Annual Report 2005

Year Ended March 31, 2005

Meet the
Gas Professionals

TAIYO NIPPON SANSO Corporation

Profile

Taiyo Nippon Sanso Corporation is the fruit of the merger of Nippon Sanso Corporation and Taiyo Toyo Sanso Corporation on October 1, 2004. The Company is drawing on the capabilities of its two predecessors in its drive to become a leading player in Asia and around the world.

Management Philosophy

"Market-driven collaborative innovation: improving the future through gases"

Financial Highlights

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars[1]	Change (%)
	2005	2004	2005	
Operating Results				
Net sales	¥300,055	¥230,272	$2,794,068	30.3%
Net income	11,568	4,541	107,720	154.7

	Yen		U.S. dollars[1]	Change (%)
Per share data:				
Net income[2]	¥ 32.76	¥ 15.38	$ 0.305	113.0%
Cash dividends	9.00	6.00	0.084	50.0

	Millions of yen		Thousands of U.S. dollars[1]	Change (%)
	2005	2004	2005	
Corporate Position				
Total assets	¥404,668	¥263,595	$3,768,209	53.5%
Total shareholders' equity	154,207	94,802	1,435,953	62.7

Notes: 1. U.S. dollar amounts have been translated, solely for convenience, at the rate of ¥107.39=U.S.$1, the approximate rate of exchange at March 31, 2005.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year, as adjusted retroactively for free share distributions made during the period.
3. Since the merger of Nippon Sanso and Taiyo Toyo Sanso took place in October 2004, consolidated figures for fiscal 2005, ended March 31, 2005, exclude the figures for the former Taiyo Toyo Sanso for the six months ended September 30, 2004. Taiyo Nippon Sanso's results for fiscal 2005 are compared to the fiscal 2004, ended March 31, 2004, totals of the former Nippon Sanso.

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Disclaimer Regarding Forward-Looking Statements
This annual report contains forward-looking statements regarding the future plans, strategies, activities and performance of Taiyo Nippon Sanso Corporation. Forward-looking statements reflect management's assumptions and beliefs based on information available as of the date of this document's publication and inherently involve risks and uncertainties. Actual results may thus differ substantially from these statements. Risks and uncertainties include, but are not limited to, changes in general economic an specific market conditions, currency exchange rate fluctuations and evolving trends in demands for the Company's products and services.

Operational Highlights

2005

Increased Combined Revenues and Record Earnings

(The following outlines Taiyo Nippon Sanso's performance in fiscal 2005, ended March 31, 2005, during which time its two predecessors merged.)

In November 2004, Taiyo Nippon Sanso acquired a portion of the U.S. operations of the Air Liquide Group through its subsidiary Matheson Tri-Gas, Inc. This move doubled the liquid gas production capacity of our U.S. business, which is now approximately 70% of our capacity in Japan.

In China, we began operating an air separation plant with the aim of providing stable supplies of high-purity nitrogen and industrial gases to electronics makers in the Shanghai area.

We invested heavily in core businesses. We installed a new air separation plant—which produced a larger volume of oxygen than any other air separation plant in Japan—at JFE Steel Corporation's facilities in the Keihin district, thereby establishing a low-cost system for producing inexpensive gases.

Combined consolidated net sales of the Company's two predecessors amounted to ¥366,412 million, reflecting steady growth in domestic production and overseas gas sales. Operating profit was ¥23,790 million, owing to savings from enhanced efficiencies at our gas production facilities and contributions from Matheson Tri-Gas and other Group companies. Net income totaled ¥13,429 million. This was due largely to a gain on sales of property, plant and equipment as the result of an eminent domain proceeding, which offset extraordinary losses related to the merger.

The chart below shows the consolidated statements of income and segment sales of the Company and its two predecessors.

TAIYO NIPPON SANSO
The Gas Professionals

New Corporate Logo

Combined Results of Taiyo Nippon Sanso and Taiyo Toyo Sanso

Years ended March 31

Billions of yen

	2005			2004			Change
	Taiyo Nippon Sanso	Taiyo Toyo Sanso (six-month period)	Total	Nippon Sanso	Taiyo Toyo Sanso	Total	
Results by Operating Segment							
Net sales							
Gas	¥207.0	¥45.8	¥252.8	¥155.6	¥ 88.4	¥244.1	¥ 8.7
Plant and Gas Equipment	82.6	14.9	97.6	68.9	28.1	97.0	0.5
Other	10.3	5.5	15.8	5.6	10.8	16.5	(0.6)
Total	¥300.0	¥66.3	¥366.4	¥230.2	¥127.4	¥357.7	¥ 8.7
Results by Geographical Segment							
Net sales							
Japan	¥247.1	¥64.4	¥311.6	¥184.8	¥123.4	¥308.3	¥ 3.3
North America	37.3	—	37.3	34.9	—	34.9	2.4
Other countries (Singapore, Malaysia, PRC, Taiwan)	15.5	1.8	17.3	10.4	39.0	14.4	2.9
Total	¥300.0	¥66.3	¥366.4	¥230.2	¥127.4	¥357.7	¥ 8.7
Condensed Statements of Income							
Net sales	¥300.0	¥66.3	¥366.4	¥230.2	¥127.4	¥357.7	¥ 8.7
Gross profit	94.3	18.2	112.5	69.8	34.2	104.0	8.5
Selling, general and administrative expenses	73.6	15.1	88.8	55.5	29.7	85.3	3.4
Operating profit	20.7	3.0	23.7	14.3	4.4	18.7	5.0
Other income (expenses):							
Non-operating income	3.1	0.6	3.8	2.3	1.1	3.4	0.3
Non-operating expense	3.1	0.1	3.2	3.1	0.4	3.5	(0.2)
Extraordinary profit	5.4	0	5.5	0.7	0.9	1.7	3.7
Extraordinary loss	5.0	0.2	5.2	5.4	1.2	6.7	(1.4)
Income before income taxes	21.2	3.3	24.6	8.7	4.8	13.6	10.9
Income taxes—current	5.9	1.2	7.1	4.4	2.8	7.2	(0)
Income tax—deferred	2.8	0.1	3.0	(0.7)	(0.5)	(1.2)	4.3
Minority interests in subsidiaries	0.8	0	0.9	0.5	0.2	0.8	0.1
Net income	¥ 11.5	¥ 1.8	¥ 13.4	¥ 4.5	¥ 2.2	¥ 6.8	¥ 6.6

Notes: 1. Figures in the "Total" column for fiscal 2005 represent the simple addition of the fiscal 2005 consolidated results of Taiyo Nippon Sanso and the results of Taiyo Toyo Sanso for the six months ended September 30, 2004. These figures are compared with the combined consolidated results of Nippon Sanso and Taiyo Toyo Sanso in fiscal 2004.
2. Figures have been truncated.

To Our Stakeholders

***Right:* Konosuke Ose**

***Left:* Hiroshi Taguchi**

Progress Following Merger

The October 2004 merger that marked the establishment of Taiyo Nippon Sanso created a group with more than 250 subsidiaries and affiliated companies in Japan and overseas, bases in 11 countries outside Japan, including in the United States, and over 7,000 employees on a consolidated basis. The merger allowed us to pursue greater economies of scale and has provided sufficient cash flows for management to invest in larger projects. We are confident that these assets will drive our long-term growth.

A favorable operating climate in fiscal 2005, ended March 31, 2005, reflected expanded demand in the key domestic steel and chemical industries and buoyant conditions in Asian markets. The electronics sector experienced a correction following inventory rises owing to the greater penetration of digital appliances and increased supply capabilities.

Against this backdrop, Taiyo Nippon Sanso's domestic and overseas gas deliveries remained solid, translating into consolidated net sales of ¥300,055 million. Operating profit was ¥20,727 million, owing to improved capacity utilization rates at our gas production facilities, which helped lower costs, and strong performances by Matheson Tri-Gas and other subsidiaries. After posting extraordinary losses related to the merger and recording a gain on sales of property, plant and equipment as the result of an eminent domain proceeding, net income totaled ¥11,568 million.

Challenges

The Group's long-term goal is to become a global leader with net sales in excess of ¥500,000 million. As part of our efforts, we will invest in a piped gas business in Suzhou that will be our third production base in China and upgrade a large liquid oxygen plant in Southern California. We will also reinforce our technological development capabilities in the electronics, medical and other advanced fields, according top priority to growth in key areas. As part of an overall drive to merge Group operations, we will integrate and strengthen domestic sales channels and consolidate and reorganize affiliated companies. Additionally, we will streamline management and solidify the foundations for the Group's comprehensive capabilities, thereby increasing enterprise value.

Tomorrow's Taiyo Nippon Sanso

In fiscal 2006, ending March 31, 2006, we aim to optimize merger synergies and increase earnings. For the year, we project net sales of ¥380,000 million and net income of ¥13,000 million. We plan to issue cash dividends of ¥8.00 per share for the term. While striving to improve performance, we will continue to focus on the needs of customers and meet our obligations in terms of ethics, safety and quality guarantees to earn the broad trust of society.

In closing, on behalf of the Board of Directors I would like to say that I am confident our decisions have positioned the Company optimally for the future and will allow us to satisfy the expectations of our shareholders and other stakeholders.

June 29, 2005

K. Ose

Konosuke Ose
Chairman

H. Taguchi

Hiroshi Taguchi
President

An Interview with the President

Q

What have been the prime benefits of the merger?

A

It has proven to be an ideal merger because we have been able to consolidate operations effectively. We have broadened our customer base, shared more information internally and expanded product lines. We have also been better able to respond to customer needs. Nippon Sanso's main strength was in serving manufacturers. Taiyo Toyo Sanso had considerable trading house expertise, so it was good at matching product development to customer requirements. In addition, Taiyo Toyo Sanso had only minimal interest-bearing debt, which has given us ample scope for securing more funding.

Q

What are your specific focuses?

A

We are now at the development and growth stage, and are concentrating on our electronics-related, onsite and medical-related businesses. In our electronics-related business, we are emphasizing total solutions and marketing of gases and equipment for the fast-expanding flat-panel display (FPD) and compound semiconductor markets. The priorities for our onsite business are to maintain a stable mass supply structure for industrial gases, manufacturing and installing high-performance plants while securing new demand for piped gas. In the medical-related business, we are striving to expand on several fronts and working to increase stable isotope (SI) sales of, notably Water-^{18}O, used in positron emission tomography (PET) diagnostics. We are pushing ahead with mergers and acquisitions to reinforce our marketing capabilities for medical gases and equipment. Moreover, we are cultivating hydrogen energy for fuel cell vehicles not only by innovating hydrogen station technologies but also by developing technologies that will allow us to increase production, transport and sales of hydrogen as demand grows.

Q

What about your overseas operations?

A

The United States is central to strengthening our overseas operations. We plan to reinforce our U.S. production and sales of standard gases. With many independent local industrial gas manufacturers ripe for acquisition, we are confident we will be able to create a stable earnings base. In 2004, the Taiyo Nippon Sanso Group acquired the industrial gas division of Air Liquide's U.S. operations, soon after which we began a plant upgrade in Southern California to cater for increased demand.

We are also very active in the Chinese market. In Shanghai, for example, we manufacture and sell high-purity industrial gases for the electronics industry, as well as import and market electronic materials gases. In the years ahead, we plan to limit ourselves to electronics-related businesses in China. As part of efforts to bolster Group marketing capabilities in Taiwan and Korea, we are relocating our Asian electronics-related equipment production to Taiwan and localizing production of electronic materials gases in Korea.

Q

What are your management benchmarks for Taiyo Nippon Sanso?

A

We are targeting consolidated net sales of ¥400,000 million and a return on equity of 10% for fiscal 2008, ending March 31, 2008. The combined consolidated net sales of our two predecessors in fiscal 2005 amounted to ¥366,412 million, while return on equity was 8.7%, so we are positioned well to work as one company toward these targets.

Q

What is Taiyo Nippon Sanso doing to remain a trusted corporate citizen?

A

As a responsible corporate citizen, our fundamental management priority is to ensure the safe and secure management of high-pressure and electronic materials gases. We are currently seeking ISO 14001 certification for the environmental management systems of all our operations. As well, we are drawing on our superior gas usage expertise to meet new technological challenges and contribute to a better society through product innovations. I also believe we can contribute to society by offering environment-friendly offerings. We also continue to participate in a range of community initiatives. Buttressing all of these activities is a compliance policy that encompasses all Group executives and employees.

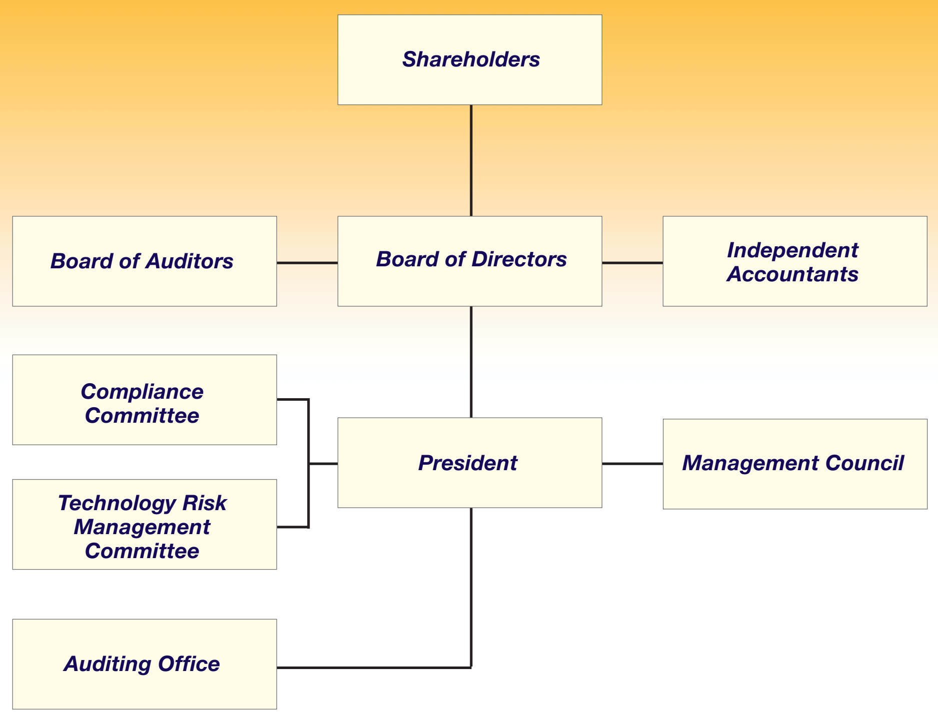
Corporate Governance

Taiyo Nippon Sanso is currently assessing ways to build a corporate governance system that is more transparent and better suited to the nature of its businesses. We took advantage of the merger to create a 16-member Board of Directors and four-member Board of Auditors. To accelerate decision making, we have also established the Management Council, comprising standing directors and auditors, to deliberate on important matters.

As part of an effort to enhance our risk management structure, we established the Compliance Committee and the Taiyo Nippon Sanso Group Helpline, to which employees can report compliance issues. In the gas business, our principal priority is to ensure safety and quality. Accordingly, we recognize the need to cover the technological risks of all Group companies in Japan and abroad. This prompted us to set up the Technology Risk Management Committee to spearhead decision making on quality and other issues related to Group safety and quality. We have also appointed managers from each business to four other committees—Security Management, Environmental Management, Quality and Product Safety and Intellectual Property Management—which are responsible for implementing the decisions of the Technology Risk Management Committee.

Two of the four members on our Board of Auditors are external, while two are internal. We have also assigned two individual staff members to the Board to monitor compliance and management efficiency. To assess the suitability and efficiency of our operations, we created the Auditing Office, which reports directly to the president. This office is designed to enhance oversight by maintaining close communications between the auditors and our independent accountants. As part of efforts to increase physical security, expert maintenance personnel patrol each of our domestic and overseas plants.

Oversight and Risk Management Structure



Special Feature

Advantages of Merger

Taiyo Nippon Sanso: a win–win merger that will enable net savings of approximately ¥10.0 billion

As a result of the merger, we aim to become a leading provider of industrial gases in Asia, drawing on our accumulated technologies to contribute to the electronics, medical and other advanced industries. Through the merger, we aim to further reduce costs and increase sales to bolster earnings, for net savings of approximately ¥10.0 billion.

Single entity with significantly greater earnings potential

Sales channels
Distribution capabilities
Technological resources
Production capacity
Complementary technological capabilities and market positions
NIPPON SANSO
TAIYO TOYO SANSO

Operational Fitness

Success Measurement

Expand earnings through net sales improvement: Approximately ¥3.8 billion

- Pursue acquisitions
- Launch new products

Savings from logistics rationalization and cheaper procurement: Approximately ¥2.9 billion

- Cut redundant transportation
- Eliminate surplus vehicles
- Increase drop-off rates and multishipment efficiency
- Relocate truck depots
- Consolidate transportation company network
- Change procurement routes
- Boost capacity utilization rates of plants and lower their costs

Integrate sites: Save approximately ¥0.6 billion

- Merge overlapping sites
- Cease property leasing

Personnel cost reductions: Approximately ¥2.6 billion

- Cut redundant positions
- Transfer employees to affiliated companies

Cost reductions: Approximately ¥6.2 billion

Moving Ahead

Targeting Consolidated Net Sales in Excess of ¥500 Billion in our Drive to become Global Leader

1. Business Strategies

The October 2004 establishment of Taiyo Nippon Sanso created a group with more than 250 subsidiaries and affiliated companies in Japan and overseas, bases in 11 countries outside Japan, including in the United States, and over 7,000 employees on a consolidated basis. The merger allowed us to pursue greater economies of scale and has provided sufficient cash flows for management to invest in larger projects. We are confident that these assets will drive our long-term growth.

As Japan's largest and strongest producer of industrial gases, we aim to achieve our initial post-merger target of consolidated net sales of ¥400,000 million and net income of ¥14,000 million by fiscal 2008. Our long-term objective is to achieve net sales in excess of ¥500,000 million in our drive to become a global leader.

As part of our efforts, we will invest in a piped gas business in Suzhou that will be our third Chinese production base. We will upgrade a large liquid oxygen plant in Southern California. We will also reinforce our technological development capabilities in the electronics, medical and other advanced fields, according top priority to growth in key areas.

We will integrate and strengthen domestic sales channels and consolidate and reorganize affiliated companies as part of our overall drive to merge Group operations. We will also streamline management and solidify the foundations for the Group's comprehensive capabilities, thereby increasing enterprise value.

Special Feature

2. Priority Markets

Electronics-Related Business

The Group offers total solutions for the electronics market, providing both gases and equipment. Since the merger, we have become a world-class supplier of gases and equipment to electronics customers. We have built highly competitive total solutions capabilities, drawing on our strong ties with Japanese electronics manufacturers to launch new technologies and products for growth markets. They include liquid crystal (LC)-based and other flat-panel displays, next-generation semiconductors and compound semiconductors.

Onsite and Plant Businesses

We plan to expand our piped gas business, centered on plant replacements and large facilities, thereby harnessing our highly competitive and innovative separation technologies. We also seek to build hydrogen and carbon monoxide plants and offer engineering services for other gas facilities. We will push ahead with technological development in the area of manufacturing and supplying liquid oxygen. These efforts will better position us to harness synergies with our hydrogen station operations for fuel cell vehicles and serve growing environmental demand.

Medical-Related Business

We are endeavoring to expand sales of stable isotope (SI) Water^{-18}O, which we now mass-produce. Water^{-18}O is a registered trademark for isotopes made from enriched oxygen^{-18} ($^{-18}$O). Demand is surging worldwide for the use of Water^{-18}O as a pharmaceutical ingredient for reagents used in positron emission tomography (PET) diagnostics, and should contribute significantly to earnings in the years ahead. One of our great strengths is that we maintain a nationwide oxygen supply network, positioning us solidly to serve the home oxygen therapy market with medical gases and equipment. We will draw on these capabilities to build a new business model encompassing quality control for medical-related gases while enhancing our sales channels to support marketing.

3. Global Presence

JAPAN

April 2005 Merged Nissan Kogyo Co., Ltd., and Dia Reiki Kogyo Co., Ltd., to form Cryo One Inc. to manufacture and sell cryogenic equipment

September 2005 Will establish Japan Liquid Carbonic Holding Co., Ltd., a holding company responsible for overseeing the operations of Ekika Carbon Dioxide Co., Ltd., and Nippon Tansan Company Limited, and complete a full merger within three years to make this holding company a top player in the domestic market, with estimated net sales of ¥35 billion

October 2005 Will merge Suzusho Medical Co., Ltd., YAMATO SANKI CO., LTD., and K.K. Ozawa Sanso to launch Nippon Megacare Corporation, a medical-related gas and equipment sales company

OVERSEAS

United States
In 2004, acquired a portion of the the U.S. operations of Air Liquide, comprising six plants in Texas, California, Louisiana and Mississippi; by fall 2006, plan to build a large plant with a liquid oxygen production capacity of 18,000 m^3/h

Southeast Asia

Vietnam
Opened our second plant, thereby doubling supply capacity

Singapore
Plan to construct four large tanks in 2006, adding 1,200 metric tons in storage and complementing two other tanks with a combined capacity of 600 metric tons

Asia

China
Started pipeline supplies of nitrogen in Suzhou (our third base in China after Shanghai and Dalian)

In July 2005, merged our electronic materials gas company and a related equipment importing and sales subsidiary

Taiwan
In July 2005, integrated our electronic materials gas and related equipment companies

Segment Overview

Gas Business

Volumes and sales of oxygen, nitrogen and argon were favorable during the year, reflecting solid capacity utilizations in related industries. Sales of oxygen to steelmakers and shipbuilders were strong. We also did well in compact onsite supplies of nitrogen to electronics companies and in supplying liquefied gas to companies in a broad range of sectors, including automakers and food producers. We enjoyed strong demand for argon for use in stainless steel production and welding applications and increased shipments to silicon crystal manufacturers benefiting from favorable production of 300 mm wafers. Sales of specialty gas were also strong, owing to higher demand from domestic electronics makers stepping up capital investment and strong production levels throughout Asia.

As a result of these factors, sales of the gas business were ¥207,049 million, with operating income of ¥16,062 million.

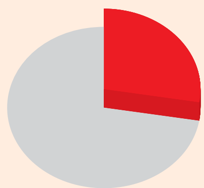
Sales Share*
¥207,049 million

Plant and Gas Equipment Business

Fiscal 2005 sales were solid in electronic materials-related operations, reflecting high demand among electronics makers in the United States and elsewhere overseas on the back of heavy capital investment. Unit shipments of our metal organic chemical vapor deposition (MOCVD) equipment rose steadily owing to increased capital spending among device manufacturers in response to increased demand for DVD pickup lasers, cell phone light-emitting diodes and other optical devices. Sales of air separation plants were down, however, as the number of large projects peaked in the previous year. Cutting and welding equipment sales were strong domestically and abroad, led by laser cutters and numerically controlled (NC) cutters, owing to steady demand from steelmakers, shipbuilders and construction machinery makers.

Equipment business sales were thus ¥82,697 billion, while operating income was ¥5,625 billion.

Sales Share*
¥82,697 million

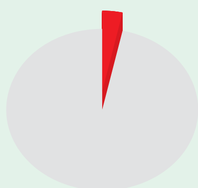


Housewares Business and Others

Thermos K.K. spearheads the manufacture and sale of our housewares. Sales were strong in the year under review. This reflected the impact of an extraordinarily hot summer, which drove sales of our “Easy Drink” thermal insulation bottles.

Segment sales were ¥10,308 million, with operating income of ¥1,303 million.

Sales Share*
¥10,308 million



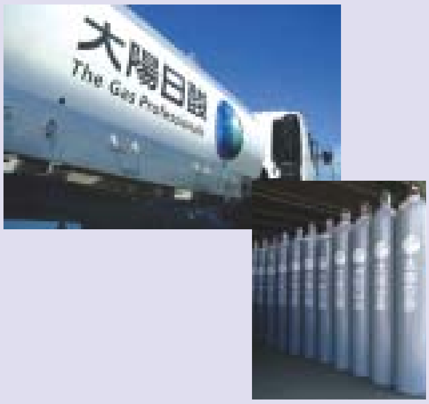
* Excluding intersegment transactions

Main Products

- Oxygen
- Nitrogen
- Argon
- Medical-related gases
- Semiconductor materials gases
- SI

Highlights

- Industrial gas production structures strengthened in the United States and China
- Mass-production position established in Water^{-18}O



Main Products

- Large air separation plants
- Compact high-purity nitrogen gas generators
- MOCVD equipment
- Cutting and welding equipment

Highlights

- Installed Japan’s largest air separation plant at the Keihin facilities of JFE Steel
- Nissan Tanaka Co., Ltd., enjoyed solid sales of laser cutters and NC cutters
- Orders strong for MOCVD equipment
- Developed a 70-MPa dispenser for hydrogen stations

Main Products

- Stainless steel vacuum bottles
- Cooking pans
- Commercial kitchen appliances

Highlights

- Reinforced popular range of “Easy Drink” thermal insulation bottles
- Augmented line of tabletop pots to increase market share

Our Businesses

ELECTRONICS-RELATED BUSINESS

Semiconductors are becoming denser and liquid crystal display (LCD) panels are getting larger, driving new demand in the digital appliances and automotive markets. These trends have boosted the need among electronics manufacturers for higher quality and productivity. We can pipe high volumes of high-purity nitrogen, an inert gas that is essential to production processes for semiconductors and LCDs, and ensure stable supplies of electronic materials gases for layers.

In constructing special piping, we draw on our industrial gas supply technologies and other capabilities to optimally install gas purification and abatement systems. We also provide remote monitoring of safety levels and design alarm systems as part of our broad range of solutions for semiconductor and LCD manufacturing processes.

Taiyo Nippon Sanso operates globally as a partner for Japanese and overseas electronics manufacturers. We produce and sell high-purity industrial gases, electronic materials gases and electronics-related equipment in the United States, Taiwan, China and Singapore.

Sales: Approximately ¥102,000 million

Principal operations:

- High-purity nitrogen and argon
- Electronic materials gases, including Safe Delivery Source (SDS)
- MOCVD equipment
- Purification and abatement systems
- High-purity gas supply equipment and systems engineering

Market needs:

- Comprehensive gas supplies
- Total solutions for gas and equipment
- Global supply capabilities

Our advantages:

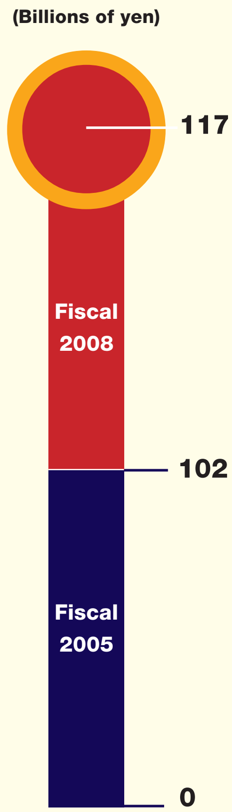
- Strong ties with domestic electronics manufacturers
  - Close relationships with users who employ advanced technologies
  - Superior marketing clout through total solutions for gas and equipment
  - Total solutions through world-class technologies
  - Engineering operations and gas center network
  - Supply structure covering the world's key markets (Japan, Korea, China, Taiwan, Southeast Asia, the United States and Europe)

Highlights:

- Secured four onsite supply contracts for large users
- Merger and acquisition (M&A) activities in the area of electronic materials gases have strengthened our position with manufacturers
- Expansion of production facilities enabled us to maintain strong orders for equipment installation
- Achieved record sales of MOCVD equipment
- Recorded favorable sales of electronic materials gases, consumables and semiconductor-related equipment

Target:

- ¥117,000 million in sales in fiscal 2008
- Focusing on growing FDP and compound semiconductor markets



GAS BUSINESS

The Company supplies oxygen, nitrogen, argon and a host of other industrial gases that are crucial to the advanced production processes of modern industry. These processes include cutting, welding, combusting, melting, chilling and freezing. Our stable supply system encompasses pipelines, tank trucks and cylinders.

We have built a strong technological base over many years, encompassing high temperatures and pressures, vacuums and gas controls. We draw on these capabilities to manufacture, supply and transport gases and provide a range of storage equipment. We are thus helping industrial customers enhance their productivity and quality while supporting efforts to improve the environment.

We maintain Japan's largest industrial gas supply network and are expanding our manufacturing and supply networks in the United States, China and Southeast Asia.

Sales: Approximately ¥150,000 million

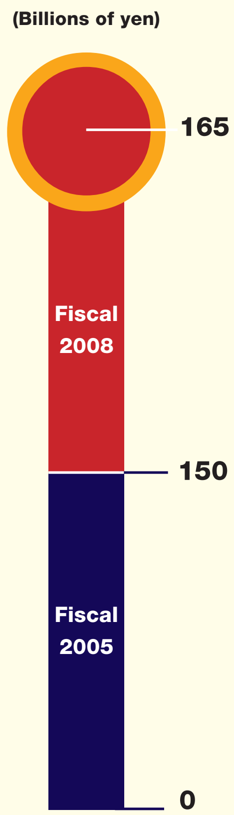
Principal operations:
- Oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium and other industrial gases
- Gas supply (filling, transportation and storage) equipment and facilities installation and construction
- Gas equipment (including for cutting, welding, combustion and freezing)

Market needs:
- Using gas to enhance productivity, achieve high quality, save energy and improve the environment
- Optimal, stable and economic gas supplies

Our advantages:
- Japan’s largest and strongest industrial gas producer
- Low costs and strong price competitiveness
  - Production and supply capabilities
  - Balanced production base covering entire nation
  - Liquefaction capabilities, accounting for 33% of domestic market
- Logistics capabilities
  - Approximately 500 filling stations can serve around 40% of Japanese market
  - Large truck fleet and extensive shipment base network
  - Strong marketing network, including approximately 250 sales agents
- Strengthening operations in China and the United States
  - Operations in Shanghai and Suzhou
  - Expanding U.S. business of Matheson Tri-Gas, which offers hydrogen station engineering services and maintains gas distribution business
- High market shares for other industrial gases
  - No. 1 in Japan in carbon dioxide and No. 2 in helium and acetylene

Highlights:
- Constructed and operating hydrogen gas filling station for the 2005 World Exposition in Aichi, Japan
- Bolstered production capacity in regular high-pressure gases in the United States
- Strengthened gas and production operations in China
- Upgraded industrial gas production facilities in Southeast Asia and focused on expanding sales

Target:
- ¥165,000 million in sales in fiscal 2008
- Focused efforts to cultivate new gas demand and broaden overseas operations

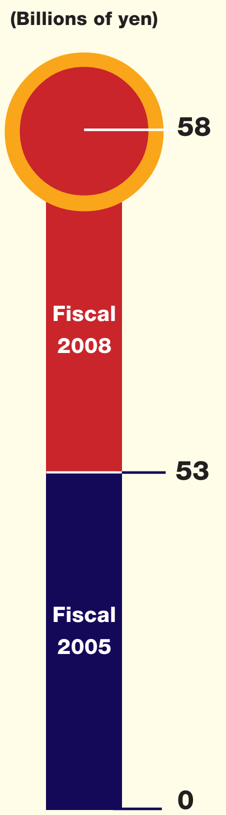


ONSITE AND PLANT BUSINESSES

In the onsite business, we construct large cryogenic air separation plants on the premises of the largest consumers of industrial gases, notably steel mills and chemical complexes. The largest of our plants can produce up to 65,000 m³/h. We provide stable supplies of oxygen and nitrogen through our pipelines. Our onsite business operates around the clock every day of the year, earning us the trust of steelmakers and chemicals manufacturers for consistent supplies of large volumes of industrial gases.

Our plant business builds various compact air separation plants that are the foundation of the industrial gases business. We have drawn on our expertise in making and supplying industrial gases to not only serve industrial gas producers but to also build a strong track record in manufacturing air separation plants, exporting numerous units around the globe. We provide many different types of experimental equipment. This includes space simulation chambers that replicate the conditions of space. We also supply equipment for exploring basic physics and discovering new functional materials.

Sales:	**Approximately ¥53,000 million**
Principal operations:	**Onsite: Supplies of oxygen, nitrogen and argon via pipeline** **Plant: Cryogenic air separation plants, pressure swing adsorption (PSA) air separation plants, ultralow-temperature vacuum equipment, and other chemical equipment**
Market needs:	**Onsite: Large and stable supply system** **Plant: Production and installation of high-performance plants**
Our advantages:	**Have established plant and engineering businesses by drawing on our capabilities as a manufacturer of industrial gases and our global business scale, thus enabling us to optimize facilities and operating efficiency**
Highlights:	**Received favorable formal and prospective orders from steelmakers and electronics manufacturers in Japan and various customers overseas**
Target:	**¥58,000 million in sales in fiscal 2008** **Secure new piped gas demand**



MEDICAL-RELATED BUSINESS

We are building special filling facilities for medical gases throughout our industrial gas production and sales network to help ensure stable supplies of medical oxygen and other high-quality gases for medical institutions. We are helping improve safety and reliability in the medical treatment field by developing pure air supply systems and other medical support equipment, as well as devices for home oxygen therapy.

We are applying our top-quality gas technologies to stable isotope (SI) manufacturing and sales in addition to specialty gases for advanced diagnostics and treatment.

Sales:

- Approximately **¥12,000 million**

Principal products:

- Medical-related oxygen and other gases
- Synthesized (pure) air supply facilities, portable oxygen cylinders and medical-use oxygen compressors
- Stable isotope (SI)

Market needs:

- Quality control and assurance for medical gases
- Mass production and steady supplies of SIs used in cancer diagnostics

Our advantages:

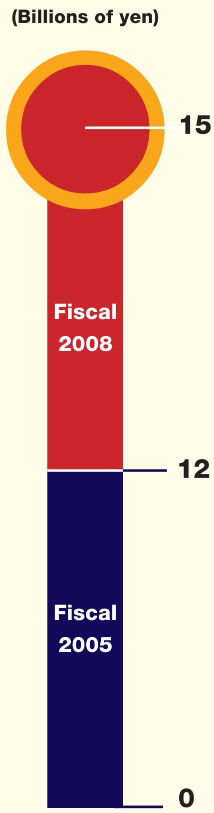
- Production and sales of pharmaceutical ingredients for PET examinations
- Strong position as a manufacturer of Water-^{18}O, a pharmaceutical ingredient for reagents used in positron emission tomography (PET) diagnostics, and an 80% domestic market share
- Have started shipments of world-class pharmaceutical ingredients to leading manufacturers of fluorodeoxyglucose (FDG) PET reagents in Europe and the United States

Highlights:

- Responded to revision of Pharmaceutical Affairs Law
- Set up channels and secured manufacturing and sales authorization to optimize clout with sales agents

Target:

- **¥15,000 million** in sales in fiscal 2008
- Expand SI sales and pursue M&A activities to strengthen marketing capabilities in medical gases and equipment

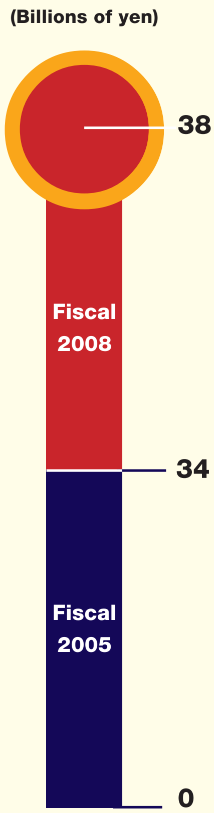


LP GAS BUSINESS

LP gas is becoming popular as a clean energy source. The expanding range of applications includes commercial air conditioning and heating equipment, independent power production and hot water systems, as well as fuel for taxi fleets. LP gas is also used as an aerosol gas to replace chlorofluorocarbons and protect the environment. We satisfy a broad range of industrial needs through an integrated structure that encompasses everything from tank truck deliveries of bulk LP gas for air conditioning facilities to designing cogeneration systems.

We supply 450,000 households around Japan with LP gas for heating, hot water and air conditioning. Our energy business will likely become a focus of attention in the years ahead as residential fuel cells penetrate the market.

Sales:	**Approximately ¥34,000 million**
Principal operations:	**Supply of LP gas for residential and industrial customers (Annual sales: 460,000 metric tons)**
Market needs:	**Stable supplies for household fuel to 25 million households in areas not adequately served by electric power and city gas services**
Our advantage:	**450,000 customers (ranked sixth in Japan)**
Highlights:	**Streamlined efficiency by transferring filling and sales operations and merging LP gas affiliates**
Target:	**¥38,000 million in sales in fiscal 2008** **Annual sales of 500,000 metric tons** **Expanded cogeneration business**



Corporate Social Responsibility

As a responsible corporate citizen, Taiyo Nippon Sanso believes it is essential not only to operate ethically and with respect for social mores, but also to instill a Companywide commitment to ensuring the safety and quality of its high-pressure gas and medical-related gas operations and the transparency of its management. We established a code of conduct for all executives, as well as a stringent compliance structure. With the aim of fostering the ability of individuals to recognize and resolve issues internally, we set up the Taiyo Nippon Sanso Group Helpline, which has become part of our commitment to fulfilling our social obligations.

With the aim of helping to realize a sustainable society, we collaborate with environment-related businesses and businesses that perform important community roles. For example, we are contributing to efforts to ameliorate global warming by supporting the Japan Hydrogen & Fuel Cell Demonstration Project of the Ministry of Economy, Trade and Industry. At the 2005 World Exposition in Aichi, Japan, we are collaborating with Nippon Steel Corporation and Toho Gas Co., Ltd., to operate a hydrogen gas filling station for large buses transporting people around the site. We are also conducting pilot research on the use of fuel cell-powered buses as part of tomorrow's mass transit systems.

During the year under review, the Taiyo Nippon Sanso Group drew on the initiatives of the former Nippon Sanso to establish medium- and long-term environmental objectives. These encompass preventing global warming and reducing substance management, resource conservation and recycling. We have begun preparations to obtain ISO 14001 certification for the environmental management systems of all our operations.

We have taken various steps to serve community needs. Over the past 15 years, for example, we have held soccer clinics for elementary school-age players in Chiba, and in the near future will extend this program to Osaka. In the year under review, we responded decisively to the impact of the Indian Ocean tsunami. We and our U.S., Malaysian and Thai subsidiaries donated funds to the Red Cross. Our Singaporean subsidiary also donated to the local Red Cross and provided Sri Lanka with medical oxygen free of charge. We also provided ongoing support after the earthquake that struck Niigata Prefecture in October 2004. Efforts included conducting emergency safety inspections of supply facilities for industrial gas users and promptly delivering oxygen cylinders for home oxygen therapy patients. As well, we donated money to quake victims and offered to provide stainless steel vacuum bottles manufactured by Thermos.

Going forward, we will continue to contribute broadly to society and remain committed to pursuing mutual progress.

Directors, Corporate Auditors and Corporate Officers

Directors

Chairman
Konosuke Ose

President
Hiroshi Taguchi

Executive Vice Presidents
Hirosuke Matsueda
Yasunobu Kawaguchi
Osami Yamashita

Senior Managing Directors
Mikio Abe
Kazuya Ito
Soichi Hirabayashi
Hiroyuki Miura
Keiji Futamatsu

Managing Directors
Takumi Iida
Yutaka Kurosawa
Kenichiro Ebisawa
Fumio Hara

Executive Directors
Ryuichi Tomizawa
William J. Kroll

Corporate Auditors

Toshiro Hatagami
Yoshinori Kobayashi
Yasusuke Nakanishi
Kiyoshi Fujita

Corporate Officers

Senior Corporate Executive Officer
Yataro Inada

Corporate Executive Officers
Kazuhiro Yoshida
Toyoo Go
Masashi Yamashita
Katsuji Tsukada
Hiroshi Kanno
Kenichi Kasuya
Toshio Sato

Corporate Officers
Akira Ito
Shinji Tanabe
Yoshihisa Shibata
Takeo Toyama
Junichi Ishimaru
Toshio Suwa
Kunishi Hazama
Tadashige Maruyama
Yasuharu Kamioka
Yoshikazu Yamano
Shigeto Umatani
Masayuki Tanino
Yujiro Ichihara
Shigeru Amada

(As of June 29, 2005)

Financial Section

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Analysis of Operating Results and Financial Position

Nippon Sanso and Taiyo Toyo Sanso merged effective October 2004 to form Taiyo Nippon Sanso. The following is an analysis of the combined operating results and financial position of Taiyo Nippon Sanso for fiscal 2005, which exclude the figures for the former Taiyo Toyo Sanso for the six months ended September 30, 2004.

Operating Results

Consolidated net sales in fiscal 2005 amounted to ¥300,055 million. This reflected favorable sales in Japan and abroad of mainstay gases.

Cost of sales totaled ¥205,713 million, while selling, general and administrative expenses were ¥73,614 million.

Operating profit reached ¥20,727 million, reflecting improved capacity utilization rates at our gas production facilities, which helped us lower costs, and strong performances by Matheson Tri-Gas and other subsidiaries.

Despite extraordinary losses related to the merger and gain on sales of property, plant and equipment as the result of an eminent domain proceeding, net income amounted to ¥11,568 million. Net income per share was ¥32.76.

Financial Position

At year-end, total current assets were ¥51,851 million higher, at ¥160,651 million. This gain reflected the impact of the merger. Total current liabilities rose ¥35,992 million, to ¥136,712 million. The current ratio thus increased 0.1 point, to 1.18 times. Total long-term liabilities increased ¥42,992 million, to ¥106,210 million. As a consequence, interest-bearing debt increased ¥8,200 million, to ¥122,000 million.

Total shareholders' equity increased ¥59,405 million, to ¥154,207 million. The equity ratio increased 2.1 percentage points, to 38.1%.

As of March 31, 2005, total assets were up ¥141,073 million from a year earlier, at ¥404,668 million.

Cash Flow Analysis

Net cash provided by operating activities was ¥27,703 million. Interest coverage increased 6.1 points, to 16.7 times.

Net cash used in investing activities was ¥32,235 million. This primarily reflected the purchase of a business by the Company's U.S. subsidiary, resulting in ¥30,263 million in purchases of property, plant and equipment.

Net cash used in financing activities was ¥2,679 million. The main factors here were ¥14,467 million in proceeds from issuance of long-term debt and ¥20,300 million in redemption of bonds.

Consequently, after the addition of ¥11,751 million in cash from newly consolidated subsidiaries, cash and cash equivalents at the end of the year totaled ¥17,839 million, an increase of ¥4,579 million.

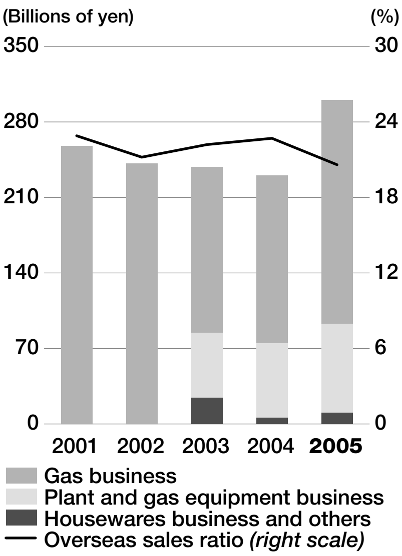
Business Risks

External Factors

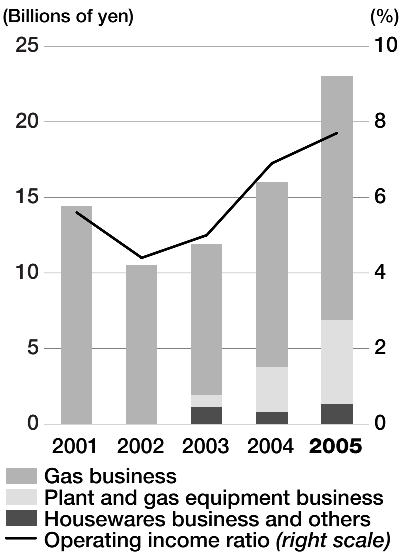
Foreign Exchange Risk

Interest-rate trends could have a material impact on performance, as the Company maintains large-scale gas supply facilities for large customers and needs to spend heavily to maintain and expand these facilities.

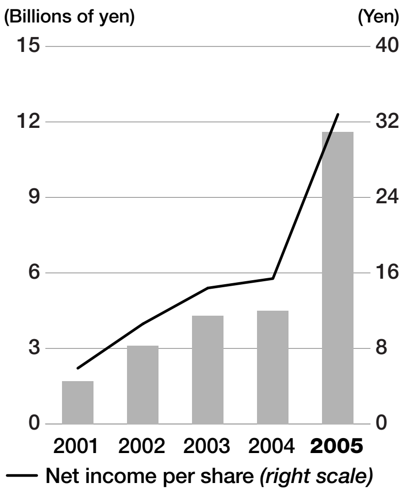
Net Sales



Operating Income



Net Income



Notes: 1. Since the merger of Nippon Sanso and Taiyo Toyo Sanso took place in October 2004, consolidated figures for fiscal 2005, ended March 31, 2005, exclude the figures for the former Taiyo Toyo Sanso for the six months ended September 30, 2004. Taiyo Nippon Sanso's results for fiscal 2005 are compared to the fiscal 2001 to 2004 totals of the former Nippon Sanso.
2. In fiscal 2001 and 2002, Nippon Sanso reported results in two segments: gases, gas equipment and gas-related business, and living and housewares business. Accordingly, only gross figures are available for these two periods.

The Company uses various means to minimize currency exposure with imports and exports, including the purchase of foreign exchange forward contracts. Nonetheless, large fluctuations in exchange rates could affect the Company's results. Overseas sales and expenses and the assets of subsidiaries affect the Company's financial position.

Reliance on Specific Industries

Developments in the key semiconductor industry can significantly affect results.

Risk of Oil Price Fluctuations Causing Profitability of Products to Decline

Electricity is a key component of manufacturing costs for such core offerings as oxygen, nitrogen, and argon. It may be impossible for the Company to reflect higher electricity charges resulting from higher oil costs in the pricing of its products.

Competition

Gas Prices

The Company is exposed to competitive forces and may be unable to withstand falling gas prices.

Changes in Socioeconomic Climate and Laws

The Company maintains gas operations overseas, primarily in the United States and Asia. The costs of responding to political and economic changes in overseas markets, including the fast-growing Chinese market, and to revisions to and implementations of laws and ordinances affecting production bases and revisions to environmental legislation may materially affect results.

Technical and Safety Factors

Technological Development

The creation of new products and technologies—a key focus for the Company—carries uncertainties because of the reliance on technological development activities in such areas as organic semiconductors, the environment and energy.

Intellectual Property

The Company obtains required intellectual property rights for proprietary technologies, but there are no guarantees of complete protection of the Group's technologies and products.

Product Defects

The Company manufactures and sells high-pressure gases, and some of its semiconductor gases are toxic. Although the Company maintains a strict risk management structure, it cannot guarantee that none of its products are defective.

Other Factors

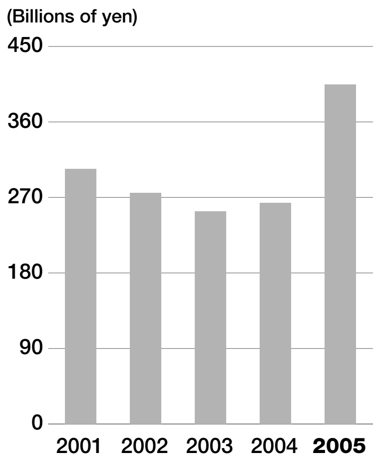
Retirement Benefit Liabilities

Further decreases in the discount rate and a sudden deterioration in retirement plan returns may materially affect results.

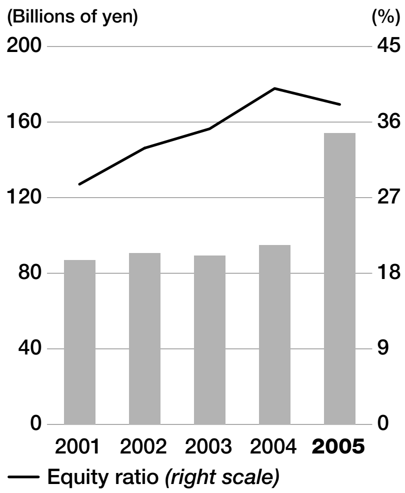
Natural Disasters

Natural disasters may affect the Company's results and financial position by lowering the productivity of its manufacturing operations, delaying production activity or resulting in the incurrence of significant recovery costs.

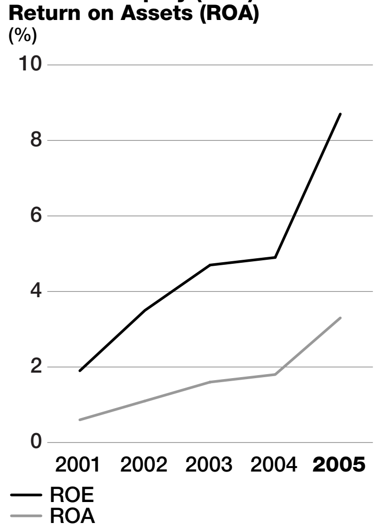
Total Assets



Shareholders' Equity



Return on Equity (ROE) and Return on Assets (ROA)



Consolidated Financial Statements

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31	2005	2004	2004	2005
	Millions of yen			Thousands of U.S. dollars *(Note 3)*
		Nippon Sanso	Taiyo Toyo Sanso	
Assets				
Current assets:				
Cash and cash equivalents *(Note 4)*	**¥ 17,839**	¥ 13,260	¥ 7,906	**$ 166,114**
Short-term investments *(Notes 4 and 5)*	**1,260**	896	630	**11,733**
Notes and accounts receivable—trade *(Note 6)*	**102,378**	72,033	40,572	**953,329**
Inventories *(Note 7)*	**29,156**	16,250	7,145	**271,496**
Deferred income taxes *(Note 11)*	**4,333**	2,764	1,287	**40,348**
Other current assets	**6,386**	4,017	2,058	**59,465**
Allowance for doubtful receivables	**(704)**	(424)	(140)	**(6,556)**
Total current assets	**160,651**	108,799	59,460	**1,495,959**
Property, plant and equipment *(Notes 9 and 10)*	**443,621**	298,044	118,503	**4,130,934**
Accumulated depreciation	**(275,249)**	(196,882)	(68,205)	**(2,563,078)**
Property, plant and equipment, net	**168,372**	101,161	50,298	**1,567,855**
Investments and other assets:				
Investment securities *(Note 5)*	**44,931**	36,298	9,211	**418,391**
Long-term loans receivable	**1,414**	402	748	**13,167**
Intangible assets, net	**14,474**	6,042	5,496	**134,780**
Prepaid pension expenses *(Note 14)*	**10,123**	8,126	—	**94,264**
Deferred income taxes *(Note 11)*	**1,066**	339	804	**9,926**
Other assets	**5,042**	3,297	1,840	**46,950**
Valuation allowance for investments	**(270)**	—	—	**(2,514)**
Allowance for doubtful receivables	**(1,137)**	(873)	(263)	**(10,588)**
Total investments and other assets	**75,645**	53,633	17,838	**704,395**
Total assets	**¥404,668**	¥263,595	¥127,598	**$3,768,209**

See notes to consolidated financial statements.

March 31	2005	2004 Nippon Sanso	2004 Taiyo Toyo Sanso	2005
	Millions of yen			Thousands of U.S. dollars *(Note 3)*
Liabilities and shareholders' equity				
Current liabilities:				
Short-term bank loans and current portion of long-term debt *(Notes 8 and 9)*	**¥ 40,451**	¥ 40,615	¥ 11,019	**$ 376,674**
Notes and accounts payable—trade	**64,783**	40,987	25,527	**603,250**
Accrued income taxes *(Note 11)*	**4,853**	4,522	2,156	**45,190**
Consumption taxes payable	**—**	—	398	**—**
Other current liabilities	**26,623**	14,594	6,144	**247,909**
Total current liabilities	**136,712**	100,720	45,246	**1,273,042**
Long-term liabilities:				
Long-term debt *(Notes 8 and 9)*	**71,495**	45,709	16,529	**665,751**
Pension and severance indemnities *(Note 14)*	**5,672**	2,322	3,777	**52,817**
Deferred income taxes *(Note 11)*	**18,990**	13,422	1,633	**176,832**
Consolidation adjustment account	**407**	—	833	**3,790**
Other liabilities	**9,644**	1,762	8,100	**89,804**
Total long-term liabilities	**106,210**	63,218	30,876	**989,012**
Contingent liabilities *(Note 15)*				
Minority interests in consolidated subsidiaries	**7,537**	4,853	3,103	**70,183**
Shareholders' equity *(Notes 12 and 21)*:				
Common stock:				
Authorized—600,000,000 shares in 2005, (Nippon Sanso) 589,259,193 shares in 2004 (Taiyo Toyo Sanso) 378,288,000 shares in 2004				
Issued—405,892,837 shares in 2005, (Nippon Sanso) 292,892,053 shares in 2004 (Taiyo Toyo Sanso) 145,069,821 shares in 2004	**27,039**	27,039	14,520	**251,783**
Capital surplus	**44,807**	19,502	12,242	**417,236**
Retained earnings	**83,672**	51,274	22,169	**779,141**
Unrealized holding gain on securities	**9,300**	6,544	1,223	**86,600**
Foreign currency translation adjustments	**(10,132)**	(9,492)	(75)	**(94,348)**
Less:				
Treasury stock, at cost— 1,094,323 shares in 2005 and 67,428 shares in 2004	**(479)**	(66)	(1,708)	**(4,460)**
Total shareholders' equity	**154,207**	94,802	48,371	**1,435,953**
Total liabilities and shareholders' equity	**¥404,668**	¥263,595	¥127,598	**$3,768,209**

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars *(Note 3)*
Years ended March 31	**2005**	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Net sales	**¥300,055**	¥230,272	¥127,430	**$2,794,068**
Cost of sales	**205,713**	160,394	93,223	**1,915,569**
Gross profit	**94,341**	69,878	34,206	**878,490**
Selling, general and administrative expenses *(Note 17)*	**73,614**	55,561	29,796	**685,483**
Operating profit	**20,727**	14,317	4,410	**193,007**
Other income (expenses):				
Interest and dividend income	**517**	325	135	**4,814**
Interest expense	**(1,824)**	(1,878)	(348)	**(16,985)**
Amortization of consolidation adjustment account	**282**	—	410	**2,626**
Commission income	**—**	—	65	**—**
Gain on sales of property, plant and equipment *(Note 18)*	**4,802**	—	869	**44,716**
Loss on sales of property, plant and equipment *(Note 18)*	**(1,882)**	—	—	**(17,525)**
Loss on disposal of property, plant and equipment	**(614)**	(1,428)	(470)	**(5,717)**
Gain on sales of investment securities	**280**	780	—	**2,607**
Loss on sales of investment securities	**—**	—	(0)	**—**
Loss on devaluation of investment securities	**—**	(754)	—	**—**
Early retirement expense	**(192)**	(1,735)	—	**(1,788)**
Loss on devaluation of memberships at golf clubs	**—**	—	(24)	**—**
Loss on devaluation of goodwill		(1,254)	—	**—**
Equity in earnings of affiliates	**1,053**	859	92	**9,805**
Income on receiving of national subsidy	**411**	—	—	**3,827**
Loss on replacement of fixed assets	**(411)**	—	—	**(3,827)**
Impairment loss	**—**	—	(588)	**—**
Loss on liquidation of affiliates	**(149)**	—	—	**(1,387)**
Loss on revaluation of investments	**(270)**	—	—	**(2,514)**
Amortization of difference arising from change of retirement benefit accounting	**—**	—	(139)	**(1,294)**
Merger expense	**(1,873)**	—	—	**(17,441)**
Write-off loss	**—**	—	(56)	**—**
Other, net	**391**	(442)	483	**3,641**
	520	(5,528)	427	**4,842**
Income before income taxes and minority interests	**21,246**	8,789	4,836	**197,840**
Income taxes *(Note 11)*:				
Current	**5,921**	4,409	2,838	**55,135**
Deferred	**2,884**	(734)	(511)	**26,855**
	8,805	3,675	2,327	**81,991**
Minority interests in earnings of consolidated subsidiaries	**872**	572	229	**8,120**
Net income	**¥ 11,568**	¥ 4,541	¥ 2,279	**$ 107,720**

	Yen			U.S. dollars (Note 3)
Amounts per share:				
Net assets	**¥380.70**	¥323.74	¥347.12	**$3.545**
Net income	**32.76**	15.38	15.82	**0.305**
Cash dividends	**9.00**	6.00	6.00	**0.084**

See notes to consolidated financial statements.

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

Millions of yen

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	292,892,053	¥27,039	¥19,502	¥48,506	¥1,259	¥ (7,090)	¥ (35)
Increase in retained earnings resulting from merger of consolidated subsidiaries	—	—	—	15	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(31)	—	—	—
Cash dividends paid	—	—	—	(1,757)	—	—	—
Net income for the year ended March 31, 2004	—	—	—	4,541	—	—	—
Unrealized holding gain on securities	—	—	—	—	5,285	—	—
Foreign currency translation adjustments	—	—	—	—	—	(2,402)	—
Net change in treasury stock	—	—	—	—	—	—	(31)
Balance at March 31, 2004	292,892,053	27,039	19,502	51,274	6,544	(9,492)	(66)
Increase by merger	**113,000,784**	**—**	**25,200**	**18,458**	**—**	**—**	**—**
Gain on disposal of treasury stock	**—**	**—**	**104**	**—**	**—**	**—**	**—**
Adjustments of retained earnings for newly consolidated subsidiaries	**—**	**—**	**—**	**4,181**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**(42)**	**—**	**—**	**—**
Cash dividends paid	**—**	**—**	**—**	**(1,756)**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**(11)**	**—**	**—**	**—**
Net income for the year ended March 31, 2005	**—**	**—**	**—**	**11,568**	**—**	**—**	**—**
Unrealized holding gain on securities	**—**	**—**	**—**	**—**	**2,756**	**—**	**—**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(640)**	**—**
Net change in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(413)**
Balance at March 31, 2005	**405,892,837**	**¥27,039**	**¥44,807**	**¥83,672**	**¥9,300**	**¥(10,132)**	**¥(479)**

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$251,783	$181,600	$477,456	$60,937	$(88,388)	$ (615)
Increase by merger	**—**	**234,659**	**171,878**	**—**	**—**	**—**
Gain on disposal of treasury stock	**—**	**968**	**—**	**—**	**—**	**—**
Adjustments of retained earnings for newly consolidated subsidiaries	**—**	**—**	**38,933**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**(391)**	**—**	**—**	**—**
Cash dividends paid	**—**	**—**	**(16,352)**	**—**	**—**	**—**
Other	**—**	**—**	**(102)**	**—**	**—**	**—**
Net income for the year ended March 31, 2005	**—**	**—**	**107,720**	**—**	**—**	**—**
Unrealized holding gain on securities	**—**	**—**	**—**	**25,663**	**—**	**—**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**(5,960)**	**—**
Net change in treasury stock	**—**	**—**	**—**	**—**	**—**	**(3,846)**
Balance at March 31, 2005	**$251,783**	**$417,236**	**$779,141**	**$86,600**	**$(94,348)**	**$(4,461)**

See notes to consolidated financial statements.

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen 2005	2004 Nippon Sanso	2004 Taiyo Toyo Sanso	Thousands of U.S. dollars (Note 3) 2005
Operating activities				
Income before income taxes and minority interests	**¥21,246**	¥ 8,789	¥ 4,836	**$197,840**
Depreciation and amortization	**14,592**	11,627	6,499	**135,879**
Impairment loss	**—**	—	588	**—**
Amortization of consolidation adjustment account	**(122)**	—	(221)	**(1,136)**
Interest and dividend income	**(517)**	(326)	(136)	**(4,814)**
Interest expense	**1,824**	1,878	348	**16,985**
Equity in earnings of affiliates	**(1,053)**	(859)	(92)	**(9,805)**
Gain (loss) on disposal and sales of property, plant and equipment	**(2,340)**	1,300	(411)	**(21,790)**
Gain on sales of investment securities	**(292)**	(770)	(32)	**(2,719)**
Loss on devaluation of investment securities	**—**	759	—	**—**
Loss on devaluation of goodwill	**—**	1,254	—	**—**
Loss on devaluation of golf club membership	**—**	—	24	**—**
(Increase) decrease in receivables	**(870)**	1,156	—	**(8,101)**
Decrease (increase) in accounts receivable	**10,583**	(10,325)	(2,772)	**98,547**
Decrease in allowance for doubtful receivables	**—**	—	(119)	**—**
(Increase) decrease in inventories	**(4,219)**	1,841	(200)	**(39,287)**
(Decrease) increase in payables	**(3,668)**	4,025	(1,456)	**(34,156)**
(Decrease) increase in accrued expenses	**(582)**	1,011	—	**(5,419)**
Increase in consumption taxes payable	**—**	—	548	**—**
Increase in prepaid pension expenses	**(1,996)**	(747)	—	**(18,586)**
Increase in pension and severance indemnities	**—**	—	494	**—**
Other	**3,140**	911	(143)	**29,239**
	35,723	21,528	7,755	**332,647**
Interest and dividend received	**897**	542	134	**8,353**
Interest paid	**(1,654)**	(1,906)	(346)	**(15,402)**
Other	**—**	—	223	**—**
Income taxes paid	**(7,263)**	3	(2,192)	**(67,632)**
Net cash provided by operating activities	**27,703**	20,169	5,573	**257,966**
Investing activities				
(Decrease) increase in short-term investments	**(14)**	155	209	**(130)**
Purchase of property, plant and equipment	**(30,263)**	(10,429)	(7,157)	**(281,805)**
Proceeds from sales of property, plant and equipment	**2,274**	841	1,314	**21,175**
Purchase of intangible assets	**(5,402)**	(758)	—	**(50,303)**
Proceeds from sales of intangible assets	**17**	—	—	**158**
Payment for acquisition of goodwill	**—**	—	(4,237)	**—**
Payment for purchase of investment securities	**(295)**	(3,815)	(642)	**(2,747)**
Proceeds from sales of investment securities	**741**	1,397	331	**6,900**
Long-term loans made	**—**	—	(427)	**—**
Collection of long-term loans receivable	**—**	—	877	**—**
Other	**706**	(259)	(95)	**6,574**
Net cash used in investing activities	**(32,235)**	(12,867)	(9,827)	**(300,168)**
Financing activities				
(Repayment of) proceeds from short-term bank loans	**(689)**	2,229	(2,330)	**(6,416)**
Proceeds from commercial paper	**5,000**	—	—	**46,559**
Proceeds from issuance of long-term debt	**14,467**	12,877	9,742	**134,715**
Repayment of long-term debt	**(14,182)**	(17,959)	(1,733)	**(132,061)**
Proceeds from issuance of bonds	**15,000**	—	—	**139,678**
Redemption of bonds	**(20,300)**	(200)	(2,000)	**(189,031)**
Cash dividends to shareholders	**(1,756)**	(1,757)	(849)	**(16,352)**
Dividends paid to minority interests	**(132)**	(116)	(120)	**(1,229)**
Redemption of treasury stock	**(356)**	(28)	(1,062)	**(3,315)**
Proceeds from sales of treasury stocks	**270**	—	—	**2,514**
Other	**—**	—	0	**—**
Net cash provided by (used in) financing activities	**(2,679)**	(4,954)	1,645	**(24,946)**
Effect of exchange rate changes on cash and cash equivalents	**39**	(256)	(42)	**363**
Net increase (decrease) in cash and cash equivalents	**(7,172)**	2,091	(2,650)	**(66,785)**
Cash and cash equivalents at beginning of the year	**13,260**	11,168	10,144	**123,475**
Increase by merger	**6,032**	—	—	**56,169**
Increase by change in the scope of consolidation	**749**	—	400	**6,975**
Increase by newly consolidated subsidiaries	**4,970**	—	—	**46,280**
Increase by merger of previously non-consolidated subsidiaries	**—**	—	12	**—**
Cash and cash equivalents at end of the year *(Note 4)*	**¥17,839**	¥13,260	¥ 7,906	**$166,114**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of Taiyo Nippon Sanso Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 56 significant subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In accordance with the regulations for the preparation of consolidated financial statements under the Securities and Exchange Law of Japan, investments in certain unconsolidated subsidiaries and significant affiliates are accounted for by the equity method of accounting.

The differences at the dates of acquisition between the cost and the underlying net equity in investments in consolidated subsidiaries and the companies accounted for by the equity method are amortized by the straight-line method over a period of five years.

Investments in unconsolidated subsidiaries and affiliates other than those which are accounted for by the equity method are principally stated at cost.

(b) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with maturity of three months or less when purchased to be cash equivalents.

(c) Marketable and investment securities

Marketable securities and investment in securities are classified by their holding objectives into: held-to-maturity and other securities. Held-to-maturity securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost determined by the average method, the specific identification method or the moving average method.

As for overseas consolidated subsidiaries, inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out method.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost, and for the Company and its domestic subsidiaries, depreciation is computed by the straight-line method for buildings and leased equipment and by the declining-balance method for other equipment based on the estimated useful lives of the respective assets. As for overseas consolidated subsidiaries, depreciation is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

The useful lives are as follows:

Buildings	3 to 50 years
Machinery	4 to 13 years

(f) Translation of foreign currency transactions

All monetary assets and liabilities, regardless of short-term or long-term, denominated in foreign currencies other than receivables and payables hedged by qualified foreign exchange forward contract are translated into yen at the exchange rates prevailing as of the fiscal year-end, and resulting gains and losses are included in income.

The accounts of the overseas subsidiaries are translated into yen at the year-end exchange rates, except for shareholders' equity, which is translated at historical rates. Differences arising from the translations are stated under "Foreign currency translation adjustments" and minority interests in consolidated subsidiaries in the accompanying consolidated balance sheets.

(g) Pension and severance indemnities

Allowance for employees' retirement benefits is recognized at the net total of the present value of the defined benefit obligation at the balance sheet date, plus any actuarial gains (less any actuarial losses) not yet recognized, minus the fair value of plan assets (if any) at the balance sheet date out of which the obligations are to be settled directly. If the amount determined above is negative (an asset), such asset should be recorded as prepaid pension expenses.

Net retirement benefit expense or income is recognized as the net total of current service cost and interest cost, minus the expected return on any plan assets, minus any actuarial gains (less any actuarial losses) and past service cost recognized during the year, plus any retirement benefits paid at a lump sum.

To determine the present value of a defined benefit obligation and the related current service cost and, where applicable, past service cost, the project unit credit method are used.

Actuarial gains or losses and past service cost are recognized for each defined benefit plan over a period not exceeding the expected average remaining service years of the employees participating in the plan. The Company and its domestic subsidiaries recognize actuarial gains or losses evenly over the 16 years following the respective fiscal years when such gains or losses are identified. (As for 2004 of Taiyo Toyo Sanso Corporation, 5 years). Past service cost is amortized using the straight-line method over 16 years.

The Company recognized the amount of unrecognized past service cost due to the revision of the retirement rule at April 1, 2003.

For transition benefit liability, the Company established the pension and severance indemnity trust by contribution of shares owned by the Company, and the remaining transition benefit liability is being recognized over a period of 15 years.

(h) Allowance for directors' and corporate auditors' retirement benefits

The allowance for directors' and corporate auditors' retirement benefits of the Company and certain of its domestic subsidiaries is provided at the amount which would have been required to be paid if all directors and corporate auditors had voluntarily terminated their services as of the balance sheet date. This amount has been determined in accordance with the internal rules of the respective companies. The allowance included ¥157 million ($1,462 thousand) for corporate officers at March 31, 2005.

(i) Research and development expenses

Research and development expenses are charged to operations as incurred.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Amounts per share

Presentation of diluted net income per share is not applicable as there were no potentially dilutive securities for the years ended March 31, 2005 and 2004.

(l) Allowance for doubtful receivables

To cover possible losses on collection of receivables, the Company and its domestic subsidiaries provided for an allowance with respect to specific debts of which recovery is doubtful, based on estimated write-off amounts, after considering the likelihood of recovery on an individual basis.

(m) Valuation allowance for investments

To state the investment amount fairly, the allowance is provided by considering the related parties' assets and other factors.

(n) Derivative and hedging transactions

The Company and certain of its subsidiaries have used foreign exchange forward contract in order to solely hedge against risks of fluctuations in foreign currency exchange rates relating to its receivables and payables denominated in foreign currencies, and have used interest-rate swap agreements in order to solely hedge against risks of fluctuations in interest rates relating to its long-term debt, and also have used currency exchange swap agreement in order to solely hedge against risks of fluctuations in foreign exchange of long-term debt denominated in foreign currencies, in compliance with the internal rules of respective companies.

Under the "Accounting Standard for Financial Instruments," derivative transactions are valued at market prices, except for hedging transactions whose gains or losses are deferred and recorded in the balance sheet until the hedged transactions are settled. Moreover, if interest-rate swaps in Japan are specifically tied to the hedged loan transactions, unrealized gains or losses on those swaps are not recognized in the consolidated financial statements as such gains or losses are to be offset with those on the hedged transactions. Deferred hedge accounting is applied to currency swaps.

Receivables and payables hedged by qualified foreign exchange forward contract are translated at the corresponding foreign exchange forward contract rates.

(o) Goodwill and other intangible assets in the United States

Effective the fiscal year ended March 31, 2003, consolidated subsidiaries in the United States adopted Statements of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually and written off when impaired.

(p) Segment information

Effective from the year ended March 31, 2004, the "gas, plant and gas equipment business" was reclassified into "gas business" and "plant and gas equipment business" to better present the operating results.

3. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetical computation only, at the rate of ¥107.39=U.S.$1, the approximate rate of exchange at March 31, 2005. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

The components of cash and cash equivalents at March 31, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Cash and deposits	**¥18,593**	¥13,657	¥8,430	**$173,135**
Time deposits with maturities of more than three months	**(754)**	(396)	(524)	**(7,021)**
	¥17,839	¥13,260	¥7,906	**$166,114**

5. Marketable and Investment Securities

At March 31, 2005 and 2004, information with respect to other securities for which market prices were available was summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2005			**2005**		
	Cost	Balance sheet amount	Unrecognized gain (loss)	Cost	Balance sheet amount	Unrecognized gain (loss)
Unrecognized gain items:						
Stock	**¥10,609**	**¥26,300**	**¥15,691**	**$ 98,789**	**$244,902**	**$146,112**
Unrecognized loss items:						
Stock	**208**	**200**	**(8)**	**1,937**	**1,862**	**(74)**
Total	**¥10,818**	**¥26,501**	**¥15,682**	**$100,736**	**$246,773**	**$146,028**

	Millions of yen					
	2004					
	Nippon Sanso			Taiyo Toyo Sanso		
	Cost	Balance sheet amount	Unrecognized gain (loss)	Cost	Balance sheet amount	Unrecognized gain (loss)
Unrecognized gain items:						
Stock	¥8,366	¥19,430	¥11,064	¥2,473	¥4,594	¥2,121
Unrecognized loss items:						
Stock	24	20	(3)	147	132	(14)
Total	¥8,390	¥19,451	¥11,061	¥2,621	¥4,727	¥2,106

Proceeds from sales of securities classified as other securities amount to ¥77 million ($717 thousand) with an aggregate gain on sales of ¥30 million ($279 thousand) for the year ended March 31, 2005.

The balance sheet amount of non-marketable securities classified as held-to-maturity securities and other securities at March 31, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Held-to-maturity securities:				
Discounted bank debentures	**¥ 506**	¥ 499	¥ —	**$ 4,712**
Other securities:				
Unlisted securities (except for OTC securities)	**2,355**	1,072	2,046	**21,929**
Preferred securities	**1,000**	1,000	—	**9,312**
Preferred stock	**1,000**	1,000	—	**9,312**

The redemption schedule for securities with maturity dates classified as held-to-maturity securities and other securities at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005		**2005**	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds:				
Bank debenture	**¥506**	**¥—**	**$4,712**	**$—**
Other	**—**	**—**	**—**	**—**
	¥506	**¥—**	**$4,712**	**$—**

	Millions of yen			
	2004			
	Nippon Sanso		Taiyo Toyo Sanso	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds:				
Bank debenture	¥499	¥—	¥106	¥—
Other	—	—	—	—
	¥499	¥—	¥106	¥—

6. Notes and Accounts Receivable

(a) Notes and accounts receivable liquidated at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Accounts receivable transferred by liquidation	**¥1,901**	**$17,702**
Notes receivable transferred by liquidation	**¥7,146**	**$66,543**

(b) Notes receivable discounted at March 31, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	2005
		Nippon Sanso	Taiyo Toyo Sanso	
Notes receivable discounted	**¥35**	¥10	¥536	**$326**

7. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	2005
		Nippon Sanso	Taiyo Toyo Sanso	
Merchandise	**¥10,172**	¥ 6,953	¥2,398	**$ 94,720**
Finished products	**2,773**	1,329	—	**25,822**
Semifinished products and work in process	**11,973**	6,308	3,861	**111,491**
Raw materials and supplies	**4,236**	1,658	884	**39,445**
	¥29,156	¥16,250	¥7,145	**$271,496**

8. Short-Term Borrowings and Long-Term Debt

At March 31, 2005 and 2004, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	2005
		Nippon Sanso	Taiyo Toyo Sanso	
Bank loans	**¥17,676**	¥ 8,850	¥ 8,510	**$164,596**
Current portion of long-term debt	**22,774**	31,765	2,509	**212,068**
Total	**¥40,451**	¥40,615	¥11,019	**$376,674**

The average interest rates applicable to short-term bank loans outstanding at March 31, 2005 and 2004 were 1.23% and 1.10%, respectively.

Long-term debt at March 31, 2005 and 2004 comprised the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	2005
		Nippon Sanso	Taiyo Toyo Sanso	
Loans from banks due through 2011 at average interest rate of 1.69% in 2005 and 2.06% in 2004	**¥46,495**	¥35,609	¥16,529	**$432,955**
0.92% unsecured bonds, payable in yen, due 2007	**10,000**	10,000	—	**93,119**
0.95% unsecured bonds, payable in yen, due 2009	**15,000**	—	—	**139,678**
Secured bonds of consolidated subsidiary, payable in yen, due through 2006 at 0.99%	**—**	100	—	**—**
	¥71,495	¥45,709	¥16,529	**$665,751**

0.22% commercial paper (¥5,000 million) was included in other current liabilities at March 31, 2005.

The annual maturities of long-term debt are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥22,774	$212,068
2007	10,100	94,050
2008	9,300	86,600
2009	19,035	177,251
2010	6,032	56,169
2011 and thereafter	2,027	18,875
	¥69,270	$645,032

9. Pledged Assets

Assets pledged as collateral for short-term bank loans of ¥2,031 million ($18,912 thousand), long-term debt of ¥1,434 million ($13,353 thousand) and other liabilities of ¥3,073 million ($28,615 thousand) at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value	¥10,063	$93,705

10. Assets Replaced by National Subsidy

Assets replaced by national subsidy were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥411	$3,827

11. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of 40.7% for 2005 and 42.1% for 2004.

The effective tax rate reflected in the statements of income for the year ended March 31, 2004 differs from the statutory tax rate for the following reasons:

	2004	
	Nippon Sanso	Taiyo Toyo Sanso
Statutory tax rate	42.1%	42.0%
Effect of:		
Expenses permanently not deductible for income tax purposes	7.1	4.4
Dividend income deductible for income tax purposes	(1.1)	(2.3)
Per capita levy	1.2	2.3
Change in valuation allowance	4.3	—
Equity in earnings of affiliates	(4.1)	—
Other, net	(7.7)	1.7
Effective tax rate	41.8%	48.1%

Significant components of the Company's deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Current deferred tax assets and liabilities				
Deferred tax assets:				
Accrued bonus	**¥1,802**	¥1,036	¥ 599	**$16,780**
Loss from valuation of inventory	**229**	375	—	**2,132**
Accrued expenses	**945**	589	—	**8,800**
Other	**1,356**	763	688	**12,627**
Deferred tax assets—subtotal	**4,333**	2,764	1,287	**40,348**
Valuation allowance	**—**	—	—	**—**
Deferred tax assets—net	**4,333**	2,764	1,287	**40,348**
Deferred tax liabilities	**—**	—	—	**—**
Net deferred tax assets	**¥4,333**	¥2,764	¥1,287	**$40,348**
Deferred tax liabilities:				
Adjustment of allowance for doubtful receivables	**¥ (2)**	¥ (1)	¥ —	**$ (19)**
Other	**—**	—	—	**—**
Deferred tax liabilities—subtotal	**(2)**	(1)	—	**(19)**
Deferred tax assets	**—**	—	—	**—**
Net deferred tax liabilities	**¥ (2)**	¥ (1)	¥ —	**$ (19)**

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Non-current deferred tax assets and liabilities				
Deferred tax assets:				
Depreciation	**¥ 586**	¥ 699	¥ —	**$ 5,457**
Reserve for retirement benefits	**1,581**	564	1,648	**14,722**
Net operating loss carryforward for tax purposes	**2,608**	3,301	—	**24,285**
Other	**6,624**	3,139	1,229	**61,682**
Deferred tax assets—subtotal	**11,400**	7,703	2,878	**106,155**
Valuation allowance	**(4,485)**	(3,261)	—	**(41,764)**
Deferred tax assets—net	**6,914**	4,442	2,878	**64,382**
Deferred tax liabilities	**(5,848)**	(4,102)	(2,073)	**(54,456)**
Net deferred tax assets	**¥ 1,066**	¥ 339	¥ 804	**$ 9,926**
Deferred tax liabilities:				
Valuation difference on other securities	**¥ (6,448)**	¥ (4,501)	¥ (928)	**$ (60,043)**
Reserve for replacement of fixed assets	**(5,097)**	(3,158)	(2,171)	**(47,463)**
Reserve for replacement of fixed assets—special	**(1,375)**	—	—	**(12,804)**
Depreciation	**(4,670)**	(4,499)	—	**(43,486)**
Other	**(7,247)**	(5,365)	(606)	**(67,483)**
Deferred tax liabilities—subtotal	**(24,838)**	(17,525)	(3,707)	**(231,288)**
Deferred tax assets	**5,848**	4,102	2,073	**54,456**
Net deferred tax liabilities	**¥(18,990)**	¥(13,422)	¥(1,633)	**$(176,832)**

The reconciliation between the effective tax rate and the statutory tax rate has been omitted for the year ended March 31, 2005 because the difference was less than 5% of the statutory tax rate.

12. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account.

The Code provides that neither the additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment to the Code (the "Amendment") became effective. The Amendment provides that if the total amount of the additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's share had a par value of ¥50.

13. Leases

(a) The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property at March 31, 2005 and 2004 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Acquisition costs:				
Property, plant and equipment	**¥7,419**	¥6,152	¥ 425	**$69,085**
Other assets	**327**	147	867	**3,045**
	¥7,747	¥6,299	¥1,293	**$72,139**
Accumulated depreciation:				
Property, plant and equipment	**¥3,340**	¥2,372	¥ 166	**$31,102**
Other assets	**144**	78	463	**1,341**
	¥3,485	¥2,451	¥ 629	**$32,452**
Net book value:				
Property, plant and equipment	**¥4,077**	¥3,779	¥ 259	**$37,964**
Other assets	**183**	68	403	**1,704**
	¥4,261	¥3,848	¥ 663	**$39,678**

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥1,194 million ($11,118 thousand) and ¥1,477 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms for the years ended March 31, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 and 2004 for finance lease transactions accounted for as operating leases are summarized as follows:

Years ended/ending March 31	Millions of yen	Thousands of U.S. dollars
2005		
2006	**¥1,050**	**$ 9,777**
2007 and thereafter	**3,210**	**29,891**
Total	**¥4,261**	**$39,678**
2004		
Nippon Sanso		
2005	¥ 860	
2006 and thereafter	2,988	
Total	¥3,848	
Taiyo Toyo Sanso		
2005	¥ 217	
2006 and thereafter	446	
Total	¥ 663	

(b) Future minimum lease payments subsequent to March 31, 2005 and 2004 for non-cancelable operating leases are summarized as follows:

Years ended/ending March 31	Millions of yen	Thousands of U.S. dollars
2005		
2006	**¥1,465**	**$13,642**
2007 and thereafter	**5,300**	**49,353**
Total	**¥6,765**	**$62,995**
2004		
Nippon Sanso		
2005	¥1,740	
2006 and thereafter	6,530	
Total	¥8,271	
Taiyo Toyo Sanso		
2005	—	
2006 and thereafter	—	
Total	—	

14. Pension and Severance Indemnities

The Company and certain of its domestic subsidiaries had, jointly or severally, defined benefit plans, including funded non-contributory tax-qualified retirement pension plans and a lump-sum retirement benefit plan, which together cover substantially all full-time employees who meet certain eligibility requirements.

The funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2005 and 2004 and the components of net retirement benefit expenses recognized in the accompanying consolidated statement of income for the years ended March 31, 2005 and 2004 are summarized as follows:

(a) Retirement benefit liabilities

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Projected benefit obligation	**¥ 40,652**	¥ 28,909	¥11,854	**$ 378,545**
Plan assets at fair market value	**(35,614)**	(24,402)	(7,787)	**(331,632)**
Unfunded retirement benefit liabilities	**5,038**	4,507	4,066	**46,913**
Net unrecognized actuarial losses	**(7,786)**	(7,962)	(1,129)	**(72,502)**
Difference at change of accounting standard	**(5,391)**	(5,913)	(151)	**(50,200)**
Unrecognized prior service cost	**2,590**	2,775	—	**24,118**
Prepaid pension expenses	**10,123**	8,126	—	**94,264**
Allowance for employees' retirement benefits	**(4,573)**	(1,533)	(2,785)	**(42,583)**

(b) Net retirement benefit expenses

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2004	**2005**
		Nippon Sanso	Taiyo Toyo Sanso	
Current service cost	**¥1,449**	¥1,152	¥ 524	**$13,493**
Interest cost	**636**	652	335	**5,922**
Expected return on plan assets	**(502)**	(417)	(73)	**(4,675)**
Expense of actuarial loss	**761**	810	433	**7,086**
Net loss on change in accounting standard for employees' retirement benefits	**589**	537	139	**5,485**
Adjustment for prior service cost	**(185)**	(185)	—	**(1,723)**
Total	**¥2,748**	¥2,550	¥1,360	**$25,589**

(c) The principal assumption used in determining retirement benefit obligations and other components for the Company and certain of its domestic subsidiaries' plans are shown below:

	2005	2004	2004
		Nippon Sanso	Taiyo Toyo Sanso
Discount rate	**Mainly 2.0%**	Mainly 2.0%	2.0%
Rate of return on assets	**Mainly 2.5%**	Mainly 2.5%	2.5%
Period of recognition of actuarial gains or losses	**Mainly 16 years**	Mainly 16 years	Mainly 5 years
Period of recognition of transition gains or losses	**Mainly 15 years**	Mainly 15 years	1 year for the company Mainly 5 years for consolidated subsidiaries
Period of recognition of prior service cost	**16 years**	16 years	—
Allocation method of estimated retirement benefits	**Evenly for period**	Evenly for period	Evenly for period

15. Contingent Liabilities

At March 31, 2005, the Company and certain of its subsidiaries had contingent liabilities as guarantor of indebtedness, amounting to ¥9,901 million ($92,197 thousand), which included reguarantees by joint investors amounting to ¥1,293 million ($12,040 thousand) and commitments to guarantee amounting ¥2,300 million ($21,417 thousand).

16. Derivative and Hedging Activities

(a) Outline of transactions and conditions

The Company and certain of its subsidiaries have used foreign exchange forward contract and interest-rate swap agreements and currency swap agreements to hedge against the risk of fluctuations in interest rates and currency exchange relating to their short-term receivables and payables and long-term debt.

No market risk is anticipated as such derivatives have been entered into in order to offset or mitigate gains or losses resulting from the hedged loan and other transactions.

The Company and certain of its subsidiaries do not anticipate non-performance by any of the counterparties to the above transactions, all of whom are leading financial institutions which are deemed highly creditworthy.

The Company and certain of its subsidiaries have established rules for the authorization of derivative transactions and related risk management rules which stipulate the limits on derivative transactions for each contract amount. All derivative transactions have been entered into in compliance with these rules.

Risk management for derivative transactions has been under the control of the Finance Department of the Company which reports regularly or as necessary to the responsible officer.

(b) Interest-related derivatives

At March 31, 2005 and 2004 the contracted amounts, market value and unrealized loss on derivatives were as follows:

			Millions of yen
March 31, 2005	Contracted amounts	Market value	Unrealized loss
Interest rate swaps:			
Receive/floating and pay/fixed	**¥413**	**¥(1)**	**¥(1)**
	¥413	**¥(1)**	**¥(1)**

						Millions of yen
March 31, 2004	Contracted amounts		Market value		Unrealized loss	
	Nippon Sanso	Taiyo Toyo Sanso	Nippon Sanso	Taiyo Toyo Sanso	Nippon Sanso	Taiyo Toyo Sanso
Interest rate caps	¥ 629	—	¥ 0	—	¥ (4)	—
(Option premium)	(4)	—				
Interest rate swaps:						
Receive/floating and pay/fixed	723	—	(5)	—	(5)	—
	¥1,353	—	¥(5)	—	¥(10)	—

March 31, 2005	Contracted amounts	Market value	Unrealized loss
			Thousands of U.S. dollars
Interest rate swaps:			
Receive/floating and pay/fixed	**$3,846**	**$(9)**	**$(9)**
	$3,846	**$(9)**	**$(9)**

The market value and unrealized loss presented above represent the amounts furnished by the respective financial institutions.

(c) Currency-related derivatives
Market value information at March 31, 2005 and 2004 is not required as all of the Company and certain of its subsidiaries' derivative transactions are accounted for as hedging transactions.

17. Research and Development Costs

Research and development costs of ¥2,056 million ($19,145 thousand) is included in cost of sales and selling, general and administrative expenses for the year ended March 31, 2005. Included in cost of sales and selling, general and administrative expenses was ¥2,292 million for Nippon Sanso and in selling, general and administrative expenses was ¥776 million for Taiyo Toyo Sanso for the year ended March 31, 2004.

18. Gain and Loss on Sales of Property, Plant and Equipment

Significant components of the gain on sales of property, plant and equipment of ¥4,802 million ($44,716 thousand) for the year ended March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥4,792	$44,622

Significant components of the loss on sales of property, plant and equipment of ¥1,882 million ($17,525 thousand) for the year ended March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥1,878	$17,488

19. Segment Information

The business and geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

(a) Business Segments

Year ended or as of March 31, 2005	Gas business	Plant and gas equipment business	Housewares business and others	Total	Eliminations or corporate	Consolidated
						Millions of yen
I. Sales:						
(1) Sales to third parties	**¥207,049**	**¥82,697**	**¥10,308**	**¥300,055**	**¥ —**	**¥300,055**
(2) Intersegment sales	**241**	**8,626**	**81**	**8,949**	**(8,949)**	**—**
Total sales	**207,290**	**91,323**	**10,389**	**309,004**	**(8,949)**	**300,055**
Operating costs and expenses	**191,228**	**85,698**	**9,086**	**286,013**	**(6,686)**	**279,327**
Operating income	**¥ 16,062**	**¥ 5,625**	**¥ 1,303**	**¥ 22,990**	**¥(2,263)**	**¥ 20,727**
II. Assets, depreciation expenses, capital expenditure:						
Assets	**¥275,396**	**¥47,422**	**¥23,061**	**¥345,880**	**¥58,787**	**¥404,668**
Depreciation expenses	**¥ 12,501**	**¥ 1,317**	**¥ 547**	**¥ 14,366**	**¥ 225**	**¥ 14,592**
Capital expenditure	**¥ 36,376**	**¥ 551**	**¥ 348**	**¥ 37,276**	**¥ 815**	**¥ 38,092**

Millions of yen

Year ended or as of March 31, 2004	Gas business	Plant and gas equipment business	Housewares business and others	Total	Eliminations or corporate	Consolidated
Nippon Sanso						
I. Sales:						
(1) Sales to third parties	¥155,660	¥68,919	¥5,692	¥230,272	¥ —	¥230,272
(2) Intersegment sales	177	6,869	124	7,170	(7,170)	—
Total sales	155,837	75,789	5,816	237,443	(7,170)	230,272
Operating costs and expenses	143,615	72,753	5,102	221,471	(5,516)	215,955
Operating income	¥ 12,222	¥ 3,035	¥ 713	¥ 15,971	¥ (1,654)	¥ 14,317
II. Assets, depreciation expenses, capital expenditure:						
Assets	¥164,113	¥49,930	¥9,380	¥223,424	¥40,170	¥263,595
Depreciation expenses	¥ 9,894	¥ 1,242	¥ 218	¥ 11,355	¥ 272	¥ 11,627
Capital expenditure	¥ 7,087	¥ 368	¥ 109	¥ 7,565	¥ (151)	¥ 7,413

Millions of yen

Year ended or as of March 31, 2004	Gas business	Plant and gas equipment business	Real-estate rent business	Other	Total	Eliminations or corporate	Consolidated
Taiyo Toyo Sanso							
I. Sales:							
(1) Sales to third parties	¥88,469	¥28,147	¥1,581	¥ 9,232	¥127,430	¥ —	¥127,430
(2) Intersegment sales	91	124	—	1,663	1,879	(1,879)	—
Total sales	88,560	28,271	1,581	10,896	129,309	(1,879)	127,430
Operating costs and expenses	84,417	28,069	861	10,702	124,050	(1,031)	123,019
Operating income	¥ 4,143	¥ 202	¥ 719	¥ 193	¥ 5,259	¥ (848)	¥ 4,410
II. Assets, depreciation expenses, capital expenditure:							
Assets	¥81,196	¥24,259	¥6,884	¥ 8,186	¥120,527	¥ 7,071	¥127,598
Depreciation expenses	¥ 4,392	¥ 552	¥ 438	¥ 1,039	¥ 6,422	¥ 77	¥ 6,499
Impairment loss	—	¥ 147	—	—	¥ 147	¥ 441	¥ 588
Capital expenditure	¥ 7,415	¥ 312	¥ 20	¥ 696	¥ 8,444	¥ 25	¥ 8,470

Thousands of U.S. dollars

Year ended or as of March 31, 2005	Gas business	Plant and gas equipment business	Housewares business and others	Total	Eliminations or corporate	Consolidated
I. Sales:						
(1) Sales to third parties	**$1,928,010**	**$770,062**	**$ 95,987**	**$2,794,068**	**$ —**	**$2,794,068**
(2) Intersegment sales	**2,244**	**80,324**	**754**	**83,332**	**(83,332)**	**—**
Total sales	**1,930,254**	**850,386**	**96,741**	**2,877,400**	**(83,332)**	**2,794,068**
Operating costs and expenses	**1,780,687**	**798,007**	**84,608**	**2,663,311**	**(62,259)**	**2,601,052**
Operating income	**$ 149,567**	**$ 52,379**	**$ 12,133**	**$ 214,080**	**$ (21,073)**	**$ 193,007**
II. Assets, depreciation expenses, capital expenditure:						
Assets	**$2,564,447**	**$441,587**	**$214,741**	**$3,220,784**	**$547,416**	**$3,768,209**
Depreciation expenses	**$ 116,407**	**$ 12,264**	**$ 5,094**	**$ 133,774**	**$ 2,095**	**$ 135,879**
Capital expenditure	**$ 338,728**	**$ 5,131**	**$ 3,241**	**$ 347,109**	**$ 7,589**	**$ 354,707**

(b) Geographic Segments

Year ended or as of March 31, 2005	Japan	North America	Other countries	Total	Eliminations or corporate	Consolidated
						Millions of yen
Sales:						
Sales to third parties	**¥247,129**	**¥37,393**	**¥15,531**	**¥300,055**	**¥ —**	**¥300,055**
Intersegment sales	**2,647**	**6,809**	**1,385**	**10,842**	**(10,842)**	**—**
Total sales	**249,777**	**44,203**	**16,917**	**310,897**	**(10,842)**	**300,055**
Operating costs and expenses	**232,148**	**40,462**	**15,810**	**288,421**	**(9,093)**	**279,327**
Operating income	**¥ 17,628**	**¥ 3,741**	**¥ 1,106**	**¥ 22,476**	**¥ (1,749)**	**¥ 20,727**
Assets	**¥265,967**	**¥53,553**	**¥23,367**	**¥342,888**	**¥ 61,780**	**¥404,668**
Year ended or as of March 31, 2004						
Nippon Sanso						
Sales:						
Sales to third parties	¥184,840	¥34,942	¥10,490	¥230,272	¥ —	¥230,272
Intersegment sales	1,838	5,017	1,205	8,061	(8,061)	—
Total sales	186,679	39,959	11,695	238,334	(8,061)	230,272
Operating costs and expenses	175,889	37,486	10,571	223,946	(7,991)	215,955
Operating income	¥ 10,790	¥ 2,473	¥ 1,123	¥ 14,387	¥ (70)	¥ 14,317
Assets	¥167,003	¥35,423	¥13,775	¥216,202	¥47,392	¥263,595

Year ended or as of March 31, 2005	Japan	North America	Other countries	Total	Eliminations or corporate	Consolidated
						Thousands of U.S. dollars
Sales:						
Sales to third parties	**$2,301,229**	**$348,198**	**$144,622**	**$2,794,068**	**$ —**	**$2,794,068**
Intersegment sales	**24,648**	**63,404**	**12,897**	**100,959**	**(100,959)**	**—**
Total sales	**2,325,887**	**411,612**	**157,529**	**2,895,027**	**(100,959)**	**2,794,068**
Operating costs and expenses	**2,161,728**	**376,776**	**147,220**	**2,685,734**	**(84,673)**	**2,601,052**
Operating income	**$164,149**	**$ 34,836**	**$ 10,299**	**$ 209,293**	**$ (16,286)**	**$ 193,007**
Assets	**$2,476,646**	**$498,678**	**$217,590**	**$3,192,923**	**$ 575,286**	**$3,768,209**

(c) Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended March 31, 2005 and 2004 are summarized as follows:

Year ended or as of March 31, 2005	North America	Other	Total	North America	Other	Total
			Millions of yen			Thousands of U.S. dollars
Overseas sales	**¥32,032**	**¥29,881**	**¥ 61,914**	**$298,277**	**$278,248**	**$ 576,534**
Consolidated net sales			**300,055**			**2,794,068**
Ratio of overseas sales to consolidated net sales	**10.6%**	**9.9%**	**20.6%**			

Year ended or as of March 31, 2004	North America	Other	Total
			Millions of yen
Nippon Sanso			
Overseas sales	¥30,064	¥22,348	¥ 52,413
Consolidated net sales			230,272
Ratio of overseas sales to consolidated net sales	13.0%	9.7%	22.7%

Non of information by geographic segments nor overseas sales of Taiyo Toyo Sanso for 2004 is shown as domestic net sales and assets located in Japan represent more than 90% of the consolidated assets and overseas sales represent less than 10% of the consolidated sales.

20. Assets and Liabilities Acquired by Merger

Assets and liabilities acquired by merger with Taiyo Toyo Sanso Corporation effective in the year ended March 31, 2005 consisted of following:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥42,843	$398,947
Fixed assets	47,517	442,471
Total assets	¥90,361	$841,428
Current liabilities	¥25,284	$235,441
Fixed liabilities	18,898	175,975
Total liabilities	¥44,182	$411,416

Capital surplus increased ¥26,625 million ($247,928 thousand) as a result of the merger.

21. Subsequent Events

Appropriation of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying financial statements for the year ended March 31, 2005, were approved at a shareholders' meeting held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends—¥6.00 ($0.056) per share	¥2,428	$22,609
Bonuses to directors	93	866

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
Taiyo Nippon Sanso Corporation

We have audited the accompany consolidated balance sheets of Taiyo Nippon Sanso Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiyo Nippon Sanso Corporation and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young Shin Nihon

June 29, 2005

Six-Year Summary

Taiyo Nippon Sanso Corporation and Consolidated Subsidiaries

						Millions of yen
Years ended March 31	**2005**	2004	2003	2002	2001	2000
Net sales	**¥300,055**	¥230,272	¥238,445	¥241,546	¥257,804	¥258,688
Operating profit	**20,727**	14,317	10,313	9,758	13,679	10,104
Net income	**11,568**	4,541	4,263	3,134	1,736	1,682
Selling, general and administrative expenses/ Net sales (%)	**24.5%**	24.1%	24.8%	25.0%	24.0%	25.7%
Return on equity (%)	**8.7%**[3]	4.9%	4.7%	3.5%	1.9%	1.8%
Return on assets (%)	**3.3%**[3]	1.8%	1.6%	1.1%	0.6%	0.6%
Capital expenditure	**38,092**	7,413	17,693	17,284	11,948	14,123
Depreciation and amortization	**14,592**	11,627	13,709	14,213	14,317	24,976
Research and development expenses	**2,056**	2,296	2,508	3,454	3,451	3,986
Interest-bearing debt	**122,089**	86,325	90,489	106,021	115,073	80,832
Total shareholders' equity	**154,207**	94,802	89,182	90,704	87,027	91,670
Total assets	**404,668**	263,595	253,698	275,649	303,950	286,149
						Yen
Per share data:						
Net income[1]	**¥ 32.76**	¥ 15.38	¥14.36	¥10.58	¥5.86	¥5.58
Cash dividends	**9.00**	6.00	6.00	6.00	3.00	6.00
						Times
Price earnings ratio	**19.17**	31.21	22.98	31.19	82.59	51.79

Notes: 1. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year, as adjusted retroactively for free share distributions made during the period.
2. Since the merger of Nippon Sanso and Taiyo Toyo Sanso took place in October 2004, consolidated figures for fiscal 2005, ended March 31, 2005, exclude the figures for the former Taiyo Toyo Sanso for the six months ended September 30, 2004. Taiyo Nippon Sanso's results for fiscal 2005 are compared to the fiscal 2000 to 2004 totals of the former Nippon Sanso.
3. ROE and ROA for fiscal 2005 are computed based on the combined net incomes of Taiyo Nippon Sanso for fiscal 2005 and the former Taiyo Toyo Sanso for the six months ended September 30, 2004.

Investor Information

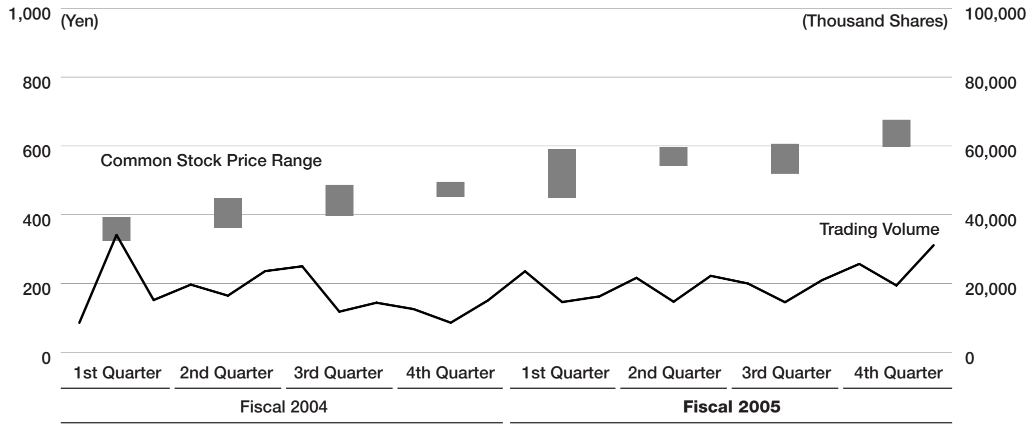
(At March 31, 2005)

Head Office:	Toyo Building, 1-3-26, Koyama, Shinagawa-ku, Tokyo 142-8558, Japan
Number of Employees:	7,108
Date of Incorporation:	October 1910
Number of Shares:	Authorized—600,000,000 Issued—405,892,837
Number of Stockholders:	23,174

Major Stockholders:

Major Stockholders	Thousands of Shares Owned	Percentage of Total
Mitsubishi Chemical Corporation	40,947	10.09%
The Master Trust Bank of Japan Ltd. (Trust Account)	18,180	4.48
Taiyo Nippon Sanso Client Shareholding Society	17,243	4.25
Meiji Yasuda Life Insurance Company	16,491	4.06
JFE Steel Corporation	15,293	3.77
Japan Trustee Services Bank, Ltd. (Trust Account)	14,860	3.66
Mizuho Corporation Bank, Ltd.	14,484	3.57
The Norinchukin Bank	11,428	2.82
Dai-ichi Mutual Life Insurance Company	10,037	2.47
Nippon Life Insurance Company	6,565	1.62
	165,532	40.78%

Common Stock Price Range and Trading Volume:



Note: Data for the third and fourth quarters of fiscal 2005 is for Taiyo Nippon Sanso. Data for prior quarters is for the former Nippon Sanso.

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