

Investor Relations President and CEO Yutaka Yamada on his strategy for the current fiscal year

Stabilizing Earnings to Advance to the Next Stage of Growth

TEC In-depth Growing China

Accomplishments as a Success Support Partner in China

Project Moving-On Our 16 plants represents about 20% of the global EG production volume

TOYO Receives Order for Fourth EG Plant in Saudi Arabia

Project Moving-On Contributes to SCM in the highly competitive soft drink industry

Scheduling Komei® Adopted by Asahi Soft Drinks



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Stabilizing Earnings to Advance to the

— TOYO president Yutaka Yamada discusses his strategy for the current fiscal year

Since assuming the position of TOYO president in May 2004, Yutaka Yamada has concentrated on strengthening project management systems and clarifying strategies for capturing orders under the slogan "For the Success of the Project." Those initiatives enabled TOYO to achieve its profit goal in the previous fiscal year and to resume dividend payments after a seven-year interval. Now in his second year as president, Yamada takes a look at current market conditions and explains his strategy for this fiscal year of differentiating TOYO from its competitors.

Review of business environment

Q How would you assess the current market conditions for TOYO's businesses?

I think most striking is the unprecedented positive attitude of our clients for investments. We are seeing global growth in demand for energy and basic materials. Gas- and oil-producing countries and the international oil majors are all making significant investments vigorously. Another major trend is the integration of both oil refining and petrochemical production in order to boost total efficiency even across two individual entities' property. In Japan, chemical and oil companies are making strategic investments to focus on exploiting their competitive edge.

In this environment, price is not the only concern of our clients; innovative proposals and/or reliability in terms of delivery, quality and safety are of greater concern for them. In short, I believe they are now seeking highly reliable contractors. I think that our success will depend increasingly on our ability to respond to the needs of clients and to complete projects by working closely with them.



Next Stage of Growth



Toyo Engineering Corporation
President and Chief Executive Officer

Yutaka Yamada

Yutaka Yamada on
**his strategy for
the current fiscal year**

Q What are the key issues for TOYO amid this tide of investment?

I would say this boom is surely making suppliers and construction companies alike busy in handling an extremely large volume of works. Therefore, we are very much concerned with the price volatility of raw materials and equipment as well as with the prolonged delivery of equipment. We definitely have to be prepared for bidding and project execution in closer communication and collaboration with suppliers, construction companies and local partners. This means the key success factor is to build a “triple-win strategy” among clients, suppliers and construction companies, and TOYO. However, it is amazing that so many projects are materializing globally over a short period of time, and supplier operations are in full swing right now. I think we must be well aware of the possibility of a sudden change in project objectives due to the clients’ reviews for price and delivery volatility.

Flexible response to clients’ needs and building open relationships

Q Due to these market conditions, what sort of company would you like to see TOYO become?

I would like TOYO to be a company that can meet clients’ needs with flexibility, build open relationships with clients and, thus, earn the trust of clients. I am determined to achieve these goals by adhering to our corporate philosophy of “ensuring the satisfaction and success of our clients by providing effective total solutions.” TOYO offers its clients solutions that cover the entire lifecycle of their facilities, handle engineering, procurement and construction (EPC), establish systems using sophisticated IT and provide operation and maintenance (O&M) services. In essence, we are trading highly distinctive professional services backed by our expertise

in project management, comprehensive engineering and other fields. Recently, we have been focusing on R&D Engineering to support clients in bringing their proprietary technology to commercial production stage as well as on professional services for plant diagnosis. I am confident that TOYO can share the business perspective of its clients and offer competitive lifecycle solutions, extending from R&D to O&M, based on capabilities accumulated from the development of its own proprietary technologies. Through these efforts, we wish to gain a reputation as a highly reliable partner.

While it is essential to complete large overseas EPC projects properly, I think it is very important that we never overlook executing small to medium-scale projects, domestic projects, e-solutions projects and other projects. We are involved in many large-scale energy contracts, such as the Sakhalin LNG project and a gas processing plant in Iran. But, we are also aggressively targeting a wide range of works, including the provision of technical services for the Al-Khafji oil field and the licensing of our own technologies involving urea, methanol and dimethyl ether (DME). In Japan, our range of services stretches from oil refining and petrochemical operations



to Multi-Plants that incorporate the *XY Router®*, an automated line changeover device, businesses to assist Japanese manufacturing companies set up operations in China and a recycling center for electric power companies. Also, our IT business sector provides its own package software and professional services, such as supply chain management, plant operation and maintenance management and web-based securities trading for financial institutions. These capabilities will result in the diversification of our project portfolio and reduce our operational risk. I believe that it is essential for TOYO to stabilize its earnings in this manner and to build a corporate culture that realizes sustained improvement in earnings rather than merely aiming at maximizing sales volume.

Maintaining an open and close relationship with clients is another key point. Needless to say, it is the primary target for our clients to complete projects as planned in terms of schedule, budget and quality. Success of the project demands a relationship that allows us to work with clients to solve various problems. No project can go smoothly without such a relationship. In order to establish this relationship, we should be highly cost competitive and excel in outstanding skills for project management and EPC execution. Specific knowledge of project locations is of course vital for EPC. In addition, we will be also scrutinized by clients in terms of our project track record and ability to provide innovative proposals at every step of a project, beginning with the initial planning stage.

Global EPC network and outstanding technologies differentiate TOYO

Q What advantages do you think most differentiate TOYO from competitors?

One advantage is our overseas network, which allows us to conduct our EPC business on a global scale. Years ago, Japanese engineering companies constructed overseas plants by introducing high-quality



Japanese equipment and materials and by having Japanese staff perform design and management tasks, even at overseas projects. Today, it is inevitable that projects in any country must be executed by mobilizing local construction companies and locally procured equipment. Meeting this demand for local participation benefits our clients.

Since TOYO's establishment, we have been deeply committing ourselves in various regions of the world. Based on this commitment, we have established five overseas EPC bases: India, Thailand, Malaysia, South Korea and China, where we recently obtained a construction license under Chinese regulations. Toyo Engineering India Limited (TOYO-India), for example, is the nucleus of all engineering work for the TOYO Group. TOYO-India is now able to execute engineering work for large-scale projects outside India together with clients and a few TOYO project teams. Furthermore, we have longtime experience in building trustworthy relationships with local partners. These mutually beneficial relationships allow us to proceed with projects in close collaboration with local companies, which represents one of our greatest advantages.

I am confident that we can differentiate ourselves from competitors in specific regions, such as the Middle East and the BRIC nations as well as Southeast Asia, where we have accumulated considerable local know-how through many years of project experience.

Another advantage is our proprietary technologies. One example is a contract award for a large methanol plant in Oman last year. This accomplishment was especially significant because our own technologies are appreciated by the client, in addition to our cost competitiveness in EPC. We have a lot of our own technologies, such as the proprietary *MRF-Z*[®] Reactor for highly efficient methanol synthesis, which can raise the capacity of a single train up to around 6,000t/d. Demand for methanol is expected to grow because of its many potential applications. We are now working on a project in China to produce DME from methanol. We expect to see growth in the use of DME and gas-to-liquid (GTL) as clean energy sources that can replace liquefied petroleum gas (LPG), gasoline and diesel oil.

The urea granulation process is another area in which we have a technological edge. In the previous fiscal year, we received three orders for urea granulation projects, in Brazil, China and one other country. We will soon complete the second urea plant in Indonesia that incorporates *ACES21*[®]—TOYO's sophisticated energy-saving urea production technology. We will continue to expand the business by leveraging the ability to consistently provide our urea granulation technology and energy-saving urea production technology.

To our stakeholders—Prospects for the fiscal year

Q Would you discuss the Company's prospects for the current fiscal year?

We intend to achieve our earnings target in the current fiscal year, as we did in the previous year, to build a solid base for our next medium-term corporate plan. With this in mind, we are working hard to reach our goals of consolidated net sales of ¥200 billion, operating income of ¥5 billion and net income of ¥3.5 billion. Another aim is to reach our non-consolidated gross



profit margin target of 7% and then further improve profitability. The accomplishment of these goals requires strengthening project management systems while focusing on strategic fields. In other words, we need to participate selectively in bidding in fields where we can best exploit our strengths, where clients will most appreciate our distinctive capabilities and where we can offer innovative proposals and solutions. TOYO started a medium-term corporate plan in fiscal 2003 with the goal of rebuilding its profit structure. This fiscal year is the third and final year of the current plan. We will publish the next plan before the announcement of this fiscal year's financial performance. I intend to secure a consistently profitable operating framework and to make a clear foothold for our new business models.

As we lay the groundwork to reach these goals, I would like to ask our shareholders and other stakeholders for their continuous support.

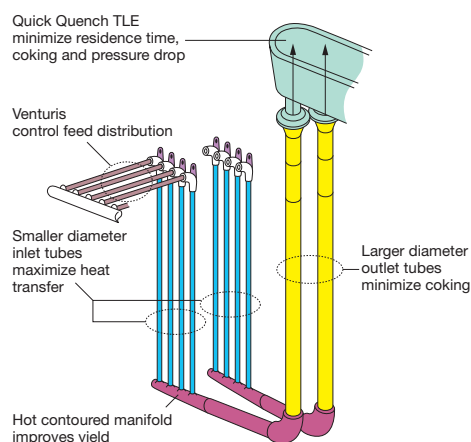
SRT-X Cracking Heater—ABB Lummus's New Olefins Technologies

ABB Lummus Global Inc. (LGI) with TOYO held a technology seminar on February 25, 2005 for Japanese petrochemical and refinery companies. The seminar covered a number of new olefins technological innovations. Highlights included introduction of the SRT-X cracking heater and its large capacity pyrolysis modules; a low-pressure chilling train; binary and tertiary refrigeration systems; CDHydro® combined front-end hydrogenation; and Olefins Conversion Technology (OCT) for increasing propylene production. In addition, the seminar covered the new refining technologies in conjunction with petrochemical/refining integration to enhance synergies and sensitivities. The new SRT-X cracking heater achieves capacities of up to 300,000t/y, which is well above the current 120,000t/y and applicable to mega-scale crackers with more than one million t/y. Another feature is a compact radiant section that applies a multi-curtain firebox, which allows a 27% reduction in plot area and a 10% reduction in heater island investment.

The new technologies combine to eliminate up to 25% of the piece count and to reduce investment by 15% for a constant ethylene and propylene production rate. Additionally, these new technologies enable a reduction in compressor power and fuel firing, which significantly reduces greenhouse gas emissions.

Through its long-standing relationship with LGI, TOYO will pursue orders for mega-scale ethylene plants by applying these new technologies.

SRT Coil Configuration—Two pass coils



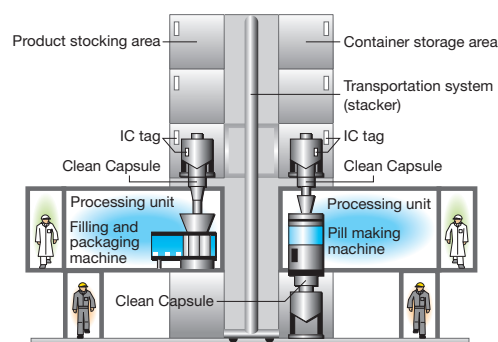
MILOX®-Pharma—Technology for New Type of Pharmaceutical Plant

TOYO has developed *MILOX®-Pharma*, the latest pharmaceutical Multi-Plant based on a modular design, which realizes flexibility in pharmaceutical plants' responses to future shifts in demand.

It is well known that pharmaceutical plants require an extremely clean working environment in which all required processing units are placed. This configuration results in higher construction and running and maintenance expenses. *MILOX®-Pharma* solves these problems by placing each processing unit in its own enclosed modular unit. Manufacturing is accomplished by moving containers filled with raw materials from one module to another. The system for transporting the containers between each processing stage incorporates a stacker crane, and processing modules are placed on either side of this crane. TOYO developed a Clean Capsule incorporating containment technology that functions as the interface for the transfer of raw materials between the containers and the processing modules and that enables raw materials to move in a completely enclosed environment.

MILOX®-Pharma will contribute to minimizing the amount of space required for the installation of a clean-room, to accommodating various production processes and to realizing greater production efficiency.

Basic Components of *MILOX®-Pharma*



TOYO — Supporting Clients' Success

Using deep roots to support the success of its clients' projects in China since 1972, TOYO has completed over 110 projects in China, and through its ability to flexibly respond to a wide array of clients' needs, from the provision of technology for plant construction to contracting for EPC projects, TOYO has become a trusted Success Support Partner in China.



Completion of Large-scale Project

TOYO Completes Petrochemical Plants in China for BASF-YPC

In January 2005, a 160,000t/y acrylic acid/ 215,000t/y acrylic ester (AA/AE) plant and a 250,000t/y oxo-alcohol (OXO) plant were completed and accepted by BASF-YPC Co., Ltd., a 50-50 joint venture between BASF and Yangzi Petrochemical (YPC) in Nanjing, Jiangsu Province, China. Completion of these plants ahead of others, greatly contributed to the clients' smooth start-up of commercial operations.

To complete the project while meeting global standards for safety, quality and scheduling, the client, TOYO and such Chinese parties as design institutes and construction companies worked together toward the successful completion of the project. Besides the on-schedule completion of construction of the AA/AE and OXO plants, another significant result was a safety record of a total of 12 million work-hours without any lost-time injuries or illness (LTI). Furthermore, TOYO's high quality was verified by the early start-up of production after the acceptance of the plants. In fiscal 2003, we were awarded two prizes by BASF-YPC, Best Quality Management Award for work at the AA/AE plant and Best Safety Management Award for the OXO plant.



Success in China for over 30 Years

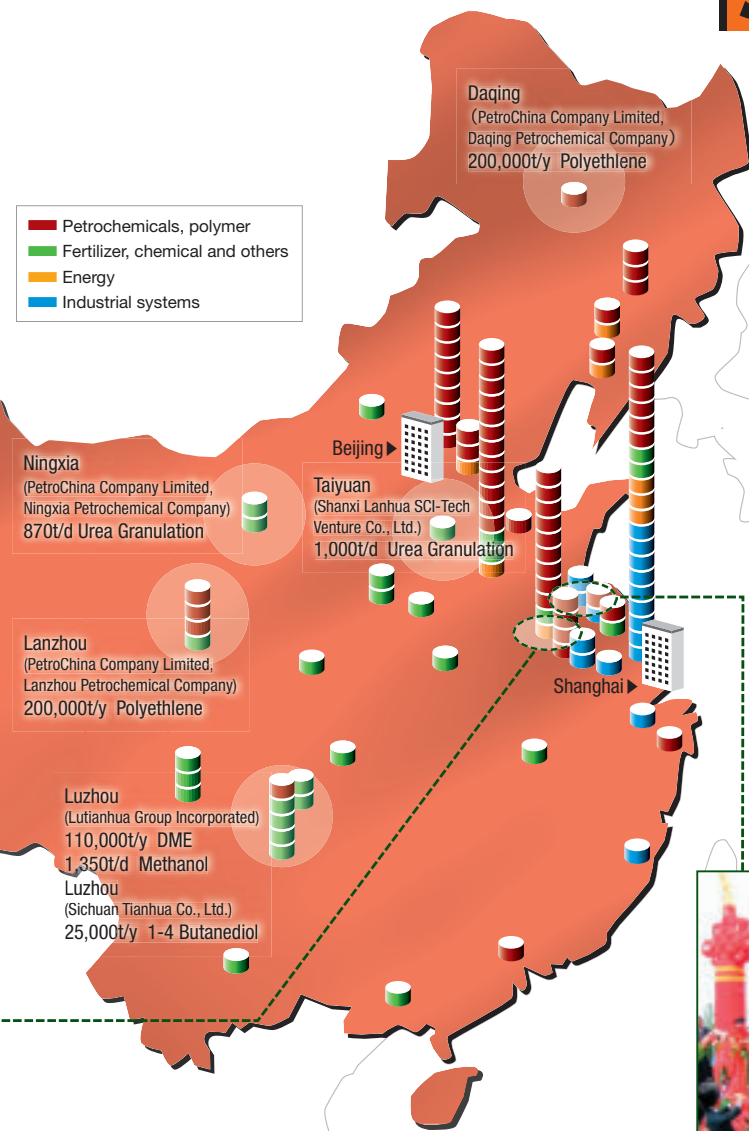


Support for Japanese Company SAP Plant for Nippon Shokubai Completed in China

In December 2004, a 30,000t/y super absorbent polymer (SAP) plant for Nisshoku Chemical Industry (Zhangjiagang) Co., Ltd., the Chinese subsidiary of Nippon Shokubai Co., Ltd., was completed on a turnkey basis in Zhangjiagang in the province of Jiangsu, China. Positioning SAP as a core business, Nippon Shokubai has a SAP production network in Japan, North America and Europe. This fourth production center in China enables the company to meet the growing local demand for SAP.

TOYO started project work in July 2003 and completed the plant on schedule in 18 months and with no lost-time accidents for more than 1.1 million work-hours. Under a common goal for the project, "plant completion within the target schedule and with precisely the specified quality," TOYO collaborated with the client and such Chinese partners as design institutes and construction companies for the successful completion of this project and realized the start-up of SAP production from February 2005. The relationship established with the client at this project led TOYO to receive an order in July 2004 for its second 30,000t/y SAP

plant in Antwerp, Belgium. This project is now under way, with completion scheduled for the end of 2005.



TOYO Receives Order for Fourth EG Plant in Saudi Arabia

New Order



In July 2005, TOYO received an order from Saudi Basic Industries Corporation (SABIC) to build the world's largest ethylene glycol (EG) plant, with a capacity of 700,000t/y, at the Yansab complex in Yanbu Industrial City on the western coast of Saudi Arabia. The plant is based on the technology of Scientific Design Company, Inc. of the United States. TOYO is responsible for engineering, procurement of equipment and materials and construction of the plant on a lump-sum turnkey contract basis. Completion is slated for the first quarter of 2008.

TOYO has already undertaken three EG projects in Saudi Arabia: a 420,000t/y plant for Saudi Yanbu Petrochemical Company (YANPET) and 575,000t/y (No. 1) and 630,000t/y (No. 2) plants for Jabail United Petrochemical Company (UNITED). After completion of the No. 2 plant, which is now under construction, SABIC is expected to become the world's largest producer of EG. In all, TOYO's experience of EG plants amounts to 16 plants that represent about 20% of the global EG production volume. At the No. 1 plant for UNITED, TOYO worked closely with the client to complete the project on time in September 2004 with only 28 months up to mechanical completion. Furthermore, on-specification EG production began only two weeks after commissioning. The client's trust in TOYO earned by the successful completion of the EG plant contributed to the receipt of this order.

EG Plant

Oil Refinery Modernization Project Completed in Indonesia

Project Completion



In August 2005, TOYO, together with PT Rekayasa Industri, a major Indonesian engineering company, completed an oil refinery modernization project for Pertamina, the Indonesian national oil company. On August 28, a completion ceremony was held at the Balongan refinery, which is located in the suburbs of Cirebon in West Java, attended by H.E. Dr. Susilo Bambang Yudhoyono, President of the Republic of Indonesia, and other dignitaries of the Indonesian government.

The project involved modifying the refinery to enable the production of unleaded gasoline using technology from UOP LLC of the United States. The TOYO-Rekayasa consortium constructed a naphtha hydrotreating unit (52,000 BPSD), a light naphtha isomerization unit (23,000 BPSD), a CCR naphtha reforming unit (29,000 BPSD) and other related utilities and offsite facilities. The consortium provided design, supply of the equipment and materials, construction and support during commissioning.

This project is part of a national project called the "Blue Sky Project" to improve air quality in Indonesia by eliminating the use of leaded gasoline. Significantly, this was TOYO's first order from Pertamina and a project completed successfully by the consortium with Rekayasa, a company that TOYO has worked with for many years.

Refinery Modernization

TOYO Completes Construction of Solid Waste Treatment Facility for Japan Atomic Power

Waste Treatment Facility

Project Completion



At the end of March 2005, TOYO completed construction of a solid waste volume reduction treatment facility that uses the plasma-arc centrifugal treatment (PACT) system for the Tsuruga Power Station of Japan Atomic Power Company located in Tsuruga City, Fukui Prefecture. The treatment facility started operation from April 28. The PACT system utilizes the very high energy produced by a plasma-arc between a plasma torch and the rotating furnace and enables the melting of waste materials by intense heat of more than 1,500°C.

The primary advantage of this system is the ability to handle a variety of solid waste at once, including low-level radioactive metals, concrete and organics, that is, Ion-Exchange Resin. The furnace rotates to ensure uniform heating and melting, which results in a one-fifth reduction in waste volume. In addition, as the final product of the PACT system is a stable, solidified package that confines radioactive substances, the system provides a safe means of reducing the volume of waste produced by nuclear power stations.

This is the first time in Japan for the PACT system to be applied to a nuclear power facility. TOYO will continue to collaborate with this client for the operation of this facility.

Scheduling Komei® Adopted by Asahi Soft Drinks— Contributes to SCM in the highly competitive soft drink industry

SCM System

Project Completion



Coffee, carbonated drink, tea and other non-alcoholic beverages compete for space on the shelves of convenience stores, supermarkets and other retailers. As product lifecycles shorten and consumer preferences diversify, the soft drink industry introduces more than 1,000 new products every year. But due to fierce competition, only three or four survive to become mainstay products.

In response to this market situation, Asahi Soft Drinks Co., Ltd. is making radical reform in its supply chain management (SCM) system from a value-chain perspective. Operation of the new SCM system began in January 2005. This system can unify basic numbers for production at any point along the supply chain, including suppliers of raw materials, production facilities, contract filling factories and the retail market. Another benefit is the ability to create inventory and production plans that prevent product shortages. To accomplish this, the system was installed in two stages with a carefully worked-out scheme and adequate time to take all necessary actions, including organizational changes. At the core of these SCM reforms, Asahi Soft Drinks chose TOYO's *Scheduling Komei*® production schedule control system as the nucleus of its production planning system. *Scheduling Komei*® uses supply-demand data to create short-cycle production plans, helping to eliminate bottlenecks at each step of production.

TOYO will continue to provide strong support for clients' SCM reforms by offering innovative products created from a practical standpoint along with a broad-based understanding of many industries.

Business Trends at Overseas Bases

Business Operations and Focus of Affiliated Company in Thailand

(Toyo-Thai Corporation Ltd. (TOYO-Thai))



Toyo-Thai Corporation Ltd. (TOYO-Thai; President: Mr. Hironobu Iriya; URL: <http://www.toyo-thai.com/>), the first all-round engineering company in Thailand, was incorporated in 1985 through the formation of a joint venture between Italian-Thai Development Public Company Limited and TOYO. TOYO-Thai is an engineering contractor that specializes in EPC work for turnkey projects in the chemical, petrochemical, oil and gas, fertilizer, power plant and other fields.

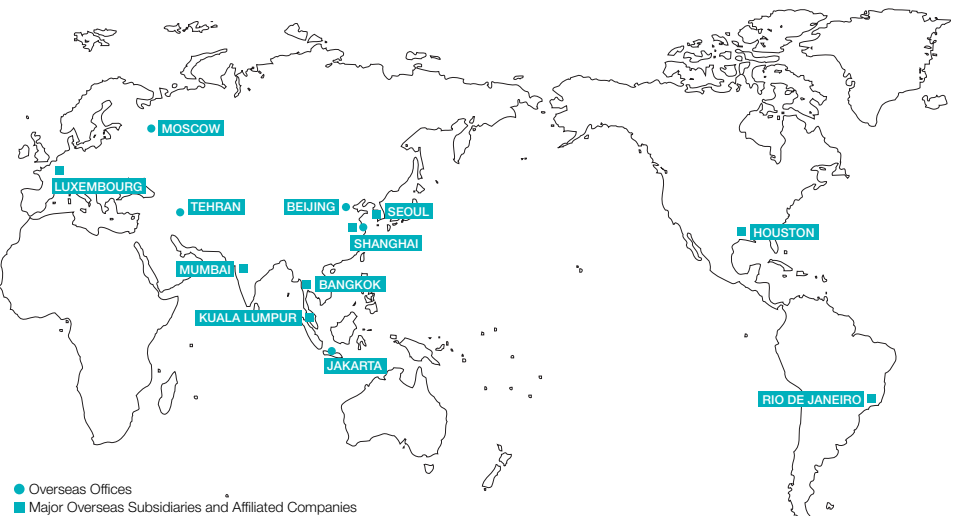
With 20 years of engineering service leadership, TOYO-Thai has undertaken more than 140 projects for the construction of process plants and facilities and earned a solid reputation for quality, safety and on-time delivery in line with its commitment to promote economically and environmentally safe engineering for the Thai community.

In 1997, TOYO-Thai expanded its activities to other ASEAN countries, such as Vietnam, Malaysia, Cambodia, Myanmar and Bangladesh, and set up Toyo-Vietnam Corporation in Vietnam. In 2003, TOYO-Thai entered the Chinese market, which led to the award of a contract for the construction of a polyurethane plant. In 2005, TOYO-Thai extended its operations to the U.S. as an industry leader and secured a contract for a chlor-alkali plant.

TOYO-Thai is proud to be the first successful Thai company that has proved its competency and competitiveness among other leading foreign companies.



Worldwide Network



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