

Summary of Financial Result for the Three Months Ended December 20, 2004 (Consolidated)

Company name: **FALCO biosystems Ltd.**
 Stock Exchange listing: Tokyo Stock Exchange 2nd Section, Osaka Securities Exchange 2nd Section
 Stock code: 4671
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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) Accounting method changes from the previous consolidated fiscal year: None

(3) Changes in scope of consolidation and application of equity method: None

2. Financial Results for the Three Months Ended December 2004 (Sept. 21, 2004 - Dec. 20, 2004)

(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 (%)
Three months ended December 2004	6,937	16.7	461	-	459	-
Three months ended December 2003	5,947	-	-	-	-	-
(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
Three months ended December 2004	240	-	22.18	-
Three months ended December 2003	-	-	-	-
(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 at 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]

First-quarter sales totaled 6,937 million yen (+16.7% YoY), operating income 461 million yen, ordinary income 459 million yen, and net income 240 million yen.

Quarterly results by business were as follows:

Sales in the clinical testing and related business declined 0.2% YoY to 5,514 million yen: we captured new clients including national hospitals, but government-stipulated medical service fees were lowered, and

clinical testing volumes declined.

Sales in the dispensing pharmacy business increased 238.3% YoY to 1,423 million yen as we acquired all the stock of Tulip Drug Dispensary Co., Ltd. (HQ: Toyama City, Toyama Prefecture) on March 30, 2004, made the company a wholly-owned subsidiary, and opened new pharmacies.

(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 December 20, 2004	25,250	11,320	44.8	1,045.12
As of December 20, 2003	-	-	-	-
(Reference) As of Sept. 20, 2004	24,831	11,277	45.4	1,037.55

[Cash Flows 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
Three months ended December 2004	301	(216)	262	3,010
Three months ended December 2003	-	-	-	-
(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 at this quarter.

[Qualitative information regarding consolidated financial position]

Regarding our first-quarter financial position: we had total assets of 25,250 million yen (up 418 million yen over the end of the previous consolidated fiscal year), total liabilities of 13,930 million yen (up 376 million yen), and total shareholders' equity of 11,320 million yen (up 42 million yen).

Our consolidated cash flow position in the first quarter was as follows:

First-quarter consolidated cash and cash equivalents increased 348 million yen over the end of the previous consolidated fiscal year, to 3,010 million yen. Net cash provided by operating activities was 301 million yen: an increase in inventories and income tax payments were offset by an increase in net income before income taxes and depreciation and amortization. Net cash used in investment activities was 216 million yen: positive factors, such as proceeds from sales of investment securities, were offset by negative factors, such as outlays for the purchase of tangible fixed assets. Net cash provided by financing activities was 262 million yen: the payment of dividends was offset by an increase in borrowings and other positive factors.

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

	Sales	Ordinary Income	Net Income	Net Income per Share
	Million Yen	Million Yen	Million Yen	Yen
Interim	13,100	500	220	20.31
Full Year	27,600	1,750	830	73.01

[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 Dec. 20, 2004	(Reference) As of Sept. 20, 2004	Change (Decline)	
	Amount	Amount	Amount	(%)
ASSETS				
I Current Assets	9,350	8,929	421	4.7
II Fixed Assets				
Tangible Fixed Assets	10,176	10,157	19	0.2
Intangible Assets	2,583	2,691	(108)	(4.0)
Investments and Other Assets	3,139	3,053	86	2.8
Total Fixed Assets	15,899	15,902	(3)	(0.0)
Total Assets	25,250	24,831	419	1.7
LIABILITIES				
I Current Liabilities	10,997	10,820	177	1.6
II Long-term Liabilities	2,932	2,732	200	7.3
Total Liabilities	13,930	13,553	377	2.8
MINORITY INTERESTS				
Minority Interests	-	-	-	-
SHAREHOLDERS' EQUITY				
Total Shareholders' Equity	11,320	11,277	43	0.4
Total Liabilities, Minority Interests and Shareholders' Equity	25,250	24,831	419	1.7

2. Summary of Consolidated Income Statements

(Unit: million yen/ %)

Item	Three months ended Dec. 20, 2004		(Reference) Year ended Sept. 20, 2004	
	Amount	%	Amount	%
I SALES	6,937	100.0	24,714	100.0
II COST OF SALES				
Gross Profit	3,018	43.5	11,678	47.3
III SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,557	36.9	9,866	40.0
OPERATING INCOME	461	6.6	1,812	7.3
IV Non-Operating Income	22	0.3	147	0.6
V Non-Operating Expenses	25	0.3	204	0.8
ORDINARY INCOME	459	6.6	1,755	7.1
VI Special Income	8	0.1	25	0.1
VII Special Loss	0	0.0	94	0.4
NET INCOME BEFORE INCOME TAXES	467	6.7	1,686	6.8
Current Income Taxes	227	3.2	840	3.4
NET INCOME	240	3.5	845	3.4

3. Summary of Consolidated Statements of Cash Flows

(Unit: million yen)

	Three months ended Dec. 20, 2004	(Reference) Year ended Sept. 20, 2004
	Amount	Amount
I CASH FLOWS FROM OPERATING ACTIVITIES	301	2,236
II CASH FLOWS FROM INVESTMENT ACTIVITIES	(216)	(2,917)
III CASH FLOWS FROM FINANCING ACTIVITIES	262	813
IV Translation Difference on Cash and Cash Equivalents	0	(1)
V Increase in Cash and Cash Equivalents	348	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	3,010	2,662

4. Segment Information

(1) Segment information

Three months ended December 2004 (Sept. 21, 2004 - Dec. 20, 2004)

(Unit: million yen)

	Clinical testing and related business	Dispensing pharmacy business	Total	Eliminations and Corporate	Consolidated
Sales	5,514	1,423	6,937	-	6,937
Operating expenses	4,761	1,411	6,172	303	6,476
Operating Income	753	11	764	(303)	461

(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