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FALCO biosystems Ltd.

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Notice of change to pension scheme

We give notice that we have replaced our "qualified pension plan" with a "defined contribution pension plan" effective October 1, 2005.

1. Purpose of change to pension scheme

Our previous pension scheme was composed of three plans: the welfare pension fund, the qualified pension plan, and the lump-sum payment plan. We have examined for some time now the best way to reform our pension scheme to adjust to new realities, such as deteriorating pension finances due to lower fund management returns, and the increasingly negative impact that projected pension obligations exert on corporate earnings.

We have decided to change some aspects of our pension scheme to strengthen our earnings structure and promote greater employee independence.

2. Outline of defined contribution pension plan

- (1) System outline: We have replaced our "qualified pension plan" with a "defined contribution pension plan"
- (2) Introduction: October 1, 2005
- (3) Management company: Japan Pension Navigator Co., Ltd.
- (4) Products: 15 (includes five principal protection plans)

3. Impact to earnings

We are currently examining the impact of pension scheme changes to earnings. We intend to include the impact of such changes in our FY2006 earnings forecasts, which we will announce along with FY2005 results on November 4, 2005.