to the financial statements included in the
1975 Financial Report which is an integral part of this
1975 Annual Report.**

1975 was a very good year for Memorex. It brought a continuation—indeed an escalation—of the solid progress made in the turnaround year of 1974. In many respects it was a time of restoration: restoration of positive attitudes, restoration of profitability, and restoration of positive net worth. Each of these, together with the continuation of stronger revenue growth, investment, and the resolution of many long-term problems, made it a year in which all of us can take pride.

These excellent results would not have been possible without the much appreciated support of our customers, vendors, and lenders.

We are proud of the progress made, but we recognize that the restoration will not be complete until common shareholders' equity is strongly positive and the balance sheet significantly strengthened.

Revenues for 1975 totaled \$263,994,000—an increase of 21% over the prior year's \$217,627,000. This revenue growth is particularly significant in view of the worldwide recession.

The principal factor in this growth was the sale of equipment products to both end-users and original equipment manufacturers. Yet, despite the high level of equipment sales, lease revenue was maintained at 1974 levels.

This growth in revenue was a major contributor to the restoration of profit. Every quarter of the year was profitable and total profit substantially exceeded the previous record set in 1969.

Included in the total profit figure for 1975 is \$9,777,000 of extraordinary income related to the purchase of debentures and tax-loss carryforwards. Even without these extraordinary items, 1975 was a record profitable year. In 1974, the loss was \$8,972,000.

Cash and temporary investments increased by more than \$28 million to a total of \$40.2 million. This significant cash improvement occurred despite debenture purchase, large futures investments, and substantial debt service. This was made possible by our favorable credit agreements, profitability, tax credits, and excellent asset management performance by employees throughout the Company.

Our cash position is particularly impressive in the current environment of cash shortage. It provides Memorex management with freedom of operating action and the capability to make strategic affiliations or acquisitions.

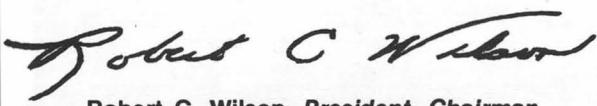
Total debt was reduced by \$52.5 million. The equity of all shareholders increased from a deficit of \$23,677,000 at year-end 1974 to a positive \$3,091,000. Common shareholders' equity improved from a deficit of \$74,067,000 to a deficit of \$55,966,000.

In addition to these major improvements in revenue, cash and profit, your Company substantially strengthened its capabilities to serve customers. Complete business teams were established for major market segments. The product line was expanded and major investments made in quality assurance. Customer services were improved throughout the Company. A major new distribution center was opened in the Philadelphia, Pennsylvania, area to serve a multi-state region.

Preparation for litigation with IBM received a substantial allocation of our resources. The trial date currently is set for March, 1977. It is our intention to be fully prepared to present our case at that time. Our objective is to obtain adequate compensation and to establish injunctive protection against predatory practices.

Although many good things were made to happen during the year, there are a number of problems yet to be resolved. These include long-standing issues such as the modernization of our tape plant and some relatively new ones concerning increasingly stringent air quality-control regulations. We're confident that these and other problems will be effectively resolved as they arise.

The markets served by Memorex are expected to grow substantially in 1976. Our increased capability to serve our customers, coupled with our expanded product lines, should enable us to maintain revenue growth. With the continuing initiative and support of Memorex employees throughout the world, 1976 can be another record year.



A handwritten signature in cursive ink, appearing to read "Robert C. Wilson".

**Robert C. Wilson, President, Chairman
and Chief Executive Officer**



Roger W. Johnson
Vice President and General Manager
Equipment Products Group

Overview

Memorex has excellent capabilities to serve customer needs in high-growth markets for data storage and data communications.

During 1975 both the private and government sectors placed increased emphasis on cost control. This increased consideration of the superior values offered by Memorex products.

These product values were enhanced throughout the year. Reliability was improved through a major investment in quality assurance systems. As a result, the trouble-free performance of Memorex products continues to be unsurpassed in the industry. An example are the disc drives now in use by King County in the State of Washington. These were shipped and installed on time, and have performed at better than 99 percent on-line.

Customer service, both before and after shipment, was strengthened. The Field Engineering organization expanded its product coverage and enlarged its third-party maintenance business.

Memorex design engineers provided customers with product improvements that stretched the life of customers' data processing installations. Technical capabilities were expanded through the addition of solid state memories, programmable communication controllers and higher capacity disc drives.

A variety of arrangements, including Memorex leasing, third-party leasing and package leasing, provided attractive, flexible customer financing.

The positive attitude of service to customers and the demonstrated capability to perform were exemplified by the actions of employees when fire struck the Memorex printed circuit board facility in Eau Claire, Wisconsin, last year.

The fire completely gutted the interior of the plant and seemingly destroyed circuit board production, a vital element in equipment manufacturing. But all employees helped restore production, and the plant was soon back in operation with no significant interruption to customer service.

Storage Products

The sale and lease of disc storage products is the largest segment of the equipment business. The Memorex product line spans the full range from .5 to 200 megabytes. An extension of the range is in development engineering.

During the year several new features were announced for the 100/200-megabyte files. One of particular importance to Memorex customers, the capability to attach these files to System/360 computers, not only provides substantial customer savings on the drive but also permits upgrading of data processing capability.

Additional investments were made by Memorex in advanced technology for discs, heads, and software.

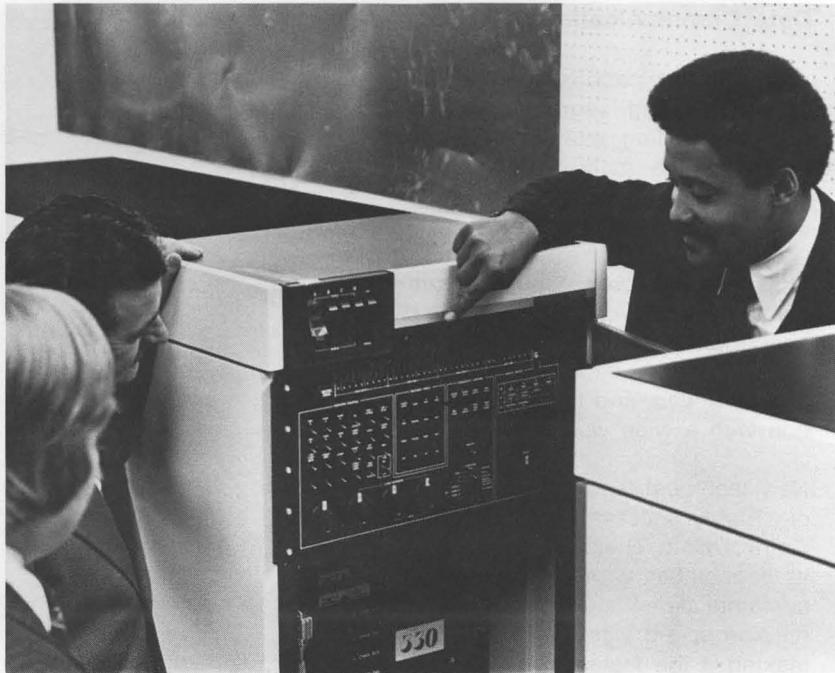
Rotating memory (disc) files will continue to be Memorex's primary entry in the data storage market for the foreseeable future, but there is a growing requirement indicated for solid-state memories. Memorex initiated shipments into this market area in 1975. Memorex 6000-series products permit customers to upgrade at low cost the main memory of computers.



A "burn-in" process is used to test Memorex disc drives under actual operating conditions.



Memorex disc storage equipment serves voter tabulation and other vital data processing operations for the City and County of San Francisco.



Memorex's Manager of Field Engineering in Washington, D.C., explains the extensive diagnostic capabilities built into the Company's disc storage controller at the United States Postal Service headquarters.



Memorex's 6000 Series add-on memory products are designed to upgrade the main memory of System 360/370 computers at lower cost. They employ the most advanced semi-conductor technology.

Data Communications

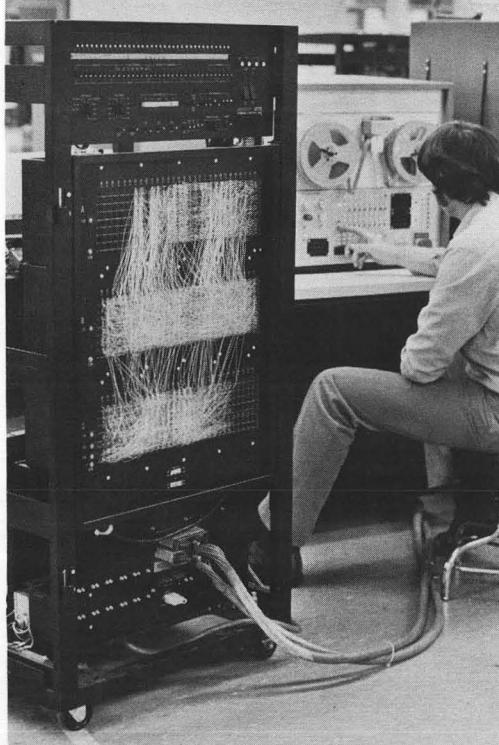
Data communications is one of the fastest growing segments of the data processing market. Memorex offers to this market a wide range of capabilities in communications controllers and terminals.

The new Memorex 1380 programmable Communications Controller was announced in late 1975. Multiple customer benefits include lower cost, greater speed, and the ability to function with a wide variety of terminals.

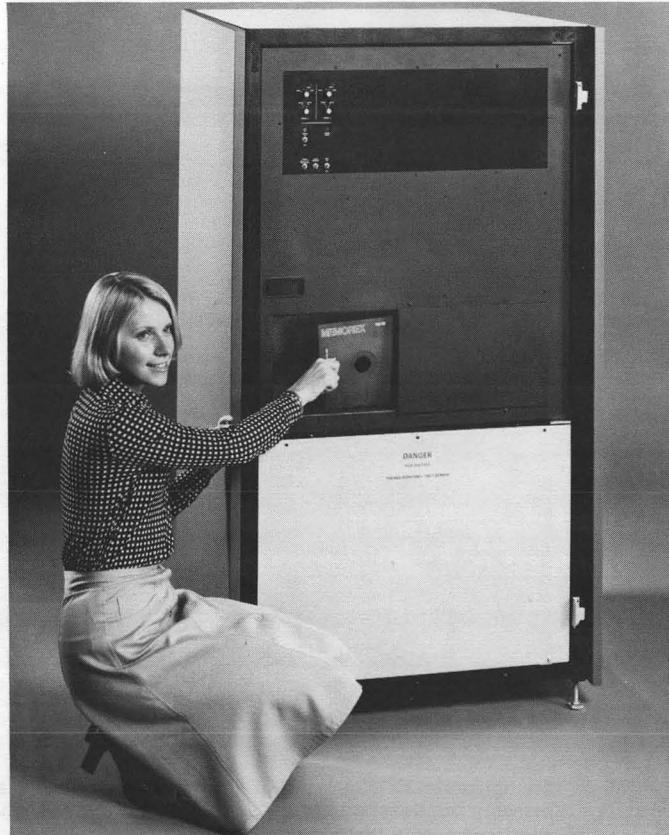
New technical features were added to our highly successful 1270 Terminal Control Unit. These further extended its capabilities with corresponding customer benefits. For example, transmission speed was increased six-fold, making it the fastest controller of its type.



The 1380's console provides a visual display for initiating system controls, diagnostics, and other functions.



Exhaustive testing of the 1270 Terminal Control Unit is a major factor in the virtually trouble-free service users experience. The 1270 has earned a worldwide reputation for data communications excellence.



Low cost, high speed, and flexibility of network configuration are features of the new model 1380 programmable Communications Controller.

The performance and flexibility of the 1200 series of Keyboard/Printer Communications Terminals was increased. Major improvements include faster transmission speed and the

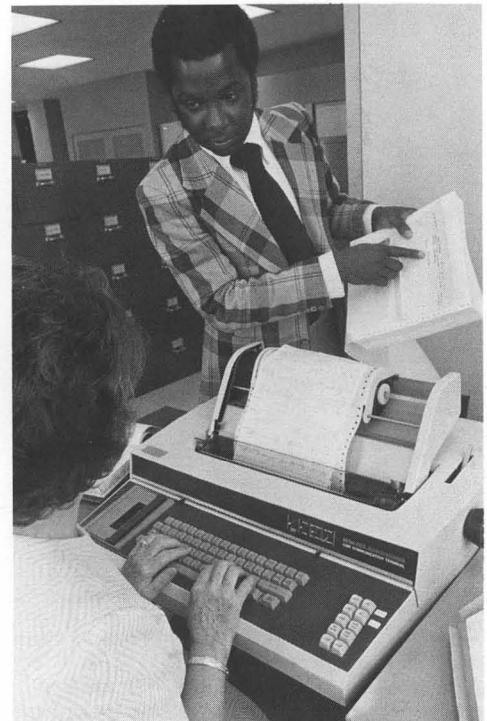
ability to interface with an increased range of minicomputers.

The new 1377 Display Station, which represents an expansion of the terminal

product line, provides complete data entry, data transmission, and data display. The display terminal product is plug-compatible with the System 3277 terminal for use on System 360/370 computers.



The new Memorex 1377 Communications Terminal is plug-compatible with the System 3277 terminal for use on System 360/370 computers and 3790 communications systems. The 1377 is the Company's latest entry in the terminal product line.



Home Insurance Co. branches around the country "talk" directly with the company's central computer located in the home office through Memorex 1280 Communications Terminals.

Computer-Output-Microfilm

The market for Computer-Output-Microfilm continues to grow as information needs increase and paper becomes more costly. In recognition of this growth, a new organization was established to enable Memorex to serve the market more efficiently. The Computer-Output-Microfilm business team has been given full responsibility for all aspects of the activity, including both equipment and supplies. Specialized sales capability was increased and numerous customer educational seminars were conducted.

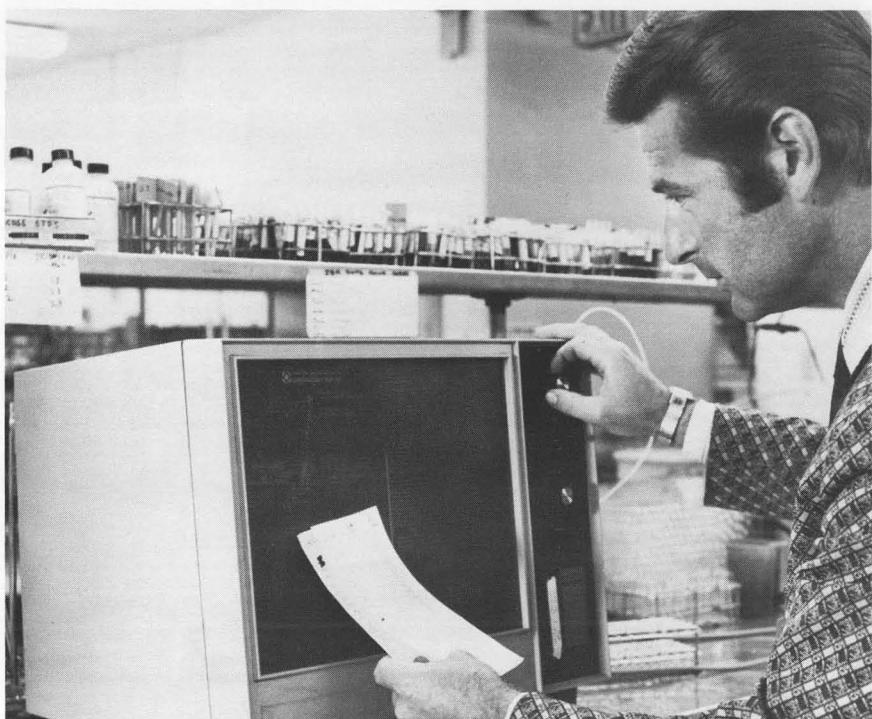


Twin Disc, Inc., a manufacturer of power transmission equipment, relies on Memorex's 1600 COM System to store its weekly inventory reports allowing considerable savings in paper and operating costs.

To strengthen the Memorex market position, the COM team surveyed supply products with the aim of enhancing the quality of customer film output. A new Phone-Power service, a direct link between customer and supply, provides a close tie with customer needs, increased

service, and more timely deliveries.

The combination of a growing market and increased Memorex capability to serve should bring continued Computer-Output-Microfilm business growth in 1976.



One of the world's largest medical laboratories employs Memorex's 1600 Computer-Output-Microfilm system to record computer-generated medical test results directly onto microfilm. Lab personnel have immediate and convenient access to this vital information through the system's microfilm viewers.



Memorex markets a full family of high quality, economically-priced micrographic supplies for the 1600 Computer-Output-Microfilm System.

Original Equipment Manufacturers (OEM Products)

Memorex is offering increased service to the manufacturers of computer systems. A new OEM Division, staffed by professionals in engineering, manufacturing, and marketing, has been established.

The product line offered by the OEM Division consists of disc drives, ranging from .5 to 200 megabytes, selectively tailored to each customer's requirements. High-quality, multi-layered circuit boards are also offered.

A significant event for our OEM activity in 1975 was the introduction of an advanced disc drive known as the 677. This convertible 100- or 200-megabyte drive utilizes unique recording technology to achieve outstanding performance and reliability.

Memorex OEM revenue remained strong during the past year. Two products were responsible for the major source of that revenue—the 30-megabyte 660 disc drive and the flexible disc drive. These two found strong acceptance in a variety of applications including minicomputers, word processing equipment, data entry, numerical control, and communications terminals.

Digital Equipment Corporation, a leading minicomputer manufacturer, has signed a purchase agreement with Memorex that permits Digital to place substantial orders for disc drives through 1978.

Engineering is continuing on a new family of advanced disc files, the 601. This will cover a range of capabilities from 20 to 60 megabytes. Its compact size, fixed heads, and modular construction will provide substantial advantages to the customer.

Initial customer appraisals have been good and appear to assure a bright future for this Memorex product.



The new 677 Disc Drive, which operates at either 100- or 200-megabyte capacity, is designed specifically for OEM applications.



The 651 Flexible Disc File for OEM applications offers higher access and data transfer rates because of its superiority in media/head interface technology.



James Dobbie
Vice President and General Manager
Computer Media Group

Overview

Memorex provides a wide range of supplies and services for the data and word processing markets. High-quality products include flexible discs, disc packs, computer tape, and precision plastic components. During the past year substantial investments were made in all these areas to provide superior customer values. Response was excellent.

Full availability of consistently high-quality products was the objective of programs undertaken during the year. The reliability of existing products and that of new products introduced played a major role in the success achieved in these areas.

Significant forward strides in technology were fostered by internal development expenditures. These developments were integrated with equipment engineering in order to capitalize fully on engineering expertise in both head and drive disciplines.

Service to customers was greatly improved with the opening of the important distribution center in Philadelphia, Pennsylvania, strategically placed with rapid access to Eastern metropolitan areas. Similar centers will be established in the near future in Chicago and Atlanta.

The response of Memorex employees to the increased emphasis on customer service has been excellent. In October 1975, a light plane crashed into a Memorex warehouse used for plastic raw material storage in Southern California. The warehouse was demolished and its contents destroyed. It could have been a critical production problem. Instead, a weekend of unstinting effort by Memorex employees and vendors brought production back to normal levels within three days of the accident.

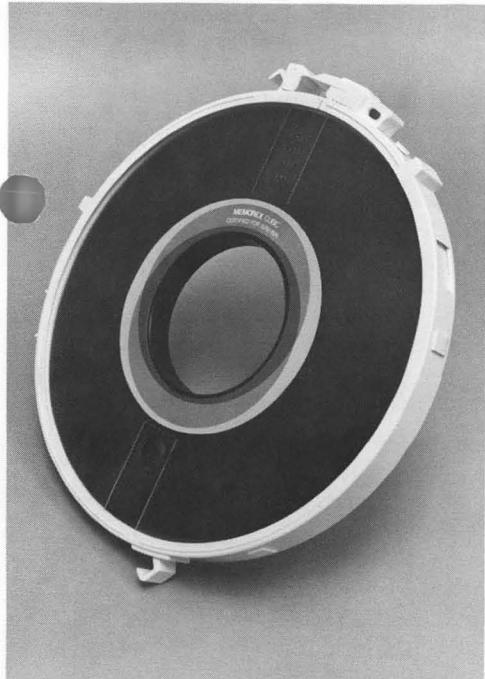


The Company's new distribution center near Philadelphia has greatly enhanced service to customers.

Computer Tape

Memorex has two main computer tape products, both of which had strong sales in 1975.

Cubic tape, a significant advance in tape technology because of its high resistance to edge-wear damage, had good acceptance during the year for use in applications characterized by continuous stress and rugged operating conditions. The tape shows excellent sales growth possibilities.

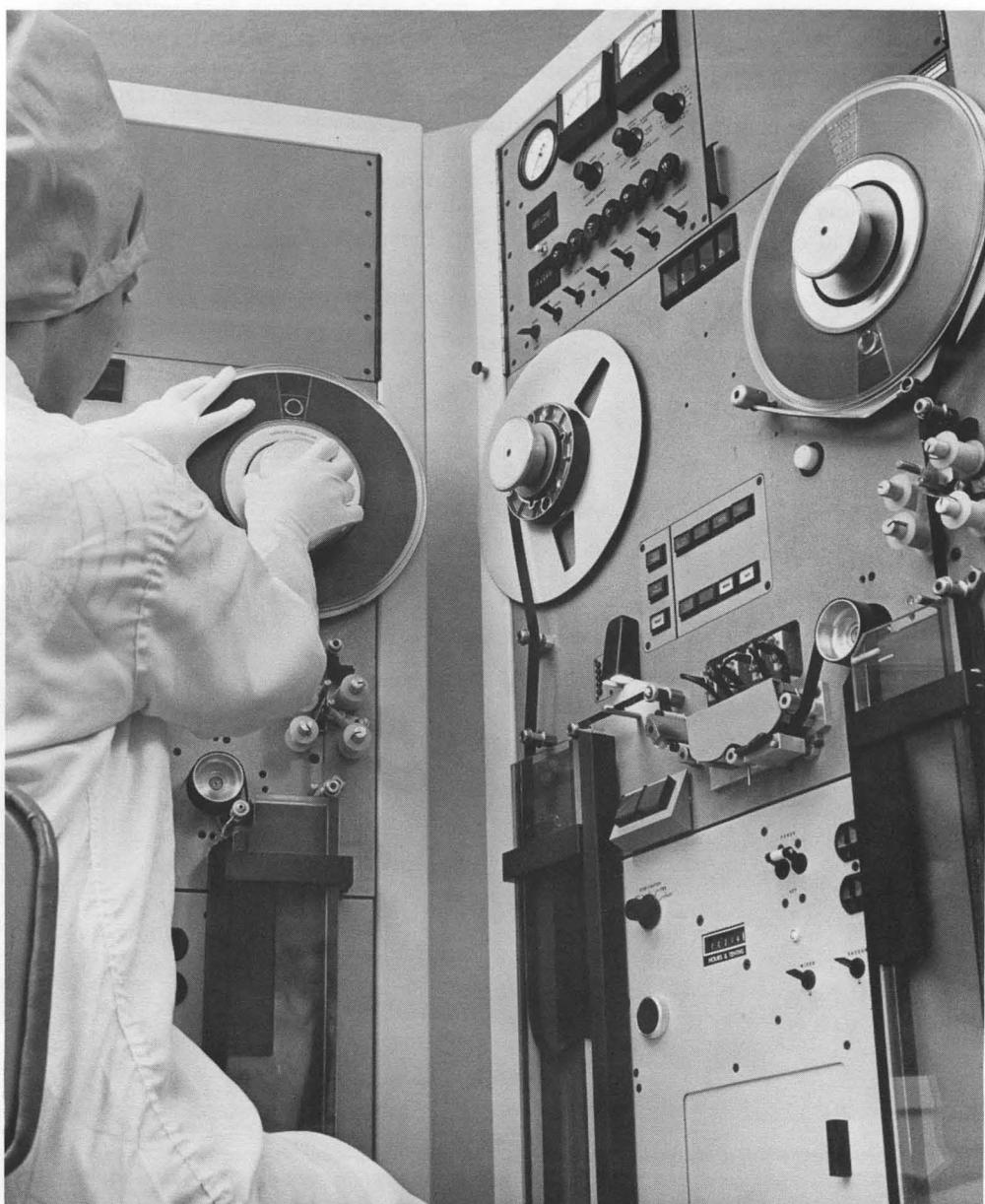


The double hook feature of Memorex's self-loading computer tape cartridge provides extra convenience in the labeling, storage and retrieval of tape reels.

Quantum tape is used for archival storage applications because of long life without degradation. It has a lifetime warranty for reliability.

Acknowledgement of the consistently high quality of Memorex tape was demonstrated last year with the receipt

of a large order from the Federal Government's General Services Administration. GSA's standards and acceptance criteria are unusually demanding. Memorex believes the Administration's choice of its tape is recognition of Memorex high quality standards.



Memorex computer tapes, known for their dependability, are manufactured to high precision standards and undergo rigid testing before packaging. Here, a technician is testing tape for data errors, amplitude level and other parameters prior to final acceptance.

Disc Packs

Dramatic changes occurred last year in the Memorex disc pack product line.

A new type of pack for use with the Winchester 3340 disc drive incorporates magnetic recording heads within the pack. Locating the heads in the pack offers improved capability and reliability to the customer. This pack, the Memorex Data Mark 70-megabyte module, was shipped early in 1975. Its reliability and performance have been outstanding. The 70F is similar to the 70, but offers a fixed as well as movable head capability.

The modules represent the excellent capabilities of Memorex in both disc packs and drives. Modules such as

these requiring both disc pack and drive knowledge are especially suited to Memorex where these resources can be combined.

The Mark X 100-megabyte and the Mark XI 200-megabyte disc packs continue to demonstrate superiority to competition because of the Memorex proprietary coating techniques, the special orienting procedures, and the chemistry of the materials, which offer reliability and better wear characteristics.

At the lower capacity end of the line, continuing emphasis has been placed on quality and cost. The Mark III, a 2-to 5-megabyte pack, has wide application in the growing market of small information processing systems.

Flexible Discs

Memorex is particularly well qualified to provide the flexible discs used in random-access storage for data and word processing. These discs incorporate the Memorex expertise in disc drives, magnetic tapes and disc packs.

The flexible disc, about the size of a 45-rpm phonograph record, can store the equivalent of nearly 3,000 80-column punched cards. These flexible discs are rapidly replacing punched cards and other techniques of data entry. The market potential is large, and Memorex will capitalize on new opportunities as they evolve.



Memorex markets a full line of computer media disc products for end-user and OEM application. The line, which includes disc packs and cartridges, data modules and flexible discs, offers storage capacities from .5 to 200 megabytes.



Memorex's new 70-megabyte Data Mark module achieves increased reliability by incorporating recording heads within its enclosure.



The Markette flexible disc serves the T&B/Ansley Corp. of Los Angeles. The disc is the media for flexible disc drives.

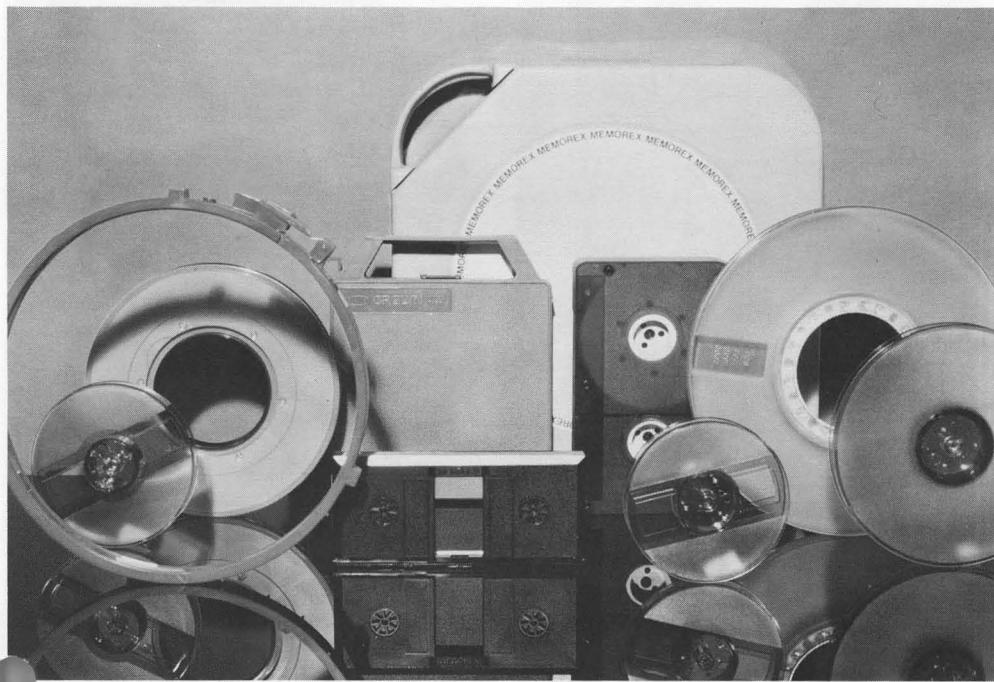
Original Equipment Manufacturers (OEM Products)

Memorex skills and capabilities are sold to other manufacturers in a wide variety of media products and components. Complete disc packs, finished discs and precision plastic components are sold to manufacturers, as well as computer tapes in a variety of forms from unfinished "jumbos" to finished reels.

Other sales encompass flexible discs in primary and finished form. The video tape products sold are primarily precision plastic parts and plastic assemblies, including video tape cassettes.

Memorex has unique strengths that serve the Company not only in its own competitive markets but also in sales to the OEM market. It is one of the few companies to make both data storage equipment and its media, combining the chemistry of coating and the electronics of data processing.

The Company designs, develops, and produces the plastic parts used in handling and packaging media.



The precision plastic products Memorex makes and sells to OEM customers include reels, cassettes and cartridges for a variety of tapes and films, and carrying cases.



Robert Jaunich II
Vice President and General Manager
Consumer and Business Media Group

Overview

The products within the Consumer and Business Media Group have much in common. All serve markets for information storage and retrieval; all involve chemical processing technology; and all address growth markets.

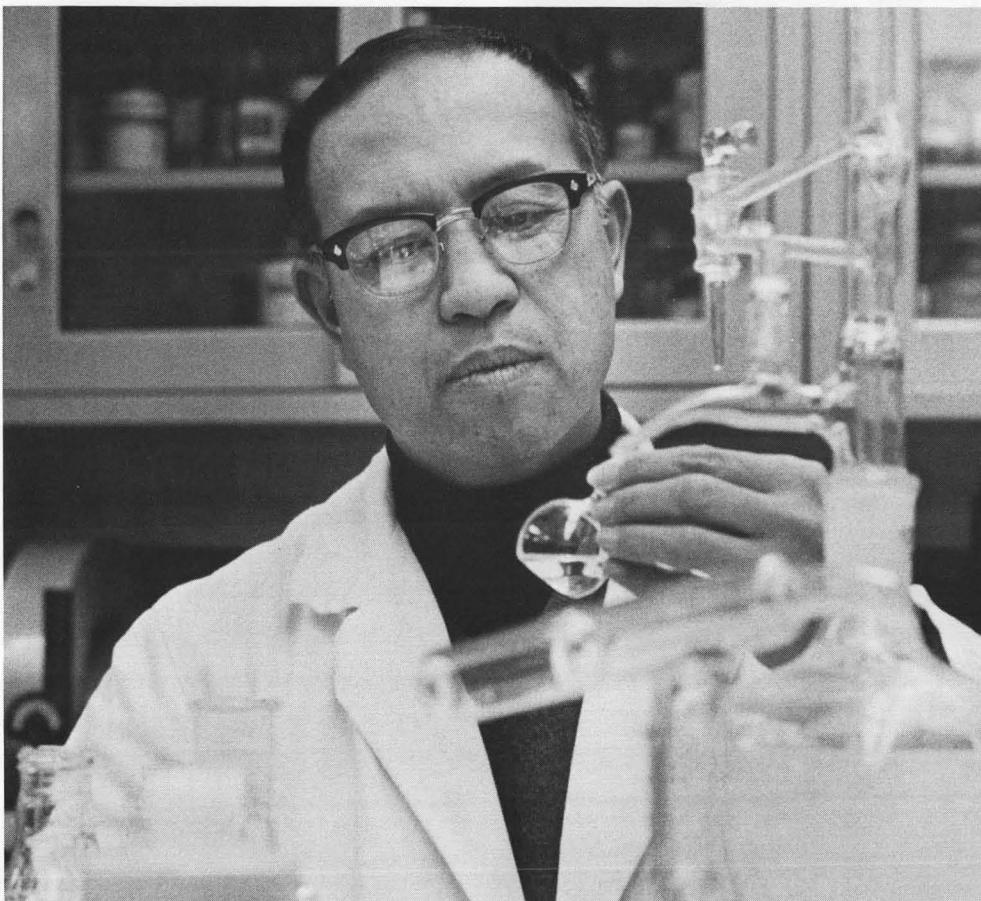
Three separate divisions within the Group—Audio Products, Video Products, and Word Processing Products—have been established to optimize customer orientation. Each has a full business team and the resources required to serve its customers.

Consumer audio tape is sold through leading retail outlets. Professional audio/video tape and word processing products are sold directly to end users and through distributors.

Audio Tapes

The bulk of Memorex audio tape is sold to consumers, but there is a large and growing market for professional audio duplicator tape and audio training cassettes. Many of the world's most popular artists are recorded on Memorex duplicator tape—a sign of recognized quality.

"Is it live or is it Memorex?" has been the tagline of one of the most successful advertising campaigns in industry. This type of creative advertising and strong merchandising has helped Memorex achieve significant forward movement during the past year.



Consumer and Business Media products are made through chemical processes. Exclusive formulations and manufacturing techniques account for their superior quality and value.

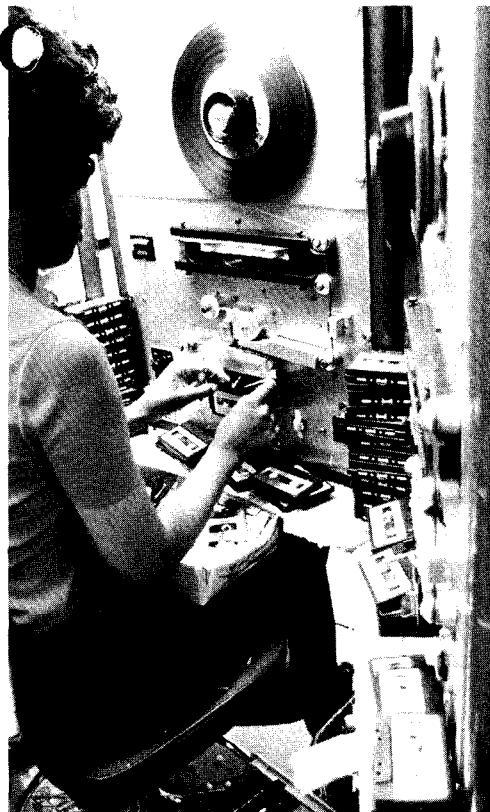


In-store point of purchase displays, like the one above featuring Ella Fitzgerald, help promote the Company's line of consumer audio tape products in leading retail outlets.

The basic Memorex product line in audio tapes consists of blank audio tape, cassettes, eight-track, and reel-to-reel tape. In addition, five new products were announced during the past year—a cassette head cleaning kit, an eight-track head/capstan cleaner, a professional demagnetizer, a record care kit, and a record cleaner.

Strong gains were made in product distribution with the addition of such major distribution organizations as E. J. Korvette, the Handleman Company, and Bradlees.

Production capabilities were increased with the addition of an eight-track assembly line. New tape and assembly equipment are ordered and scheduled to be in production for the coming year.



CBecause of the large and growing market for audio tapes, Memorex production capabilities have been expanded. New equipment on order will increase capacity.



Memorex high-fidelity audio tape is manufactured in a variety of cassettes, 8-track and reel-to-reel formats.



CMemorex's accessory line of audio products expanded in 1975. New products are an 8-track head-capstan cleaner, cassette cleaning kit, professional head demagnetizer with interchangeable heads, record care kit and a record cleaner.

Video Products

Historically, video tape was sold to the television broadcasting industry. However, a wide range of new markets is developing.

The use of video tapes for training and cassettes for home entertainment is increasing. Memorex, like many other companies, utilizes video cassettes for its field service training throughout the world.

One of the major events of the past year was the taping, on Memorex Chroma 90 video tape, of the live stage production, "Give 'Em Hell, Harry!". Compact Video Systems, Inc., of Burbank, California, then transferred the video tape to film for distribution to theatres throughout the country.

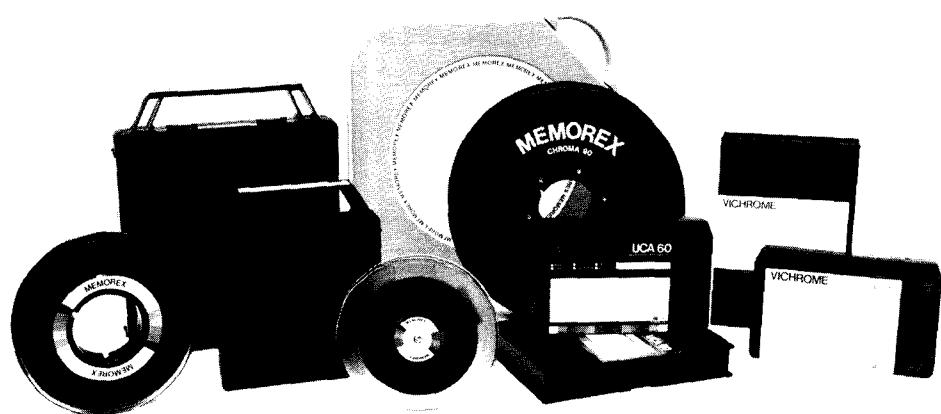
Video cassettes for home entertainment offer the convenience of recording television programs for later viewing. Continuing technical development is hastening the growth of this market.

Memorex has made substantial investments in video products, with special emphasis on availability and consistent quality. New inspection techniques for finished goods assure that only high quality products are shipped.

Technology investments in projects, ranging from improved coating particles and formulations to high precision cassettes, will contribute further to Memorex product leadership.



Strict inspection techniques for Memorex video products assure consistent high-quality.



Memorex manufactures and markets a broad range of video tape products for professional and home entertainment uses around the world.

Word Processing

Modern offices in this country and abroad are becoming electronically automated.

Many of the functions served by major data processing centers are now being handled in the office — information storage, processing and retrieval, display, duplication, and high-speed printing.

Memorex provides a growing line of supplies for this market, including flexible discs, toners, developers, magnetic cards, and typewriter ribbons.

Product enhancements introduced last year include improved toners, a dispenser pack for magnetic cards, and a new correctable typewriter ribbon.

One indication of the market potential for typewriter ribbons is the use in modern high-speed machines of more than one ribbon cassette per day.

Customer service for this area has been improved by increasing capacity in all product lines, utilization of corporate distribution centers, and substantial strengthening of the distributor network.



Memorex magnetic cards, used by Blue Shield of California in its automatic typewriters to increase productivity, typify the growing use of word processing products among government agencies, financial institutions, and corporations.



Memorex manufactures a full line of word processing products, including magnetic media for automatic typewriters, toners and developers for copiers, and typewriter ribbons.



William S. McCalmont
Vice President and General Manager
Europe—Middle East—Africa Group

Europe, Middle East, and Africa (EUMEA)

The Memorex reputation for excellence of service and quality of product is maintained through subsidiaries in countries around the world. The subsidiaries are managed and staffed by nationals of the country in which they are located. Countries that do not have Memorex subsidiaries are served through leading agents and distributors within the area.

Responsibility for Memorex interests in Europe, Eastern Europe, the Middle East, and Africa rests with the EUMEA Group headquartered in Liege, Belgium. This is also the site of a major Memorex manufacturing plant.

The principal mission of the EUMEA Group is to provide excellent sales and service support to customers in the area. The market basket includes not only the full line of products described previously in the domestic operations, but, in addition, includes products for the small computer systems market—controllers, disc files, add-on memories, and printers.

Throughout the year, the Group placed substantial emphasis on strengthening capabilities to serve Memorex customers.

Additions were made to the sales and service organizations.

Physical distribution facilities were upgraded and new logistics systems installed.

Customer financing programs were intro-



Memorex products are marketed throughout Europe, the Middle East and Africa. Subsidiary company locations are shown in white.

duced to facilitate customer purchases on a time-payment basis.

The Liege Division enhanced its ability to serve customers through a program of EUMEA-wide sourcing of materials and components to supplement United States sources.

The corporate commitment to serving the Original Equipment Manufacturer market was affirmed through increased applications engineering and sales engineering capability. This, coupled with new products and product features directed toward the OEM market, resulted in the development of new customer accounts.

In South Africa, a Memorex subsidiary was established to serve the newly-created television market and the existing market for computer media

in that country. It is anticipated that the product line in South Africa will grow significantly in this current year.

The flexibility and the responsiveness of Memorex employees in EUMEA was repeatedly demonstrated. Early in 1975, during a strike at the Liege Division, the ingenuity and dedication of Memorex employees made it possible to maintain excellent customer service until normal operations were resumed.

During the fighting in Beirut, the Holiday Inn, where the Memorex office was located, was virtually destroyed. Despite formidable difficulties, employees relocated the Memorex office to Brussels and customer service and support throughout the Middle East was maintained with only a minimum of disruption.

Liege Division

In recognition of the increasing importance of fully integrated functions required to serve the needs of Memorex customers, a Liege Division has been established.

Significant investments were made in quality improvement, increased capacity, and expanded capabilities.

In addition to its manufacturing contribution on a wide variety of Memorex products, the Liege Division has a full business team that provides engineering, marketing and financial support service to customers.

The major portion of the Liege Division's manufacturing output is exported throughout Europe, the Middle East and Africa. In order to maintain service excellence and competitive values in those areas, Memorex is enlisting the support of Liege employees and the Belgian government.



EUMEA headquarters in Liege also houses modern manufacturing facilities, field engineering operations, and a distribution center for the Company's customers in this large area.



In Sweden, Memorex disc storage systems serve the memory needs of that country's largest bank, Skandnaviska Enskilda.



In Germany, Memorex's 30-megabyte disc drives, the 3660s, are connected to a Russian-made computer in a service bureau operation.



In Italy, Memorex equipment helps a leading automobile manufacturer maintain inventories and distribution operations.



Marcelo Gumucio
Vice President and General Manager
Americas and Asia Group

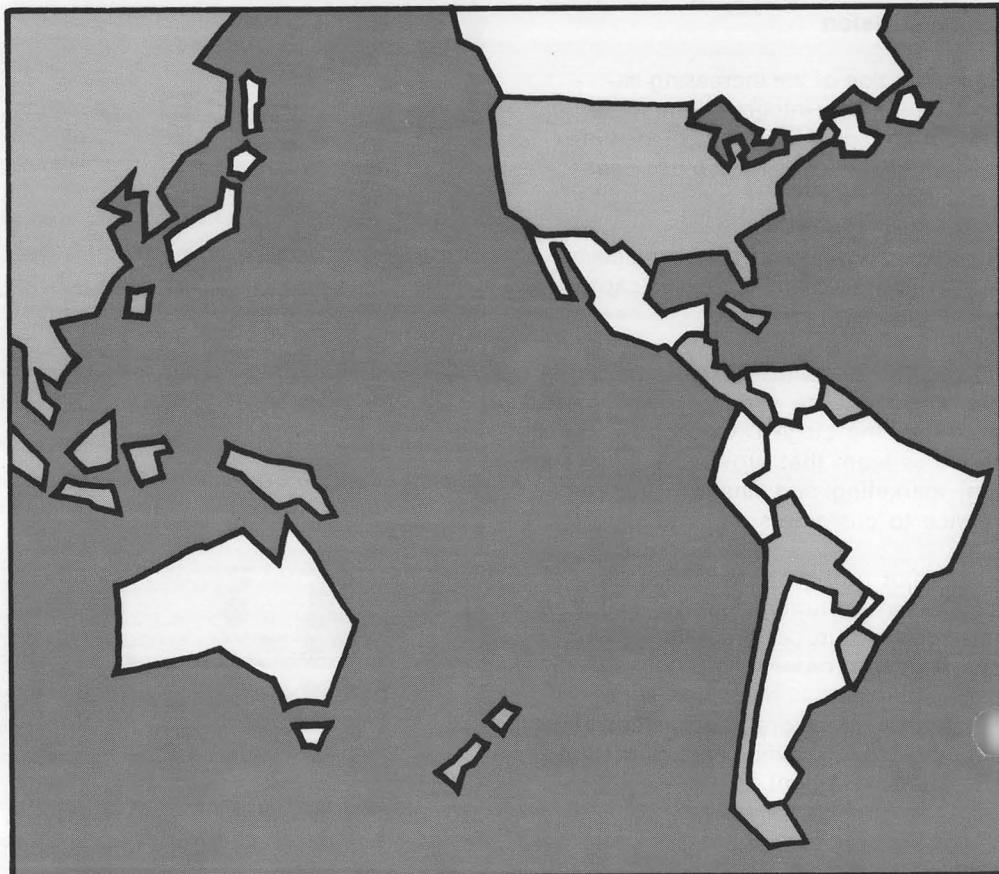
Americas and Asia (A&A)

The Americas and Asia Group is responsible for Memorex interests in Latin America, Canada, the Far East, and Australia. As in EUMEA, the major countries are served through Memorex subsidiaries while other countries are served through highly competent local agents and distributors.

Marcelo Gumucio assumed leadership of the Americas and Asia Group in mid-1975. Subsequently, the headquarters organization was substantially strengthened and increased support capabilities obtained through cross-integration with supplier organizations.

The Memorex product line has inherent flexibility to serve the needs of all countries, ranging from those which have fully developed industrial bases to those that are underdeveloped. The product offerings are tailored to the country environment. For example, both the A&A Group and EUMEA offer, in addition to the product lines sold by Memorex in the United States, peripherals for small computer systems.

In recent years, the Japanese subsidiary of Memorex has been wholly owned. In 1975 one of the most important trading companies in Japan, Kanematsu-Gosho, purchased a minority interest, a new relationship that provides greater capability to serve the Japanese market.



Memorex products are marketed throughout the Americas and Asia. Subsidiary company locations are shown in white.

In recognition of the specific needs of that market, the subsidiary has developed a unique computer-labeling machine and a data-gathering system for libraries.

The Japanese computer tape market has rigorous quality standards. It is a credit to the high quality of Memorex tape that it continues to be a leader in that exacting environment.

The Australian subsidiary was strengthened during 1975 and moved to new and larger headquarters in Sydney.

This new facility features expanded warehousing capability that provides better customer service.

The Memorex subsidiary in Argentina had an extremely difficult logistics year in 1975. For many months there was an absolute embargo on importations. Through the resourcefulness and ingenuity of Memorex employees in refurbishing and reusing products, and wide use of local sourcing, the needs of most customers were satisfied under very trying conditions.

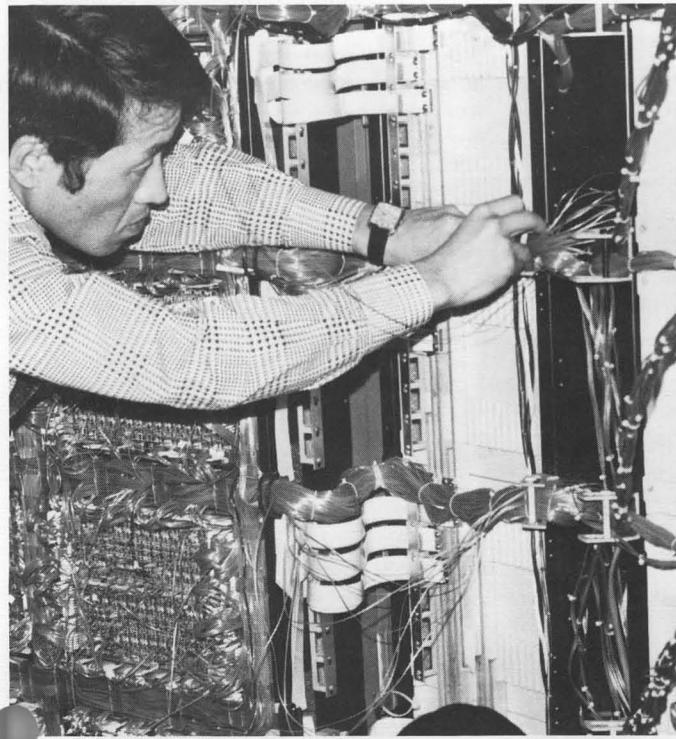
An historical event for 1975 in South America was the signing of the oil nationalization agreement by the President of Venezuela. The event was recorded on Memorex video tape for subsequent television broadcast throughout the world.

Memorex is dedicated to supporting the aims and aspirations of all developing countries but specifically those in which the Company does business. Subsidiary employees are provided with training that adds substantially to the total skills available within the host country.

Many governments are expressing the desire for local participation in business ownership. Memorex, in recognition of that desire, is discussing with distinguished local investors possible participation in Memorex subsidiaries around the world.



In Venezuela, an important Presidential address was recorded on Memorex video tape by Videomovil, a television news service, for broadcast.



In Japan, A Memorex field engineer installs a 6158 add-on memory for Fuji Film Ltd.



In Canada, Memorex 1270 Terminal Control Units, disc drives and media are used by Northern Bell, an affiliate of Bell of Canada.

Corporate Staff Activities



Henry C. Montgomery
Vice President
Finance and Treasurer



Robert L. Malcolm
Vice President
Industrial Relations

Financial

During 1975, Memorex continued its emphasis on financial integrity, credibility and professionalism. The Company's measurement systems, budgets and forecasts were upgraded. A professional finance manager was assigned to each operating group. As a result, compilation of operating statistics was facilitated, permitting prompt assessment and necessary corrective action.

Conservatism and propriety in all financial representations were stressed throughout the Company. Conservative accounting practices were consistently applied. Problems identified during the year were immediately recognized in the financial results.

The combined impact of these new actions contributed greatly to the completion of the 1975 annual audit within three weeks following year-end, and the propriety of the financial statements resulted in an unqualified opinion from Haskins & Sells, the Company's independent public accountants.

The year 1975 was marked by improvement in management of foreign currency exposures, acquisition of \$7 million of Memorex convertible subordinated debentures, reduced debt, and the completion of arrangements for third-party lease financing in support of Memorex equipment sales programs.

is a company of complete integrity—integrity of product, integrity of relationships, and integrity of communications.

In an environment of recession and lay-off, Memorex maintained stable employment. Affirmative action programs continued to receive emphasis throughout the Company to assure equality in employment and equality in available promotional opportunities for all employees. Support was given to community activities such as the United Way, Savings Bonds, and blood donor drives.

Professional development was accelerated throughout the Company with a major emphasis on formal management training at all levels.

Even more significant in leadership development was the Company's efforts in organization planning, clarification of responsibilities, delegation of authority, and performance measurements.

Future growth opportunities at Memorex are excellent. A strong development program is enabling the Company to achieve a prime objective—more promotion from within.



One reason for better attitudes in 1975 was employment stability and improved benefits. An Industrial Relations representative, left, discusses the Company's medical insurance program with new employees.



Robert L. Erickson
Vice President and Secretary

Legal

The focal point of legal activities was the preparation for the suit against IBM, one of the largest private antitrust actions ever brought in the United States. It seeks damages which, when trebled, as provided by law, total more than \$3 billion.

Additional resources are being applied to assure that Memorex will be fully prepared for the trial date, now set for March, 1977. The IBM Litigation Support

Group, under the direction of Vice President John Eastling, is responsible for assisting counsel in preparation of the case and for coordinating all related in-house efforts. The Group has been expanded and, to date, approximately one million pages of IBM-related documents have been researched.

Memorex is convinced that the suit has merit and that the interests of Memorex shareholders and customers will best be served through its vigorous prosecution.

During 1975 the backlog of legal problems was substantially reduced and various class action and stockholder derivative suits resolved. The legal function was strengthened and management was counseled throughout the Company.



George L. Bragg
Vice President
Corporate Development

Corporate Development

Emphasis was placed on the development of strategic plans and the allocation of available resources to support those plans. Investments in the future were increased substantially. These included quality systems, customer service capability, new products, lease base additions, manufacturing capability, financial systems and market development programs.

Selected affiliations to support strategic plans were completed. These resulted in the addition to the product line of add-on memories, programmable communication controllers, and Winchester type disc drives. Another affiliation served to enhance our capability to provide package lease financing.

Late in the year a minority interest was sold in our previously wholly-owned Japanese subsidiary, Memorex Japan Ltd., to a leading Japanese trading company, Kanematsu-Gosho, Ltd. The affiliation increases our ability to market Memorex products in Japan while concurrently generating cash for investment in other opportunities.



The litigation activity for the Company's suit against IBM requires a massive effort. For example, more than one million pages of IBM-related documents have been examined. To locate and retrieve information quickly, Memorex has developed a computer index system which uses data terminals to access its huge computer library.

Overview

1975 was a year of impressive gains for Memorex in every key financial measurement category. Revenues, net income, and cash flow were the highest in Memorex history. Profitability was restored and the Company returned to a position of positive total shareholders' equity and common shareholders' deficiency was reduced. Cash and temporary investments increased concurrent with major debt reductions, internal financing of revenue growth, and continuing investments for future benefits.

Revenues

Despite the continuation of recessionary forces worldwide, the Company achieved substantial revenue growth in 1975. Revenues grew to \$264 million from \$218 million for 1974. These gains reflect the continued acceptance and strong demand for Memorex products around the world, growth in the

markets Memorex serves, and the Company's strategic shift away from a dominant emphasis on leasing to a more balanced lease/sale ratio.

The major product areas—equipment and media—all recorded revenue gains. The equipment products gains were principally due to the sales of equipment, with lease revenues equalling the prior year.

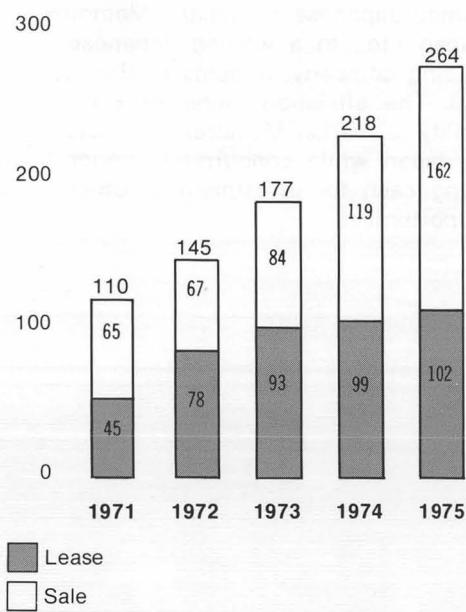
One of the strengths of Memorex is its position in the international marketplace. During 1975, Memorex international operations grew at a faster rate than their domestic counterparts. Foreign markets should continue to be important areas for future growth.

Results of Operations

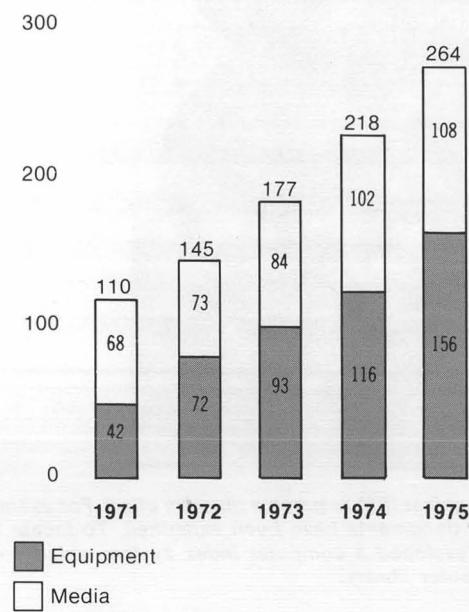
Restoration of profitability and successive profit gains in each of the four quarters highlighted 1975. Net income for the year was \$18 million or \$3.80 per share, including extraordinary credits of \$9.8 million or \$2.06 per share. Operations for 1974 resulted in a loss of \$9 million or \$2.08 per share. Revenue gains, improved profit margins, reduced foreign currency losses and interest costs were all major contributors to the improved operating results. Extraordinary credits for 1975 resulted from the income tax benefit of utilizing net operating loss carry-forwards and from the gain on the purchase of convertible subordinated debentures.

During 1975, depreciation was charged against virtually all products in the lease base. Some product lines will become fully depreciated in

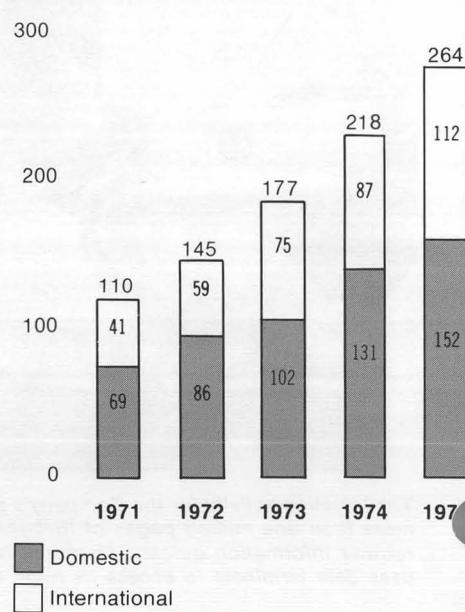
Revenues: Sale and Lease
Millions of Dollars



Revenues: Major Product Groups
Millions of Dollars



Revenue: Domestic and International
Millions of Dollars



1976, largely during the first quarter. Depreciation charges on these products was \$12.9 million in 1975 and their year-end book value was \$4.6 million. Demand for these products was strong in 1975. To the extent that the demand continues through 1976, reported results will benefit from the reduced depreciation.

The Company also has \$38.6 million of net operating loss tax carryforwards and \$6.5 million of investment tax credit and foreign tax credit carryforwards which, subject to certain limitations, can be used to offset future taxable income.

Asset Management

When coupled with the return to profitability, asset management resulted in impressive cash generation for 1975. Cash and temporary investments increased \$28 million to \$40 million at year end. This increase occurred throughout the year and reflects improved receivables and inventory management, the results of the strategic shift to the more appropriate lease/sale mix and the benefits of the Company's agreements with its senior lenders which permit the payment of interest in preferred stock.

The increase in cash balances was achieved concurrent with a \$53 million decrease in notes payable and subordinated debt, which required \$45 million of funds.

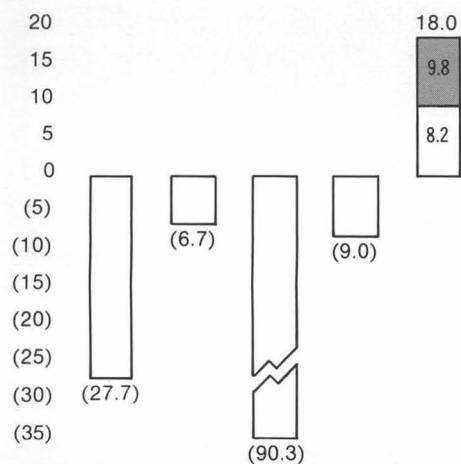
The Memorex cash story becomes even more impressive when viewed against the need for funds to finance the \$46 million growth in revenues.

Few companies could support such growth without substantial increases in receivables and inventories. Memorex's asset management efficiency in 1975 resulted in lowered inventories and receivables.

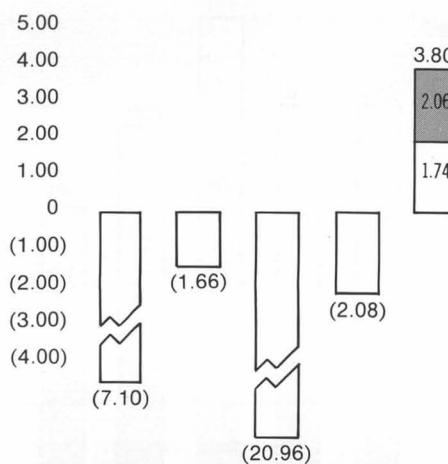
The Company's cash performance is also a function of the cash generating capability inherent in a large lease base. Although lease revenues remained essentially constant in 1975 compared to 1974, the investment in the lease base was reduced. The issue of allocation of resources to the lease base is continually addressed by management. Decisions to invest in the lease base or other opportunities will be made on the basis of maximum overall return to the Company.

In accordance with FASB No. 2, net income (loss), net income (loss) per share and shareholders' equity were restated for the effect of research and development costs retroactively charged to operations as incurred during 1971 through 1973.

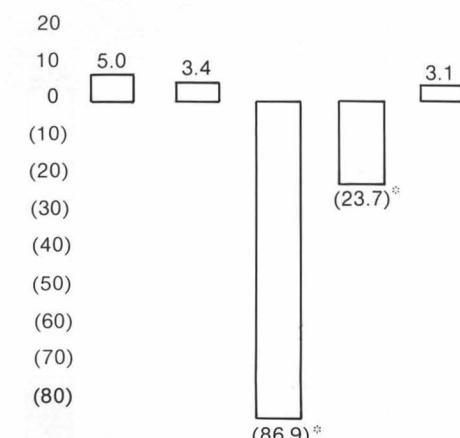
Net Income (Loss)
Millions of Dollars



Net Income (Loss) Per Share
In Dollars



Shareholders' Equity
Millions of Dollars



□ Before Extraordinary Items
■ Extraordinary Items

1971 1972 1973 1974 1975
*Deficiency

Financial Position

The return to positive total shareholders' equity of \$3.1 million after two years of large deficits was one of the high points of accomplishment for the Company in 1975. Positive total shareholders' equity was reached primarily because the Company returned to solid profitability. Net income contributed \$18 million and preferred stock issuance accounted for an additional \$9 million. Common shareholders' deficiency improved \$18 million to \$56 million.

Notes payable were reduced by \$46 million, reflecting payments of \$43 million and \$3 million of debt exchanged for preferred stock issued as a result of the purchase of convertible subordinated debentures

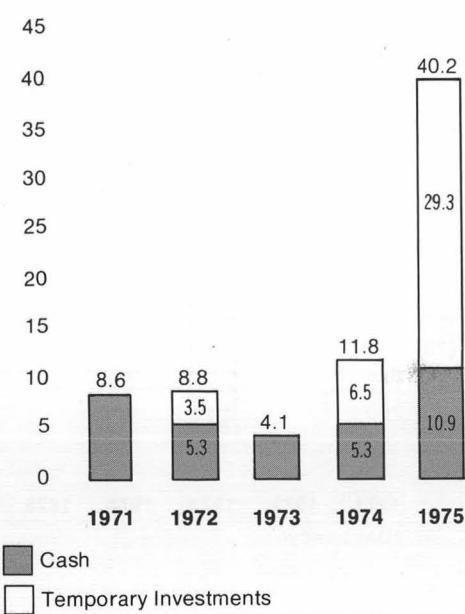
during 1975. During 1976, the ILC segment of the Company's senior debt is scheduled to be fully paid, leaving essentially only the amounts owed Bank of America.

The Company was successful in tendering for \$7 million of its convertible subordinated debentures during the year. This transaction is favorable for the Company. First, it reduces cash interest requirements. Second, the \$7 million of debentures acquired reduces initial sinking fund requirements beginning in 1980 by an equivalent amount. Third, under the terms of agreements with senior lenders, \$3 million of notes payable was converted to preferred stock. Fourth, the transaction generated an extraordinary income credit of \$4 million. The \$7 million acquisition of debentures required approximately \$3 million of cash.

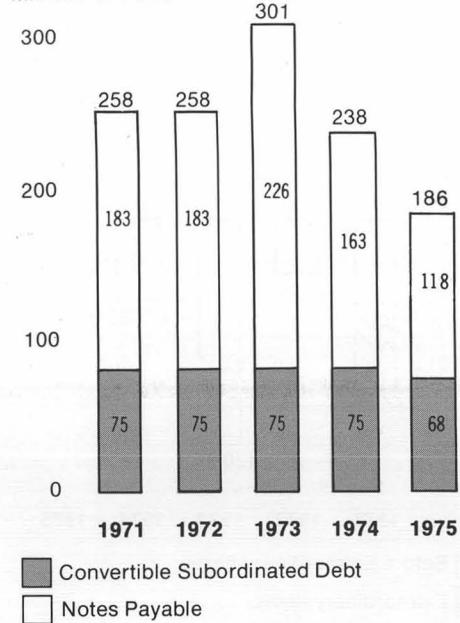
Summary

In summary, 1975 was a highly successful year for Memorex. The foundation for future financial strength was established. Cash, shareholders' equity, profitability, revenues, and investments for the future will all contribute to growth. One major task facing the Company in 1976 and beyond is the need to allocate resources for maximum benefit, to manage to the opportunities provided by the cash strength and cash generating capability of the Company. This must be accomplished within the framework of scheduled debt repayments and the need to finance future growth.

Cash and Temporary Investments
Millions of Dollars



Total Debt
Millions of Dollars



Shareholder Information

Annual Meeting of Shareholders

You are cordially invited to attend Memorex's Annual Meeting of Shareholders which will take place on Thursday, April 22, 1976, at 10 a.m. at the LeBaron Hotel, 1350 North First Street, San Jose, California. Resolutions to be voted by shareholders are described in the Proxy material which accompanies this report.

Transfer Agent and Registrar

The Transfer Agent and Registrar for both the common stock and 5 1/4% Convertible Subordinated Debentures is:

Bank of America-NT&SA
San Francisco, California

10K Report

Memorex Corporation will furnish its 10K Report, as filed with the Securities and Exchange Commission, to shareholders without charge. Written requests should be sent to:

Corporate Public Relations
Memorex Corporation
San Tomas at Central Expy.
Santa Clara, CA 95052

Memorex Common Stock is traded on the Pacific Stock Exchange. Prior to July 28, 1975 it was traded over-the-counter. The 5 1/4% Convertible Subordinated Debentures are traded over-the-counter. The following tables show high and low bid and asked prices on the over-the-counter market through July 25, 1975, as reported by the National Quotation Bureau, Inc., and the high and low sales prices on the Pacific Stock Exchange from July 28 as reported by the Wall Street Journal.

YEAR 1975	COMMON STOCK*				CONVERTIBLE DEBENTURES			
	Bid Prices High	Bid Prices Low	Asked Prices High	Asked Prices Low	Bid Prices High	Bid Prices Low	Asked Prices High	Asked Prices Low
1st Quarter (from March 21)	4 3/4	4 1/8	5	4 3/8	33	31	35	33
2nd Quarter	10 3/8	3 7/8	10 7/8	4 1/8	38 1/2	29	40	30 1/2
3rd Quarter (through July 25) ..	9 3/4	8 1/2	10 1/8	8 7/8	43	33	50	36 1/2
Sales Prices								
1976	High		Low		40	35	42	36 1/2
	3rd Quarter (from July 28).....	9 7/8		6 5/8				
4th Quarter	10		6 5/8		40	35	42	36 1/2
1st Quarter (through March 9)								
			7 5/8		48 1/2	37	50 1/2	39

*No dividend has been paid. Trading symbol is MRX.

Management

Board of Directors

Robert C. Wilson
Memorex Chairman of the Board
President and Chief Executive Officer

Robert L. Chambers
Chairman of the Board and Chief
Executive Officer, Envirotech
Corporation, Menlo Park, California.

Alger Chaney
Chairman of the Board, Medford
Corporation, Medford, Oregon,
Vice President and Director, Baker,
Fentress & Company, San Francisco.

Philip J. Gomez
President and Director, Western
Gear Corporation, Los Angeles
California.

Vester T. Hughes, Jr.
Partner, Jackson, Walker, Winstead,
Cantwell & Miller, Dallas, Texas.

Alvin C. Rice
Executive Vice President, Bank of
America National Trust and Savings
Association, San Francisco, California.

T. Robert Sandberg
Vice President (Ret.), Cutter Laboratories,
Inc., Berkeley, California.

Benno C. Schmidt
Managing Partner, J. H. Whitney
& Company, New York City.

Theodore Vermeulen
Chemical Engineer, Professor,
University of California, Berkeley.

Board Committees

Executive Committee
Mr. Wilson, Chairman; Members,
Messrs. Schmidt, Rice, Sandberg
and Vermeulen.

Audit Committee
Mr. Hughes, Chairman; Members,
Messrs. Rice, Chambers and Chaney.

Stock Options and
Compensation Committee
Mr. Schmidt, Chairman; Members,
Messrs. Rice and Gomez.

Corporate Operating Committee

Robert C. Wilson,
President, Chief Executive Officer,
Chairman

George L. Bragg
Vice President, Corporate Development

James Dobbie
Vice President and General Manager,
Computer Media

Robert L. Erickson
Vice President and Secretary

Marcelo Gumucio
Vice President and General Manager,
America and Asia Group

Robert Jaunich II
Vice President and General Manager,
Consumer and Business Media Group

Roger W. Johnson
Vice President and General Manager,
Equipment Products Group

Robert L. Malcolm
Vice President, Industrial Relations

William S. McCalmont
Vice President and General Manager,
Europe—Middle East—Africa Group

Henry C. Montgomery
Vice President, Finance and Treasurer

Staff

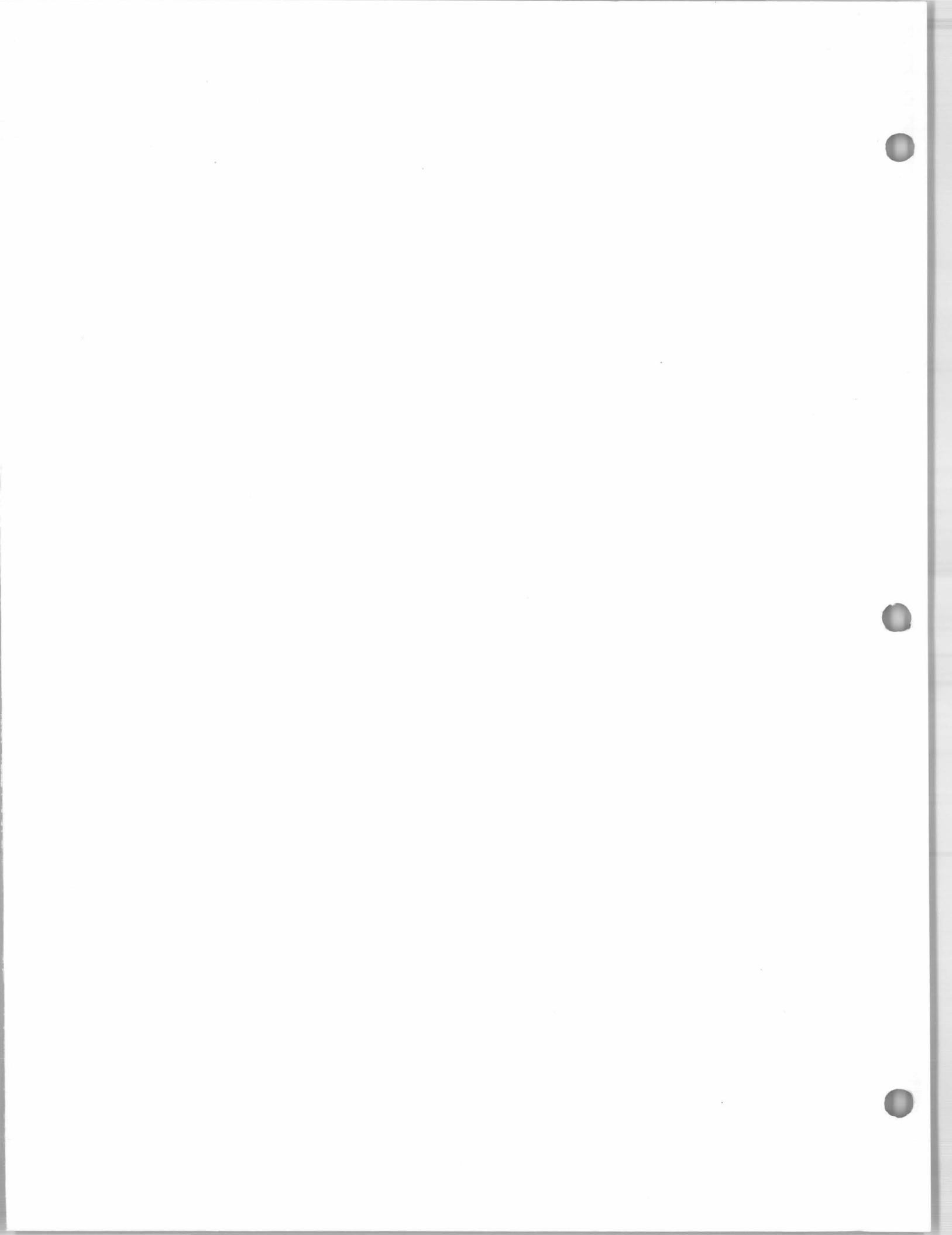
John R. Eastling
Vice President,
Litigation Support Activity

Arthur W. Fonda
Director,
Materials, Energy and Distribution

Edward J. Phillippe
Vice President and Controller

MEMOREX

MEMORY EXCELLENCE



Corporate Facilities

Sales and Service Offices

North America

ALABAMA
Birmingham

ARIZONA
Phoenix

ARKANSAS
Little Rock

CALIFORNIA
Los Angeles
Sacramento
San Diego
San Francisco

COLORADO
Denver

CONNECTICUT
Greenwich
Hartford

DISTRICT OF
COLUMBIA
Washington

FLORIDA
Jacksonville
Miami
Tampa

GEORGIA
Atlanta

ILLINOIS
Chicago
Peoria

INDIANA
Indianapolis

KANSAS
Kansas City

KENTUCKY
Louisville

LOUISIANA
New Orleans

MARYLAND
Baltimore

MASSACHUSETTS
Boston

MICHIGAN
Detroit

MINNESOTA
Minneapolis

MISSOURI
St. Louis
Berkeley

NEBRASKA
Omaha

NEW YORK
Albany
Buffalo
New York City
Syracuse
Rochester

NEW HAMPSHIRE
Hainesport

NORTH CAROLINA
Greensboro
Raleigh
Charlotte

OHIO
Cincinnati
Cleveland
Columbus
Dayton

OKLAHOMA
Oklahoma City
Tulsa

OREGON
Portland

PENNSYLVANIA
Philadelphia
Allentown
Mechanicsburg
Pittsburgh

RHODE ISLAND
Providence

TEXAS
Dallas
Houston

VIRGINIA
Richmond

WASHINGTON
Seattle

WISCONSIN
Milwaukee

Europe, Middle East and Africa

Headquarters: Liege, Belgium

AUSTRIA
Vienna

BELGIUM
Brussels

DENMARK
Copenhagen

ENGLAND
London
Manchester
Coventry

FINLAND
Helsinki

FRANCE
Paris
Lyon
Lille

GERMANY
Munich
Stuttgart
Cologne
Frankfurt
Hamburg

ITALY
Milan
Rome
Padua
Turin
Bologna

LEBANON
Beirut

NETHERLANDS
Amsterdam

NORWAY
Oslo

SOUTH AFRICA
Johannesburg

SPAIN
Madrid

SWEDEN
Stockholm
Malmo
Gothenburg

SWITZERLAND
Zurich
Geneva

Americas and Asia

Headquarters: Santa Clara, CA

ARGENTINA
Buenos Aires

AUSTRALIA
Sydney
Melbourne

BRAZIL
Sao Paulo
Rio de Janeiro

CANADA
Toronto
Montreal
Ottawa
Vancouver
Edmonton

JAPAN
Tokyo
Osaka
Nagoya
Kyushu
Hiroshima

MEXICO
Mexico City

PERU
Lima

VENEZUELA
Caracas

Manufacturing Plants

BELGIUM
Liege

CALIFORNIA
Irvine
Santa Clara

MEXICO
Nogales

WISCONSIN
Eau Claire

Memorex Corporation
San Tomas at Central Expressway
Santa Clara, California 95052