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Fairness Opinion delivered to the Board of Directors of Canon (Schweiz) AG, Dietlikon

With respect to

The assessment of the fairness, from a financial point of view, of the tender offer of Canon Europa N.V., Amstelveen, the Netherlands, for all outstanding shares of the minority shareholders of Canon (Schweiz) AG, Dietlikon, Switzerland.

Zurich, August 31, 2009

Table of abbreviations

AG	Aktiengesellschaft
A/R	Accounts Receivable
Board	The Board of Directors of Cannon (Schweiz) AG
Canon Europa	Canon Europa N.V.
Canon Switzerland or the Company	Canon (Schweiz) AG
CAPM	Capital Asset Pricing Model
CBS	Canon Business Solutions
CCI	Canon Consumer Imaging
CDS	Credit Default Swap
CFO	Chief Financial Officer
CHF	Swiss Franc
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EUR	Euro
EV	Enterprise Value
HY1/2	First / second half of the year
Inc.	Incorporated
m	Million
Management	The Management of Canon (Schweiz) AG
n.a.	Not available
N.V.	Naamloze Vennootschap
p.a.	Per annum
P/E	Price Earnings
PwC	PricewaterhouseCoopers AG
SIX	Swiss Exchange
SMI	Swiss Market Index
WACC	Weighted Average Cost of Capital
WRI	Walter Rentsch Immobilien AG
WRL	Walter Rentsch Logistik AG

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1 Introduction

1.1 Background

Canon (Schweiz) AG ("Canon Switzerland" or "the Company") is a Swiss corporation, headquartered in Dietlikon, Switzerland, and with shares traded on the Swiss stock exchange SIX. Its shareholders' equity of CHF 247m (as per June 30, 2009) is divided into 2'092'000 registered shares with a par value of CHF 10.00 each. The Company is the exclusive distributor of a wide range of Canon products and services in Switzerland.

Canon Europa N.V. ("Canon Europa") is a company based in the Netherlands, and is a subsidiary of Canon Inc. of Japan, a world-leading innovator and provider of imaging solutions. Canon Europa currently owns 98.1% of the outstanding shares of Canon Switzerland.

Canon Europa has expressed its intention to make a tender offer to the minority shareholders of Canon Switzerland to acquire the remaining outstanding shares of the Company. Canon Europa's offer consists in an all-cash offer on the outstanding shares of Canon Switzerland with a price of CHF 94.00 per Canon Switzerland share.

1.2 Scope of the mandate

The Board of Directors of Canon Switzerland ("the Board") has mandated Pricewaterhouse-Coopers AG ("PwC") to establish a report ("Fairness Opinion") assessing the fairness, from a financial point of view, of the tender offer described above.

As an independent analysis, this Fairness Opinion is aimed at giving the directors of the Board and the shareholders of Canon Switzerland the assurance that the price offered of CHF 94.00 per share of Canon Switzerland is fair and appropriate from a financial point of view. The results of our analyses are presented in this document. This Fairness Opinion may be released to the public.

This report does not represent a recommendation to accept or reject the tender offer. It does not contain any assessment of the consequences that could arise from accepting or refusing said offer.

1.3 Valuation procedure

In order to assess Canon Europa's tender offer, PwC performed comprehensive valuation work. The result of all value considerations was a value range for Canon Switzerland's total equity and for each share accordingly, within which a plausible and financially fair offer can be expected.

The value considerations for Canon Switzerland have been based on the current business model, which is characterized by a close business relationship with Canon Europa. According to Canon Switzerland, transactions with Canon Europa are conducted at normal market conditions. Any synergies and integration costs from the planned transaction have not been taken into consideration.

Our analyses have been focused on the Canon Switzerland group level. The potential effects on single shareholders – especially with regards to taxation – have not been taken into consideration within the analyses. A comprehensive analysis of such effects would not be feasible considering the different situation of each shareholder.

For our analyses, the Discounted Cash Flow ("DCF") method constitutes the main valuation approach. To account for the challenging economic environment and accompanying uncertainty regarding future cash flows, sensitivity calculations have been performed to depict the impact of changes in key valuation parameters.

Furthermore, the results of the DCF method have been cross-checked by means of the market approach, i.e. through the analysis of multiples of comparable quoted companies and comparable transactions that involved similar companies.

As Canon Switzerland owns a significant portfolio consisting of both operating and non-operating property and plant, we have analyzed existing value considerations performed by third parties. Where we deemed it necessary, we updated and adjusted these valuations.

1.4 Information basis

For the purpose of assessing Canon Europa's tender offer, PwC has relied on the following information and data sources:

- Publicly available information concerning Canon Switzerland, which were deemed relevant for this analysis, including annual reports from 2006 to 2008, press releases and newspaper articles on the Company;
- Detailed internal financial information prepared by the Management of Canon Switzerland ("the Management") and considered important for our analysis, such as 2009 year-to-date results, 2009 budget and financial forecasts for the years 2010 to 2012;
- Contracts and other legal documents as well as evaluation of various tax matters;
- Information received from Canon Switzerland on the real estate portfolio;
- Capital market analyses by Pictet & Cie's ("The Performance of Stocks and Bonds in Switzerland 1926-2008"), Ibbotson / Morningstar (2009 Yearbook), as well as Damodaran (Beta and capital structure by industry, analysis as per January 2009);
- Financial information and capital market data pertaining to comparable quoted companies, mainly sourced from Bloomberg databases and relevant analyst reports;
- Data on comparable transactions, mainly using the databases of Mergermarket and Dealogic M&A Global;
- Historical stock prices and trading volumes of Canon Switzerland shares, mainly using Bloomberg databases;
- Interviews with the Management of Canon Switzerland. These discussions covered topics such as the financial situation and the results of Canon Switzerland, the strategic and economic outlook for the Company, key value drivers and the assumptions used in preparing future projections.

During the course of our work, we have neither visited nor physically inspected the sites operated by Canon Switzerland. The real estate valuations have been based on data contained in existing third party valuation reports and PwC's own assumptions where necessary. The data and analyses contained in this report are based on information available at the date of publishing of our report and may be subject to changes. PwC has neither performed an audit as defined by law, nor any kind of due diligence. PwC has not sought to verify the information provided by Canon Switzerland and the validity of publicly available information, and has assumed such information to be complete and accurate.

2 Presentation of Canon (Schweiz) AG

2.1 The Canon Group

Founded in 1937, Canon Inc. ("Canon Inc." or "the Group") has become a world market leader in imaging products and digital home and office solutions and employs more than 160'000 people globally. While the Group's reputation has long been directly associated with its camera business, the product range nowadays comprises a broad range of electronic equipment covering office imaging products, computer peripherals and business information products. Also, Canon Inc. has continuously moved into the market of managed services, offering managed print, consulting, implementation, and the like.

Canon Inc. runs its European operations through Canon Europa, which represents about one third of Canon Inc.'s worldwide sales and employs around 11'000 people. While Canon Europa is the sole owner of most European sales companies, it is the majority shareholder of Canon Switzerland, owning a controlling stake of 98.1% of the outstanding shares as per June 30, 2009.

Canon Switzerland is the exclusive distributor of a wide range of Canon products sourced from Canon Europa and services in Switzerland. The Company currently has offices in eleven locations across Switzerland and employed a total of 575 people at the end of June 2009.

2.2 Description of operating business

Canon Switzerland's activities are carried out through two business units: Canon Business Solutions ("CBS") and Canon Consumer Imaging ("CCI"). Their particular business activities are explained below:

2.2.1 Canon Business Solutions

The CBS business unit focuses on supporting companies in developing, implementing and running efficient output-oriented solutions in the fields of office system integration, printer standardization and professional printing. CBS also provides its products to retailers. The business unit offers both fully-integrated packages of hardware, software and services as well as modular solutions.

Historically, CBS' success was founded on a software solution that enabled the integration of printing, faxing and scanning functions. In recent years, competitive pressure has increased significantly as many market players have been catching up in this area and competition is expected to further increase in the future.

CBS revenues are mainly comprised of proceeds from the sale of products and service contracts. The majority of product revenues are based on leasing contracts with durations of several years, which normally have a service contract attached to them.

2.2.2 Canon Consumer Imaging

The CCI business unit focuses on the sale of photography, video and office communications equipment. CCI primarily markets its products to wholesalers and dealers in Switzerland.

Historically, CCI's success was founded on the Group's strong position in the camera business. Today, the business unit also offers a broad range of other consumer products such as camcorders, printers, scanners, fax machines, binoculars, calculators, projectors and related consumables.

In terms of revenue, the camera business still contributes the majority stake. However, the CCI business unit has introduced a commissionaire system in 2003, and consequently disclosed revenue figures in the annual reports represent received commissions only.

Up to December 2008, logistics for both business units was carried out through Walter Rentsch Logistik AG ("WRL"), a formerly fully-owned subsidiary. However, as per December 2008, Canon Switzerland has sold its logistics assets to PostLogistics AG, an affiliate of the Swiss Post. Services formerly provided by WRL internally are now outsourced and rendered by PostLogistics AG. Subsequently, the remaining operations of WRL have been merged into Canon Switzerland.

2.3 Description of non-operating business

Besides its two operating business units CBS and CCI, Canon Switzerland also has significant interests in real estate across Switzerland. Legally, Walter Rentsch Immobilien AG ("WRI"), a fully-owned subsidiary of Canon Switzerland, owns and manages the real estate operations. The buildings not in operational use by Canon Switzerland are rented out to third parties.

2.4 Financial performance of operating business

Canon Switzerland's net revenues for the period ended December 31, 2008 amounted to CHF 234m, which represents a 1.4% decrease over 2007 (2007: 3.7% increase over 2006). While revenues for CBS have decreased by 3.3% to CHF 218m, (2007: 5.2% increase over 2006), CCI commissions have increased by 34.4% to CHF 16m (2007: 17.7% decrease over 2006). According to Management, the incurred decrease in CBS revenues can mainly be attributed to the current economic conditions, stagnating demand in primary markets, and price pressure resulting from increased competition. Within the CCI business unit, the camera business decreased significantly due to market saturation and strong competition, increasingly resulting from mobile phones featuring built-in cameras. The increase in commissions mainly resulted from a change in the commissionaire system, as marketing expenses were included in the commission calculation for the first time in 2008. These expenses were settled separately before, however, the change did not have any impact on the operating result.

Gross profit as a percentage of revenues improved to 49.4% in 2008, compared to 46.9% in 2007, partly resulting from increased commission revenues as described above (percentages are slightly above those reported in the annual reports as some costs formerly contained in costs of goods sold have been reclassified, however, this had no impact on the operating result). The EBIT for the same period reached CHF 3.4m, a strong improvement compared to the negative EBIT of CHF 4.4m that resulted in 2007 (2006: CHF -0.1m, adjusted to new reporting format), which was, among others, significantly affected by high personnel expenses in connection with a new enterprise resource planning system for CBS.

The following graph presents Canon Switzerland's revenue split:

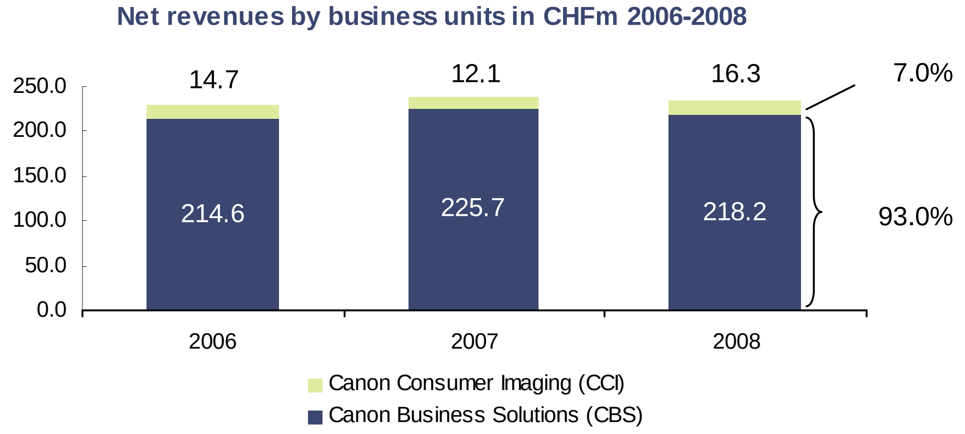


Figure 1: Revenue split (source: Annual reports).

2.5 Comments on financial projections

For the DCF valuation of Canon Switzerland, future free cash flows have been estimated on the basis of the business plan as established by the Management of Canon Switzerland. The main assumptions underlying the projection period of 2009 to 2012 are briefly set out hereafter:

- The valuation date was set to July 1, 2009. Consequently, only the free cash flow budgeted for the second half of 2009 was considered.

- In 2008, Canon Switzerland has experienced a slight reduction in revenues from CHF 238m in 2007 to CHF 234m and revenue figures for the first six months in 2009 have decreased significantly. Using linear extrapolation (doubling HY1 2009 results), 2009 revenues are more than 10% below the previous year's level. Based on the actual figures of HY1 2009 and due to current economic conditions, saturated markets and price pressure resulting from increased competition, Management expects total revenues in 2009 to fall by nearly one tenth as compared to 2008 to CHF 214m. While 2010 is expected to remain at the previous year's level, moderate revenue growth is forecast for the years 2011 and 2012. The valuation assumes a sustainable revenue level of CHF 227m.

- From 2006 to 2008, the gross margin in percent of revenues amounted to 48.8% on average (after reclassification of certain cost items). To some extent, historical variations in gross profit can be explained by exchange rate movements. Canon Switzerland procures goods from Canon Europa in Swiss Francs. The Swiss Francs prices are based on Euro-denominated European transfer prices. These Euro prices are converted into Swiss Francs based on a periodically adjusted exchange rate. According to Management, transactions with Canon Europa are conducted at normal market conditions. For the years 2009 to 2012, the gross profit margin is expected to gradually decrease, reaching a sustainable level of slightly above 48% for the years following 2012 (perpetuity).

- Over the explicit planning period, operating expenses are expected to decrease as a percentage of revenues. With regard to the EBIT margin, however, this improvement will be offset by the expected gross profit margin decrease. On average, Management expects an EBIT margin of 3.8% from 2009 to 2012. For the years following 2012, a sustainable EBIT margin of 3.6% was assumed. This level was based on the average EBIT margin between 2009 and 2012 after eliminating a favorable one-time exchange rate impact in 2009.

- The capital expenditures budget for the years 2009 to 2012 foresees investments in fixed assets and machines on hire (operating leases). Capital expenditures for property and plant have been considered separately as the real estate portfolio has been valued separately.

- In general, Canon Switzerland's leasing business is financed internally only. Consequently, an increase in revenues from leasing causes long-term and short-term receivables from leasing to increase significantly, i.e. leads to a considerable tie-up of cash. However, given the most recent significant decrease in revenues from leasing and that leasing contracts usually have durations of several years, it was assumed that these balance sheet items remain constant and do not require further capital tie-up.

The projections and underlying assumptions have been discussed with the Management of Canon Switzerland. We note that the projections were based on historical figures, Management's experience and knowledge of the imaging business, as well as on market information and forecasts.

3 Considerations on the value of Canon (Schweiz) AG

To value Canon Switzerland's equity, the following methods have been used:

- Discounted cash flow method;
- Market method.

The DCF method constitutes the main valuation approach applied in order to derive a value range for Canon Switzerland's total equity and a price for each share. The market approach has been used to corroborate the results obtained from the DCF method.

3.1 DCF valuation

3.1.1 Theoretical foundation of the DCF method

The enterprise value corresponds to the expected net cash flows available to investors (shareholders and debt providers), discounted at a rate taking into account both risk and the time value of money.

In practice, this value is estimated by the expected future free cash flows, which in the case of a DCF valuation are discounted to their present value by taking into account the weighted average cost of capital ("WACC"). The free cash flows correspond to the operating cash flows after-tax reduced by investments in fixed assets and working capital.

To obtain the enterprise value of the operating activities, the sum of the discounted future free cash flows over the explicit projection period are taken and a residual value representing the going-concern assumption is added.

The calculation of the residual value is based on the capitalization of the perpetual sustainable free cash flow at the WACC reduced by the assumed perpetual growth rate. This calculation is based on a going-concern assumption and takes into account a perpetual growth rate which corresponds to the long-term expected inflation in Switzerland.

The discount rate applied to the free cash flows corresponds to the WACC, made up of the cost of equity and after-tax cost of debt and the assumed capital structure.

The cost of equity is composed of two components: the risk-free interest rate and the equity risk premium. The equity risk premium relies on the Capital Asset Pricing Model ("CAPM"), whereby the company-specific risk premium is the product of the levered beta and the market risk premium. The levered beta is a measure for the systematic risk of a company as compared to the overall market risk and hinges, among other things, on its capital structure.

The cost of debt is made up of the risk-free interest rate and the company-specific debt premium. By including a debt premium, one considers that a company does not have access to debt that bears a risk-free interest rate, but in light of the risk inherent to the company has to pay additional interest.

To obtain the market value of the shareholders' equity, the value of the non-operating assets is added to the enterprise value of the operating activities, including excess cash not related to the operations, and subsequently the interest-bearing debt and other liquidity affecting obligations are subtracted.

3.1.2 Application of the DCF method

For the valuation of Canon Switzerland based on the DCF methodology, the future free cash flows for the explicit projection period (2009 to 2012) have been estimated based on the projections and assumptions described under section 2.5.

The residual value, which represents the going-concern assumption, comprises all the free cash flows following the year 2012. It has been established on the basis of the following major assumptions:

- A perpetual growth rate of 1.5% p.a. has been assumed, which represents the expected long-term inflation rate for Switzerland, the market where Canon Switzerland conducts virtually all of its business. As starting point in deriving the perpetual free cash flow, the revenues of the final business plan year 2012 were increased by the perpetual growth rate of 1.5%, to which an assumed sustainable EBIT margin of 3.6% was applied;

- The EBIT equals the average of the EBIT margins projected for the explicit business plan period, after adjusting for the favorable one-time foreign exchange rate impact in 2009;

- Finally, the assumption was taken that depreciation equals capital expenditures in the residual period.

In order to determine the present value of the explicit free cash flows and the residual value, they are discounted at the WACC. The WACC for Canon Switzerland has been estimated at 7.71%, including a cost of equity amounting to 9.07% and an after-tax cost of debt of 2.84%. The various parameters used to calculate the WACC are briefly presented below:

Risk-free rate The risk-free rate is equal to the yield on 20-year Swiss Confederation bonds denominated in Swiss Francs. On this basis, the risk-free rate amounts to 3.01% as at the valuation date.[1]
Market risk premium The weighted average cost of capital assumes a market risk premium of 5.00%. This represents the difference between the average return of the Swiss stock market and the average return of Swiss bonds, since 1926.[2]
Beta The unlevered beta has been derived from the betas of comparable quoted companies active in the imaging sector and industry benchmarks.[3] A value of 0.95 was derived as the unlevered beta for Canon Switzerland. Details on the beta values of the selected comparable companies and the industry benchmarks are provided in Appendix 1. The levered beta, reflecting the specific financing structure considered optimal for Canon Switzerland, has been derived from the unlevered beta.

[1] Source: Bloomberg, interest yield analysis.
[2] Source: Pictet & Cie: The Performance of Shares and Bonds in Switzerland 1926-2008, updated January 2009.
[3] Unlevered beta = Levered beta / (1+ (net debt / equity)). Net debt is calculated as financial debt less non-operating cash (assumption: operating cash equals 2.80% of revenues). Source of betas of comparable companies: Bloomberg, July 1, 2009. Source of industry betas: Damodaran homepage, last updated in January 2009. Source of operating cash: Canon Switzerland Management and Damodaran homepage, last updated in January 2009.

Capital structure

The long-term capital structure with a net debt-to-equity ratio of 27.93% has been applied based on the capital structure of the selected comparable quoted companies and industry benchmarks. Additional information regarding the capital structure of the used references is provided in Appendix 1 to this report.

Debt premium

The debt premium has been derived based on Credit Default Swaps ("CDS") issued for Canon Inc. and amounts to 0.54%, i.e. we considered that Canon Switzerland has access to debt capital via its majority shareholder Canon Europa. Due to the financing within the Group, Canon Switzerland benefits from a debt premium that is below the level applicable in a pure stand-alone view.

Tax rate

Following discussions with Management, the WACC has been calculated with the expected effective long-term tax rate of 20.04% for a company situated in Dietlikon, Switzerland.

Canon Switzerland is part of Canon Europa's group of companies. Therefore, we have refrained from applying a premium for small capitalization as is usually done for such market capitalizations.

Summing up the present values of the explicit free cash flows and the residual value, results in the operating enterprise value of Canon Switzerland. As aforementioned, to obtain the market value of the shareholders' equity, the value of the non-operating assets is added (assets such as land and buildings not used operationally, value of tax loss carry forwards, excess cash), and interest-bearing debt is subtracted.

To validate the plausibility of the equity value obtained with the DCF methodology, PwC performed sensitivity calculations by altering the following key valuation parameters: WACC, perpetual growth rate, and EBIT margin. To analyze the impact such changes would have on the equity value, several scenarios which deviate slightly from Management's business plan have been established. The main findings of said analysis are as follows:

Sensitivity analysis					
Variation of perpetual growth rate	0.50%	1.00%	1.50%	2.00%	2.50%
Impact on share price	*-4.7%*	*-2.5%*	*0.0%*	*2.9%*	*6.4%*
Variation of cost of capital	8.71%	8.21%	7.71%	7.21%	6.71%
Impact on share price	*-7.1%*	*-3.8%*	*0.0%*	*4.5%*	*9.8%*
Variation of perpetual EBIT margin	3.06%	3.31%	3.56%	3.81%	4.06%
Impact on share price	*-6.3%*	*-3.2%*	*0.0%*	*3.2%*	*6.3%*

Figure 2: Sensitivity analysis (source: PwC calculations).

On the basis of the DCF method and the sensitivity analyses described above, the value range for Canon Switzerland's equity has been determined to amount to CHF 174m to CHF 195m. Based on a total of 2'092'000 outstanding shares, the rounded value per registered share of Canon Switzerland ranges from CHF 83.00 to CHF 94.00.

3.2 Market valuation

In a market based valuation, the enterprise value of a company can either be determined based on observable values of comparable quoted companies or on historical transactions of private and quoted companies. The equity value is derived by subtracting the outstanding debt capital from the enterprise value.

3.2.1 Comparable quoted companies approach

In the comparable quoted companies approach, the market value of a quoted company is determined based on its equity (market capitalization) and outstanding net debt and then brought into relation with various key financial figures. The resulting multiples are then reapplied to the respective key financial figures of the company being valued and a hypothetical market value is derived.

Comparable companies have been chosen among public companies in the global imaging industry. These companies are traded on European, American and Asian stock exchanges.

Key financial figures of comparable quoted companies have been obtained from 2009, 2010, 2011 and 2012 analysts' consensus estimates. The median multiples of the comparable quoted companies have then been applied to key financial figures of Canon Switzerland.

As the comparable quoted companies identified all contain production facilities to some extent, none of them can be denoted as a pure wholesale company. Therefore, we deem it reasonable to only rely on EBIT multiples of comparable quoted companies as this ratio is less affected by distortions caused by different profitability and depreciation levels. Our multiples analysis of comparable quoted companies is shown in Appendix 3 to this report.

On the basis of the EBIT multiples analysis, a total value for Canon Switzerland's equity of CHF 174m to CHF 193m was derived. At a total of 2'092'000 shares outstanding, a rounded value range of CHF 83.00 to CHF 93.00 per registered share of Canon Switzerland was obtained. This result validates the value range obtained with the DCF method in a satisfactory manner.

3.2.2 Comparable recent transactions approach

In addition to the analysis of comparable quoted companies, a search of transactions involving comparable public and private companies operating in the imaging industry has been conducted. The timeframe comprises transactions that took place within the last four years.

One shall take note that prices paid for companies are often upward-biased as acquirers often are willing to pay a premium in order to gain a controlling stake in a target company. Moreover, the validity and significance of this approach can further be biased as past comparable transactions clearly do not reflect extraordinary valuation and financing conditions prevailing in the current economic environment.

We have identified various transactions involving companies active in the global imaging industry. Among others, these transactions include the takeover of Ikon Office Solutions by Ricoh in 2008, the acquisition of Danka Office Imaging Company by Konica Minolta in 2008 or Océ N.V. buying Imagistics International in 2005.

Based on publicly available information on the transactions considered comparable, multiples for each transaction were calculated. As most identified companies acquired in comparable transactions have a clear wholesale focus, we deem sales, EBITDA and EBIT multiples to be appropriate for the purpose of crosschecking our DCF results.

The market valuation based on recent comparable transactions indicates a value range of CHF 194m to 206m for Canon Switzerland’s total equity. Given a total of 2’092’000 shares outstanding, a rounded value range of CHF 92.00 to CHF 99.00 per registered share can be derived. Considering a potential upward-bias that control premia may cause, this result validates the value range obtained with the DCF method in a satisfactory manner.

3.3 Net asset value considerations

Canon Switzerland made a strategic decision to finance its leasing operations internally as it believed that this could allow closer customer relationships and thus represent a competitive advantage. The result of this decision is a significant lockup of cash in Canon Switzerland‘s balance sheet, i.e. more than 50% of total assets are composed of leasing receivables. By excluding real estate the receivables portion even exceeds 70% of the balance sheet total as at June 30, 2009.

Comparing Canon Switzerland's operating return with its significant level of invested capital reveals an unfavorable ratio, i.e. actual and projected returns are below a so-called normal rate of return, which is equal to the weighted average cost of capital. Expressed differently, total assets of Canon Switzerland can be said to be underperforming.

As a consequence, Canon Switzerland’s book value of equity of CHF 247m clearly exceeds the equity value range of CHF 174m to CHF 195m derived by the DCF method and crosschecked by the market approach. In such cases, theory suggests to also take into consideration the liquidation value of a company as this represents the lower end of a company’s equity value.

Canon Switzerland’s book value of equity (net asset value) of CHF 247m is based on a going-concern basis. However, if the different assets of the Company would have to be sold under a liquidation scenario, the resulting net asset value could deviate significantly from the current amount on a going-concern basis. In other words, the leasing receivables are fully recoverable on a going-concern basis only, although in a liquidation scenario a discount would likely have to be applied to these items. The same argument can be applied to other items of Canon Switzerland's balance sheet.

In due consideration of the likely discount on the leasing receivables as well as the tax implications a liquidation would have, Canon Switzerland's net asset value would fall below the value range derived in the DCF valuation.

4 Share price and volume analysis

The offered price of CHF 94.00 per registered share of Canon Switzerland is 33.2% above the average closing price of Canon Switzerland shares over the past 60 days of quotation before the valuation date (CHF 70.58 per share, shares not traded daily).

During the two months preceding the valuation date, the stock was untraded 37 times (88.1% of the time), was unchanged once (2.4% of the time), fell once (2.4% of the time) and rose three times (7.1% of the time). The stock chart below shows Canon Switzerland's historical share price and corresponding daily trading volumes throughout the three years preceding the valuation date.

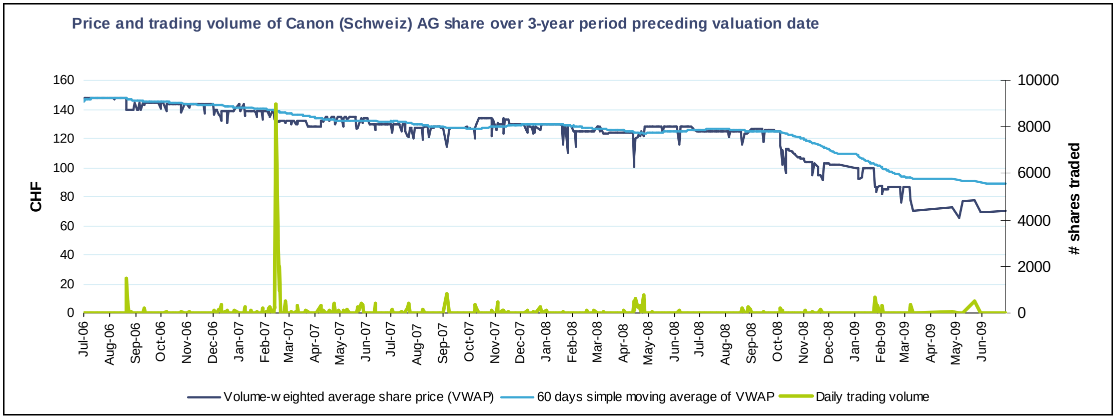


Figure 3: Share price and trading volumes (source: Bloomberg).

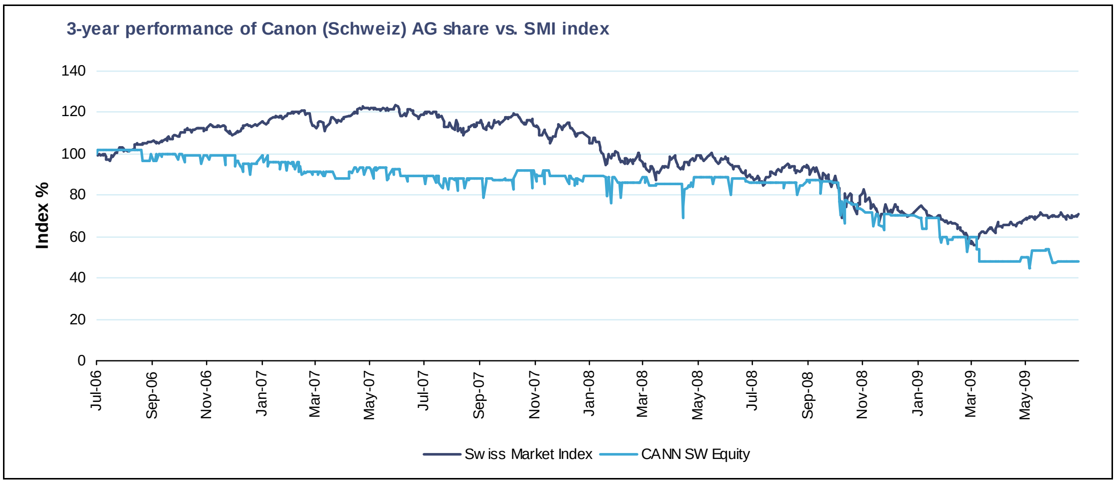


Figure 4: Relative historical performance (source: Bloomberg).

The share almost reached its all-time high of CHF 157.50 again in November 2005, when the share price was CHF 155.00. However, this increase had occurred over a relatively short time period which was characterized by extraordinary high trading volumes. Since January 1, 2008, Canon Switzerland's share price decreased by 46.2%. Compared to the Swiss Market Index the share has clearly been underperforming, also over a longer time period.

In light of the low free float and very thin trading volumes we consider the validity of price and volume analyses as limited.

5 Conclusion

On the basis of the value analyses and considerations presented in this report, a value range for Canon Switzerland’s total equity of CHF 174m to CHF 195m has been derived. At a total of 2’092’000 shares outstanding, a value range per share of CHF 83.00 to CHF 94.00 can be calculated. This rounded value range is based on the results obtained by the DCF approach and the various sensitivity analyses performed.

The results of the DCF approach have been cross-checked by means of the market approach and could be validated in a satisfactory manner.

Based on the above, we consider that the price of CHF 94.00 offered by Canon Europa per registered share of Canon Switzerland with a par value of CHF 10.00 each is fair and appropriate from a financial point of view.

This fairness opinion is based on the work and analyses performed during our mandate completed on August 31, 2009.

Yours truly,

PricewaterhouseCoopers AG

Markus Bucher
Partner

Patrick Schwendener
Manager

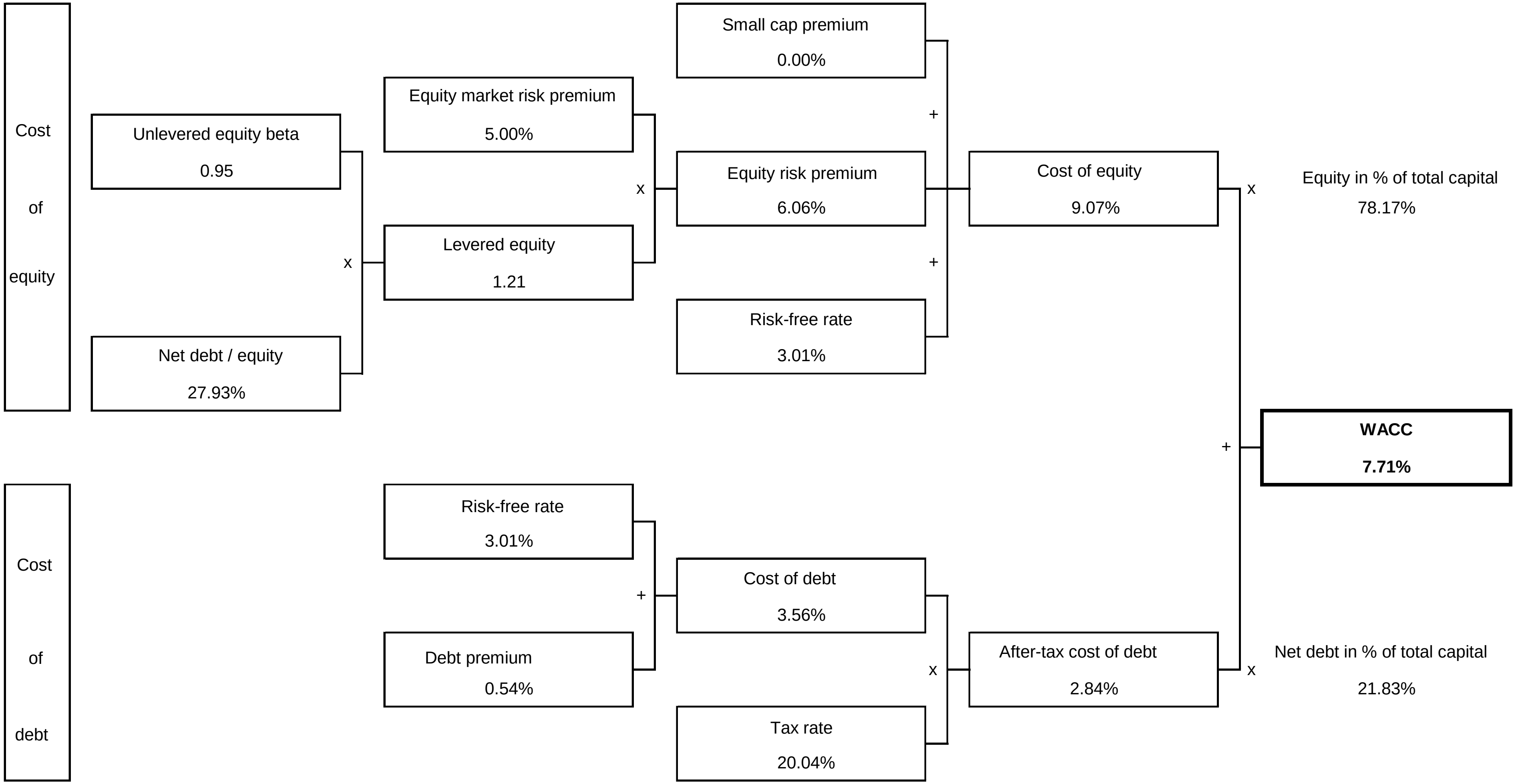
6 Appendices

Appendix 1: Beta and capital structure analysis

Comparable quoted companies	Market data as of valuation date						Capital structure ratios		Beta	
			Local currency in m							
	Currency	Equity	Fin. debt	Total cash	Excess cash	Net fin. debt	Net fin. debt/ equity	Net fin. debt/ total capital	Levered 3 years	Unlevered 3 years
Peer group										
CANON INC	JPY	4,494,771.0	13,963.0	686,847.0	572,210.5	(558,247.5)	-12.42%	-14.18%	1.21	1.38
OCE NV	EUR	292.8	611.1	79.4	(2.1)	613.2	209.46%	67.69%	0.97	0.31
XEROX CORP	USD	6,898.4	8,384.0	1,229.0	736.0	7,648.0	110.87%	52.58%	1.34	0.63
RICOH CO LTD	JPY	896,129.3	779,195.0	260,527.0	201,959.5	577,235.5	64.41%	39.18%	1.15	0.70
LEXMARK INTERNATIONAL INC-A	USD	1,146.1	654.2	973.3	846.5	(192.3)	-16.78%	-20.16%	0.91	1.10
HEWLETT-PACKARD CO	USD	98,434.1	17,852.0	10,246.0	6,931.8	10,920.2	11.09%	9.99%	0.92	0.83
AVISION INC	TWD	2,477.7	-	413.8	288.4	(288.4)	-11.64%	-13.17%	0.97	1.09
KONICA MINOLTA HOLDINGS INC	JPY	522,626.0	230,407.0	133,753.0	107,213.4	123,193.6	23.57%	19.08%	1.29	1.05
BROTHER INDUSTRIES LTD	JPY	227,024.3	30,401.0	46,835.0	33,333.3	(2,932.3)	-1.29%	-1.31%	1.09	1.10
Mean close peer group							**41.92%**	**15.52%**	**1.09**	**0.91**
Median close peer group							**11.09%**	**9.99%**	**1.09**	**1.05**
Industry betas										
Foreign electronics							42.29%	29.72%	1.18	0.97
Office equipment / supplies							60.35%	37.64%	1.11	0.73
Industry mean								**33.68%**		**0.85**
Chosen parameters								**21.83% ***		**0.95 ***

* Average of peer group median and industry mean.

Appendix 2: Derivation of weighted average cost of capital (WACC)



Appendix 3: Multiples of comparable quoted companies

Company	Currency	P/E				EV/Sales				EV/EBITDA				EV/EBIT			
Peer group																	
All amounts in local currency m		**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**
CANON INC	JPY	40.9x	25.2x	19.5x	14.7x	1.3x	1.2x	1.1x	1.1x	8.0x	6.8x	6.0x	6.8x	22.0x	12.4x	10.8x	14.2x
OCE NV	EUR	25.5x	10.8x	9.2x	14.2x	0.3x	0.3x	0.3x	0.3x	4.5x	3.9x	3.6x	3.9x	24.2x	12.5x	11.4x	13.4x
XEROX CORP	USD	14.9x	11.4x	n/a	n/a	1.0x	1.0x	n/a	n/a	9.0x	8.9x	n/a	n/a	14.4x	13.4x	n/a	n/a
RICOH CO LTD	JPY	30.0x	50.3x	22.5x	19.0x	0.7x	0.7x	0.7x	0.7x	8.5x	12.3x	9.8x	8.5x	16.6x	37.8x	20.9x	15.9x
LEXMARK INTERNATIONAL INC-A	USD	6.7x	8.7x	7.2x	n/a	0.3x	0.3x	0.3x	n/a	2.2x	2.5x	2.4x	n/a	4.5x	5.7x	n/a	n/a
HEWLETT-PACKARD CO	USD	10.8x	10.2x	9.3x	8.5x	1.0x	0.9x	0.9x	0.8x	6.7x	6.3x	5.8x	5.8x	9.4x	9.1x	7.9x	7.6x
AVISION INC	TWD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
KONICA MINOLTA HOLDINGS INC	JPY	23.5x	35.5x	20.9x	15.9x	0.7x	0.8x	0.7x	0.7x	4.8x	6.0x	5.3x	5.0x	10.4x	16.9x	12.3x	10.8x
BROTHER INDUSTRIES LTD	JPY	13.3x	25.8x	23.3x	14.1x	0.5x	0.6x	0.5x	0.5x	5.4x	7.2x	5.8x	5.2x	11.9x	-69.7x	41.9x	18.9x
Average		**20.7x**	**22.2x**	**16.0x**	**14.4x**	**0.7x**	**0.7x**	**0.7x**	**0.7x**	**6.1x**	**6.7x**	**5.5x**	**5.9x**	**14.2x**	**11.7x**	**12.7x**	**13.5x**
Median		**19.2x**	**18.3x**	**19.5x**	**14.5x**	**0.7x**	**0.8x**	**0.7x**	**0.7x**	**6.0x**	**6.5x**	**5.8x**	**5.5x**	**13.2x**	**12.5x**	**11.4x**	**13.8x**

For the reasons explained in the report (see section 3.2.1), we have based our analysis of comparable quoted companies on EBIT multiples only.

Excluded from the calculation of the mean / median.

Appendix 4: Multiples of comparable transactions

Completion date	Target company	Bidder company	Currency	Deal value	Enterprise value (m)	Sales multiple	EBITDA multiple	EBIT multiple
Comparable transactions								
26/09/2005	Danka Business Systems plc (Central and South American operations)	Toshiba American Business Solutions, Inc.	GBP	6	5.6	0.3X	n.a.	6.6X
12/10/2005	Kafevend Group Limited	ISIS Private Equity Partners plc	GBP	12	12.0	1.1X	6.1X	7.1X
11/07/2005	Ikon Office Solutions (Holdings) SAS	NRG France SA	GBP			n.a.	n.a.	n.a.
31/10/2005	Imagistics International Inc	Oce NV	GBP	417.0	416.8	1.3X	7.1X	17.0X
01/11/2005	Scitex Vision Ltd.	Hewlett-Packard Company	GBP	140.0	140.5	1.7X	n.a.	n.a.
31/10/2006	Jetrion LLC	Electronics for Imaging Inc	GBP	22.0	21.9	n.a.	n.a.	n.a.
01/02/2007	Danka European Business	Ricoh Europe B.V.	GBP	113.0	113.0	0.4X	n.a.	22.6X
12/09/2007	Asterion SAS	Pitney Bowes Inc	GBP	16	16.4	0.4X	n.a.	n.a.
01/10/2007	Konica Minolta Holdings Inc (Photo imaging division)	RKM Solutions S.A.S.	GBP	3.0	2.6	n.a.	n.a.	n.a.
05/11/2007	Global Imaging Systems Inc	Xerox Corp	USD	1707.6	1707.6	1657.9X	15.0X	15.0X
07/01/2008	Oce Document Technologies GmbH	Captaris Inc.	GBP	8.0	7.5	n.a.	n.a.	n.a.
29/02/2008	NUR Macroprinters Ltd	Hewlett-Packard Company	GBP	57.0	58.2	1.5X	137.3X	n.a.
03/06/2008	Veenman B.V	Xerox Corporation	GBP	34.0	34.5	n.a.	n.a.	n.a.
18/06/1999	OmniFax	Xerox Corporation	GBP	28.0	28.2	0.4X	n.a.	3.5X
27/06/2008	Danka Office Imaging Company	Konica Minolta Business Solutions U.S.A. Inc	GBP	122.0	121.8	0.5X	n.a.	n.a.
31/07/2008	Arkwright Inc (coated related products and operations)	Diatec Group	GBP	15.0	15.1	0.6X	n.a.	n.a.
31/10/2008	IKON Office Solutions Inc	Ricoh Co Ltd	USD	2335.8	2335.8	0.6X	11.5X	11.5X
19/05/2009	Carl Lamm Holding AB	Ricoh Europe Holdings PLC	GBP	55.0	55.2	n.a.	n.a.	n.a.
Average						**0.7X**	**9.9X**	**13.3X**
Median						**0.6X**	**9.3X**	**13.3X**

Excluded from the calculation of the mean / median.