

Shareholder Proposal to Kushim Inc. (Cryptoasset Exchange Zaif) Rekindles Discussions on Wolfpack Strategy and Economic Security

On November 25, Kushim Inc. <2345> issued a notice of a resolution recommending the resignation of a director and the establishment of an internal investigation committee. Following this notice, discussions about a wolfpack strategy have been rekindled.

The wolfpack strategy is a means of circumventing the applicability of the requirements of Japan's large shareholder reporting system. To achieve this, individual shareholders coordinate behind the scenes to keep their share ownership ratios in a target company below 5%. If a Large Shareholding Report is submitted, it may cause the stock price to rise. Therefore, the wolfpack strategy aims to acquire shares at low prices by delaying the submission of this report. Under Japan's Financial Instruments and Exchange Act, shareholders who jointly acquire, transfer, or exercise voting rights for shares are considered joint holders. For this reason, deliberately failing to submit a Large Shareholder Report can be seen as an act of non-compliance with the law.

According to Kushim Inc.'s press release, Mr. A, a recipient of information regarding Kushim Inc.'s material facts, made statements that clearly established that Mr. Hiroki Tahara (hereinafter, "Mr. Tahara"), Director of Kushim Inc., had previously shared Kushim Inc.'s material facts with him. Mr. A also confirmed his direct and indirect ownership of Kushim Inc. shares, and proposed the possibility of bringing bitcoins from mainland China to Zaif Inc., a consolidated subsidiary of Kushim Inc. If these statements are true, they raise suspicions of insider trading. Additionally, if Mr. A's direct and indirect ownership of Kushim Inc.'s shares exceeds 5%, it raises the possibility that a wolfpack strategy may have been employed. This is why discussions have been rekindled.

Unlawful wolfpack strategies are often employed by Chinese capital groups, and several of these cases have been reported in the past. Some observers

say that these groups deliberately engage in illegal acts, exploiting the lenient sentencing practices under Japan's Financial Instruments and Exchange Act.

Furthermore, looking at the issue from a different perspective, the proposal to bring bitcoins from mainland China raises concerns about money laundering and includes elements that disregard the FATF (Financial Action Task Force) standards, which domestic cryptoasset exchange service providers are required to follow. Kushim Inc. notes that this proposal not only had the potential to critically impact its financial base but could also give rise to national economic security risks for Japan. Kushim Inc. is likely emphasizing that, given that it has the cryptoasset exchange Zaif as a subsidiary, the acquisition of this exchange, along with money laundering concerns, could develop into a national economic security issue for Japan.

The CFIUS (Committee on Foreign Investment in the United States) is well-known for its role as a review and regulatory framework for foreign investments in the U.S. A Japanese version of the CFIUS is currently needed amid increasing geopolitical risks. Based on this and other factors, the Kushim Inc. issue can be said to have put a spotlight on a wide range of concerns.



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