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FALCO biosystems Ltd.

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**Announcement Regarding Appraisal Loss on Investment Securities
for the First Quarter of the Period Ending March 2010**

We hereby announce that it has to become necessary for the company to post an appraisal loss on investment securities owned by the company by means of impairment at the end of the 1st quarter of the period ending March 2010 in regard to those of the company's securities classified under "Other Securities" for which the market price has fallen markedly and price recovery is acknowledged to be difficult.

Concerning the impairment of investment securities carried out at the end of the quarterly consolidated accounting period and at the end of the quarterly business period, there is the possibility of the value of the appraisal loss on investment securities fluctuating or the appraisal losses on investment securities not being posted due to the market price at the end of the period ending March 2010.

1. Total value of appraisal loss on investment securities at the end of the 1st quarter of the period ending March 2010

	Non-Consolidated	Consolidated
(A) Total appraisal loss on investment securities during the 1 st quarter accounting period of the period ending March 31, 2010 (September 21, 2009 to December 20, 2009)	¥86 million	¥86 million

* A reversal method is used as the quarterly appraisal method for investment securities.

* The closing date for the Company's accounts is March 31. (The period ending March, 2010 is a transitional period for a change in the dates of the accounting period.)

○ Ratio of net assets, ordinary income and current net income

	Non-Consolidated	Consolidated
(B) Value of net assets in the term ended September 2009	¥10,192 million	¥11,547 million
(A/B*100)	0.9%	0.8%
(C) Average value of ordinary income in the 5 most recent consolidated accounting years and 5 most recent business years	¥811 million	¥1,357 million
(A/C*100)	10.7%	6.4%
(D) Average value of current net income in the 5 most recent consolidated accounting years and 5 most recent business years	¥253 million	¥482 million
(A/D*100)	34.4%	18.0%

2. Future Outlook

The above appraisal losses on investment securities at the 1st quarter of the period ending March 2010 have been recorded under extraordinary losses. There has been no change in the earnings forecasts (non-consolidated and consolidated) for the term ending March 2010.