

Summary of Financial Result for the Three Months Ended December 20, 2005 (Consolidated)

Company name: **FALCO biosystems Ltd.**
 Stock Exchange listing: Tokyo Stock Exchange 1st Section, Osaka Securities Exchange 1st 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) Changes in accounting method from the previous consolidated fiscal year: Yes

Effective the current three-months period, the Company has adopted the new accounting standards for the presentation of the Impairment of Assets (Statement of Opinion, "Accounting for Impairment of Fixed Assets," (Business Accounting Council; August 9, 2002) and the "Accounting Standard Implementation No. 6: Guidance for Accounting Standards for Impairment of Fixed Assets," (ASBJ; October 31, 2003)).

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

- Consolidation:

Newly added: 0

Eliminated: 1 FALCO biosystems Tokyo Ltd.

2. Financial Results for the Three Months Ended December 2005 (Sept. 21, 2005 – Dec. 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 (%)
Three months ended Dec. 2005	8,203	18.3	513	11.3	536	16.8
Three months ended Dec. 2004	6,937	16.7	461	-	459	-
(Reference) Year ended Sept. 2005	29,535		1,794		1,772	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	Million Yen	YoY change (%)	Yen	Yen
Three months ended Dec. 2005	339	41.5	31.11	-
Three months ended Dec. 2004	240	-	22.18	-
(Reference) Year ended Sept. 2005	969		85.70	-

Note: Each "YoY change" represents relevant change in percentage compared to the same period of the previous year.

Net income per share (diluted) is not presented since the Company has no outstanding dilutive securities.

[Qualitative information regarding consolidated quarterly results]

Sales totaled 8,203 million yen (+18.3% YoY), operating income 513 million yen (+11.3% YoY), ordinary income 536 million yen (+16.8% YoY), and net income 339 million yen (+41.5% YoY) for the three months ended December 20, 2005.

Quarterly results by business were as follows:

Sales in the clinical testing and related business increased 6.6% year-over-year to 5,875 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 63.6% year-over-year to 2,328 million yen as we acquired 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. In addition, we opened new pharmacies (Falco Clinical Plan, Ltd. opened two new pharmacies, including one franchise), and Tulip Pharmacy Co., Ltd. opened one new pharmacies and Prot Co., Ltd. opened one 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, 2005	27,246	12,297	45.1	1,125.14
As of December 20, 2004	25,250	11,320	44.8	1,045.12
(Reference) As of Sept. 20, 2005	26,933	12,125	45.0	1,105.80

[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
Three months ended Dec. 2005	425	(258)	21	3,737
Three months ended Dec. 2004	301	(216)	262	3,010
(Reference) Year ended Sept. 2005	2,591	(1,003)	(700)	3,549

[Qualitative information regarding changes in consolidated financial position]

Regarding our first-quarter financial position: we had total assets of 27,246 million yen (up 313 million yen over the end of the previous consolidated fiscal year), total liabilities of 14,940 million yen (up 140 million yen), total minority interests of 8 million yen, and total shareholders' equity of 12,297 million yen (up 172 million yen). The major components in assets were increase of 220 million yen for inventories and increase of 265 million yen in investment securities. In shareholders' equity was increase of 76 million yen in retained earnings.

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

Three-months consolidated cash and cash equivalents increased 188 million yen over the end of the previous consolidated fiscal year, to 3,737 million yen. Net cash provided by operating activities was 425 million yen: income tax payments and an increase in inventories were offset by an increase in net income before income taxes and depreciation and amortization. Net cash used in investment activities was 258 million yen due to payments for the purchase of tangible fixed assets. Net cash provided by financing activities was 21 million yen: the payment of dividends was offset by an increase in borrowings.

3. Forecast for the Fiscal Year Ending September 2006 (Sept. 21, 2005 - Sept. 20, 2006)

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
First Half	15,200	500	270
Full Year	31,800	1,800	970

Reference: Estimated net income per share for full year: 88.75 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 Dec. 20, 2005		As of Dec. 20, 2004		(Reference) As of Sept. 20, 2005	
	Amount		Amount		Amount	
ASSETS						
I Current Assets	10,754		9,350		10,416	
II Fixed Assets						
Tangible Fixed Assets	10,085		10,176		10,215	
Intangible Assets	2,935		2,583		2,974	
Investments and Other Assets	3,471		3,139		3,327	
Total Fixed Assets	16,492		15,899		16,517	
Total Assets	27,246		25,250		26,933	
LIABILITIES						
I Current Liabilities	12,012		10,997		11,372	
II Long-term Liabilities	2,928		2,932		3,427	
Total Liabilities	14,940		13,930		14,799	
MINORITY INTERESTS						
Minority Interests	8		-		8	
SHAREHOLDERS' EQUITY						
Total Shareholders' Equity	12,297		11,320		12,125	
Total Liabilities, Minority Interests and Shareholders' Equity	27,246		25,250		26,933	

2. Summary of Consolidated Income Statement

(Unit: million yen/%)

Item	Three months ended Dec. 20, 2005		Three months ended Dec. 20, 2004		(Reference) Year ended Sept. 20, 2005	
	Amount	%	Amount	%	Amount	%
I SALES	8,203	100.0	6,937	100.0	29,535	100.0
II COST OF SALES	5,042	61.5	3,918	56.5	17,410	58.9
Gross Profit	3,161	38.5	3,018	43.5	12,124	41.1
III SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,647	32.2	2,557	36.9	10,329	35.0
OPERATING INCOME	513	6.3	461	6.6	1,794	6.1
IV Non-Operating Income	46	0.6	22	0.3	171	0.6
V Non-Operating Expenses	24	0.3	25	0.3	192	0.7
ORDINARY INCOME	536	6.5	459	6.6	1,772	6.0
VI Special Income	243	3.0	8	0.1	16	0.0
VII Special Loss	96	1.2	0	0.0	33	0.1
NET INCOME BEFORE INCOME TAXES	683	8.3	467	6.7	1,755	5.9
Current Income Taxes	342	4.2	227	3.2	777	2.6
Minority Interests	0	0.0	-	-	8	0.0
NET INCOME	339	4.1	240	3.5	969	3.3

3. Summary of Consolidated Statements of Cash Flows

(Unit: million yen)

	Three months ended Dec. 20, 2005	Three months ended Dec. 20, 2004	(Reference) Year ended Sept. 20, 2005
	Amount	Amount	Amount
I CASH FLOWS FROM OPERATING ACTIVITIES	425	301	2,591
II CASH FLOWS FROM INVESTMENT ACTIVITIES	(258)	(216)	(1,003)
III CASH FLOWS FROM FINANCING ACTIVITIES	21	262	(700)
IV Translation Difference on Cash and Cash Equivalents	0	0	(0)
V Increase (decrease) in Cash and Cash Equivalents	188	348	887
VI Cash and Cash Equivalents at Beginning of Period	3,549	2,662	2,662
VII Cash and Cash Equivalents at End of Period	3,737	3,010	3,549

4. Segment Information

(1) Segment information

Three months ended Dec. 2005 (Sept. 21, 2005 - Dec. 20, 2005)

(Unit: million yen)

	Clinical testing and related business	Dispensing pharmacy business	Total	Eliminations and corporate	Consolidated
Sales	5,875	2,328	8,203	-	8,203
Operating expenses	5,197	2,264	7,461	228	7,690
Operating Income	678	63	741	[228]	513

Three months ended Dec. 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, 2004 - Sept. 20, 2005)

(Unit: million yen)

	Clinical testing and related business	Dispensing pharmacy business	Total	Eliminations and corporate	Consolidated
Sales	22,358	7,176	29,535	-	29,535
Operating expenses	19,889	7,029	26,919	821	27,740
Operating Income	2,468	147	2,616	[821]	1,794

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