

July 25, 2005

**FALCO biosystems Ltd.**

346, Shimizu-cho, Nijo-agaru Kawaramachi-dori, Nakagyo-ku, Kyoto 604-0911 Japan  
Chairman and President: Hiroharu Akazawa  
(Stock code: 4671, Second Section, Tokyo Stock Exchange and Osaka Securities Exchange)  
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**Notice of merger of subsidiary with parent company**

We give notice that the Board of Directors decided at an extraordinary meeting held July 25, 2005, to merge wholly-owned subsidiary FALCO biosystems Tokyo Ltd. with the parent company effective September 21, 2005.

1. Purpose of merger

To strengthen the marketing and management efficiency of the clinical testing business in greater Tokyo.

2. Summary of merger

(1) Timetable

Directors meeting to approve merger contract:	July 25, 2005
Signing of merger contract:	July 25, 2005
Shareholders meeting to approve merger contract	
FALCO biosystems Tokyo Ltd.	August 11, 2005 (tentative)
Merger date:	September 21, 2005 (tentative)
Merger registration:	September 21, 2005 (tentative)

Note: FALCO biosystems Ltd. will not hold a shareholders meeting to approve the merger contract, as the merger will be carried out in line with simple merger procedures as stipulated in Article 413-3 of the Commercial Code.

(2) Method of merger

FALCO biosystems Ltd. will absorb and merge with FALCO biosystems Tokyo Ltd. FALCO biosystems Ltd. will be the surviving company and FALCO biosystems Tokyo Ltd. will be dissolved.

(3) Merger ratio

FALCO biosystems Ltd., the surviving company, owns 100% of the outstanding shares of FALCO biosystems Tokyo Ltd. As a result, no new shares will be issued as a result of the merger, nor will capital be increased.

(4) Payment due to merger

No merger payments will be made.

3. Profiles of merging companies

(1)	Company name:	FALCO biosystems Ltd. (Amalgamation company)	FALCO biosystems Tokyo Ltd. (Predecessor company)
(2)	Main business:	Clinical testing contracting	Clinical testing contracting
(3)	Established:	August 24, 1982	June 29, 1976
(4)	Headquarters:	346, Shimizu-cho, Nijo-agaru Kawaramachi-dori, Nakagyo-ku, Kyoto	3-13-6, Kamata, Setagaya-ku, Tokyo
(5)	Representative:	Chairman and President Hiroharu Akazawa	Chairman and President Hiroharu Akazawa
(6)	Capital stock:	2,620 million yen	93 million yen
(7)	Outstanding shares:	10,868,121 shares	154,680 shares
(8)	Shareholders' equity:	13,735 million yen	208 million yen
(9)	Total assets:	23,957 million yen	671 million yen
(10)	Fiscal year-end:	September 20	September 20
(11)	Employees:	727	26
(12)	Principal customers:	Suppliers: SRL, Inc., Attest Co., Ltd., Japan Radioisotope Association Clients: Hospitals, etc.	Suppliers: FALCO biosystems Ltd.  Clients: Hospitals, etc.
(13)	Major shareholders and shareholding ratios:	Hiroharu Akazawa 6.02% The Bank of Kyoto, Ltd. 3.97% FALCO biosystems Ltd. Employee Stock Ownership Plan 3.07% Bank of New York GCM Client Accounts E ISG 2.92% UFJ Bank Limited 2.91%	FALCO biosystems Ltd. 100%
(14)	Main banks:	The Bank of Kyoto, Ltd., UFJ Bank Limited, Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi, Ltd., The Sumitomo Trust & Banking Co., Ltd.	Mizuho Bank, Ltd.
(15)	Relationship:	Capital	The merging company wholly owns the company to be merged.
		Personnel	Three directors and one employee of the merging company also serve in the company to be merged.
		Business	The merging company contracts clinical testing from the company to be merged.

(16) Results over the past three fiscal years:

(Unit: million yen)

Fiscal year-end	FALCO biosystems Ltd. (Amalgamation company)			FALCO biosystems Tokyo Ltd. (Predecessor company)		
	Sept. 20, 2002	Sept. 20, 2003	Sept. 20, 2004	Sept. 20, 2002	Sept. 20, 2003	Sept. 20, 2004
Sales	17,845	18,165	18,427	1,568	1,600	1,453
Operating income	1,191	1,266	1,466	35	39	14
Ordinary income	1,226	1,319	1,490	35	44	9
Net income	633	554	735	20	13	-1
Net income per share (yen)	89.08	48.47	64.96	130.31	89.08	-
Annual dividend per share (yen)	20.00	15.00	15.00	-	-	-
Shareholders' equity per share (yen)	1,532.37	1,222.19	1,255.92	1,270.88	1,359.96	1,351.58

Note: The annual dividend per share figure of FALCO biosystems Ltd. for the fiscal year ending September 20, 2002 included a 40<sup>th</sup> anniversary commemorative dividend of 5 yen.