

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 Hitzcosmic 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 the acquisition of Hitzcosmic Corp. stock, and to make the company a subsidiary.

1. Reason for acquisition

Our group aims to become a comprehensive health care services conglomerate centered on the clinical testing and related business, and the dispensing pharmacy business, and we are expanding our operations to achieve this goal. We believe the digitalization of medical IT business, including the creation of electronic medical chart, is an important and growing market.

Flexibility and mobility are necessary in a business environment where intra-company systems are in constant flux. We decided to make Hitzcosmic Corp., which specializes in medical systems and services, a subsidiary because we believe we can maximize synergies with the company.

2. Outline of change in subsidiaries

- (1) Company name: Hitzcosmic Corporation
- (2) Representative: Hideo Harada, President
- (3) Location: 6-33, Edobori 2-chome, Nishi-ku, Osaka
- (4) Established: April 2, 1990
- (5) Main business: Development, design, production and sale of medical information systems
- (6) Fiscal year end: March 31
- (7) Employees: 47
- (8) Main offices: Osaka City
- (9) Capital stock: 150 million yen
- (10) Outstanding shares: 3,960 shares
- (11) Breakdown of share ownership ratios:
Hitachi Zosen Corporation: 100%

(12) Results of past two fiscal years

Unit: Million Yen

	Year ended March 2004	Year ended March 2005
Sales	601	533
Operating income	2	8
Ordinary income	6	9
Net income	3	5
Total assets	511	578
Shareholders' equity	273	278
Dividends per share	-	-

3. Shares to be acquired from

- (1) Company name: Hitachi Zosen Corporation
(2) Representative: Minoru Furukawa, President
(3) Head office location: 7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka
(4) Main business: Environmental solutions/energy/industrial and precision machinery/electric information systems/steel, construction and transportation/marine/disaster prevention
(5) Relationship with FALCO biosystems: None

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: 3,960 shares (acquisition cost: 680 million yen)
(Number of voting rights: 3,960)
(3) Share ownership after transfer: 3,960 shares (ownership ratio: 100%)
(Number of voting rights: 3,960)

5. Schedule

- February 28, 2006: Board of Directors resolution
February 28, 2006: Signing of stock acquisition contract
February 28, 2006: Date of share transfer

6. Future outlook

We expect the acquisition to have only a minimal impact on our FY9/06 consolidated results.