

Consolidated Earnings Report For Fiscal Year Ended September 20, 2008

(September 21, 2007 – September 20, 2008)

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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 Telephone: +81-75-257-8556
 Scheduled date for Ordinary
 General Meeting of Shareholders: December 12, 2008
 Scheduled date for commencement
 of dividend payment: December 15, 2008
 Scheduled date for submission of
 securities report: December 12, 2008

(Figures less than one million yen are rounded down)

1. Consolidated Business Results for Fiscal Year Ended September 20, 2008 (September 21, 2007 - September 20, 2008)

(1) Business Results

(Each "YoY change" represents the relevant change in percentage relative to the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Year ended September 20, 2008	37,461	6.7	1,020	(28.7)	853	(36.3)	115	(83.7)
Year ended September 20, 2007	35,092	6.9	1,432	16.5	1,340	6.6	709	—

	Net Income per Share (Basic)	Net Income per Share (Diluted)	ROE	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended September 20, 2008	9.47	—	1.0	2.9	2.7
Year ended September 20, 2007	57.87	—	6.2	4.8	4.1

(For reference) Equity method income:

Year ended September 20, 2008: None

Year ended September 20, 2007: None

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of September 20, 2008	29,257	11,394	38.9	939.79
As of September 20, 2007	28,712	11,763	41.0	955.07

(For reference) Shareholders' equity:

September 20, 2008: 11,394 million yen

September 20, 2007: 11,763 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended September 20, 2008	2,294	(2,023)	128	4,272
Year ended September 20, 2007	2,346	(2,452)	(239)	3,873

2. Dividends

(Record date)	Dividend per share					Total Annual Cash Dividends	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End 1 st qtr	End 2 nd qtr	End 3 rd qtr	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Year ended September 20, 2007	—	10.00	—	10.00	20.00	246	34.6	2.1
Year ended September 20, 2008	—	10.00	—	10.00	20.00	243	211.2	2.1
Year ending September 20, 2009 (Forecast)	—	10.00	—	10.00	20.00	—	75.8	—

3. Consolidated Forecasts for Fiscal Year Ending September 20, 2009 (September 21, 2008 – September 20, 2009)

(Each "YoY change" represents the relevant change in percentage relative to the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Basic)
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Yen
2 nd quarter consolidated cumulative period	18,800	4.1	190	(53.4)	140	(55.2)	20	(20.6)	1.65
Full year	39,700	6.0	940	(7.9)	840	(1.6)	320	176.6	26.39

4. Other

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries that caused changes in the scope of consolidation): None
- (2) Changes in accounting principles and procedures, presentation methods, and other elements crucial in the preparation of consolidated financial statements (changes that need to be outlined in Changes in Significant items)
 - (i) Changes aimed at conformity with revisions in accounting standards and other directives: None
 - (ii) Changes made other than in (i): None
- (3) Number of shares issued and outstanding (common stock)
 - (i) Number of shares issued and outstanding as of the end of the period (including treasury stock)

As of September 20, 2008: 12,356,177 shares

As of September 20, 2007: 12,356,177 shares
(ii) Number of shares of treasury stock as of the end of the period
As of September 20, 2008: 231,627 shares
As of September 20, 2007: 38,861 shares

(For reference) Overview of Non-Consolidated Business Results

1. Non-consolidated Business Results for Fiscal Year Ended September 20, 2008 (September 21, 2007 – September 20, 2008)

(1) Business Results

(Each “YoY change” represents the relevant change in percentage relative to the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Year ended September 20, 2008	23,440	7.3	226	(67.2)	139	(82.5)	(169)	—
Year ended September 20, 2007	21,848	7.2	690	(18.1)	798	(14.8)	431	—

	Net Income (Loss) per Share (Basic)	Net Income (Loss) per Share (Diluted)
	Yen	Yen
Year ended September 20, 2008	(13.89)	—
Year ended September 20, 2007	35.24	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of September 20, 2008	24,223	10,626	43.9	876.47
As of September 20, 2007	24,098	11,281	46.8	915.90

(For reference) Shareholders’ equity:

September 20, 2008: 10,626 million yen
September 20, 2007: 11,281 million yen

2. Consolidated Forecasts for Fiscal Year Ending September 20, 2009 (September 21, 2008 – September 20, 2009)

(Each “YoY change” represents the relevant change in percentage relative to the same period of the previous year.)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)		Net Income (Loss) per Share (Basic)
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Yen
2 nd quarter consolidated cumulative period	11,600	3.4	(270)	—	(190)	(604.5)	(150)	(50.6)	(12.37)
Full year	25,000	6.7	120	(47.0)	300	114.9	140	—	11.55

*** Explanation regarding the appropriate use of earnings forecasts and other special note**

The above forecasts reflect judgments based on the information available at the time of release and contain various uncertainties. Actual results may differ from those forecasted due to a variety of factors, including changes in business conditions.