

Perfect Original Quarterly

WINTER 1991

1991: A Year of Growth and Achievements

Strengthened DisCopyLabs Ready to Make 1992 A Successful Year for Customers

By Norman Tu, President

The year now drawing to a close is getting mixed reviews by technology companies, but for DisCopyLabs it was a good 12 months.

We can count many accomplishments in 1991, and we are fortunate to continue building

a large and loyal customer base.

The software business was not severely affected by the recession, certainly not as much as hardware products were. Software is

now widely accepted as a productivity tool, a tool that increases its value to users during tough economic times, a hopeful sign for the future.

DisCopyLabs credits its major achievements in 1991 to its customers who have strengthened the company's ability to better serve them. Here are a few of the more important actions we took in 1991.

Southern California Expansion - In February we acquired Hoffman Computer Products, a Southern California software duplication service. We have since made substantial investments in new equipment, staff and training at the facility so that all its services meet DisCopyLabs' high quality standards. DisCopyLabs - Duarte has been fully and effectively integrated into our organization, and customers will find no quality or procedural differences between our Northern and Southern California plants.

The major value of the acquisition for customers is that both facilities serve as remote back-up facilities, an important consideration

for disaster recovery contingencies.

Retail Services - We launched a retail software duplication business, called On-Line Copy Corporation, to serve retail and larger companies with low volume needs. Our strategy is similar to that of drop-off photo labs: To provide convenient, easy-to-access, quick-turnaround duplication service to retail customers. Although it's too early to know for sure, there are positive signs of acceptance of the new business.

Increased Capacity - We have tripled our 3.5 inch diskette duplication capability and have standardized production on advanced Trace duplication systems to provide consistent quality and higher capacity. We're in an excellent position to take care of all customer needs, especially in times of unpredictable peaks.

Expanded Facilities - Though our headquarters and production facility in Fremont is almost two years old, our expansion assures that we stay well ahead of customer needs. We

added 20,000 square feet, raising the total to 85,000 sq. ft. and tripling the duplication area. The expansion gives us more efficient production flow, better quality control, faster turn-around, greater capacity, and enables us to be more responsive to customer requirements.

Extra Assembly - As part of the main facility enlargement, we also moved into a nearby building. We installed our fourth packaging line, extending our monthly package assembly output 20 percent to 500,000 units and creating one of the largest in the country.

Staff Training - We expanded training to include more people and more areas of our business. Even while we experienced great growth in 1991, the quality of customer services did not suffer. Customer services improved with computerized WIP and bar code tracking systems, allowing instant tracking of customer orders.

Turnkey Services - A comprehensive MRP

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\$500,000 Investment in New Systems Upgrades Capabilities

DisCopyLabs has invested a half million dollars to upgrade its Trace 1020 duplication capabilities to the new, advanced Trace 3020 system featuring the Trace TFC family of controllers.

The main motivation for the upgrade was to pursue a high level of quality unsurpassed in the software manufacturing industry and to provide more capacity, according to David Tu, Vice President-Operations.

The 3020 systems with TFC controllers enable DisCopyLabs to effectively work toward zero defects by providing a hardware platform that measures quality increases.

A second benefit of the 3020 is that it provides additional checksums of an image at every transfer point to ensure there is no corruption of an image once the duplication process has begun.

A third important 3020 feature is its ability to write a diskette with exceptional quality through Absolute Window Measurement, a technique that greatly increases the compatibility of diskette interchangeability.

"Not only do the new systems significantly increase our copying production, but also greatly enhance the reliability of our product offerings for diskette interchangeability applications," said David.

Electronic Order Entry Under Development; Will Lead to Faster Fulfillment, Reduced Error

By mid-1992 customers will be able to enter orders electronically (EDI) into DisCopyLabs' order entry system.

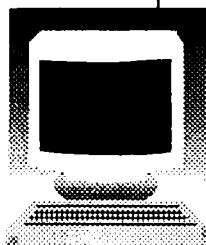
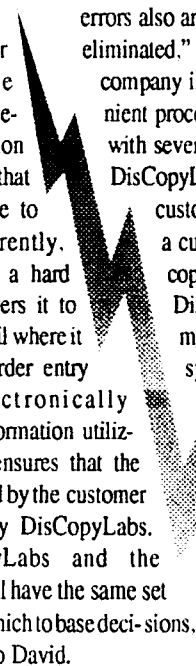
"The electronic transfer of purchase orders into our automated order processing system will shorten our response time for filling orders," said David Tu, Vice President-Operations.

"By reducing the physical handling of orders in hard copy format, the chances of errors also are greatly eliminated," he said.

The company is developing a procedure in cooperation with several customers. DisCopyLabs is currently generating a hard copy of an order and delivering it to fax or mail where it enters into the order entry system.

Currently, order information utilizing a modem ensures that the data originated by the customer is received by DisCopyLabs. DisCopyLabs and the customer will have the same set of data on which to base decisions, according to David.

After electronic order entry is installed, the company will issue progress reports to customers electronically, updating WIP statistics, shipping and receiving logs, and related information.



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A Year of Growth and Achievement

system, a specially trained staff, and other systems were established to support project management or turnkey services for clients. We believe that turnkey capabilities will become increasingly important as more software companies concentrate resources and attention on product

rewarding event of 1991 was the steady growth of our large customer base. We at DisCopyLabs sincerely thank you for your support.

To earn your confidence again in the new year, we are determined to provide outstanding customer services and to invest in those resources that best meet your software manufacturing needs. We pledge that DisCopyLabs will do all we can to make 1992 an excellent year for you.

Holiday Greetings!

Our sincere appreciation and best wishes for a peaceful, prosperous and healthy New Year to our customers, our many business associates and vendors, and our friends throughout the industry and the world. Special thanks and greetings to the staff of DisCopyLabs whose outstanding performance made 1991 a fine year for us. May 1992 be full of good news for each of you.

development and marketing.

Electronic Master Transfer - In cooperation with several customers, we started developing the capability for the electronic transfer of masters to DisCopyLabs, at a very minimum investment to customers. Electronic transfers of masters, which we use between Northern and Southern California facilities, eliminate transit delays resulting from physical delivery and enable us to get finished product in customers hands sooner. We will offer this service to our customers before the end of the first quarter of 1992.

4 MB Duplication - DisCopyLabs became the first company to enter into a joint agreement with Toshiba for 4 MB - 3.5 inch media. Consequently, DisCopyLabs is one of the few companies to have a substantial inventory of 4 MB diskettes and the capability to handle duplication in large quantities.

Tape Capacity - We have installed new, automatic tape duplication equipment and upgraded our entire tape operations, reflecting a serious commitment to tape and data cartridge copying. We are poised to meet the growing requirements of our tape customers with large production capacity for QIC 320 and 525 high performance tape, and other tape products.

While these achievements are important to our future, the most

3.5-Inch Media Shortage May Be Developing

The increasing popularity of the 3.5 inch-format led to a mild shortage of the media in this fourth quarter and may result in a more serious one in the beginning of 1992.

The massive swing to 3.5 inch diskettes by such software publishers as Microsoft, Symantec, Borland, Lotus, and Wordperfect—especially for new Windows product announcements—caught most media companies by surprise, according to Norman Tu, President. Manufacturers are trying to catch up by adding and shifting capacity away from other formats.

As a major purchaser of 3.5 inch, DisCopyLabs enjoys excellent access to disk producers and presently maintains a large inventory.

"However, to assure adequate supply throughout the new year, it would be prudent for customers to better plan their future needs, perhaps by projecting their forecasts to three months. We're doing the same and enlarging inventory beyond the large stock we always keep," Tu said.

Small to second-tier duplicators and software companies that buy low volumes and at irregular intervals are more likely to be affected by the potential shortage of the 3.5 inch media, he said.

A Little Digging Can Lead to Lots of Savings

There's money to be saved by doing a little research to make the right shipping decision for the job at hand, according to Mary Kung, Packaging & Shipping Department Manager.

DisCopyLabs has been handling order fulfillment and shipping for its customers since 1986, and in some instances, is the major distribution channel for the customer.

For software companies that want to economize on freight expenses, without sacrificing service, a starting point is to know

that there are important differences among shippers.

"While most freight services may seem alike, on closer examination their users will find variations in rate structures and in schedules, package and handling requirements, especially among domestic carriers," said Mary. "It pays to shop around and to ask a lot of questions of them."

She recommends a number of steps that companies can take to try to get the most for their delivery dollar.

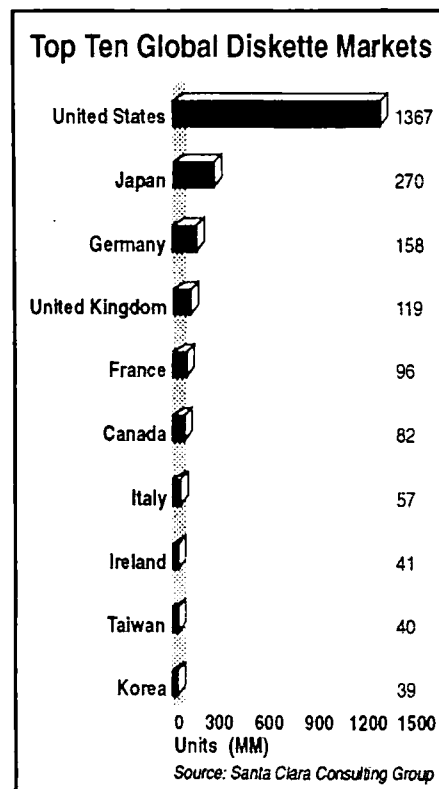
- Use the right size shipping carton. Too large a box for the size of the contents means more packing material, more weight and more cost.
- Do not put too many promotional brochures in packages. Over a large number of cartons they will add expensive shipping weight.
- Determine the right shipping classification. Classifications determine rates. The classification for computers, for example, is usually higher than for software because

World Sales of Diskettes Nears \$2 Billion Mark

The Santa Clara Consulting Group reports that approximately \$1.7 billion worth of floppy disks were sold worldwide in 1990.

Of the 2.7 billion units sold, 5.25 inch diskettes comprised 58 percent; 3.5-inch were 41 percent; and 8-inch diskettes, less than one percent.

The chart below shows floppy market size by countries in 1990.



"It pays to shop around and to ask a lot of questions ..."

equipment is more easily damaged in transit and harder to handle, and therefore more costly to ship.

- If feasible, hold shipments until there's a full truck load, which is less expensive than a partial load. If there's more than a full load, it may be economical to find a carrier with a larger vehicle capacity.
- Ask various shippers about volume discounts and for suggestions on how to lower costs without affecting service. Most shippers are willing to help customers.
- Whenever possible, ask customers for their product forecasts early enough so that slower, less costly forms of transportation such as ship, truck or train, can be utilized.

"Situations change, so it's wise to review shipping procedures and carriers frequently. From experience I know that with some attention, significant savings can be achieved," said Mary.



Amy Tan: Novelist, Friend, Vendor; We Knew Talent When We Saw it

We'd like to claim that we made her what she is today — an amazingly successful young novelist — but who would believe such a piece of mega-hype?

Readers of fiction throughout the world do know that Amy Tan, author of the best seller "The Joy Luck Club," and a recently-published second novel, "The Kitchen's God Wife," is an excellent writer and story-teller.

Amy's connection with DisCopyLabs predates the national attention she won with "The Joy Luck Club." She wrote DisCopyLabs' corporate brochure and marketing materials which are still used. At the time, she made her living as a free-lancer writing corporate literature while investing her "spare" time in the risky business of fiction writing.

Amy is also the first cousin of Norman Tu, DisCopyLabs' President. Norman's father, Joseph Tu, is the brother of Amy's mother, Daisy Tan.

"The Joy Luck Club" received prestigious nominations for the National Book Award and National Book Critics Circle Award. The book sold more than 2.3 million hardback and paperback copies and was translated into several languages.

Amy has completed her first children's book and the screen play to "The Joy Luck Club." She is currently working on her third novel.

DisCopyLabs wishes Amy a long, prolific, and successful career, and assures her that should she ever need a different creative challenge, there will always be something for her at DisCopyLabs, where Each Is a Perfect Original.

CD-ROM Replication Services To Be Available in 1992

Replication and distribution services for CD-ROMs will be offered by DisCopyLabs starting in the first quarter of 1992.

CD-ROM, an excellent media for archival storage of large volumes of data, is rapidly growing in software duplication and distribution applications, according to Bob Benevento, DisCopyLabs' Director of Sales.

A single CD-ROM can store as much data as 1500 - 5.25 inch floppy disks and is the fastest accessing revolving media in general use today.

DisCopyLabs has entered into an agreement with 3M Corp. to use 3M's replication processes and media for this new service.

"DisCopyLabs will provide to CD-ROM users the same high quality duplicating, packaging, inventory and distribution services it offers to users of software on magnetic media," said Bob.

Original source data from computer files, slides, paper, graphics, and even video images can be converted into a CD-ROM format and copied.

For more information, customers can call or fax their Account Managers at DisCopyLabs.



In recognition of the successful growth of DisCopyLabs, President Norman Tu received an Achievement Award from the Asian American Manufacturers Association (AAMA) at its annual awards banquet on November 16, 1991. Along with Antonia Tu and David Tu, Vice Presidents and co-founders, Norman accepted the award and acknowledged the contributions of the DisCopyLabs staff.

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