

Dear reporters

December 13, 2023
TESS Holdings Co., Ltd.

Signed a basic agreement with Indonesia's state-run palm plantation company PTPN on "carbon credit generation associated with EFB pellet manufacturing business"

We, TESS Holdings Co., Ltd. (registered in Yodogawa-ku, Osaka, Japan and represented by Kazuki Yamamoto, Representative Director and President) are pleased to announce that PT PTEC RESEARCH AND DEVELOPMENT (as briefed below and hereinafter referred to as "PTEC"), our consolidated subsidiary, has signed a Memorandum of Understanding on this day, Wednesday the 13th of December 2023, with PT Perkebunan Nusantara III (as briefed below and hereinafter referred to as "PTPN") an Indonesian state-owned Palm plantation company regarding "carbon credit generation associated with EFB (*1 – see note below) pellet manufacturing business".



▪ Aiming to contribute to carbon neutrality by creating carbon credit in Indonesia

In 2018, our group established PTEC in Indonesia as a research and development base for processing agricultural crop residues into biomass pellets and has been accumulating various "know-how" for converting the residues including EFB- typical unutilized material from palm oil industries, into a form of biomass pellets.

In December 2022, PTEC signed an agreement with PTPN for the "EFB Pellet Production Project"(*2 – see note below) and we have started to work for utilization of EFB effectively.

Indonesia is the world's largest producer of palm oil and the palm oil industry is a part of important economic foundation of Indonesia. On the other hand, a large amount of EFB is generated during palm oil process and the most of EFB is consequently left unutilized besides a part being used as fertilizer, whilst no other way for usage. Moreover, it is problematic that it causes soil contamination and generation of gaseous methane during decomposition (GWP of methane is approximately 25) (*3 -see note below).

Under this MOU, PTEC and PTPN agree to investigate the feasibility of creating carbon credits in Indonesia for reduction of greenhouse gas emission by utilization EFB abandoned in palm plantations into pellets.

Carbon credits are generally trading emission credits for reduction of greenhouse gas emission which will result forest protection, development of energy saving technologies, introduction of renewable energy and other measures. The purchase of carbon credit will contribute for reduction of greenhouse gas surrounding over the countries, the companies and living environment.

The initiatives under this MOU are expected to contribute to the carbon neutralization of Indonesia by introduction of carbon credits, in addition to the reduction of palm waste and soil pollution to be achieved by EFB pellet production.

▪ Future Development

The target of our Group activities, the value of our existence in other words, is to contribute for the global energy decarbonization through the realization of Total Energy Savings & Solutions, and we are committed ESG and compliance at the core of our management, focusing on three business areas: namely "renewable energy as main power source," "energy efficiency maximization," and "intelligent energy infrastructure".

Our group will continue to contribute to the realization of a circular economy and global carbon neutrality through the production of biomass fuel using agricultural crop residue by PTEC, Indonesia.

Brief of MOU Signers:

【PT Perkebunan Nusantara III】

Head Office Registered	: Indonesia Jakarta Special Capital Region
Representative	: President, Mohammad Abdul Ghani
Overview	: A state-owned company engaged in the management, processing, and marketing of palm oil and other plantation products.

【PT PTEC RESEARCH AND DEVELOPMENT】

Head Office Registered	: Indonesia Riau Islands Province
Representative	: Representative Director and President, Tomoya Ishida
Overview	: Research and development of biomass fuel

*¹ EFB (Empty Fruit Bunch) :

Palm empty fruit bunches are a by-product (residue) when extracting palm oil from oil palms.

*² Signed an agreement regarding the "EFB pellet manufacturing business" with Indonesian state-run palm plantation company PTPN (Press release, December 23, 2022)

<https://ssl4.eir-parts.net/doc/5074/tdnet/2217716/00.pdf>

*³ GWP(Global Warming Potential) :

A number that expresses the extent to which other greenhouse gases have the ability to cause global warming, based on CO₂.

■ Contact information regarding this matter

Public Relations & Investor Relations Team, TESS Holdings Co., Ltd.

<https://www.tess-hd.co.jp/english/contact/>

※Our group has adopted telework and staggered working hours.

For this reason, we may not be able to respond over the phone, so please contact us via our homepage.

We apologize for any inconvenience this may cause and appreciate your understanding.