

January 19, 2009

FALCO biosystems Ltd.

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

President: Kenjiro Hirasaki

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

Contact: Tadashi Yasuda, Executive Director, Division Director of Corporate Planning Division

Telephone: +81-75-257-8500

Notice of a Merger between Consolidated Subsidiaries

FALCO biosystems Ltd. has announced that at the Board of Directors' meeting held on January 19, 2009, the Company decided to consolidate its three consolidated subsidiaries, FALCO Clinical Plan, Ltd., Pharma Prot Co., Ltd. and MINORI Co., Ltd., with details as follows.

1. Purpose of the Merger

The FALCO Group provides a comprehensive service for medical institutions by utilizing expertise cultivated through our clinical testing business and by offering a variety of contents related to medical treatment with the aim of growing as a comprehensive service provider in the healthcare industry.

Having made progress in this business development, we have decided to merge the management of the above three dispensing pharmacy companies, with the aims of increasing customer satisfaction in the dispensing pharmacy business and streamlining our business operations.

2. Major Points of the Merger

(1) Schedule of the Merger

Board of Directors' Meeting for the Merger	January 19, 2009
Conclusion of Merger Contract	January 19, 2009
General Shareholders' Meeting for the Merger	February 2, 2009 (Planned)
Planned Merger Date (Effective Date of the Merger)	March 21, 2009 (Planned)

(2) Method of the Merger

We will conduct the merger by absorption in which FALCO Clinical Plan, Ltd. will become the surviving corporation and Pharma Prot Co., Ltd. and MINORI Co., Ltd. will be dissolved.

(3) Issues of Shares upon Merger and Merger Ratio

700 shares will be issued upon the merger, with one common share in FALCO Clinical Plan, Ltd. being issued for each common share held in Pharma Prot Co., Ltd. and MINORI Co., Ltd., respectively.

3. Summary of Merger Companies

(As of September 20, 2008)

(1) Corporate Name	FALCO Clinical Plan, Ltd. (Surviving Corporation)	Pharma Prot Co., Ltd. (Extinct Corporation)	MINORI Co., Ltd (Extinct Corporation)
(2) Content of Business	Operation of dispensing pharmacies	Operation of dispensing pharmacies	Operation of dispensing pharmacies
(3) Date of Incorporation	June 10, 1975	November 7, 1995	March 22, 2005
(4) Location of Headquarters	346 Shimizu-cho, Nijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto	544 Iwakura Chuzaiji-cho, Sakyo-ku, Kyoto	544 Iwakura Chuzaiji-cho, Sakyo-ku, Kyoto
(5) Title and Name of the Representative	Masahiko Mori Representative Director and President	Masahiko Mori Representative Director and President	Masahiko Mori Representative Director and President
(6) Capital	10,000,000 yen	20,000,000 yen	15,000,000 yen
(7) Number of Outstanding Shares	200 shares	400 shares	300 shares
(8) Net Assets	384 million yen	333 million yen	30 million yen
(9) Total Assets	1,662 million yen	979 million yen	51 million yen
(10) Fiscal Year-end	September 20	September 20	September 20
(11) Number of Employees	105 persons	69 persons	5 persons
(12) Major Shareholders and Their Ownership Ratios	FALCO Pharmacies, Ltd. - 100%	FALCO Pharmacies, Ltd. - 100%	FALCO Pharmacies, Ltd. - 100%

(Note) FALCO Pharmacies, Ltd. is a wholly-owned subsidiary of FALCO biosystems Ltd.

4. Description After the Merger

- | | |
|--|---|
| (1) Corporate Name | FALCO Clinical Plan, Ltd. |
| (2) Content of Business | Operation of dispensing pharmacies |
| (3) Location of Headquarters | 346 Shimizu-cho, Nijo-agaru, Kawaramachi-dori,
Nakagyo-ku, Kyoto |
| (4) Title and Name of the Representative | Masahiko Mori, Representative Director and President |
| (5) Capital | 45,000,000 yen |
| (6) Fiscal Year-end | September 20 |
| (7) Effect on Corporate Performance | |

Since this merger is a merger between our consolidated subsidiaries, it will have no effect on our consolidated and non-consolidated business results.