
Press Release

London, 3 February 2010

Following the publication of the Canon offer document and Océ's position statement with regards to Canon's offer for Océ of 28 January 2010, as well as the agenda of Océ's EGM to be held on 12 February 2010, Hermes Focus Asset Management ('Hermes') has issued an open letter (see attached) to the Boards of Canon and Océ stating that Hermes:

- Welcomes Canon's and Océ's continued intention to pursue a merger;
- Sees its concerns about the value offered to Océ shareholders confirmed;
- Identifies major governance issues that could further dilute the attractiveness of the overall proposition for Océ shareholders;
- Has a number of questions related to these concerns, and would appreciate having answers to these questions from Océ's Boards ahead of the upcoming EGM;
- Would welcome an agreement that is acceptable for all.

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About Hermes Focus Asset Management Ltd. (HFAM)

HFAM (previously known as Hermes Focus Asset Management Europe or HFAME) is a specialist investment partnership within Hermes Fund Managers and is the manager of the Hermes European Focus Fund, a shareholder engagement fund. HFAM invests in a concentrated portfolio of European publicly listed equities on behalf of institutional clients including pension funds. HFAM seeks to maximize long-term value of portfolio companies through changes in strategy, capital structure, management and corporate governance. HFAM has been a shareholder in Océ since 2006 and currently holds 3.3% of the ordinary share capital.

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Hermes is a multi boutique asset manager comprising a series of specialist investment partnerships with a truly long-term and responsible approach to delivering investment returns. We offer our clients the best combination of specialist investment teams and products along with a robust operating platform from which to operate.

Hermes offers investment solutions which range from alternative strategies such as fund of hedge funds, commodities, private equity and our engagement focus funds to real estate, specialist equity products and fixed income. Hermes invests assets on behalf of over 180* clients across these product areas and has £21.6bn* under management. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service, which has over £40 billion* of assets under stewardship.

* As at 30 September 2009

Open Letter

London, 3 February 2010

Offer Canon for Océ

To the Board of Canon and the Management and Supervisory Boards of Océ

Dear Sirs

We have taken notice of the Canon offer document and Océ's position statement with regards to Canon's offer for Océ of 28 January 2010, as well as the agenda of Océ's EGM to be held on 12 February 2010. Given our positive stance towards a consolidation of Océ with Canon, we welcome your continued intention to pursue a merger. However, your recent filings confirm our concerns about the value offered to Océ shareholders. Furthermore, the plans, as published, do give rise to some major governance concerns that could further dilute the attractiveness of the overall proposition for Océ shareholders. Related to these concerns, we have a number of questions which we would appreciate the Boards of Océ to address ahead of, and at, the upcoming EGM. We briefly discuss our concerns and questions below.

* * *

Concerns with regards to the offer price in relation to the intrinsic value of Océ

In our letter of 11 January 2010 (see attached), we elaborated on Océ's sub-optimal group structure and the relevance of synergies with consolidation partners when assessing the value of the group. In the light of this, we stated that we saw no reason why Océ should not be able to achieve industry mid-cycle profitability levels after it has been merged with a market leading company. We highlighted that we are concerned about the extent to which the offer price represents a fair sharing of value between Canon and Océ shareholders and that we consider the offer price as a meagre representation of Océ's value. We also pointed to the apparent intention of Canon and Océ not to pursue cost synergies. We found this remarkable given the fixed cost nature of Océ's and Canon's activities and the aim of the merger to solve the lack of scale in some of Océ's activities. It also provided further substance to the observation that the value potential of Océ is not adequately reflected by the current offer terms. Finally, we questioned the extent to which Océ has seriously explored an approach of finding better owners for some of its business entities over time to better capitalise on the value potential of Océ.

On one hand, the offer document and position statement have been helpful in providing us with more details on the issues raised in our letter. On the other hand, they both confirm the concerns we voiced earlier that the offer terms do not appropriately consider the full synergy potential of combining Océ with one of the market leading players. Firstly, the valuation analyses carried out by Canon, Océ and their advisors (to the extent published) appear to assume that Océ will remain a stand-alone entity with its current sub-optimal group structure and operational model. As we consider these issues as addressable, we question the appropriateness of this assumption for the purpose of valuing Océ. We note that the offer memorandum does not discuss or quantify the magnitude of the synergy potential between the two companies nor what kind of sharing of such benefits the offer price represents between Canon and Océ shareholders. Finally, Océ has stated that it has 'considered a potential break-

up scenario' and that 'no parties have shown any interest for acquiring specific parts of Océ'. Océ has, in our view, not substantiated that a (partial) break-up strategy has been thoroughly explored as a concrete alternative to selling the company as a whole.

Concerns with regards to the governance of Océ on behalf of minority shareholders after the tender period of Canon's offer

A number of shareholders including Hermes, together representing a significant portion of Océ's equity, have expressed that they are minded not to tender their shares. There may be other shareholders thinking the same way. Given that a considerable portion of Océ's equity investors is minded to remain shareholders after the tender offer period, the offer document and EGM agenda raise serious concerns with regards to the position of these investors as minority shareholders once the offer has been declared unconditional.

Firstly, the Océ Supervisory Board's proposal for the resignation of the current Supervisory Board members in favour of appointment of Canon executives and a lawyer retained by Canon dramatically diminishes the independent representation on the Supervisory Board should this change be implemented. At that point, the composition of the Supervisory Board would be in breach of the Dutch Corporate Governance Code (Best Practice III.2).

Secondly, the Boards are agreeing to de-certification of the preference shares once they are owned by Canon, effectively giving Canon 19% 'free votes' on the preference shares. This constitutes a breach of Best Practice IV.1.2 of the Dutch Corporate Governance Code.

Thirdly, the Boards are proposing to amend the articles of association in favour of Canon.

Fourthly, according to the offer memorandum, the proposals are not conditional on the 85% acceptance threshold, but solely on the decision by Canon to declare the offer unconditional. This means that Canon may choose to declare the offer unconditional and take full control with an acceptance level between 50% and 85% of the Shares, or, with Board approval, even below 50%. Océ may find itself with a single dominant shareholder that controls both the Supervisory Board and the General Meeting and has the power to amend the company's governance, without having any meaningful checks and balances to protect the interests of the other shareholders. In the offer document, Canon alludes to measures it may take if some shareholders do not tender their shares: it may merge the company in order to delist it, move it to a foreign jurisdiction with unknown consequences, selling the company's assets to itself, cease all dividend payments and exclude pre-emptive rights of minority shareholders.

Based on the abovementioned observations, we conclude that Canon and Océ appear to be pursuing measures to substantially weaken the position of minority shareholders in favour of Canon. This gives the impression that they aim to leave little choice for investors but to tender their shares, representing a de-facto 'squeeze out' of minorities largely independent of the outcome of the tender procedure. It would also mean that any realistic possibility for Océ to continue as a credible listed entity focused on the interests of all its shareholders would be removed.

Questions for Océ's Management and Supervisory Board

In the light of the previously discussed concerns, we would appreciate having answers to the questions stated below.

1. Questions related to the Offer price in relation to Océ's value

- 1.1 How can shareholders trust that the price offered for Océ is a fair reflection of the value of the company's assets given that the potential synergies, which are a central part of the rationale for the merger, appear not to have been fully considered and quantified in the valuations?
- 1.2 What is the rationale for not pursuing cost synergies despite the significant potential in this area given the fixed cost nature of Canon's and Océ's activities and the aim of the merger to solve the lack of scale in some of Océ's activities?
- 1.3 In case you have done such an analysis, what are the sources and estimated amounts of synergies of the intended merger and achievable mid-cycle margins post integration of Océ's activities?

- 1.4 As an alternative strategy to selling the company as a whole, what has Océ concretely and pro-actively done to find better owners for e.g. the Continuous Feed activities, Imagistics, the various country organisations of the Digital Document Systems division and Océ Business Services?
- 1.5 How can the EUR 1.5 bln enterprise value of the offer, as announced at the joint analyst conference of 16 November 2009, be reconciled with the offer price and Océ's net debt, given that Océ's cash appears not to have been taken into account in the net debt?

2. Questions related to the composition of and governance by the Supervisory Board going forward

- 2.1 To what extent are the nominees for the Supervisory Board, who are all employees of or advisors to Canon, appropriately suited to serve the interests of all shareholders of Océ?
- 2.2 Why have the Boards agreed to nominate this many non-independent Supervisory Board members irrespective of the number of Shares tendered?

3. Questions related to the position of Océ shareholders

- 3.1 Assuming that there are minority shareholders after the tender offer period, what measures are going to be in place to safeguard their interests with regards to intra-company dealings and any other aspect that could be relevant for the position of minority shareholders?
- 3.2 Why has the Board accepted that Canon can unilaterally waive the condition of the acceptance level reaching at least 85% of the Shares before making the offer unconditional, potentially giving away full control to Canon also in a case that a substantial portion of Océ's equity is not tendered?
- 3.3 Will the Boards approve consummation of the offer even at less than 50% of the Shares tendered and if yes on what grounds?
- 3.4 Why do you propose that Canon, with potentially conflicting interests vis-à-vis other shareholders, should be able to vote the preference shares instead of the 'Stichting Administratiekantoor', which is bound to serve the interests of the company and all its shareholders?
- 3.5 Why do you propose to offer Canon full voting power on the preference shares, disproportionate to their economic value, while the current certificate holders have no such right under the existing corporate governance rules?
- 3.6 What is the rationale for making the proposal to amend the articles of association, which is improving the rights of shareholders, conditional on Canon becoming a dominant shareholder?

* * *

We would welcome shareholders to have a reasonable alternative to accepting the offer, rather than being confronted with the prospect of unfair governance. Based on the above, Hermes objects to the abovementioned policy and affairs of the Océ Boards to amend Board composition and governance conditional on the decision by Canon to declare the offer unconditional, and asks the Boards to review their position and take the appropriate measures to ensure adequate protection of minority shareholders' rights.

We would appreciate your response to our questions and concerns ahead of the EGM, and hope to hear from you at the latest by Tuesday 9 February 2010. We remain open to elaborate on our concerns in a constructive dialogue with the appropriate representatives of Canon and Océ and reiterate that we would welcome an agreement that is acceptable for all.

With kind regards

Hermes Focus Asset Management

Press Release

London, 11 January 2010

Following the indicative offer of Canon for all of Océ's shares Hermes Focus Asset Management (HFAM) has issued an open letter (as attached) to the Boards of Canon and Océ stating that HFAM:

- Welcomes the strategic direction of an intended merger between Canon and Océ;
- Is concerned that the offer terms do not represent a fair sharing of value between the shareholders of Canon and those of Océ;
- Is minded not to tender and intends to retain a holding in Océ at the current offer.

ENDS

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* As at 30 September 2009

price are put into a proper perspective. Following integration with Canon, and with profitability in line with industry standards, the company's equity would inductively be worth some 75% more than the offer price (see also attached analysis). This is based on our best knowledge and assumptions, and considering a 'mid-cycle' level of operating profitability in line with the rest of the industry of around 8.5%. If it were to achieve Canon Business Machines' level of operating profitability, which we recognize is among the highest in the industry, Océ's equity would inductively be worth some four times as much as the offer price.

At the joint conference call with Canon on 16 November 2009 it was stated that "there are no cost synergies foreseen yet". We find this remarkable given that the purpose of the merger is also to solve Océ's lack of relative market share in some areas, and to pursue scale benefits in many. The observation that cost synergies have not been taken into account is testament that there is more value in Océ than is currently being considered.

The offer for Océ raises another question: To what extent has Océ seriously considered and explored a strategy of separately finding better owners for some of its business entities over time? Such a strategy represents a realistic and attractive alternative. Océ's subscale or lower quality businesses do have a good value for consolidators, as witnessed by recent M&A transactions (like Danka and Ikon), due to the cash flow of their installed base. The Wide Format Printing Systems division, the Continuous Feed activities, Océ Business Services and other parts with good prospects and healthy mid-cycle margins should achieve higher valuations, especially when consolidated by businesses that have the best fit with that particular activity. Also analysts have identified that such a strategy could result in a markedly higher value per share than the current offer.

One other element of the offer gives rise to questions. At the joint analyst conference, it was announced that the offer enterprise value is EUR 1.5bn. It was mentioned that this amount included Océ's "net interest bearing debt of EUR 700mn". In our view this is Océ's gross interest bearing debt. The press release announcing the offer also made only reference to the assumed total amount of short and long term debt. Both observations suggest that the offer does not take into account the cash balances of Océ at the end of August 2009 of some EUR 176m or EUR 2.08/share, nor its cash flow over the fourth quarter. Suffice to say that including these amounts, and given an offered EUR 1.5bn enterprise value, the offer for Océ's equity would be markedly higher.

...

As we are mandated to always act in the best interests of our clients, and for the reasons given above, we are currently minded not to tender and intend to retain a holding in Océ at the current offer. We take this position with some reluctance given that, should others accept your offer, we have little desire to create governance complexity by owning a stake in a company controlled by a strategic owner, but cannot see how the price offered represents adequate value for the assets acquired. We note that other investors like the Dutch retail investment association VEB and Orbis, Océ's largest shareholder (following Orbis' recent press release and before Canon's stock purchases), together representing a significant portion of Océ's equity, have voiced similar concerns and objections.

You have together taken a great step towards creating a strong and market leading industry player. We would therefore welcome if Canon and Océ reconsidered the offer terms in the light of a fairer sharing of Océ's value and if an agreeable outcome for all parties were to be reached. As always, we remain open to elaborate on the views expressed in this letter with the appropriate representatives of Canon and Océ.

With kind regards

Hermes Focus Asset Management

Open Letter

London, 11 January 2010

Indicative offer Canon for Océ

To the Boards of Canon and Océ

Dear Sirs

Canon and Océ have taken a commendable strategic step with their proposed merger. While we welcome the intended direction, our view is that the terms of Canon's offer represent a concern for shareholders. Integration of Océ with Canon allows for substantial synergies to be realized while the current offer price does not represent a fair sharing of value between Canon and Océ shareholders. Having unsuccessfully exhausted ways of passing our views through to Canon via a private meeting, we deem it appropriate to convey this message publicly.

...

Since our initial investment in 2006, we have encouraged Océ to address the strategic and operational issues that have depressed its profitability and share price over the past years. While the Océ group contains several market leading businesses in Production Printing, its Digital Document Systems division includes a number of sub-scale activities. In the absence of other viable solutions to address the scale issue we have encouraged Océ to participate in consolidation and to transition its sub-scale activities, in whole or in parts, to a larger and more cost efficient platform. We therefore welcome the outcome of Océ's strategic review and the subsequent step to enter into merger negotiations with Canon. We share your view that the merger can help solve Océ's challenges, and create a stronger industry player.

While the proposed merger of Océ with Canon is a step in the right direction, the takeover terms raise a major concern to us as an Océ shareholder: Does the offer price represent a fair sharing of value between Canon and Océ's shareholders? Océ and Canon have a compelling strategic fit, and the (fixed cost) nature of their activities offers tremendous scope for synergies. The combination will have an opportunity to leverage each others sales channels and product ranges, e.g. by using Canon's colour technology to sell into Océ's high-end and largely black & white installed base. Through R&D sharing the combined entity can efficiently increase its competitive advantage while driving significant cost optimisation given Océ's high burden of R&D costs. Given increased regional densities, the combined entity can markedly reduce sales, distribution and service costs in Production Printing and especially in Office and 'light production' where Océ lacks scale. There is no reason to assume that Océ should not be able to achieve a profitability level of at least as high as the industry average when integrated with a market leader such as Canon. A merger therefore represents an extraordinary opportunity to increase the value of the company.

We recognize that the 70% premium offered on Océ's shares as at the announcement of the indicative bid might appear impressive when considered in isolation. The indicative bid is however a meagre representation of the true value of Océ, when profitability potential and the depressed share

The potential value of Océ justifies a higher offer price

Valuations based on various methods indicate that Océ will be worth significantly more to Canon than its offer

Stand alone 'status quo': Although Canon offers a premium to the 'status quo' value of Océ, such a value assumes that Océ would continue its failed strategy focused on independence at a cost of value creation

Historical P/B: Price if Océ were to be purchased at the historical ratio of the share price to its book value

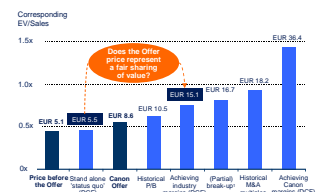
Achieving industry margins: Assume that Océ's activities can achieve industry average margins under the wings of one of the industry leaders

A (partial) break-up: Finding a 'best owner' for some or all of each separate business entity over time exhibits the hidden value in Océ

Historical M&A multiples

Achieving Canon margins: Were Océ to achieve Canon Business Machines' level of operating profitability, which we recognize is among the highest in the industry, Océ's equity would inductively be worth some four times as much as the offer price.

Indicative value per share and corresponding EV/Sales using different scenarios and assumptions



Source: HFAM analysis and estimates
 1 Independent Mind, 16 November 2009

- Key assumptions available on request -

Hermes Focus Asset Management 11 January 2010