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**FALCO biosystems Ltd.**

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**Notice of Revisions to Forecasts for Interim and Full Fiscal Year  
(Consolidated and Non-Consolidated Basis)**

FALCO biosystems Ltd. today revised its consolidated and non-consolidated business forecasts for the interim and full fiscal year ending September 20, 2008 in light of recent business performance. These forecasts were announced with earnings report on November 2, 2007. Details are as follows.

1. Revision of Consolidated and Non-Consolidated Forecasts for Fiscal Year Ending September 20, 2008

(1) Interim Fiscal Year (September 21, 2007 to March 20, 2008)

Consolidated

	Net Sales	Operating Income	Ordinary Income	Net Income	(¥ million) Net Income per Share (Basic)
Previous Forecasts: A	17,500	400	350	150	¥12.18
Revised Forecasts: B	18,059	407	312	25	¥2.05
Difference: B-A	559	7	(38)	(125)	-
Change: (%)	3.2	1.8	(10.9)	(83.3)	-
(Reference) Six Months Ended March 20, 2007	16,932	653	621	328	¥26.94

Non-Consolidated

(¥ million)

	Net Sales	Operating Income	Ordinary Income (Loss)	Net Income (Loss)	Net Income (Loss) per Share (Basic)
Previous Forecasts: A	10,900	100	100	10	¥0.81
Revised Forecasts: B	11,219	20	(26)	(99)	(¥8.12)
Difference: B–A	319	(80)	(126)	(109)	–
Change: (%)	2.9	(80.0)	(126.0)	(1,090.0)	–
(Reference) Six Months Ended March 20, 2007	10,203	333	450	261	¥21.41

(2) Reasons for Revising Forecasts for Interim Fiscal Year

In the clinical testing business, we have strived to improve profitability by setting and maintaining appropriate contract prices, while acquiring new customers. In the dispensing pharmacy business, revenues of existing pharmacies increased and two new pharmacies opened. As a result, we expect consolidated and non-consolidated net sales to be higher than the previous forecasts. Non-consolidated operating income is expected to fall below the previous forecast because costs related to the full-scale operation of our newly-launched IT business have been higher than initially expected. On the contrary, consolidated operating income is expected to exceed the previous forecasts through the improvement of the profitability of existing pharmacies in the dispensing pharmacy business.

Consolidated and non-consolidated ordinary incomes are expected to fall short of the previous forecast because of recognition of loss on sale of securities, as well as equity loss on investment partnership caused by the fall of stock prices. Consolidated and non-consolidated net incomes are also expected to fall short of the previous forecast because of recognition of loss on devaluation of investment securities caused by falling market prices of listed shares, impairment loss of unused fixed assets, etc.

(3) Full Fiscal Year (September 21, 2007 to September 20, 2008)

Consolidated

(¥ million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Basic)
Previous Forecasts: A	36,600	1,440	1,350	650	¥52.77
Revised Forecasts: B	37,100	1,200	1,100	370	¥30.37
Difference: B-A	500	(240)	(250)	(280)	-
Change: (%)	1.4	(16.7)	(18.5)	(43.1)	-
(Reference) Year Ended September 20, 2007	35,092	1,432	1,340	709	¥57.87

Non-Consolidated

(¥ million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Basic)
Previous Forecasts: A	22,700	500	500	150	¥12.18
Revised Forecasts: B	23,000	400	340	10	¥0.82
Difference: B-A	300	(100)	(160)	(140)	-
Change: (%)	1.3	(20.0)	(32.0)	(93.3)	-
(Reference) Year Ended September 20, 2007	21,848	690	798	431	¥35.24

(4) Reasons for Revising Forecasts for Full Fiscal Year

Consolidated and non-consolidated net sales for the full fiscal year are expected to continue the trend of the interim period and exceed the previous forecasts in both our clinical testing and dispensing pharmacy businesses. Meanwhile, consolidated and non-consolidated operating incomes, ordinary incomes and net incomes are expected to fall below the previous forecasts due to continuous investment in our IT business as well as various conditions during the interim period.

(Note) The aforementioned forecasts are based on information available at the time of announcement. Actual results may differ from these forecasts due to a variety of reasons.