

Vietnamese Woodchips and Pellets import Business to Japan

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Outline

We have 5 affiliated companies with below descriptions:

- Acacia (about 90%) and Eucalyptus (about 10%)
 - Woodchips and Pellets can be produced
 - Available for both papermaking and biomass fuel
 - Compliant with chip and pellet standards for Japanese companies
 - Up to 1.2 million BDMT can be exported annually
 - Factory distribution and large carriers available throughout Vietnam
- Basically have plantation ownership
 - Afforesting is done at the same time as logging which allows permanent supplement

Our approach to Vietnam

- **June 2016:** Established a joint venture with a capital of 90,000 dollars (AFVN with 99% stake in Japan) to contribute to agricultural development in Vietnam, entered the agricultural market.
 - **May 2017:** Signed a memorandum on agricultural cooperation with the Vietnam Farmers Association (VNFU)'s Chairman, who is also a member of the Communist Party. Our company is helping Vietnam to produce safe and reliable fruits and vegetables, export organic farming materials to foreign countries (plant activators, organic calcium preparations, etc.) and provide Japan seeds to Vietnamese agricultural producers, along with other agricultural technical guidance.
 - **April 2018:** When Mr. Phuc - the Vietnam Prime Minister visited Hai Duong Process Center (agricultural product processing, packaging and shipping factory), we had the opportunity to exchange opinions about agriculture in general. Our company's efforts were evaluated, and our chairman was directly received encouragement gift from Mr. Phuc.
 - **From 2019 till now:** Began exporting vegetables to Japan consigned to VIN group subsidiary (VinEco), the largest conglomerate company in Vietnam. In order to cultivate safe and reliable vegetables to the world, our company created “quality standard table”, “product shipment standard table” for each crop, together with supplying Japanese seeds, and farming with Global-GAP standards.
- **Along with above activities, in 2019 we launched a business to supply woodchips and pellets using our human resources and knowledge related to agriculture and forestry. We also know best about the distribution of exports in Vietnam, and we found a way to import biomass fuel or raw material for papermaking to Japan, so we are currently expanding our business in this field.**

Our Activities

➤ Cooperation with Farmers Association

Memorandum of Understanding signed with Farmers Association in June 25, 2017



New chairman of the Farmers Association's Courtesy Visit



Farmers Association President Thảo Xuân Sùng presented gift to Chairman Yano



Interview with Chairman Yano and Farmers Association President Thảo Xuân Sùng (May 21, 2018)

Greeting to Mr. Phuc the Prime Minister of Vietnam at Hung Viet Inc. in April 9, 2018



About Biomass Fuel ①

Woodchips and pellets we are handling are biomass fuels made from acacia wood. They are having attracted attention because they have low impact on the environment and can provide highly efficient heat generation.

In addition to EU countries, demand for biomass power generation is increasing so that demand for woodchips and pellets is also expected to increase in Japan and other Asian countries.

Especially in Japan, they are focusing on improving power generation efficiency by configurating power mix (energy mix) for 2030 which was formulated by the government in 2015.

We established a Vietnam subsidiary company in 2016 and started import business with Japan customers. Promoting the development of several stable sources from northern and southern Vietnam to complement domestic biomass fuels, establishing a long-term and stable supply system for wood chips and pellets, and We will contribute to promote disseminating renewable energy.

About Biomass Fuel ②

Within 03 years of Vietnam's domestic agricultural support activities and the promotion of exports of agricultural products to Japan, our relationship with the Vietnamese government, the central government of the Communist Party, and several large corporations has deepened, and we have been able to build business network in Vietnam.

Among them, there was a request from the government source for Vietnam Economic development as part of the development of forestry in parallel with agriculture, as soon as we proceeded with the commercialization of woodchips and pellets for export to Japan.

During this period, we conducted a survey about domestic demand and obtained information that there is a demand for woodchips and pellets for biomass power generation, so that we are expanding our business to related companies.

1) Overview of T company

•**Established date:** May 2012

•**Capital stock:** 50 million yen

•**Activities:**

1) Production, import, export of Acacia paper chip

2) Production, import, export of Biomass fuel chip

3) Import, export of Fuel Pellet

4) Own afforestation place

•**Shipping port:** Mainly at CAI LAN Industrial Park in Quang Ninh province

•**Export history:**

From 2012: Started shipping papermaking chips to Paper Manufacturing Co., Ltd.

From 2014: Started shipping papermaking chips to Japanese companies in Vietnam

From 2015: Started shipping Biomass Fuel chips to Korean company

From February 2016~ April 2017: Started constructing new factory in South Vietnam

At present: Producing, importing, exporting Papermaking chips and Biomass fuel chips; New factory of papermaking chip is under construction.

Production output of T company

1) Number of Acasia Chip manufactured: 1,2 million BDMT annually

+ Shipment from South Vietnam (Phu My Port): 400,000 BDMT

+ Shipment from middle of Vietnam (Dung Quat Port): 400,000 BDMT

+ Shipment from North Vietnam (CAI LAN Port): 400,000 BDMT

2) Number of Pellet manufactured: 300,000 BDMT annually

+ Shipment from Cat Lai Port, Phu My Port of South Vietnam: 200,000 BDMT (Bulk pile and Container loading) → Holding 2 Factories

+ Shipment from Da Nang Port of Middle Vietnam: 50,000 BDMT (Bulk pile and Container loading) → Holding 2 Factories

+ Shipment from Hai Phong Port of North Vietnam: 50,000 BDMT (Bulk pile and Container loading) → Holding 3 Factories

Chips Specification of T company

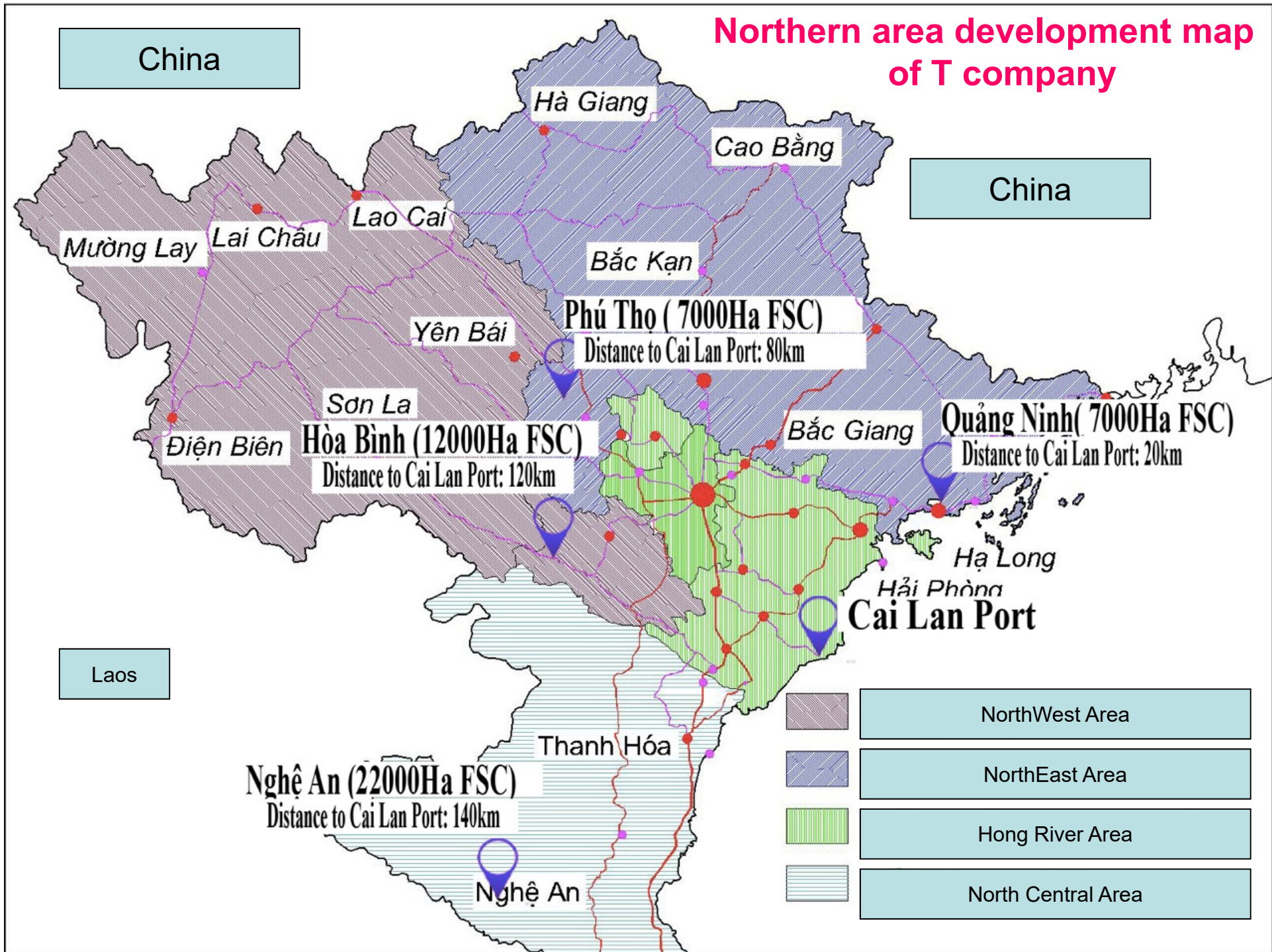
1) Specification of Papermaking Chip

2mm~28.6mm:	Common
Over 28.6mm:	less than 5% in total
Smaller than 2mm:	less than 3% in total
Mixed skin and bark:	less than 2% in total

2) Specification of Biomass Fuel Chip

0.5mm~40mm:	Common
Over 40mm:	less than 10% in total
Smaller than 0.5mm:	0%
Mixed skin and bark:	less than 8% in total

Northern area development map of T company



China

China

Laos

- NorthWest Area
- NorthEast Area
- Hong River Area
- North Central Area

Southern area development map of T company



Acacia planting Place of T Company



Acasia Wood log of T company



Acacia chip making machine of T company



Acacia chip deposit site of T company



Acacia chip deposit site of T company



2) Overview of H company

Established date: March 2000

A large company that constantly won the title of Top 500 Largest Enterprises in Vietnam from 2012 to 2017.

They are also the largest in the wood chip and pellet Industry.

Shipping port: at multiple locations throughout the country

Mainly at CAI LAN Industrial Park in Quang Ninh province

Activities:

- Production and export of woodchips for papermaking and biomass fuel using acacia and eucalyptus wood as raw materials
- Provision of shipping services by their own carriers
- Own 03 woodchip carriers
- Own multiple factories throughout Vietnam
- Own preferential use of shipping port for large vessels
 - Own afforestation places



Shipping port size of H Company

- **Quang Ngai Province Port:**

Total area: 23ha

Water line depth: 12.4m

Vessel received: 50,000 - 70,000DWT

Exploitation capacity: 12,000,000MT / year

- **Hue City Port: started running from 2019**

Total area: 12ha

Water line depth: 14m

Vessel received: 50,000 - 70,000DWT

Exploitation capacity: 10,000MT/day

Production capacity and specification of H company

1) Production Capacity

- Woodchips: 2,000,000~2,200,000 BDMT / year
- Pellets: 1,300,000 BDMT/year
- Main export country: China, Korea, Japan,...

2) Product Specification

Over 40mm: total	less than 4,5% in
9,5mm~40mm:	more than 77% in total
4,8mm~9,5mm:	less than 15% in total
Smaller than 4,8mm:	less than 4,5% in total
Mixed skin and bark:	less than 1% in total

Afforestation Place and it's License of H company

- **Afforestation Place:**

Ca Mau: 7,300ha

Quang Nam: 10,000ha

Quang Ninh: 3,520ha

Ha Giang: 30,000ha

- **Afforestation License:**

FSC-COC and FSC-CW

FSC-COC and FSC-CW of H company

BUREAU VERITAS
Certification



CERTIFICATE
Number: **BV-COC-135761**
BV-CW-135761

Issued: June 23rd, 2017
Valid until: June 22nd, 2022

Bureau Veritas Certification certifies that the company:

[REDACTED]

has implemented a FSC product groups control system according to the Forest Stewardship Council certification system, in the following location:

[REDACTED]

47/46-47/48 LAC LONG QUAN STREET, WARD 1, DISTRICT 11
700000 – HO CHI MINH CITY – VIETNAM

for its activities concerning:

Trading of Wood chips certified FSC 100%; FSC Controlled Wood.
Trading of Wood Pellets certified FSC 100%; FSC Mix *

* Updated list of products & species on the FSC database (www.info.fsc.org)

This company has been assessed and found to conform to the requirements of the:

FSC Chain of Custody Certification standard, Ref.: FSC-STD-40-004 V3-0

This certificate is valid for a 5 years period.

April 4th 2018
Bureau Veritas Certification Wood Asia Hub Manager
Jiaming YANG



The validity of this certificate shall be verified on: 0930.03.30.03
This certificate does not constitute evidence that a particular product supplied by the certificate holder is FSC-certified or FSC Controlled Wood. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.
Accredited office: Bureau Veritas Certification Hanoi, 47/71 Boulevard du Commerce, 92000 Neuilly sur Seine, France (www.bureauveritas.com)
FSC® accredited certification body: Accreditation Code: FSCACC-023
Certification decision office: Bureau Veritas Certification China, FSC Tower B, Beijing Global Trade Center, 35 North Third Ring Road East, Dongcheng District, Beijing 100013, China
Management office: Bureau Veritas Certification Vietnam
A list of the products or services that are included in the scope of the certificate may be obtained on request to Bureau Veritas Certification.
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The mark of responsible forestry

CERTIFICATE
Number: **BV-COC-136388**
BV-CW-136388

Issued: August 1st 2017
Valid until: July 31st 2022

Bureau Veritas Certification certifies that the company:

[REDACTED]

has implemented a FSC product groups control system according to the Forest Stewardship Council certification system, in the following location:

[REDACTED]

TOYET DIEM 3 HAMLET, BINH THUAN COMMUNE, BINH SON DISTRICT
570000 – QUANG NGAI PROVINCE – VIETNAM

for its activities concerning:

Manufacturing and Trading of Wood chips certified FSC 100%; FSC Controlled Wood.
Manufacturing and Trading of Wood pellets certified FSC 100%; FSC Mix *

* Updated list of products & species on the FSC database (www.info.fsc.org)

All sites included in the scope of this certificate are listed in annex.

This company has been assessed and found to conform to the requirements of the:

FSC CoC Certification of Multiple Sites standard, Ref.: FSC-STD-40-003 V2-1
FSC Chain of Custody Certification standard, Ref.: FSC-STD-40-004 V2-1
FSC CoC Controlled Wood standard, Ref.: FSC-STD-40-005 V2-1

This certificate is valid for a 5 years period.

August 1st 2017
Bureau Veritas Asia Hub Manager
JIAMING YANG



The validity of this certificate shall be verified on: 0930.03.30.03
This certificate does not constitute evidence that a particular product supplied by the certificate holder is FSC-certified or FSC Controlled Wood. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.
The certificate holder certifies that it shall not issue any self-made certificates or declarations to their participating sites that could be mistaken as formal FSC certificates.
Accredited office: Bureau Veritas Certification Hanoi, 47/71 Boulevard du Commerce, 92000 Neuilly sur Seine, France (www.bureauveritas.com)
FSC® accredited certification body: Accreditation Code: FSCACC-023
Certification decision office: Bureau Veritas Certification China, FSC Tower B, Beijing Global Trade Center, 35 North Third Ring Road East, Dongcheng District, Beijing 100013, China
Management office: Bureau Veritas Certification VIETNAM
A list of the products or services that are included in the scope of the certificate may be obtained on request to Bureau Veritas Certification.
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The mark of responsible forestry

Cutted wood logs of H Company



Chip deposit site of H company



Chip deposit facility of H company



3) Overview of N company

- **Headquarters:** Hanoi, Vietnam
- Branch office in Quang Ninh Province, Vietnam
- **Activities:**

Producing Acacia woodchips and pellets, exporting to China and Japan
Production capacity: 10,000 BDMT chips per month (can increase production capacity anytime)

 - Up to 120,000 BDMT wood chips annually
 - 350,000 ~ 400,000 BDMT pellet production (including tree branches and skins)

Acacia's owning plantation area: 3.4 ha
- **Acacia chip quality and specification:**

Moisture varies depending on season, average about 55%

Over 40mm:	less than 5% in total
40mm~4,8mm:	more than 91% in total
Smaller than 4,8mm:	less than 2% in total
Mixed skin and bark:	less than 0,4% in total

4) Overview of D company

- **Location:** Vinh Phuc province of North Vietnam
- **Capital stock:** about 500 million yen (Zaibatsu company)
- **Owning 2 factories (planning to build new factory)**
 - Production capacity of 500,000 tons / year when diverting the entire Bao Bang factory for Japan customers.
 - 500,000 tons of capacity available in Hoa Binh factory for Japan customers (10ha of lot size).
- **Acacia raw material supply capacity:** 2 million tons per year
- **Area:** About 50,000ha throughout the country
- **Factory equipment:** Chip drying equipment can be installed (20% moisture target)
- **Although there is a system for securing raw materials and planting trees**
- **It is necessary to construct new factory that matches the export volume (no financial problems).**

5) Business alliance with Cao Bang Province

In Vietnam, local governments are governed by the chief who has the authority to approve the decision. For overseas companies to enter Vietnam, cooperation with local governments is essential for business promotion.

We have partnership with General Secretary of Cao Bang Province.

In woodchip export business, the General Secretary strongly hoped to cooperate with us as a recommended project, and requested to sign a memorandum.

Logistics will be transported by truck on land, which can be dealt with by increasing the number of units and loading capacity, but there are some difficulties in terms of cost.

Cao Bang Province has a depopulated but high quality forest resource, and the forestry is making a tremendous effort. For new businesses such as exporting woodchips, the ministry is working on sustainability and legality of forests.

5) Overview of Cao Bang Province

- Total area: 670,000 ha (Forestry 90%, Agriculture 10%)
- Near Chinese border (the northernmost part of Vietnam)
- Annual budget: 45 billion yen
- Overview of forestry:
 - Neither forestry nor agriculture uses pesticides.
 - Acacia afforestation land: 17,000ha
 - Reforestation plan: 5,000ha
 - Eucalyptus afforestation plan: 1,000ha
 - Other surplus land: 10,000ha
- There are 02 sawmills that are producing woodchips on a small scale. Can produce about 2 million tons / year
- Truck transportation only to Hai Phong Port (ship and train transportation not possible)

Sales Distribution

Due to the laws and regulations in Vietnam, the basic business flow is a direct contract between a local company (or Cao Bang Provincial Government) and a Japanese customer.

Our company, including our local subsidiary in Vietnam, will be working as an intermediary agency and as pipe and monitor between the local company.

In addition, it is our responsibility to provide quotation and negotiate the amount of wood chips and pellets to be export.

.End.