UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC., 570 Mount Pleasant Avenue, Dover, New Jersey 07801 Plaintiff, v. PAPST LICENSING GMBH & CO. KG, Bahnhofstrasse 33, 78112 Georgen, Germany Defendant.	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah Robinson Next status conference: December 4, 2007
PAPST LICENSING GMBH & CO. KG, Bahnhofstrasse 33, 78112 Georgen, Germany Counter-Plaintiff, v. CASIO INC. and CASIO COMPUTER CO., LTD. Counter-Defendants	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah Robinson Next status conference: December 4, 2007

DECLARATION OF J. KEVIN FEE

I, J. Kevin Fee, hereby declare as follows:

1. I am a partner at the law firm of Morgan, Lewis & Bockius LLP in the Washington D.C. Office located at 1111 Pennsylvania Avenue, NW, Washington, D.C. 20004.

2. I have been admitted to practice law in the District of Columbia since 2005. I am further admitted to practice law in the states of New York and Pennsylvania.

3. Attached hereto as Exhibit A is a true and correct copy of Defendant Papst Licensing GMBH & Co. KG's First Set of Interrogatories (Nos. 1-2), to Casio Computer Co. Ltd., served on April 20, 2007.

4. Attached hereto as Exhibit B is true and correct copy of Defendant Papst Licensing GMBH & Co. KG's First Set of Interrogatories (Nos. 1-3) to Casio Inc., served on April 20, 2007.

5. Attached hereto as Exhibit C is true and correct copy of the Federal Trade Commission's report "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy", Ch. 3, pp. 38-43, October 2003.

6. Attached hereto as Exhibit D is a true and correct copy of Casio Computer Co., Ltd.'s 2006 Corporate Report.

7. Attached hereto as Exhibit E is a true and correct copy of Scott Stimpson's June 21, 2007 e-mail to Joseph Cwik.

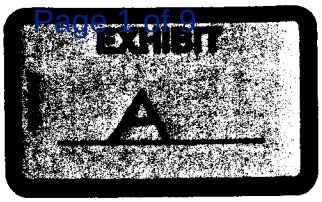
8. Attached hereto as Exhibit F is a true and correct copy of the Declaration of Satoshi Katakai.

9. Attached hereto as Exhibit G is a true and correct copy of the Declaration of Koichi Kaneda.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: July 9, 2007

By: _____
J. Kevin Fee



UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC.

Plaintiff,

v.

PAPST LICENSING GMBH & CO. KG
Defendant.

Civil Action No. 1:06 CV 01751

Judge: Gladys Kessler

PAPST LICENSING GMBH & CO. KG

Counter-Plaintiff

v.

CASIO INC. and
CASIO COMPUTER CO., LTD.

Counter-Defendants

PAPST LICENSING GMBH & CO. KG'S
FIRST SET OF INTERROGATORIES TO CASIO COMPUTER CO., LTD.

Pursuant to Rule 33 of the Federal Rules of Civil Procedure, Defendant/Counter-Plaintiff, Papst Licensing GmbH & Co. KG ("Papst"), through counsel, requests Plaintiff/Counter-Defendant, Casio Computer Co., Ltd. ("Casio Japan"), to respond to each of the Interrogatories below.

DEFINITIONS

1. "Counter-Defendant," "you," "your," and "Casio Japan" means (a) Casio Computer Co., Ltd., Casio Inc. and all of their parent corporations, predecessor corporations, successor corporations, subsidiary corporations, affiliated or related

companies, and groups and divisions thereof; (b) Casio Japan's present or past directors, officers, employees, agents, consultants, accountants, attorneys and independent contractors that have contractual relations with it; and (c) any person acting or purporting to act or, at the time of the stated subject matter, was acting or purporting to act for or on behalf Casio Japan or anyone under its control, direction or instruction.

2. "Document" shall be construed in it broadest sense and shall mean all written, printed, typed, recorded, graphic, stenographic, computer-generated, computer-stored and electronically stored matter of every kind and description, however and by whomever produced, prepared, reproduced, disseminated, or made, including all originals, copies and drafts thereof and all attachments and appendices thereto, and shall also include audiovisual works and magnetic recordings of any type such as video tape recordings, slides, floppy and hard disks, audio recordings and photographic pictures or movies. A copy of any document that contains notes, sketches, annotations, highlighting, underlining or other markings, comments or modification on or of another document shall be considered a separate document.

3. "Thing" has the broadest meaning accorded that term by Federal Rule of Civil Procedure 34, and includes every kind of physical specimen or tangible item, other than a document, in Your possession, custody or control.

4. A request for a Document shall be deemed to include a request for a Thing. A request for a Thing shall be deemed to include a request for a Document.

5. "Or" is inclusive referring to any one or more of the disjoined words or phrases listed.

6. "Relating to," "relate to," "relation to," or "relating" means constituting,

discussing or referring to, analyzing, embodying, evidencing, consulting, recording, communicating, involving, describing, pertaining to, concerning, or containing, directly or indirectly in any way, the subject matter of the particular request.

7. "Communication," "communicate" or "communicating" means every manner or means of disclosure, transfer or exchange, and every disclosure, transfer or exchange of information whether orally or by document or whether face-to-face, by telephone, mail, telex, facsimile, personal delivery or otherwise.

8. The term "Lawsuit" means any type of legal action including but not limited to lawsuits filed in federal or state courts, administrative proceedings, ITC proceedings, USPTO proceedings and international cases filed in any tribunal.

9. The terms "identify" or "identity" or "identification" when used in connection with an individual means: state the individual's full name; his or her home and business addresses; his or her last known employer; his or her position, title, or job description; and if employed by You, the individual's dates and regular places of employment and general duties.

10. The terms "identify" or "identity" or "identification" when used in connection with a company, corporation, association, partnership, joint venture, or any legal entity other than a natural person means; state its full name and type of organization or entity; state the address of its principal place of business, its date and place of incorporation; and identify its officers, directors, and managing agents.

11. The terms "identify" or "identity" or "identification" when used in connection with an oral statement or discussion means: state the name of the speaker; the date of the statement; the place at which the statement was made; the person or persons to

whom the statement was addressed, if practicable, and otherwise a general description of the persons to whom the statement was addressed; the subject matter of the statement; and if the statement was memorialized in writing or mechanical or other recording, state the date and present location of said recording.

12. The terms "identify" or "identity" or "identification" when used in connection with a written document or statement means; state the name of the author, the type of document or writing, the date, the addressee, or recipient, if practicable, and otherwise a general description of the persons to whom the writing was distributed, the subject matter, and the present location. In lieu of such identification, You may attach a copy of the written containing said written statement and refer thereto in Your answer.

13. As used herein, "Casio Digital Camera" shall mean all designs, implementations, models, and versions of all Casio digital cameras capable of transferring picture information to another device.

14. "Patents-in-Suit" refers to United States Patent No. 6,895,449 ("the '449 patent") and United States Patent No. 6,470,399 ("the '399 patent").

INSTRUCTIONS

1. Where knowledge or information in Your possession is requested, the request extends to knowledge or information in the possession of Your agents, representatives, and attorneys. Whenever an answer to these interrogatories contains information that is not based upon Your personal knowledge, state the source and the nature of such information.

2. Answer all of the interrogatories completely. If You contend that the answer to any interrogatory is privileged in whole or in part, state all facts supporting such privilege,

and identify each person having knowledge of the factual basis on which the privilege is asserted. Answer should be made of all knowledge and information which is not privileged.

3. If You have no knowledge or information responsive to a particular interrogatory, please state such.

4. These interrogatories shall be deemed continuing and Casio Japan shall supplement and seasonably amend its responses as required under the Federal Rules.

5. If an objection is made to any interrogatory, answer should be made of all knowledge and information to which the objection does not relate.

6. If Casio Japan finds the meaning of any term in these interrogatories unclear, Casio Japan shall assume a reasonable meaning, state what the assumed meaning is, and respond to the interrogatory according to the assumed meaning.

7. Unless otherwise specified, the interrogatories below are not limited to the knowledge or information in the United States. Instead, they relate to any such knowledge or information in any country.

8. The phrase "Identify any entity or person involved in the research, development, design, re-design, prototype production, testing, licensing, manufacturing, commercial production, sale, offer for sale or importation for each Casio Digital Camera used, manufactured, sold, offered for sale, licensed or imported into the United States" shall mean:

a. For each entity or person identified, describe what each entity or individual did in the research, development, design, re-design, prototype production, testing, licensing, manufacturing, commercial production, sale, offer for sale or importation for each

Casio Digital Camera; the corresponding time period(s) in which each entity or person was involved in the research, development, design, re-design, prototype production, testing, licensing, manufacturing, commercial production, sale, offer for sale or importation for each Casio Digital Camera; and each individual's title and employer during those corresponding time period(s);

b. Identify all documents (by Bates Number) showing the identity of any entity or person involved in the research, development, design, re-design, prototype production, testing, licensing, manufacturing, commercial production, sale, offer for sale or importation for each Casio Digital Camera.

PAPST'S INTERROGATORIES

INTERROGATORY NO. 1: Identify any entity or person involved in the research, development, design, re-design, prototype production, testing, licensing, manufacturing, commercial production, sale, offer for sale or importation for each Casio Digital Camera used, manufactured, sold, offered for sale, licensed or imported into the United States after October 22, 2002.

INTERROGATORY NO. 2: Separately with respect to each of the Patents-In-Suit, state:

(A) The dates upon which, and the circumstances under which, Casio first became aware of the Patents-In-Suit, and the persons who became aware of them;

(B) Whether Casio received legal advice at any time, including after the filing of the Complaint, that it did not infringe each of the patents in suit, or that each of the Patents-In-Suit was invalid or unenforceable and, if so, identify the date upon which, and the circumstances under which Casio obtained such legal advice, or caused any studies relating to such advice to be made, as well as any oral or written opinion of legal counsel, with respect to:

(i) the infringement or non-infringement of the Patents-In-Suit; and/or

(ii) the validity, invalidity, enforceability or unenforceability of the Patents-In-Suit;

(C) Identify all persons having knowledge of the subject matter of Casio's response to this interrogatory, and locate and identify all documents pertaining to the subject matter of Casio's response to this interrogatory; and

(D) Identify all discussions, communications, events or documents that relate to or refer to any legal advice received by Casio with respect to:

(i) the infringement or non-infringement of the Patents-In-Suit; and/or

(ii) the validity, invalidity, enforceability or unenforceability of the Patents-In-Suit.

Dated: April 20, 2007

/s/ Joseph E. Cwik
Jerold B. Schnayer
Joseph E. Cwik
WELSH & KATZ, LTD.
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VENABLE LLP
575 7th Street, N.W.
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Attorneys for Defendant/Counter-Plaintiff, Papst Licensing GmbH & Co. KG

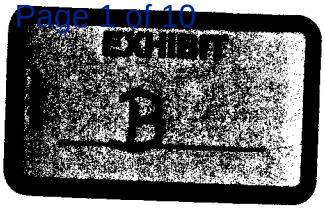
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing PAPST LICENSING GMBH & CO. KG'S FIRST SET OF INTERROGATORIES TO CASIO COMPUTER CO., LTD. was served on this the 20th day of April, 2007 upon the attorneys for Casio Inc. as follows:

VIA U.S. MAIL and E-MAIL
J. Kevin Fee
MORGAN, LEWIS & BOCKIUS LLP
1111 Pennsylvania Avenue, NW
Washington, D.C. 20004
Counsel for Casio Inc.

VIA U.S. MAIL And E-MAIL
Scott Simpson
Jeffrey Gold
Morgan Lewis & Bockius, LLP
101 Park Avenue
New York, New York 10178

/s/ Joseph E. Cwik
Attorney for Papst Licensing GmbH & Co. KG



UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC.

Plaintiff,

v.

PAPST LICENSING GMBH & CO. KG
Defendant.

Civil Action No. 1:06 CV 01751

Judge: Gladys Kessler

PAPST LICENSING GMBH & CO. KG

Counter-Plaintiff

v.

CASIO INC. and
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Counter-Defendants

PAPST LICENSING GMBH & CO. KG'S
FIRST SET OF INTERROGATORIES TO CASIO INC.

Pursuant to Rule 33 of the Federal Rules of Civil Procedure, Defendant/Counter-Plaintiff, Papst Licensing GmbH & Co. KG ("Papst"), through counsel, requests Plaintiff/Counter-Defendant, Casio Inc. ("Casio"), to respond to each of the Interrogatories below.

DEFINITIONS

1. "Plaintiff," "you," "your," and "Casio" means (a) Casio Inc., Casio Computer Co., Ltd. and all of their parent corporations, predecessor corporations, successor corporations, subsidiary corporations, affiliated or related companies, and

groups and divisions thereof; (b) Casio's present or past directors, officers, employees, agents, consultants, accountants, attorneys and independent contractors that have contractual relations with it; and (c) any person acting or purporting to act or, at the time of the stated subject matter, was acting or purporting to act for or on behalf Casio or anyone under its control, direction or instruction.

2. "Document" shall be construed in it broadest sense and shall mean all written, printed, typed, recorded, graphic, stenographic, computer-generated, computer-stored and electronically stored matter of every kind and description, however and by whomever produced, prepared, reproduced, disseminated, or made, including all originals, copies and drafts thereof and all attachments and appendices thereto, and shall also include audiovisual works and magnetic recordings of any type such as video tape recordings, slides, floppy and hard disks, audio recordings and photographic pictures or movies. A copy of any document that contains notes, sketches, annotations, highlighting, underlining or other markings, comments or modification on or of another document shall be considered a separate document.

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4. A request for a Document shall be deemed to include a request for a Thing. A request for a Thing shall be deemed to include a request for a Document.

5. "Or" is inclusive referring to any one or more of the disjoined words or phrases listed.

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discussing or referring to, analyzing, embodying, evidencing, consulting, recording, communicating, involving, describing, pertaining to, concerning, or containing, directly or indirectly in any way, the subject matter of the particular request.

7. "Communication," "communicate" or "communicating" means every manner or means of disclosure, transfer or exchange, and every disclosure, transfer or exchange of information whether orally or by document or whether face-to-face, by telephone, mail, telex, facsimile, personal delivery or otherwise.

8. The term "Lawsuit" means any type of legal action including but not limited to lawsuits filed in federal or state courts, administrative proceedings, ITC proceedings, USPTO proceedings and international cases filed in any tribunal.

9. The terms "identify" or "identity" or "identification" when used in connection with an individual means: state the individual's full name; his or her home and business addresses; his or her last known employer; his or her position, title, or job description; and if employed by You, the individual's dates and regular places of employment and general duties.

10. The terms "identify" or "identity" or "identification" when used in connection with a company, corporation, association, partnership, joint venture, or any legal entity other than a natural person means; state its full name and type of organization or entity; state the address of its principal place of business, its date and place of incorporation; and identify its officers, directors, and managing agents.

11. The terms "identify" or "identity" or "identification" when used in connection with an oral statement or discussion means: state the name of the speaker; the date of the statement; the place at which the statement was made; the person or persons to

whom the statement was addressed, if practicable, and otherwise a general description of the persons to whom the statement was addressed; the subject matter of the statement; and if the statement was memorialized in writing or mechanical or other recording, state the date and present location of said recording.

12. The terms "identify" or "identity" or "identification" when used in connection with a written document or statement means; state the name of the author, the type of document or writing, the date, the addressee, or recipient, if practicable, and otherwise a general description of the persons to whom the writing was distributed, the subject matter, and the present location. In lieu of such identification, You may attach a copy of the written containing said written statement and refer thereto in Your answer.

13. As used herein, "Casio Digital Camera" shall mean all designs, implementations, models, and versions of all Casio digital cameras capable of transferring picture information to another device, that have been used, manufactured, sold, offered for sale, licensed or imported into the United States since October 22, 2002.

14. "Patents-in-Suit" refers to United States Patent No. 6,895,449 ("the '449 patent") and United States Patent No. 6,470,399 ("the '399 patent").

INSTRUCTIONS

1. Where knowledge or information in Your possession is requested, the request extends to knowledge or information in the possession of Your agents, representatives, and attorneys. Whenever an answer to these interrogatories contains information that is not based upon Your personal knowledge, state the source and the nature of such information.

2. Answer all of the interrogatories completely. If You contend that the answer

to any interrogatory is privileged in whole or in part, state all facts supporting such privilege, and identify each person having knowledge of the factual basis on which the privilege is asserted. Answer should be made of all knowledge and information which is not privileged.

3. If You have no knowledge or information responsive to a particular interrogatory, please state such.

4. These interrogatories shall be deemed continuing and Casio shall supplement and seasonably amend its responses as required under the Federal Rules.

5. If an objection is made to any interrogatory, answer should be made of all knowledge and information to which the objection does not relate.

6. If Casio finds the meaning of any term in these interrogatories unclear, Casio shall assume a reasonable meaning, state what the assumed meaning is, and respond to the interrogatory according to the assumed meaning.

7. Unless otherwise specified, the interrogatories below are not limited to the knowledge or information in the United States. Instead, they relate to any such knowledge or information in any country.

8. The phrase "Describe in full and complete detail how each Casio Digital Camera does not infringe each of the Patents-in-Suit" shall mean:

a. Describe in full and complete detail the meaning of each term and each claim element in each claim and the basis for Casio's alleged meaning of each term and each claim element, including, but not limited to, an identification and explanation of all documents and other evidence that concerns and/or supports the interpretation of each phrase and each claim element;

b. Provide a full and complete identification and description of each Casio Digital Camera, including a full and complete identification of all documents that concern or describe the operation and/or construction of each Casio Digital Camera;

c. Provide a full and complete explanation of how any and all claim elements do not read on each Casio Digital Camera; and

d. Provide an identification of all documents and things that support in any way Casio's Complaint, Answer or Affirmative Defenses and a full and complete explanation of how they support Casio's Complaint, Answer or Affirmative Defenses.

e. Describe, for each and every claim element, whether any non-infringement is literal non-infringement and/or non-infringement under the doctrine of equivalents.

9. The phrase "Describe in full and complete detail the bases for the allegations in Casio's Complaint that the Patents-in-Suit are invalid for failing to comply with the patent laws of the United States" shall mean:

a. Describe in full and complete detail the meaning of each term and each claim element in each claim and the basis for Casio's alleged meaning of each term and each claim element, including, but not limited to, an identification and explanation of all documents and other evidence that concerns and/or supports the interpretation of each phrase and each claim element;

b. Provide a full and complete identification and description of each

alleged prior art reference, including a full and complete identification of all documents that concern or describe each prior art reference, including all documents that provide written corroboration that any actual product constituting alleged prior art was or was not on sale or sold anywhere in the world;

c. Provide a full and complete explanation of how any and all prior art reference(s), in combination or alone, read on each element of each claim of the Patents-In-Suit;

d. Provide an identification of all documents and things that support in any way Casio's Complaint, Answer or Affirmative Defenses and a full and complete explanation of how it supports Casio's Complaint, Answer or Affirmative Defenses;

e. For any invalidity assertion under 35 U.S.C. § 103, provide a full and complete explanation how each prior art reference teaches, suggests or otherwise provides a motivation to combine with any other prior art reference;

f. Provide a full and complete explanation of why the Patents-In-Suit are invalid for failing to comply with 35 U.S.C. § 112.

PAPST'S INTERROGATORIES

INTERROGATORY NO. 1: Describe in full and complete detail how each Casio Digital Camera does not infringe each of the Patents-in-Suit.

INTERROGATORY NO. 2: Describe in full and complete detail the bases for the allegations in Casio's Complaint that the Patents-in-Suit are invalid for failing to comply with the patent laws of the United States.

INTERROGATORY NO. 3: Separately with respect to each of the Patents-In-Suit, state:

(A) The dates upon which, and the circumstances under which, Casio first became aware of the Patents-In-Suit, and the persons who became aware of them;

(B) Whether Casio received legal advice at any time, including after the filing of the Complaint, that it did not infringe each of the patents in suit, or that each of the Patents-In-Suit was invalid or unenforceable and, if so, identify the date upon which, and the circumstances under which Casio obtained such legal advice, or caused any studies relating to such advice to be made, as well as any oral or written opinion of legal counsel, with respect to:

(i) the infringement or non-infringement of the Patents-In-Suit; and/or

(ii) the validity, invalidity, enforceability or unenforceability of the

Patents-In-Suit;

(C) Identify all persons having knowledge of the subject matter of Casio's response to this interrogatory, and locate and identify all documents pertaining to the subject matter of Casio's response to this interrogatory; and

(D) Identify all discussions, communications, events or documents that relate to or refer to any legal advice received by Casio with respect to:

(i) the infringement or non-infringement of the Patents-In-Suit; and/or

(ii) the validity, invalidity, enforceability or unenforceability of the Patents-In-Suit.

Dated: April 20, 2007

/s/ Joseph E. Cwik
Jerold B. Schnayer
Joseph E. Cwik
WELSH & KATZ, LTD.
120 South Riverside Plaza • 22nd Floor
Chicago, Illinois 60606
(312) 655-1500

Campbell Killefer (Bar No. 268433)
VENABLE LLP
575 7th Street, N.W.
Washington, D.C. 20004
(202) 344-4000
Attorneys for Defendant/Counter-Plaintiff, Papst Licensing GmbH & Co. KG

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing PAPST LICENSING GMBH & CO. KG'S FIRST SET OF INTERROGATORIES TO CASIO INC.was served on this the 20th day of April, 2007 upon the attorneys for Casio Inc. as follows:

VIA U.S. MAIL and E-MAIL
J. Kevin Fee
MORGAN, LEWIS & BOCKIUS LLP
1111 Pennsylvania Avenue, NW
Washington, D.C. 20004
Counsel for Casio Inc.

VIA U.S. MAIL AND E-MAIL
Scott Simpson
Jeffrey Gold
Morgan Lewis & Bockius, LLP
101 Park Avenue
New York, New York 10178

/s/ Joseph E. Cwik
Attorney for Papst Licensing GmbH & Co. KG

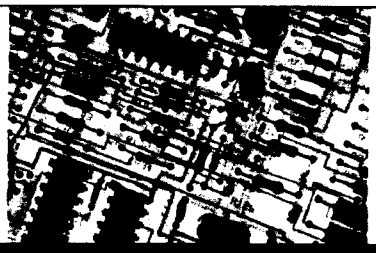


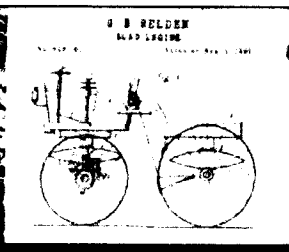
FEDERAL TRADE COMMISSION

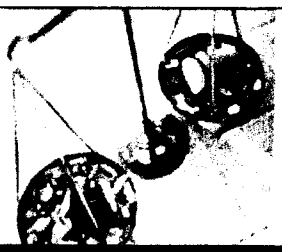
To Promote Innovation:
The Proper Balance of Competition and Patent Law and Policy

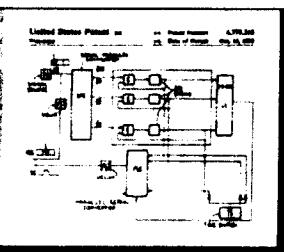


A Report by the Federal Trade Commission
October 2003











In their business survey, Professors Hall and Ziedonis concluded that semiconductor firms with large sunk costs in complex manufacturing facilities started to patent defensively in the 1980s to reduce, among other things, "concerns about being held up by external patent owners."[237] These concerns stemmed in part from Polaroid's successful patent infringement suit against Kodak.[238] One industry participant interviewed by Professors Ziedonis and Hall stated, "a preliminary injunction would be detrimental to a firm if it means shutting down a high-volume manufacturing facility; loss of one week's production alone can cost millions of dollars."[239] Firms in the computer hardware industries responded to the possibility of having their production enjoined by accumulating large patent portfolios. If a rival company sought to employ a hold-up strategy against them, they would draw on their portfolio to assert patent infringement counterclaims against that rival, resulting in what panelists described as "mutually assured destruction" or "MAD."[240]

(i). The Rise of Non-Practicing Entities

The potential for hold-up to result in mutually assured destruction means firms actively participating in the industry – patent practicing entities (PPEs) – are unlikely to employ this strategy against each other.[241] Panelists, however, identified firms referred to as non-practicing entities (NPEs) that can successfully employ a hold-up strategy without fear of retaliation.[242] NPEs obtain and enforce patents against other firms, but either have no product or do not create or sell a product that is vulnerable to infringement countersuit by the company against which the patent is being enforced. As discussed *supra* in Chapter 2, MAD strategies to mitigate hold-up will not work against NPEs, who are not susceptible to the threat of a countersuit shutting down their production.[243] In contrast, NPEs can threaten PPEs with patent infringement and an injunction, which, if granted, could inflict substantial losses.[244]

Panelists identified three types of NPEs in the computer hardware industry: (1) non-practicing design firms, which patent their inventions but do not make or sell patented products to consumers; (2)

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[237] Hall & Ziedonis, 32 RAND J. ECON. at 104; *see also* Box 3-6; Rosemarie Ziedonis, *When the Giants' Shoulders are Crowded: Fragmented Rights and Patent Strategies in Semiconductors* 4 (July 2002) *in draft at* http://www.isnie.org/ISNIE02/Papers02/ziedonis.pdf.

[238] *See* Hall & Ziedonis, 32 RAND J. ECON. at 109.

[239] *Id.*; *see generally* John R. Boyce & Aidan Hollis, *Innovation, Imitation & Preliminary Injunctions in Patents* (Public Comment), at http://www.ftc.gov/os/comments/intelpropertycomments/0205xxhollis.pdf.

[240] *See* Hall 2/28 at 662; Detkin 2/28 at 669; Poppen 2/28 at 684-85; Barr 2/28 at 713; *see also* Hall & Ziedonis, 32 RAND J. ECON. at 109.

[241] *See* Poppen 2/28 at 684-86.

[242] *See* Rhoden 2/28 at 723-24; Carl Shapiro, *Technology Cross-Licensing Practices: FTC v. Intel (1999), in* 4 THE ANTITRUST REVOLUTION: ECONOMICS, COMPETITION AND POLICY 350, 356 (John E Kwoka, Jr. & Lawrence J. White eds. 2004).

[243] *See* Poppen 2/28 at 685-89; Detkin 2/28 at 671-72.

[244] *See* Poppen 2/28 at 685-89; Detkin 2/28 at 671-72; Hall & Ziedonis, 32 RAND J. ECON. at 109. For additional discussion of issues raised by NPE conduct, *see supra* Ch. 2(III)(C)(2) and Second Report (forthcoming).

"professional" patent assertion companies that buy patents from other companies, particularly those that are bankrupt, and then assert them against practicing entities; and (3) "patent miners," which are companies that assert their patent portfolios against firms outside of their business.[245]

Professor Ziedonis noted that the number of cases filed by NPEs has increased since the mid-1980s, and that the sale of patents by failing companies has increased since the 1990s.[246] One third of the patent lawsuits filed by a group of 136 companies, for example, involved patents not invented by the company.[247] Two panelists confirmed that an increasing number of companies are seeking to buy and sell the patent portfolios of failing companies to assert against other firms.[248] In their business analysis of licensing practices in the semiconductor and electronics industry, Professors Grindley and Teece observe that "occasionally, firms can purchase a portfolio of patents with which to establish cross-licensing relationships; but quality patents often are not available in this fashion."[249]

(ii). Hold-Up and Patent Thickets

In industries such as the computer hardware industries, where innovation is cumulative, panelists noted that hold-up is more likely to occur, because the presence of a patent thicket makes patent infringement very difficult to avoid.[250] As Professor Shapiro observed, participants in the semiconductor industry receive "thousands of patents . . . each year and manufacturers can potentially infringe on hundreds of patents with a single product."[251] Another panelist stated that "the large number of

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[245] *See* Poppen 2/28 at 685-88; Detkin 2/28 at 672.

The panelists discussed two reasons for the emergence of "patent mining" by companies. First, the need to patent defensively has forced many firms to develop extensive patent portfolios, at considerable cost. One business representative stated that it costs about $200,000 to maintain a patent worldwide over a period of 20 years. *See* Brunt 3/20 at 25. Panelists reported that some companies have sought to offset these costs by seeking to license their patents to other companies, particularly companies that operate outside the market of the patent holder, because a higher royalty can be extracted due to an imbalance in bargaining positions. *See id.*; Poppen 2/28 at 684; Thurston 3/20 at 34.

Second, panelists contended that business attitudes towards patents have changed since the 1980s. The management of some companies, some asserted, have begun to treat patents as an asset that must generate a return, instead of as a means to exclude parties from a particular invention. *See* Wolin 3/20 at 81. Panelists cited two examples to support this change in attitude. First, a number of panelists mentioned Texas Instruments, which successfully instigated a patent mining program in the late 1980s to save the company from bankruptcy, and thereby became an example to other companies of how to mine their patents. *See* Thurston 3/20 at 28-29; Wolin 3/20 at 81; Ziedonis 3/20 at 83; Telecky 2/28 at 653; Macher et al., *Semiconductors* at 281; Grindley & Teece, 39 CAL. MGMT. REV. at 20. Second, a widely read book in business circles entitled *Rembrandts in the Attic* encourages managers to generate revenue from their patents by mining them. *See* Hughes 2/28 at 614; KEVIN G. RIVETTE & DAVID KLINE, REMBRANDTS IN THE ATTIC: UNLOCKING THE HIDDEN VALUE OF PATENTS (Harvard Business School Press 1999).

[246] *See* Ziedonis 3/20 at 71, 73-74.

[247] *See* Ziedonis 3/20 at 73-74.

[248] *See* Thurston 3/20 at 75; Wolin 3/20 at 76.

[249] Grindley and Teece, 39 CAL. MGMT. REV. at 31; *see also* Shapiro 11/6 at 176 (observing that "I've even seen a situation where a portfolio was split up and some patents split off to a third party who had no other commercial interests, so they could assert it most aggressively against other industry players.").

[250] *See* Barr 2/28 at 676; Hall & Ziedonis, 32 RAND J. ECON. at 110.

[251] *See* Shapiro, *Navigating the Patent Thicket* at 125.

issued patents in our field makes it virtually impossible to search all potentially relevant patents, review the claims, and evaluate the possibility of an infringement claim or the need for a license."[252] This problem of unavoidable patent infringement is heightened, commentators stated, by the risk of patent applications still pending and unpublished by the PTO after a company has sunk significant costs in a new product.[253]

Commentators have also observed that companies seeking to hold up rivals can set the licensing fees below the cost of litigation, including the managerial distraction, so as to make the taking of a license the only economically sensible alternative, regardless of the strength of the patent.[254] Professor Shapiro contends that the lack of effective mechanisms to challenge questionable patents, the presumption of validity, and "a patent office that is generous to patent applicants" also facilitate the use of hold-up strategies by NPEs.[255] Several panelists asserted that companies can use a continuation on their own patent application deliberately to delay patent issuance by the PTO.[256] This enables such companies, one panelist asserted, to tailor their patent claims to cover a rival's product using insights gained from reverse-engineering that product.[257]

(iii). The Potential for Hold-Up to Harm Consumers

Commentators identified four ways that hold-up can harm competition and innovation. First, obtaining a license after costs have been sunk will result in a higher royalty to the NPE than if a license were negotiated prior to the sinking of costs.[258] One reason for this higher royalty is that PPEs obtaining a license under threat of hold-up typically do not have the option of designing around the patent the NPE asserted, because redesigning a product after significant costs have been sunk is usually not economically viable.[259] According to Professor Shapiro, the higher royalty paid by companies subject to a hold-up strategy may result in higher prices to consumers, inefficiently low use of the affected

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[252] Robert Barr, *Statement* (2/28/02) 1, *at* http://www.ftc.gov/opp/intellect/barrrobert.doc (hereinafter Barr (stmt)).

[253] *See* Barr 2/28 at 676; Shapiro, *Navigating the Patent Thicket* at 125-26. *See supra* Ch. 2(III)(C) and *infra* Chs. 4(II)(C)(1) and 5(II)(C)(4).

[254] *See* Ziedonis 3/20 at 71-72; Barr 2/28 at 680 and (stmt) 2; Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. L.REV. 1495, 1517 (2001) (noting that "patent owners might try to game the system by seeking to license even clearly bad patents for royalty payments small enough that licensees decide that it is not worth going to court").

[255] Shapiro, *Technology Cross-Licensing Practices: FTC v. Intel (1999)* at 355.

[256] *See* Poppen 2/28 at 687-88; McCurdy 3/20 at 37; Mar-Spinola 2/28 at 715-16; Barr 10/30 at 146-47; *see also infra* Ch. 4(II)(C)(1).

[257] *See* Poppen 2/28 at 688.

[258] *See* Shapiro, *Navigating the Patent Thicket* at 125.

[259] *See* Shapiro, *Navigating the Patent Thicket* at 125; Barr (stmt) 2-3; Rosemarie Ziedonis, *When the Giants' Shoulders are Crowded: Fragmented Rights and Patent Strategies in Semiconductors* at 8. Just as an NPE may wish to set the royalty fee it seeks at just below what it would cost the "held up" firm to litigate the validity or infringement of the NPE's patent, so an NPE may wish to set its requested royalty fee at just below what it would cost the firm to redesign around the patent.

products, and deadweight loss.[260] The cumulative effect of many such licenses may exacerbate these effects.[261] Second, innovation may suffer because some companies will "refrain from introducing certain products for fear of hold-up."[262]

Third, by seeking royalties below the cost of challenging a patent's validity, NPEs can obtain royalties on improperly granted patents. Royalties on improperly granted patents cause an inefficient allocation of society's resources and a transfer that "encourages patenting and discourages competition to a greater extent than is socially optimal."[263] One panelist observed that NPEs can use this same strategy to induce PPEs to obtain licenses for patents that are likely not infringed by the PPE's product.[264] Finally, a number of panelists representing manufacturing firms contended that hold-up causes a wealth transfer from firms engaged in innovation that results in benefits to firms that are simply exploiting the patent system without benefitting consumers.[265] One panelist, however, responded that "we're not sure that in every instance where there's a patentee with no product, that they haven't legitimately contributed something to the fund of human knowledge."[266]

F. Tools to Navigate the Patent Thicket

The panelists discussed three licensing strategies that firms can use to navigate patent thickets: (1) cross-licensing; (2) patent pooling; and (3) standard setting. The panelists generally agreed that each strategy, despite involving certain transaction costs, has been effective in clearing the patent thicket.[267]

1. Cross-Licensing

Cross-licensing is one of the mechanisms used by integrated firms and hardware companies in particular to obtain design freedom when a patent thicket exists.[268] The main variables are: (1) the number of patents at issue; and (2) the use of balancing payments (*i.e.*, monetary payments to even out the value of the portfolios being cross-licensed).[269] The

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[260] *See* Shapiro, *Navigating the Patent Thicket* at 125; Poppen 2/28 at 690.

[261] *See* Shapiro, *Navigating the Patent Thicket* at 126.

[262] *Id.*; *see also* Grindley & Teece, 39 CAL. MGMT. REV. at 20.

[263] Lemley, 95 NW. L. REV. at 1517.

[264] Barr (stmt) 2-3.

[265] *See* Poppen 2/28 at 689-90; Barr 2/28 at 679 and (stmt) 1-3 (the exploitation of the patent system as a revenue-generating tool in its own right has hindered true innovation and outweighed the benefits); Detkin 2/28 at 673 and 728-30. Another concern expressed was that hold-up may force innovative firms to move their manufacturing and sales operations offshore to minimize their exposure to such strategies.

[266] Telecky 2/28 at 703.

[267] *See* Grindley & Teece, 39 CAL. MGMT. REV. at 16; Detkin 2/28 at 711 (stating that hold-up is the problem, not thickets).

[268] *See* McCurdy 3/20 at 67 (noting the greater prevalence of cross-licensing in semiconductors and information technology industries than in pharmaceuticals). For a discussion of the antitrust treatment of cross-licensing, *see* Second Report (forthcoming). For an historical overview of licensing practices at Texas Instruments, *see* E. Thompson 11/6 at 9-11.

[269] *See* McCurdy 3/20 at 67-69.

number of patents that are cross-licensed can vary from two to a complete patent portfolio, which might include thousands of patents. Balancing payments are often negotiated by the parties and are used to address a relative imbalance in patent portfolio size or quality.[270]

One panelist outlined three factors his company considers when deciding whether to license: (1) potential patent infringement claims the prospective licensee might have against his company; (2) potential patent infringement claims his company has against the prospective licensee; and (3) the relative interest of the parties in reaching a cross-licensing arrangement.[271] According to another panelist, integrated firms and hardware companies usually settle cross-licensing negotiations without filing lawsuits.[272]

2. Patent Pools

The centralized management that patent pools entail may help in avoiding the royalty stacking/complements problems that economists have suggested may develop when multiple patents are needed for follow-on activities, and each patentee independently determines its own royalty rates.[273] One panelist stated that "patent pools have become critically important mechanisms for enabling widespread use of new technologies that require access to a multitude of patents dispersed among a multitude of parties."[274]

That panelist expressed two concerns, however, about the use of patent pools. First, he stated that some patent holders with critical patents avoid *ex ante* negotiations by asserting that the antitrust laws prevent them from negotiating royalties prior to selection of the specific patents in the pool.[275] He argued that the negotiation of the royalty in advance of the selection of specific patents in the pool was preferable.[276] Second, he contended that applicants should be able to choose which patents they license from a patent pool, rather than be forced to take a license for the totality of patents, which is the most commonly used approach.[277]

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[270] *See id.* at 69, 72.

[271] *See* Detkin 2/28 at 669-70 (stating that Intel considers three things when deciding whether to license: "What have they got on us, what do we have on them, and who cares?").

[272] *See* McCurdy 3/20 at 69. For a discussion of some of the antitrust issues raised by cross-licensing, *see* Second Report (forthcoming).

[273] *See* Barr 2/28 at 733 (finding patent pools useful for consolidating administration and limiting royalty stacking problems). *See generally supra* Ch. 2(III)(C)(3) (discussing royalty stacking and Cournot's complements problem).

[274] Fox 2/28 at 700.

[275] *See id.* at 732; *see also* Second Report (forthcoming).

[276] *See* Fox 2/28 at 737, 732 (suggesting that lower royalties or better terms might be negotiated in return for accepting the patent into the pool). For analysis of analogous issues raised by *ex ante* negotiations involving standard-setting bodies, *see* Second Report (forthcoming).

[277] *See* Fox 2/28 at 699. For analysis of the relevant antitrust considerations, *see* Second Report (forthcoming).

3. Standard-Setting

By establishing rules governing access to the intellectual property embodied in their standards, standard-settings organizations (SSOs) can clear patent thickets that otherwise might stand in the way of follow-on innovation. Professor Lemley, who recently conducted a study of SSOs, found them most active "in industries in which it looks like patent hold-up is the biggest problem [such as] in computers, in semiconductors . . . [but not in] pharmaceuticals, in biotechnology, and so forth."[278] Without a way to "clear[]" intellectual property rights held by "dozens or hundreds of different parties," he warned, "nobody's going to be able to make a product that works with a particular technical standard."[279] Professor Lemley found that 17 of the 21 SSOs studied in fact required "some form of licensing . . . [m]ost commonly . . . on 'reasonable and non-discriminatory terms.'"[280]

G. Conclusion

Panelists in the hardware and semiconductor industries emphasized competition as a driver of innovation. Trade secret protection also contributes to innovation in these industries. Testimony regarding the role of patents was mixed. The record generally corresponded with the results obtained by Professors Cohen, Nelson, and Walsh in their business survey of appropriability mechanisms for firms in the United States: the semiconductor industry was among the least reliant on patents to appropriate returns on investment in R&D.[281] Panelists, however, also identified an exception to these results: patents are a driver of innovation for design firms.

The hearing record highlighted many of the issues that economists suggested might arise in contexts that involve cumulative innovation and a multiplicity of patents. Specifically, the participants from these industries confirmed a trend toward defensive patenting and stated that patents can deter innovation: (1) by contributing to patent thickets, and (2) through their use by NPEs to hold up PPEs. Panelists also observed that various patent licensing arrangements – cross-licensing, patent pools, and the licensing requirements of standard setting organizations – have helped to mitigate the potential harm to innovation caused by patent thickets.

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[278] Lemley 4/18 at 35-37. Of course, other factors, such as considerations of achieving compatibility and network effects, also might explain this result.

[279] *Id.* at 20.

[280] *Id.* at 23. Certain of the antitrust issues raised by SSO activities are discussed in Second Report (forthcoming).

[281] *See* COHEN ET AL., PROTECTING THEIR INTELLECTUAL ASSETS.

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Published: December 2006

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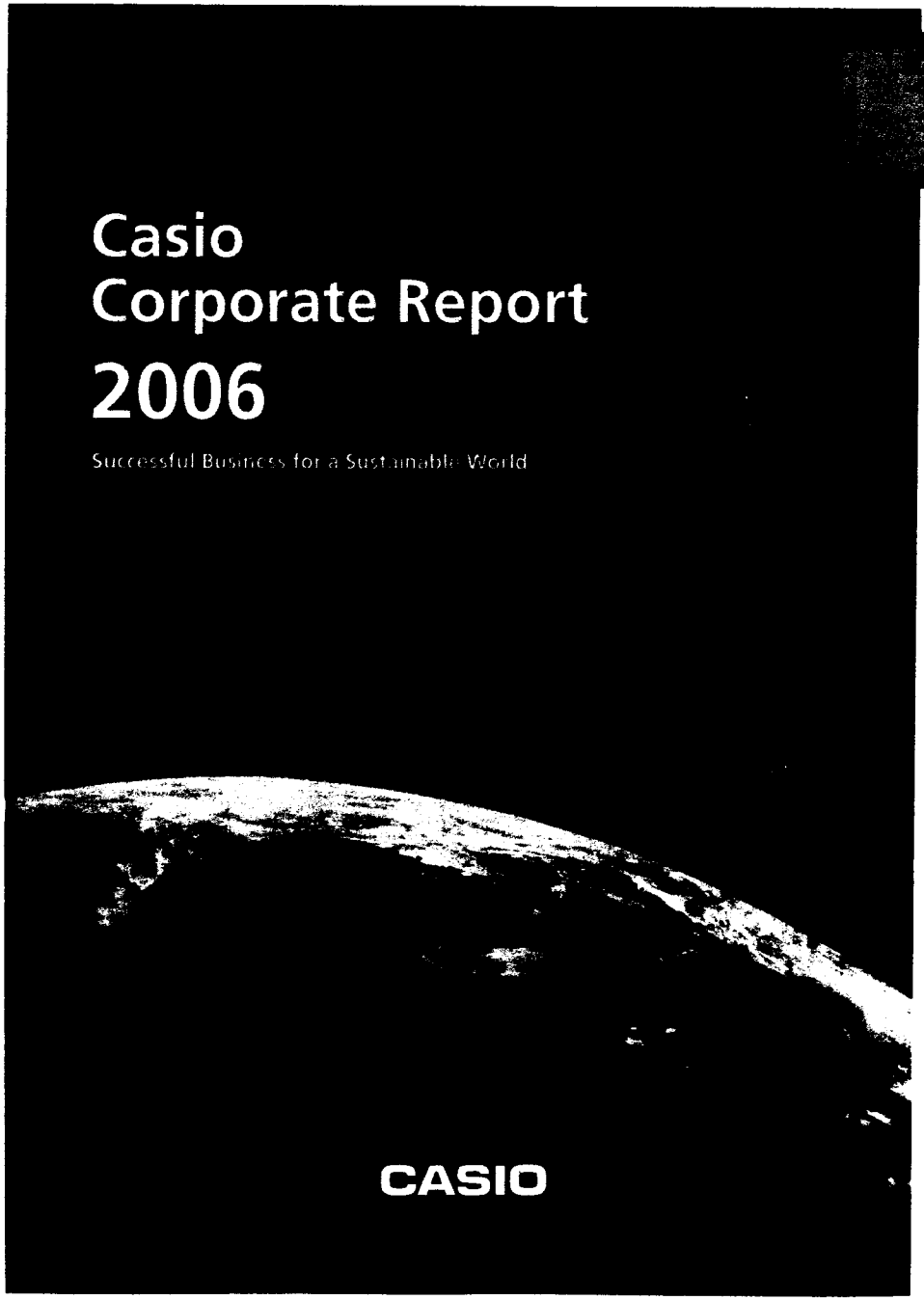
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Casio Corporate Report 2006

Successful Business for a Sustainable World



CASIO

Case 1:06-cv-01751-RMC-DAR Document 61-5 Filed 07/09/2007 Page 1 of 26

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Editorial Policy

Casio began publishing its *Environmental Report* in 1999. In 2004, the publication was changed to the *Sustainability Report* with the addition of social and economic content. In 2005, the content was further improved to create the *Corporate Social Responsibility Report*. In 2006, it has been renamed the *Corporate Report*, and now includes the previously separate *Corporate Profile*. By also adding a Web version to the printed publication, offering more detailed data, Casio is striving to provide more accessible information to all of its stakeholders.*

- The report has been presented in an easy-to-understand format, so that all stakeholders,* including the consumers who love Casio products, can easily read the material.
- In this report, the name "Casio Computer Co., Ltd." refers only to the parent company, while "Casio" is used to indicate the entire Casio group of companies.
- Please see page 58 of the Web version for information on the scope of the printed report.
- Beginning with this report, Casio has changed the way it designates the fiscal year to match the other reports it regularly publishes. In this report, FY2006 means from April 1, 2005 to March 31, 2006. Previous reports' FY2006 meant from April 1, 2006 to March 31, 2007.
- Graphs and diagrams have been designed so that they are easy for everyone to view, including those with different visual and color perception.
- Contact information and a Website address has been provided on the back cover to help promote interactive communication with stakeholders.

*Stakeholders
Stakeholders of Casio include customers, suppliers, investors, shareholders, employees, local residents, NGOs, NPOs, the mass media, financial institutions, researchers, and government agencies.

Forecasts and Forward-looking Statements

The future forecasts and forward-looking statements published in this report for Casio Computer Co., Ltd., and Casio are based on information available at the time of publication. These forecasts and statements include potential risk and uncertainty, and the reader should be aware that the actual results of business activities may differ from these predictions.

Issued December 2006
- Previous publication
December 2005 *Corporate Social Responsibility Report 2005*

A Web version of this report, including specialized and detailed information, as well as third-party opinions, has also been published.

Environmental Report Website
http://world.casio.com/env/

Growing with Society through Creativity and Contribution

"Let's build the ideal calculator with our very own hands." This was the mantra adopted by the four Kashio brothers as they developed a calculator that used only electrical circuits—back when gear-operated mechanical calculators were the only available technology. By 1957, the four brothers had already succeeded, introducing the world's first small, fully electric calculator (the "14-A"), and founding Casio Computer Co., Ltd.

Ever since, Casio has been leveraging its digital technologies to advance into new business fields—timepieces, musical instruments, and LCD monitors, to name a few. Casio's dynamism comes from its profound ability to develop innovative products that meet latent but universal needs. Again and again, Casio has defied conventional wisdom to give people the things they really need but haven't even thought of yet. The company is contributing to societies around the world by delivering convenience and entertainment, creating new markets, and facilitating cultural development.

True to its corporate creed, "Creativity and Contribution," Casio's greatest responsibility is improving people's lives by developing groundbreaking new products. Along with this core commitment, Casio is proud to say that all of its employees have, as part of their job descriptions, determined their own personal commitment to social contribution. The goal of the company and all of its people is to grow by helping society to grow.

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"Casio has been pursuing 'Creativity and Contribution' since the beginning. These unchanging values define our commitment to fulfilling our corporate social responsibility."



Kazuo Kashio

Kazuo Kashio
President & CEO

Our Corporate Creed: "Creativity and Contribution"

Casio's corporate creed has been "Creativity and Contribution" since we established Casio Computer Co., Ltd., after inventing a small, fully electric calculator in an era when mechanical calculators were the norm. Ever since, our commitment has been to contribute to society by offering the kind of original, useful products that only Casio can.

We have accomplished this over the years by identifying latent needs that people have yet to discover, and then meeting those needs with innovative products and services, which soon become an integral part of people's daily lives. In doing so, we always strive to think bigger than the mere provision of new technology, products, or services—our real goal is to inspire new lifestyles and contribute to culture.

Times may change, but our commitment to "Creativity and Contribution" is unwavering. This creed defines the company's very reason for being. Looking to the future, Casio has its sights set on bringing joy and wonder to people everywhere and continuing to make a real difference in the world. To earn its place in a sustainable global society, Casio must keep demonstrating the meaning of "Creativity and Contribution."

CSR Initiatives

In Japan, 2004 has been called the dawn of the "age of CSR," as many companies introduced a variety of CSR initiatives. Many also came out with their own definitions of CSR, but these definitions are by no means universal. The scope of CSR and the role companies expect themselves to play differs with each organization's perspective.

In 2004, Casio inaugurated its CSR Operations Section, and set up a CSR Committee comprised of the company directors and auditors. These steps have provided a forum for discussion of a broad range of CSR issues. Also in that year, we added a section on social contributions to our *Environmental Report* (published since 1999) to create the expanded *Sustainability Report*.

Since 2004, we have promoted a wide range of CSR initiatives, including strengthening our compliance system, obtaining Privacy Mark certification for personal data protection, achieving zero emission standards in Casio's main operations sites in Japan, taking steps to comply with environmental regulations, promoting CSR procurement, and issuing the *Corporate Social Responsibility Report* in 2005.

Pursuing CSR-driven Management

Despite all of these achievements, Casio—like all other companies today—is subject to ever stronger demands and higher expectations from society. In order to secure fair and transparent management and continue to improve corporate value, we recognize the need to once more return to the founding principles of "Creativity and Contribution." In doing so, we intend to find and exploit synergies between our everyday business activities and CSR initiatives.

We shall make CSR a core driver of management by faithfully executing on the following commitments.

- To continue realizing the unchanging, foundational principles of "Creativity and Contribution," Casio will adhere to the Charter of Creativity for Casio and the Casio Common Commitment.
- Casio will observe all applicable laws and regulations, and will strive to improve corporate value by reinforcing its system of internal controls and implementing effective compliance and risk management throughout its entire global supply chain.
- Through its primary business activities, Casio will continue to create new value to help resolve various issues facing the global community.
- Casio will consistently implement environmental innovations that integrate eco-efficiency as well as resource conservation and energy saving features into all processes related to creating products and services.
- Casio will disclose financial and other information in a simple, accessible format to all stakeholders, and increase management transparency by creating more opportunities for interactive communication.

In past years, Casio has published the *Corporate Profile* and *Corporate Social Responsibility Report* separately. This year, however, we have combined the two into an integrated *Corporate Report*—the one you are reading now—in order to present a fuller picture of Casio to readers of both publications. I hope this *Corporate Report* will serve as an important means of communication between Casio and all of its stakeholders. For a variety of details that could not be included in this publication due to space limitations, I invite you to visit the Casio Website (http://world.casio.com).

I am committed to managing Casio for socially responsible business success, and I would appreciate hearing your frank opinions of our efforts.

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Contributing to Society: A History of Innovative Product Craftsmanship and Strong Stakeholder Relationships



1957

Business Activities

CSR Activities

1964 Qualification program based on meritocracy adopted. Education and training system established

1965 Casio releases 001, its first transistor-based electronic desktop calculator.

1966 Export of electronic desktop calculators to overseas markets begins

1967 Zero defect campaign launched to promote "Casio known for quality."


Casio Mini

1969 Casio Labor Union formed, with the basic credo of "Trust Each Other, Understand Each Other."

1970 Casio stock listed on the second section of the Tokyo Stock Exchange

1971 Casio Eight Club established to promote amicable relationship with office supply wholesalers throughout Japan.


Casio Eight Club

1972 Casio Mini, the world's first personal electronic calculator, released.
Casio stock transferred to the first section of the Tokyo Stock Exchange


Casiotron

1974 Casio enters timepiece market with the release of Casiotron, a digital wristwatch

1975 Electronic cash register released.

1977 Casio receives Prime Minister's Commendation for its contributions to the progress of calculators.


Certificate of commendation

1978 Production of liquid crystal panels for watches begins.

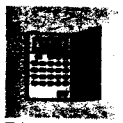

Casio Tone

1979 Σ-S8700 series of Japanese-language office computers released.

1980 Casio Tone electronic keyboards released.


The first CASIO WORLD OPEN

1981 TR-2000, Casio's first electronic dictionary, released.
SL-801 solar-powered electronic calculator released.
First CASIO WORLD OPEN GOLF TOURNAMENT held.
Dedicated office, the Consumer Section, established to receive inquiries from general consumers.


TR-2000

1982 Casio Science Promotion Foundation established.


Casio Science Promotion Foundation

1983 First G-SHOCK, a shock-resistant wristwatch, released.
TV-10 pocket-sized LCD color TV released.


G-SHOCK

1984 First LCD shutter page printer released.

1985 PELA super-thin digital watch released.


Company-wide Quality Improvement Campaign

1986 Company-wide Quality Improvement Campaign launched

Business Activities

1989 ADPS R1, an office information processing device that requires no user program, released.

1991 Name Land (KL-1000) label printer released.


QV-10

1992 BP-100, a wristwatch-type blood pressure monitor, released.

1993 QV-10, the first digital camera in the world with an LCD monitor, released.

CSR Activities

1989 Consumer Section renamed to Customer Service Office, and set up in each region of Japan

1991 Casio Environmental Conservation Committee established

1992

1993 Casio Environmental Charter and Casio Voluntary Plan for the Environment adopted.

1995 Use of specified CFCs and 1, 1, 1-trichloroethane discontinued.

1996 DQD-10 radio-controlled clock released.

1997 Casio Group's environmental activities published on Casio Website.
Yamagata Casio acquires ISO14001 certification

1998 Casio Korea acquires ISO14001 certification.
Casio Code of Conduct established

1999 World's first watch equipped with GPS function released.
C303CA, a shock- and water-resistant, cdma One-compatible cellular phone, released.


GPS cellular phone with built-in camera for au

2000 VeriPat TM, a fingerprint verification algorithm, developed.

2001 WVA-300D/300K solar-powered radio-controlled watch released.

2002 R&D success achieved on small, high-performance fuel cells for mobile devices.
Casio delivers first camera-equipped cellular phone with GPS to au of KDDI.
EXILIM, the world's thinnest, wearable card-sized digital camera, released.


EXILIM

2003 Fingerprint verification device for mobile devices developed.
Casio enters the data projector market.

2004 Casio Hitachi Mobile Communications Co., Ltd., a joint venture with Hitachi, Ltd., for developing cellular phones, established.

2005 Casio collaborates with Renesas Technology Corp. on semiconductor device packaging technology.
Casio forms alliance in LCDs with Taiwan's HannStar Display Corp.

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1992

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1996

1997 Casio Group's environmental activities published on Casio Website.
Yamagata Casio acquires ISO14001 certification

1998 Casio Korea acquires ISO14001 certification.
Casio Code of Conduct established

1999 "Clean & Green 21" Initiative, a Casio Group-wide environmental action plan, introduced.
Green Procurement Guidelines established.
Program launched to recover tape cartridges from label printer products sold to corporate customers.
Corporate officer system adopted.
Environmental Report 1999 published.
Casio participates in Eco-products 1999 exhibition.

2000 ISO14001 certification now acquired at all manufacturing sites in Japan and four sites of Casio Computer Co., Ltd.

2001 Casio Green Products 30 (C.G.P 30) campaign launched.
Recycling of secondary rechargeable batteries initiated.

2002 Three Casio sites (the head office and Ichinomiya factory of Kofu Casio Co., Ltd., and the Yamanashi facility of Casio Micronics Co., Ltd.), achieve zero emissions (less than 1% waste disposed in landfills).
Program launched to recover and recycle end-of-life personal computers and other information processing equipment sold to corporate customers.
Kochi Casio Co., Ltd., awarded the Natural Resources and Energy Agency Director-General's Commendation for Excellence in Energy Management at a Factory (in the electricity sector).

2003 Charter of Creativity for Casio established
Casio Code of Conduct revised.
Casio Common Commitment established.
Recovery of end-of-life home personal computers initiated.

2004 CSR Operations Section and CSR Committee established.
Sustainability Report 2004 issued, replacing the *Environmental Report*.

2005 *Corporate Sustainability Report 2005* issued, replacing the *Sustainability Report*.
Casio Computer Co., Ltd., and Casio Lease Corporation obtain Privacy Mark certification.
Improvements completed on all products destined for Europe in compliance with the RoHS Directive.

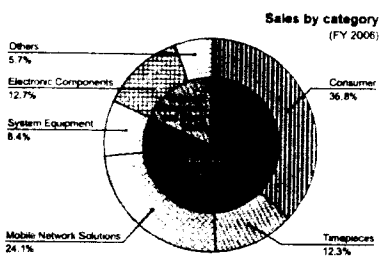
2006 *Corporate Report 2006* issued, replacing both the *Corporate Sustainability Report* and *Corporate Profile*

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Casio's two main businesses are electronics and electronic components. The company creates products that are compact, lightweight, slim, and energy efficient for the global market.

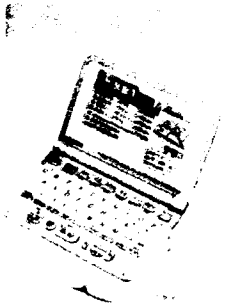
● Business Fields

The Casio Group is comprised of Casio Computer Co., Ltd., 56 consolidated subsidiaries, and 4 equity-method affiliates (as of March 2006). Casio conducts its business in two main segments: Electronics, and Electronic Components and Others. The Electronics segment is divided into four categories: Consumer, Timepieces, Mobile Network Solutions (MNS), and System Equipment. The Electronic Components and Others segment is divided into two categories: Electronic Components, and Others. In all of these categories, Casio's business activities range from development and production to sales and service.



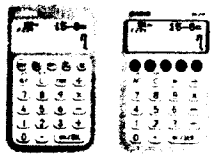


Greater Convenience, More Enjoyment



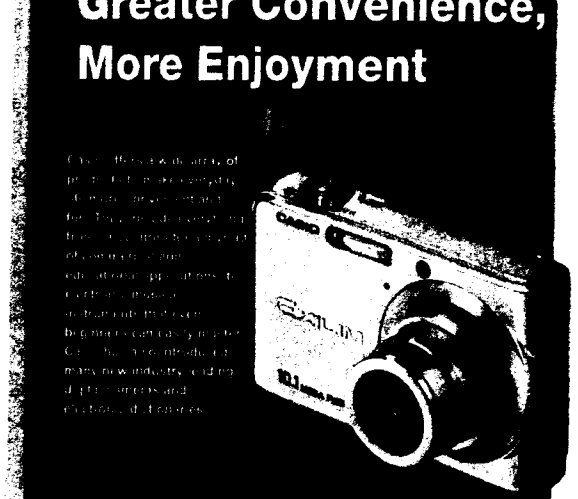
EX-word XD-ST4800 electronic dictionary

This electronic dictionary for Japanese high school students boasts voice functionality and has 50 content categories that are useful for various subject areas. In 11 of these categories, students can listen to accurate pronunciation by native speakers of English.



EN-100 EN-200 electronic calculators

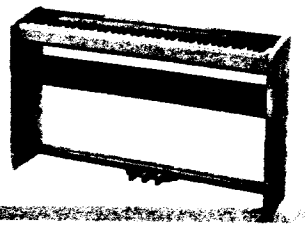
These are the industry's first *hyaku masu keisan* ("one hundred calculations drill") training calculators, developed with the assistance of Professor Hideo Kageyama of Ritsumeikan University. By repeating each of the basic arithmetic functions one hundred times, children are able to strengthen their basic calculation ability and develop active learning habits. With the same device, adults are able to keep their minds sharp by exercising their gray matter with arithmetic drills.



EX-Z1000 digital camera

Privia PX-110 electronic musical instrument

This affordable digital piano delivers true piano sound in a compact, lightweight, and stylish design. From real pianists to everyday amateurs, anyone can take advantage of the PX-110's superior sound quality and natural keyboard touch to practice freely in the privacy of their own location.



Digital Dictionaries Save Forest Resources

It would have taken 28,221 [illegible] electronic dictionaries sold by Casio [illegible] of paper per tree, this would be equivalent to [illegible] paper dictionaries.

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Solar Power and Radio Control—Always Evolving



G-SHOCK GW-5100



OCEANUS OCW-M700TDJ

With a full metal case, the OCEANUS solar-powered, radio-controlled watch offers both high functionality and a sporty design that originated in Europe. Along with compatibility for standard radio waves from the five transmitters worldwide, a slim module of the OCEANUS features multiple hands for chronograph, tide graph, and many other measurements.



LILIANA LNA-100LJ

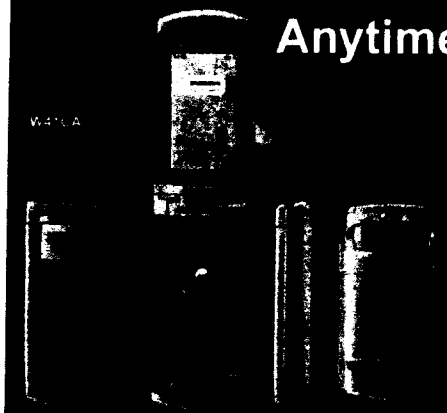
The LILIANA is a solar-powered, radio-controlled watch for women with a full metal case and an elegant and simple look. In addition to a beautiful face with multiple hands, the watch features a leather wristband with an elegant arabesque design on the inside, as well as a 15-facet cut bezel that shines differently depending on the direction of the light. This sophisticated wristwatch incorporates all the fine details preferred by women.



Ultimate Solar-powered Timepieces

Solar-powered, radio-controlled watches continue to evolve, always searching for ways as a light source is available. Casio's tough [illegible] capacity rechargeable battery and a [illegible] even from fluorescent lights. The [illegible] energy-saving large-scale integration [illegible] turns off the display when left for a long time in the dark, [illegible] operate for a long time in places without light. [illegible] maintenance-free watch that needs only natural energy to

Anytime, Anywhere

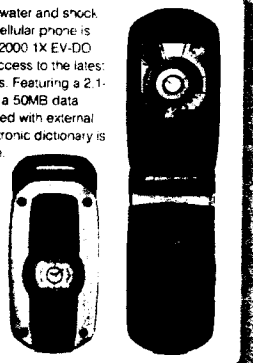


W42CA

The aim of Casio's Mobile Network Solutions strategy is the provision of optimal usage environments for business and personal applications regardless of time or place. Casio is contributing to the development of a truly mobile society, with solutions focusing on compact cellular phones with advanced functions and mobile terminals for a wide range of business needs.

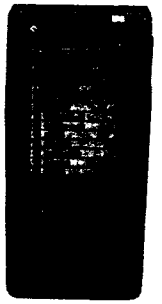
While offering superior water and shock resistance, this tough cellular phone is compatible with CDMA2000 1X EV-DO technology, enabling access to the latest communication services. Featuring a 2.1-megapixel camera and a 50MB data folder, it can also be used with external memory. A mobile electronic dictionary is also built into the phone.

G'zOne W42CA



DT-5200

This mobile communication terminal combines the features of a handy terminal with the portability of a PDA. By operating it in combination with Excellent Store® shop support solutions, the user can perform everything from data transmission to routine retail tasks with one device. The DT-5200 leverages information to increase total in-store productivity and contributes to the standardization of business management.



Complying with the RoHS Directive

The W42CA cellular phone not only complies with [illegible] environmentally harmful substances, [illegible] design concept, it delivers great [illegible] users to enjoy the latest technology in a [illegible]

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Reliability Delivers Efficiency



Page Printer N3500

Casio provides original solutions for all kinds of business, integrating hardware and software. Casio page printers for all manner of documents. Systems for enhancing the efficiency of administrative functions of financial institutions. Cash registers for a wide variety of retail formats, and the ADPS Personnel System for supporting company human resource strategies. Casio has earned the praise and trust of business professionals.

ADPS Strategic Integrated Personnel System 7

This comprehensive solution supports the streamlining of administrative work in human resources departments. The system has been demonstrated to realize a task application rate of 95%, thanks to an expanded list of ready-to-use applications, to meet the diverse needs of enterprise users. In addition to basic human resources and payroll tasks, the system utilizes a newly added HR-Library programmed with 13 types of personnel development systems, such as systems for internal transfer and announcement of open positions.



TE-300

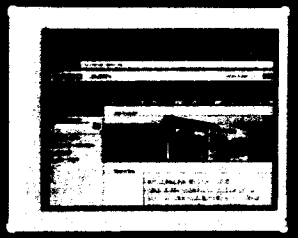
The TE-300 is a cash register that fits well with the interior design of a store by enabling the cash drawer to be placed in a separate location from the slim and compact letter-sized main unit. It also features an anti-microbial treated keypad for use in medical and restaurant settings.

Environment Highlight

Reducing Operating Costs through Efficient Recycling Systems

Casio page printers realize low operating costs through the adoption of the "Return Toner Cartridge" program. The printers comply with various environmental regulations on harmful substances, Eco Mark, the International Energy Star program, etc.* stipulated under the Japanese Law Concerning the Promotion of the Procurement of Eco-Friendly Goods.

Creating the Cutting Edge

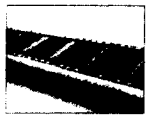


TFT LCD Module

Cutting-edge products are born of the latest advances in electronic components. Take, for instance the LCD panels an indispensable interface between man and machine. Casio specializes in small- and medium-sized LCDs for mobile devices, including TN, STN, and TFT panels. In another advanced field, Casio Micronics conducts bump processing, as well as COF and other packaging operations. Casio's electronic components are found at work in applications across the entire spectrum.

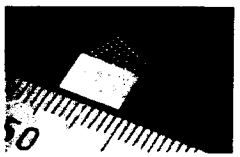
COF

COF refers to a film on which LSI chips for LCD panels are mounted. The film is thinner and more flexible than a conventional board, making it possible to design larger LCD panels. Because the circuits are fixed in the base film, COF is ideal for detailed processing. As the trend towards ultra-fine pitch LSI grows, so too does the demand for COF technology.



WLP (Wafer Level Package)

WLP refers to the creation of chip-sized packages right on a silicon wafer through copper redistribution formation, electrode post formation and resin sealing. WLP is cost effective, and is the most advanced LSI miniaturization technology, making it possible to produce ever-smaller devices with products such as cellular phones and digital cameras.



BUMP



BUMP is a technology that forms microelectrodes for LSI chips which are essential for high-density packaging. Using gold or solder, protruding electrodes are formed on an LSI wafer terminal. BUMP technology is essential for circuits in cellular phones and other advanced mobile devices.

Environment Highlight

Manufacturing Process Achieves Broad Application of Recycled Materials

Casio aims to use 3 common plastics against the [illegible] LCDs. Now, however, Casio has made a [illegible] company in the industry to do so. This [illegible] as 2005, at the previous level. Casio has [illegible] products are used by the [illegible]

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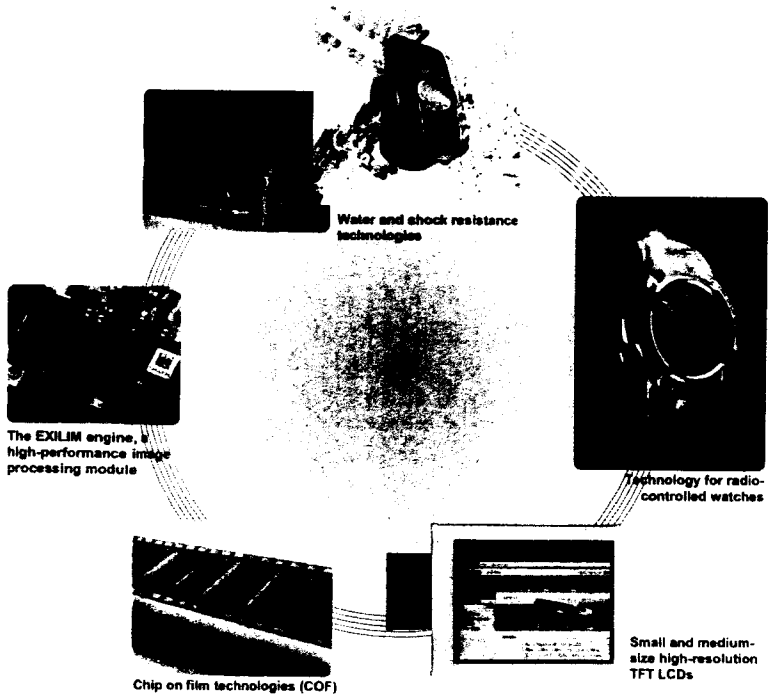
Casio's Originality and Technology Bring Growth to Both Society and the Company

Casio contributes to society by developing original products that never existed before, yet meet universal needs. This enables Casio to grow side-by-side with all of its stakeholders.

● Casio's Concept Development and Core Technologies Give the World Innovative Products

The driving force behind product planning at Casio is the company's unwavering practice of initiating product development from scratch, never just copying the ideas of others. Casio recognizes the unlimited potential to develop products that have yet to be invented but are needed by everyone. By identifying this latent demands and meeting it with bold, new products, Casio not only helps to create new markets and cultural phenomena, but also fosters the development of related industries.

The accumulation of technologies through daily R&D enables Casio to realize outstanding original ideas. Casio makes the most of the expertise in digital circuits it has developed since the early years to carry out its own LSI design. As a result, the company has invented very small circuits with high performance and low power consumption. Casio utilizes these digital circuits in the EXILIM engine, an image processing module at the heart of its digital cameras. In another field, Casio began producing LCDs in 1978, and has become a master in the development of small and medium-sized panels. In addition to meeting the LCD needs of its own products, Casio also provides LCDs as product components to other companies. Casio's highly original product planning extends to many cutting-edge fields, including chip on film (COF), chip on glass (COG), and other high-density mounting technologies, as well as the water and shock resistance technologies that go into G-SHOCK watches and other products.



● Business Strategy: Generate Both Profitability and Future Potential

Casio has positioned businesses that have maintained top market share and yield steady profits as Stable Businesses. It has positioned businesses that are expected to experience significant global market growth in the future, while also seeing intensifying competition as a large number of companies enter the market, as Expansive Businesses. Casio is following a successful strategy of securing stable profits from the Stable Businesses while increasing both sales and operating income in Expansive Businesses. Going forward, this approach to management can secure both sustainable growth and profitability.

Casio is working to reduce the cost-sales ratio for product development across the entire group. Through efforts beginning in the design stage, the number of parts required to produce a product is being reduced. Common product platforms have another benefit, too: accelerated product development.

Fiscal 2006 figures (April 2005 - March 2006)

Expansive Businesses

Cellular phones

Casio's W41CA model enjoyed the highest number sold of any phone across all of Japan's wireless providers for 13 consecutive weeks.*

(February 6, 2006 to May 7, 2006)

Digital cameras

4.6 million cameras delivered worldwide.

TFT LCDs

30% of the worldwide digital camera market.

(Source: Casio survey)

Stable Businesses

Electronic dictionaries

Top market share in Japan (over 50%).*

Timepieces

35 million units delivered worldwide.

Radio-controlled timepieces

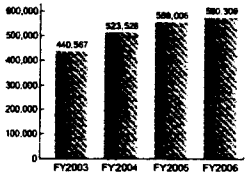
2.4 million units delivered worldwide
Top global market share

(Source: Casio survey)

Electronic musical instruments, system equipment, etc.

* Source: Survey by GfK Japan of the total sales results of over 3,000 consumer electronics dealers.

Net sales (unit: ¥ million)

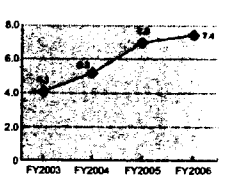


Performance Target: Fiscal 2007
¥630 billion

Development through Sustainable Growth

Since net sales will continue to grow, driven mostly by the Expansive Businesses, Casio plans to reach ¥630 billion in net sales in fiscal 2007.

Operating income margin (unit: %)

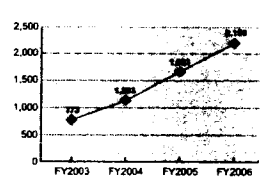


Performance Target: Fiscal 2007
8.1%

Sharp Focus on Operating Income Margin

For Casio, operating income margin is a vital management indicator. Casio has set an operating income margin target of 8.1% in fiscal 2007 and is working to achieve 10%.

Stock price (highest value, unit: ¥)



Contributing to Society by Using Capital Effectively

Casio is contributing to the development of new technologies and markets by investing the capital entrusted to it by shareholders in new business areas with future growth potential. By returning the resulting profits to shareholders, Casio is also helping to create a more affluent society.

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CSR Highlights

Casio is committed to frankly reflecting on itself as a public entity, and is constantly re-envisioning its own future contribution to society.

Casio values persistent questioning: "What is this for? Who is it for? Why are we doing this? What needs improvement? And to what degree?"

The questioning doesn't stop there, however. Casio goes on to ask: How original is this approach? Does the project have a clear focus on sustainability? Has it really given customers happiness and delight? Have we provided value that inspires new trends in the culture?

Casio people ask themselves questions like these every day. The following pages provide an overview of Casio's CSR initiatives. We invite you to explore this unique Casio process and take note of its outstanding results.

- Creating Energy from Natural Environmentally Friendly Fuels
- Applying the Mechanisms of Human Intelligence to Manufacturing Technologies
- Providing a Place for Young People to Gain Resiliency for a Meaningful Life
- Reducing Casio's Greenhouse Gas Emissions
- Complying with European Environmental Laws

Research & Development Next Generation Fuel Cell

Original Casio Technology—Reformed Methanol Fuel Cell System

Casio is striving to realize a truly mobile society by developing micro fuel cells that can produce electrical energy from methanol.

Global research in this field is highly competitive, and various methods have been proposed. Casio has developed and recommended the Reformed Methanol Fuel Cell System, a technology that combines the high power output and environmental friendliness required for the mobile devices of the future.

The basic mechanism of this sophisticated technology involves extracting hydrogen from methanol, a type of alcohol, and then converting it into electricity. (Figure 1)

The mechanism behind this technology has been known for many years, but before Casio, most scientists have never thought it to be viable.

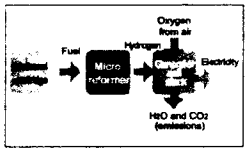


Figure 1 Basic Mechanism

Development of the Micro Reformer Module

The most difficult phase of this development project was inventing the reformer (photo 1, right), which extracts hydrogen from methanol. Casio applied its expertise in semiconductor processing—a long-time core competency—and combined it with the latest nano catalyst and chemical reaction technologies to develop a successful micro reformer module.

Casio's latest module, announced to the public in spring 2006, integrates three chemical reactors that produce hydrogen and render emissions harmless and a heater/temperature sensor on a single chip, which achieves startup in just six seconds. The module also boasts a thermally insulated construction that keeps the outer surface of the device at only 40°C, despite internal heat of up to 280°C. The module's specifications are fully compatible with mobile device requirements.

Development of the Fuelcell Stack

Casio's fuelcell stack, which creates electricity from hydrogen (photo 1, left), has a laminated structure of twenty power-generating cells consisting of separators and membrane electrode assemblies (MEA).

The high-density component mounting is based on Casio's core competencies in water-resistance and durability. The company has also integrated technologies that optimize gas flow channels for the characteristics of the hydrogen produced by the micro reformer, and that improve MEA resistance to carbon monoxide. The result is 19.4 watts of rated output in a cell stack with a volume of only 22 milliliters (65H x 18W x 19Dmm). The rated power output per unit volume (power density per unit volume) has reached 882W/ℓ,* the highest in the world among cells for use in mobile devices.



Photo 1
Left Fuelcell stack
Right Micro reformer

*W/ℓ A unit for measuring electrical output (watts) per one liter of volume used as an index for miniaturization

Practical Applications for Micro High-Output Fuel Cells

Casio has combined its micro reformer module and its newly developed fuelcell stack to create a compact, high-power fuel cell for mobile devices. Casio's fuel cell (including the methanol cartridge) (photo 2, right) can power a notebook PC for about four times longer than a conventional lithium-ion battery of the same volume.

Casio is now working on the necessary peripheral parts and circuits, and plans to start delivering samples for performance evaluation by fiscal 2008. Casio is well on its way to creating yet another successful new business.



Photo 2
Left Conventional battery
Right Methanol cartridge (PET bottle)

Key Person

"The Solution Was Right in Front of Us"—Meeting Latent Universal Needs



Masaharu Shioya
Core Technologies R&D Division
Casio Computer Co., Ltd

Batteries are a wonderful technology with a history of over 100 years, but they do have shortcomings. Many people find it annoying to separate spent household batteries from the rest of the trash, as is required in many developed countries. It seems we have gotten used to this, however, so we keep using conventional batteries in our mobile electronic devices.

After giving this issue some thought in 1998, I decided to look into up-and-coming battery technologies. Worldwide concern over the environment was reaching new heights at the time, and it was clear to me that the time had come to question the common assumptions about the manufacture and sales of mobile electronic devices. I searched for ways to resolve the problem, going back to the basic principles of physics and chemistry, and reconsidering all of them.

The technology that I finally decided to pursue was fuel cells. Tiny, easily disposable PET containers (photo 2, right) are filled with methanol or another fuel, and the fuel is used to generate electricity to run a mobile electronic device. The empty plastic containers can then be recycled along with other plastic materials.

A necessity that people everywhere take for granted becomes a universal need. Casio creates products that meet these needs and make a real contribution to society. We will continue to develop technologies and deliver practical applications that help people achieve the goal of living in harmony with the environment.

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Production Yamagata Casio Receives 2005 Nikkei "*Monozukuri*" Grand Prix

Yamagata Casio Co., Ltd. manufactures cellular phones, wristwatches such as the G-SHOCK series, and digital cameras, as well as metal molds and molded plastic components for the products. It also develops and sells chip mounters for electronic component mounting equipment.

The Mold Making & Molding Division, which makes metal molds and produces molded plastic components at Yamagata Casio, received Japan's 2005 Nikkei "*Monozukuri*" Grand Prix for a Digital Network System installed at its plastic molding and precise metal molds factory.

The reasons Yamagata Casio won the award are described below.

Cellular phone and digital camera products are subject to rapid replacement by new models. In order to meet the short and intensive production periods for these products and to integrate the process from metal mold creation to part molding, Yamagata Casio has incorporated IT into the entire production process. As a result, the lead time for metal mold production has been greatly reduced. This innovation was recognized for advancing *monozukuri* ("true craftsmanship") in Japanese production technologies.

- All 500 PCs and devices such as CAD/CAM systems and machine tools are connected to a network, and each person has a PC.
- Computer intensively manages ongoing conditions for each metal mold along with drawings, and all personnel share the production schedule through PCs. No paper drawings are used anywhere in the mold factory.

A mold diagnostic system was introduced in the molding process to prevent fatal flaws in the metal molds. This system measures ultrasound emitted by the mold during each molding operation, assessing the condition of the mold using a point system. If the result is below 40 points, the molding machine is shut down and the mold is repaired. This enables the impact of a flawed mold to be minimized in a production period that is short and intensive.

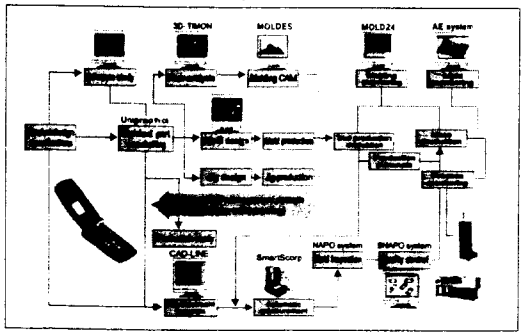
Thanks to this Digital Network System for a plastic molding and precise metal molds factory, Casio's cellular phones and wristwatches move from development, to production, to market in a very short period of time.

Japanese *monozukuri* manufacturing technologies are facing stiff competition from overseas today. Yamagata Casio is leading the way for other Japanese manufacturers with this system. This was another factor in the judges' decision to give the award to Yamagata Casio for implementing this system.

The Digital Network System for a Plastic Molding and Precise Metal Molds Factory

Here is an explanation of how the system actually works.

The Digital Network System for a plastic molding and precise metal molds factory



Metal mold design and data preparation

After receiving 3D digital data for a cellular phone or a timepiece from Casio Product Design Department, the data is used to design a metal mold for a plastic housing. Then the completed metal mold design data is used to create a computer simulation of actual resin flow inside the mold at the time of trial production with an injection molding machine. This way, any problems can be discovered in advance and resolved.

Metal mold production

Using the completed 3D design data, the mold manufacturing process begins using equipment such as a machining center and an electrical discharge machine. The 3D digital data is sent from CAD/CAM design tools to a machine tool connected via the network, and the tool automatically starts processing a mold; all the operator has to do is to confirm the operation using a computer. Through this process, a mold is completed with minimal errors or problems.

Also, tasks previously performed only by experts such as shaving and polishing in units of microns and other minute adjustments are all done through the digital network. There are computer screens in front of all the operators in charge of shaving and polishing, which display the mold parts in 3D. The parts are coded by several colors, and each color shows each operator's part in the processing. Through this system, it is now possible for a person with a basic level of experience to do the work of a skilled technician. The computer has enabled regular operators with a basic level of experience to do the work previously done only by experts looking at complicated drawings. This technician support system has greatly increased accuracy and improved the quality of mold processing once done by hand.


External view of metal mold


Piece inside metal mold

Trial molding

Even for trial molding with a mold already completed in this way, the initial 3D data plays an active role. The system determines the optimal molding conditions after making close reference to the database of metal molds & molding, together with the database of molding machine & resin, which have been built up over the past 15 years. The optimal conditions are sought in the shortest possible time by sending the initial 3D design data to the said system and running a simulation. The resulting data is then also compiled, which helps reduce development lead time, improve quality, and raise production yields in the future.

Mass production and monitoring

Using the conditions just determined, the mold moves on to the mass production stage. The factory contains about 40 injection molding machines, enabling a molded part to be produced every 10 seconds. All these machines are also connected to the network. Each time one part is finished, process-result data are sent to the computer server. The computer monitors all operations of each machine. If there are any irregularities, an alarm goes off, and if there is a possibility of a defective product, the machine is shut down. The system prevents defective products from coming off the line.

However, since mold production runs at a very high speed, some mold breakdowns and damage have occurred in the past. Therefore, this mold diagnostic system has been developed in order to prevent such occurrences. The system employs ultrasound sensors and analysis equipment to check irregularities and assign numerical rating per shot. There are always symptoms before a mold breaks down or becomes damaged. The system identifies these symptoms and notifies an operator. Preventive maintenance has eliminated major mold damage in recent years.

Since the monitoring in the molding factory produces an enormous amount of data, the difficulty lies in how to convey it to operators and managers when a problem occurs. Since one machine produces 10,000 parts in one day, the relevant information needs to be conveyed immediately after a problem arises. A system has been set up in the molding factory to send a real-time audio message to a transceiver of an operator, and an email to the manager's PC. Even if the operator is performing other tasks in a separate location of the factory, he/she will know right away if there is a problem. Moreover, though machines operate with no one around in the mold factory at night or on holidays, an alarm email is sent to the cellular phone of the factory manager in the event of any trouble.

Yamagata Casio has pursued the greatest competitive edge in *monozukuri* manufacturing technologies in Japan by connecting the entire plant via a digital network and compiling various kinds of production data. The company is now determined to keep moving forward, striving to achieve the greatest competitive edge in the world in manufacturing technologies.



Yamagata Casio

Key Person

Taking on the Challenge of Creating *Monozukuri* Manufacturing Technologies for People on Site: How to Work Smarter, Not Harder



Toshihiko Kuroda
Mold Making & Molding Division
Yamagata Casio, Co., Ltd.

In the Digital Network System recently developed by the Mold Making & Molding Division, I was in charge of integrating processing information such as paper drawings and production instructions into 3D data to develop a completely paperless mold drawing system that could be accessed whenever needed.

While developing this system, I focused my energies on how people on site can work smarter. It is natural for mold production to have paper drawings, and there is a unique culture in which high-level technicians understand and perform tasks that cannot be shown explicitly on a drawing. To abolish that source, paper drawings, I had difficulties in seeing processing know-how inherited for many years in a new light.

However, owing to the enthusiasm and teamwork of members involved in mold production, I managed to accomplish my task.

Our customers have expressed astonishment and admiration at the sight of skilled technicians making molds only by computers without any paper drawings in a factory. But I feel most rewarded by the gratitude of my colleagues—people actually working on site.

Although Japanese manufacturing faces a very challenging environment, I would like to pursue *monozukuri* and contribute to our business expansion.

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CSR Highlights

Providing a Place for Young People to Gain Resiliency for a Meaningful Life

Social Contribution Factory Tours for 10,000 People

Casio launched its "Factory Tours for 10,000 People" program in February 2004. The goal of the program is to provide a place for young people to discover that family ties, the power of science, and pursuing one's dreams are all important sources of strength for a meaningful life, and also to learn the importance of being considerate of others.



Factory tour

Young people discover the value of family ties by coming to see the place where their parents work. They also learn that there are close ties between households, schools, the local community, and companies. They learn about product construction by having the rare chance to see how advanced products are made, and actually trying simple product assembly themselves. Through a close-up look at the history of Casio products, they also learn the history of scientific and technological development behind the various devices they see every day. All this gives the young visitors a glimpse into the wonders of science. Inspiring presentations by Casio employees help the children to discover that they can realize their dreams through hard work and perseverance. Finally, by witnessing Casio environmental activities, they learn the importance of protecting the global environment. Casio's dream—the inspiration behind this factory tour program—is to provide opportunities for young people to make the discoveries that will help them become the leaders of the future.

Fiscal 2006, the second year of the program, brought advances to the program. The tours became a part of the career education promotion program for elementary and junior high school students sponsored by the Japanese government and the integrated study periods of school curriculums. The program was entitled, "Make a Proposal to Casio: Your Own Idea for a New Calculator," since calculators are one of Casio's main products. The participants thought about the ideal calculator, and came up with ideas for new models. They then prepared the plans, and gave product concept presentations to Casio employees actually in charge of product planning. The students learned how hard it is to think up a new idea and then try and convince strangers of the merits of their product concepts.

Through this experience, they got a better idea of what it means to work as well as the satisfaction and self-realization that work can bring. This new development has enabled Casio to further improve the content of the original Factory Tours for 10,000 People program.

Casio was thus able to provide educational opportunities in fiscal 2006 by bringing together the corporate, government, and scholastic realms. The Factory Tours for 10,000 People program has earned strong approval for Casio from both government and local communities.

In fiscal 2006, Kofu Casio Co., Ltd., invited six schools, or 278 students and teachers, to participate in factory tours. At the Eco-products 2005 exhibition



Classroom activity

held at the Tokyo International Exhibition Center (Tokyo Big Sight) in December 2005, the Casio booth offered a calculator assembly experience for elementary school students and presented information on the Factory Tours for 10,000 People program. During the three days of the event, 124 children participated in this activity, and Casio was able to expand its community outreach.

In fiscal 2007, Casio will further expand the scope of these activities to interested schools in the Tokyo metropolitan area.



Kofu Casio

Casio is now actively pursuing opportunities to advance the Factory Tours for 10,000 People program throughout the group. Casio is holding briefings on the program for group companies under the theme of lifetime learning for local communities, and is working to raise employee awareness about lifetime learning.

Through joint initiatives with several companies, Casio is also pursuing plans to promote career skills training for local youth.

Japanese youth today are faced with a very different environment, given



Briefing at Casio group company

the declining birthrate, aging population, nuclear family lifestyle, and advance of information technology.

Today's changing society requires more youth development initiatives to secure a positive future. As a good corporate citizen, Casio sees youth development as a major component of its social contribution, and is working to develop new initiatives in this area.

The "resiliency for a meaningful life" advocated by Casio is based on three fundamental concepts: awareness (a proper understanding of today's society); integrity (sincere action based on that understanding); and responsibility (properly taking that action). Several education institutions in the Tokyo metropolitan area have expressed interest in participating in the program. Casio hopes that this program, by providing new sources of resiliency to youth, will contribute to the development and sustainability of the society of the future. The company is working on plans to keep expanding the program.

Promoting ISO Activities for Kids

Participants in Casio's "Factory Tours for 10,000 People" program can see the steps the company is taking to recycle waste and save energy in its cafeterias. This gives young people a first-hand look at an operational site that practices environmental conservation. By making a comparison with the everyday environmental steps involving electricity, water and trash that children take at home or school, the tours are helping to promote awareness of global environmental concerns.

Casio is also participating in the Kid's ISO 14000 Program developed by the non-profit, non-governmental International Art and Technology Cooperation Organization (ArTech). Casio employees with instructor certification in the program are taking an active leadership role in environmental activities for children, based on ISO principles. Since fiscal 2005, these activities have included introducing various elementary schools to the Kids' ISO 14000 Program as part of the Factory Tours for 10,000 People program.

The Kids' ISO 14000 Program is an environmental education program carried out in Japan and around the world through UN agencies and the International Organization for Standardization (ISO). Based on the concept of children themselves discovering things that lead to more environmental awareness, the program aims to develop youth with hope and confidence for the future. This is done by learning about environmental management and facilitating networking, which helps the children to acquire the resiliency they need to lead a meaningful life.

Casio recognizes the potential of the Kids' ISO 14000 Program—an effective, sustainable method for helping to preserve the global environment—to have a multiplier effect within society. Casio is actively promoting the program. Further, since the program is effective in human development as well as environmental protection, Casio will also make it a part of its lifetime learning initiative. In the future, Casio intends to deploy certified employee instructors throughout Japan to extend the reach of the Kids' ISO 14000 Program.

[redacted]

There are currently 30 Otoguro cherry trees growing at the Kofu Casio site. These cherry trees produce beautiful blossoms every spring, giving wonder and joy to all that see them.

The Otoguro cherry grows along the banks of the Fuefuki River, which flows through Chuo-shi, Yamanashi, where Kofu Casio located. Spring blossoms and new leaves appear at the same time on this variety of cherry. With the unusually large white blossom of the Otoguro cherry, these trees are very special to the local people. In 1932 however, the banks of the river were reconstructed as a flood prevention measure, and the original trees were removed. Now, the people in this community have decided that they want to bring back their beloved Otoguro cherry. Efforts have been made to propagate and replant the species, using the few remaining descendants of the original trees.

Kofu Casio has also stepped in to help preserve the Otoguro cherry tree. In spring 2004, the company planted 15 Otoguro cherries on its premises to help preserve these historically popular trees and to beautify the plant. In spring 2005, 15 more trees were planted. These trees have become a symbol of the close ties between Casio and the local community. Casio is committed to providing more community support, through tree planting and other "greening" activities.



Otoguro cherry blossoms

Key Person

Providing a Place for Young People to Gain Resiliency for a Meaningful Life through Discovery and Wonder



Tomoaki Furuya
General Affairs Department
Kofu Casio, Co., Ltd.

While CSR management has gained prominence recently, we actually had an opportunity to think about corporate social contribution several years ago within our company.

We were discussing ways to help children become the leaders of tomorrow by using the operations of the plant and to strengthen ties with the local community. These desires led to the creation of the "Factory Tours for 10,000 People" program.

When children visit our plant and have a different experience from the classroom, they discover and appreciate things such as family ties, the wonder of science, the power of pursuing one's dreams, consideration for others, and the importance of protecting the global environment. The factory tours are filled with carefully planned activities in order to leave a lasting impression on the students.

These factory tours would not be possible without the support of many people. Despite their busy schedules, all of our employees have worked hard to help out. In the process, the deeper ties have been fostered among our staff. We have all gained a sense of fulfillment and wonder by watching the children learn.

We are now in the third year of this program, and we have received inquiries from various customers. Even activities stemming from a small project such as this can grow into something that tells the world what Casio is all about.

We hope to keep providing these tours to better contribute to society.

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CSR Highlights Reducing Casio's Greenhouse Gas Emissions

Environment Initiatives to Help Prevent Global Warming: Working to Achieve Fiscal 2011 Targets

Casio has put in place the following Casio Environmental Action Plans to counter global warming, each of which has targets to be achieved by fiscal 2011: (1) developing eco-products, (2) saving energy and reducing greenhouse gas emissions at business and production sites, and (3) lowering emissions in the distribution stage (see pages 32 and 33).



CO₂ Reduction Targets in Three Areas

Product Initiatives

Casio has been a leader in innovation since its founding, thanks to the core competence the company has developed in compact, lightweight, slim, and energy-efficient products. Today, Casio is working to equip all of its radio-controlled watches with a solar power system that is able to obtain power even from weak light sources such as fluorescent lights. The 10.0-megapixel Casio EX-Z1000 digital camera now has a still-picture continuous viewing time of about 13 hours on just a single battery charge, even with its super bright 2.8-inch wide LCD. The company's W43CA mobile phone offers continuous talk time of about 220 minutes.

Casio is committed to continuing to improve the energy-efficiency of its products. The company is also pushing forward with R&D to commercialize its Reformed Methanol Fuel Cell System which has less impact on the environment than batteries (see page 15).

Business and Production Site Initiatives

Casio's total CO_2 equivalent emissions worldwide in fiscal 2006 were 132,000 tons. In fiscal 2006, Casio joined in the Japanese government's new "Team Minus 6%" campaign and also adopted the government-encouraged "Cool Biz" dress code (casual summer clothes to reduce office cooling in summer). Cool Biz reduced 190,000 kWh of electrical consumption at Casio headquarters, compared to fiscal 2005. At the Hachioji R&D Center, in addition to implementing Cool Biz, the company improved the energy-saving management system, reducing both electricity and natural gas consumption as described in the box below.

The Hachioji R&D Center is now examining technologies for reducing the use of sulfur hexafluoride (SF_6) gas, after the successful replacement of NF_3 cleaning agent at the Kochi Casio manufacturing site.

Casio has already achieved the fiscal 2011 energy-saving targets (fiscal 1991 basis) set by Japan's four electrical and electronic industry associations. Further steps are required, however, in order to achieve Casio's own, more challenging targets. The company is formulating the following measures in fiscal 2007 to step up its efforts to achieve its fiscal 2011 targets.

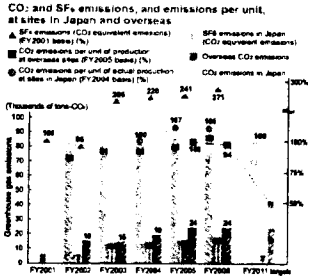
(1) Setting targets and managing measures by site.
(2) Introducing IT mechanisms to provide monthly updates on environmental performance.
(3) Introducing supplementary measures based on the Kyoto Mechanisms (Clean Development Mechanism [CDM], emission credit transactions, Certification of Green Power, Joint Implementation [JI])
(4) Establishing a strategy for investment in energy-saving facilities.

Distribution-Stage Initiatives

Casio continues to close down, combine, and relocate its distribution centers in Japan. As for overseas distribution, part of the cargo being sent to Europe from China directly by air has now been changed to ocean cargo to Dubai, followed by air cargo to Europe. Cargo to the United States, which was previously sent by sea and rail, is now being shipped only by sea. These steps have all helped reduce Casio's CO_2 emissions.

As described above, Casio is actively engaged in efforts to help prevent global warming—in the three distinct areas of products, business/production sites, and distribution.

CO_2 and SF_6 emissions, and emissions per unit, at sites in Japan and overseas



Key Person

Working to Reduce CO_2 Emissions at the Hachioji R&D Center



Katsuyuki Tada
Hachioji Office
Casio Business Service Co., Ltd.
(Pictured at far right, together with team members)

I am serving on the energy-saving study team at the Hachioji R&D Center. I was also a project team member in the planning phase for a new, energy-efficient building that has now been completed. The building accommodates both the Tokyo Technical Center and the Hachioji Laboratory. After discussions with the building planners, we adopted the latest in energy-saving technologies, and achieved 20% savings in energy consumption compared to the combined energy usage of the former Tokyo Technical Center and Hachioji Laboratory. The energy-saving technologies include a weather-optimized thermal storage system that takes into account weather forecasts to save energy and uses vertical thermal storage tanks to save on power needed to circulate cold water. The building also boasts a natural ventilation system, completely automatic air-conditioning, lighting, ventilation, and blinds, a free cooling system, and special insulation methods for windows and the building as a whole.

In fiscal 2006, in addition to our Cool Biz efforts, we also saved energy by adding manual intermediate modes to the nine automatic operation modes of the heating and cooling system. As a result, we saved 220,000 kWh of electricity and 31,000 m³ of natural gas, compared to fiscal 2005. The energy-saving study team continues to promote more energy saving measures.

Complying with European Environmental Laws

European Regulation Initiatives

Complying with the European WEEE Directive

Casio has started to set up a recovery and recycling system that meets EU standards in order to comply with the European WEEE Directive for proper disposal of electrical and electronic devices. Casio Europe GmbH, located in Germany, has been the host for the company's WEEE promotion project since 2004.

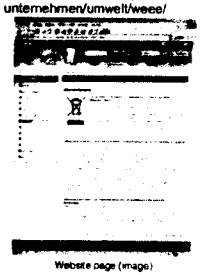
In fiscal 2006, Casio completed the following legal requirements:

- Printing or labeling required marks on products
- Registering as a manufacturer in EU member states which have established new WEEE Directive regulations
- Contracting with recycling providers in principal countries

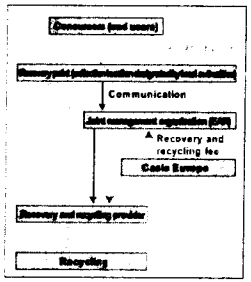
Companies must conform to the individual regulations of each of the 25 EU member states. This is made more challenging in that interpretations of the WEEE Directive, language, and culture vary a great deal across the EU. Casio is expending enormous resources—including manpower, time, and communication effort—to develop consistent policies to guide decision-making on this issue at Casio Europe.

In July 2006, Casio completed the necessary product information disclosure to recycling providers. The information provided includes product weights, as well as the presence and location of specified substances—and is intended to ensure proper recycling of products at the end of the life cycle.

Reference: Casio Europe Website
http://www.casio-europe.com/de/unternehmen/umwelt/weee/


Website page (image)

Example recycling system in Germany



Information details disclosed to product recyclers

- Product net weight
- Presence of harmful substances that must be removed, and location inside end-life-cycle product
- Presence of batteries and their location during use
- Presence of LCD panels that exceed 100 cm², and their location during use
- Other information required by recycling providers

Complying with the European RoHS Directive

In January 2006, Casio factories began shipping products that comply with the all stipulations of the RoHS Directive. Casio Europe has constructed a management system for RoHS-compliant products in cooperation with the headquarters of Casio Computer Co., Ltd. Inventory progress management for products that do not conform to the RoHS Directive was carried out, and the switchover was completed by July 1, 2006, the date the directive took effect.

Casio will continue to prepare declarations in conformity with the RoHS Directive for each product or product line.

Future Compliance with Harmful Substance Regulations

Looking to the future, Casio plans to take steps in accordance with the development of the REACH Regulation and EuP Directive. Casio Europe is exchanging information with the Environment Center at Casio Computer Co., Ltd., to determine what measures Casio needs to take.

Key Person

Completed Inspection and Onsite Measures for the WEEE and RoHS Directives



Shigeo Kojima
Casio Europe GmbH
(Pictured at right, with Andres Garcia, Environmental Manager)

I serve as a coordinator between our Tokyo headquarters and the local sites for the WEEE and RoHS Directive compliance project. Stationed in Europe, my job is to build recovery and recycling systems for Casio products in the EU member states, and to plan and coordinate information gathering for smooth and efficient compliance with the WEEE and RoHS Directives. Through the course of my work, I have become aware that regulatory thinking and culture are different in the EU and Japan. For example, directives and regulations in the EU are often created before all ambiguities are cleared up, based on the assumption that there will be further technological progress. Even when the regulations came into effect, the final specifications and decision-making standards still seemed vague to me.

The most difficult thing about this process was that, after gathering as much information as possible in Europe, and then making comprehensive determinations from the standpoint of risk management, I had to decide on the policies myself. Fortunately, the implementation went smoothly thanks to the complete cooperation of the people in the relevant departments in Tokyo. Given European consumers' high level of concern for the environment, an active commitment to legal compliance will continue to be important as we work to ensure that our customers can keep enjoying Casio products.

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Corporate Creed and Charter of Creativity

The Charter of Creativity for Casio has been established based on Casio's corporate creed of "Creativity and Contribution." The creed and charter provide the foundation for the execution of Casio's CSR-driven management.

The calligraphy in the photo here—"Creativity and Contribution" in Japanese—was done by Casio's founder, the late Tadao Kashio.

Casio got its start with the invention of a small fully electric calculator, which was unique in an era when mechanical calculators were the norm. Ever since, the company has been true to its commitment to contribute to society by offering the kind of original, useful products that only Casio can.



Corporate creed

The people of Casio prioritize the values of Creativity and Contribution in the performance of their work. These values are deeply ingrained in the company and its people; they are passed down from generation to generation of employees almost like a genetic heritage.

Today's shorter product development cycles and increasingly complex specifications, however, have made the company's operations more and more specialized. Along with this trend, each person's job requires increasingly specific knowledge and skills. As Casio grows and its operations stretch around the globe, the "distance" between top management and frontline employees is growing wider.

At the same time, society now expects companies to strengthen their CSR management with an awareness of all stakeholders, and to achieve uncompromisingly fair, transparent corporate governance.

Given this situation, Casio is encouraging all of its employees to reconsider the significance of Creativity and Contribution, and to maintain their awareness of the corporate creed. This will enable Casio to sustain its creative corporate culture, while continuing to contribute to societies around the world.

In light of these trends, on June 1, 2003—the anniversary of the company's founding— the Charter of Creativity for Casio was established to better articulate the meaning of the corporate creed today for all employees. In December of the same year, the Casio Common Commitment was also instituted to provide a more specific description of the employee conduct that is expected and valued at Casio.

All Casio employees carry a card printed with the Charter of Creativity and Common Commitment. Top management has also issued messages describing the kind of company that Casio ought to be, and published them on the company's intranet. These steps are enabling Casio to secure a group-wide understanding of its commitment to CSR.


Charter of Creativity (card)

Charter of Creativity for Casio and Casio Common Commitment
–A Promise from Everyone Working at Casio–

First Chapter **We will value creativity, and ensure that our products meet universal needs*.**

[Casio Common Commitment]

1. We will strive to "ensure that our products meet universal needs" and this includes not only manufactured goods, but also services and support, and everything else that we do.
2. We will be idealistic in all of our work.
3. We will carry our work through to completion, with a strong determination to take on every challenge that comes our way.

Second Chapter **We will strive to be of service to society, providing customers with delight, happiness, and pleasure**

[Casio Common Commitment]

1. We will provide people with "limitless inspiration."
2. We will share a "life of spiritual and material prosperity" with people.
3. We will foster relationships of "respect and trust."

Third Chapter **We will back up our words and actions with trustworthiness and integrity, and work as professionals.**

[Casio Common Commitment]

1. We will take complete responsibility for all of our words and actions in accordance with all laws and regulations.
2. We will each take responsibility for our results and success, according to our individual role.
3. We will strive daily to improve everything we do.

*To create innovative products that everyone needs but no other company has ever produced. At Casio, this is the mission not only of product development but of every other part of the business.

Corporate Governance

Casio is constantly striving to strengthen its corporate governance, focusing on the priority issues of quick decision making, proper execution of operations, and improved transparency of business management.

Corporate Governance System

Casio recognizes that quick decision making, proper execution of operations, and a robust management oversight function that increases the transparency of business management are extremely important factors in achieving business goals and continuing to raise corporate value. This recognition guides the company's ongoing efforts to improve corporate governance.

In June 1999, Casio Computer Co., Ltd., made a change in its board of directors, reducing its size by half, from 24 to 12 directors. At the same time, the company adopted a system of operating officers to clearly separate the management oversight and execution functions. In December 2004, a CSR Committee was also established to drive the company's efforts to fulfill its corporate social responsibility.

With the adoption of this system, Casio Computer Co., Ltd., has built a corporate governance system that consists of the operating officer system, internal audit system, and CSR Committee, in addition to the board of directors and the board of auditors. The objective, role and membership of each of these bodies are described below.

Board of Directors

The board of directors is tasked with making prompt, reasonable management decisions. Board meetings are attended by directors and auditors, who discuss and make decisions on important business issues.

Board of Operating Officers

Meetings of the board of operating officers are attended by operating officers, directors and auditors. They deliberate on important affairs relating to the execution of business operations. This mechanism enables smooth implementation of company-wide adjustments and measures.

Board of Auditors

The board of auditors consists of three auditors, two of them external. In accordance with audit policies and responsibilities approved by the board of auditors, auditors attend board of directors' meetings and meetings of the operating officers. In addition, they perform careful audits by gathering information and receiving reports from directors and others, and by reviewing resolution documents relating to important decisions.

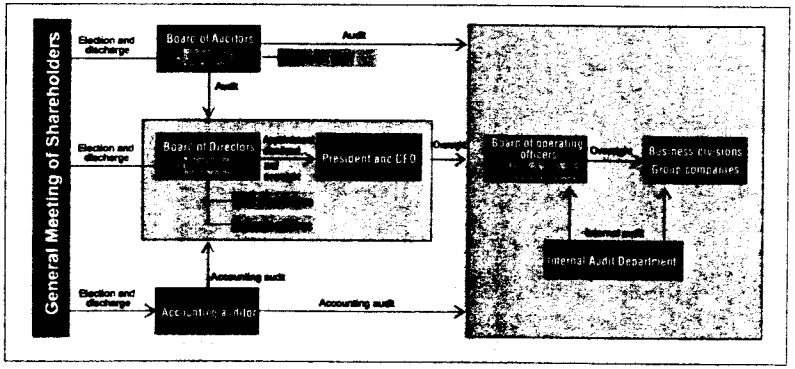
Internal Audit Department

The internal audit department performs audits of Casio operations to ensure they are in conformity with laws and regulations as well as internal standards such as the organization control standard. It also conducts evaluations and offers recommendations for improvement.

CSR Committee

The CSR Committee is comprised of the directors and auditors, and the company president serves as chairman. The committee discusses matters related to CSR, including the determination of CSR priority issues, initiatives, policies, and systems for execution. The decisions made by the CSR Committee for each CSR issue are then transformed into specific activities by each department concerned. The CSR Committee is currently addressing the issues of compliance, risk management, and protection of personal information.

Corporate governance system diagram



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Compliance and Risk Management

Casio is executing CSR-driven management that emphasizes the complete integration of everyday business and CSR initiatives. This is the most direct, pragmatic route to realizing the corporate creed of "Creativity and Contribution."

Executing CSR-driven Management

As president Kazuo Kashio said in his message at the front of this report, Casio has been: (1) striving to realize its corporate creed of "Creativity and Contribution" since the very beginning; (2) working towards improvement of its corporate value by reinforcing its system of internal controls; (3) creating new value to help resolve various issues facing the global community; (4) implementing environmental innovations that integrate resource conservation and energy saving features; and (5) increasing transparency by creating interactive communication.

In order to realize these commitments, Casio is promoting various policies such as adherence to the Charter of Creativity for Casio and the Casio Common Commitment, effective compliance and risk management, environmental protection activities that include management of harmful chemical substances, and interactive communication with stakeholders.

In order to integrate everyday business with CSR activities, Casio set up a CSR Committee in 2004, consisting of the company directors and auditors. This committee discusses and mandates specific policies and strategies for each CSR issue.

Casio has also been working urgently to reinforce its system of internal controls, responding to legislation in the wake of the recent series of corporate scandals both in and outside Japan. The company is committed to meeting stakeholder demands for fair and transparent corporate management.

Each management department at Casio has long been independently engaged in preventive measures for anticipated risks and in ensuring compliance with all relevant laws, social norms, and corporate ethics. Now however, Casio is also pursuing a group-wide approach to strengthening compliance and risk management efforts.

Compliance and Risk Management

Along with the establishment of the Charter of Creativity for Casio and the Casio Common Commitment in 2003, printed cards featuring both texts were issued to each employee. Every employee has signed one and carries it as a reminder.

Every year, company officers and department heads sign a pledge that they will observe these company policies and take responsibility for educating their subordinates and colleagues about them. The previously established Casio Code of Conduct has also been revised, and serves as the basis for the good conduct of all employees.

In order to ensure that all Casio employees are well informed about and adhere to all compliance requirements, Casio has launched CASIO Style, an intranet site for its employees. The site includes messages from top management on the type of company Casio should strive to be.

In addition, subcommittees have been set up under the CSR Committee to deal with important laws that affect the entire company such as the laws on the protection of personal information and export management. This is part of a compliance system that also includes the group companies.

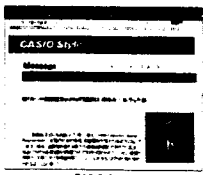
Meanwhile, Casio has established basic policies for risk management that include group-wide compliance, based on the corporate creed and the Charter of Creativity for Casio. The company is working to create a risk management system that complies with Japan's Company Law, which took effect in May 2006, and the revised Securities Exchange Law, which was passed in June 2006 and will take effect in the near future.

Recommendation from Japan Fair Trade Commission Following a Violation of the Subcontract Act

On September 22, 2005, Casio Computer Co., Ltd., received a recommendation from the Fair Trade Commission for a violation of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the Subcontract Act) concerning a reduction in amounts paid to subcontractors.

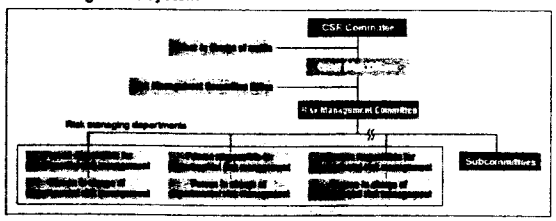
Casio Computer Co., Ltd., and certain suppliers had agreed in advance that, when the company ordered work exceeding a certain normal value within a given period of time, it would pay an agreed reduced amount, less than the actual value of the order. Despite the mutual consent of the parties, however, the Fair Trade Commission determined that part of this operation constituted a violation of the Subcontract Act.

Casio Computer Co., Ltd., regarded this recommendation with the utmost seriousness, and set up a Compliance Committee on the Subcontract Act that includes group companies. The company also re-inspected all of its subcontractor transactions, educated the persons involved, revised its procedures, and made other efforts to improve Casio's compliance system. The company has taken thorough action to ensure legal compliance and prevent any reoccurrence of such an incident.



CASIO Style

Risk management system



Whistleblower Hotline

In April 2006, after Japan's Whistleblower Protection Act took effect, Casio established a Whistleblower Hotline and appointed an employee in charge of the whistleblower system at each of the group companies.

The hotline has been created to respond to opinions, questions and queries not only from current and retired full-time Casio employees, but also from contract, part-time, and dispatched workers, as well as subcontractors, and anyone else doing work for Casio in any capacity. The hotline enables Casio to discover problems in the early stages, so that measures can be taken to avoid incidents, with the goal of practicing fair and honest management. The confidential hotline has offices in and outside the company, and people with important information to report are able to call a special number, send an email, fax, or letter, or directly visit the offices in person. Accordingly, this hotline serves as a neutral and fair intermediary between the company and people with information to report. The information provided to the hotline is subject to factual confirmation by the Whistleblower Hotline Office, which is headed by an officer of Casio Computer Co., Ltd. The office checks whether the reported activity may be illegal, dishonest, or unethical. If any problems are discovered, an investigation team is immediately formed to check and verify the activity, and then appropriate measures are taken.

As the Whistleblower Hotline Office controls all the information obtained from the group companies in Japan regarding these activities, the privacy of those making calls and those that are the subject of the calls is thoroughly protected. Casio has also established Basic Regulations for the Whistleblower Hotline, which prohibit the dismissal of an employee for making a hotline report. They also prohibit demoting, or cutting the pay of such an employee, or ordering the employee to stay at home, discriminating against the person through pay, or forcing the employee to retire. The protection of hotline callers is carefully secured.

Personal Information Protection

Philosophy on personal information security

Casio is aware of its important social responsibility to keep secure information that it collects from customers and other stakeholders in relation to its business activities. Casio strives to maintain the highest level of information security. In anticipation of full implementation of Japan's Act on the Protection of Personal Information in April 2005, Casio launched its Protection of Personal Data Project in June 2004, to ensure that all employees of the group are able to manage personal information properly. At this time, Casio began formulating and implementing specific policies and procedures. Then, in February 2005, Casio established its Policies on Personal Information Protection to specify the methods of properly securing personal information. Casio has established all the rules needed to ensure full protection of personal information, and is ensuring that all its officers and employees have a thorough understanding of them.

Personal information protection system

Casio Computer Co., Ltd., has appointed the Executive Vice President to the position of Chief Privacy Officer (CPO) and personal information manager and constructed a system for personal information protection under his direction. With the support of top management, all employees and officers are being urged to cooperate with measures to protect personal information. In March 2005, the company set up the Personal Information Protection Office, which inherited the functions of the Protection of Personal Data Project. Three positions were created in this office to handle customer service, information systems, and employee education, respectively. In addition, two leaders were appointed in each department to promote efforts relating to personal information protection at the department level.

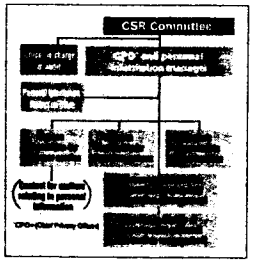
Privacy Mark certification

As part of Casio's drive to strengthen its system for safe and proper handling of personal data, Casio Computer Co., Ltd., has worked hard to qualify for the Privacy Mark* certification. As a result of these efforts, the company received the Privacy Mark certification on December 27, 2005.

In fiscal 2005, all personal data held by the company was inventoried, rated, and subjected to a risk analysis, meeting the requirements of the JIS Q 15001 compliance program relating to personal information protection. Based on the results of this analysis, the company established various rules and took additional steps. These steps promoted as a PDCA cycle (plan, do, check, act) management system, including education for all employees and officers, tighter control of information system access and computer logs, reexamination of agreements on the handling of personal data signed with its business partners, and implementation of internal auditing, correction, and other improvements. After completing these efforts, Casio Computer Co., Ltd., filed an application for certification in March 2005. After a documentary audit and onsite inspection, the company was granted Privacy Mark certification in December of the same year.

Accompanying the Privacy Mark certification, Casio will continue to take further measures for the protection of personal information in and outside the company. By strengthening its information security and personal information protection, Casio strives to maintain the confidence of its customers.

Personal information protection system



*Privacy Mark
A program where the Japan Information Processing Development Corporation, a public-service foundation, evaluates the adequacy of corporate protective measures related to the handling of personal data. Companies that are found to have adequate protective measures in place are certified and permitted to display the Privacy Mark.

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Responsibilities to Customers

Customer Satisfaction and Quality Assurance

Casio is striving to improve the quality of its products and services, in order to increase the satisfaction and confidence of customers.

Activities of Casio Customer Support Center

Communication is an important way for Casio to create long-lasting relationships of trust with customers. Casio's Customer Support Center is the contact point for customers to submit their opinions, requests and questions. The Customer Support Center operates under the CS Control Group with the goal of improving customer satisfaction (CS) across the development, manufacturing, sales, and service departments. The center strives to continually deliver high-quality service to customers by conducting regular skill checks on all staff and ensuring they observe the following four points when receiving calls from customers:



Customer Support Center

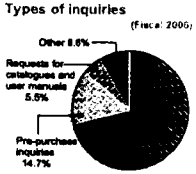
- **Prompt, accurate and polite response**
- **Acceptance of customer's remarks with sincerity and accurate understanding of the facts**
- **Efforts to tie the viewpoint of customers to a solution**
- **Reflecting customer opinions in product and service improvements.**

In this way, Casio is striving to ensure the satisfaction and happiness of customers. The operating hours of the Customer Support Center are also being steadily expanded to include weekends and holidays, in an effort to offer more customer convenience. Finally, the Customer Support Center also operates an Overseas Customer Support Center. The Overseas Customer Support Center cooperates with the customer support centers at Casio's overseas sales companies. The Overseas Customer Support Center is carrying out various activities to foster good relationships of trust with overseas users of Casio products as well.

In the future, Casio will continue to increase the level of its high-quality customer service, and use worldwide customer opinions to further improve its business.

Types of inquiries

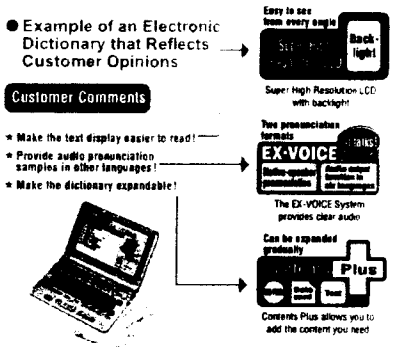
(Fiscal 2006)



Customer Satisfaction Surveys

Casio periodically conducts customer satisfaction surveys to identify customer opinions on a product-by-product basis. The surveys relate not just to product function, performance, and design, but also to ease of use and customer service. The results are then reflected in the creation of future products.

● Example of an Electronic Dictionary that Reflects Customer Opinions



Customer Service Improvement

The Service Department, which is responsible for product repairs, strives to satisfy customers by providing service based on the following three points: prompt response, dependable technology, and reasonable fees that satisfy customers.

Prompt response

Casio is taking steps to improve its operations by focusing on part procurement, repair work, and repair technology, so as to shorten the repair time and return repaired products to customers as quickly as possible. In Japan, Casio aims to be the electronics manufacturer with the shortest repair time. In overseas markets too, Casio is striving to shorten repair times to match Japan levels. Moreover, Casio has repair locations for system equipment across Japan, enabling prompt dispatch of repair technicians to client sites.

Dependable technology

Casio is working to improve its repair technology in order to maintain customer confidence and realize the kind of repair quality that customers expect. In addition, Casio is striving to improve product quality by sending feedback from the repair sites to the Product Development HQ and the Manufacturing Department.

Reasonable fees that satisfy customers

Casio works hard to reduce any unnecessary burden on customers by controlling repair costs. This is done through improvement of repair methods and setting repair fees that customers can accept. Repair method improvements are also important because they help to reduce discarding of parts during repair work. In fiscal 2006, Casio's new and improved system of digital camera repair operations—the first of its kind in Japan—was also implemented at overseas repair locations.

Casio's Commitment to Quality

Quality Concept

Casio maintains a strong quality assurance system, based on its belief in "Quality First." This system requires all employees to make quality their first concern in every task they perform, enabling the company to offer products and services that please and impress customers. The company's commitment to quality supports its corporate growth and makes social contributions possible, while at the same time winning customers' trust and giving them peace of mind.

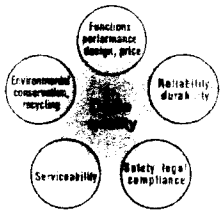
Quality Management Policies

- To build a good corporate image, we offer products and services that please and impress our customers, gain their strong trust, and ensure their peace of mind.
- We respond to our customers' requests and inquiries with sincerity and speed, and reflect their important comments on our products and services.
- In all our business processes, we base our actions on the Principle of the Five "Gens"—in Japanese, *genba* (on site), *genbutsu* (actual goods), *genjitsu* (reality), *genri* (theory) and *gensoku* (rule)—and adhere to the basics of business operations.
- We capture and analyze quality assurance activities quantitatively, using reliable data, and use the analysis to make continuous improvements. We also maintain a quality information system that enables the sharing of the quality information and prevention of problems before they occur, and prevents recurrence of quality problems.

To offer goods and services that please and impress customers, it is necessary to create products that can win their solid approval in all areas. In addition to function, design and price, these areas include reliability, durability, serviceability, environmental soundness, and compliance with relevant laws and regulations.

For Casio, all of these factors that affect the evaluation of its products are elements of quality. Group-wide efforts have been made to improve quality, based on Casio's Quality Concept and Quality Management Policies. In 1996, Casio started its "Delight Our Customers" program to ensure that all employees of the group would become thoroughly familiar with Casio's philosophy concerning products and services. The program is continuing to raise employee awareness.

Quality at Casio



Quality Assurance System

Casio has constructed a quality assurance system and constantly strives to improve quality across the group.

The Casio Promotion Committee for Groupwide Quality Enhancement is Casio's highest quality assurance authority. It meets semiannually by convening the heads from the Electronics business segment (consumer, timepiece and system equipment categories), the Electronic Components segment and the communications business, as well as quality managers of manufacturing and service affiliate companies. Decisions are made at these meetings on company policies and important issues relating to quality. The resolutions are then communicated to individual departments and reflected in specific quality assurance activities within the departments.

In 2004, the CS Control Group was created within the Sales Department of the Electronics Equipment business to improve consumer services. Since then, the CS Control Group has been conducting activities to ensure quality in product development in cooperation with the Engineering Department (within the Product Development HQ) in an effort to further improve quality and services.

Moreover, persons responsible for quality assurance have been appointed in the development departments to look after product specifications, software, mounting, outer packaging, circuits, devices, and manufacturing, respectively, in each businesses. In addition, the quality managers who oversee the entire operations ensure product quality in each business.

Teachers Meeting (Product Feedback from Educators)

On December 19 and 20, 2005, Casio invited 11 mathematics teachers from Australia, the United States, South Africa, Iran, Turkey, South Korea, Malaysia, Singapore, and the Philippines to the Teachers Meeting at the Hamura Research and Development Center. The event was held in order to get product feedback from overseas educators.

The main purpose of the meeting was to hear opinions on the functions of Casio's current scientific calculator models. The teachers submitted product evaluation reports to Casio in advance outlining over 100 points for improvement. During the discussion, Casio responded to these suggestions, and there was a lively exchange of opinions among the teachers.

This gathering provided important material for future product development. It was also a fantastic, special opportunity for the members of Casio's development team to meet and talk with teachers in person.



Teachers Meeting

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Responsibilities to Suppliers

Building Strong Partnerships

Casio is building strong partnerships with suppliers in and outside Japan that share Casio's procurement policies.

Basic Thoughts behind the Approach to Procurement Policies

Casio aims to fulfill its social responsibilities, including compliance with relevant laws and social norms, and protection of the environment, through fair and equitable transactions throughout the supply chain by strengthening partnerships with suppliers.

Procurement Policies

1. Fair and equitable transactions
Casio carries out fair and equitable transactions by providing equal opportunities to all suppliers (and candidates) in and outside Japan in accordance with its internally established procedures.

2. Compliance with laws and social norms
Casio's procurement activities comply with all relevant laws, social norms, standards, and treaties worldwide, including the protection of human rights, prohibition of child labor, forced labor and discrimination. Therefore, Casio also requires its suppliers to observe the same legal and social requirements.

3. Environmental protection
Casio helps to protect the global environment through environmentally friendly procurement, which is based on the Casio Environment Charter and Fundamental Environmental Policies, in cooperation with suppliers.

4. Strengthening partnerships with suppliers
Casio builds relationships of trust with its suppliers through reciprocal efforts, such as merging and complementing of mutual technological development abilities, supply chain cooperation, compliance with laws and social norms, and protection of the global environment, which will benefit both parties.

5. Policies on supplier selection and transaction continuation
Casio initiates and continues transactions with suppliers based on comprehensive evaluation criteria, which include compliance with laws and social norms, environmental protection, proper information security, respect for intellectual property, sound and stable corporate management, superior technological development ability, right price and quality, stable supply capabilities, and electronic transaction systems.

6. Right price and quality
Casio endeavors to secure right price and quality in order to provide its customers with a stable supply of optimal products, to ensure that Casio gains the full confidence of customers around the world.

7. Prohibition of personal-interest relationships
Casio does not allow any employee to have personal-interest relationships with suppliers.

Fulfilling Social Responsibilities Together with Suppliers

Casio has set forth the Social Responsibility Guidelines, including compliance with laws and social norms, and environmental protection, in order to fulfill its social responsibilities together with its suppliers through procurement activities.

Social Responsibility Guidelines

Guidelines covering the following areas have been established in order to fulfill social responsibilities through procurement.

1. **Compliance with laws and social norms**
2. **Environmental protection**
3. **Proper information security**
4. **Respect for intellectual property**
5. **Sound and stable corporate management**
6. **Superior technological development abilities**
7. **Right price and quality**
8. **Stable supply**
9. **Electronic transaction systems**
10. **Prohibition of personal-interest relationship**

Sharing the Guidelines

By holding of Procurement Policy Presentation Meetings and individual consultations, Casio is conveying its policies to suppliers in and outside Japan. The Guidelines have been posted on Casio's Website and also distributed in printed form to the people concerned.

Managing the Guidelines

Casio works together with suppliers to resolve such issues as may be identified in the regular surveys, which are conducted by means of answering prescribed questionnaires.



Procurement Policy Presentation Meeting

Reporting on the Guidelines

Casio releases regular reports on its fulfillment of the Social Responsibility Guidelines.

Responsibilities to Shareholders and Investors

Optimum Shareholder Return and Information Disclosure

Casio is striving to improve business performance and strengthen its financial position in order to increase returns to shareholders.

Basic Policies on Profit Distribution to Shareholders

Casio considers maintenance and expansion of profit distribution to shareholders to be an important management goal. Accordingly, it is striving to improve its business performance and strengthen its financial position. Casio distributes returns to shareholders by comprehensively considering the company's profit level, financial situation and dividend payout ratio, based on a policy of maintaining stable dividends. Internal reserves are also being appropriated for the R&D and investment necessary for stable corporate growth. These steps allow Casio to improve its business results and strengthen its management structure.

Operating Results and Dividends in Fiscal 2006

In fiscal 2006, Casio moved forward aggressively with expansion of its strategic businesses, including timepieces, digital cameras, electronic dictionaries, cellular phones and TFT LCDs. At the same time, the company strove to improve management efficiency by raising the profit margin and improving capital efficiency. As a result, record-high net sales and net income figures were achieved for the third consecutive year: ¥580.3 billion and ¥23.7 billion, respectively (on a consolidated basis). Dividends were raised by ¥3 per share from ¥17 in the previous fiscal year to ¥20, marking the third consecutive year of growing dividends.

Inclusion in SRI Index and Funds

Socially responsible investment (SRI) represents a commitment to evaluate and select corporations for investment on the basis of their performance on the triple bottom line. In addition to conventional investment criteria such as financial analysis, companies are also evaluated based on their CSR performance including legal compliance, employment and human rights issues, social contribution, and environmental protection. SRI funds have been gaining popularity in recent years, and Casio is included in the following index and funds.

Casio in SRI Index and Funds

(as of June 1, 2006)

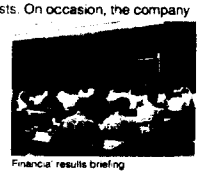
- **Morningstar SRI Index**
  (May 1, 2006)
- **STB Asset Management Co. Ltd.**
  STB SRI Japan Open "Good Company"
- **Sumitomo Mitsui Asset Management Co. Ltd.**
  Eco-Balance "Umi to Sora" (Sea and Sky)

Communication with Shareholders and Investors

Casio is actively engaged in a variety of investor-relations initiatives, true to the company's policy of disclosing corporate information appropriately and in a timely fashion, as outlined in the Casio Code of Conduct.

IR events

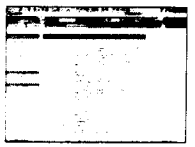
After the release of financial results each quarter, Casio holds financial results briefings. As the main speaker at these events, the company president or director in charge of IR explains the financial results and future outlook to institutional investors and securities analysts. On occasion, the company also meets individually with Japanese or overseas institutional investors and securities analysts. Factory tours and small meetings for specific business segments are provided as well.


Financial results briefing

A wide array of IR tools

IR tools used by Casio include quarterly financial results, annual reports, and business reports. The same information is also provided on the Casio Website.


Casio *Annual Report*


Investor Relations Website

IR Website http://world.casio.com/ir/

Communication with Individual Investors

Along with fuller information disclosure on its Website, Casio is actively providing more information to individual investors. These efforts include not just improvement of general shareholder meeting content, but also holding management presentations for shareholders after the meeting.

Inquiries to the IR Department

In cooperation with the General Affairs Department, the IR Department coordinates Casio's investor relation activities, and responds to all manner of inquiries from Japanese and overseas shareholders and investors.

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Environmental Management Vision

Environmental Management Activities in Fiscal 2006 and Future Efforts



Yukio Kashio

Yukio Kashio
Executive Vice President and Representative Director
Chairman, Casio Environmental Conservation Committee

Casio approaches its environmental management activities as a top priority issue for the realization of its corporate creed, "Creativity and Contribution." In January 1993, we established the Casio Environment Charter and Casio Fundamental Environmental Policies to serve as a framework for executing our environmental management activities. We then established the Casio Voluntary Plan for the Environment, an environmental management guideline that spells out how we will conduct specific activities. In February 2006, we updated the plan for the 10th time.

Within this plan, we have established an Environmental Action Plan (EAP), the "Clean & Green 21" Initiative, which clearly sets specific numerical targets and deadlines for execution. The EAP covers the entire group, and serves as our medium-term action plan. The company is moving forward toward the achievement of its goals. In February 2006, we updated the EAP for the 9th time.

Activities and results

Product-related activities and results

Our product initiatives in fiscal 2006 included adding 114 new models to the Casio Green Products lineup; the Casio Green Products (C.G.P.) 70 Activity raised the percentage of green products in total sales to 68%. We will continue to work at eco-product design with a view to achieving our target during fiscal 2007, one year ahead of schedule.

In addition, we reduced by 22.6% the total packaging materials used per unit of sales by optimizing our packaging capacity.

We also pursued the target of completely phasing out specified hazardous substances by the end of 2005 in response to the European RoHS Directive, and completed the compliance requirements with the cooperation of relevant departments and business partners.

Business site-related activities and results

Our business site initiatives included energy conservation efforts. The target we pursued was to reduce CO_2 emissions per unit of actual production* by 10% in fiscal 2006 compared to the fiscal 2004 level. However, CO_2 emissions increased 5% due to a unit price decline in our TFT-LCD business.

Our waste reduction targets were to achieve zero emissions and to reduce the generation of waste per unit of production by 30% from the fiscal 2001 level. Casio Micronics Co., Ltd., (Ome) and Casio Soft Co., Ltd., achieved zero emissions status, bringing the number of sites to do so up to 13. The generation of waste per unit of production remained equal to the fiscal 2001 level.

Our hazardous substance phase-out target was to detoxify PCB-containing equipment currently in storage by the end of fiscal 2006. We completed the application for contracting the treatment of PCBs stored at the Hachioji R&D Center and the Hamura R&D Center. PCBs stored at Kofu Casio are waiting for the treatment facility in Hokkaido to start receiving deliveries.

Future initiatives

Future product initiatives

Now that we are compliant with the WEEE and RoHS Directives in Europe, we will steadily take steps to respond to the phase-outs of hazardous substances that are expected to be legislated in North America, China, Japan, and South Korea. We will also monitor legal and regulatory trends, such as the EuP Directive* and REACH Regulation* in Europe, and pursue product compliance.

Future business site initiatives

Starting this fiscal year, we established new action plans for energy conservation, resource-saving (i.e. the reduction of water consumption at production sites), and waste reduction at business sites outside Japan. This is a major step in the worldwide expansion of our environmental conservation programs.

In Japan, we introduced a new action plan at electronic component business sites to combat global warming by reducing emissions of greenhouse gases other than CO_2, targeting a reduction of total emissions in 2010 to at or below the 2000 emissions level. Through this and other steps, we are working to realize the reduction targets set under the Kyoto Protocol. We are also planning to use other new measures, such as CDM, emissions trading, and other Kyoto mechanisms, toward the fulfillment of our new target of a 20% reduction in actual CO_2 emissions by fiscal 2011.

Pursuing CSR management

Casio is making CSR a core driver of its management practices. In one new initiative, we are recasting our eco-product designs as CSR designs by taking universal design concepts into account and rethinking our green procurement of materials as CSR procurement by verifying the status of our business partners' fulfillment of CSR. We are preparing the relevant guidelines and manuals and are moving ahead quickly to implement these new practices.

See the following pages for details.

* See page 32 for explanation of terms.

Casio Environment Charter and Casio Fundamental Environmental Policies

Consistent with its corporate creed of "Creativity and Contribution," Casio sets specific guidelines and targets in line with the Casio Environment Charter and Casio Fundamental Environmental Policies in order to ensure proactive execution of environmental management.

Corporate Creed

Creativity and Contribution

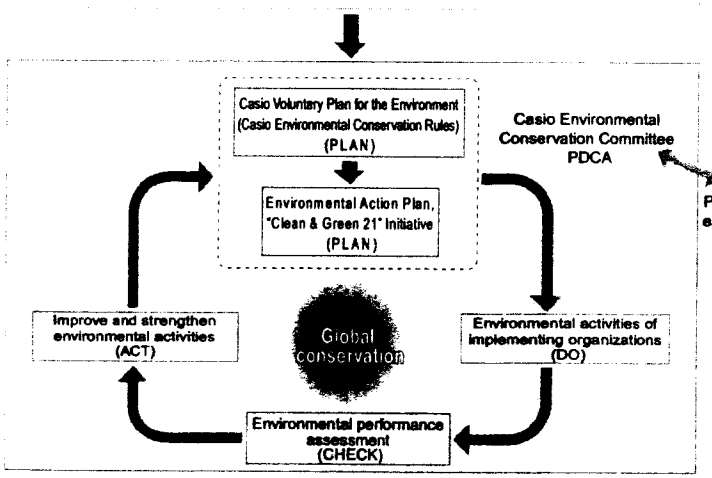
Casio Environment Charter

To conserve the global environment, Casio recognizes the importance of its corporate environmental responsibility across the operations of its entire group. Casio establishes basic policies and specific measures for contributing to world prosperity and human happiness from the broad perspective of international society, and endeavors to implement them.

Fundamental Environmental Policies

1. Casio Group members shall comply with all environmental laws, agreements, and standards in Japan and overseas.
2. The Group shall establish voluntary "Casio Environmental Conservation Rules"* based on consideration for the environment at all product stages of development, design, manufacture, distribution, repair services, and recovery/disposal. All Casio business divisions shall assume responsibility for their implementation, additionally auditing the degree of compliance and making continual improvements.
3. From the standpoint of corporate social responsibility, and as good corporate citizens, all Casio Group members shall apprehend the importance of global environmental conservation and try to heighten their awareness.
4. These policies shall apply to all Casio Group business divisions in Japan and overseas.

*The Casio Environmental Conservation Rules are specific action programs for environmental conservation, set forth in the "Casio Voluntary Plan for the Environment (CVPE)."



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Environmental Action Plan, "Clean & Green 21" Initiative

Fiscal 2006 Results, Changes and Future Targets

Casio establishes targets that take account of environmental changes in and outside Japan and continually strives to achieve these goals.

Product-related targets

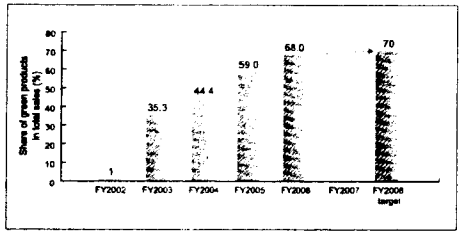
Ratio of fiscal 2006 performance against the target fiscal year
★★★ 100% of target achieved ★★ 80% or higher achieved ★ Below 80% achieved

Item	FY2006 targets	FY2006 performance	Ratio achieved	FY2007 targets	Page number
Development targets for eco-products	Raise green product sales to 70% of total sales by FY2008	Green product sales grew to 68%.	★★	Continuing	[illegible]
	Reduce the total usage of packaging materials per unit of sales by 30% by FY2008 compared to FY2001	**A 22.6% reduction was achieved.**	★	Continuing	[illegible]
Hazardous substance phase-out targets	Discontinue the use of RoHS Directive-specified toxic substances, namely lead (lead contained in purchased products), cadmium, mercury and hexavalent chromium, by the end of FY2006.	Discontinued the use of lead, cadmium, mercury, and hexavalent chromium in products bound for Europe. (PBB and PBDE were already phased out.)	★★★	Discontinue the use of lead, cadmium, mercury, and hexavalent chromium by June 2006 in compliance with hazardous substance regulations other than those for products bound for Europe. (Hazardous substance regulations outside Europe: Hazardous substance regulations equivalent to Europe's RoHS Directive — North America, China, Japan, and other countries)	[illegible]

Future Initiatives

Casio set and worked toward the goal of raising sales of green products to 70% of total sales by fiscal 2008 (C.G.P. 70) in order to spur aggressive development and evaluation of eco-products. In fiscal 2006, green product sales rose to 68% of total sales. Casio will continue to develop eco-products that satisfy Casio's Green Product Certification Criteria, with a view toward achieving the goal set for fiscal 2008 one year ahead of schedule.

Share of green products in total sales (%)



Explanation of terms

- C.G.P. 70 Achieving: Abbreviation of "Casio Green Products 70." An effort to raise the percentage of green products (products that meet Casio's Green Product Certification Criteria) in total sales to 70%
- EuP Directive: A proposed directive on environmentally friendly design of energy-using products in the European Union (EU)
- PBB: Polybrominated biphenyl. One of the substances prohibited under the RoHS Directive
- PBDE: Polybrominated diphenyl ether. One of the substances prohibited under the RoHS Directive
- PRTR: Pollutant Release and Transfer Register system. The system was institutionalized in Japan in 1999 with the Law concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law)
- REACH Regulation: A new EU regulation for chemical substances that controls the Registration, Evaluation and Authorization of Chemicals under a single, unified system
- RoHS Directive: Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment. A regulation that came into effect in the EU on July 1, 2006, prohibiting the use of six specified hazardous substances in electrical and electronic equipment
- WEEE Directive: A directive that came into effect in the EU on August 13, 2005, mandating the recycling of Waste Electrical and Electronic Equipment
- Unit of sales: A basic unit of measure calculated by dividing a figure by Casio's consolidated sales
- Unit of production: A basic unit of measure calculated by dividing a figure by total production at specified production sites
- Corrected production: A basic unit of measure calculated by dividing a figure by production, where the value for production in the denominator (i.e., nominal production) is replaced with the value for actual production as corrected using the Bank of Japan's Domestic Corporate Goods Price Index (electrical equipment)

$$\text{Actual production} = \frac{\text{Nominal production}}{\text{Bank of Japan's Domestic Corporate Goods Price Index (electrical equipment)}}$$

The following table shows the yearly ratios in comparison with the base year of fiscal 1995 for the Bank of Japan's Domestic Corporate Goods Price Index (electrical equipment).

Fiscal year	1995	2001	2002	2003	2004	2005	2006
Price index corrected values	1	0.69	0.62	0.56	0.54	0.52	0.50

(Decimals are rounded to the nearest hundredth.)

Business-site related targets

Ratio of fiscal 2006 performance against the target fiscal year
★★★ 100% of target achieved ★★ 80% or higher achieved ★ Below 80% achieved

Item	FY2006 targets	FY2006 performance	Ratio achieved	FY2007 targets	Page number
Energy conservation targets	Reduce CO_2 emissions per unit of actual production by 10% by FY2006 and by 23% by FY2011 compared to FY2004	CO_2 emissions rose 5% due to increased production and a unit price decline in TFT-LCDs.	★	Sites in Japan: Reduce CO_2 emissions per unit of actual production by 2% by FY2011 compared to FY2004	[illegible]
	—	—	—	**Sites outside Japan: Reduce CO_2 emissions per unit of production by 10% by FY2011 compared to FY2005**	
Reduction targets for greenhouse gases other than CO_2	—	—	—	Reduce total emissions of greenhouse gases other than CO_2 (CO_2 equivalent) by 2011 to at or below the 2002 level *5	
Resource-saving targets	Reduce water usage per unit of production at production sites in Japan *1 by 5% by FY2006 compared to FY2001	Water usage increased by about 34% over the FY2001 level due to greater water usage accompanying increased production at Casio Micronics *6	★	**Production sites in Japan*1: Reduce water usage per unit of actual production by 10% by FY2009 compared to FY2001**	[illegible]
	—	—	—	Production sites outside Japan*2: Reduce water usage per unit of production by 5% by FY2009 compared to FY2005	
	—	—	—	**Sites in Japan: Reduce paper usage per unit of actual production by 30% by FY2009 compared to FY2004**	—
Waste reduction targets	Achieve zero emissions*3 at targeted sites in Japan by FY2006	Casio Micronics (Ome) and Casio Soft newly achieved zero emissions status, bringing the total number of sites to do so to 13.*7	★★	Removed from FY2007 targets	[illegible]
	Reduce the generation of waste per unit of production by 30% by FY2006 compared to FY2001	**The generation of waste remained equal to the FY2001 level despite increased production.**	★	**Production sites in Japan*1: Reduce the generation of waste per unit of actual production by 40% by FY2009 compared to FY2001.**	[illegible]
	—	—	—	Production sites outside Japan*2: Reduce the generation of waste per unit of production by 10% by FY2009 compared to FY2005	
Hazardous substance phase-out targets	**Detoxify PCB-containing equipment currently in storage by the end of FY2006**	**Reservations have been made with a waste treatment contractor for the treatment of PCBs stored at the Hamura R&D Center and the Hachioji R&D Center. The PCBs are still on the waiting list for treatment. The PCBs stored at Kofu Casio are awaiting the opening of a treatment facility in Hokkaido in October 2007.**	★	**Detoxify PCB-containing equipment currently in storage as the Japan Environmental Safety Corporation opens facilities in different areas:** **● By FY2008 all PCBs stored at the Hamura R&D Center and the Hachioji R&D Center** **● By FY2008 PCBs stored at Kofu Casio**	[illegible]
Green procurement implementation targets	Achieve a 100% response rate (percent of parts covered by supplier surveys) for green parts at sites in Japan in FY2006	Achieved a 100% response rate.	★★★	Achieve a 100% response rate (percent of parts covered by supplier surveys) for green parts at sites in Japan in FY2007.	[illegible]
	Achieve a 100% response rate (percent of parts covered by supplier surveys) for green parts at sites outside Japan in FY2006	**Achieved a 99.2% response rate**	★★	**Achieve a 100% response rate (percent of parts covered by supplier surveys) for green parts at sites outside Japan in FY2007**	[illegible]
Green purchasing implementation targets	Raise the green purchasing ratio to 80% of total purchases of stationery products, office supplies, and OA equipment at sites in Japan by the end of FY2006 (based on the number of purchases) *At sites that have adopted the CATS+P system. *4	Achieved 58.7%.	★★	Continuing	
Targets against distribution-related global warming	**Reduce CO_2 emissions per unit of sales by 50% by the end of FY2008 compared to FY2001 by improving the efficiency of distribution in Japan.**	**Achieved a 40% reduction**	★★	**Continuing**	[illegible]
	Reduce CO_2 emissions per unit of sales by 5% by FY2008 compared to FY2005 by improving the efficiency of distribution outside Japan	Achieved a 3% reduction	★	Continuing	

*1 [illegible] Kofu Casio (headoffice and Ichinomiya branch), Koch Casio, Casio Micronics (in Ome and Yamanashi), Casio Electronics Manufacturing, and Yamagata Casio
*2 [illegible] Casio Korea Co., Ltd.; Casio Taiwan Co., Ltd.; Casio Computer (Hong Kong) Ltd.; Casio Electronics Technology (Zhongshan) Co., Ltd.; Casio Electronics (Shenzhen) Co., Ltd.; PT. Asahi Electronics Indonesia; and Casio (Thailand) Co., Ltd.
*3 [illegible] (Final disposal / Waste generation) × 100 ≦ 1%
*4 [illegible] Head Office of Casio Computer Co., Ltd.; Hamura R&D Center; Hachioji R&D Center; East Nihon Hub Centers (Chiyoda, Sendai, Saitama, Yokohama, Chiba, and Special Sales Office); West Nihon Hub Centers (Nagoya, Osaka, Hiroshima, and Kyoto); and Casio Hitachi Mobile Communications
*5 In terms of units of actual production, water usage decreased 27% from the fiscal 2001 level.
*6 [illegible] PFCs, SF6, and NF3 (based on JEITA's voluntary action guidelines). Casio has already completed the complete elimination of these gases other than SF6.
*7 The three sites that had not achieved zero emissions status by the end of fiscal 2006 will continue to pursue this goal as part of their ISO 14001 initiatives.

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From Eco-product Design to CSR Design

Casio is committed to broadening its design considerations, moving from eco-product designs to designs that are environmentally friendly and offer a high-quality experience for the user, in line with the universal design guidelines established by the company.

Broader Design Goals: Moving from Eco-product Designs to CSR Designs

Casio introduced eco-product design in 1993. Since 2001, it has been developing ISO Type II environmental labelling products based on Casio's green product development guidelines.

Since 2005, Casio's Design Center, with the help of the Environment Center, has been working on the concept of developing a new product lineup featuring eco-product designs. The idea is to systematize and combine eco-product designs with universal design as a new CSR design initiative. Casio has already worked out Universal Design Policies, and is performing assessments of electronic dictionaries and electronic musical instruments with a view to improving the quality of the user experience.

CSR Design Guidelines

Guidelines for Green Product Development + **Universal Design Guidelines (currently being prepared)**

Casio Universal Design Policies

1. Easily understood display and expression.
2. Simple, understandable operability.
3. Reduce physical and mental stress.
4. Provide safety and reliability.
5. Pursue product value.

Universal Design Activities

Delivering a high-quality user experience

Strategically focused on its core competence in compact, lightweight, slim, energy efficient technologies, Casio develops products with as little environmental impact as possible. Moreover, in addition to reducing product size while increasing performance, Casio also strives to achieve a high-quality experience for the user so that people who are unfamiliar with electronic devices and those who are less confident about IT can use Casio's products comfortably. Looking ahead at the future social environment, Casio is committed to providing products and services that are truly beneficial to customer's lives.

Casio has set the main objective for its universal design activities: improve the quality of the user experience. Casio works to develop products using human-centered design (HCD) in conformity with ISO 13407* processes. Casio applies these concepts not only to the products themselves, but also to improve packaging and user manuals.

*ISO 13407: An international standard that provides human-centered design guidelines that should be incorporated when developing interactive systems using computers.

From the customer's perspective

Obtaining evaluations from customers who actually use the products and reflecting that feedback in product development are essential parts of HCD.

Casio has made it a top priority to develop products from the customer's perspective, and requires its development staff themselves to listen to customers' opinions. Casio is dedicated to improving usability by applying evaluations from user tests and feedback given to the Customer Support Center.

In fiscal 2006, Casio conducted user tests on the usability and design features of products by enlisting the cooperation of a wide spectrum of customers, including high school students, housewives, and the elderly. Casio made specific improvements to the quality of the user experience, in terms of both hardware and software, by analyzing the test results across the lateral organization made up of the specialized departments for planning, development, and design.

Universal Design

Casio's own UD activity mark

Future initiatives

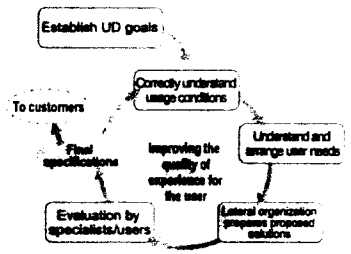
Casio has already worked out the Casio Universal Design Policies during the current fiscal year in order to share policy on universal design activities with all group companies.

Casio is determined to pursue high-quality experience for the user. Going forward, Casio will continue developing its HCD guidelines and create products based on them in even more business areas.



A user test

Basic cycle of the universal design (UD) process



LCA Evaluation Report

Casio evaluated its Super Slim Projector using life cycle assessment (LCA).

LCA Evaluation of the Super Slim Projector XJ-S30/S35, a Casio Green Product

LCA evaluation case study

As a mobile projector, the XJ-S30/S35 has a super slim construction that makes it easy to carry around. It has a high-pressure mercury lamp with 2000 ANSI lumens. The lamp itself consumes 200 W of electricity, resulting in the use stage of the LCA data accounting for a large 82% of the overall environmental impact.

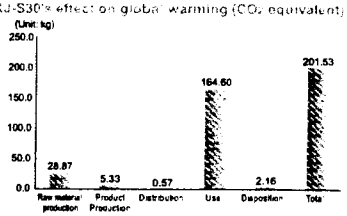
Accordingly, the product offers an Eco mode, which boasts lower energy consumption than the Normal mode. By switching from Normal mode to Eco mode, the projector is put into an energy conservation mode where the lamp is less bright and the high static pressure Sirocco fan runs quieter. The Eco mode is effective for use in quiet surroundings and when one wishes to adjust the brightness to create a better balance with the room lighting.

Future challenges

Ways to lower the value for the use stage need to be studied in order to improve the projector's LCA data. Future challenges are to make further headway in reducing energy use by the light source, improving product parts, and reducing overall weight.

	Total for all stages
Global warming impact (CO_2 equivalent)	201.53 kg
Acidification impact (SO_2 equivalent)	0.26 kg
Energy use	4,313.63 MJ

XJ-S30's effect on global warming (CO_2 equivalent)

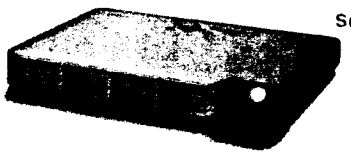


XJ-S30
XJ-S35

ECO LEAF

No.AG-06-036
No.AG-06-037

*ECO LEAF Environmental Label: An environmental labelling originating in Japan that displays quantitative LCA-derived environmental aspects covering the entire lifecycle of a product from the extraction of resources through production, distribution, use, disposal, and recycling.



Super Slim Projector XJ-S30/S35



Product characteristics

Projection system: DLP*
Brightness: 2000 ANSI lumens
Display resolution
True: XGA (1,024 x 768)
Compressed: Maximum SXGA (1,280 x 1,024)
Slim construction: 43 mm thick (32 mm at thinnest point)
USB compatible, the XJ-S35 enables PC-free presentations

DLP, the DLP logo and the DLP medallion are trademarks of Texas Instruments.

Green product technology points

Energy conservation: Energy consumption can be reduced by switching the projector from Normal mode to Eco mode.

Resource-saving: Compared to the predecessor XJ-360,

a. The body of this product has been
- Reduced by 14% in volume
- Reduced by 40% in thickness

b. The packaging (all made from paper except the soft case) has been
- Reduced by 24% in volume
- Reduced by 17% in weight



Packaging for XJ-S30/S35 (left) and their predecessor (XJ-360)

Recyclability: The housing is made of a magnesium alloy and is easily recycled.

Elimination of hazardous substances: The product does not contain substances prohibited by the RoHS Directive.

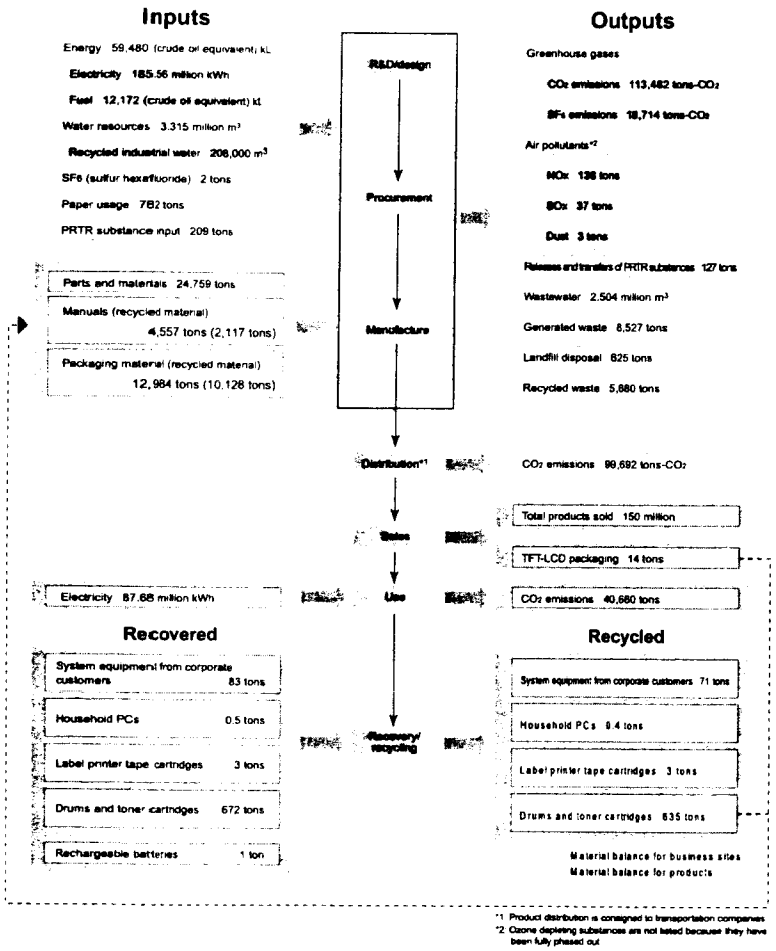
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Material Balance of Business Activities

Below is a report of the lifecycle inputs and outputs associated with Casio's business activities.

In Japan, Casio does business in the Electronic Components segment and Electronics segment. Outside Japan, Casio's business is in the Electronics segment only.

Material balance of business activities, fiscal year 2006



*1 Product distribution is consigned to transportation companies
*2 Ozone depleting substances are not listed because they have been fully phased out

Communication and Disclosure about the Environment

Casio communicates actively with stakeholders to help build a sustainable society

Casio's Philosophy and Policy on Communication and Disclosure about the Environment

Casio is making an effort to help build a sustainable society by engaging in dialogue with various stakeholders. The company is also aggressively undertaking environmental conservation activities aimed at protecting biodiversity, including humankind, and pursuing preservation of the global environment, including natural resources and the atmosphere.

Participation in Exhibitions (Eco-products 2005)

Casio has participated in the Eco-products Exhibition every year since it started in 1999. The Eco-products Exhibition, which is the largest general environmental exhibition in Japan, is a place where people from different walks of life can think about environmental issues and learn about ways to realize their own eco-lifestyles. Casio's commitment to promoting environmental awareness extended even to the actual construction of its exhibition booth, which was made of eco-materials (Eco-Palette Haru-Color / Moiss). The exhibition was an opportunity for Casio to introduce its overall environmental initiatives while showcasing Casio Green Products—eco-products that make use of Casio's core competence in compact, lightweight, slim, energy efficient technologies. For the 2005 exhibition, Casio planed a hands-on learning experience for children, giving them the chance to practice building a calculator. The company also introduced its environmental initiatives using an easy-to-understand video presentation on the main stage.

Casio plans to take part again in the Eco-products 2006 Exhibition.


Eco-products 2005


Eco-products panel


Building a calculator

CSR Report 2005 Reading Session Held

In August 2005, Casio held the CSR Report 2005 Reading Session under the second Teacher's Business Training Program.

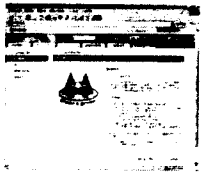
Normally, there are few opportunities for companies and schools to get together and talk. Accordingly, while participants examined some actual Casio Green Products for themselves, Casio personnel gave a presentation on their manufacturing process in order to provide a slightly deeper understanding of Casio's environmental activities. The teacher's remarks included interest in the Kids' ISO 14000 program and environmental education as well as the fact that their social responsibility as educators is being questioned nowadays.

Casio plans to continue to actively accommodate this type of training.


CSR Report 2005 Reading Session

Information on the Web

Casio renewed its website for Japan in March 2006 and worldwide website in June 2006. The website for Japan was ranked seventh on the Usability Ranking sponsored by Nikkei Personal Computing. This ranking evaluates user-friendliness and design. The company's Japanese environmental website was also renewed, following the same pattern. Casio uses its Environmental Report website to publish the latest *Corporate Social Responsibility Report*.


Website

Environmental Report website
http://world.casio.com/env/

Major awards and commendations in fiscal 2006

Year	Month	Title	Award / commendation	Awarding organization
2005	June	Yamagata Casio Co., Ltd.	Yamagata Prefectural Governor's award for excellence in promotion of environmental conservation	Yamagata Prefecture
	June	Casio Micronics Co., Ltd.	Award of excellence for electrical safety and rationalization	Tama Electric Association
2006	February	Casio Micronics Co., Ltd. Hamura R&D Center	Award of excellence for rationalization of electrical use	Kanto Region Electricity Usage Rationalization Committee

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Environmental Accounting

Fiscal 2006 performance

1. Environmental conservation cost

(Unit: ¥ million)

Category	Capital investment				Environmental cost			
	Electronics		Total		Electronics		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
Business area cost	31	132	105	473	136	695	245	249	457	453	707	699
Pollution prevention cost		6	64	314	64	322	11	13	295	298	306	308
Global environmental conservation cost	12	122	41	82	53	204	65	26	20	8	85	34
Resource circulation cost	19	2		77	19	79	166	207	142	149	311	356
Upstream/downstream cost		5		6		11	348	265	20	12	368	277
Administration cost							201	167	66	74	268	241
R&D cost		25	12		12	25	64	56	66	4	130	60
Social activity cost							6	4			6	4
Other cost												
Total	31	162	117	478	148	641	864	738	611	543	1,475	1,281

2. Environmental conservation cost by conservation purpose

(Unit: ¥ million)

Category	Capital investment						Environmental cost					
	Electronics			Total			Electronics			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Global warming prevention	11	122	41	148	52	270	66	53	39	20	85	73
Ozone layer protection measures		6				8						
Air quality conservation measures	3		51	28	54	28	3	5	75	74	79	79
Noise and vibration measures								1		1		2
Conservation measures for the aquatic, ground, and geologic environments	1		13	254	14	254	7	7	286	284	293	291
Waste and recycling measures		4		43		47	379	379	140	148	519	524
Measures for chemical substances		28	12	6	12	34	132	91	104	3	236	94
Natural environmental conservation							8	3	6	7	12	10
Other	16			16			271	202	66	66	321	284
Total	31	162	117	478	148	641	864	738	611	543	1,475	1,281

* See page 67 of Web version for details on the scope of coverage
* The accounting procedures for fiscal 2006 newly accounted for depreciation costs in environmental costs (depreciation costs for fiscal 2005 were retroactively accounted for to enable comparison with the previous fiscal year)
* Personnel expenses are calculated using the average unit price

In fiscal 2006, capital investment came to ¥148 million, environmental conservation costs totaled ¥1,475 billion, and economic effects came to ¥133 million.

Following last fiscal year's investments in energy conserving air conditioning equipment, water supply and drainage treatment equipment, and equipment to prevent global warming, during the current fiscal year Casio continued to work on air quality conservation by installing equipment to detoxify the higher CVD gas* emissions accompanying increased production of TFT-LCD panels.

Environmental costs increased over the previous fiscal year due mainly to strengthened responses to Europe's RoHS and WEEE Directives.

Economic effects were ¥263 million in business revenue from recycling and absorption of ¥130 million in increased costs related to energy conservation, resulting in a total economic effect of ¥133 million.

In terms of the environmental efficiency of sales, CO_2 environmental efficiency came to 5.11 (¥ million/ton-CO_2) and waste environmental efficiency came to 68 (¥ million/ton) due to increased business activities, while the amount of waste sent to landfill disposal improved over the previous fiscal year (a year-on-year decrease of 436.9 tons) due to the company's aggressive recycling efforts. In addition, environmental efficiency for chemical substances specified in the PRTR Law was 2,777 (¥ million/ton), and 32% of the amount used was recovered and recycled.

In the future, Casio will steadily implement medium-term measures with the aim of expanding economic and environmental conservation effects through energy and resource conservation-associated cost savings and the improvement of environmental performance indicators. (*: A gas emitted during the CVD process, which creates film of silicon or other substance on the board during the manufacture of TFT-LCD panels.)

≪Capital investment≫

(Unit: ¥ million)

Item by area of measures	Amount of capital investment	Main details for current term
Global warming measures	82	Ensuring the power source capacity and conserving energy in power system transformers for production and construction equipment, and installation of highly energy efficient transformers
		Installation of CDF_3 cylinder cabinets and CDF_3 mixing devices
Air quality conservation	54	Increasing CVD gas removal equipment to increase the performance of TFT-LCD panels
Conservation measures for the aquatic, ground, and geologic environments	13	Installation of wastewater treatment tanks and neutralization tanks
Waste/recycling	1	Storage warehouses and equipment for recyclables
Chemical substances/other	28	Evaluation equipment / Installation of a solar water heater on the roof of Casio Electronic Technology (Zhongshan) employee dormitory
Total	148	

≪Environmental cost≫

(Unit: ¥ million)

Item by area of measures	Environmental cost	Main details for current term
Global warming measures	95	Boiler modifications, air-conditioner renewals
Air quality conservation	79	Maintenance and management of exhaust gas treatment equipment
Conservation measures for the aquatic, ground, and geologic environments	213	Repair of wastewater treatment equipment
Waste/recycling	519	Recovery and recycling of toner and drum sets
Chemical substances	238	Respond to RoHS Directive survey, trial manufacture cost of lead-free products
Natural environmental conservation	12	Landscape planting within company grounds
Other	321	Preparation of an environmental report, ISO maintenance and management, WEEE compliance
Total	1,475	

3. Economic effects accompanying environmental conservation measures

(Unit: ¥ million)

Effect	FY2005
Cost savings	
Energy cost savings through energy conservation activities	-184
Water and sewage charges and copy paper purchase savings through resource-saving activities	1
Waste treatment cost savings through resource-saving or recycling	18
Business revenue from recycling	283
Profit	
Reuse of parts and materials	242
Sale of wastepaper and waste water	21
Customers effect*	7
Other (distribution cost savings through downsizing of products)	27
Total	133

* Cost savings: Adjusted by turnover increase rate
Minus sign: Indicates a negative result
These are mainly due to increased energy consumption accompanying increased production and the large effect of surges in oil prices
* Customer effect: Environmental effects generated by customers by power saving technology converted to monetary value
(Difference between annual electrical power usage/consumption for total sale units in fiscal 2005 and fiscal 2006) × Unit price of electrical power

4. Environmental conservation effects

Environmental performance indicators	Unit	FY2004 Electronics	FY2004 Electronic component	FY2005 Electronics	FY2005 Electronic component	Difference Electronics	Difference Electronic component
Total energy input	Crude oil equivalent (kL)	17,454	42,826	15,458	40,357	1,996	1,469
Water resources input	Thousands m^3	523	2,782	465	2,717	58	64
Emissions of greenhouse gases							
	CO_2 Tons-CO_2	41,864	71,514	40,450	69,080	1,414	2,435
	SF_6 Tons-CO_2	0	18,714	0	18,551	0	2,163
Usage of substances specified under the PRTR Law	Tons	1	204	16	167	-15	41
Emissions of substances specified under the PRTR Law	Tons	0	37	0	29	0	8
Total generation of waste	Tons	3,422	8,105	3,085	4,359	337	748
(Amount sent to landfill disposal)	Tons	819	6	1,051	11	-432	-5
Total wastewater	Thousands m^3	335	2,186	256	1,301	79	884
BOD	Tons	11	23	7	19	4	4
COD	Tons	12	0	0	0	12	0
Other emissions							
SO_2	Tons	118	20	83	16	35	4
SO_x	Tons	30	7	23	8	7	-1
Soot and dust	Tons	2	0	2	1	1	0
Energy conservation/usage	Thousands GJ	316	0	317	0	-2	0
Recycled use of containers, packaging, and packaging materials	Tons	13,065	51	12,350	463	715	26
Containers and packaging usage	Tons	12,380	564	11,976	607	714	-13

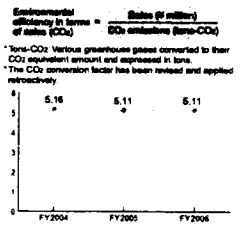
* Some of the calculated results shown in the difference columns in the table may not match due to the rounding of fractions
* CO_2 conversions are calculated using the coefficient from the Ministry of the Environment's Guidelines for Calculating Greenhouse Gas Emissions from Businesses (2003) and applied retroactively

● Environmental efficiency in terms of sales

Casio's environmental efficiency in terms of sales is given below in terms of CO_2, waste, and substances specified under the PRTR Law. These indicators have changed due to increased production, but Casio intends to continue improving them.

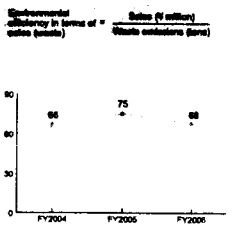
Environmental efficiency in terms of CO_2 emissions = Sales (¥ million) / CO_2 emissions (tons-CO_2)

* Tons-CO_2: Various greenhouse gases converted to their CO_2 equivalent amount and expressed in tons.
* The CO_2 conversion factor has been revised and applied retroactively.



	FY2004	FY2005	FY2006
Consolidated sales (¥ million)	523,528	558,006	580,309
CO_2 emissions (tons-CO_2)	101,374	109,432	113,482

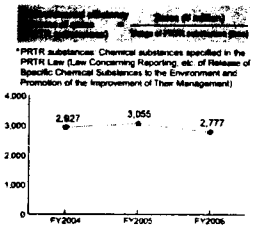
Environmental efficiency in terms of waste = Sales (¥ million) / Waste emissions (tons)



	FY2004	FY2005	FY2006
Consolidated sales (¥ million)	523,528	558,006	580,309
Total generation of waste (tons)	7,884	7,444	8,527

Usage of PRTR substances (¥ million) / Usage of PRTR substances (tons)

* PRTR substances: Chemical substances specified in the PRTR Law (Law Concerning Reporting, etc. of Release of Specific Chemical Substances to the Environment and Promotion of the Improvement of Their Management)



	FY2004	FY2005	FY2006
Consolidated sales (¥ million)	523,528	558,006	580,309
Usage of PRTR substances (tons)	179	183	209

Scope of data compilation for environmental accounting: Casio Computer Co., Ltd., and consolidated subsidiaries in and outside Japan
Reference guideline: *Environmental Accounting Guidelines 2005*, Ministry of the Environment, Japan

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Creating Employment Opportunities

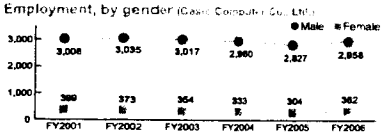
Casio constantly strives to create opportunities for highly satisfying employment. In all of its interactions with employees, Casio respects the human rights of individuals and refrains from discrimination based on gender, disability, or other trait.

Employment Philosophy and Policies

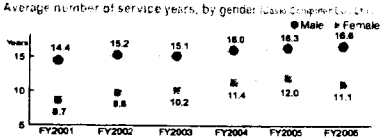
The Casio Code of Conduct states that, "We respect others and value cooperation that is free of discrimination. We hold in high regard every individual's human rights, eliminate harassment, remarks and behaviors that are discriminatory on the basis of gender, beliefs, religion, ethnicity, social status or physical handicap, and protect the privacy of individuals." This is the most important standard for value judgments in Casio's hiring. Casio adheres to this philosophy and strives to create as many employment opportunities as possible.

Casio has also been working to secure jobs internally by bringing in work that had previously been contracted to companies outside the group.

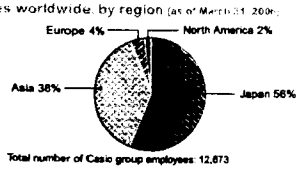
Employment, by gender (Casio Computer Co., Ltd.)



Average number of service years, by gender (Casio Computer Co., Ltd.)



Employees worldwide, by region (as of March 31, 2006)



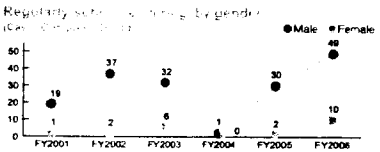
Total number of Casio group employees: 12,873

Employment-related initiatives

Based on the philosophy and policies described above, Casio respects every person's human rights and individuality. Casio hires individuals who are highly motivated to work, irrespective of their gender, creed, religion, ethnicity, social status, or disability, while responding to changes in the environment that surrounds the labor market and society.

In Japan, Casio supports the Charter of Corporate Ethics for Screening and Employing New Graduates issued by Nippon Keidanren (Japan Business Federation), and helps to minimize the impact on students' learning caused by the market tendency to hire them at extremely early stages of the hiring season. In addition, Casio holds its interviews on Saturdays or at other times that are convenient for students so that more applicants will have the opportunity to be interviewed. In fiscal 2006, Casio introduced the following methods to promote more student-friendly recruitment: seminars were held to deepen students' understanding of the working world; the Casio recruitment Website was updated with more content; hiring for specific job types was increased; and interviews were held in various regions. As a result, hiring of women grew dramatically. Casio hired 66 new graduates, including 13 women, who joined the company in the spring of 2006. In addition, eight mid-career professionals were hired, including two women.

Regularly scheduled [illegible] by gender (Casio Computer Co., Ltd.)



Hiring persons with disabilities

Casio seeks to hire individuals with the courage, determination, and creativity to take on challenges and realize their dreams, regardless of any disabilities they may have. Presently there are 50 employees with disabilities working at Casio Computer Co., Ltd. (1.27% of the workforce). However, in order to reach the legally required employment level of 1.8% as soon as possible, a five-year plan was established for the hiring of persons with disabilities. In fiscal 2006, Casio actively promoted activities for sensitivity awareness, including workplace training. Consequently, six persons with disabilities were hired and joined the company in the spring of 2006.

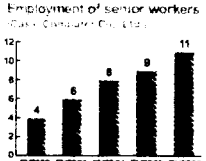
Casio is also improving its workplace facilities to enable each and every employee to maximize their abilities and aptitude. Examples of such work include the creation of accessible lavatories at both the Hamura R&D Center and the Hachioji R&D Center, as well as measures to allow employees with disabilities to commute by car to work. Casio will continue to hire persons with disabilities and promote the creation of a work environment that is suitable for everyone to work in.

Recruitment Website for applicants with disabilities (Japanese-language)
http://www.casio.co.jp/saiyou/career2/policy.html

Hiring senior workers

Since 2001, Casio has been operating the Casio Senior Staff Program (CSP). Its purpose is to provide employees who reach the mandatory retirement age with employment opportunities, and to effectively utilize the skills and know-how that these employees have accumulated within the group. Under this program, employees who reach the retirement age can register with the group's personnel dispatch company. The program is designed for retirement-age employees with the desire to continue working, and who are healthy and possess knowledge and skills that are needed within the group. Starting in fiscal 2007, the senior staff program has been expanded to all group companies in Japan, and the opportunities for senior employees are expected to increase.

Employment of senior workers (Casio Computer Co., Ltd.)



Appointing and Effectively Deploying Qualified Workers

Casio has built a sound corporate culture by appointing qualified workers through a fair process, using a merit-driven system and a performance-based approach.

Philosophy and Policies

Casio's human resource system is based on fairness and designed to maximize "Creativity and Contribution," the corporate creed. The company continually reviews its personnel system, as it seeks to better reflect the changes in the surrounding environment.

Under Casio's merit-driven system, employees are rewarded according to the abilities required for their position, irrespective of their academic background, age, or length of service. To complement this, Casio's performance-based approach determines the grade and compensation of employees based on the results they actually achieve in their assigned roles. The objective of Casio's human resource system is to strike an optimal balance between the development of employees under the merit-driven system, and the growth of the company that is facilitated by the performance-based approach.

Human resource system

Casio's human resource system consists of three subsystems: the Grade System, Appraisal System and Compensation System.

The Grade System forms the base of Casio's human resource system. The Qualification System applies to non-managerial employees, who are promoted based on the growth of their ability to perform their duties. The Professional System applies to managers and specialists, who are graded and ranked based on their individual functions and accomplishments.

In the Appraisal System, employees are evaluated in three areas, namely, target achievement under management by objectives, work performance (competency) in their job type, and contribution made toward the department. The evaluation is made on a five-point scale, relative to other employees, and the results are reflected in remuneration. Superiors discuss the evaluation results individually with each employee in order to seek a high level of understanding.

The Compensation System applies a salary range that is based on job grade under the principle of a merit-based competitive salary. Pay raises are given in harmony with performance evaluation and salary levels. Bonuses are distributed in a balanced way, depending on the evaluation.

Human resource development

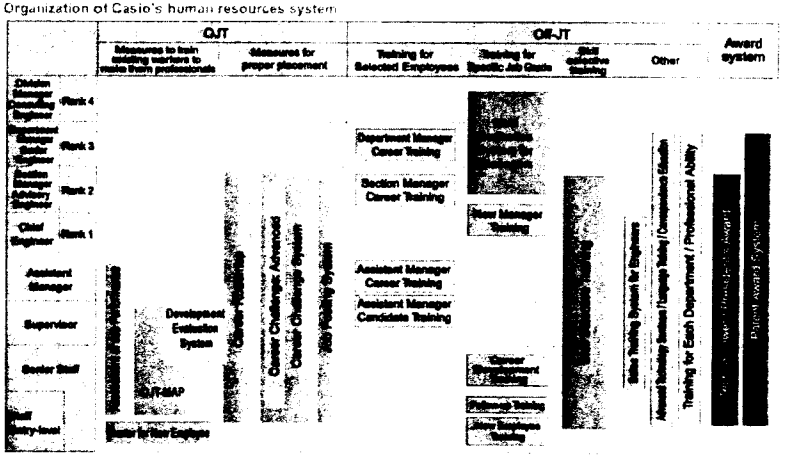
Casio has various programs for human resource development with the intention of developing creative employees that are eager to take on challenges and training professionals with early tracking into specialized fields.

There are two basic types of employee professionals at Casio. One is the strategic generalist that passes on the company's corporate culture. The other is the technical specialist that passes on the company's unique technology and know-how.

Casio approaches the development of these employees with the philosophy that people grow through their work, and that the source of growth is one's drive. Based on this belief, Casio supports its employees to grow and improve their skills by providing them with an environment in which new abilities are constantly required. The company also gives employees opportunities to rise to challenges by relying on their own determination and hard work.

For this reason, Casio's system of human resource development is rooted in skills improvement through actual work, or on-the-job training (OJT). Various supplementary training programs, including systematic study of theory, are also offered as off-the-job training (Off-JT).

Organization of Casio's human resources system



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Building a Supportive Work Environment

Casio is building work environments and systems that permit all employees to demonstrate their full potential.

Policies on Building Positive Work Environments

Casio strives to build work environments that are friendly to all employees so that every person can realize his or her full potential.

As part of this effort, Casio is endeavoring to reduce the total annual hours worked by employees. The company is also expanding support programs that help employees to meet family obligations, such as taking care of children and other family members, with special consideration for female employees.

Vacations

With the goal of shortening the hours worked by employees each year, Casio is promoting an environment and culture that encourages employees to fully utilize paid vacation time.

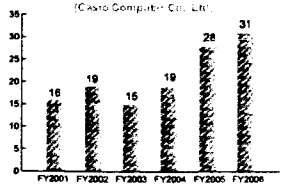
In fiscal 2006, an average of 21.9 paid vacation days were offered to each employee at Casio Computer Co., Ltd., and 58.4% of these days were utilized. The average number of paid vacation days taken was 10.4 full days and 4.8 half days.

Casio also offers a Vacation Day Accumulation Program. Under the program, when an employee is unable to work due to injury or illness, or the care needs of a family member, part of his or her unclaimed paid vacation days that otherwise would expire is carried over and made available for use. Furthermore, after each decade of service, employees are granted an extra five days off.

Child and nursing care leave

Casio established its Rules Concerning Child Care Leave in 1996 in accordance with the company's employment regulations. The rules are applicable to employees with children younger than one year, and have been continually updated in response to changes in laws and the environment. In addition, the Rules Concerning Nursing Care Leave cover employees who have a family member requiring care. These rules also have been revised as necessary since their establishment in 1999.

Employees taking child care leave
(Casio Computer Co., Ltd.)



Communication between Labor and Management

Through regular communication between management and the labor union, Casio hopes to raise the awareness of employees about their right to participate in the management of the company. Casio values close communication between labor and management.

At the core of this labor-management communication is the Group Workers' Labor-Management Conference, which is held twice a year in September and February. At these conferences, opinions from management and labor, together representing the entire Casio Group, are exchanged. In addition, close communication is maintained at various other levels, including the Central Labor-Management Meeting, the Division Labor-Management Meeting, and the Sales Chapter Labor-Management Meeting.

At the end of fiscal 2006, 4,641 of the 7,135 employees of Casio Computer Co., Ltd., and its domestic group companies were members of the labor union.

Building a Supportive Work Environment

Continued support for achieving a balance between work and family

Report by the Special Committee on Measures to Aid the Nurturing of the Next Generation of Children

Casio has always worked on establishing various vacation programs, including child and nursing care leave, so that all employees may demonstrate their full capabilities in a work environment that accommodates their needs.

With the implementation of Law Concerning the Promotion of Measures to Aid the Nurturing of the Next Generation of Children in April 2005, Casio set up the Special Committee on Measures to Aid the Nurturing of the Next Generation of Children, in order to further help employees achieve a balance between work and family life. The committee has established the action plan shown below.

Action Plan: April 1, 2005 to March 31, 2007
Target 1: To create an environment that encourages employees to utilize vacation time.
Target 2: To create an environment that permits employees to take time off for child or family care (leave time or shorter working hours).
Target 3: To enable workers returning from childcare leave to be reintegrated smoothly.
Target 4: To construct a system that reflects the opinions of employees on this action plan.

In fiscal 2006, Casio promoted the taking of planned paid vacation in order to improve vacation time utilization rates. The company also worked on improvements that reflect employee needs. Under the shorter working hours system for employees with childcare needs, the eligibility was extended to the time that the employee's child starts elementary school. Time off was also expanded for fathers at the time of their child's birth, and for maternity protection.

In fiscal 2007, Casio aims to further expand the leave system based on a dialogue with all employees. The company plans to design systems that take into account employee needs, to post information for employees on the Web, and to educate all managers about support for fostering the next generation.

Efforts on Occupational Safety and Health

Casio is taking various steps to maintain and enhance employee health and prevent occupational injuries.

Basic Philosophy

Based on Japan's Industrial Safety and Health Law, various other legal requirements, and Casio's employment regulations, the entire Casio Group is dedicated to offering an environment that ensures employees can work with peace of mind. Casio works to maintain and enhance employee health and to prevent occupational injuries and their recurrence. Similar measures have been adopted at overseas group companies in compliance with the national laws and regulations concerned.

Activities of the Occupational Safety and Health Committee

The Casio Occupational Safety and Health Committee was established in accordance with Japan's Industrial Safety and Health Law. Meeting on a monthly basis, the committee is comprised of the company physician, occupational health managers, and representatives of labor and management. It promotes various measures to keep employees physically and mentally healthy and to ensure occupational safety. In fiscal 2006, the committee advanced the creation of a comfortable workplace promotion plan, based on the Guidelines for Measures to Be Taken by Employers for the Creation of Comfortable Working Environments, issued by Japan's Ministry of Health, Labour and Welfare. On January 25, 2006, the Casio headquarters received approval as a Comfortable Workplace Plan Promoter, and these measures are now being implemented.

In order to further promote occupational health education and activities, Casio is training occupational health managers.

At the Hamura R&D Center and the Hachioji R&D Center, Casio is implementing various safety policies through regular meetings of the Occupational Safety and Health Committees. Just like at the group companies, regular physical examinations are provided to employees, and health management is also promoted by holding mental health seminars.

Promotion of employee health

Casio offers annual physical checkups to all employees. The company is working to increase the number of items covered by the checkups, and also emphasizes the importance of secondary checkups and other follow-up.

There is a clinic (internal medicine and dentistry) at the headquarters of Casio Computer Co., Ltd., and other major Casio sites, each one staffed by a full-time doctor who looks after the health of Casio employees. In July 2005, 924 annual physical checkups were conducted at Casio headquarters, representing a 100% participation rate by headquarters employees.


Wellness Fairs

Casio held a Walking Campaign to help maintain and enhance employee health as well as prevent lifestyle-related diseases. The campaign was run at various locations between September and November 2005, and many people participated, including employees' family members. Casio has also signed an agreement with a fitness club, providing additional opportunities for employees to improve their health.

Casio is striving to raise the awareness of employees about oral hygiene. A column entitled, "Diseases Originate in the Mouth," written by the dentist at the head office clinic, is published regularly on the company's internal Website. In order to improve and prevent lifestyle-related diseases and obesity, the employee cafeterias provide healthy menu choices featuring a balance of calories and nutrition. Wellness Fairs are also held at all Casio sites.

Mental health care

In 2000, Japan's Ministry of Health, Labour and Welfare issued a publication entitled, Guidelines for Promoting Mental Health Care in Enterprises. Through the holding of special seminars for managers, Casio is trying to raise the awareness of mental health issues throughout the company. Employees can also discuss their personal health concerns at the company clinics, or by using the external Physical and Mental Health Hotline.

● Manager Seminars to Promote Health

A special seminar for managers entitled, "Promotion of Health and the Role of Supervisors," was held at the head office in May 2004, at the Hamura R&D Center in November 2004, and at the Hachioji R&D Center in June 2005.

With many managers in attendance, the occupational health physician from the head office clinic gave a lecture, systematically covering diverse subjects, including physical checkups, taking steps to be healthy, overwork and health problems, duty to pay attention to safety, and mental health. In particular, the doctor stressed the role that supervisors should play in the health management of workers.

Prevention of occupational injuries

Casio has been working to achieve zero occupational injuries and is engaged in safety activities targeting an accident-free record at all Casio work sites. In addition, each site and group company conducts fire and disaster prevention/evacuation drills, as well as automated external defibrillator (AED) classes to ensure emergency preparedness.

On September 12, 2005, a disaster and fire drill was held at headquarters involving over 200 participants—not only the company's volunteer fire brigade, but also other employees. The drill began with practicing measures for physical protection from the initial effects of an earthquake, followed by reporting, fire extinguishing, and evacuation guidance in the event of street evacuation on foot from all floors of the building. The drill continued with simulation of safety protection measures, evacuation from the building by fire-truck ladders, spraying water on the fire by the fire brigade and pump trucks, and emergency medical treatment.

AEDs were incorporated into Casio's Regular Lifesaving Seminar on March 1, 2006. The devices have been installed at the head office and the Hachioji R&D Center, and will soon be made available at all sites and group companies.

Time off due to occupational injuries (last five years)

	Number of employees	Number of days
FY2002	0	0
FY2003	1	73
FY2004	0	0
FY2005	0	0
FY2006	3	13

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Social Contribution Initiatives

Casio fulfills the full range of its responsibilities to society by making the most of its proprietary know-how and management resources.

Philosophy on Social Contribution

Based on its corporate creed of "Creativity and Contribution," Casio seeks to contribute to society by creating products that provide people with joy and wonder.

Casio also leverages its proprietary know-how and management resources for the betterment of society. Casio uses its core competence in compact, lightweight, slim, energy efficient technologies to make unique contributions that no other company can.

Rather than merely performing indirect activities such as providing donations, another important channel of social contribution for Casio is to offer the knowledge and experience of its employees to society.

Through communication with various stakeholders, Casio is constantly assessing its responsibilities as a good corporate citizen. Casio is also aware of the importance of establishing its own creative social contribution initiatives to fulfill its responsibilities. The company is currently working to enhance its current range of CSR activities.

Casio continues to dedicate itself to social contribution initiatives in five key areas: (1) environmental conservation to protect irreplaceable global resources and the environment; (2) education to fulfill Casio's responsibility to the next generation who are the future leaders of the world; (3) culture and arts to provide people with joy and wonder; (4) study and research that contribute to the development of the cutting-edge science and technology that are indispensable for society to grow; and (5) community activities to be a useful member of local society.

Casio plans to continue improving its social contribution initiatives by, for instance, developing mechanisms that focus the entire group's efforts, and making them known to the public in an appropriate way.

Contribution to Local Communities

Educational activities with the Tokyo Bureau of Environment

As an effective policy for environmental education and measures against global warming, the Tokyo Metropolitan Government has been promoting the Kids' ISO 14000 Program, developed by ArTech. Already, 8,700 Tokyo children are taking part in the program. As a participating company, Casio Computer Co., Ltd., is sending employees with instructor certification to actively participate in the program, and is developing a wide range of activities. In fiscal 2006, based on a request from the Tokyo Bureau of Environment, Casio made case-study presentations to educators and company officials responsible for CSR in the Tokyo area. In the presentations, along with activities to deepen understanding of the Kids' ISO 14000 Program, Casio undertook part of an environmental education leader follow-up course, and provided a seminar on the importance of educational activities for children and Casio's local educational initiatives.

Casio is actively promoting this kind of social contribution initiative for local communities, while providing places for youth to learn resiliency for a meaningful life, and to practice self-reliance and independence. These activities have received the appreciation of the public. Currently, Casio has received requests for classroom visits and factory tours from many educational institutions around the nation of Japan, and Casio is now preparing to undertake these activities and make other new efforts. By maintaining close ties with local communities, Casio is working hard to foster the society of the future, through both economic development and protection of the global environment. Teaching resiliency for a meaningful life to young people forms the foundation of these efforts.

Support for comprehensive studies classes: Visit to Hatashiro Elementary School

On February 10, 2006, the General Manager of the Environment Center of Casio Computer, Co., Ltd., visited fifth-graders at Hatashiro Elementary School in Shibuya-ku, Tokyo. He went as a guest teacher to talk about Casio's efforts to help stop global warming. He spoke to 90 students in three classes.

After a video presentation on environmental activities, he explained the mechanisms behind global warming and the specific environmental efforts being made on products and distribution at various Casio sites. This was followed by an opportunity to ask questions. The students enjoyed the presentation immensely. They were particularly interested in the samples of eco-products shown to them, such as digital cameras and solar-powered radio-controlled watches that exemplify Casio's compact, lightweight, slim, energy efficient technology. The students were all amazed by, and expressed their admiration for the products, and continued to ask questions even when the class was over.

Although global warming is a complex issue, Casio heard from the students' teachers that the kids were still talking about the presentation for days afterwards. Casio hopes that the youngsters are now taking steps individually and with their families to help prevent global warming.



School visit by Casio

Beautification and cleanup in the surrounding community

Every April 28, the Shibuya-ku ward office holds a general cleanup in order to help beautify the district, with the participation of residents and businesses in this area of Tokyo. In fiscal 2006, the headquarters of Casio Computer Co., Ltd., pitched in to help clean up and restore the appearance of the local neighborhood.



Cleanup around the head office building

Although participation was purely voluntary, 25 head office employees from all departments showed up on that day. In just 30 minutes, the participants were able to gather up a large amount of garbage from around the head office building.

Starting in fiscal 2006, staff from the Hamura R&D Center began participating in a regular volunteer cleanup activity at the nearest station, JR Ozaku. The employees at Casio Micronics (Ome) also carry out regular cleanup activities in their neighborhood. Casio will continue to actively participate in this kind of community activity whenever possible, at all Casio sites.

CASIO WORLD OPEN GOLF TOURNAMENT

The CASIO WORLD OPEN GOLF TOURNAMENT has been held since 1981, part of Casio's social contribution through sport.

Starting in 2005, the location of the tournament was switched to the Kochi Kuroshio Country Club in Kochi Prefecture, Japan—the birthplace of Casio's founder and where Casio has a major manufacturing subsidiary. In order to convey the enjoyment of golf to a wider range of people, the CASIO WORLD OPEN invited Michelle Wie, the young female golf phenomenon with worldwide fans, to her first tournament in Japan. Although she played on weekdays, huge crowds filled the gallery in order to see her perform, and there were also large contingents from the Japanese and international mass media. Although Michelle Wie just narrowly missed making it to the weekend championship round by one shot, many fans were impressed by the sight of her battling against the top male players.

Casio is making various contributions to the people of Kochi Prefecture, which hosted the tournament.

Casio Computer Co., Ltd., donated digital cameras to the local government organizations that helped with the hosting of the golf tournament. A special golf lesson area was also set up for golfers from the tournament to give pointers to local youth on the proper golf swing. In addition, Casio worked with local elementary schools to provide students with a guided tour of the backstage sites of the tournament that are usually closed to the public, including the press conference area and the television broadcast facilities. In order to help promote sport among the local residents, Casio used the charity proceeds raised during the tournament to purchase sporting equipment and donated it to local organizations that serve the welfare of the community.



Local youth receiving golf lessons

Casio plans to hold the same kind of tournament in fiscal 2007, with the goal of benefiting the people of the local community.

Contribution to Civic Society

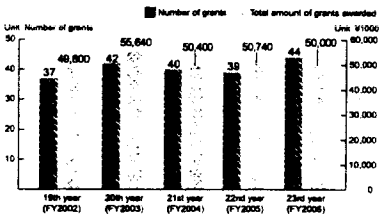
Fostering young science and technology researchers—Casio Science Promotion Foundation—

Basic research forms the foundation for science and technology. The new principles discovered in the realm of basic research often end up having an enormous impact on the wider world. However, since basic research does not produce any immediate profits, researchers are often supported by limited budgets from the government or universities. The Casio Science Promotion Foundation is providing funding for this type of research and thereby contributing to the advancement of science and technology.

The Casio Science Promotion Foundation was established in 1982 by the four Kashio brothers, and the late former chairman, Shigeru Kashio, to contribute to the growth and promotion of academic research in Japan. The foundation's main focus is on assisting cutting-edge, creative research in the early stages conducted by younger researchers. Every year, assistance is given to approximately 40 projects. In addition, approximately 10 grants are awarded to send researchers abroad and 10 more to host research meetings.

In fiscal 2006, 44 research projects received grants, totaling ¥50 million. The recipients included Professor Takeyoshi Dohi of the University of Tokyo, Professor Michio Umino of Tohoku University, and Professor Yasufumi Fujiwara of Osaka University. The grants were awarded to the recipients at the 23rd presentation ceremony held on December 2, 2005.

Number and amount of research grants awarded by Casio Science Promotion Foundation



Website of the Casio Science Promotion Foundation (Japanese-language)
http://www.casio.co.jp/company/zaidan

The clover ♣ symbol indicates disclosure and communication activities in the area of social contribution.

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Social Contribution Initiatives

Supporting the Fifth Dolphin & Whale Eco-Research Network Project

Since the International Dolphin and Whale Conference held in 1994, Casio Computer Co., Ltd., has been working with the International Cetacean Education Research Center (I.C.E.R.C.) of Japan to support educational and research activities involving dolphins and whales. In 2005, the company participated in the Fifth Dolphin & Whale Eco-Research Network Project., Casio provided support for the I.C.E.R.C. exhibit* at Expo 2005 Aichi, Japan, (NGO Global Village) and the realization of better dolphin and whale watching activities in Japan.

Casio is also promoting public awareness of I.C.E.R.C. activities by setting up a dolphin and whale display at the Cetacean, Casio's pilot retail shop in Odaiba, Tokyo, and by sending out the organization's free paper to the retail stores of Casio Distribution.



G-SHOCK mode to support the Dolphin & Whale Eco-Research Network

* Joint exhibit with Japan Environmental Action Network (JEAN), from August 1 to 31, 2005.

Supporting the Teacher's Business Training Program

This year Casio once again participated in the Teacher's Business Training Program, sponsored by the Keizai Koho Center (Japan Institute for Social and Economic Affairs), in order to promote communication between the worlds of business and education.

This program provides elementary, junior high and high school teachers an opportunity to experience corporate activities and share their experience and what they learned with students in the classroom. Started in 1983, the program places teachers with participating corporations during their summer breaks. In recent years there has been increasing interest in this kind of training in the education sector. The business sector and the general public have also become interested in companies' cooperative effort to provide training for teachers, as a way to fulfill their CSR.

During a three-day training course from August 3 to 5, 2005, Casio welcomed seven elementary and middle school teachers from Tokyo and Hyogo Prefecture. It marked Casio's second consecutive year of participation in the Teachers' Business Training Program.

The teachers received training from frontline employee instructors at the Casio head office and the Hachioji R&D Center. The course also included a lively exchange of opinions and ended as a complete success.

The teachers who participated were surprised at the way a private company like Casio is putting its energy into environmental activities, while pursuing its business with goals and dreams. They were very pleased with what they learned in just three days, saying that they would apply this new knowledge in the classroom. The participants also expressed a desire to hear from female managers at Casio next time, and to do more hands-on activities rather than just classroom learning. Casio will apply the feedback in planning next year's activities.



Program for teachers

Contribution to the International Community

Casio Monetary Fund Committee for Peking University Japan Study

The Casio Monetary Fund Committee for Peking University Japan Study has been established by Casio (Shanghai) Co., Ltd., in cooperation with Peking University, China's premier institution for education and research relating to Japanese studies. The goal of this fund is to support the ongoing improvement of the research and educational level for studies in Japanese language, literature, and culture.

The fund awards one-time scholarships to students with excellent academic results in Peking University's foreign-language program for Japanese language or cultural studies and professors who have published outstanding academic papers or research. The awards are designed to further promote research in this field.

On November 9, 2005, a ceremony was held to commemorate both the founding of the fund and to award the first scholarships. The scholarships were presented to three students and five professors.



Scholarship award ceremony

Support for the World Children's Baseball Fair

Since 1992, Casio Computer Co., Ltd., has been supporting the World Children's Baseball Fair, which seeks to promote friendship among the world's youth.

The baseball fair was initially proposed by Hank Aaron and Sadaharu Oh, home-run kings of the US and Japan. With the goals of promoting the spirit of baseball the world over and increasing international friendships between children, the first World Children's Baseball Fair was held in Los Angeles in 1990. Since then, around 250 boys and girls from 20 countries worldwide have participated in the event with great enthusiasm every year.

In 2005, the 16th annual baseball fair was held in Gunma Prefecture from July 28 to August 5. Baseball workshops were held in addition to cultural exchange activities with local children, thereby fostering international friendship.

The promotion of the sporting spirit has become increasingly important for the sound development of youth and the effective utilization of their leisure time.

Through the sport of baseball, children can learn to understand each other better. By supporting this baseball fair that fosters friendship, Casio is contributing to the sound development of young people.



World Children's Baseball Fair

The clover '♣' symbol indicates disclosure and communication activities in the area of social contribution

Sponsoring the Nationwide Youth Keyboard Contest in China

Casio has been supporting the Nationwide Youth Keyboard Contest in China since the Soong Ching Ling Foundation* first established the contest in 1986. To commemorate almost 20 years of support by Casio, a delegation from the keyboard contest including Vice Chairman Chi Liqun of the Soong Ching Ling Foundation was invited to visit Japan in October 2005. As part of this activity, a special China-Japan (Casio and Soong Ching Ling Foundation) keyboard concert was held at the Casio headquarters. The concert featured 10 groups of children aged 9 to 18, who performed solo and in ensembles. The delegation also included a reporter from the People's Daily of China, and this cultural exchange was widely reported throughout that country.

* With the goal of helping underprivileged children across China, the Soong Ching Ling Foundation was established by the wife of Sun Yat-sen, Soong Ching Ling, also famous as one of the three Soong Sisters in Japan. The organization is highly respected by the general public and the government for its activities, which have produced many outstanding instructors and students across China.

Major social contribution initiatives in fiscal 2006

Local communities	Traffic safety	Cooperation with a traffic safety campaign	Street activities during the national traffic safety weeks in the spring and the fall.	Casio Information Systems Co., Ltd.
	Social education	Hosting interns ♣	As part of occupational education activities, actively participated in planning as a corporate participant in university internship programs and hosted 21 interns in fiscal 2005.	Hachi Casio Co., Ltd.
		Company tours ♣	Provided company tours for 281 students from 16 schools in fiscal 2006, as part of comprehensive studies classes and school excursions.	Casio Computer Co., Ltd.
		Classroom visits ♣	Visited Fuchu Dai 4 Elementary School, and gave presentations to about 180 students, teachers, and parents concerning the fun and difficulty of creating products.	Casio Computer Co., Ltd.
	Environment	Cleanup Day	In fiscal 2006, 140 employees participated in the twice yearly cleaning of the areas around a company site, and the route between the site and nearby Higashi Hanawa station.	Kofu Casio Co., Ltd.
		Beautiful Yamagata and Mogami River Forum	Cooperating with the local people, NPOs, universities, and government agencies to support cherry tree planting and maintenance along Mogami River.	Yamagata Casio Co., Ltd.
Civic society	Social education	Nikkei Education Challenge 2005	Support for the Nihon Keizai Shimbun's high school education program in economics and industry. Dispatch of employee instructors.	Casio Computer Co., Ltd.
	Welfare	Participation in blood donation drive	In fiscal 2006, 189 employees at the head office and 264 employees at the Yamano R&D Center participated.	Casio Group
		Jobs offered to physically or mentally disabled persons	Product disassembly, parts sorting and other types of light work are offered on a contract basis.	Casio Techno Co., Ltd.
International community	Social education	Training students as part of university programs ♣	Providing practical training to students as part of university programs (for two or three months). About ten students per year receive practical training at Casio (Thailand).	Casio (Thailand) Co., Ltd.
		Training local high school students ♣	Occasionally some local high school students are provided work experience at PT. Asahi Electronics Indonesia.	PT. Asahi Electronics Indonesia

The clover '♣' symbol indicates disclosure and communication activities in the area of social contribution

Major donations in fiscal 2006

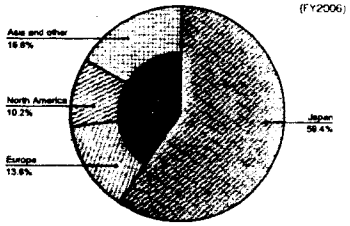
Category	Project title	Donation recipient	Implementing organization
Environment	Support for the "Think the Earth Project" FY2006	Think the Earth Project (NPO)	Casio Computer Co., Ltd.
	Donation to the Japan Industrial Waste Management Foundation	Japan Industrial Waste Management Foundation	Casio Computer Co., Ltd.
	Donation to the Keidanren Nature Conservation Fund	Keidanren Nature Conservation Fund	Casio Computer Co., Ltd.
	Support for WWF Japan (World Wide Fund for Nature Japan)	WWF Japan (NGO)	Casio Computer Co., Ltd.
Education	Support for the International University of Japan	International University of Japan	Casio Computer Co., Ltd.
	Scholarship provision	Casio Scholarship Fund	Casio, Inc.
Culture and arts	Support for the NHK Symphony Orchestra	NHK Symphony Orchestra	Casio Computer Co., Ltd.
	Support for the Tokyo Philharmonic Orchestra	Tokyo Philharmonic Orchestra	Casio Computer Co., Ltd.
Local communities	Sponsorship of the Fruit Nation Higashine - Cherry Marathon	City of Higashine	Yamagata Casio Co., Ltd.
	Collection of Up-to-Date Organizational Information and Maintenance	City of Hamura	Casio Computer Co., Ltd.
Disaster relief	Contribution to the victims of Hurricane Katrina	Japanese Red Cross Society, etc.	Casio Group
	Contribution to the victims of the Pakistan earthquake	Japanese Red Cross Society	Casio Group
International exchange / cooperation	Sponsorship of the Friends Association MISCONCEPTION OF JAPAN	Friends Association MISCONCEPTION OF JAPAN	Casio Computer Co., Ltd.
Social welfare	Donation to this fund for rehabilitation of disabled persons	ARUNDOR REHABILITATION OF DISABLE PERSONS	Casio (Thailand) Co., Ltd.
Healthcare	Donation to the Japanese Foundation for Cancer Research	Japanese Foundation for Cancer Research	Casio Computer Co., Ltd.
	Support for PH-Japan	PH-Japan (NPO)	Casio Computer Co., Ltd.

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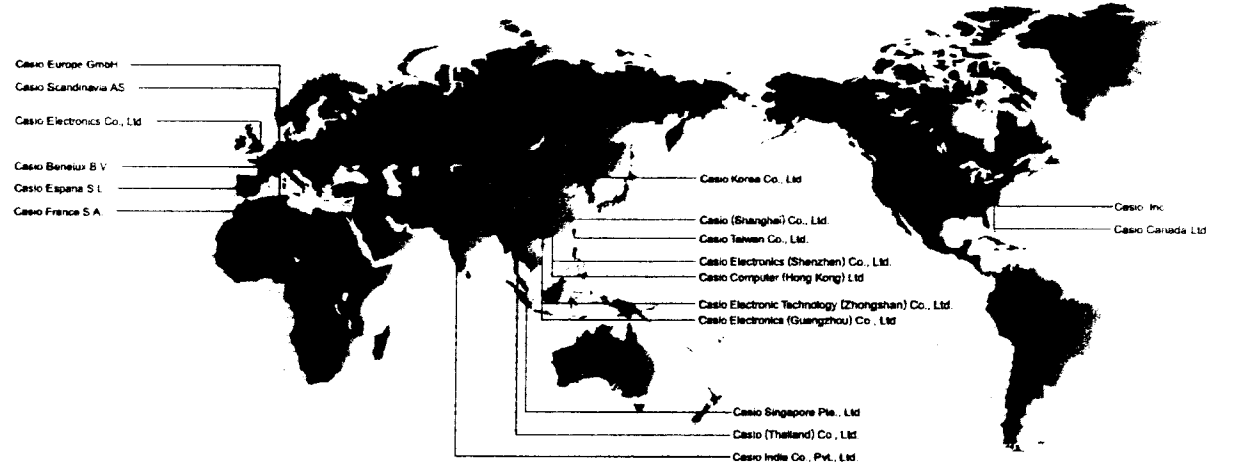
Casio Network

In order to deliver products to customers in all parts of the world, Casio has development, manufacturing, and sales centers across the globe with a focus on four major regions: Japan, North America, Europe, and Asia (excluding Japan). R&D and electronic component manufacturing are performed in Japan, while other manufacturing facilities are located mainly in other parts of Asia. As for overseas sales, Casio, Inc., handles the North American market, while Casio Electronics Co., Ltd., Casio Europe GmbH, Casio France S.A., Casio Benelux B.V., Casio Scandinavia AS, and Casio Espana S.L., handle European sales. In other regions, distributors have been set up to handle direct and indirect exports to these markets.

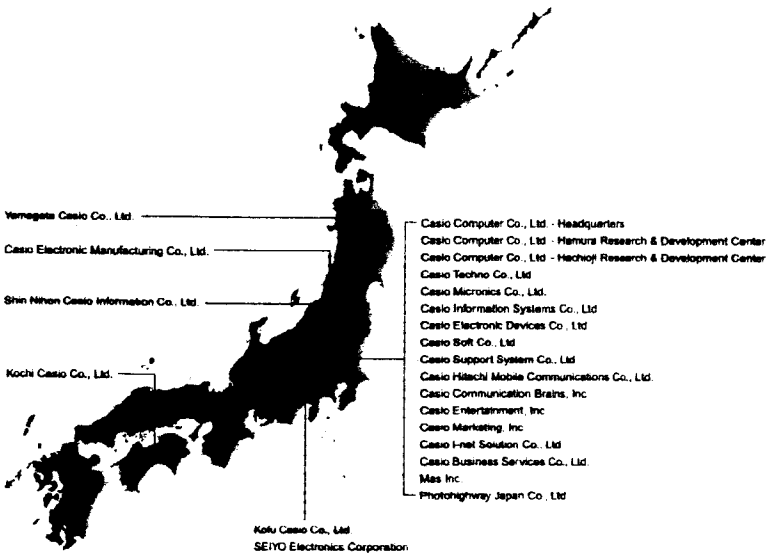
Sales, by region
(FY2006)



Sites outside Japan (as of Sept. 30, 2006)



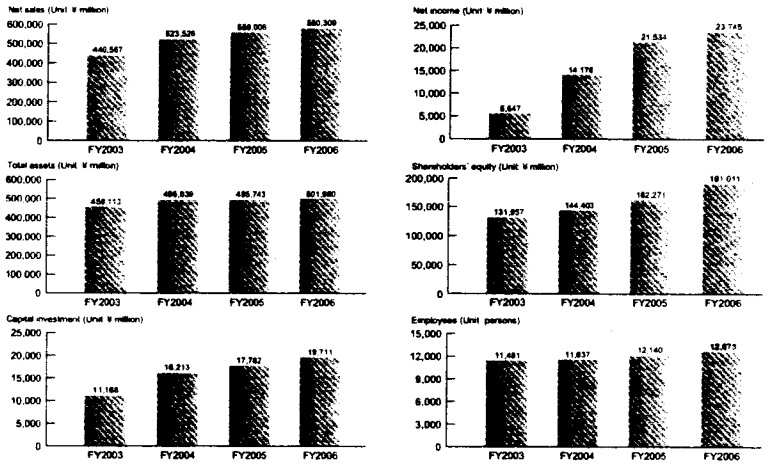
Sites in Japan (as of Sept. 30, 2006)



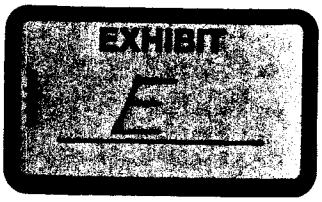
Data on Casio Computer Co., Ltd. (as of March 31, 2006)

Name: Casio Computer Co., Ltd.
Established: June 1, 1957
Headquarters: 1-6-2 Hon-machi, Shibuya-ku, Tokyo
Presiden: & CEO: Kazuo Kashio
Paid-in capital: ¥41,549 million
Employees: 3,320 (non-consolidated)
12,673 (consolidated)
Consolidated companies: Subsidiaries (Japan and overseas) 56
Equity-method affiliates (Japan and Overseas) 4

Consolidated business results



Case 1:06-cv-01751-RMC-DAR Document 61-5 Filed 07/09/2007 Page 26 of 26





"Scott Stimpson"
<stimpsonlaw@gmail.com>
07/07/2007 10:23 AM

To "lkrawczyk@morganlewis.com" <lkrawczyk@morganlewis.com>
cc
bcc
Subject Fwd: Papst interrogatory responses, protective order, and Papst discovery requests

---------- Forwarded message ----------
From: **Scott Stimpson** <stimpsonlaw@gmail.com>
Date: Jun 21, 2007 6:27 AM
Subject: Papst interrogatory responses, protective order, and Papst discovery requests
To: Joseph Cwik <jecwik@welshkatz.com>
Cc: Jeffrey Gold < jgold@morganlewis.com>, Kevin He <khe@morganlewis.com>, " lkrawczyk@morganlewis.com" < lkrawczyk@morganlewis.com>, "J. Fee" < jkfee@morganlewis.com>, Jerold Schnayer <jbschnayer@welshkatz.com>

Joe:

This is further to our discussion regarding discovery issues.

Papst non-compliance with Judge Robinson's Order

We addressed with you the inadequate responses to Judge Robinson's order for "complete responses" to our interrogatories. Specifically, we explained that your response on the infringement interrogatory refused to identify the accused products, the asserted claims, claim interpretations, or even a theory of infringement; that you have provided no evidence of secondary considerations, when you obviously have studied and accused the products of many companies to be infringing; your response to interrogatory 4 did not provide any information, including information that was provided orally to the other targets of Papst; you did not provide a contention on the art area and level of ordinary skill; and there is nothing provided in your responses to the interrogatory about the alleged invention.

You advised us that you believed your responses were complete and proper.

Papst discovery requests

A) Your proposed limitations on technology documents: You provided a list of technology areas that you want to focus on now in your email of June 12, but continue to refuse to withdraw your requests that currently seek documents on unrelated technology. We cannot agree to provide you with this set now, and then have you request another set of different documents tomorrow – that is no compromise or narrowing of the issues for the court.

Moreover, your requests continue to be overly broad. They include every document

relating to lens operation, focus, zoom, storage of an image in memory, etc. The only topic of interest in this litigation is how data is requested by and transferred to a PC. We would be willing to provide documents related to that topic as a compromise, although we still believe they have no relevance as the only real question is how the cameras work, not how they were designed (especially if willfulness is bifurcated).

You would not agree to further limit the technical subject matters in your email of June 12.

B) Licensing documents: We believe Papst should now be precluded from obtaining licensing information due to its failure to abide by Judge Robinson's order regarding our interrogatory 4, and as a sanction for the overbroad discovery requests that were served. Subject to resolution of our motions, including bifurcation, we will agree to produce documents sufficient to show licenses related to the Casio Digital Cameras.

C) Sales, costs, and profits: Subject to resolution of our motions, we will agree to produce summary sales, costs, and profit information for cameras sold in the United States, with reasonable backup. There is no need for every invoice to be produced, etc., but we will produce reasonable backup.

D) Indirect importation of Casio cameras into the United States: Subject to resolution of our motions, we will provide documents sufficient to show any knowledge we have of cameras that go to the United States.

E) Financial impact of camera sales: Subject to resolution of our motions, we will agree to provide documents that address any impact on sales of other products from the sales of the Casio cameras.

Protective Order

As we advised you several days ago, we are producing non-technical confidential documents. As for the technical documents, we do not believe a protective order will give sufficient protection against the risk of disclosure to the patent prosecutors. Moreover, since Welsh & Katz should, in our view, be disqualified for its role in the negotiations relating to the two patents-in-suit, it makes little sense for the Court to hassle with details of the protective order now.

We remain unable to file our motion to disqualify, as there is much relevant information that Papst is still withholding. For example, we have no real response to our interrogatory 4, despite the multiple orders of the Court. We also do not have all the Papst document production, nor has Papst provided the formerly privileged and work product information that was ordered produced by Judge Robinson. Until Papst cooperates in discovery, we cannot properly address this issue. We have been waiting for months, and through two court orders, and still we do not have this information.

Even if the Court declines our anticipated request to disqualify, the protective order you

propose is not nearly sufficient, and would create a logistical nightmare for the Court due to all the qualifiers you have included. The order should be very simple, stating that no one involved in any way with prosecution will see Casio confidential documents.

Sincerely,

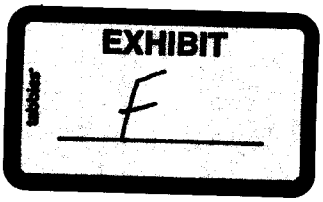
Scott

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Scott D. Stimpson
The Law Office of Scott D. Stimpson
Suite 1102
445 Hamilton Avenue
White Plains, NY 10601
email: stimpsonlaw@gmail.com
phone: 203-258-8412

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phone: 203-258-8412

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC., Plaintiff, v. PAPST LICENSING GMBH & CO. KG, Defendant.	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah A. Robinson
PAPST LICENSING GMBH & CO. KG, Counter-Plaintiff, v. CASIO INC. and CASIO COMPUTER CO., LTD. Counter-Defendants	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah A. Robinson

DECLARATION OF SATOSHI KATAKAI

I, Satoshi Katakai, hereby declare as follows:

1. I am a manager of 21 Development Section, Second Development Department, QV Digitalcamera Unit, Product Department HQ at Casio Computer Co., Ltd. and have been in this position since April 1, 2006.

2. I am in charge of digital camera design and manufacture at Casio Computer, and as such I am familiar with how the cameras are designed and manufactured.

3. The cameras are designed at Casio Computer Company, Ltd., and detailed specifications are sent to three other companies which independently assemble the cameras. One of these companies is Yamagata Casio Co., Ltd., which is a subsidiary of Casio Computer Co.,

Ltd. The other two companies, Flextronics International Ltd. and Ability Enterprise Co., assemble the cameras in China.

4. As the designs are done at Casio Computer, Casio Computer has all the research and development documents on the designs, and Casio Computer also has documents sufficient to show how the cameras are assembled and how they function.

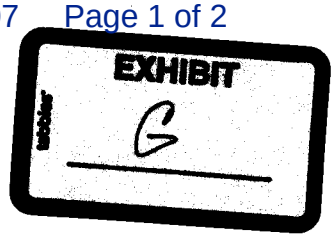
5. Casio Computer has hundreds of employees who are involved in some manner with design, development, and testing of digital cameras. They generate incredible amounts of documents and data every year. For Casio Computer to collect and review these documents, or any significant portion of them, would be an extraordinary burden to Casio, requiring substantial time and effort from many people, and would take many weeks to complete.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: July 9, 2007

By: _____

Satoshi Katakai
Manager
21 Development Section
Second Development Department
QV Digitalcamera Unit
Product Department HQ
Casio Computer Co., Ltd



UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC.,	
Plaintiff,	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah A. Robinson
v.	
PAPST LICENSING GMBH & CO. KG,	
Defendant.	
PAPST LICENSING GMBH & CO. KG,	
Counter-Plaintiff,	Civil Action No. 1:06 CV 01751 Judge: Gladys Kessler Magistrate: Deborah A. Robinson
v.	
CASIO INC. and CASIO COMPUTER CO., LTD.	
Counter-Defendants	

DECLARATION OF KOICHI KANEDA

I, Koichi Kaneda, hereby declare as follows:

1. I am a deputy general manager of QV Department, Overseas Marketing & Sales Division, Global Marketing Headquarters at Casio Computer Co., Ltd. and have been in this position since April 1, 2006.

2. I am in charge of sales of Casio cameras outside of Japan, and am responsible for knowing how Casio Computer products are being sold outside of Japan.

3. To my knowledge, with the exceptions noted below, all sales of Casio Computer cameras into the United States are done through the United States subsidiary of Casio Computer Co., Ltd. That subsidiary is Casio, Inc.

4. Casio Computer intends all United States sales to be done through Casio, Inc., and does not permit sales in the United States by any other Casio-related companies. As a deputy general manager, I would expect any instances violating this policy to be immediately brought to my attention.

5. The only voluntary instance of Casio camera modules being sold into the United States by any company other than Casio, Inc., relates to an agreement Casio Computer had with Pentax from 2002-2004. In that time period, Casio Computer sold camera modules to Pentax and that company is believed to have sold some or all of its cameras containing Casio's camera module into the United States.

6. On occasion, I have heard reports of Casio cameras being available for sale in the United States for prices lower than Casio, Inc. prices, and we suspect that these cameras are being sold by third parties (not Casio, Inc. or any other Casio-related companies).

7. Casio Computer has hundreds of employees who are involved in some manner with sales of cameras, and the amount of documents and other data related to cameras and generated by those personnel over any given year is huge and nearly impossible to quantify. For Casio Computer to collect and review these documents, or any significant portion of them, and not including the documents from Casio Computer's many subsidiaries, would take months of time and would be an enormous burden.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: July 9, 2007

By: K. Kaneda

Koichi Kaneda
Deputy General Manager
QV Department
Overseas Marketing & Sales Division
Global Marketing Headquarters
Casio Computer Co., Ltd.