

September 4, 2009

FALCO biosystems Ltd.

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

Representative Director, President: Kenjiro Hirasaki

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

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Changes in the Schedule, etc. of the Share Swap and Business Merger with SIMENO DRUG Co., Ltd. and Related Matters of Agreement

FALCO biosystems Ltd. entered into a Memorandum of Agreement (hereinafter referred to as the “original agreement”) with SIMENO DRUG Co., Ltd. (hereinafter referred to as “SIMENO DRUG”) on January 30, 2009 and had agreed to a business merger, but the company hereby announces that its Board of Directors passed a resolution at a meeting held today for entry into a Memorandum of Agreement (hereinafter referred to as “this agreement”) concerning changes in the business merger with SIMENO DRUG.

The details of the changes and additions to the original Memorandum of Agreement based on this agreement are as follows.

1. **Schedule for the Business Merger**

FALCO biosystems and SIMENO DRUG plan to change the schedule for the Business Merger agreed upon with the original Memorandum of Agreement, enter into a basic agreement stipulating the basic matters of this Business Merger and a final contract stipulating the final agreement on this Business Merger, and prepare for this Business Merger, aiming to do so in accordance with the schedule given below. In addition, the Company and FALCO Communications shall carry out the procedures required for the execution of the Absorption-type Split 1 by the date of its entry into force. An announcement will also be made in regard to Absorption-type Split 2 as and when the relevant changes in the schedule are determined. Other scheduling matters shall be decided upon through discussions between both companies in response to the progress of various procedures aimed at implementing the Business Merger, including the approval of the General Meetings of Shareholders at both companies and investigations by securities exchanges and related authorities.

September 2009 (schedule):	entry into a basic agreement
October 2009 (schedule):	implementation of due diligence
October 2009 (schedule):	entry into the final contract
December 2009 (schedule):	approval of the Share Swap at the General Meetings of Shareholders of both FALCO biosystems and SIMENO DRUG,

	and approval of the Absorption-type Split 1 at the General Meeting of Shareholders of FALCO biosystems
March 2010 (schedule):	coming into force of Absorption-type Split 1
April 2010 (schedule):	coming into force of the Share Swap

2. Change of accounting term
FALCO biosystems will change the final date of its accounting year to March 31 at the Ordinary General Meeting of Shareholders to be held in December 2009.
3. Organizational system of the holding company
The organizational system of the holding company will be as shown in Appendix 1.
4. Management principles and management vision
The management principles and management vision of the holding company will be as shown in Appendix 2.
5. Establishment of a group management company
Following this business merger, FALCO biosystems will establish a company (hereinafter referred to as the "Management Company") to conduct the management operations of the group companies as a wholly-owned subsidiary of the holding company. Specific details on the Management Company, methods related to the establishment of the Management Company and the succession of management operations, the schedule and other matters shall be determined in separate discussions.

6. Outline of companies involved in Share Swap

(1) Corporate Name	FALCO biosystems* (consolidated) (100% parent company)	SIMENO DRUG (non-consolidated) (100% subsidiary)
(2) Content of Business	Clinical testing business and dispensing pharmacy business	Drug store business
(3) Date of Incorporation	March 1988	May 1962
(4) Location of Headquarters	346 Shimizu-cho, Nijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto	1-11, Ohimachi, Kanazawa City, Ishikawa Prefecture
(5) Title and Name of the Representative	Representative Director, Chairman Hiroharu Akazawa Representative Director, President Kenjiro Hirasaki	Representative Director, Chairman Yoshikazu Shimeno
(6) Capital	3,371 million yen	160 million yen
(7) Number of Outstanding Shares	12,356,177 shares	16,000 shares
(8) Net Assets	11,394 million yen (As of September 20, 2008)	771 million yen (As of February 28, 2009)
(9) Total Assets	29,257 million yen (As of September 20, 2008)	5,257 million yen (As of February 28, 2009)
(10) Fiscal Year-end	September 20	Last day in February
(11) Number of Employees	1,462 persons (As of September 20, 2008)	220 persons (As of February 28, 2009)
(12) Major customers	Medical institutions General customers	General customers
(13) Major Shareholder and Their Ownership Ratios (%)	Hiroharu Akazawa 5.34 Kyoto Bank 4.30 Employee stock ownership 4.20 Japan Trustee Services Bank, Ltd. (Trust Account 4G) 3.81 The Bank of Tokyo-Mitsubishi UFJ 2.56 Kenjiro Hirasaki 2.35 Client stock ownership 1.99 (As of March 20, 2009)	Yoshikazu Shimeno 30.6 Nagoya Small and Medium Business Investment & Consultation Corporation 17.5 Employee stock ownership 14.4 Yoshiyuki Shimeno 13.0 Takakazu Shimeno 9.9 Chieko Shimeno 9.7 Chikako Shimeno 4.9 (As of February 28, 2009)
(14) Major banking relationships	Kyoto Bank The Bank of Tokyo-Mitsubishi UFJ Mizuho Bank Sumitomo Trust & Banking Co., Ltd.	THE HOKURIKU BANK The Hokkoku Bank The First Bank of Toyama
(15) Relationship between companies involved	N/A	N/A

* After the completion of the Share Swap, this shall be changed to FALCO SD HOLDINGS Co., Ltd.

(16) Results for the past three years

Accounting period	FALCO biosystems					
	Consolidated base			Non-consolidated base		
	Year ended Sept. 20, 2006	Year ended Sept. 20, 2007	Year ended Sept. 20, 2008	Year ended Sept. 20, 2006	Year ended Sept. 20, 2007	Year ended Sept. 20, 2008
Net Sales (Million Yen)	32,832	35,092	37,461	20,389	21,848	23,440
Operating Income (Million Yen)	1,229	1,432	1,020	843	690	226
Ordinary Income (Million Yen)	1,257	1,340	853	936	798	139
Net Income (Million Yen)	(2,003)	709	115	(3,508)	431	(169)
Annual Dividend per Share (Yen)	-	-	-	20	20	20
Net Income (Loss) per Share (Yen)	(179.69)	57.87	9.47	(314.78)	35.24	(13.89)
Net Assets per Share (Yen)	926.20	955.07	939.79	908.91	915.90	876.47

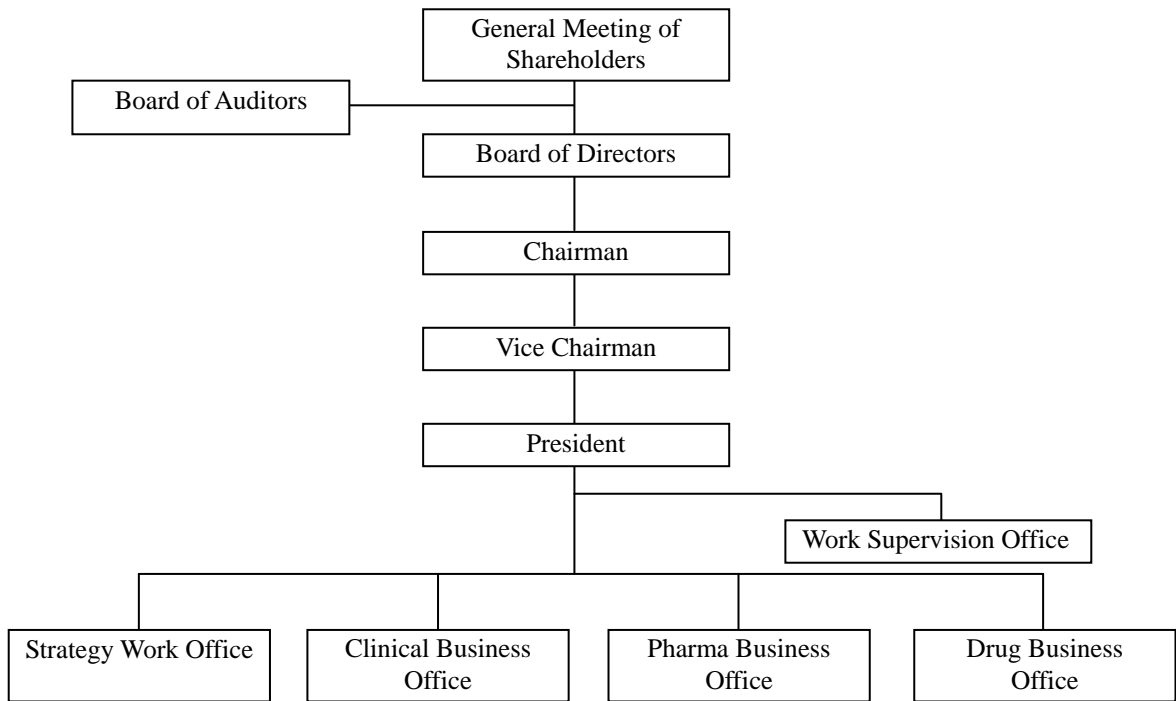
Accounting period	SIMENO DRUG					
	Consolidated base**			Non-consolidated base		
	Year ended Feb. 28, 2007	Year ended Feb. 29, 2008	Year ended Feb. 28, 2009	Year ended Feb. 28, 2007	Year ended Feb. 29, 2008	Year ended Feb. 28, 2009
Net Sales (Million Yen)				14,341	15,773	16,132
Operating Income (Million Yen)				197	265	130
Ordinary Income (Million Yen)				233	305	181
Net Income (Million Yen)				92	138	84
Annual Dividend per Share (Yen)				1,000	1,000	1,000
Net Income per Share (Yen)				5,765	8,657	5,276
Net Assets per Share (Yen)				36,300	43,926	48,202

** SIMENO DRUG does not create consolidated financial documents.

7. Other

We shall provide notice of details of the Share Swap and the future outlook as soon as such matters have been decided.

Appendix 1



Appendix 2

Management principles

For a more certain future:

1. Our mission is to contribute to society
1. Our mission is to develop the company
1. Our mission is to respect people

Management vision

Aiming at becoming a general medical services company:

—We will promote the shift to personalized medicine —

- Let's create a FALCO SD Group overflowing with potential using everybody's power!
- Let's make a further jump towards becoming an attractive company with presence!
- Let's create a premium brand!
- Let's strengthen our competitiveness by improving the quality of the business!
- Let's take on the challenge of new growth!
- Let's create a business and organization that create value!