July 1, 2005

Merger of Three Sales Companies in the Medical Gases and Equipment Field

The managements of Taiyo Nippon Sanso Co., Ltd. (TNSC) and Suzuki Shokan Co., Ltd. have agreed to merge two TNSC subsidiaries with a subsidiary of Suzuki Shokan, all of which are engaged in medical gases and equipment businesses, effective October 1, 2005. The companies to be merged are: 1) Ozawa Sanso K.K. (a wholly owned subsidiary of TNSC); 2) Yamato Sanki K.K. (TNSC equity stake of 70%); and 3) Suzusho Medical Co., Ltd. (Suzuki Shokan equity stake of 85%).

Background to Merger Decision

Currently the aforementioned companies, all of which are engaged in the sale of medical-use gases and equipment, are suffering from a deterioration in their business environment. Adverse factors include the government’s consistent trend in recent years in lowering national health insurance drug prices; the adoption by medical institutions of a blanket remuneration system (under which fixed-amount remuneration is paid according to the nature of the patient’s illness); joint procurement by medical institutions to pull down costs; and stricter screening of the eligibility of medical treatment for reimbursement by the health insurance system.

For these reasons, companies in this field, particularly those operating on a small scale or in restricted geographical areas, are experiencing rising expenses simultaneously with a downward trend in selling prices and a general worsening of delivery conditions.

To combat the difficult business conditions described above and survive the current period of extremely stiff competition, the three companies have hitherto taken a number of steps to reform their business practices, but they have found it impossible to draw up clear strategies for long-term business expansion on their own, largely because of their limited management resources.

For these reasons, the managements of the companies and of their parent companies have judged, after a lengthy examination of the firms’ business circumstances, that the amalgamation of the three companies into one offers the greatest chance of success.

Suzuki Shokan has for many years served as one of TNSC’s most important sales agents for its industrial gases, and the close and cordial relationship between the two companies has been further strengthened through the collaborative operation of joint ventures in the field of hydrogen gas and helium gas as well as the manufacture of cryogenic equipment.

Objectives of New Post-Merger Enterprise

1. In view of the factors outlined above, following the merger of the three companies, Taiyo Nippon Sanso and Suzuki Shokan will work to effectively utilize the synergy generated by the combination of the special viewpoints and expertise of manufacturer and seller, respectively, of medical gases and equipment. In doing so, they will, hopefully, succeed in expanding their geographical area of sales, put the business on a sounder financial footing, and reinforce its earning power.
2. It is expected that the three merged companies will pool their respective experience, specialized know-how, and technological expertise to become an even more effective sales company able to offer end-users a higher quality of service and ensure the highest possible product quality.
3. Taken together, the three companies possess offices and other facilities in the Tohoku and Kansai regions of Japan, but there is a considerable amount of overlap in the Kanto region. The merger will make it possible to rationalize this infrastructure to produce greater efficiency in marketing, product distribution, and administration.

Combined Operational Scale of Companies to be Merged

Sales per annum: ¥5,330 million (as of end of March 2005)

Employees: 147

Annual sales target for FY2007: ¥7,000 million

Outline of New Company

Merger date: October 1, 2005

Name of new company: Nippon Megacare Corporation

Location of head office: Tokyo

Location of business facilities: Miyagi, Saitama, Chiba, and Kanagawa prefectures, as well as Tokyo and Osaka

President: Mr. Masahiko Negishi

The appointment of other directors will be announced at a later date.

Paid-in capital: ¥100 million