

(Translation)

Notice of the 66th Ordinary General Meeting of Shareholders

May 29, 2008

Dear Shareholder,

We are pleased to send you this convocation notice for the 66th Ordinary General Meeting of Shareholders. We have sent resident shareholders in Japan the convocation notice and attached documents in Japanese, which were compiled according to the Japanese Corporation Law. Under this law, there is no obligation to provide materials in languages other than Japanese. However, we have enclosed an English translation for the reference of non-resident shareholders. Please note that the English translation is an abridged version of the complete text, highlighting several points that we believe will give non-resident shareholders an outline of the meeting agenda. It is not intended to influence shareholders in exercising their voting rights. Unfortunately, at this stage we are only able to provide official documents in Japanese. We ask for your understanding in this matter and thank you for your continued support of the Seiko Epson Corporation.

If you are unable to attend the meeting, please vote by using one of the following methods no later than 5:00 p.m., Tuesday, June 24, 2008 (Japan time). Prior to voting, you may wish to review the “Reference Materials for General Meeting of Shareholders” document, provided herein.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form whether you approve or disapprove of each of the proposals and return the completed form to us. The completed form must be received no later than 5:00 p.m., Tuesday June 24, 2008 (Japan time).

Voting by Internet

To vote by Internet, please log into the shareholders' voting websites at <http://www.it-soukai.com> or <https://daiko.mizuho-tb.co.jp> to register your approval or disapproval (Japanese only). Voting by Internet must be completed no later than 5:00 p.m., Tuesday June 24, 2008 (Japan time).

Sincerely yours,

Seiji Hanaoka

President

Seiko Epson Corporation
2-4-1 Nishishinjuku, Shinjuku-ku,
Tokyo

Description

1. Date and Time: 10:00 a.m., Wednesday, June 25, 2008 (Japan time)

2. Place: Prince Hall
5th Floor, Annex Tower, Shinagawa Prince Hotel
4-10-30, Takanawa, Minato-ku, Tokyo

3. Meeting Agenda

- Reporting:
1. Report on operations, consolidated financial statements, and on the reports of the accounting auditors and of the board of statutory auditors regarding the consolidated financial statements for the fiscal year ended March 31,2008 (from April 1, 2007 to March 31, 2008).
 2. Report on non-consolidated financial statements for the fiscal year ended March 31,2008 (from April 1, 2007 to March 31, 2008).

Proposals:

Proposal 1: Disposition of Retained Earnings

Proposal 2: Election of Nine Directors

Proposal 3: Election of Four Statutory Auditors

Proposal 4: The bonus provided for the directors for the fiscal year ended March 31,2008 (from April 1, 2007 to March 31, 2008)

Proposal 5: Countermeasures to Large-Scale Acquisitions of Seiko Epson Shares

4. The rule of the convocation:

- (1) If you exercise your voting rights through diverse means, please notify the Company (or the transfer agent) of the reason for this in writing at least three days before the meeting.
- (2) If you exercise your voting rights in writing on multiple occasions, we will treat the last contact as valid.
- (3) If you exercise your voting rights by Internet on multiple occasions, we will treat the last contact as valid.
- (4) If you exercise your voting rights by both mail and Internet, we will treat the vote by Internet as valid.

5. Notes

- (1) Any revisions to the reference materials for the Ordinary General Meeting of Shareholders, report on operations, consolidated financial statements, and non-consolidated financial statements shall be posted on the Company's website at <http://www.epson.jp/IR/> (Japanese) and http://www.epson.co.jp/e/IR/investor_relations_index.htm (English).
- (2) If attending the meeting in person, please remember to bring the ballot enclosed with these materials and to hand it to a receptionist.
- (3) If you exercise your voting rights by proxy, you should appoint as proxy another shareholder with voting rights in the Company. A written letter of proxy should be brought to the meeting and handed to a receptionist.

* The Company offers institutional investors access to ICJ Inc.'s electronic voting platform.

The original and official convocation notice and attached documents are written in Japanese. This English translation is an abridged version of the original. In the event of any discrepancy between the original and the English translation, the original (Japanese version) shall prevail and the Company shall bear no responsibility for the discrepancy and consequences therefrom.

Reference Materials for Ordinary General Meeting of Shareholders

Proposals and related items

Proposal 1: Disposition of Retained Earnings

1. Items Relating to the Year-End Dividend

With respect to the year-end cash dividends on common stock shares for the fiscal year, the Company proposes to pay 32 yen per share.

Of this amount, 16 yen was paid out as an interim dividend in December 2007; hence, the year-end dividend will be 16 yen per share.

(1) Distribution of Dividend

16 yen per share, total amount 3,141,797,456 yen

(2) Effective Date of Distribution

June 26, 2008

2. Other Items Relating to the Disposition of Retained Earnings

(1) Decreased Retained Earnings

Special Reserve: 20,000,000,000 yen

(2) Increased Retained Earnings

Retained Earnings Carried Forward: 20,000,000,000 yen

Proposal 2: Election of Nine Directors

The terms of office of nine directors will end at the close of this meeting. The Company proposes to appoint nine directors.

Candidates for the director positions are as follows:

Candidate No.	Name (Date of Birth)	Summary of career, title, and other representative directorships	Shares of the Company's stock owned
1	Seiji Hanaoka (Sep. 28, 1947)	Apr. 1970 Joined the Company Jun. 1995 Director of the Company Jul. 1996 Executive Vice President, Epson America, Inc. Jun. 1999 Managing Director of the Company Apr. 2002 Senior Managing Director of the Company Apr. 2003 Executive Vice-President of the Company Apr. 2005 President of the Company (current position)	26,500
2	Yasuo Hattori (Apr. 30, 1940)	Sep. 1985 Director of the Company Sep. 1987 Director and Adviser of the Company Jun. 1994 Executive Vice-President of the Company Jun. 1995 Vice-Chairman of the Company (current position) Representative status of other companies Representative Director, Sun Kikaku Kabushiki Kaisha Representative Director, Aoyama Kigyo Kabushiki Kaisha	7,247,206
3	Minoru Usui (Apr. 22, 1955)	Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company) Jun. 2002 Director of the Company Nov. 2005 Director of the Company and General Administrative Manager of the Production Engineering & Development Division of the Company (current position) Jun. 2007 General Administrative Manager of Corporate Research & Development Division(current position) Oct. 2007 Managing Director of the Company (current position)	11,300
4	Masayuki Morozumi (Aug. 28, 1947)	Apr. 1968 Joined the Company Jun. 1998 Director of the Company Apr. 2002 Managing Director of the Company Nov. 2004 Senior Managing Director of the Company (current position)	21,900
5	Kenji Kubota (Dec. 4, 1953)	Apr. 1977 Joined the Company Jun. 2001 Director of the Company Apr. 2003 Managing Director of the Company (current position) Apr. 2006 Managing Director and General Administrative Manager of the Management Control Office of the Company (current position)	12,600

Candidate No.	Name (Date of Birth)	Summary of career, title, and other representative directorships	Shares of the Company's stock owned
6	Hiroshi Komatsu (Apr. 1, 1954)	Apr. 1976 Joined the Company Jun. 2000 Director of the Company Nov. 2004 Managing Director of the Company (current position)	8,700
7	Seiichi Hirano (Dec. 11, 1954)	Apr. 1977 Joined Shinshu Seiki Co., Ltd. (now the Company) Jun. 2002 Director of the Company Jun. 2006 Executive Officer of the Company Jun. 2007 President of the Epson Sales Japan Corporation (current position) Oct. 2007 Managing Executive Officer of the Company (current position)	7,900
8	Toru Oguchi (Oct. 2, 1950)	Apr. 1971 Joined the Company Jul. 1995 Manager of TP Design Department Nov. 2002 Director of Epson Europe B.V. Apr. 2003 Managing Director of the Epson Sales Japan Corporation Apr. 2004 Senior Managing Director of the Epson Sales Japan Corporation Apr. 2006 Chief Operating Officer of the Imaging Products Operations Division(current position) Jun. 2006 Executive Officer of the Company Oct. 2007 Managing Executive Officer of the Company (current position)	8,000
9	Akihiko Sakai (Jan. 1, 1954)	Nov. 1984 Joined the Company Oct. 1994 Vice- President of Epson America, Inc. Jul. 2000 Manager of the Management Control Office of the Company Apr. 2006 General manager of the Corporate Strategy Office (current position) Jun, 2006 Executive Officer of the Company(current position)	1,600

Note 1: No other candidate is involved in activities that potentially conflict with the Company.

Proposal 3: Election of Four Statutory Auditors

The terms of statutory auditors Toshihiko Kishiro, Yoshiro Yamamoto, Tomiichi Akiyama, and Tatsuhiro Ishikawa will end at the close of this meeting. The Company proposes to appoint four statutory auditors. The candidates for the statutory auditor position are as follows.

Candidate No.	Name (Date of Birth)	Summary of career, title, and other representative directorships	Shares of the Company's stock owned	
1	Kenji Uchida (Jan. 26, 1949)	Apr. 1971	Joined the Company	9,000
		Jun. 2003	Director of the Company	
		Apr. 2006	General Administrative Manager of the Imaging Products Software Engineering & Development Center (current position)	
		Jun. 2006	Executive Officer of the Company (current position)	
2	Yoshiro Yamamoto (Mar. 8, 1936)	Jun. 1987	Appointed Director of the Fuji Bank, Ltd	2,700
		May 1989	Appointed Managing director of the Fuji Bank, Ltd	
		Jun. 1991	Appointed Vice-president of director of the Fuji Bank, Ltd	
		Jun. 1996	Appointed President and CEO of the Fuji Bank, Ltd.	
		Sept. 2000	Appointed President and CEO of the Fuji Bank, Ltd. and Chairman of the Board of Directors of Mizuho Holdings, Inc.	
		Jun. 2002	Appointed Statutory Auditor of the Company (current position)	
3	Tatsuhiro Ishikawa (Apr. 4, 1939)	Apr. 1965	Appointed Public prosecutor at the Tokyo District Public Prosecutors Office	3,600
		Sept. 1986	Appointed Section chief of detective of the Ministry of Justice Criminal Affairs Bureau	
		Sept 1989	Appointed Director of head office of special investigation department of Tokyo District Public Prosecutors Office	
		Apr. 1993	Appointed Deputy public prosecutor of Tokyo District Public Prosecutors Office	
		Jun. 1996	Appointed Supreme Public Prosecutor's Office public trial director	
		Feb. 1997	Appointed Chief public prosecutor at the Tokyo District Public Prosecutors Office	
		Nov. 2000	Appointed Superintendent public prosecutor at the Nagoya High Public Prosecutors Office	
		Nov. 2001	Retirement	
		Dec. 2001	Admitted to the bar (current position)	
		Jun. 2004	Appointed Statutory Auditor of the Company (current position)	

	Name (Date of Birth)	Summary of career, title, and other representative directorships	Shares of the Company's stock owned
4	Kenji Miyahara (Nov. 5, 1935)	Jun. 1986 Director of Sumitomo Corporation Jun. 1990 Managing Director of Sumitomo Corporation Jun. 1993 Senior Managing Director of Sumitomo Corporation Jun. 1995 Executive Vice-President of Sumitomo Corporation Jun. 1996 President of Sumitomo Corporation Jun. 2001 Chairman of Sumitomo Corporation Jun. 2007 Counselor of Sumitomo Corporation Positions representing other corporations Representative director of Sumitomo Seisen Corporation	0

Note 1: The Candidates are not involved in activities that potentially conflict with the Company.

Note 2: Yoshiro Yamamoto, Tatsuhiro, Ishikawa, and Kenji Miyahara are outside auditors.

Note 3: Special notes about the candidates for outside auditor are as follows.

(1) The reason for election of outside auditors

Yoshiro Yamamoto has considerable insight and a wealth of experience as the former president of a bank.

Tatsuhiro Ishikawa has held important official positions in judicial circles and possesses deep insight into legal affairs. He also has considerable experience as an outside director in two or more other companies. Although he has taken part in corporate management only as an outside director, he is fully capable of fulfilling his duties as an outside auditor.

Kenji Miyahara has considerable insight and a wealth of experience as an executive of a trading company.

(2) Breaches of law/ certificates of incorporation or illegal business activities while in other positions over the past five years

Taisei Corporation, which Yoshiro Yamamoto serves concurrently as an outside director, was ordered to suspend its business by The Ministry of Land, Infrastructure and Transport. This was because the Antimonopoly Law was broken during construction ordered by Niigata City in 2006, construction ordered by The Defense Facilities Administration Agency in 2007, and subway construction ordered by Nagoya City.

Although he was unaware of these infringements until they occurred, he made proposals to the board of directors based on observance of the law, and made warnings about the situation.

After these cases occurred he expressed opinions about the necessity of preventing a reoccurrence and of publicly disclosing the company's stance.

The Financial Services Agency ordered NIPPONKOA Insurance Company Ltd., which Tatsuhiro Ishikawa served concurrently as an outside director, to improve its business because of unpaid money due on insurance claims by some customers in 2005. The company was also ordered to suspend some of its business and to improve its business because of improper nonpayment of third sector commodities. Although he was unaware of these infringements until they occurred, he pointed out to the board of directors the need for a plan to prevent reoccurrence, for risk management and compliance, etc. and contributed to the improvement of business practice.

- (3) Period spent as an outside statutory auditor up until the close of this ordinary general meeting of shareholders.

Yoshiro Yamamoto: 6 years

Tatsuhiro Ishikawa: 4 years

- (4) Responsibility limitation contract with outside auditor candidates

If each of them are elected as a outside auditor, the Company will contract with them for amount of limit of liability for damage to be provided by Act of Parliament based on article 33 clause 2 of our certificate of incorporation.

Proposal4: Payment of bonuses to directors and statutory auditors for the fiscal year ended March 31, 2008(from April 1, 2007 to March 31, 2008)

The Company proposes to pay directors and statutory auditors bonuses of 125,130,000 yen in total at the end of the fiscal year (of which bonuses to statutory auditors amount to 14,760,000 yen).

Proposal5: Introduction of Countermeasures to Large-Scale Acquisitions of Seiko Epson Shares

Seiko Epson Corporation (the “Company”) decided at its board of directors meeting held on April 30, 2008 to introduce its plan described to following 2 for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) (the “Plan”). The introduction will be subject to shareholder approval at the 66th ordinary general meeting of shareholders of the Company to be held on June 25, 2008 (the “Shareholders Meeting”).

1. Purpose of the Plan

The Company will adopt the Plan for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company’s board of directors has decided that, on occasions when it receives a large-scale acquisition proposal for the shares in the Company from an acquirer, it is necessary and essential to introduce a mechanism that ensures the necessary time and information is made available for the shareholders to decide whether or not to accept such proposal or for the Company’s board of directors to present an alternative proposal to the shareholders and that enables the board of directors to discuss and negotiate with the acquirer for the benefit of the shareholders.

2. Plan Details

(1) Plan Outline

Establishment of Procedures

The Plan sets out procedures necessary to achieve the purpose stated in 1. above, including the requirement for acquirers to provide information in advance in the case an acquirer intends to make an acquisition of shares in the Company or any similar action or proposes to make such action (that action, “Acquisition”; the party effecting the Acquisition, the “Acquirer”) (for further details, see section (2) ‘Procedures for the Plan’ below).

Triggering of the Plan by Gratis Allotment of Stock Acquisition Rights

In the event that an Acquirer conducts an Acquisition of shares in the Company without following the procedures set out in the Plan, or threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders (see section (3) below, ‘Requirements for the Gratis Allotment of Stock Acquisition Rights,’ for details of these requirements), the Company will allot stock acquisition rights with an exercise condition that does not allow the Acquirer to exercise the rights and an acquisition provision to the effect that the

Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the Acquirer (see section (4) below, 'Outline of the Gratis Allotment of Stock Acquisition Rights,' for the outline of these stock acquisition rights; the "Stock Acquisition Rights"), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the Acquirer received shares in the Company as a result of those shareholders exercising, or the Company acquiring, those Stock Acquisition Rights, the ratio of voting rights in the Company held by the Acquirer may be diluted by up to one half.

Use of the Special Committee

In order to eliminate arbitrary decisions by the board of directors, decisions with respect to the matters such as the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights under the Plan will be made through the objective judgment of a Special Committee (see section (5) below, 'Establishment of the Special Committee,' for details; the "Special Committee") which is composed of highly independent members such as outside parties. In addition, the Company's board of directors will convene a general meeting of shareholders and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights, if the Special Committee recommends to do so. Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company's shareholders.

(2) Procedures for the Plan

Targeted Acquisitions

The Plan will apply in cases where there is an Acquisition that falls under (a) or (b) below. The Acquirer shall follow the procedures set out in the Plan.

- (a) An acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*) of a holder (*hoyuusha*) amounting to 20% or more of the share certificates, etc. (*kabuken tou*) issued by the Company; or
- (b) A tender offer (*koukai kaitisuke*) that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*) for share certificates, etc. (*kabuken tou*) subject to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*) for share certificates, etc. subject to the tender offer totaling at least 20% of the share certificates, etc. issued by the Company.

Request to the Acquirer for the Provision of Information

Unless otherwise approved by the Company's board of directors, the Company will require any Acquirer conducting an Acquisition to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, a document which includes the information described in each item of the list below ("Essential Information") and a written undertaking that the Acquirer will, upon the Acquisition, comply with the procedures set out in the Plan ("Acquisition Document")

Once the Company's board of directors has received the Acquisition Document, it will promptly provide the Acquisition Document to the Special Committee. If the Special Committee determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request, directly or through the Company's board of directors, that the Acquirer further provide Essential Information. In such case, the Acquirer should further provide such information within the relevant time limit.

- (a) Details of the Acquirer (specifically including name, capital structure, financial position, terms of previous transactions by the Acquirer similar to the Acquisition, the result and the effect on the corporate value of the target company subsequent to the previous transaction) and its group (including joint holders, persons having a special relationship and, in the case of funds, each partner and other constituent members).
- (b) The purpose, method and terms of the Acquisition (including information on the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).
- (c) The basis for the calculation of the purchase price of the Acquisition (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition including the details of such synergies to be shared with minority shareholders).
- (d) Financial support for the Acquisition (specifically including the name of the fund providers (including all indirect fund providers), financing methods and the terms of any related transactions).
- (e) Post-Acquisition management policy, business plan, capital and dividend policies for the Company group.

- (f) Post-Acquisition treatment of and policies for the Company's employees, business partners, customers, and any other stakeholders in the Company.
- (g) Specific measures to avoid any conflict of interest with other shareholders in the Company (if any).
- (h) Any other information that the Special Committee reasonably considers necessary.

If the Special Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set out in the Plan, as a general rule, it will recommend the Company's board of directors implement a gratis allotment of Stock Acquisition Rights in accordance with (a) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Document and the Essential Information, and its discussion and negotiation with the Acquirer.

Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(a) Request to the Company's Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Document and any additional Essential Information that the Special Committee requests (if any), the Special Committee may request that the Company's board of directors promptly present an opinion on the terms of the Acquirer's Acquisition (or an opinion to reserve giving such an opinion; hereinafter the same) and supporting materials, an alternative proposal (if any), and any other information or materials that the Special Committee considers necessary from time to time within a reasonable period determined by the Special Committee (up to thirty days as a general rule) for the Company's board of directors to collect information or consider such corporate valuation (including consideration by outside experts, if necessary) in order to compare the information contained in the Acquisition Document and the Essential Information with the business plan and corporate valuation made by the Company's board of directors in light of ensuring and enhancing the Company's corporate value and common interests of its shareholders.

(b) Special Committee Consideration

If the Special Committee determines that the information and materials (including those additionally requested) have been sufficiently provided by the Acquirer and the Company's board of directors (if the Company's board of directors is so required as set out in a. above), it may set a consideration period (up to sixty days as a general rule; the "Special Committee Consideration Period"; in this regard, however, the Special Committee may extend the period by its resolution in

accordance with (c) of (2) 'Procedures for the Plan' below). The Special Committee will consider the Acquisition terms, collect information on the materials such as the management plans and business plans of the Acquirer and the Company's board of directors and conduct a comparison thereof, and consider any alternative plan presented by the Company's board of directors, and the like during the Special Committee Consideration Period. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Special Committee will directly or indirectly through the Company's board of directors discuss and negotiate with the Acquirer, or present the shareholders with the alternative proposal presented by the Company's board of directors, or conduct any similar action.

If the Special Committee directly or indirectly through the Company's board of directors requests the Acquirer provide materials for consideration or any other information, or discuss and negotiate with the Special Committee, the Acquirer must promptly respond to such request.

In order to ensure that the Special Committee's decision contributes to the Company's corporate value and the common interests of its shareholders, the Special Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

(c) Disclosure of Information to Shareholders

The Company will promptly disclose the fact that an Acquirer has emerged, the fact that it has received an Acquisition Document from the Acquirer, the fact that the Special Committee Consideration Period has commenced, the fact that the Company's board of directors has presented an alternative plan to the Special Committee, and any matters considered appropriate by the Special Committee from the Essential Information or other information.

Judgment by the Special Committee

If an Acquirer emerges, the Special Committee will make recommendations to the Company's board of directors as follows. If the Special Committee makes recommendations or otherwise as listed in (a) through (c) below to the Company's board of directors, or otherwise believes it to be appropriate, the Company will promptly disclose the fact that recommendations or a resolution was made and an outline thereof and any other matters that the Special Committee considers appropriate (in the case of extending the Special Committee Consideration Period, including the period of and a summary of the reason for such extension).

(a) Recommendations for Implementation of Gratis Allotment of Stock Acquisition Rights

If the Acquirer fails to comply with the procedures set out in the Plan, or if as a result of considering the terms of the Acquisition or discussions and negotiations with the Acquirer, the Special Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Special Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Special Committee Consideration Period has commenced or ended.

However, even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Special Committee determines before commencement of the exercise period of Stock Acquisition Rights Exercise Period Commencement Date (defined in of (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights' below) that either of the events below applies, it may make a new recommendation (i) that (before gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- (i) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.
- (ii) There is a change in the facts or otherwise upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out below in (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' or it is not reasonable to implement the gratis allotment or allow shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements.

Even if the Special Committee considers the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, it will recommend that the Company's board of directors convenes a general meeting of shareholders and submits a proposal of the implementation of the gratis allotment of Stock Acquisition Rights if the Special Committee deems it appropriate.

(b) Recommendations for Non-Implementation of Gratis Allotment of Stock Acquisition Rights

If as a result of considering the terms of the Acquirer's Acquisition and discussions, negotiations or the like with the Acquirer, the Special Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' the Special Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of

directors, regardless of whether the Special Committee Consideration Period has ended.

However, even after the Special Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts or otherwise upon which the recommendation decision was made and the Special Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Special Committee may make a new judgment including a new recommendation that the Company should implement the gratis allotment of Stock Acquisition Rights and make that recommendation to the Company's board of directors.

(c) Extension of the Special Committee Consideration Period

If the Special Committee does not reach a decision to recommend either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Special Committee Consideration Period, the Special Committee will pass a resolution to extend the Special Committee Consideration Period to the reasonable extent considered necessary (however, no more than thirty days) for actions such as consideration of the terms of the Acquirer's Acquisition, discussion or negotiation with the Acquirer and consideration of an alternative proposal.

If the Special Committee Consideration Period is extended as a result of the resolution described above, the Special Committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

Resolutions of the Board of Directors and Convocation of the Shareholders Meeting

The Company's board of directors, in exercising their role under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights (including cancellation of gratis allotment of Stock Acquisition Rights) respecting any recommendation of the Special Committee described above to the maximum extent.

If the Special Committee recommends the Company's board of directors convenes a general meeting of shareholders to confirm the intent of shareholders regarding the implementation of the gratis allotment of Stock Acquisition Rights, the Company's board of directors will promptly

convene the general meeting of shareholders so that the meeting is held as soon as practicably possible and seek to obtain the approval of the shareholders in relation to the implementation of the gratis allotment of Stock Acquisition Rights. If the general meeting of shareholders resolves to implement the gratis allotment of the Stock Acquisition Rights, the Company's board of directors will promptly resolve to implement the gratis allotment of the Stock Acquisition Rights. The Acquirer must not effect an Acquisition after the commencement of procedures for the Plan until the Company's board of directors passes a resolution for implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.

After the Company's board of directors passes a resolution for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, after the convocation of the above general meeting of shareholders or after the general meeting of shareholders resolves to implement the gratis allotment of Stock Acquisition Rights, the Company will promptly disclose an outline of its resolution, and any other matters that the Company's board of directors considers appropriate.

(3) Requirements for the Gratis Allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at of (2) 'Procedures for the Plan,' if it is considered that an Acquisition by an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, the Company's board of directors will, without fail, make its determination as to whether an Acquisition of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights following the judgment of the Special Committee in accordance with of (2) above, 'Procedures for the Plan'.

An Acquisition not in compliance with the procedures prescribed in the Plan such as provision of information or ensuring the Special Committee Consideration Period set out above in of (2) 'Procedures for the Plan'.

An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions such as those described below or any similar action:

- (a) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company at an inflated price.
- (b) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
- (c) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
- (d) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price and taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (e) Acquisition made with no intention of truly participating in corporate management and for the sole purpose of increasing the share price of the Company and having the Company's affiliates purchase shares in the Company at an inflated price.

Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable to shareholders or do not set clear terms for the second stage).

Acquisitions to be effected without providing the Company's board of directors with the period of time reasonably necessary to produce an alternative proposal to the Acquisition.

Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not sufficiently provided to Company's shareholders.

Acquisitions whose terms (including amount and type of consideration for the Acquisition, the Acquisition schedule, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and

post-Acquisition policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.

Acquisitions that materially threaten to be against the corporate value of the Company or the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners and the like, technical development strength, social credit or brand value which are indispensable to the generation of the Company's corporate value.

(4) Outline of the Gratis Allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights is described below.

Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the number equivalent to the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the "Allotment Date") that is separately determined in a resolution by the Company's board of directors relating to the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights without consideration to those shareholders, other than the Company, who appear or are recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Rights (the “Applicable Number of Shares”) shall be one share unless otherwise adjusted.

The Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share in the Company. “Fair market value” means the average closing price (including quotations) for regular transactions of the stock of the Company on the Tokyo Stock Exchange on each day during the ninety day period prior to the Gratis Allotment Resolution (excluding the days on which the closing price is not available), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provision of (a) in paragraph below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

Conditions for the Exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (1) through (6) below shall collectively be referred to as “Non-Qualified Parties”):

- (1) Specified Large Holders;
- (2) Joint Holders of Specified Large Holders;
- (3) Specified Large Purchasers;
- (4) Persons having a Special Relationship with Specified Large Purchasers;
- (5) Any transferee of or to the Stock Acquisition Rights of any party falling under (1) to (4) without the approval of the Company's board of directors; or
- (6) Any Affiliated party of any party falling under (1) through (5).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents to whom the exemption provision under the applicable law applies may exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (b) of paragraph below, 'Acquisition of the Stock Acquisition Rights by the Company,' (please see Attachment 1, 'Terms and Conditions of Gratis Allotment of Stock Acquisition Rights' for details)).

Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

Acquisition of the Stock Acquisition Rights by the Company

- (a) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (b) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. Further, if, on or after the date upon which

the acquisition takes place, the Company's board of directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter

- (c) In addition to the above, the Company may, in the Gratis Allotment Resolution, determine matters relating to acquisition of Stock Acquisition Rights including separate Stock Acquisition Rights acquisition events.

Amendment due to revisions, etc., of the law

Rules based on laws quoted above are based on laws in force as of April 30, 2008. In the case that the meanings of terms mentioned above need to be amended after this date due to the establishment or abolition of laws, the Company's board of directors may redefine these terms in consideration for the reasons for establishing or abolishing the laws in question, and within appropriate and rational boundaries.

(5) Establishment of the Special Committee

Upon introduction of the Plan, the Company will establish the Special Committee as an organization that will eliminate arbitrary decisions by its board of directors and objectively carry out the substantive decisions on behalf of the shareholders in the event of triggering or other operation of the Plan (See the Attached sheet to find the members of the Special Committee).

If an Acquisition is to be actuated, the Special Committee shall substantially determine whether or not that Acquisition could harm the corporate value of the Company and the common interests of its shareholders, and the Company's board of directors shall pass a resolution as a function under the Corporation Law, respecting such decision of the Special Committee to the maximum extent, stated in (2) above, 'Procedures for the Plan' .

(6) Effective Period, Abolition and Amendment of the Plan

The effective period of the Plan (the “Effective Period”) shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of the Shareholders Meeting.

However, if, before the expiration of the Effective Period, (I) a general meeting of shareholders of the Company, or (II) the Company’s board of directors consisting of directors appointed at a general meeting of shareholders passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, the Company’s board of directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of a resolution of the Shareholders Meeting such as cases where any law, regulation, financial instrument exchange rule or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, cases where such revision or amendment is not detrimental to the Company’s shareholders, or any similar cases, and subject to the approval of the Special Committee.

If the Plan is abolished, modified, amended or otherwise altered, the Company will promptly disclose facts including the fact that such abolition, modification amendment or alteration has taken place, and (in the event of a modification or amendment) the details of the modification or amendment and any other matters.

(References)

The contents of the Plan is stated in 2 above, however, (I) impact on Shareholders and Investors upon introduction of the Plan and at the time of the Gratis Allotment of Stock Acquisition Rights, (II) judgment and reasons of the Company's board of directors regarding the Plan are as follows. We ask that you carefully consider these points, and hope that you will grant your approval.

(I) Impact on Shareholders and Investors upon introduction of the Plan and at the time of the Gratis Allotment of Stock Acquisition Rights

(a) Impact on Shareholders and Investors Upon Introduction of the Plan

The Plan will have no direct or material impact on shareholders and investors at the time of introduction because at that time, no actual gratis allotment of Stock Acquisition Rights will be implemented.

(b) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights

If the Company's board of directors passes a resolution for a gratis allotment of Stock Acquisition Rights, the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders on the Allotment Date provided separately in the Gratis Allotment Resolution of one Stock Acquisition Right per share in the Company held by the Entitled Shareholders. If the shareholders do not pay the exercise price or perform other procedures for exercise of Stock Acquisition Rights, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, it is also possible for the Company to acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures. If the Company carries out that acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price and, in this case, dilution of the value per share in the Company held by the shareholder may result but, as a general rule, no financial dilution of the overall value of shares in the Company held will result.

In addition, even after the Company's board of directors passes a resolution for gratis allotment of Stock Acquisition Rights, the Company may, by respecting any recommendation of the Special Committee described above at (a) of 2(2), 'Procedures for the Plan,' to the maximum extent, (i) (on or before the effective date of the gratis allotment of Stock Acquisition Rights), cancel the gratis allotment of Stock Acquisition Rights, or (ii) (after the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) acquire the Stock Acquisition Rights without consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that any shareholders or investors who have sold or bought the shares in the Company expecting to see a dilution of the value per share in the Company will be commensurately affected as a result of a fluctuation in the share price.

(II) Judgment and reasoning of the Company's board of directors regarding the Plan

The Plan is fair, objective, and is highly rational. The Plan is beneficial to the Company's corporate value and the common interests of shareholders, and does not seek to protect the interests of directors and statutory auditors of the Company.

Attachment

Profiles of the Members of the Special Committee

The following five persons are scheduled to be the initial members of the Special Committee upon introduction of the Plan.

Yoshiro Yamamoto

Business Background

June 1996	Appointed President and CEO of the Fuji Bank, Ltd.
Sept. 2000	Appointed President and CEO of the Fuji Bank, Ltd. and Chairman of the Board of Directors of Mizuho Holdings, Inc.
June 2002	Appointed Statutory Auditor of the Company (current position)

* Mr. Yamamoto will be appointed as an outside statutory auditor on approval of proposal 3 at the 66th Ordinary General Meeting of Shareholders to be held on June 25, 2008.

* Mr. Yamamoto is not involved in activities that potentially conflict with the Company.

Tatsuhiko Ishikawa

Business Background

Feb. 1997	Appointed chief public prosecutor at the Tokyo District Public Prosecutors Office
Nov. 2000	Appointed superintendent public prosecutor at the Nagoya High Public Prosecutors Office
Dec. 2001	Admitted to the bar (current position)
June 2004	Appointed Statutory Auditor of the Company (current position)

* Mr. Ishikawa will be appointed as an outside statutory auditor on approval of proposal 3 at the 66th Ordinary General Meeting of Shareholders to be held on June 25, 2008.

* Mr. Ishikawa is not involved in activities that potentially conflict with the Company.

Kenji Miyahara

Business Background

June 1996	Appointed President and CEO of Sumitomo Corporation
June 2001	Appointed Chairman of the Board of Directors of Sumitomo Corporation
June 2007	Appointed Senior Advisor of Sumitomo Corporation (current position)

* Mr. Miyahara will be appointed as an outside statutory auditor on approval of proposal 3 at the 66th Ordinary General Meeting of Shareholders to be held on June 25, 2008.

* Mr. Miyahara is not involved in activities that potentially conflict with the Company.

Tomiichi Akiyama

Business Background

June 1990	Appointed President and CEO of Sumitomo Corporation
June 1996	Appointed Chairman of the Board of Directors of Sumitomo Corporation
June 2004	Appointed Statutory Auditor of the Company (current position)

* Mr. Akiyama is an outside statutory auditor. He will retire from the position at the close of 66th Ordinary General Meeting of Shareholders to be held on June 25, 2008.

* Mr. Akiyama is not involved in activities that potentially conflict with the Company.

Hiroyuki Itami

Business Background

1967	Graduated from Faculty of Commerce and Management, Hitotsubashi University
1971	Obtained Ph.D. degree of Business Administration from Carnegie Mellon University
1984	Employed as professor of Faculty of Commerce and Management at Hitotsubashi University (until 2008)
1994	Appointed as dean of Faculty of Commerce and Management at

	Hitotsubashi University (until 1996)
2008	Employed as professor of Management of Science & Technology with Specialist Graduate School of Management of Science and Technology, the Tokyo University of Science (current position)

* Mr. Itami is not involved in activities that potentially conflict with the Company.

Note: Details of the Plan approved at the board of directors meeting held on April 30, 2008 have been posted on the Company's website at

http://www.epson.co.jp/e/IR/investor_relations_index.htm (English).