

Dear reporters

February 21, 2025

TESS Holdings Co., Ltd.

We held a groundbreaking ceremony for the EFB pellet manufacturing plant in the Sei Mangkei Industrial Park in Indonesia

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 (registered in Riau Islands Province, Indonesia and represented by Tomoya Ishida, Representative Director and President, hereinafter referred to as “PTEC”), our consolidated subsidiary, held a ground-breaking ceremony on Thursday, February 20, 2025, at the site (Sei Mangkei Industrial Park, North Sumatra, Indonesia) where the company plans to build a plant to produce EFB (*1 – see note below) pellets, a biomass fuel derived from agricultural crop residues.



Groundbreaking ceremony (February 20, 2025)

(Group photo:Fourth from left: TESS Holdings Representative Director and President Kazuki Yamamoto

Third from left: PTEC Representative Director and President Tomoya Ishida)



Construction site of plant



Image of completed plant

■Expanding into the Sei Mangkei Industrial Park, a key hub of the palm industry, to accelerate the early realization of large-scale commercial production in the future

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 “knowhow” for converting the residues including EFB- typical unutilized material from palm oil industries, into a form of biomass pellets.

Our group had initially planned to construct a small-scale EFB pellet manufacturing plant in West Java, Indonesia. However, in response to the increasing expectations from the energy industry for the effective utilization of EFB and other agricultural residues, we held extensive discussions with our group partner, PTPN Group, an Indonesian state-owned palm plantation company. As a result, to accelerate the early realization of large-scale commercial production of EFB pellets and facilitate a smoother commercialization process, we decided to relocate the construction site to Sei Mangkei Industrial Park, where our group is planning large-scale commercialization.

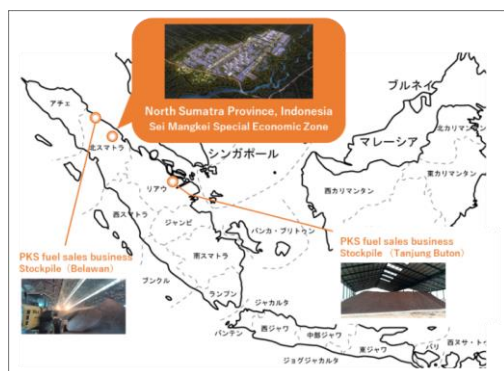
The newly constructed plant will have a site area of approximately 11,000 m², with operations scheduled to commence in June 2026. Once operational, the plant is expected to produce approximately 10,000 tons of EFB pellets annually, which will be sold as biomass fuel for both the Indonesian domestic market and Japan.

The Sei Mangkei Industrial Park, the newly selected construction site, is being developed and operated by PTPN Group as a key hub for the palm industry. With well-established infrastructure for factory operations, the area has attracted numerous companies involved in the palm industry. For EFB pellet production, we plan to receive raw material supply support from PTPN Group’s palm oil mills. Additionally, the Group has a stockpile (shipment hub) for PKS (*2 -see note below) fuel sales operations in the same area, creating potential synergies in building an efficient supply chain.

■Aiming to promote the effective utilization of EFB in Indonesia through the construction of the plant

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). Therefore, palm oil producing countries are seeking ways to effectively utilize EFB.

Moving forward, our group remains committed to leveraging the expertise and achievements gained from the plant to drive large-scale commercialization and promote the effective utilization of EFB.



North Sumatra Province, Indonesia
Sei Mangkei Special Economic Zone



EFBs and EFB pellets (produced by PTEC)

■Future developments

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.”

In our group’s Medium-Term Management Plan, “TX2030,” which outlines the business strategy through the end of June 2030, the “resource recycling biomass fuel business” has been designated as one of the key focus areas. By utilizing EFBs, PKSs, and other agricultural residues from the palm industry, we aim to expand both the circular economy and our stock business model. For EFB pellets, we will proceed with small-scale production and sales at the Sei Mangkei Industrial Park, while continuing research and development for mass production. During the Medium-Term Plan period, we aim to establish a production capacity of 100,000 tons per year as we move toward large-scale commercialization.

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

*¹ EFB (Empty Fruit Bunch):

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

*² PKS (Palm Kernel Shell):

The shells left behind after extracting palm oil from palm kernels.

*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.

■Inquiries

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<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.