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May 25, 2000  
Mitsubishi Paper Mills Limited  
Sumitomo Corporation  
Electric Power Development Co., Ltd.  
EPDC Environmental Engineering Service Co., Ltd.

## **Afforestation Project in Ecuador**

### **Summary**

Mitsubishi Paper Mills Limited (Chiyoda-ku, Tokyo; CEO: Yoshihiro Onda), Sumitomo Corporation (Chiyoda-ku, Tokyo; CEO: Kenji Miyahara), Electric Power Development Co., Ltd. (Chuo-ku, Tokyo; CEO: Hiroshi Sugiyama) and EPDC Environmental Engineering Service Co., Ltd. (Chuo-ku, Tokyo; CEO: Hirohiko Shirai) have agreed to undertake a eucalyptus afforestation project in the Esmeraldas district of northwestern Ecuador, with aim of using the output of the project as chip material for paper manufacturing. The four companies will establish a local afforestation joint venture in the Republic of Ecuador around June this year in cooperation with their local partner, Expoforestal SA, embarking on the first Japanese afforestation project to be implemented in the nation.

The afforestation will cover an overall area of 10,500 hectares, scheduled for implementation in January 2001. The planted eucalyptus will be trimmed after seven years, then processed into wood chips locally with the entire output to be exported to Japan for use as paper material by Mitsubishi Paper Mills Limited. The project's objectives are to provide a fast-growing source of imported wood chips for the Japanese paper industry while contributing to preservation of the global environment and promoting the greening of abandoned farmland and unused land. The project is also aiming for the acquisition of CO<sub>2</sub> credits through the green development mechanism in the event that a system for transactions in CO<sub>2</sub> absorption/fixation quantities is adopted on an international level.

### **Objectives and Significance of EPDC's Participation in the Project**

Mitsubishi Paper Mills Limited is already sponsoring afforestation projects in Chile and Australia, and the active promotion of the project in Ecuador will improve the stable

supply of raw materials to the firm. This effort will further enhance the slogan "Preservation and Effective Use of Resources" declared in the Mitsubishi Paper Mills Environmental Charter. The project is expected to contribute significantly to environmental conservation. Combined with output of the Company's existing projects, self-afforested material will account for approximately 50 percent of the wood chips Mitsubishi consumes for production. In terms of production volume, this is an unparalleled level within the industry.

With the speedy overall transition from natural-growth wood chips to afforested wood chips, Sumitomo Corporation regarded participation in this project as a good business opportunity to provide diverse options in stabilizing the supply of raw materials to paper producers. Sumitomo Corporation is also committed to the active promotion of afforestation efforts in the context of environmental conservation, making use of its capabilities as a general trading company.

Electric Power Development Co., Ltd. became a member of the project in conformance with its policies as an electric utility to act against global warming. In addition to its efforts to enhance efficiency in thermal power stations and develop new sources of energy including wind generation, EPDC has maintained a strong interest in the carbon dioxide fixation effect of afforestation. EPDC was the first of the Japanese electric utilities to begin afforestation activities in overseas locations.

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EPDC Environmental Engineering Service Co., Ltd. participated in the project as an affiliate of the Electric Power Development Co., Ltd. responsible for green development. EPDC Environmental Engineering Service Co., Ltd. intends to utilize its expertise in domestic afforestation activities to actively promote environmental quality improvement efforts internationally.

## **Outline of the Project**

1. Corporate structure: Establishment of a local body to implement afforestation activities

2. Capital and shareholders:

(1) Capital US\$12,000

(2) Shareholders Expoforestral SA (capital ratio: 30 percent)

Mitsubishi Paper Mills Limited (capital ratio: 25 percent)

Sumitomo Corporation (capital ratio: 25 percent)

Electric Power Development Co., Ltd. (capital ratio: 17 percent)

EPDC Environmental Engineering Service Co., Ltd. (capital ratio: 3 percent)

3. Overall business funds: US\$48,000

4. Initiation of activity: 2001

5. Initiation of trimming: 2008

6. Area subject to afforestation: Esmeraldas district in northwest region of Ecuador

7. Type of afforestation: Eucalyptus eurograndis, a rapid-growing tropical hybrid species of eucalyptus

### **Inquiries**

Mitsubishi Paper Mills Limited: Nakao, Wood Materials Procurement Department, Wood Materials Group (Tel: 3-3213-3646)

Sumitomo Corporation: Kusano, 1st Paper Pulp Department (Tel: 3-3296-2846)

Electric Power Development Co., Ltd.: Nonaka, Planning Department, Global Environment Group (Tel: 3-3546-2211)

EPDC Environmental Engineering Service Co., Ltd.: Shimizu, Administration Department (Tel: 3-3237-3313)

End of announcement