

September 16, 2008

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)

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Notice of a Merger between Consolidated Subsidiaries

FALCO Biosystems Ltd. has announced that at the Board of Directors' meeting held on September 16, 2008, the Company decided to consolidate its two consolidated subsidiaries, COSMIC Co., Ltd. and FALCO Communications, 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 on the merger of COSMIC Co., Ltd., which develops and sells medical information systems, and FALCO Communications, Ltd., a contractor of clinical testing services, etc., with the aims of increasing customer satisfaction for our IT business and streamlining our business operations.

2. Major Points of the Merger

(1) Schedule of the Merger

Board of Directors' Meeting for the Merger	September 16, 2008
Conclusion of Merger Contract	December 8, 2008 (Planned)
General Shareholders' Meeting for the Merger	December 8, 2008 (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 Communications, Ltd. will become the surviving corporation and COSMIC Co., Ltd. will be dissolved.

(3) Merger Ratio

Since the two companies in the merger are our wholly-owned subsidiaries, there is no arranged merger ratio. Also, this merger involves no issuance of new shares.

(4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights of the Extinct Corporation

Not applicable.

3. Summary of Merger Companies

(As of March 20, 2008)

(1) Corporate Name	FALCO Communications, Ltd. (Surviving Corporation)	COSMIC Co., Ltd. (Extinct Corporation)
(2) Content of Business	Undertaking sales activities related to clinical specimen testing, etc.	Development and sale of medical information systems
(3) Date of Incorporation	June 1, 1973	April 2, 1990
(4) Location of Headquarters	346 Shimizu-cho, Nijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto	9th Floor, Wakita Tenmabashi Building, 2-13 Kyomachi, Tenmabashi, Chuo-ku, Osaka
(5) Title and Name of the Representative	Hiroshi Eguchi, Representative Director and President	Hideo Harada, Representative Director and President
(6) Capital	50,000,000 yen	150,000,000 yen
(7) Number of Outstanding Shares	60,400 shares	3,960 shares
(8) Net Assets	218 million yen	146 million yen
(9) Total Assets	583 million yen	664 million yen
(10) Fiscal Year-end	September 20	September 20
(11) Number of Employees	72 persons	77 persons
(12) Major Shareholders and Their Ownership Ratios	FALCO Biosystems Ltd. – 100%	FALCO Biosystems Ltd. – 100%

4. Description After the Merger

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| (1) Corporate Name | FALCO Communications, Ltd. |
| (2) Content of Business | Undertaking of sales activities related to clinical specimen testing, etc., and development, designing, manufacturing, and selling of medical information systems. |
| (3) Location of Headquarters | 346 Shimizu-cho, Nijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto |
| (4) Title and Name of the Representative | Hiroshi Eguchi, Representative Director and President |
| (5) Capital | 200,000,000 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.