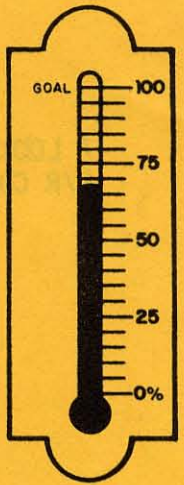


C/R HIGHLIGHTS

PUBLISHED MONTHLY BY THE IMG COST REDUCTION COMMITTEE



WELCOME TO OUR
FIRST EDITION

C/R Highlights is a new monthly news sheet for IMG management. It is published by the Group's Cost Reduction Committee in an effort to keep you better informed about our cost reduction goals and activities.

Cost reduction is everyone's job, and we hope to make that task easier by providing helpful information, as well as encouragement. The circulation of C/R Highlights is limited, so we hope you will pass along to your employees any information you feel is important to them.

COST REDUCTION.....
A LONG-TERM EFFORT

A sustained and successful cost reduction program in all areas of our business is the most significant activity required to improve the quality and profitability of the media business in the long run. The Cost Reduction Committee has demonstrated that it can produce results by coordinating and motivating cost saving efforts.

Memorex has always demonstrated excellence in seizing opportunities. We must now exhibit this same excellence in becoming the most efficient competitor in our markets. Continuing price pressure on media products makes improved efficiency critical to the immediate profitability of the Group and to its long-term success. The return on investment needed to sustain and increase our business can come only from increased profitability.

Our past experience in cost reduction activities has shown that there are many possibilities for improvement and they come from all levels and areas of the organization. Although at first impression it would seem that the successful implementation of one "round" of cost saving would leave a dry well, it has been my experience that success in cost saving generates more good ideas and opens up many new possibilities. I urge you to sustain your efforts in this important work.

John P. Del Favero
Executive Vice President

April 1971

A LOOK AT THE BASIC
C/R COMMITTEE CONCEPTS

The committee was formed with the idea that a continuing cost reduction program is essential in offsetting the effects of rising manufacturing costs. It is designed to be a self-perpetuating forum which will coordinate all cost reduction projects in the Information Media Group through one central agency. This coordination not only prevents duplication of effort, but also provides a means by which efforts can be concentrated where they will provide the greatest value.

While the cost reduction program is considered an ongoing one, it is broken into yearly segments. These fiscal years run from July through June of the following year. At the beginning of each year's program a new chairman is selected by John Del Favero, a new committee is formed, and a new savings goal is calculated and then committed to management. This year's committee chairman is John Mandle.

The committee meets monthly to review progress and plan future achievements. Quarterly, the committee presents a status report to the IMG Operating Committee. An example of the type of cost savings project coordinated by the committee follows.

SUPERVISOR'S SUGGESTION
LEADS TO SAVINGS OF
\$38,400

Dick McPhee, supervisor of Disc Pack Test and Assembly, suggested that "male locks" be salvaged from used or rejected disc packs. His idea was relatively simple, yet it led to an annual savings of \$38,400.

A male lock is a precision machined part which holds the pack in its cover set and locks the pack on the spindle of a disc drive.

After evaluating Dick's idea and determining its merit, the Cost Reduction Committee assigned Vic Winebrenner to put the suggestion to work. First, Vic took a number of used locks to the Product Test Lab, where they were put through life tests and found to be durable, long lasting pieces. Then he set up an inspection procedure and assigned a part number to reclaimed locks so they can be put back into stock and still distinguished from new ones.

The project was completed last summer. Since then, several thousand locks have been reclaimed, and 90% pass inspection. The \$38,400 this project saved is roughly equivalent to the profit on about \$500,000 of sales.
