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Co., Ltd.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

**IN RE PAPST LICENSING GMBH & CO.
KG LITIGATION**

This Document Relates To:

Casio, No. 06-cv-1751

**Misc. Action No. 07-493 (RMC)
MDL Docket No. 1880**

**CASIO'S MEMORANDUM IN OPPOSITION TO PAPST'S MOTION
TO COMPEL THE PRODUCTION OF DOCUMENTS**

I. THE SCOPE OF THE PAPST MOTION

Without a deep and detailed review of the Papst proposed order, the Papst exhibits, and even documents Papst did not attach to its motion, the scope of what Papst is asking this Court to do is difficult to fully appreciate. To ensure that the enormity of the Papst motion is clear, Papst seeks an order that all the following documents, and more, be produced by Casio within ten days:

1. Every document from every Casio company all over the world relating in any way to any research, design, development, testing, licensing, commercial production, sale, offer for sale, or importation of every Casio Digital Camera. Requests 2-4 and 6, Papst proposed order ¶¶6.¹
2. From every Casio company all over the world, and for every feature of every Casio Digital Camera (regardless of whether it is in issue), all “engineering specifications, assembly drawings, production drawings, parts drawings, schematic drawings, block diagrams, parts lists, bills of material, prototypes, specification sheets, sales manuals, brochures, instruction or operating manuals, user manuals, technical publications, technical documentation, white papers, or technical bulletins relating to any and all Casio Digital Cameras.” Request 5, see also, *e.g.*, Request 6, Papst proposed order ¶¶6.
3. Every document written, created, received, and/or generated by any Casio company all over the world that has any relation to Casio Digital Cameras. Request 6, Papst proposed order ¶¶6.
4. Every communication with every customer of Casio Digital Cameras all over the world. Request 7, Papst proposed order ¶¶6, 9.
5. Every document from every Casio company worldwide that relates to any property, characteristic, advantage, or disadvantage of any Casio Digital Camera. Request 10, Papst proposed order ¶¶6.
6. Every document related to Casio sales all over the world. Request 19, Papst proposed order ¶¶9.
7. Every advertisement, brochure, bulletin, price list, circular, press release, commercial article, or other materials concerning Casio Digital Cameras all over the world. Requests 35-37, Papst proposed order ¶¶6.
8. Every document exchanged between any Casio company and any licensee or product manufacturer, and every document relating to every meeting with every manufacturer. Requests 59-61, Papst proposed order ¶¶6.

¹ For the Court’s convenience, the Papst order is attached hereto as Exhibit E to the declaration of J. Kevin Fee “Fee Decl.” Please also see Request 71, and ¶¶16 of the Papst proposed order. Request 71 sought every document related to the Papst interrogatories. Papst did not provide those interrogatories to the Court, but they are attached hereto as Fee Decl. Exs. A and B .

9. Every document ever exchanged between any Casio companies, not limited to cameras. Request 67(c), Papst proposed order ¶10.
10. Every document that describes details of the electronic information systems of every Casio company over the last ten years, and every application that has ever been run on those systems. Request 70, Papst proposed order ¶11.
11. Every document, including documents in the files of Casio's litigation counsel, relating to studies of the patents (thus, without any mention in its memorandum, Papst is requesting the Court to order Casio to waive privilege and work product). Requests 38, 39, 44-51, 53-55, 71, 74; Papst proposed order ¶13, 16.
12. Every document setting forth officers and directors, or other people with controlling interests, for every Casio company worldwide for the last ten years. Requests 56, 58, Papst proposed order ¶14.
13. Every document identifying every person worldwide that has been involved with management, sales, licensing, marketing, design, and engineering for every Casio Digital Camera for the last ten years. Request 57, Papst proposed order ¶14.

What would Papst do if, assuming it were even possible, Casio actually produced all these documents? Does it really intend to have teams of translators and lawyers ready to review the millions upon millions of documents and emails in the Japanese, German, French, Indian, Korean, Taiwanese, and Chinese languages?

It is not the discovery Papst seeks by this motion, it is the associated expense to Casio. Papst now seeks to use this Court as an instrumentality to increase expenses so much that it will be able to extract a settlement from Casio.

The Papst motion to compel could not pass Rule 11 muster – no good faith analysis would consider any significant fraction of these requested documents relevant. Casio has refrained from filing that motion. Casio does, however, seek all its costs and fees associated with responding to the frivolous scope of this motion. Fed. R. Civ. P. 37(a)(4)(B).²

² See Federal Trade Commission's report "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy" (pertinent pages attached as Fee Decl. Ex. C) at pages 38-43 (referring to numerous observations that non-practicing entities attempt to set licensing fees below the cost of litigation, "so as to make the taking of a license the only economically sensible alternative, regardless of the strength of the patent" and referring to such practices as "hold-ups"). This report was cited by Supreme Court Justices Souter and Breyer in their concurring opinion in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006).

II. THE DOCUMENTS NOT ADDRESSED IN THE PAPST MEMORANDUM

Papst does not attempt to justify the full scope of documents it seeks. While Papst claims, in footnote 1, that “more detailed explanation as to how each individual Document Request relates to the issues in this lawsuit” is provided in Exhibit G (sic, Exhibit H), that Exhibit has no detail at all – it is just a check list with no reasoning or legal support.³

Discovery is only relevant if it “appears reasonably calculated to lead to the discovery of admissible evidence.” Fed. R. Civ. P. 26(b)(1). Papst has not addressed the relevance issue for the vast majority of its requests. Consistent with precedent of this Court and positions Papst has taken elsewhere, the motion should be denied because Papst has not made a specific and detailed showing of why the full scope of information it seeks is relevant.⁴

The issues in this case are whether the Casio cameras infringe the patents, and whether the patents are valid. Papst’s requests seek documents far removed from these issues. For example, Papst pursues Request 6, which seeks every document at every Casio company worldwide that has any relation to digital cameras.⁵ There is so much encompassed by this

³ Cf. *Alexander v. FBI*, 186 F.R.D. 185, 187 (D.D.C. 1999) (denying motion to compel because “plaintiffs . . . must show in their initial motion that the information they seek to compel is relevant Their initial motion is comprised of only two pages and offers little in the way of legal citation or reasoning . . .”).

⁴ *In re: Papst Licensing, GmbH, Patent Litig.*, No. 99-MD-1298, 2001 U.S. Dist. LEXIS 10012, at *46 (D. La. July 12, 2001) (sustaining Papst’s objection because opposing party “has not provided the court with a specific relevance basis for this request.”); see also *49-50 (two instances of the same) and *54 (on Papst’s objections, refusing to compel any production from set of requests that were “broad and burdensome by any standard”); see also *Alexander v. FBI*, 194 F.R.D. 316, 325 (D.D.C. 2000) (“once a relevancy objection has been raised, the party seeking discovery must demonstrate that the information sought to be compelled is discoverable.”); *Andritz Sprout-Bauer, Inc. v. Beazer East, Inc.*, 174 F.R.D. 609, 631 (M.D. Pa. 1997) (same). Papst should not be allowed to try to plug these holes in its reply memorandum. Cf. *Hebert v. Nat’l Acad. of Scis.*, 974 F.2d 192, 196 (D.C. Cir. 1992) (“To consider an argument discussed for the first time in a reply would be manifestly unfair to the appellee who, under our rules, has no opportunity for a written response.”).

⁵ Papst proposed order ¶6; Papst Exhibit H; Papst Mem. at 5 (addressing *inter alia* Request 6: “Casio should be ordered to produce all responsive documents concerning all Casio Digital Cameras....”) (emphasis by Papst).

request that Casio cannot possibly even address it.⁶ None of it, beyond the documents Casio has produced or agreed to produce, bears any reasonable relation to the issues in this case.

Even if Papst had somehow established marginal relevance to some of the documents it seeks, that relevance must be balanced against the burden to Casio.⁷ It is self-evident that collecting even a fraction of the documents Papst seeks would be an enormous burden and expense to Casio, which is a major international corporation with nearly 13,000 employees, and dozens of worldwide subsidiaries.⁸ *See* Fee Decl. Exs. F (§8) and G (§7). The third-party discovery Papst seeks would place similar burdens on Casio subsidiaries all over the world, and require escapades from country-to-country, hiring translators for many different languages, legal review of every document, etc.⁹

III. CASIO HAS OR WILL PRODUCE THE NECESSARY DOCUMENTS

Subject to resolution of Casio's pending motions for sanctions Casio has already produced or agreed to produce at least the following in the liability phase of this case:

- Infringement: All Casio cameras are available for inspection; all user manuals; all service manuals; documents sufficient for a full understanding of how the Casio cameras function and operate with regard to the technology at issue; and R&D documents relating to transfer of data from the cameras to a PC.
- Generally relevant documents: Non-privileged/work product documents related to the patents and Papst; documents supporting or contradicting Casio's claims and defenses; non-privileged/work product documents relating to claim interpretation; document retention policies; and documents providing a general overview of electronic systems.

⁶ *See* Fed. R. Civ. P. 34(b) (requiring requested documents to be described with "reasonable particularity"). This request, for example, would include a letter from Casio Singapore to a Singapore truck driver changing the time of a delivery of cameras, a French testing report for the battery life of a camera, a complaint from a German customer about an inoperative shutter, a Korean customer's question about flash operation, etc.

⁷ *In re: Vitamins Antitrust Litig.*, 198 F.R.D. 296, 301-02 (D.D.C. 2000); *see also* Fed. R. Civ. P. 26(b)(2)(C)(iii) (holding that the court should limit discovery when "the burden or expense of the proposed discovery outweighs its likely benefit....").

⁸ Fee Decl. Ex. D, p. 48-49.

⁹ Casio stands behind all its objections (including privilege, work product, relevance, undue burden, etc.), even though space limitations will not allow discussion of each.

- Commercial success: Sales summaries for the United States; and sales summaries from Casio Japan to all countries of the world.
- Validity: Any prior art or other documents relied on by Casio, and other documents supporting or contradicting the validity defenses.

IV. THE DOCUMENTS REQUESTED BY PAPST

A. Technical Documents – Papst Section III(A)

Papst seeks production of all documents, not limited to these “narrowed” technical areas. See Papst proposed order, ¶6 and Papst Ex. H. In any event, even the narrowed technical areas are far too broad.¹⁰ The cases cited by Papst do not support the Papst position that every technical document regarding each of Casio’s digital cameras needs to be collected and produced, and Papst provides no explanation as to why it allegedly needs them. Casio will produce documents sufficient for an understanding of how the Casio products operate and function, and it offered, subject to its pending sanctions motion, to provide R&D documents relating to transfer of data from a camera to a PC – that is the technology accused of infringement. Papst needs no more.

B. Products Not Accused Of Infringement – Papst Section III(B)

As requested in Casio’s pending motion for sanctions (MDL docket #38), Papst should be limited to the six products it has accused, as a sanction for its failure to comply with the Court Orders. If that request is denied, Casio will produce documents on other products. There is no

¹⁰ Narrowed topic 1 seeks, for example, all documents related to the cameras taking pictures (“acquisition and processing of light images. . .”). This narrowed topic alone would capture such irrelevant technical subject areas as optical and digital zooms, shutter release, flash operation, focusing and contrast, night shot options, exposure control and compensation, white balance, image brightness, backlight functioning, color filters, image sharpness, color saturation, and image contrast. None of these technical areas, all evident from the Casio manuals produced to Papst, are relevant. The other topics are equally overbroad, requesting all documents on such things as mega-pixels per acquired photo, types of SD cards, image file formats, movie formats, data compression, audio and recording media, image data amount options, camera set up, camera photo quality options, computer programs for all these irrelevant technical areas, camera video quality options, recording volume options, and built-in memory capacities.

justification, however, for Papst's request that Casio be ordered to produce the vast scope of documents it seeks (see Section I), but instead only documents offered by Casio in Section A above should be required.

C. Damages and Willfulness Documents – Papst Section III(C)

On April 8, 2008, this Court ordered that liability and damages are bifurcated for discovery and for trial and that discovery on damages and willfulness is stayed pending a determination of liability. Based on this Order, Casio will not be producing documents in connection with these requests, and we assume Papst no longer seeks the production of damages and willfulness documents at this time. However, Casio notes in passing that Papst's requests on these topics are vastly overbroad, seeking to invade the files of Casio's litigation counsel for privilege and work product, and seeking far more discovery than is needed on either damages or willfulness issues.

D. Foreign Activities – Papst Section III(D)

1. Lack Of Relevance, Undue Burden

There is no need for documents from foreign Casio companies. Casio Japan designs the vast majority of the camera models, and they are assembled according to the Casio Japan specifications by Yamagata Casio and two unaffiliated companies in China. Casio Japan has in its possession the documents on R&D, design and operation for these cameras and its costs simply include payments to these three other manufacturing companies. *See* Fee Decl. Ex. F.¹¹

¹¹ Two digital camera models, the LV-10 and the GV-10, were designed and manufactured by third parties, Mustek Systems Inc. and Primax Electronics, Ltd. Papst has not accused either of these models of infringement (despite having their detailed manuals since May of 2007) and the sales of these products are extremely small in comparison to the models Papst accused of infringement (they account for substantially less than 1% of the sales of the accused models). Casio Computer Co. has some documents showing the design and operation of the LV-10 and GV-10 but other documents would be in the custody of Mustek Systems Inc. and Primax Electronics, Ltd. *See* Fee Decl. Ex. F.

Casio Japan sells the cameras to Casio America, and Casio America sells them in the United States. *See* Fee Decl. Ex. G. The only intentional exception was an agreement Casio Japan had with Pentax from 2002-2004. *Id.* at ¶5. If Papst articulates an infringement theory that could possibly cover sales in that period, Casio will produce related documents. *See Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

Papst makes the argument at page 6 of its memorandum that Casio is liable by inducement for sales outside the United States if there is an expectation that the products later will be sold in the United States in an infringing manner.¹² This is a wild fishing expedition, and there is no such expectation. *See* Fee Decl. Ex. G.

The only other argument made by Papst is that these documents may be relevant to commercial success. But Papst should be precluded from asserting any commercial success as a sanction for its refusal to comply with the Court's Orders (MDL docket #37, interrogatory 3). If the Court allows Papst to assert foreign commercial success, Casio will agree to provide sales summaries from Casio Japan to foreign countries.¹³

2. The Control Issue

Even if Papst had some plausible theory of relevance of documents from foreign companies, and even if that relevance could somehow overcome the unthinkable burden to Casio to produce what Papst seeks from all Casio companies, Papst has made no showing that either

¹² *DSU Med. v. JMS Co.*, 471 F.3d 1293, 1304-05 (Fed. Cir. 2006).

¹³ *See, e.g., Minnesota Mining and Mfg. Co. v. Smith & Nephew PLC*, 3-91 CIV 274, 1992 U.S. Dist. LEXIS 22785, at *6-7 (N.D. Ill. July 27, 1992) ("limited discovery of . . . foreign sales information").

Casio party has control over the documents at foreign Casio companies. It is Papst's burden to prove control with specific facts, for each of these many companies.¹⁴

Papst is asking this Court to order a Japanese company to obtain massive amounts of confidential information from many foreign countries, including China, Korea, India, France, Germany, England, and Taiwan. Yet Papst does not say a word in its brief of the comity issues involved. Whether the documents Papst demands can be produced will depend in significant part on foreign law.¹⁵

E. Confidential Technical Documents – Papst Section III(E)

Pertinent confidential information on the operation of the cameras in the possession of Casio Japan is being produced now that the protective order issues are resolved.

F. Date for Production – Papst Section III(F)

Casio will undertake to produce additional documents relating to the patents-in-suit, if any, within two weeks, subject to resolution of pending motions.

G. Other Documents – Papst Section III(G)

1. Financial Documents: As a result of the Court's April 8, 2008 Order bifurcating damages and staying discovery on this issue pending a determination of liability, Casio will not be producing documents responsive to these requests.

¹⁴ *Steele Software Sys., Corp. v. Dataquick Info. Sys., Inc.*, 237 F.R.D. 561, 565 (D. Md. 2006). As evidence of control, Papst presents at page 8 of its memorandum only a single page from a 2006 Casio Annual Report. It provides a list of related Casio companies and nothing more. It does not "demonstrate that Casio Japan is in control of twenty-seven other Casio entities likely to possess relevant information," as Papst claims.

¹⁵ *Cf. In re Ski Train Fire*, MDL No. 1428, 2006 U.S. Dist. LEXIS 29987, at *18 (S.D.N.Y. May 16, 2006) (considering Austrian law in connection with control issue); *Astra Aktiebolag, et. al. v. Andrx Pharms., Inc.*, 208 F.R.D. 92, 97-98 (S.D.N.Y. 2002) (considering German law with regard to privilege issues).

2. **Documents from all Casio Entities**: Please see Section IV(D), above.

3. **Computer systems**: Papst does not attempt to explain how the full scope of these requested documents are relevant. Absent such a showing, Papst's motion to compel the production of these documents should be denied.¹⁶

4. **Other lawsuits**: Papst requests production of all documents (including privilege and work product) related to every lawsuit worldwide, no matter what the legal or technical issues of the litigation. Casio objects on grounds of relevance, undue burden, privilege, and work product. These objections are consistent with objections Papst successfully made in another case on the exact issue.¹⁷

5. **Prior Art**: Contrary to the *Rohm and Haas* case, Papst requests prior art, with no explanation of how it could possibly be relevant or useful if Casio is not relying on it. This request, as with so many others, is nothing but "make-work" for Casio.

6. **Communications with customers**: These documents have no relevance to this litigation, and would be extremely burdensome for Casio to collect and produce. Papst's cited case does not support this request.

7. **Identities of people and businesses**: By demanding every document at every Casio company worldwide that identifies every officer, director, and person or entity involved in any way with the cameras for the last ten years (Requests 56, 57, 58, 66), Papst has chosen the discovery route that will increase Casio expense as much as possible, and Papst has

¹⁶ See, e.g., *India Brewing, Inc. v. Miller Brewing Co.*, 237 F.R.D. 190, 194 (E.D. Wis. 2006).

¹⁷ *In re: Papst*, 2001 U.S. Dist. LEXIS 10012 at *34-35 (denying discovery from other litigations and noting both parties' "ironic desire for, and abhorrence of, discovery concerning other litigation."); see also *id.* at *41 (Papst's objection to producing documents in other courts sustained in part, limiting the request to litigations on the patents-in-suit); *id.* at *55; *Payne v. Howard*, 75 F.R.D. 465, 469 (D.D.C. 1977) (denying motion due to the lack of specific showing of relevance of other litigations: "Whether pleadings in one suit are 'reasonably calculated' to lead to admissible evidence in another suit is far from clear. Fed. R. Evid. 401, 406. In the Court's view, discovery of this type typically will *not* lead to admissible evidence. *Id.*") (emphasis in original).

shown no need for it. Indeed, Papst successfully objected to the same discovery request in a different litigation – an objection that carries much more force here as Papst demands the same thing for dozens of companies all over the world.¹⁸

V. CONCLUSION

For all the foregoing reasons, we respectfully request that the Court deny the Papst motion in its entirety, and grant Casio fees and costs pursuant to Fed. R. Civ. P. 37.

Respectfully submitted,

DATED: April 18, 2008

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Attorneys for Plaintiff and Counter-Defendant Casio
America, Inc. and Counter-Defendant Casio
Computer Co., Ltd.

¹⁸ *In re: Papst*, 2001 U.S. Dist. LEXIS 10012 at *46 (sustaining Papst’s objection to a document request because it “would require Papst Licensing to produce information about every employee, director and shareholder....”); *see also* *51 (sustaining Papst’s objection to documents referring or relating to organizational structure as “overly broad”).

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

**IN RE PAPST LICENSING GMBH & CO.
KG LITIGATION**

This Document Relates To:

Casio, No. 06-cv-1751

**Misc. Action No. 07-493 (RMC)
MDL Docket No. 1880**

DECLARATION OF J. KEVIN FEE, ESQ.

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 Papst Licensing GMBH & Co. KG's Proposed Order Granting Motion to Compel the Production of Documents, filed on April 16, 2008 (Dkt. 55).
8. Attached hereto as Exhibit F is a true and correct copy of the Declaration of Satoshi Katakai.

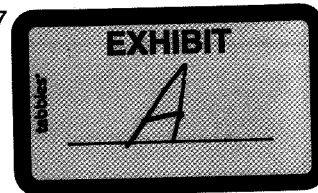
9. Attached hereto as Exhibit G is a true and correct copy of the Declaration of Koichi Kaneda.

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

Dated: April 18, 2008

By:


J. Kevin Fee



UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CASIO INC.

Plaintiff,

v.

PAPST LICENSING GMBH & CO. KG
Defendant.

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

**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 its 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
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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

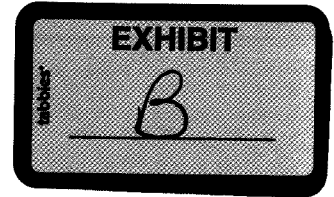
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101 Park Avenue
New York, New York 10178

/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.

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

**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 its 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, 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

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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 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

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Counsel for Casio Inc.

VIA U.S. MAIL AND E-MAIL

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New York, New York 10178

/s/ Joseph E. Cwik

Attorney for Papst Licensing GmbH & Co.
KG

EXHIBIT

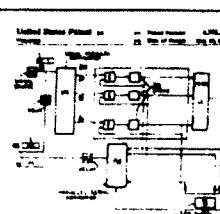
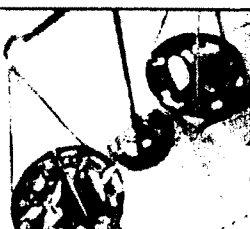
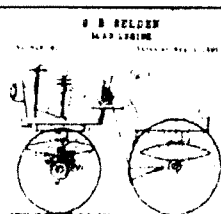
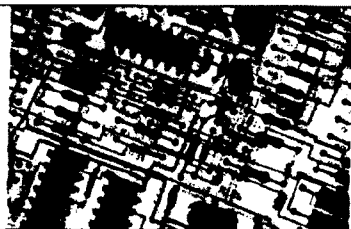
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FEDERAL TRADE COMMISSION



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

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.

(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)

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

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.

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

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

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

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

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.

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.

EXHIBIT

tabbies

Casio Corporate Report 2006

Successful Business for a Sustainable World

CASIO

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This report is made of paper certified by the Forest Stewardship Council (FSC) to be made of responsibly managed forests and produced with ink certified by the American Soybean Association.

Message from the President on Casio's Social Responsibility

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

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 contributing 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.

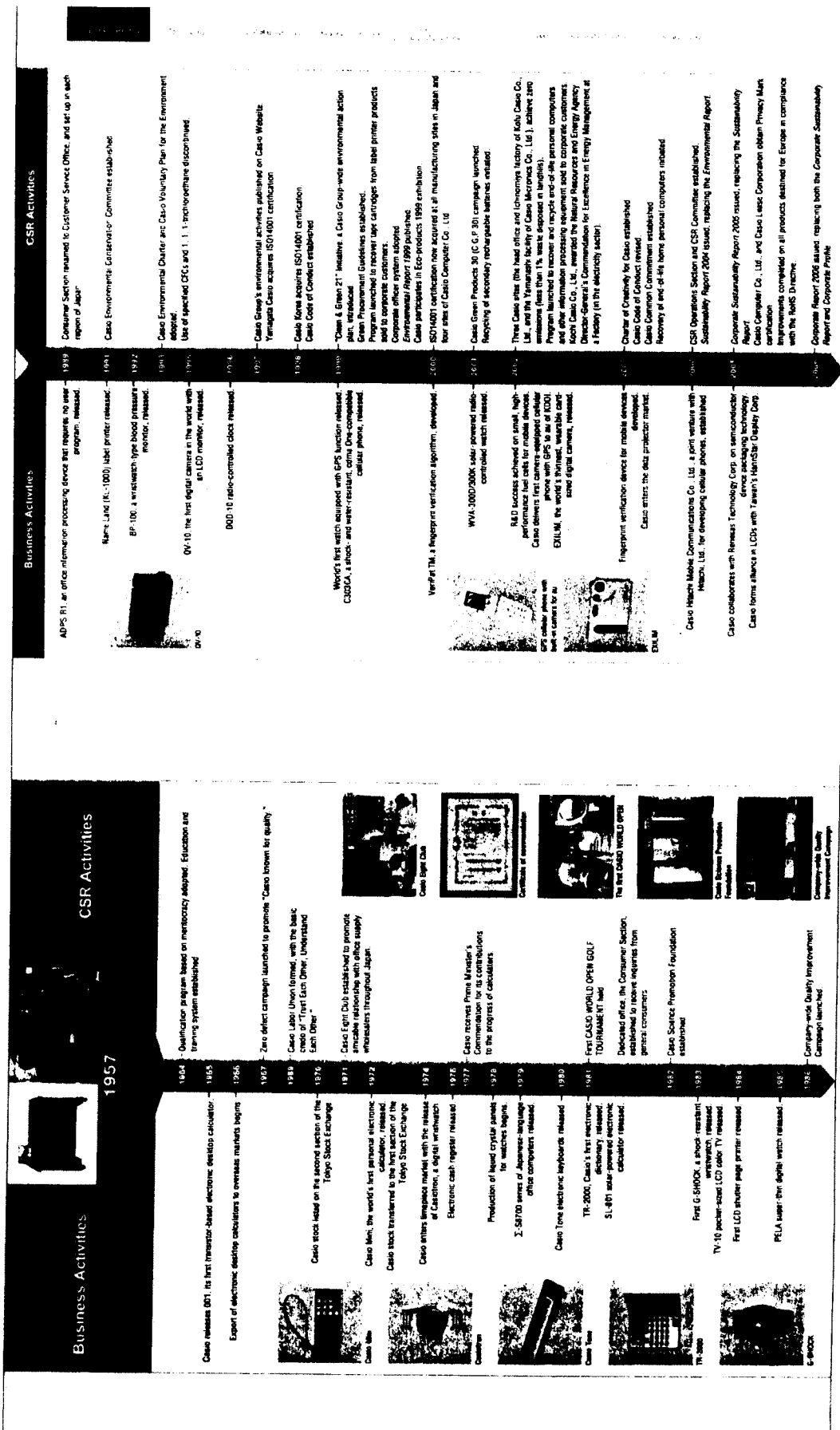
In past years, Casio has published the *Corporate Profile* and *Corporate Social Responsibility Report* separately. This year, however, we have combined the two into an *Integrated Corporate Report*—the one you are reading now—in order to present a fuller picture of Casio to readers of both publications. 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.



Kazuo Kashio
Kazuo Kashio
President & CEO

History of CASIO

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

Timepieces

Solar Power and Radio Control—Always Evolving

With a Li-Iron metal case, the OCEANUS 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 to chronograph, tide graph, and many other measurements.

OCEANUS OCEANUS

With a Li-Iron metal case, the OCEANUS 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 to chronograph, tide graph, and many other measurements.

ULIANA ULIANA

The ULIANA is a solar-powered, radio-controlled watch for women with a Li-Iron 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-foot cut-back that shines differently depending on the direction of the light, this sophisticated wristwatch incorporates all the details preferred by women.

Ultimate Solar-powered Timepiece

Solar-powered, radio-controlled wristwatch with a light sensor to activate the LCD display. The watch is compatible with the five transmitters worldwide, a slim module of the OCEANUS features multiple hands to chronograph, tide graph, and many other measurements.



Mobile Network Solutions

Anytime, Anywhere

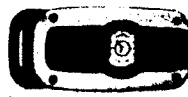
The D1-5200 is a rugged, solar-powered, radio-controlled watch for women with a Li-Iron metal case and an elegant and simple look. In addition to a beautiful face with multiple hands, the watch features a leather wristband with an elegant, arabesque design on the inside. As well as a 15-foot cut-back that shines differently depending on the direction of the light, this sophisticated wristwatch incorporates all the details preferred by women.

D1-5200

This mobile communication terminal combines the features of a handy terminal with the portability of a PDA. By combining it in combination with Excellent Store's Shop support solutions, the user can perform everything from data transmission to routine retail tasks with one device. The D1-5200 leverages information to increase total in-store productivity and contributes to the standardization of business management.



While offering superior water and shock resistance, the 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.



Complying with the RoHS Directive

The WIDEA cellular phone not only complies with the RoHS Directive, but also features a built-in camera and a 50MB data folder, it can also be used with external memory. A mobile electronic dictionary is also built into the phone.



System Equipment

Reliability Delivers Efficiency

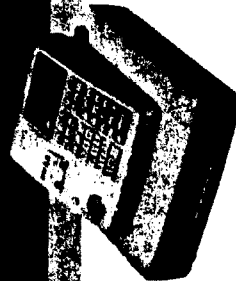
Case reports that the reliability of the TE 300 is a major factor in its selection for use in a variety of applications. The TE 300 is a compact, rugged, and reliable cash register that is designed for use in a variety of applications. The TE 300 is a compact, rugged, and reliable cash register that is designed for use in a variety of applications.



TE 300

TE 300

The TE 300 is a cash register that fits well with the micro 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 antimicrobial keypad for use in medical and restaurant settings.



TE 300



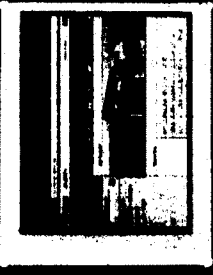
Reducing Operating Costs through Efficiency

Case reports that the reliability of the TE 300 is a major factor in its selection for use in a variety of applications. The TE 300 is a compact, rugged, and reliable cash register that is designed for use in a variety of applications.

Electronic Components and Others

Creating the Cutting Edge

Cutting-edge products are the result of the latest advances in electronic components. These components are the building blocks of the electronic industry. They are the components that make the electronic products work. They are the components that make the electronic products reliable. They are the components that make the electronic products efficient. They are the components that make the electronic products safe. They are the components that make the electronic products secure. They are the components that make the electronic products easy to use. They are the components that make the electronic products fun to use. They are the components that make the electronic products a part of our lives. They are the components that make the electronic products a part of our future.



TE 300

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-thin LSI grows, so too does the demand for COF technology.



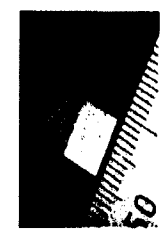
BUMP

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. BUMP technology is essential for circuits in cellular phones and other advanced mobile devices.



WLP refers to the creation of chip-sized packages right on a silicon wafer through copper redistribution formation. Electrode posts formed on 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.

WLP: Wafer-Level Packaging



Casio's Unique Strengths

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

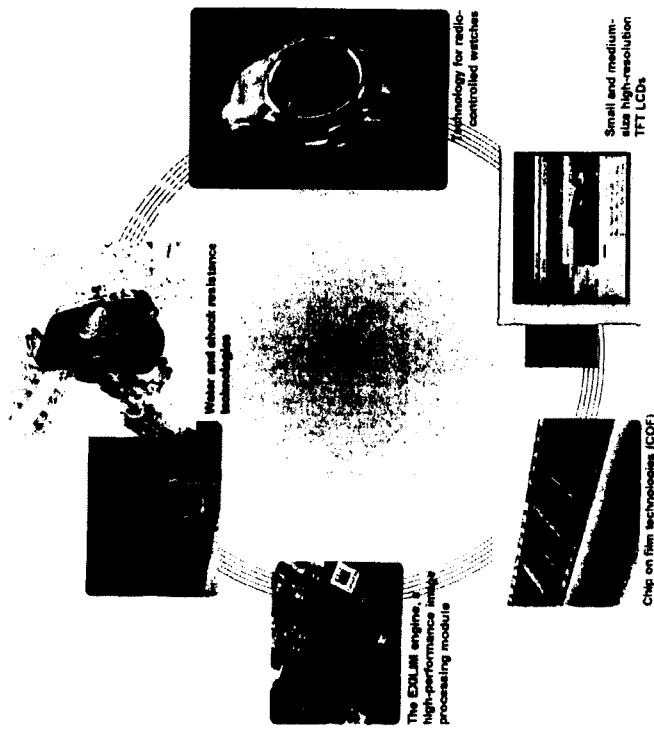
Casio contributes to society by developing original products that never existed before, yet meet universal needs. This enables Casio to grow side-by-side with all of its stakeholders.

● 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 pursuing 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 the 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 superior original ideas. Casio makes the most of the experience in digital circuit design it has developed since the early years to carry out its own LSI design. As a result, the company has invented

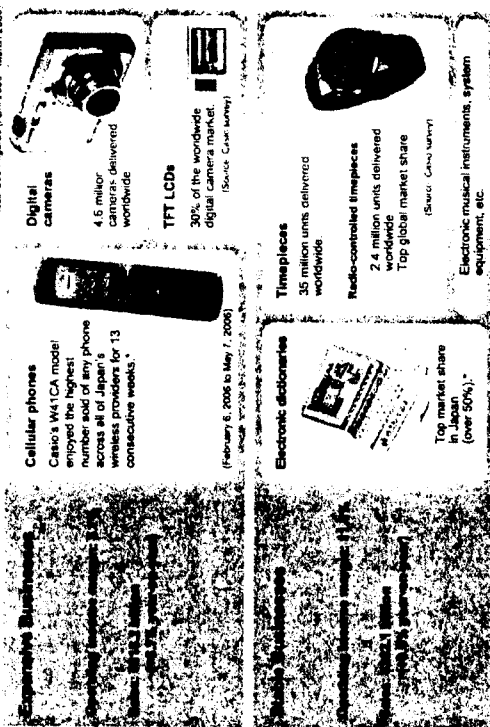
very small circuits with high performance and low power consumption. Casio utilizes these digital circuits in the EXILIM engine, an image processing module at the heart of its digital cameras. In another field, Casio began producing LCDs in 1978 and has become a leader in the development of small and 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.



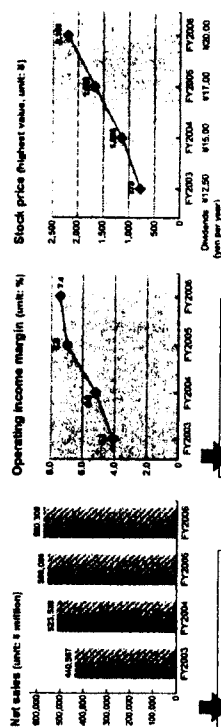
● Business Strategy: Generate Both Profitability and Future Potential

Casio has performed businesses that have maintained top market share and yield healthy profits as Stable Businesses. It has positioned businesses that are expected to experience significant growth as Expansive Businesses, while also seeking remaining competition as a Growth Business. This three-pronged 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-to-serve 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.

Fig. 2006 Figures (April 2006 - March 2006)



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



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.

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%.

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.

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 Resilience for a Meaningful Life
- Reducing Casio's Greenhouse Gas Emissions
- Complying with European Environmental Laws

Creating Energy from Natural Environmentally Friendly Fuels 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 natural fuels.

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

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 technology to develop a compact, low-power, and high-precision micro reformer with the

least waste of energy 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 reactions that produce hydrogen and render emissions harmless and a heater/temperature sensor on a single chip, which achieves start-up 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 membranes etc. trade assemblies (MEA).

The high-density component, Right Micro reformer

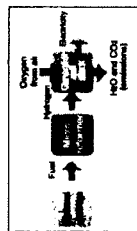


Figure 1 Basic Mechanism

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 a fuel cell stack with a volume of only 22 milliliters (6.5H x 18W x 190mm). 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.

*W/L: A unit for measuring electrical output (watts) per unit 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 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.

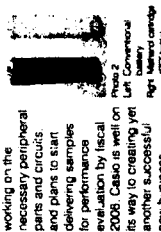


Photo 2 Fuel cell module (left) and fuel cell cartridge (right)

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



And Person



Masaharu Shinya
Casio Technologies R&D Division
Chief 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 idea some thought in 1998, I decided to look into up-and-coming battery technologies. Workbooks concern me the environment was seeping 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 are 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 technology and deliver practical applications that help people achieve the goal of living in harmony with the environment.

CSR Highlights Applying the Mechanisms of Human Intelligence Production Yamagata Casio Receives 2005 Nikkei "Monozukuri" Grand Prix

Yamagata Casio Co., Ltd. manufactures cellular phones, wristwatches, 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 Plastic Molding System installed at its plastic molding and precise metal molds factory.

The reasons Yamagata Casio won the award are described below. The cellular phone and wristwatch 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 plastic 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.

- AI 500 PCs and devices such as CAD/CAM systems and machine tools are connected to a network, and each person has a PC.
- Computer intuitively manages ongoing conditions for each metal mold along with drawings, and all

Metal mold design and data preparation
After receiving 3D digital data for a cellular phone or a wristwatch 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 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. After the operator has to do is to confirm the completion of the mold. This process is completed with minimal errors or production delays.

Also, tasks previously performed only by experts such as shaving and 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 coated 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.

personnel share the production drawings 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 vibrations and 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.

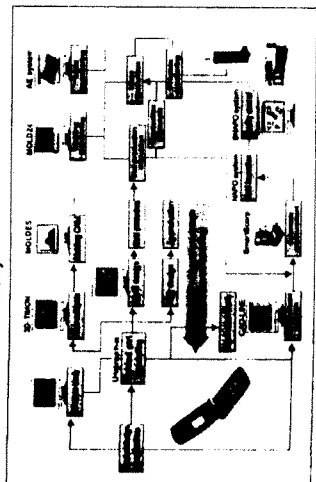
Thanks to this Digital Network System for a plastic molding and precise metal molds factory, Casio's cellular phones and wristwatches move from development to production in a very short period of time.

Japanese monozukuri production 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



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 data. This ensures that the molding process is completed with the best of molding machine & resin, which have been built up over the past 15 years. The optimal conditions are sought in 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. At 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. There are 100 irregularities, an alarm goes off. The possibility of a defective mold is a 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 detect any abnormality. If there are any abnormalities, the machine is shut 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. 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, if there are breakdowns, an alarm goes off. The possibility of a defective mold is a machine is shut down. The system prevents defective products from coming off the line.

Yamagata Casio has pursued the greatest competitive edge in



Talking on the Challenge of Creating Monozukuri! People on Site: How to Work Smarter, Not Harder

Toshihiro 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 appreciated attainment and admiration at the sight of skilled technicians making molds only by computers without using paper drawings. But the most reward I received by the pleasure of my colleagues' work was the sense of achievement. Although Japanese manufacturing faces a very challenging environment, I would like to pursue monozukuri and contribute to our business expansion.

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

Social Contribution Factory Tours for 10,000 People

Casco 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 family and companies. They learn about product construction by having the rare chance to see the production line. They are made and actually try to make products. They learn the value of a product by looking at the history of Casco products. They also learn the history of scientific and technological development behind the various devices they see every day. All this gives the young people a glimpse into the wonders of science. Inspiring presentations by Casco employees help the children to discover that they can realize their dreams through hard work and perseverance. Finally, by witnessing Casco's environmental activities, they learn the importance of protecting the global environment. Casco'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.

In fiscal 2006, the second year of the program, 124 children became a part of the career education promotion program for elementary school students. The program was sponsored by high school students sponsored by the Japanese government and the integrated study periods of school curriculums. The program was entitled "Make a Proposal to Casco: Your Own Idea for a New Calculator," since calculators are one of Casco's main products. The

interested schools in the Tokyo metropolitan area

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

Through joint initiatives with several companies, Casco 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 Casco group company

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

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

The Factory Tour for a meaningful life, advocated by Casco, is based on three fundamental concepts 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. Casco 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.

held at the Tokyo International Exhibition Center (Tokyo Big Sight) in December 2005, the Casco 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 Casco was able to expand its community outreach.

In fiscal 2007, Casco will further expand the scope of these activities to



Factory tour

Promoting ISO Activities for Kids

Participants in Casco's "Factory Tours for 10,000 People" program learn about the steps the company is taking to recycle waste and save energy in its calendar. 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.

Casco is also participating in the Kids ISO 14000 Program developed by the non-profit, non-governmental International Association of Technology Cooperation Organization (IATCO). Casco employees with instructor certificates are participating in an active leadership program for 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 ability they need to lead a meaningful life.

Casco 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. Casco is actively promoting the program. Further, since the program is effective in nurturing development, as well as environmental protection, Casco will also make it a part of its lifetime learning initiative. In the future, Casco intends to deploy certified instructors through our Japan network to expand the reach of the Kids ISO 14000 Program.



There are currently 30 Otaguro cherry trees growing at the Kofu Casco site. These cherry trees produce beautiful blossoms every spring, giving wonder and joy to a

that see them.

The Otaguro cherry grows along the banks of the Fuefuki River, which flows through Chuguchi, Yamana-shi, where Kofu Casco is located. Spring blossoms and new leaves appear at the same time on this variety of cherry. With the unusually large white blossoms of the Otaguro cherry, these trees are very special to the local people. In 1925 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 Otaguro cherry. Efforts have been made to propagate and replant the species, using the few remaining descendants of the original trees.

Kofu Casco has also stepped in to help preserve the Otaguro cherry tree. In spring 2004, the company planted 15 Otaguro 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 Casco and the local community. Casco is committed to providing more community support, through tree planting and other "greening" activities.



Otaguro cherry blossoms

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



Tenssaki Furuya
Chief, Social Contribution
Kofu, Chiba, Co., Ltd.

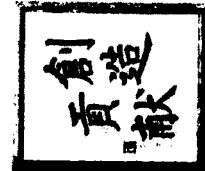
While CSR management has gained prominence recently, we actually have an opportunity to think about corporate social contribution several years ago when our company was founded. We were discussing ways to help children become the leaders of tomorrow by developing the spirit and ability of the young people of the time. The company was founded to create 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, and the power of pursuing one's dreams, consideration for others, and the importance of protecting the global environment. The factory tours are also a source of 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 has been looked 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 schools learning from a small project such as this can grow into something that tells the world what Casco is all about. We hope to keep providing these tours to better contribute to society.

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 creativity in the photo here—Creativity and Contribution in Japanese—was done by Casio's founder, the late "Radio Kaitaku" (Radio Explorer) Masaru Ibuka. When Casio got its start with the invention of a small fully automatic electronic calculator, which was unique in an era where 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.

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 introduced 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 a message describing the kind of company that Casio ought to be, as a result of its vision on the company's mission. 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 spirit 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 realize innovative products that everyone needs, but no one company has ever produced. At Casio this is the mission of 50% of product development out 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 contributing 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 respective 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, the external auditors attend board of directors meetings and meetings of the board of operating officers. In addition, they perform careful audits by gathering information and reviewing reports from directors and operating officers, and by reviewing resolution documents relating to important decisions.

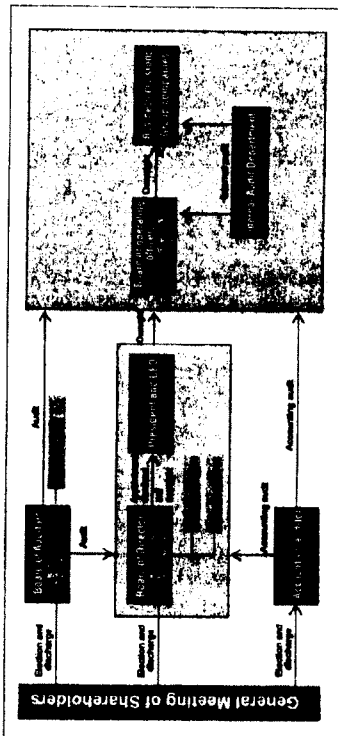
Internal Audit Department

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 deliberates on priority issues related to CSR, including the formulation of CSR policies, initiatives, policies and systems for execution. The committee also makes the CSR Committee for each CSR issue and the CSR Committee for each CSR issue and the CSR Committee is currently addressing the issues of compliance, risk management, and protection of personal information.

Corporate governance system diagram



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 Kashiwa 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 in the corporate value by reinforcing its system of internal controls, (3) pursuing 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.

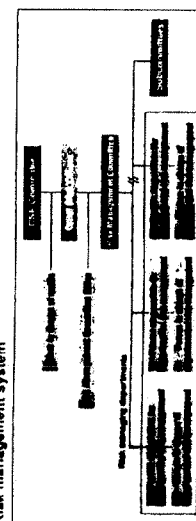
Casio has also been working urgently to reinforce its system of internal controls, responding to legislation in the form of recent series of corporate scandals both in and outside Japan. The company is committed to meeting stakeholder demands for fair and transparent corporate management.

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

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 contact, 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. The hotline is 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 officer, send an email, fax, or letter, or directly visit the officer in person. The hotline serves as a neutral and fair body for the company and people with information to report. The information reported 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

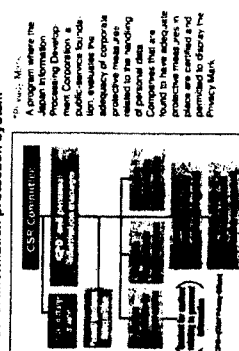
Casio Computer Co., Ltd. has appointed the Executive Vice President to the position of Chief Privacy Officer (CPO) and personal information manager and constructed a system for personal information protection under his direction. With the support of top management, all employees and officers are being 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 the 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 certified itself as a member of the Privacy Mark Association. In fiscal 2005, all personal data held by the company was encrypted, raised and subjected to a compliance audit in the requirements of the JIS Q 15001 compliance standard, resulting in 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 on-site 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



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.

Responsibilities to 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 check-ups on all staff and ensuring that they observe the following four points when receiving calls from customers:



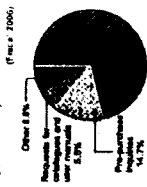
Customer Support Center

- Prompt, accurate and polite response
- Acceptance of customer's remarks with sincerity and accurate understanding of the facts
- Efforts to be 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

responsible for various activities to improve customer satisfaction and to foster good relationships of trust with overseas users of Casio products.

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.

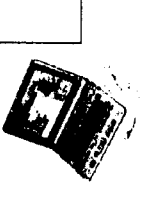


Customer Satisfaction Surveys

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

- Make the text display easier to read!
- Prompt sales presentation!
- Make the dictionary expanded!



Electronic Dictionary

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 product repair, 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. Casio is striving to improve product quality by feeding 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.

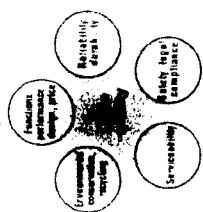
Quality Management Policies

- 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, genbu (on site), genbutsu (actual goods), genritsu (reality), genritsu (theory) and genroku (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 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 "Design" Customer's 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 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 semi-annually by convening the heads from the Electronics business segment (consumer, impulse 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 product quality and service. Moreover, personnel responsible for quality assurance have been appointed in the development departments to look after product specifications, software, mounting, order processing, circuits, devices, and manufacturing, respectively, in each business. In addition, the quality managers who oversee the entire operations ensure product quality in each business.

Teachers Meeting (Product Feedback from Educators)

The gathering provided important material for future product development. It was also a valuable opportunity for teachers 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 the teachers' questions, and there was a lively exchange of opinions among the teachers.



Teachers Meeting

Building Strong Partnerships

Responsibilities to Suppliers
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 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 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 helping 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 pre-scribed questionnaires

Reporting on the Guidelines

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



Procurement Policy Presentation Meeting

Responsibilities to Shareholders Information Disclosure Optimum Shareholder Return and

and Investors
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 imagephones, 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 cash flow. As a result, record-high net sales and operating profit were achieved for the first time in the five-year period from FY2002 to FY2006. Operating profit rose to ¥900.3 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 production of 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"

● Sanfords M&A Asset Management Co. Ltd.

● Eco-Balance Turn to Share (Net and Buy)

Communication with Shareholders and Investors

Casio is actively engaging 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



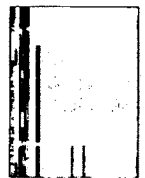
Financial Results Briefing

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 to 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

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 1983, 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 to the 10th time.

When the plan was 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 and divisions ward 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 66%. 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 material 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 compliance with the European RoHS Directive, and completed the compliance requirements with the cooperation of relevant companies and business partners.

Business-related activities and results

Our business site-related activities included energy conservation efforts. The target we set was to reduce CO₂ emissions per unit of actual production by 10% in fiscal 2006 compared to the fiscal 2004 level. However, CO₂ emissions increased 5% due to a unit price decline in our ITI-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 Micro Systems Co., Ltd. (Omre) 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 identify PCB-containing equipment currently in storage by the end of fiscal 2006. We completed the application for contacting the treatment of PCBs stored at the Hamura 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 EU's Directive and REACH Regulation in Europe, and pursue product compliance.

Future business 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 CO₂, 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 CO₂ 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 refining 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 Environmental 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

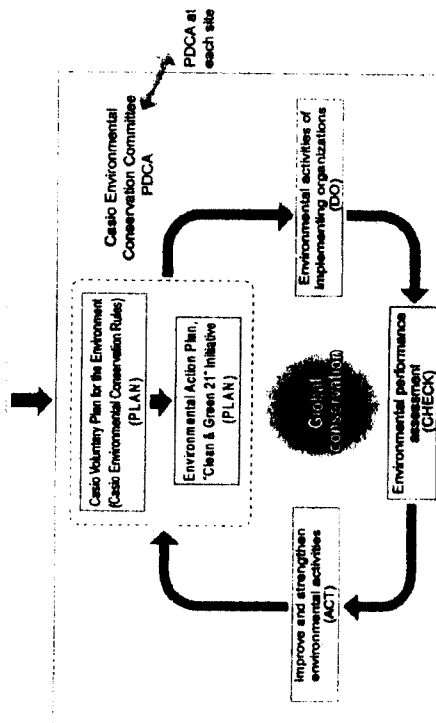
Casio Environment Charter

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 appreciate 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)."

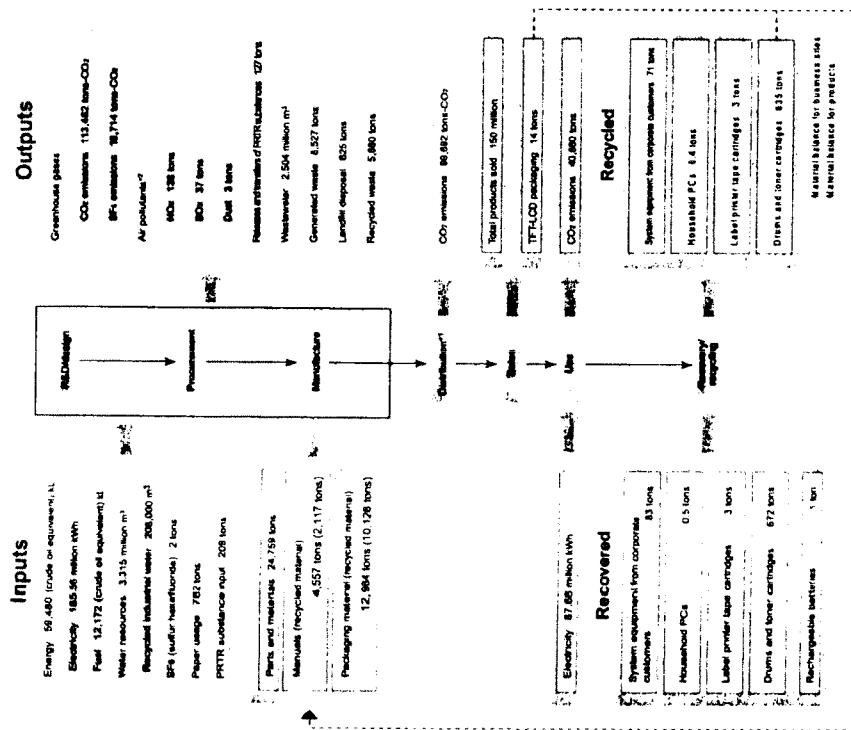


Material Balance of Business Activities

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

In Japan, Casio's business activities are divided into three segments: Components segment, Electronics segment, and Instruments segment. Outside Japan, Casio's business is in the Electronics segment only.

Material Balance of Business Activities



* Product distribution is compared to transportation companies.
** Data for recycling and waste are not listed because they have been fully processed.

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 actively working on 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 Hara-Color / Moss). 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 competencies in compact, lightweight, slim, energy efficient technologies. For the 2005 exhibition, Casio planned 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 in the main stage.

Casio plans to take part again in the Eco-products 2005 Exhibition.



Building a calculator

CSR Report 2006 Reading Session

In August 2006, Casio held the CSR Report 2006 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 participating in the second teacher's Business Training Program, Casio presented a presentation on their manufacturing process in order to improve the teacher's 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.



CSP Report 2006 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, follow-



Website

Environmental Report website
<http://world.casio.com/en/>

Major awards and commendations in fiscal 2006

Year	Month	Award / Commendation	Awarding organization
2005	June	Nikkei Prefecture Governor's award for excellence in promotion of environmental conservation	Nikkei Prefecture
2005	June	Award of excellence for electrical safety and environmental conservation	Japan Electric Association
2006	February	Award of excellence for rationalization of electrical use	Kansai Region Electricity Usage Rationalization Committee

Environmental Accounting

Fiscal 2006 performance

1. Environmental conservation activities by business unit

Category	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

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.

2. Capital investment

Item	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

3. Environmental conservation activities by business unit

Category	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

In terms of the environmental efficiency of sales, CO₂ emissions per unit of sales came to 5.11 (million-ton/CO₂) due to waste environmental efficiency. Casio's CO₂ emissions per unit of sales decreased by 0.08 (million-ton/CO₂) compared to the previous fiscal year, mainly due to increased business activities and the introduction 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/CO₂), 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 (KPIs). A gas emitted during the CVD process, which creates less of silicon or other substance on the board during the manufacture of TFT-LCD panels.

4. Environmental costs

Item	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

5. Environmental conservation activities by business unit

Category	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

In terms of the environmental efficiency of sales, CO₂ emissions per unit of sales came to 5.11 (million-ton/CO₂) due to waste environmental efficiency. Casio's CO₂ emissions per unit of sales decreased by 0.08 (million-ton/CO₂) compared to the previous fiscal year, mainly due to increased business activities and the introduction 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/CO₂), 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 (KPIs). A gas emitted during the CVD process, which creates less of silicon or other substance on the board during the manufacture of TFT-LCD panels.

6. Environmental costs

Item	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

7. Environmental conservation activities by business unit

Category	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

In terms of the environmental efficiency of sales, CO₂ emissions per unit of sales came to 5.11 (million-ton/CO₂) due to waste environmental efficiency. Casio's CO₂ emissions per unit of sales decreased by 0.08 (million-ton/CO₂) compared to the previous fiscal year, mainly due to increased business activities and the introduction 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/CO₂), and 32% of the amount used was recovered and recycled.

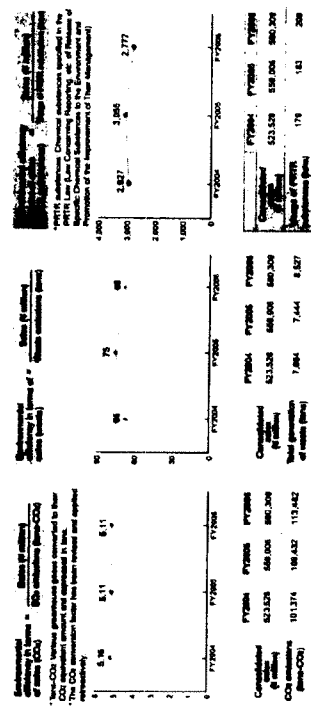
In the future, Casio will steadily implement medium-term measures with the aim of expanding economic and environmental conservation effects through energy and resource conservation-associated cost savings and the improvement of environmental performance indicators (KPIs). A gas emitted during the CVD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

8. Environmental costs

Item	Investment	Conservation	Recycling	Waste	CO ₂	Other
Investment	1,122	1,122	1,122	1,122	1,122	1,122
Conservation	1,122	1,122	1,122	1,122	1,122	1,122
Recycling	1,122	1,122	1,122	1,122	1,122	1,122
Waste	1,122	1,122	1,122	1,122	1,122	1,122
CO ₂	1,122	1,122	1,122	1,122	1,122	1,122
Other	1,122	1,122	1,122	1,122	1,122	1,122

Environmental efficiency in terms of sales

Casio's environmental efficiency in terms of sales is given below in terms of CO₂, waste, and substances specified under the PRTR Law. These indicators have changed due to increased production, but Casio intends to continue improving them.



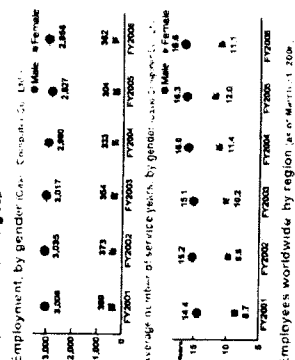
Scope of data compilation for environmental accounting: Casio Computer Co., Ltd. and consolidated subsidiaries in and outside Japan. Reference guideline: Environmental Accounting Guidelines 2005, Ministry of the Environment, Japan.

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 "the respect, merits, 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, 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.



Total number of Casio group employees: 3,273

Employment-related initiatives

Based on the philosophy and policies described above, Casio respects every person's human rights and individually. 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 by Screening and Employing New Graduates issued by Nippon Kaisha (Japan Business Federation), and helps to impact on students' learning caused by the market trends. In addition, it holds its interviews on Saturdays or at other times than the conventional hours 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

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 corporate creed. The company continually reviews its personnel system, as it seeks to better reflect the changes in the surrounding environment.

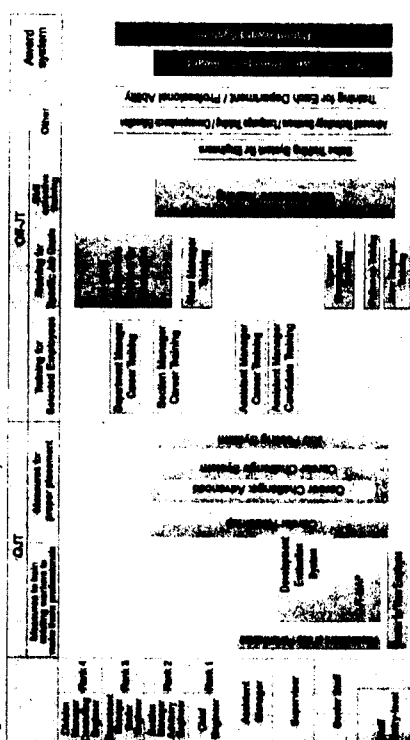
Under Casio's merit-driven system, employees are rewarded according to the abilities required for their position, irrespective of their gender, age, or length of service. To complement this, Casio's merit-based approach determines the results they actually achieve in their assigned roles. The objective 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 Compensation System applies to non-managerial employees, while the Appraisal System applies to managers and specialists who are graded and trained based on their individual functions and accomplishments.

In the Appraisal System, employees are evaluated in three areas, namely, target achievement under management;

Organization of Casio's human resources system



Building a Supportive Work Environment

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

Policies or 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 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 may 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, a second tool with the company's employment regulations. These rules are applicable to employees with children younger than one year old and have been continually updated in response to changing Nursing Care Leave environment. In addition, the Rules Concerning Nursing Care Leave states that employees who have a family member requiring care. These rules also have been revised as necessary since their establishment in 1998.



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 Child Care Leave to Aid the Nurturing of the Next Generation

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 encourage employees to take time off (child or family care leave) on or shortly before working hours.
- Target 3: To enable workers returning from childcare leave to be reintegrated smoothly.
- Target 4: To conduct 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 employees' 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 a work 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 manager, 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 achieved the creation of a "Healthy Workplace" and the adoption of the "Guidelines for Measures to Be Taken by Employers for the Prevention of Occupational Injuries and Illnesses" 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. These are provided to employees, regular physical examinations are also provided 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 books 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.

Casio also holds a "Working Campaign to Enhance Employee Health" 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



Wellness Fairs

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 cafeteria provides 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 2006 and 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 conduct safety activities such as safety training, safety 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 and first aid.

Time off due to occupational injuries (last five years)

Fiscal Year	Number of Days
FY2002	0
FY2003	1
FY2004	0
FY2005	0
FY2006	3

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.

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 to the betterment of society. Casio uses new technologies, 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, a more important means 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 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 ATech. 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 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 training course, and provided a seminar on the importance of educational activities for children and Casio's local educational initiatives.

Baification and cleanup in the surrounding community

Every April 28, the Shinyu-yaku ward office holds a general cleanup in order to help beautify the district, with the participation of residents and businesses in the 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.

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 office buildings and garbage from around the head office.

Starting in fiscal 2005, staff from the Hamura R&D Center began participating in a regular volunteer cleanup activity at the nearest station, JR Otsuka. The employees at Casio Micronics (One) 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.

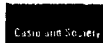
Starting in 2005, the location of the tournament was switched to the Kochi Kurohito Country Club in Kochi Prefecture, Japan—the birthplace of Casio's founder, where Casio has a major manufacturing subsidiary. In order to convey the enjoyment of golf to a wider range of people, the CASIO WORLD OPEN invited 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 overseas media. Although Michelle Wie just narrowly missed making it to the second 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 sides 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



Cleanup around the head office building



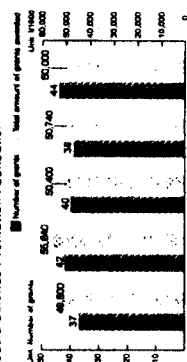
Contribution to Civic Society

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

Basic research forms the foundation for science and technology. The prizes discovered in the realm of basic research often produce a significant 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 totaling 150 million. The recipients included Professor Takeyoshi Doi of the University of Tokyo, Professor Michio Uno of Tohoku University, and Professor Yasutaka 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-English)
<http://www.casio.co.jp/company/zaidan>

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 (ICERC) of Japan to support educational and research activities involving dolphins and whales. In 2005, the Research Network Project "Casio 2005" was provided support for the ICERC emblem at Expo 2005 in Aichi, Japan (NGO Global Village) and the realization of better dolphin and whale watching activities in Japan.

Casio is also promoting public awareness of ICERC activities by setting up a dolphin and whale display at the Celibian, Casio's pilot retail shop in Osaka, Tokyo, and by sending out the organization's free paper to the retail stores of Casio Distribution.

* Joint exhibit with Japan Environmental & Society (JEAS) 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 Kyoiku Kenkyukai (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 1993, 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 Teacher's Business Training Program.

The teachers received training from frontline employees including the Casio head office and the Hyogo R&D Center. The course included a lively exchange of opinions and ended as a lively exchange of ideas. The teachers who participated expressed appreciation at the way a private company like Casio is putting a surplus of its own 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



Program for teachers



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.

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 goal 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 Gurnea 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 the baseball fair, Casio is contributing to the sound development of young people.



Scholarship award ceremony



World Children's Baseball Fair

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's first established the contest in 1986. To commemorate almost 20 years of support by Casio, a delegation from the keyboard contest, including Vice Chairman Qin Lijun 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

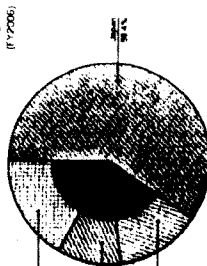
Category	Initiative	Beneficiary
Traffic safety	Cooperation with a traffic safety campaign	Shanghai, China
Social education	Reading lessons	Shanghai, China
Social education	Company tours	Shanghai, China
Social education	Classroom visits	Shanghai, China
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Environment	Caring Day	Shanghai, China
Environment	Support for the National Nature Conservation Fund	Shanghai, China
Social education	Reading lessons	Shanghai, China
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Company Data

● Casio Network

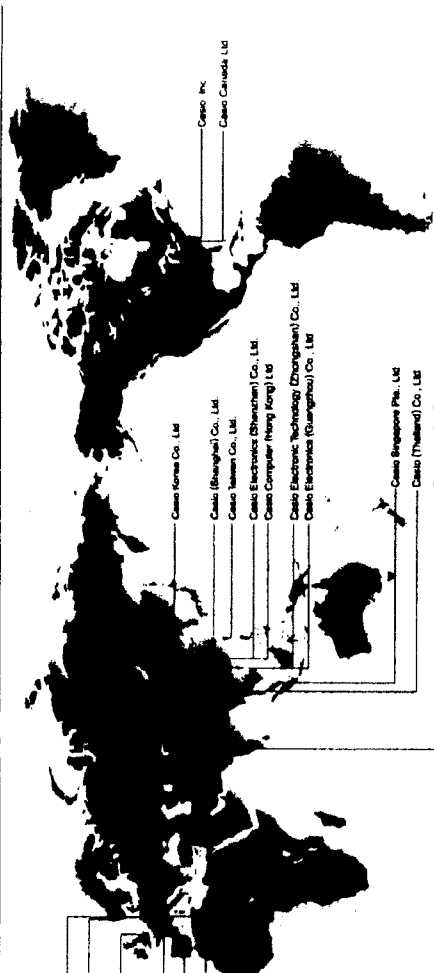
In order to deliver products to customers in all parts of the world, Casio has developed manufacturing and sales networks across the globe. In a focus on four major regions, Japan, North America, Europe and Asia (including Japan), R&D and electronic components manufacturing are performed in Japan, while 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 A.S. and Casio España 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)

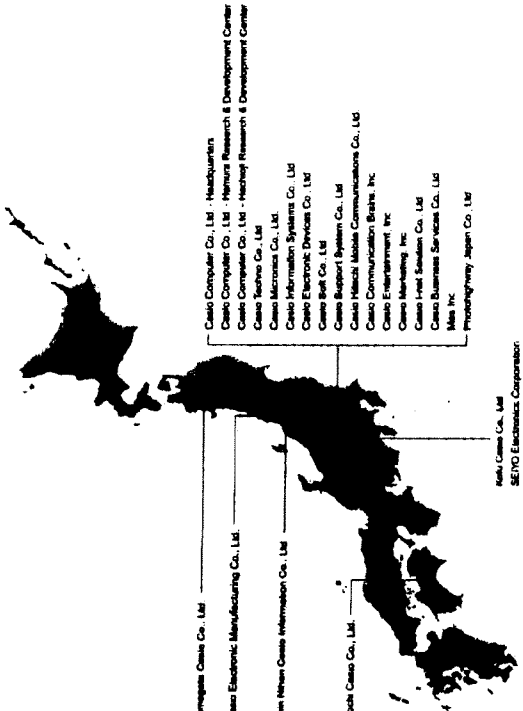


● Sites outside Japan (as of Sept. 30, 2006)

Casio Europe GmbH
Casio Scandinavia A.S.
Casio Electronics Co., Ltd.
Casio Benelux B.V.
Casio España S.L.
Casio France S.A.

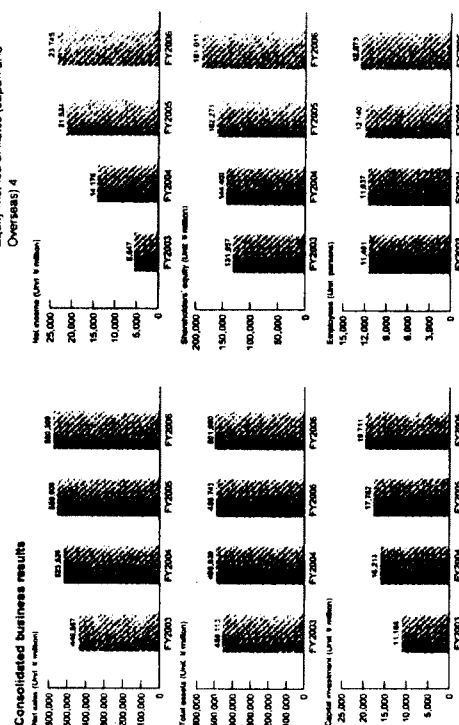


● Sites in Japan (as of Sept. 30, 2006)

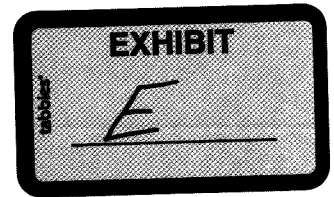


● Data on Casio Computer Co., Ltd. (as of March 31, 2006)

Name: Casio Computer Co., Ltd.
Established: June 1, 1957
Paid-in capital: ¥41,548 million
Employees: 3,320 (non-consolidated)
Headquarters: 1-6-2 Hon-machi, Shibuya-ku, Tokyo
President & CEO: Kazuo Kashio
Consolidated companies: Subsidiaries (Japan and overseas) 56
Equity-method affiliates (Japan and overseas) 4



UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA



CASIO INC.

Plaintiff,

v.

PAPST LICENSING GMBH & CO. KG,
Defendant.

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 Judge: Deborah A
Robinson

**[PROPOSED] ORDER GRANTING MOTION
TO COMPEL THE PRODUCTION OF DOCUMENTS**

Upon consideration of the motion of Defendant and Counter-Plaintiff Papst Licensing GMBH & Co, KG, to compel discovery the production of documents from Casio Inc. and Casio Computer Co., Ltd. (collectively "Casio"), it is hereby

ORDERED that the Motion to Compel The Production of Documents is **granted**.

In particular, it is ordered that:

1. All documents and materials hereby ordered shall be produced within 10 calendar days of this Court order.
2. Casio shall respond to discovery request Nos. 1-5, 7, 10-15, 17-58, 62-74, as further explained below.

3. For purposes of this Order, the term "Casio Digital Cameras" shall be defined as Casio digital cameras capable of transferring picture data to another device, which were used, manufactured, sold, offered for sale, licensed or imported into the United States since October 22, 2002.

4. Casio must produce all non-privileged documents in response to Request Nos. 2-5 and 10-12 in connection with the following aspects of the Casio Digital Cameras:

1. The acquisition and processing of light images by cameras including, for example, the conversion of light images into electrical signals representative of the light images.
2. The processing by a camera of electrical signals representative of light images including, for example, the conversion of analog signals representative of light images into digital electrical signals, and the transfer of those digital electrical signals to an electronic memory.
3. The operation of any computer program stored in a memory of a camera as it concerns any of the other subject matters set forth in this list.
4. The storage of information in a memory of a camera, including but not limited to external memory cards and other electronic memory intended to be attached to a camera.
5. The interconnection of a camera to a personal computer.
6. The transfer of digital electrical signals representative of light images from a camera to a personal computer including, for example, the process by which the personal computer recognizes how to communicate with and receive data from the camera.
7. The process by which a camera communicates with and transfers information to or from a personal computer.
8. The acquisition and processing of sound waves by cameras, how the sound waves are converted to digital electrical signals by the camera, how those digital electrical signals are processed and stored by the camera, and how those digital electrical signals are downloaded from the camera to a personal computer.

5. Casio shall respond to all discovery requests with respect to each of its Casio Digital Cameras, and Casio's discovery responses shall not be limited to only those cameras specifically accused of infringement at this time.

6. Casio shall produce all non-privileged materials relating to the research, design, development, testing, manufacturing, marketing, operation and commercial production of the at-issue Casio digital cameras. In particular, Casio shall produce all non-privileged materials responsive to Papst Licensing Document Request Nos. 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 35, 36, 37, 44, 53, 59, 60, 61 and 66.

7. Casio shall not withhold any documents on the basis that they may be subject to a motion to bifurcate or a motion to disqualify counsel.

8. Casio shall produce responsive documents relating to activities outside of the United States as well as within the United States.

9. Casio shall produce all documents regarding the sales, profits, costs, licensing and reasonable royalty information for the at-issue Casio Digital Cameras. In particular, Casio shall produce all non-privileged materials responsive to Papst Licensing Document Request Nos. 7, 19 to 33.

10. Responsive documents from all Casio entities shall be produced, not just those named in this litigation. All documents responsive to Papst Doc. Request No. 67 shall be produced.

11. Casio shall produce the requested documents regarding Casio's computer information systems. Specifically, all documents responsive to Papst Doc. Request No. 70 shall be produced.

12. Casio shall produce the requested documents regarding other lawsuits concerning Casio Digital Cameras. Specifically, all documents responsive to Papst Doc. Request Nos. 15, 17-18 shall be produced.

13. Casio shall produce the requested documents concerning the Patents-In-Suit. Specifically, all documents responsive to Papst Doc. Request Nos. 38, 39, 44, 45, 46, 47, 48, 49, 50, 51, 53, 54, 55 and 74 shall be produced.

14. Casio shall produce the requested documents demonstrating the names of individuals and businesses involved in Casio's infringing activities. Specifically, all documents responsive to Papst Doc. Request Nos. 56-58, 66 shall be produced.

15. Casio shall produce the requested documents relating to prior art and related subject matter, and not just the prior art on which Casio intends to rely. Specifically, all documents responsive to Papst Doc. Request Nos. 50, 51 and 53.

16. Casio shall produce the requested documents identified in, responsive to, used in responding to, or relating to Papst's First Set of Interrogatories. Specifically, all documents responsive to Papst Doc. Request No. 71 shall be produced.

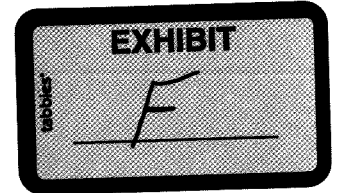
17. No Casio documents shall be withheld on the basis of confidentiality given that Papst Licensing has agreed to keep any Casio confidential documents on an outside counsel only basis until the protective order issues are resolved.

DATED: _____

Deborah Robinson
United States Magistrate Judge

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA



IN RE PAPST LICENSING GMBH & CO.
KG LITIGATION

This Document Relates To:

Casio, No. 06-cv-1751

Misc. Action No. 07-493 (RMC)
MDL Docket No. 1880

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. (hereafter "Casio Computer") 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 vast majority of camera models are designed at Casio Computer, 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. The other two companies, Flextronics International Ltd. and Ability Enterprise Co., assemble the cameras in China.
4. Casio Computer has all the research and development on these designs, and documents sufficient to show how these cameras are assembled and how they function.
5. Two camera models, the GV-10 and LV-10, and very few others never sold to the United States, were designed and manufactured by third parties.
6. The GV-10 and LV-10, which were sold to Casio America in very small quantities, were designed and manufactured by third parties Primax Electronics Ltd. and Mustek Systems Inc., respectively. Some portion of the sales may have been after issuance of the patents-in-suit.
7. Casio Computer has some documents showing the design, operation and manufacture of these models. However, other more detailed documents would be in the custody of Primax Electronics Ltd. and Mustek Systems Inc.

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菅野様 ← QV 片

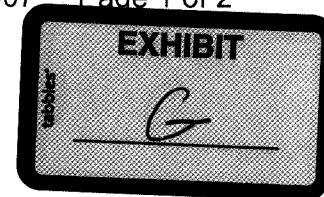
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8. Casio Computer has hundreds of employees who are involved in some manner with design, development, and testing of digital cameras. They generate incredible amounts of documents and data every year. For Casio Computer to collect and review these 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: April 16, 2008

By: Satoshi Katakai
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

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

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.

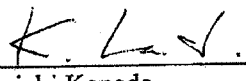
5. The only voluntary instance of Casio camera modules being sold into the United States by any company other than Casio, Inc., relates to an agreement Casio Computer had with Pentax from 2002-2004. In that time period, Casio Computer sold camera modules to Pentax and that company is believed to have 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: 
Koichi Kaneda
Deputy General Manager
QV Department
Overseas Marketing & Sales Division
Global Marketing Headquarters
Casio Computer Co., Ltd.