

TSE Urgent Notice



Jan. 27, 2023
Listing Department
Tokyo Stock Exchange, Inc.

Designation of Security on Alert and Imposition of Listing Agreement Violation Penalty

TSE has designated the stock as a Security on Alert and imposed a listing agreement violation penalty as follows.

*This decision is based on the results of the examination by Japan Exchange Regulation.

1. Issue Name RUDEN HOLDINGS CO.,Ltd. stock
 (Code: 1400, Market Segment: Growth Market)

2. Date of Jan. 28, 2023 (Sat.)
 Designation of
 Security on Alert

 Provision Securities Listing Regulations, Rule 503, Paragraph 1, Item (3)
 (due to falling under a case where TSE deems that the listed company has violated
 the provisions of timely disclosure and that the improvement of the internal
 management system of such listed company is highly necessary)

3. Listing JPY 20 million*
 Agreement
 Violation Penalty
 Total

 Provision Securities Listing Regulations, Rule 509, Paragraph 1, Item (1)
 (due to falling under a case where TSE deems that the listed company has violated
 the provisions of timely disclosure and has undermined the confidence of
 shareholders and investors in the TSE market)

4. Reason RUDEN HOLDINGS CO.,Ltd. (hereinafter "the Company") disclosed a notice
 regarding the receipt of an investigation report from an external Investigation
 Committee on Nov. 30, 2022 and made corrections to the contents of multiple timely
 disclosure materials, including Annual Securities Reports and earnings reports, that
 had been disclosed since Apr. 2018 in a notice dated Jan. 17, 2023 and other
 documents.

These disclosures revealed mainly the following facts:

- In a notice on the results of a subsidiary's previously disclosed fundraising through an Initial Coin Offering (ICO) and a change in the use of funds

dated Dec. 20, 2018, the Company disclosed that it had raised 1,700 bitcoins (BTC) and USD 400,000 from general investors outside the Company through the sale of Ruden Coins (RDC). However, no BTCs were actually raised, and doubts have been raised about whether the USD 400,000 was in fact raised through the ICO.

- Based on the premise that it had raised 1,700 BTCs through the ICO, the Company continued to make false or untrue disclosures in numerous timely disclosure documents from Dec. 2018 through Feb. 2022, including in earnings reports for the period from the second quarter of the fiscal year ended Dec. 2019 through the second quarter of the fiscal year ended Dec. 2020, which stated that the Company "plans to gradually cash the 1,700 BTCs raised through the ICO, taking into account market prices and capital needs."

TSE has determined that these facts constituted improper disclosure of corporate information that could have material impact on investors' investment decisions, conducted in violation of the listing rules.

As background to these disclosures, TSE primarily recognized the following points:

- The overwhelming influence of the chair of the board as of 2018 (the "former chair") discouraged people in the Company from raising objections to his actions, resulting in the invalidation of internal controls by management, such as the RDC business becoming opaque.
- There were significant deficiencies in the Company's internal control and timely disclosure systems, as instanced by the fact that although the crypto-assets that the Company understood to have been raised through the RDC business had a considerable economic value in light of the scale of the Company's business, directors were indifferent to the RDC business and did not conduct sufficient internal audits including confirmation of the existence of the crypto-assets, and as a result, the Company continued to conduct improper disclosure based on the premise that it had the crypto-assets despite having no clear grounds for this. Furthermore, the director in charge of handling information, while being aware that some of the contents of the timely disclosure materials were obviously false, made untrue disclosures at the behest of the former chair, while other directors and auditors, despite having knowledge that false disclosures had been made, also failed to point them out.
- There were serious deficiencies in the Company's decision-making process and subsidiary management, as instanced by the fact that the Company did not conduct the necessary risk analysis or consideration before starting the RDC business, which it should have done, and that even after the RDC business had launched, it did not understand the actual status of business and financial situation of the non-consolidated subsidiary which was responsible for said business.

TSE deems that this is a case of inappropriate disclosure of information that has a material impact on the investors' investment decisions, conducted in violation of the listing rules, and that improvements to the Company's internal management system, etc. are highly necessary. As such, TSE designates the Company's stock as a Security on Alert.

In addition, since the internal controls were disabled by management and numerous false or untrue timely disclosures were made on an ongoing basis under a weak internal management system, TSE deems that this case has undermined the confidence of shareholders and investors in the TSE market. As such, TSE shall impose a listing agreement violation penalty on the Company.

*In accordance with the provisions of Paragraph 4 of the supplementary provisions for the Apr. 4, 2022 revisions to the Enforcement Rules for the Securities Listing Regulations, which relate to the "Partial

Revisions to the Securities Listing Regulations, etc. pertaining to Partial Revision of Japan’s Corporate Governance Code (Third set of revisions pertaining to cash equity market restructuring),” as the acts in this case were conducted while the Company was listed on the JASDAQ market before the date of enforcement (Apr. 4, 2022), the amount specified in Rule 504, Paragraph 1, Item 1 of the Enforcement Rules for Securities Listing Regulations prior to the amendment has been applied.

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