

February 28, 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)

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Notice of Acquisition of Touyo Chuken Stock (inclusion of the company as a subsidiary)

We give notice that the Board of Directors passed a resolution at an extraordinary meeting held February 28, 2006 to conclude a basic agreement for the acquisition of Touyo Chuken Co., Ltd. stock, and to make the company a subsidiary.

1. Reason for acquisition

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

2. Outline of change in subsidiaries

- (1) Company name: Touyo Chuken Co., Ltd.
- (2) Representative: Masanori Saeki, President
- (3) Location: 1825-1, Touda 2-chome, Niihama-city, Ehime Prefecture
- (4) Established: August 1, 1977
- (5) Main business: Contracts for clinical testing
- (6) Fiscal year end: July 31
- (7) Employees: 34
- (8) Main offices: Niihama-city, Ehime Prefecture
- (9) Capital stock: 10 million yen
- (10) Outstanding shares: 20,000 shares
- (11) Breakdown of share ownership ratios:
 - Hidetoshi Kondo: 72%
 - Masanori Saeki: 12%
- (12) Results of past two fiscal years

Unit: Million Yen

| | Year ended July 2004 | Year ended July 2005 |
|----------------------|----------------------|----------------------|
| Sales | 325 | 230 |
| Operating income | 2 | (63) |
| Ordinary income | 0 | (63) |
| Net income | 0 | 0 |
| Total assets | 328 | 284 |
| Shareholders' equity | 103 | 103 |
| Dividends per share | - | - |

3. Shares to be acquired from

Hidetoshi Kondo: 14,000 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: 14,000 shares (acquisition cost: 7 million yen)

(Number of voting rights: 14,000)

(3) Share ownership after transfer: 14,000 shares (ownership ratio: 70%)

(Number of voting rights: 14,000)

5. Schedule

| | |
|-----------------------------|---------------------------------------|
| February 28, 2006 | Board of Directors resolution |
| February 28, 2006 | Signing of basic agreement |
| March 22, 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 FY9/06 consolidated results.