



Renewal of the Company's newsletter, *TEC COMM*.

To mark the start of a new century, we are pleased to announce the publication of our renewed newsletter, *TEC COMM*. This newsletter will introduce the latest features of TEC, which is adopting strategic measures to turn the Company into a Total Solution Provider. *TEC COMM* will serve as a line of communication that links all our readers with TEC and will provide information on TEC's various aspects of business activity, corporate strategy, and technology as well as its achievements. In this way, we wish to expand our communication lines with readers, and therefore look forward to their continued support and advice.

Making a resolute advance toward becoming a “Total Solution Provider”

Accountability

President Toshihiko Hirose addresses the Company's management policy at the start of the year

Changing ways of thinking and attitudes

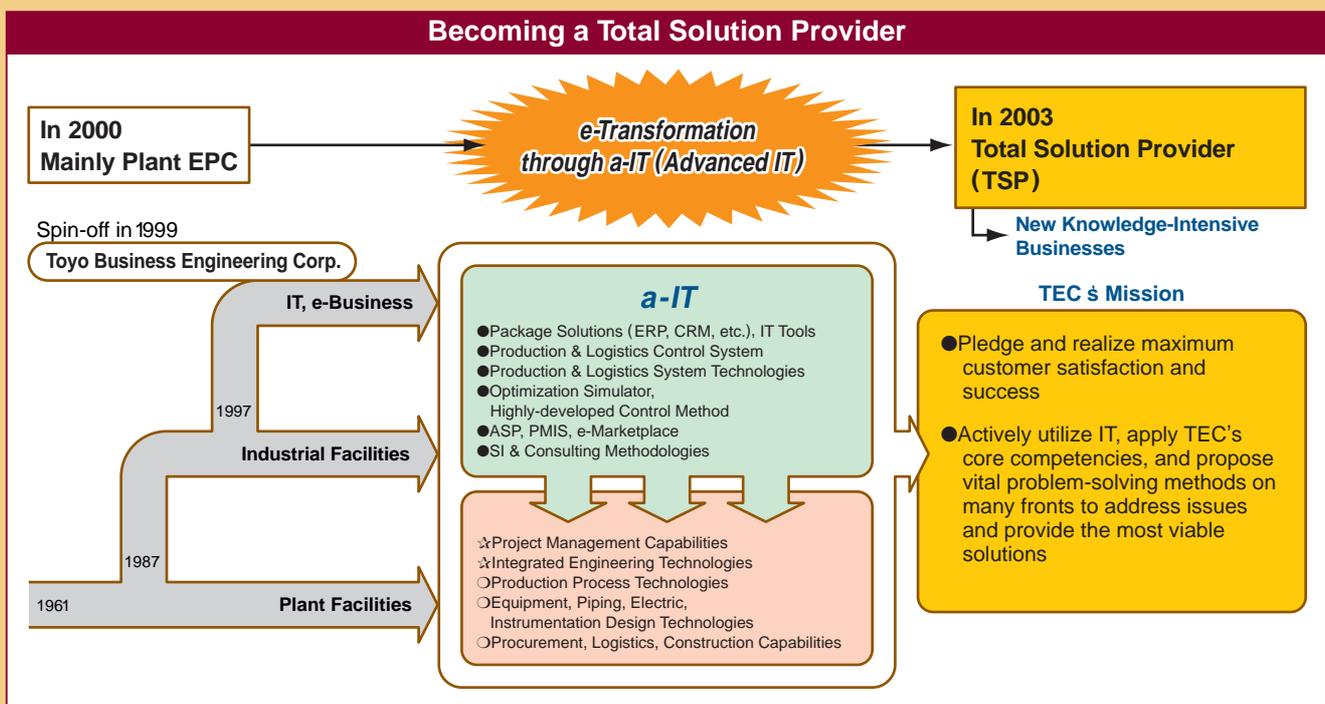
This year marks the start of a new age, namely, the 21st century, as well as the commemoration of the 40th anniversary of the Company's foundation. On this auspicious occasion, I would like to present all our stakeholders with a more distinct picture of the change to our business model designed to turn TEC into a “Total Solution Provider.”

Looking back over the year 2000, the Japanese economy was recovering at a moderate pace but the market situation surrounding the engineering industries remained tough and our business condi-

tions were still severe. In this harsh environment, in January 2000 we announced the start of the Company's renovation plan, a three-year management plan for remodeling our business structure to cope with the drastic change in our operating environment. I myself take responsibility as the head of the Reconstruction Headquarters, and last April reformed drastically the Company's organization, Company systems, and personnel assignment.

Within the framework of this new organization, we steadily changed ourselves into a “transnational group operating structure” based on a system of horizontal alliances with our overseas opera-

tional bases and established a business structure to serve as a Solution Provider in Japan. Consequently, our new orders for small and mid-sized projects and engineering services, which can be expected stable Company's earnings, has increased. Also, the introduction of a voluntary in-house recruitment system for IT staff and a business incubation system to support our entry into new businesses have enabled us to open the gates to new business fields. I believe this will stimulate our staff to change their ways of thinking and attitudes. Looking back at the previous year, I am convinced that we took the right direction by adopting this renovation plan.





Dynamism of new knowledge-intensification changes TEC

In 2001, we will first endeavor to improve our earnings figures and further accelerate business structural reforms, including the adoption of additional measures, to ensure stable operations from 2002. Two indispensable measures at present are to enhance the Company's overall profitability in 2001 and, from a medium-term to long-term perspective, to establish a new business model with a highly profitable structure to contribute to the Company's stable operation.

This new business model will make dual earnings structures based on two core businesses. Rather than solely relying on plant Engineering, Procurement, & Construction (EPC) business, which constituted our previous earnings structure, in parallel, we will focus on "e-solution-type business" in highly promising markets.

"E-solution-type business" integrates our various specialized capabilities, such as information management systems, production control systems, and project management systems, and thereby can provide customers with more comprehensive business solutions.

To achieve this goal, through close cooperation with our affiliated company in IT business, Toyo Business Engineering Corporation, we will further apply our integrated engineering technologies and project management capabilities, which are TEC's core competencies, propose vital problem-solving methods on many fronts to address issues, and provide the most viable solutions by actively utilizing IT. In other words, our goal is to become a "Total Solution Provider" that makes effective use of IT for the benefit of our customers.

In line with this direction, we are thoroughly carrying out an "e-transformation," which will enable us as an engineering company to promote the intensification of up-to-date knowledge. We are also actively promoting training activities that will cultivate human resources capable of providing advanced solutions. On January 1, 2001, we reorganized as follows:

Summary of the Company's Restructuring Plan

Medium-Term Management Plan-99

- Start from April 1999
- Restructuring of traditional business model

- Five-year operating plan
- To enhance new orders
- To improve project performance and results
- To reduce indirect costs
- To spin off IT business within TEC's group
- To restructure management
- To strengthen financial structure



Restructuring Plan

- Accelerated management plan to realize goals within three years from February 2000
- To reconstruct the corporate structure drastically

Main concepts of restructuring plan

- 1. To provide total solution to clients**
(Client-customized engineering)
- 2. To establish a transnational operating structure**
(A transnational group operating structure based on a horizontal alliances with our overseas regional bases)
- 3. Information Technology**
- 4. To shift human resources from EPC business**
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To review our human resources structure
- 5. To take decisive action to apply performance-based salary systems and personnel assignment**



◆First, in addition to developing IT business relating to our existing plant EPC business, we reorganized the Plant IT Center with the aim of training staff for the new "e-solution-type business" and cultivating new businesses in this field.

◆Next, we made organizational changes to Industrial Systems Sales & Operations by turning it into two profit centers: the Supply Chain Business Center and the Manufacturing Solution Center. As a result of this measure, we aim to reinforce and expand our supply chain business, in particular, and then to raise earnings from these operations.

◆In addition, we set up the Consulting Group within Facilities & Environment Sales & Operations to expand orders for engineering services at plants, which we see as a priority.

◆Further, in relation to the environmental sector, we established the PolyChloride Biphenyl (PCB) Management Business Center within Energy Solutions Sales & Operations to develop future business associated with the disposal of PCB and strengthen systems for project execution.

Aiming to be a "Total Solution Provider"

We will make effective use of TEC's extensive expertise in plant EPC business and its capabilities advanced in IT, which enables us to provide solutions, in cooperation with Toyo Business Engineering Corporation.

Remarkable progress in technology has been made in the areas of plant control equipment, such as Distributed Control Systems (DCS), and computer systems connected with networks. In particular, due to the trend involving the development of open systems, it has become possible to easily link systems extending from on-site control equipment data to enterprise systems.

Moreover, many types of software packages that enhance business efficiency, ranging from ERP (Enterprise Resource Planning) systems, such as SAP, to plant control and facility

management, have appeared on the market. To promote the implementation of such ERP, Supply Chain Management (SCM), Customer Relationship Management (CRM), and Knowledge Management (KM), many companies are now introducing networks that connect on-site information with their headquarters and even their customers in an effort to improve their business processes.

Under these circumstances, there is a need for information systems that can quickly and seamlessly communicate information ranging from data concerning manufacturing sites to management systems. In response to such a management environment, TEC is one of a few providers who have series of solutions that handle each level of business operations and that enable the integration of management and field operations or front and back office operations.

Increasing earnings by thoroughly strengthening business structures

With regard to the promotion of plant EPC business, long-time TEC's core activity, it is most important to build the strong foundations of a profitable earn-

ings structure. Consequently, we will accelerate the implementation of the renovation plan to boost new orders and expand the Company's earnings. This includes bolstering our transnational structure and promoting strategic alliances. With these goals in mind, we should make every effort to enhance our technological strength and management capability.

And, we will strive to restrain our overheads and indirect costs to make TEC a leaner and stronger company. In the course of this restructuring, we intend to reduce the size of our work force to 900 staff as early as possible, a plan that we originally aimed to achieve by the end of fiscal 2001.

On the occasion of the beginning of the 21st century, I aim to implement these various measures by taking leadership of the Company. I also intend to reinforce our comprehensive engineering capabilities by maximizing the use of "e on T"; this means further combining TEC's traditional business core with IT. I am determined to make 2001 "the year when our activities lead upward" so that we can increase the Company's earnings and thereby contribute to higher returns for all our stakeholders, including our customers.



President and Chief Executive Officer

Toshihiko Hirose

PROFILE

Toshihiko Hirose was born in 1935 in Kochi Prefecture. He graduated from a course in industrial chemistry at the Nagoya Institute of Technology, and after working at Niigata Engineering Co., Ltd., he joined Toyo Engineering Corporation. "In Japan, 50 years have passed since the first engineering company was established. In line with the changes in the quality of engineering, we need to combine new knowledge-intensive type engineering, using the IT tools, with traditional type engineering and to implement these two approaches broadly and in tandem with each other. Our basic way of thinking is 'what does the customer want and what can we offer as an engineering company?' By combining our traditional plant EPC with IT, we provide solutions that will be in the customer's greatest interest," he commented. Last year, he energetically traveled around the world, making 12 overseas business trips to meet with the top executives of clients, licensors, major oil companies, and major chemical manufacturers in such countries as Iran, U.S. and in Southeast Asia. "It's important to go outside and act as the leader of the Company," he said. His motto is: "Don't think about things that lead back to the past, but rather move resolutely in a forward-looking direction."

