



December 4, 2013

Company name: Tamagawa Holdings Co., Ltd.
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Notice concerning Initiation of Litigation against a Former Representative Director of the Company

This is to give notice that the Company today filed a law suit against a former representative director of the Company to claim compensation for damages (the "Law Suit").
Notably, the Law Suit was filed following relevant resolutions of the board of statutory auditors and the board of directors and will be pursued in ongoing cooperation with both.

1. Venue and date of the filing of the Law Suit

Tokyo District Court December 4, 2013

2. Initiator of the Law Suit (Plaintiff)

(1) Name Tamagawa Holdings Co., Ltd.
(2) Head office location 1-6-15 Hamamatsu-cho Place, Hamamatsu-cho, Minato-ku, Tokyo
(3) Representative in court Statutory corporate auditor of the Company: Hiroyuki Ueno

3. Opponent in the Law Suit (Defendant)

A former representative director of the Company Toru Kobayashi

4. Substance of the Law Suit and amount claimed

(1) Substance of the Law Suit Claim of the Company for compensation for damages
(2) Amount claimed ¥29,781,075 and interest thereon at the rate of 5.0% p.a. for the period from
the day after the service of complaint until the completion of payment

5. Basis of the claim

The Law Suit is brought against a former representative director who in the time from 2011 until 2012 served simultaneously as representative of the Company and the Company's domestic subsidiary Bio Energy Resources Co., Ltd. (hereinafter, "BER") and in that function in disregard of legal compliance and procedure ordered the lending of funds by the Company to BER and subsequently arranged for the loaned funds to be transferred to an overseas subsidiary of BER. Only a fraction of the loan funds described in the foregoing could be recovered by the Company, with the majority rendered irrecoverable by the bankruptcy of BER, resulting in a significant loss to the Company.

Since the Company cannot premit the damages caused by the defective procedure adopted by the former representative director, it was resolved to file this Law Suite with a view to the recovery of the damages sustained and the maintenance of discipline requisite of business management.

6. Background information

The former representative director who is the defendant of the Law Suit resigned from the position as representative director of the Company on April 18, 2012 (He resigned from the position as board director on June 28, 2012.) after resigning from the position as representative director of BER on March 1, 2012. Although the resignations occurred on the initiative of the person at issue, in the understanding of the board of directors where the resignations were tendered the action was nonetheless inspired by a keen sense of management responsibility as representative director in self-recognition of the own lapse of procedure.

In April 2012, when the management and the operations of BER were still expected to continue, the initiation at the start of the year of new operations in solar energy power generation left not enough spare funds to allocate to biomass operations. This funding situation caused a crippling working capital shortage at BER.

The investigation thus far has revealed that the prepayments that BER used to make to its overseas subsidiary for materials purchases from suppliers to BER were at the overseas subsidiary spent on employee salaries and property rents. Presuming that payments for materials purchases made at the overseas subsidiary might have been funded with loans from the Company, it was found that a case existed for strong suspicions that loans had been made from BER to the overseas subsidiary.

BER experienced serious cash shortages also after receiving loans. Uncertainty whether any additional loans would ensure usability with the main business made the judgment unavoidable that the plans for the continuation of operations had to be abandoned. As the result of consultations that also referenced expert opinions it was decided on August 24, 2012, to implement highly transparent bankruptcy procedures.

While the bankruptcy procedures concerning BER concluded on March 27, 2013, it was nonetheless judged necessary to pursue the legal liability for the lending of funds to the foreign subsidiary of BER that were made based on legally non-compliant procedures by the former representative director. In light of this, the Company has to date conducted investigations involving a limited of personnel and the cooperation of various legal experts.

Based on the foregoing, the Company has come to the decision to claim compensation for the damages sustained as a consequence of the defective procedure employed by the former representative director.

7. Outlook

Information concerning the Law Suit will be released in accordance with proceedings in the time ahead. The Law Suit is not thought to have an impact on the future business results of the Company.

Notably, in connection with the Law Suit, the Company deeply regrets causing concern to shareholders and all other stakeholders. However, the pursuit of a manager's liability who has caused his company unforeseen loss due to decisions based on legally non-compliant procedure is judged necessary for demonstrating to the general public the stance of the Company and for maintaining the discipline requisite of corporate management.

We would like to request the sustained support and goodwill of our shareholders and all other stakeholders.