

SOSEI ANNOUNCES REORGANISATION OF ITS CORPORATE STRUCTURE UNDER HOLDING COMPANY

Tokyo, Japan/London, UK – 15 May 2006: Sosei Co. Ltd. (TSE Mothers Index: 4565) announced today that the Sosei Group will reorganise its company structure by creating a holding company effective 1 October 2006. The reorganisation was approved at the Board Meeting on 15 May 2006 and will become effective subject to shareholder approval at the forthcoming Annual General Meeting on 23 June 2006.

1. Objectives of transformation

Sosei is establishing itself as a global biopharmaceutical company. It has developed a low risk business model by generating product opportunities from in-house product discovery through the reprofiling of established marketed drugs as well as in-licensing western products for local development and sales in Japan. The Company commercialises products through a mixture of out-licensing and establishing specialty sales, initially in Japan. This reorganisation has been effected to ensure the efficient management of the Company's business objectives.

Following the restructuring, the Company will comprise four main entities - Sosei Group Corporation (responsible for corporate matters), Sosei Co. Ltd. (responsible for Japanese operations – specialty sales and marketing and product development in Japan), Sosei R&D Ltd. (responsible for worldwide discovery and “Rest of World” development (ie outside Japan)) and Sosei Inc. (responsible for US operations).

2. Details of reorganisation

1) Schedule

15 May 2006	Approval of Demerger by Board of Directors
23 June 2006	Demerger to be approved by Shareholders at Annual General Meeting
1 October 2006	Expected Date of Demerger
2 October 2006	To be registered as Newco

2) Method of reorganisation

(1) Sosei will apply the “incorporation-type demerger” method, in which the Company is to become the demerging company (to be re-named as “Sosei Group Corporation) and its newly incorporated subsidiary (Newco, to be named as “Sosei Co. Ltd.”) will become the successor company.

(2) This method is the most efficient method allowing prompt completion of the process.

3) Allocation of shares

Newco shall issue common stock of 1 share, which will be assigned to the Company.

4) Cash payments upon Demerger

None

5) Rights and obligations continued by Newco

Newco shall succeed assets, debts, rights, obligations, contracts and intellectual properties from the Company.

6) Claims and liabilities

The execution of the claims and liabilities which belong to the Company or Newco after Demerger is considered to be acceptable.

7) Board Directors to be assigned to Newco

Yoshiyuki YAMAKAWA

Koki SATO

Genjiro INE

Hiroyoshi USUDA (Statutory Auditor)

3. Outline of relevant companies

1) Company name	Sosei Co. Ltd. [demerger company] (to be renamed after demerger as Sosei Group Corporation)	“Newco” [successor subsidiary] (to be named after incorporation as Sosei Co. Ltd.)
2) Business	Pharmaceuticals - Development & commercialisation	Pharmaceuticals - Development & commercialisation
3) Incorporation	22 June 1990	1 October 2006
4) Address	8 Ichiban-cho, Chiyoda-ku, Tokyo, Japan	8 Ichiban-cho, Chiyoda-ku, Tokyo, Japan
5) Representative	Shinichi TAMURA President & CEO Representative Executive Officer	Yoshiyuki YAMAKAWA President & CEO Representative Board Director
6) Capital	15,226 million yen	100 million yen
7) Issued shares	98,300 shares	1 share
8) Fiscal year	End of March	End of March
9) Major shareholders	1. Nomura International plc. Client Account Sosei – 25% 2. Shinichi Tamura – 3.71% 3. The Chase Manhattan Bank NA London SL Omnibus Account – 3.59% 4. BBH 493424 OM Execuserve UK LLP -- 2.98%	Sosei Group Corporation – 100%

	5. OM 04 SSP Client Omnibus -- 2.54%	
10) Main banks	Mizuho, SMBC, Mitsubishi UFJ Trust	N/A

Note: The details of the Company are as of 31 March 2006 and Newco assumed as of its incorporation, 1 October 2006

(11) Recent Financial Results of the Company (million yen)

For fiscal years ended:	31 March, 2004	31 March, 2005	31 March, 2006
Sales	203	208	38
Operating income	(914)	(1,762)	(1,924)
Ordinary income	(908)	(1,845)	(2,028)
Net income	(912)	(1,847)	(2,027)
Net income per share (yen)	(22,335.90)	(32,610.93)	(24,377.45)
Dividends per share (yen)	-	-	-
Shareholders' equity per share (yen)	22,344.99	156,852.69	267,863.88

4. Details of the business to be transferred

1) Business description

Sosei Co Ltd.'s pharmaceutical business operations.

2) Financial results of the relevant business (million yen)

	Relevant business (a)	Non-consolidated as of end of March 2006 (b)	(a/b)
Sales	38	38	100%
Gross profit	16	16	100%
Operating income	(1,030)	(1,924)	53.6%
Ordinary income	(1,030)	(2,028)	50.8%

3) Succession of Assets and liabilities (as of end of March 2006)

Assets		Liabilities	
Current assets	3,677 million yen	Current liabilities	109 million yen
Total	3,677 million yen	Total	109 million yen

4) Change of the name the Company

The Company, Sosei Co. Ltd., will change its name effective as of 1 October 2006 upon Demerger as "Sosei Group Corporation" This will be subject to shareholder approval at the forthcoming Annual General Meeting on 23 June 2006.

5) Detail of the Company after Demerger

(1) Company name	Sosei Group Corporation
(2) Business	Holding company
(3) Headquarters	8 Ichiban-cho, Chiyoda-ku, Tokyo, Japan
(4) Representative	Shinichi TAMURA President & CEO Representative Executive Officer
(5) Capital	No effect by Demerger
(6) Total assets	Decrease of the amount of liabilities succeeded to Newco
(7) Fiscal year	Ends of March

(8) Financial effects of this reorganisation

The Company does not expect major effect on the consolidated results.

As for non-consolidated status, revenue of Sosei Group Corporation will mainly consist of management advisory fees and dividends from the Group's affiliates, which will be utilized as company resources for payments of operational expenditures of the holding company and dividends, etc. (At the end of the latest consolidated fiscal year, the Company had no funds available for earnings distribution as dividends as prescribed by the Company Law. If the Company's financial condition improves in the future, management will, in line with its policy of placing importance on the return of earnings to shareholders, consider the payment of a dividend while taking into consideration the Group's operating results and financial condition.)

- end -

For further information please contact:

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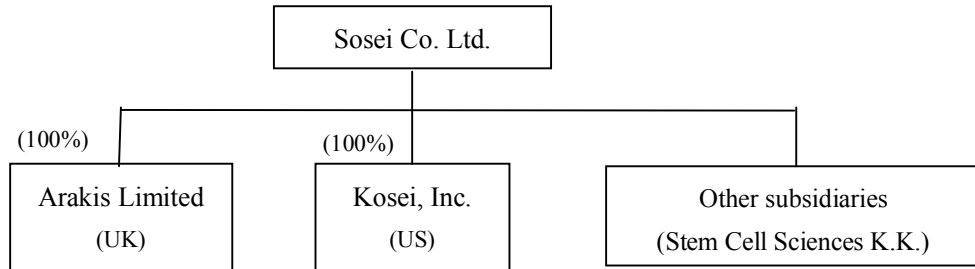
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APPENDIX: Transformation Scheme

Current Structure



Holding Company Structure

