

Summary of Financial Result for the Nine Months Ended June 20, 2005 (Consolidated)

Company name: **FALCO biosystems Ltd.**
 Stock Exchange listing: Tokyo Stock Exchange 2nd Section, Osaka Securities Exchange 2nd Section
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1. Accounting Policies in the Preparation of Quarterly Financial Results

(1) Use of simplified accounting methods: Yes

- Booking of corporate tax: calculated using the simplified method
- The simplified method has also been used for calculating those items that have a minimal impact on results

(2) Changes in accounting method from the previous consolidated fiscal year: None

(3) Changes in scope of consolidation and application of equity method: Yes

- Consolidation:

Newly added: 4 Hida Clinical Testing Center Ltd.
 Prot Co., Ltd.
 Pharma Prot Co., Ltd.
 MINORI Co., Ltd.

Eliminated: 0

2. Financial Results for the Nine Months Ended June 2005 (Sept. 21, 2004 – Jun. 20, 2005)

(1) Operating Results

(Rounded down if less than one Million Yen)

	Sales		Operating Income		Ordinary Income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Nine months ended June 2005	21,520	20.1	1,330	-	1,296	-
Nine months ended June 2004	17,920	-	-	-	-	-
(Reference) Year ended Sept. 2004	24,714		1,812		1,755	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	Million Yen	YoY change (%)	Yen	Yen
Nine months ended June 2005	670	-	61.81	-
Nine months ended June 2004	-	-	-	-
(Reference) Year ended Sept. 2004	845		74.89	74.47

Note: We only have year-over-year figures for sales because we just began reporting quarterly profit figures this quarter. The YoY percentage change in sales shows the increase (or decrease) in quarterly sales compared with the same quarter of the previous fiscal year.

[Qualitative information regarding consolidated quarterly results]

Sales totaled 21,520 million yen (+20.1% YoY), operating income 1,330 million yen, ordinary income 1,296 million yen, and net income 670 million yen for the nine months ended June 20, 2005.

Quarterly results by business were as follows:

Sales in the clinical testing and related business increased 3.5% year-over-year to 16,502 million yen as national hospitals and other medical institutions continued to outsource clinical testing, and Hida Clinical Testing Center Ltd. was made a subsidiary on January 31, 2005.

Sales in the dispensing pharmacy business increased 153.2% year-over-year to 5,018 million yen as we acquired all the stock of Tulip Drug Dispensary Co., Ltd. (HQ: Toyama City, Toyama Prefecture) on March 30, 2004, and the stock of three Pharma Prot Group companies (Prot Co., Ltd., Pharma Prot Co., Ltd., and MINORI Co., Ltd.) on March 22, 2005, and made all subsidiaries, and opened new pharmacies generally in line with plans.

(2) Financial Position

(Rounded down if less than one Million Yen)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
As of June 20, 2005	27,408	11,778	43.0	1,077.55
As of June 20, 2004	-	-	-	-
(Reference) As of Sept. 20, 2004	24,831	11,277	45.4	1,037.55

[Cash Flow Position]

(Rounded down if less than one Million Yen)

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Nine months ended June 2005	1,365	(1,226)	270	3,070
Nine months ended June 2004	-	-	-	-
(Reference) Year ended Sept. 2004	2,236	(2,917)	813	2,662

Note: We do not have financial and cash flow data for the same quarter of the previous fiscal year because we began disclosure of quarterly financial data this quarter.

[Qualitative information regarding changes in consolidated financial position]

Regarding our third-quarter financial position: we had total assets of 27,408 million yen (up 2,576 million yen over the end of the previous consolidated fiscal year), total liabilities of 15,627 million yen (up 2,073 million yen), total minority interests of 3 million yen (up 3 million yen), and total shareholders' equity of 11,778 million yen (up 500 million yen). Total assets, liabilities, and shareholders' equity were increased mainly due to making Hida Clinical Testing Center Ltd., Prot Co., Ltd., Pharma Prot Co., Ltd., and MINORI Co., Ltd. subsidiaries, increase in minority interests due to making Hida Clinical Testing Center Ltd. a subsidiary.

Our consolidated cash flow position in the nine-months period was as follows:

Nine-months consolidated cash and cash equivalents increased 408 million yen over the end of the previous consolidated fiscal year, to 3,070 million yen. Net cash provided by operating activities was 1,365 million yen: income tax payments and an increase in inventories and trade notes and accounts receivable resulting from inclusion of consolidated subsidiaries were offset by an increase in net income before income taxes and depreciation and amortization. Net cash used in investment activities was 1,226 million yen: positive factors, such as proceeds from sales of investment securities, were offset by negative factors, such as outlays for the purchases of subsidiaries' stock and tangible fixed assets. Net cash provided by financing activities was 270 million yen: the payment of dividends was offset by an increase in borrowings.

3. Forecast for the Fiscal Year Ending September 2005 (Sept. 21, 2004 - Sept. 20, 2005)

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Year	29,000	1,850	900

For reference: Estimated net income per share for full year: 82.34 Yen

[Qualitative information regarding earnings forecasts]

We maintain our initial full-year forecasts as earnings are trending generally in line with forecasts.

Note: Forecasts regarding future performance in these materials area bases on judgments made in accordance with information available at the time this presentation was prepared. Actual results may differ significantly due to changing circumstances.

[Attachment]

1. Summary of Consolidated Balance Sheets

(Unit: million yen/%)

Item	As of June 20, 2005	(Reference) As of Sept. 20, 2004	Change (Decline)	
	Amount	Amount	Amount	(%)
ASSETS				
I Current Assets	10,577	8,929	1,648	18.5
II Fixed Assets				
Tangible Fixed Assets	10,217	10,157	60	0.6
Intangible Assets	3,064	2,691	373	13.9
Investments and Other Assets	3,548	3,053	494	16.2
Total Fixed Assets	16,830	15,902	928	5.8
Total Assets	27,408	24,831	2,576	10.4
LIABILITIES				
I Current Liabilities	11,450	10,820	629	5.8
II Long-term Liabilities	4,176	2,732	1,443	52.8
Total Liabilities	15,627	13,553	2,073	15.3
MINORITY INTERESTS				
Minority Interests	3	-	3	-
SHAREHOLDERS' EQUITY				
Total Shareholders' Equity	11,778	11,277	500	4.4
Total Liabilities, Minority Interests and Shareholders' Equity	27,408	24,831	2,576	10.4

2. Summary of Consolidated Income Statement

(Unit: million yen/%)

Item	Nine months ended June 20, 2005		(Reference) Year ended Sept. 20, 2004	
	Amount	%	Amount	%
I SALES	21,520	100.0	24,714	100.0
II COST OF SALES				
Gross Profit	8,945	41.6	11,678	47.3
III SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,615	35.4	9,866	40.0
OPERATING INCOME	1,330	6.2	1,812	7.3
IV Non-Operating Income	95	0.4	147	0.6
V Non-Operating Expenses	130	0.6	204	0.8
ORDINARY INCOME	1,296	6.0	1,755	7.1
VI Special Income	9	0.0	25	0.1
VII Special Loss	22	0.0	94	0.4
NET INCOME BEFORE INCOME TAXES	1,283	6.0	1,686	6.8
Current Income Taxes	609	2.9	840	3.4
Minority Interests	3	0.0	-	-
NET INCOME	670	3.1	845	3.4

3. Summary of Consolidated Statements of Cash Flows

(Unit: million yen)

	Nine months ended June 20, 2005	(Reference) Year ended Sept. 20, 2004
	Amount	Amount
I CASH FLOWS FROM OPERATING ACTIVITIES	1,365	2,236
II CASH FLOWS FROM INVESTMENT ACTIVITIES	(1,226)	(2,917)
III CASH FLOWS FROM FINANCING ACTIVITIES	270	813
IV Translation Difference on Cash and Cash Equivalents	(0)	(1)
V Increase (decrease) in Cash and Cash Equivalents	408	131
VI Cash and Cash Equivalents at Beginning of Period	2,662	2,508
VII Increase due to Mergers of Non-consolidated Subsidiaries	-	22
VIII Cash and Cash Equivalents at End of Period	3,070	2,662

4. Segment Information

(1) Segment information

Nine months ended June 2005 (Sept. 21, 2004 - June 20, 2005)

(Unit: million yen)

	Clinical testing and related business	Dispensing pharmacy business	Total	Eliminations and corporate	Consolidated
Sales	16,502	5,018	21,520	-	21,520
Operating expenses	14,442	4,911	19,354	836	20,190
Operating Income	2,059	107	2,166	[836]	1,330

(Reference) Previous fiscal year (Sept. 21, 2003 - Sept. 20, 2004)

(Unit: million yen)

	Clinical testing and related business	Dispensing pharmacy business	Total	Eliminations and corporate	Consolidated
Sales	21,443	3,274	24,718	[4]	24,714
Operating expenses	18,557	3,258	21,815	1,085	22,901
Operating Income	2,886	15	2,902	[1,089]	1,812

Note: Method of segmentation

We have established two segments based on role, products, and market similarity.

Segments	Role and product
Clinical testing and related business	General clinical testing, special clinical testing, food sanitation and environmental health testing, hospital testing room management, and electronic medical chart system sales
Dispensing pharmacy business	Management of dispensing pharmacies