



14 May 2007

**Summary of Consolidated Financial Results
for the Financial Year ended 31st March 2007
(abridged English version)**

Sosei Group Corporation (4565, Tokyo Stock Exchange, Mothers Market) today reported financial results for the financial year ended 31st March 2007.

The consolidated results for the group for the year ended 31 March 2007 include the full year costs of Sosei R&D Ltd. whereas the costs in the prior year to March 2006 included only 7 months of costs following the acquisition of that subsidiary at the end of August 2005. The variance in costs between the two years is predominately attributable to this factor.

The operating revenue for the fiscal year ended March 2007 was up 78% at ¥739M from the previous year. The revenue includes the initial upfront milestone payment from Mundipharma regarding the commercialisation of AD923 and income from Novartis relating to the development of NVA237.

Selling, general and administrative expenses (SGA) were ¥6,900M (¥4,457M in the previous year) Within SGA, R&D expenses were ¥3,568M an increase of 61% from ¥2,217M in the previous year as the group continued to develop the product pipeline. Amortisation of goodwill, relating to the acquisition, amounted to ¥1,606M, which is equivalent to the previous year on a pro-rated basis.

As a result of the increased costs the operating loss was ¥6,650M (¥4,406M in the previous year) and the net loss for the year was ¥6,239M (¥4,175M in the previous year).

The Group strengthened its cash position after successfully completing a ¥3.3Bn funding in the first quarter of 2007, through the issuance of 18,000 new shares. As a result the Group had ¥8,955M of cash as at 31 March 2007, compared to ¥9,458M as of at 31st March 2006.

Significant developments during the year to 31 March 2007 included:-

- Successful completion of phase IIb of NVA237 (for chronic obstructive pulmonary disease) in June 2006
- Agreement with Mundipharma for the development and commercialisation of AD 923 in Europe and other selected countries (excluding USA and Japan) was concluded in June 2006.
- Withdrawal of SOU-001 (May 2006) and SOT-375 (June 2006) from our core pipeline

- Initiation of a phase II trial for AD 337 (for fibromyalgia) in October 2006.
- Initiation in November 2006 of phase I trial of SOH-075 (NorLevo for emergency contraception)
- Withdrawal in November 2006 of AD 452 (for rheumatoid arthritis) from the pipeline following analysis of phase IIb results
- Adding QVA149 (combination of NVA237 and QBA149 for chronic obstructive pulmonary disease), to the pipeline in November 2006 at the timing of Novartis R&D update meeting.
- In February 2007 SD118 (for neuropathic pain) successfully completed regulatory pre-clinical studies and will be progressed into phase I clinical studies
- Initiation in March 2007 of phase I pharmacokinetic trial for AD 923 (for cancer breakthrough pain) in the USA under an IND regulatory submission.

Sosei Group Corporation		
Consolidated Financial Results (Audited,) (Yen Millions)		
	12 months ended March 31 st	
	2007	2006
Net sales	739	415
Operating expenses		
Cost of sales	490	364
Selling, General and Administration		
Research & Development (R&D)	3,568	2,217
Amortisation of goodwill	1,606	936
Other SGA	<u>1,725</u>	<u>1,304</u>
Total Selling, General and Administration	6,900	4,457
Total operating expenses	7,390	4,822
Operating profit/(loss)	(6,650)	(4,406)
Non-operating income/(expenses)	127	91
Income/(loss) before taxes	(6,523)	(4,315)
Income tax (charge)/credit	283	139
Net income/(loss)	(6,239)	(4,175)
Average number of shares outstanding	100,776	83,179

Consolidated Balance Sheet Data (Audited,) (Yen Millions)		
	March 31 st 2007	March 31 st 2006
Cash, cash equivalents and short-term investments	8,955	9,458
Goodwill	13,435	15,037
Total assets	23,193	25,307
Total liabilities	1,097	831
Total stockholders equity	22,096	24,475

Forecast for the Fiscal Year Ending March 31, 2007

The Group's primary focus is to advance the existing product pipeline and to expand this pipeline utilising both in-house product discovery capabilities and through the in-licencing of compounds from third parties. The Group will continue to evaluate commercialisation opportunities for its products with new partners where a combination of initial payments, milestones and royalties can be expected.

Within the existing pipeline, NVA237 and QVA149 are being developed under the responsibility of Novartis, and therefore the Group will not incur any development costs for these two products.

The forecasted costs and revenues depend on assumptions about development and commercialization pathways. The forecast only includes revenue from agreements already signed which depend on events likely to occur in FY2007 and excludes milestone payments where the timing remains unclear.

Forecasted results are as follows;

<i>Yen Millions</i>	Sosei Group Consolidated		Sosei Group Unconsolidated
	FY 2006 Actual	Forecast FY2007	Forecast FY2007
Net Sales	739	700	14
R&D costs	3,568	4,500	-
SG&A costs	1,725	1,200	600
Operating income/(loss)	(6,650)	(6,800)	(600)
Ordinary Income /(loss)	(6,550)	(6,700)	(600)
Net Income / (loss)	(6,239)	(6,400)	(600)