

February 1, 2006

FALCO biosystems Ltd.

346, Shimizu-cho, Nijo-agaru Kawaramachi-dori, Nakagyo-ku, Kyoto 604-0911 Japan

Chairman and President: Hiroharu Akazawa

(Stock code: 4671, First Section, Tokyo Stock Exchange and Osaka Securities Exchange)

Contact: Hiroshi Hasegawa, General Manager, Investor and Public Relations Dept.

Telephone: +81-75-257-8501

Notice of establishment of Tokai Chuo Research Center

FALCO biosystems Ltd. gives notice that it will establish a new basic research center, Tokai Chuo Research Center (Moriyama-ku, Nagoya), to promote greater medical R&D, strengthen clinical testing capacity in the Tokai region where clinical testing orders are rising, and minimize risk in the R&D network in case of disaster.

We plan to introduce the collaborative emergency clinical testing system "e-FAL2006" to the Tokai Chuo Research Center. This system allows the smooth start of operations at newly established and consolidated basic research centers, regional laboratories, and small-scale laboratories. We believe the system will enable us to expand our scope of operations, minimize disruptions following M&A, enhance our clinical testing network, strengthen competitiveness, reduce COGS, and improve regional medical service.

Establishment of Tokai Chuo Research Center

1. Background on establishment

We decided to establish the Tokai Chuo Research Center to increase clinical testing capacity to meet rising orders in the Tokai region, and because a new basic research facility is necessary to strengthen our R&D network.

Along with the establishment of Tokai Chuo Research Center, we will revamp a portion of our Nagoya Research Center, rename it Nagoya Lab, and have it specialize in emergency clinical testing.

2. Overview of new research center

- 1) Name: Tokai Chuo Research Center
- 2) Planned site: Moriyama-ku, Nagoya
- 3) Planned start date: July 2007
- 4) Others: We estimate total capital investment at about 2.0 billion yen. We will inform investors of further details as they become available.

About e-FAL2006

"e-FAL" stands for "excellent FALCO" system. The upgraded version is "e-FAL2006."

Some of our clinical testing centers differ from others in terms of equipment, clinical testing methods, precision management, and data input to host computers. These differences have complicated operations in some cases, requiring significant investments of time and labor, and have made it difficult to open new laboratories.

However, "e-FAL2006" eliminates these problems, minimizes differences among research centers, and reduces dependence on testing center size, thus expanding the geographical scope of clinical testing. Other system merits include the following:

1. Greater flexibility during disasters and emergencies, as the greater speed and capacity of telecommunications technology has enabled one server to handle demand from many laboratories, compared with one previously, which means clinical testing can be carried out at any group laboratory (as opposed to only at registered laboratories previously). Fewer servers also save space and money.
2. System standardization enables small-scale labs to handle general clinical testing needs in addition to emergency testing.
3. Random assaying (random tests per specimen) using bar codes enables emergency clinical testing.
4. Real-time precision management, automated data checks, and process/progress management functions improve quality control and prevent mistakes.
5. Login/password and other authorization functions prevent personal information leaks and data corruption from external break-ins.
6. Others