

February 7, 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: Tadashi Yasuda, Executive Director General Manager of Business Planning Headquarters,  
and Business Development Headquarters

Telephone: +81-75-257-8556

**Notice of Change in Subsidiaries (Company Acquisition)**

We give notice that the Board of Directors passed a resolution at an extraordinary meeting held February 7, 2006 to conclude a basic agreement for the acquisition of Shidaiken Co., Ltd. stock, and to make the company a subsidiary.

**1. Reason for acquisition**

To expand our clinical testing business in the Shizuoka Prefecture area.

**2. Outline of change in subsidiaries**

- (1) Company name: Shidaiken Co., Ltd.
- (2) Representative: Tanekazu Yamanouchi, President
- (3) Location: 3-8-11, Takaoka, Fujieda-city, Shizuoka Prefecture
- (4) Established: October 1, 1992
- (5) Main business: Contracts for clinical testing
- (6) Fiscal year end: September 30
- (7) Employees: 16
- (8) Main offices: Fujieda-city Shizuoka Prefecture
- (9) Capital stock: 10 million yen
- (10) Outstanding shares: 200 shares
- (11) Breakdown of share ownership ratios:  
Tanekazu Yamanouchi: 50%  
Chiyoko Yamanouchi: 50%
- (12) Results of past two fiscal years

Unit: Million Yen

	Year ended Sep. 2004	Year ended Sep. 2005
Sales	218	224
Operating income	8	7
Ordinary income	8	7
Net income	5	4
Total assets	78	82
Shareholders' equity	45	50
Dividends per share	-	-

**3. Shares to be acquired from**

Tanekazu Yamanouchi: 100 shares  
Chiyoko Yamanouchi: 100 shares

**4. Number of shares to be acquired, share acquisition price, and change in ownership ratio**

- (1) Share ownership before transfer: -share (ownership ratio: -%)  
(Number of voting rights: -)
- (2) Number of shares to be acquired: 200 shares  
(Number of voting rights: 200)
- (3) Share ownership after transfer: 200 shares (ownership ratio: 100%)  
(Number of voting rights: 200)

We will announce the acquisition price as soon as it is decided.

**5. Schedule**

February 7, 2006:	Signing of basic agreement
February 21, 2006 (tentative):	Signing of stock acquisition contract
March 22, 2006 (tentative):	Date of share transfer

**6. Future outlook**

We expect the acquisition to have only a minimal impact on our FY9/2006 consolidated results.