

January 26, 2010

Canon Marketing Japan Inc.

President Masami Kawasaki
TSE Code: 8060, Tokyo (first section) Stock Exchange
Inquiries : Yoshiyuki Matsusaka
Senior General Manager
Communications Headquarters
+81-3-6719-9095

Canon Software Inc.

President and Representative Director Toshiyuki Sanematsu
TSE Code: 9623, Tokyo (second section) Stock Exchange
Inquiries : Koji Nakajima
Managing Director
+81-3-3455-9922

**Notice of Conversion of Canon Software Inc. into a Wholly Owned Subsidiary
by Canon Marketing Japan Inc. through Share Exchange**

The Board of Directors of Canon Marketing Japan Inc. (hereinafter, “Canon MJ”) and the Board of Directors of Canon Software Inc. (hereinafter, “Canon Software”) each held a meeting today, at which they adopted a resolution for a share exchange in which Canon MJ converts Canon Software into a wholly owned subsidiary (hereinafter, the “Share Exchange”) and concluded a Share Exchange Agreement.

After the Share Exchange is approved at the ordinary general shareholders’ meeting of Canon Software to be held on March 25, 2010, the Share Exchange will take effect on May 1, 2010. In addition, in accordance with the provisions of Article 796 Section 3 of the Company Law, Canon MJ, which will become a wholly owning parent company, will exercise the Share Exchange through the simplified share exchange procedure without obtaining approval at a general shareholders’ meeting.

In connection with this, Canon Software is scheduled to be delisted from the Tokyo Stock Exchange, following the implementation of the Share Exchange.

Details:

1. Purpose of Converting Canon Software into a Wholly Owned Subsidiary through Share Exchange

The Canon Marketing Japan Group plans to strengthen its competitiveness and improve the quality of the services it offers, to cultivate and strengthen its IT Solution business into the core business of the Group and to establish the Canon Marketing Japan brand in the information service industry.

Meanwhile, Canon Software, a comprehensive solutions provider that can effectively support customer needs ranging from IT solutions consulting to system development, implementation and maintenance, has played the core role in the IT Solution business of the Canon Marketing Japan Group since it was founded in 1978. In addition, Canon Software has engaged in software development that enhances the value of Canon products, such as digital cameras and diverse printers, over a long period of 30 years. Canon Software has also contributed to the manufacturing of high quality products and undertaken information infrastructure building within the Canon Group. Based on the technology and knowhow accumulated through these businesses, Canon Software offers high-value added and high-quality products and services

unique to Canon Software, growing into an outstanding company in the IT service industry.

However, in a rapidly changing business environment, the domestic IT service industry is expected to face more severe competition in the coming years. In these circumstances, we believe that it is essential to strengthen our consolidated management base and seek management efficiency to build a solid position and bolster the presence of the Canon Marketing Japan Group in the industry.

The Share Exchange will enable the cumulated technology and knowhow of Canon Software to be used to the benefit of the Group. With this, the Canon Marketing Japan Group should be able to accelerate its core business in the IT Solution business and offer services of even higher quality to customers.

As a result of the Share Exchange, Canon Software will become a wholly owned subsidiary of Canon MJ from the date of May 1, 2010 when the agreement takes effect. Canon Software will be delisted from the stock exchange as of April 27, 2010.

2. Outline of the Share Exchange

(1) Schedule of the Share Exchange

January 26, 2010	Boards of directors decide on the share exchange
January 26, 2010	Share exchange agreement signed
March 25, 2010	Ordinary shareholders' meeting (Canon Software only)
April 26, 2010	Final trading day for Canon Software's stock
April 27, 2010	Delisting of Canon Software
May 1, 2010	Effective date of the share exchange

Note 1) In accordance with Article 796, Section 3 of the Company Law, the share exchange will occur without Canon MJ requiring the approval of a general shareholders' meeting.

Note 2) As a result of the share exchange, Canon Software will be delisted on April 27, 2010.

(2) Share exchange method

Upon the share exchange, Canon MJ will become a wholly owning parent company and Canon Software, a wholly owned subsidiary. In the Share Exchange that is scheduled to take effect on the date of May 1, 2010, Canon MJ will become a wholly owning parent company through a simplified share exchange procedure that requires no approval at a general shareholders' meeting, while Canon Software will become a wholly owned subsidiary after obtaining approval at a general shareholders' meeting, in accordance with the provisions of Article 796 Section 3 of the Company Law.

(3) Description of the allocation concerning the Share Exchange

	Canon MJ (Wholly owning parent company in share exchange)	Canon Software (Wholly owned subsidiary in share exchange)
Description of the allocation concerning the share exchange	1	0.43
Number of shares delivered in share exchange	Common stock: 4,201,141 shares (planned)	

Note 1) Share allocation ratio:

Canon MJ will issue 0.43 shares of Canon MJ for each share of Canon Software. However, Canon MJ will not issue any shares in the share exchange for 13,262,400 shares of Canon Software held by Canon MJ.

Note 2) Number of shares of Canon MJ to be allocated and delivered via the Share Exchange

Via the Share Exchange, Canon MJ will allocate and deliver 4,201,141 shares of its common stock to shareholders of Canon Software. Canon MJ plans to appropriate shares of the treasury stock (13,747,552 shares: December 31, 2009) it holds and will not issue any new shares. The number of shares to be delivered may be modified in the future primarily due to the cancellation of treasury shares that Canon Software will obtain for reasons including the exercise of a legal right in which a holder of shares that are less than one unit or a shareholder opposing the share exchange demands the purchase of shares that are less than one unit from Canon Software.

In connection with this, Canon Software plans to cancel all of the treasury shares it holds one day prior to the effective date by resolution at a meeting of its Board of Directors to be held by one day before the effective date of the Share Exchange.

Note 3) Treating shares less than one unit

Following the Share Exchange, some shareholders will hold only shares that are less than one unit of Canon MJ. Shares that are less than one unit cannot be sold at the stock exchange market. Holders who come to hold shares of less than one unit can use Canon MJ's following systems.

1. System for purchasing from a holder of shares that are less than one unit

This system allows holders of shares that are less than one unit to demand that Canon MJ purchase their shares in accordance with the provisions of Article 192 Section 1 of the Company Law.

2. System for additional purchases from holders of shares that are less than one unit

This system allows a holder of shares that are less than one unit to demand that Canon MJ make an additional purchase of shares until the purchase makes one share unit if the purchased shares are aggregated with the shares held by the holder, in accordance with the provisions of Article 194 Section 1 of the Company Law.

Note 4) Treating fractions of less than one share

Holders who will receive fractions of less than one share of Canon MJ via the Share Exchange may sell shares of Canon MJ that are equivalent to the total sum of fractions (where the total sum includes a fraction of less than one, the fraction shall be rounded off) in accordance with the provisions of Article 234 of the Company Law. Canon MJ shall deliver the proceeds of the sale to the holders concerned in proportion to the fractions attributed to them.

(4) Handling warrants and warrant bonds following the share exchange

Canon Software has neither issued share warrants nor warrant bonds.

3. Basis of the Calculation of the Share Exchange Ratio

(1) Basis and background for the calculation

To ensure the fairness and reasonableness of the share exchange ratio in the Share Exchange, Canon MJ has appointed Nikko Cordial Securities Inc. ("Nikko Cordial Securities") as an independent institution to calculate the share exchange ratio, while Canon Software has appointed A.G.S. Consulting Co., Ltd. ("A.G.S. Consulting") as an independent institution to calculate the share exchange ratio.

Nikko Cordial Securities calculated the stock value of Canon MJ and Canon Software by applying the market stock price method to calculate the value of each share of both companies, since both companies are listed on the stock exchange; by applying the comparable multiple valuation or price-to-earnings ratio method, because multiple comparable companies are listed on the stock exchange, enabling calculation of their stock values; and by applying the discount cash flow method (the "DCF method") to reflect business activities in the future, to calculate the value of each share of Canon MJ and Canon Software. The range of share exchange ratio valuations of shares of Canon MJ, calculated using the methods mentioned below, for one share of Canon Software, calculated using the methods below,

is as follows:

Calculation method adopted		Range of share exchange ratio valuations
Canon MJ	Canon Software	
Market stock price method	Market stock price method	1 : 0.35~0.36
Comparable multiple valuation or price-to-earnings ratio method	Comparable multiple valuation or price-to-earnings ratio method	1 : 0.32~0.45
DCF method	DCF method	1 : 0.37~0.52

The market stock price method primarily used the average closing prices for the one month from December 24, 2009 until January 22, 2010 and for the three months from October 23, 2009 until January 22, 2010 to calculate the share allocation ratio.

Note) In calculating the share exchange ratio, Nikko Cordial Securities neither conducted an independent valuation or assessment of the assets and liabilities of Canon MJ and Canon Software nor inspected those assets and liabilities with a certified public accountant or with other expert nor received an assessment report, etc. from an independent third party. Further, the share exchange calculation statement presumes that a variety of information and materials used for the calculation are correct and complete; that the future business plans and financial forecasts of Canon MJ and Canon Software included in the said information and materials are prepared reasonably based on the best forecasts and decisions available at this time; and that there is no undisclosed information that is likely to have a material impact on the share exchange ratio of Canon MJ and Canon Software.

A.G.S. Consulting calculated the stock value of Canon MJ and Canon Software by applying the market stock price method to calculate the value of each share of both companies, since both companies are listed on the stock exchange; by applying the comparable multiple valuation or price-to-earnings ratio method, because multiple comparable companies are listed on the stock exchange, enabling calculation of their stock values; and by applying the discount cash flow method (the “DCF method”) to reflect business activities in the future, to calculate the value of each share of Canon MJ and Canon Software. The range of share exchange ratio valuations of shares of Canon MJ, calculated using the methods mentioned below, for one share of Canon Software, calculated using the methods below, is as follows

Calculation method adopted		Range of share exchange ratio valuations
Canon MJ	Canon Software	
Market stock price method	Market stock price method	1 : 0.33~0.36
Comparable multiple valuation or price-to-earnings ratio method	Comparable multiple valuation or price-to-earnings ratio method	1 : 0.34~0.57
DCF method	DCF method	1 : 0.39~0.48

The market stock price method primarily adopted the average closing prices for the one month from December 24, 2009 until January 22, 2010, for the three months from October 23, 2009 until January 22, 2010 and for the six months from July 23, 2009 until January 22, 2010 to calculate the share allocation ratio.

Note) In calculating the share exchange ratio, A.G.S. Consulting neither conducted an independent valuation or assessment of the assets and liabilities of Canon MJ and Canon Software nor inspected those assets and liabilities

with a certified public accountant or other expert nor received an assessment report, etc. from an independent third party. Further, the share exchange calculation statement presumes that information and materials used for the calculation are correct and complete; that the future business plans and financial forecasts of Canon MJ and Canon Software included in the said information and materials are prepared reasonably based on the best forecasts and decisions available at this time; and that there is no undisclosed information that is likely to have a material impact on the share exchange ratio of Canon MJ and Canon Software.

Canon MJ and Canon Software examined the analytical results and advice on the proposed share exchange ratio statement submitted by the abovementioned independent institutions and considered the capital relationship, share exchange ratios of similar share exchange cases in the past, and the financial positions of both companies. After holding a series of consultations and negotiations based on the above results, Canon MJ and Canon Software decided that the share exchange ratio stated in item 2 (3) above is reasonable and contributes to the interest of shareholders of the both companies. Accordingly, the Board of Directors' meeting of Canon MJ and the Board of Directors' meeting of Canon Software held on January 26, 2010 determined the share exchange ratio in this Share Exchange and concluded the Share Exchange Agreement on the same day.

In the event that a grave change occurs in conditions for the calculation bases, Canon MJ and Canon Software may consult with each other to revise the share exchange ratio.

(2) Relationship with the calculation institutions

Nikko Cordial Securities and A.G.S. Consulting, both of which are independent institutions, do not fall under the parties concerned of Canon MJ and Canon Software.

(3) Likelihood of the delisting of the shares of common stock and reasons thereof

As a result of the Share Exchange, Canon Software will become a wholly owned subsidiary of Canon MJ as of May 1, 2010, which is the effective date of the Share Exchange. Canon Software will be delisted in accordance with the delisting standards of the Tokyo Stock Exchange through the fixed procedures on April 27, 2010 (the final stock trading date is set to April 26, 2010). After being delisted, shares of Canon Software cannot be traded at the Tokyo Stock Exchange.

(4) Reasons for the delisting and the alternative measures being studied

As described in Item (1) above, this Share Exchange aims to convert Canon Software into a wholly owned subsidiary of Canon MJ, to enable Canon Software to play the core IT solution business company for the Canon Marketing Japan Group and to improve the corporate value of both companies through further business growth. It does not aim to delist the shares of common stock of Canon Software.

After delisting, shares of common stock of Canon Software will not be able to be traded on the Tokyo Stock Exchange. Pursuant to the Share Exchange Agreement, Canon Software shareholders, except Canon MJ, will receive shares of common stock of Canon MJ in proportion to the number of shares they hold. We believe that shareholder liquidity will be retained for shareholders who hold 233 shares or more of common stock of Canon Software and who receive the allocation of 100 shares, which are one share unit, or more of Canon MJ, among shareholders of Canon Software, although they may receive an allocation of some shares of less than one unit.

A shareholder of Canon Software who does not hold 233 shares or more of common stock of Canon Software will receive an allocation of less than 100 shares, the number of shares in one share unit. Holders of such shares of less than one unit may use the system for purchasing shares of less than one unit of Canon MJ or the system for making additional purchases of shares of less than one unit of Canon MJ. For details, refer to Note 3 in Item 2 (3).

(5) Measures to ensure the fairness of the consideration for exchange

Canon MJ holds 57.5% of the voting rights of all shareholders of Canon Software. Hence, in examining this Share

Exchange, Canon MJ and Canon Software have each appointed independent institutions to calculate the share exchange ratio to ensure the fairness and reasonableness of the share exchange ratio. Based on the results of the calculation as a reference, both companies held a series of negotiations and consultations. The Board of Directors of Canon MJ and the Board of Directors of Canon Software have decided to execute this Share Exchange based on the share exchange ratio agreed by the both parties.

In connection with this, Canon MJ and Canon Software have obtained no opinion from independent institutions on the fairness of the share exchange ratio (fairness opinion).

(6) Measures to avoid conflicts of interest

To avoid conflicts of interest, the Board of Directors of Canon Software has no part-time Director from Canon MJ as Director, Executive Officer or employee of Canon Software who is likely to be involved in a conflict of interest. The Board of Directors of Canon Software has passed the relevant resolutions based on decision it has made independently.

4. Outline of Canon MJ and Canon Software (as of December 31, 2009)

(1) Trade Name	Canon Marketing Japan Inc. (consolidated) (Wholly owning parent company)	Canon Software Inc. (consolidated) (Wholly owned subsidiary)
(2) Description of Business	Marketing of business machines, consumer equipment, and industrial equipment and offering their related solutions	Offering of information services and selling information processing machines and related software programs
(3) Date of Incorporation	February 1, 1968	March 26, 1974
(4) Head Office	Konan 2-chome 16-6, Minato-ku, Tokyo, Japan	Mita 3-chome 9-6, Minato-ku, Tokyo, Japan
(5) Name and Title of Representative	Masami Kawasaki, President	Toshiyuki Sanematsu, President and Representative Director
(6) Paid-in Capital	73,303 million yen	1,348 million yen
(7) Shares Issued	151,079,972 shares	23,083,680 shares
(8) Net Assets (consolidated)	250,875 million yen	9,950 million yen
(9) Total Assets (consolidated)	449,607 million yen	13,603 million yen
(10) Fiscal Year End	December 31	December 31
(11) Number of Employees (consolidated)	19,165 employees	1,632 employees
(12) Major Partners of Business	Canon Inc., business equipment distributors, mass sales stores, major customers, etc.	Canon Inc., Canon Marketing Japan Inc., etc.
(13) Major Shareholders and their Shareholding Ratio (Note)	Canon Inc. 50.1%	Canon Marketing Japan Inc. 57.5%
	Employee Shareholding Association of Canon 2.9%	Employee Shareholding Association of Canon Software Group 6.1%
	Marketing Japan Group	
	Japan Trustee Services Bank, Ltd. (Trust account) 2.7%	The Dai-ichi Mutual Life Insurance Company 1.6%
	The Bank of New York, Treaty JASDAEC Account 1.8%	Haruo Miyoshi 1.3%
	The Master Trust Bank of Japan, Ltd. (Trust account) 1.4%	Mizuho Bank, Ltd. 1.2%

(14) Main Banks	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsui Sumitomo Bank Corporation	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsui Sumitomo Bank Corporation
(15) Relationship between the Parties	Capital relationship	Canon MJ holds 57.5% of Canon Software's total shares issued.
	Personnel relationship	Canon MJ has appointed two corporate auditors to Canon Software.
	Transaction relationship	Canon MJ has trading relation with Canon Software on purchases and sales of products, goods, and raw material, etc.
	Related party relationship	Canon Software is a consolidated subsidiary of Canon MJ.

(16) Business Results for the Three Most Recent Fiscal Years (Consolidated)

(Unit: Million yen)

Fiscal term	Canon Marketing Japan Inc. (Wholly owning parent company)			Canon Software Inc. (Wholly owned subsidiary)		
	Fiscal year ended December 31, 2007	Fiscal year ended December 31, 2008	Fiscal year ended December 31, 2009	Fiscal year ended December 31, 2007	Fiscal year ended December 31, 2008	Fiscal year ended December 31, 2009
Net sales	905,136	827,486	686,614	24,194	26,759	23,733
Operating income	36,886	25,415	6,297	1,836	2,153	1,316
Ordinary income	36,895	25,943	8,222	1,868	2,170	1,357
Net income	20,033	11,185	(4,343)	1,005	1,064	787
Net income per share(yen)	134.84	78.63	(31.62)	43.64	46.23	34.17
Annual dividend per share (yen)	40	40	20	12	12	12
Net asset per share (yen)	1,817.59	1,858.39	1,797.31	346.56	379.20	401.25

5. Situation after the Share Exchange

(1) Trade Name	Canon Marketing Japan Inc.
(2) Description of Business	Marketing of business machines, consumer equipment, and industrial equipment and offering of their related solutions
(3) Location of Head Office	Konan 2-chome 16-6, Minato-ku, Tokyo, Japan
(4) Name and Title of Representative	Masami Kawasaki, President
(5) Paid-in Capital	73,303 million yen
(6) Total Assets (Consolidated)	Undetermined at this time
(7) Net Assets (Consolidated)	Undetermined at this time
(8) Fiscal Year End	December 31

6. Outline of Accounting Treatment

Since this Share Exchange is a common control transaction, no goodwill attributable to the Share Exchange is expected to accrue.

7. Outlooks for Future

Canon Software is a consolidated subsidiary of Canon MJ. The effect on the performance of Canon MJ from this Share Exchange will be minor and negligible on consolidated and non-consolidated bases.

8. Transactions, etc. with Controlling Shareholders

This Share Exchange of Canon Software constitutes a transaction, etc. with controlling shareholders.

The status of this transaction is described below with respect to compliance with the “Guidelines for Policies for the Protection of Minority Shareholders in Transactions with Controlling Shareholders” stated in the report on corporate governance that Canon Software disclosed on April 28, 2009.

In relation to Canon MJ, the parent company, and with its Group companies, Canon Software is not in a situation in which the freedom of its business activities is hampered by Canon MJ or its Group companies. Canon Software believes that it has secured a certain degree of independence from these companies. Since Canon Software conducts transactions with Canon MJ and its Group Companies using standards similar to those applied to transactions with other companies, Canon Software is not subject to restrictions due to its capital relationship.

This Share Exchange is determined after Canon Software has retained the management independence described above and after ensuring fairness by implementing measures in Item 3, (5) and (6), above.

The “Guidelines for Policies for the Protection of Minority Shareholders in Transactions with Controlling Shareholders,” which was stated in the report on corporate governance that Canon Software disclosed on April 28, 2009, is as follows:

Concerning the relationship with the parent company, Canon Software makes decisions on business policies, terms and transaction conditions, matters on personnel and organizations, independently and without restriction from the parent company. Canon Software’s independence from the parent company protects the interests of Canon Software and its minority shareholders from being impinged.

In addition, the independent audit corporation audits important decision making processes of Canon Software. Moreover, Canon Software is constantly aware that all shareholders are equal with respect to decisions made on proposals for dividend policy and at general meetings of shareholders, as they are with respect to other matters concerning shareholders’ interests and the exercise of their rights, and hence takes steps to prevent minority shareholders from being placed at a disadvantage.

End