



A Better Digital Garage

December 2022

www.abetterDG.com

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1. Executive Summary

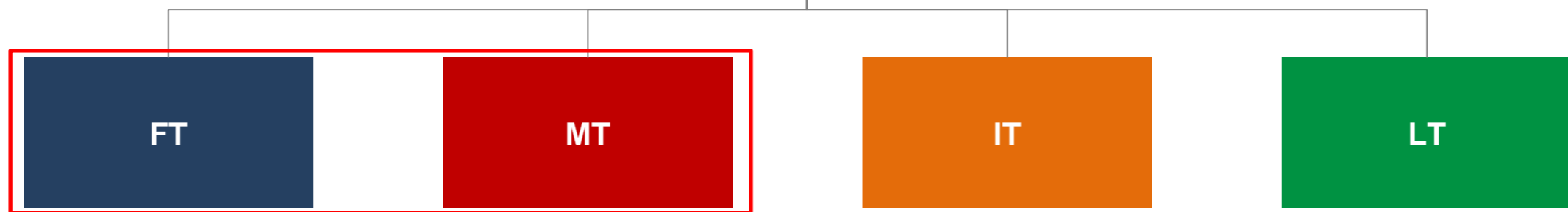
Executive Summary

- Digital Garage Inc. (“DG” or the “Company”) is a payment service provider and investment business with great potential; however, management has not been able to realize its true value:
 - The Financial Technology (“FT”) segment, which runs the payment service provider business, has fallen behind its main competitor, GMO Payment Gateway, Inc. (“GMO PG”), in terms of growth. We believe this is due to a lack of management focus and insufficient sales staff resources.
 - The Incubation Technology (“IT”) segment has not yet leveraged its great track record of stellar performance.
- We believe DG will be a better company if it splits into two fully independent entities: DG Financial Technology and DG Investments.
 - Under our proposed plan, DG’s current Financial Technology segment and Marketing Technology (“MT”) segment will become DG Financial Technology.
 - DG’s current Incubation Technology segment and Long-term Incubation (“LTI”) segment will become DG Investments.
- The FT segment and IT segment can achieve their full potential under this new proposed structure:
 - Spinning off DG Financial Technology as an independent company would significantly increase management’s focus on competing with GMO PG and capitalizing on Japan’s shift towards cashless payments. The FT sales department should also increase personnel and establish a project management department, appealing to the strength of DG’s product and creating sales teams specialized by sector.
 - An independent DG Investments could leverage its stellar track record to raise third party capital to invest alongside DG in the continued opportunity set. This would be easier to achieve as a standalone entity. While DG currently has KK DG Daiwa Ventures as an equity method consolidated company for this purpose, we believe an independent DG Investments could further raise third party capital and expand the business.
- DG’s businesses would also benefit from a fully engaged, independent CEO. DG’s Chairman, Mr. Kaoru Hayashi, holds a concurrent position as Chairman of Kakaku.com Inc. We believe Mr. Kaoru Hayashi should step down from this role to focus on the growth of DG’s FT segment.
- DG is asset rich; however, investors are not confident that the Company will return capital to shareholders. DG Financial Technology should focus on returns to shareholders through capital gain, and DG Investments should focus on shareholder returns through buybacks and dividends. This will send a clear message to investors, and shareholders will then apply value to the Company’s significant net cash (incl. Kakaku shares), which accounts for 61% of DG’s current market cap.
- In addition, DG should fully divest its Kakaku shares.
- **With these changes, we believe DG can increase estimated 2025 profit before tax by 6.8Bn yen and realize nearly 100% upside to its share price.**
- We urge DG’s management to seriously consider these proposals and seek shareholder approval for them at the next AGM.

DG Will Be a Better Company if it Splits into DG Financial Technology and DG Investments

- DG will be a better company if it splits into two completely independent entities: DG Financial Technology (Current FT segment + MT segment) and DG Investments (IT segment + LTI segment)

Current DG Business



Tax Free Spin-off

DG After Spinning-Off DG Financial Technology

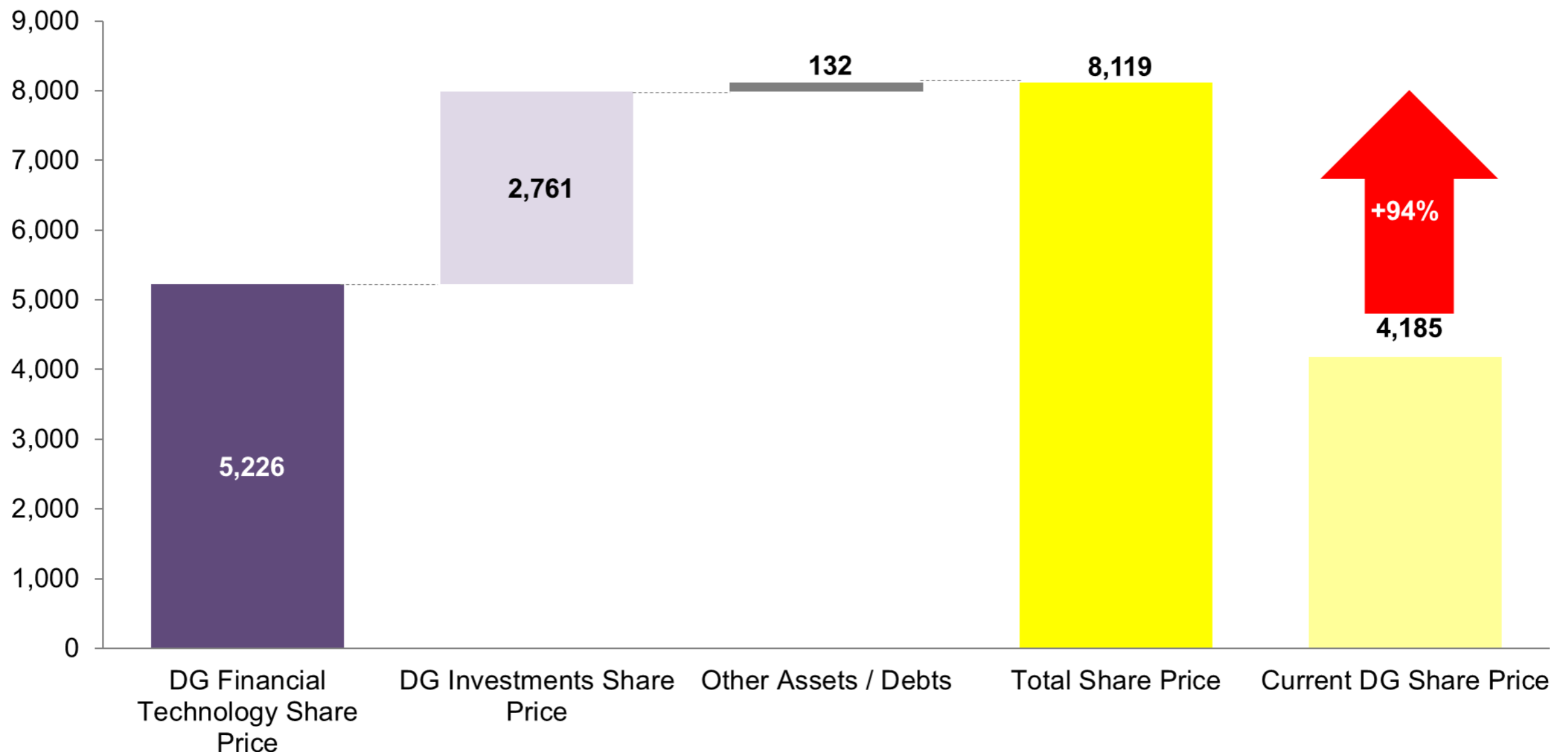


DG's Stock Price Could **Near Double** if the Businesses Realize Their Potential

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

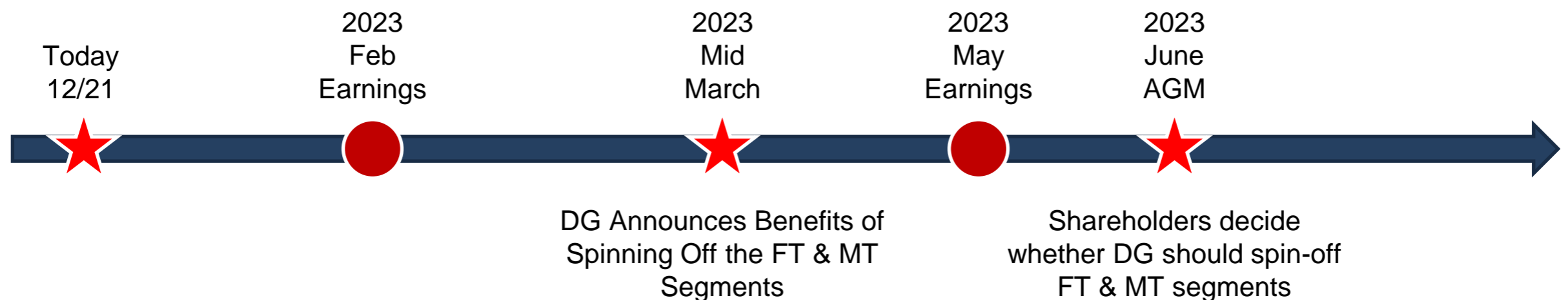
- Current DG stock price is deeply discounted from the Company's intrinsic value
- We estimate a +94% upside if the Company unlocks its value

DG Share Price After Splitting the Business (JPY per share)



We Urge DG's Board to Conduct a Tax-Free Spin-Off to Create DG Financial Technology

- **DG's Board should propose a tax-free spin-off of the FT and MT segments to create DG Financial Technology at the next AGM**
- **This corporate action would significantly increase management engagement with and focus on each of the businesses, and increase the value of DG as a whole**
- **As a milestone, DG should announce the benefits of creating DG Financial Technology by mid-March 2023 so that investors can understand the benefits**



2. Digital Garage Overview

Digital Garage Overview

Source: Company Disclosures

Company Overview

- Name: Digital Garage, Inc.
- Ticker: 4819 JP Equity
- Founded: October 1937
- Headquarters: 3-5-7 Ebisuminami Shibuya-Ku, Tokyo, Japan, 150-0022
- Website: www.garage.co.jp/

Board of Directors

- Representative Director
 - Kaoru Hayashi
- Member, Board of Directors and Co-Founder
 - Joi Ito
- Member, Board of Directors
 - Keizo Odori
 - Masahito Okuma
 - Hiroshi Shino
 - Masashi Tanaka
- Outside Directors
 - Makoto Sakai
 - Emi Omura
 - Hiromi Ozaki
- Director, Audit and Supervisory Committee Member
 - Yasuyuki Rokuyata
 - Junji Inoue
 - Koji Makino

Digital Garage Business Breakdown

<u>Business overview</u>	<u>Sales;</u> Bn JPY, 22/3	<u>Pre-tax income;</u> Bn JPY, 22/3	<u>Pre-tax income Margin;</u> 22/3
Financial Technology As a Payment Service Provider, provides services for handling credit card transactions to merchants	10.8	4.5	42.3%
Marketing Technology Handles advertisements as an advertisement agency, as well as other related services	13.0	0.9	6.8%
Incubation Technology Invests in and provides support to growing companies around the world	32.8	31.2	nm
Long term Incubation Holds select investments from the Incubation Technology segment for a longer term, most notably Kakaku.com	4.6	1.4	30.2%

DG by the Numbers

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

Market Capitalization

JPY 199bn

Market Share

#3

of Employees
As of March 2022

932

Latest FY Sales

JPY 73bn

Latest FY
Profit before Tax

JPY 45bn

Latest FY
Margin

62%

FY2 P/E Multiple

19x

(Ref. Comp 55x)

Net Cash (incl. Kakaku Shares)
% Market Cap

61%

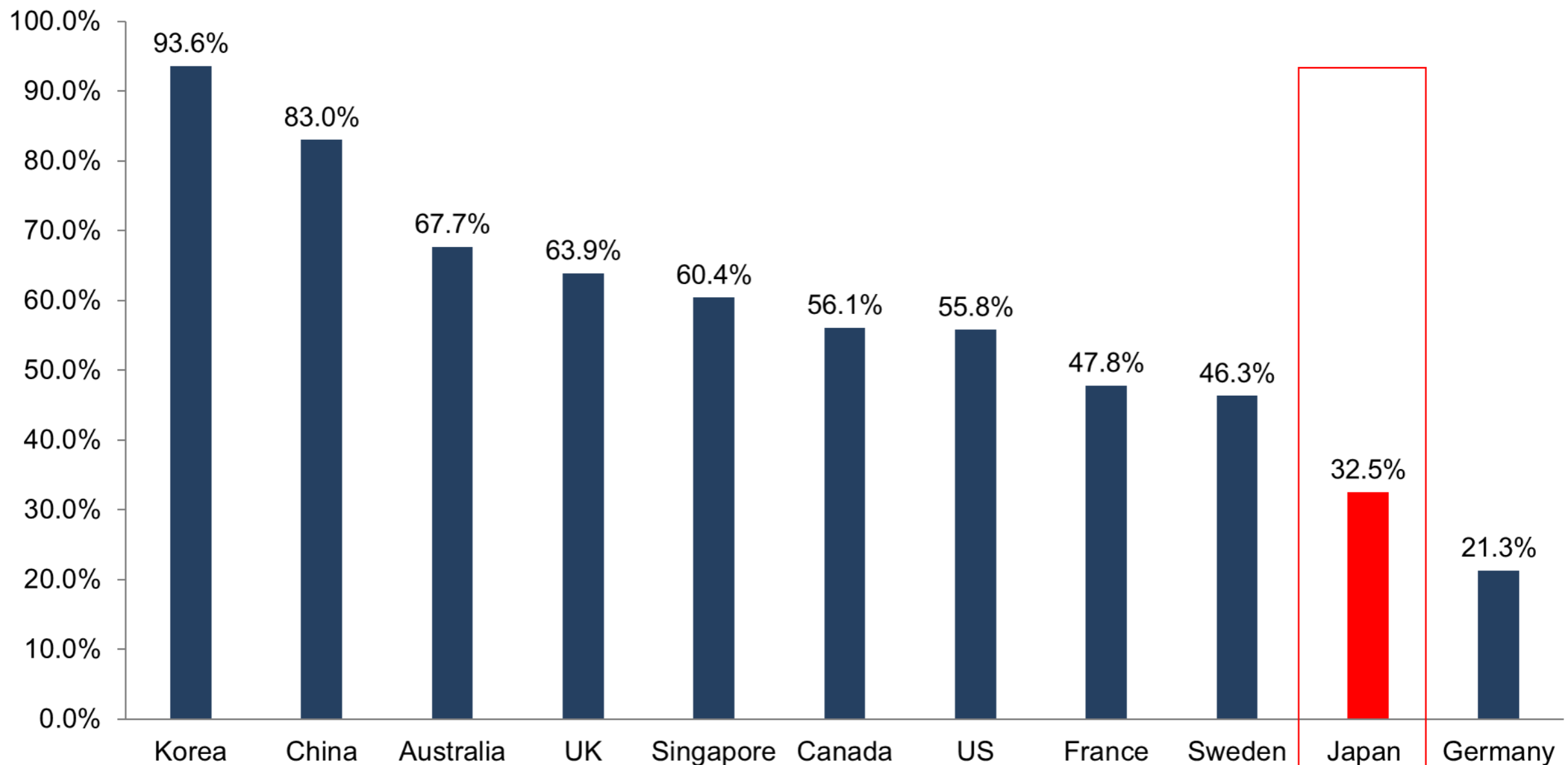
3. Japan Payments Overview

Cash Is King in Japan...

Source: Ministry of Economy, Trade and Industry

- The penetration rate of cashless transactions in Japan is low compared to other countries

Cashless Ratio World Wide



...But the Government Wants to Change That

Source: Ministry of Economy, Trade and Industry

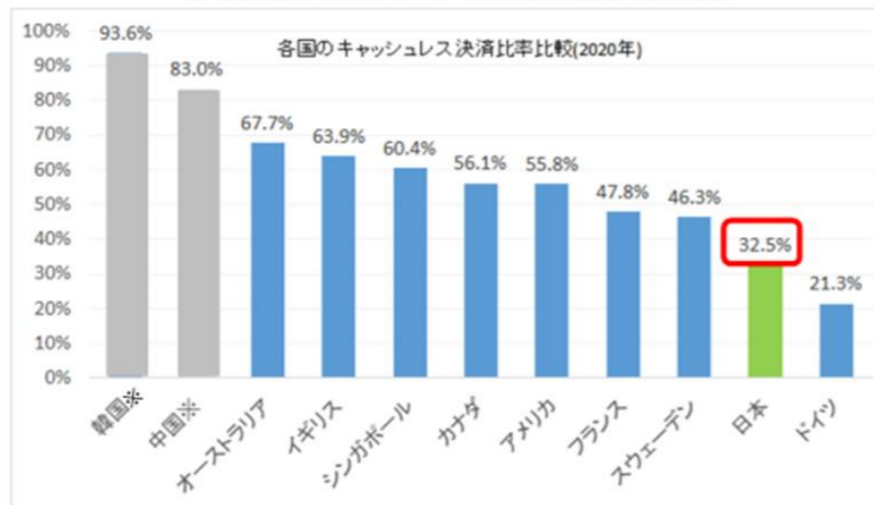
- Japan's government aims to increase the cashless settlement ratio to 40% by 2025 and 80% in the future

Japan Government Presentation on Cashless (September 28, 2022)

日本のキャッシュレスの現状と目標

- 日本のキャッシュレス決済比率は約30%にとどまっているが、主要各国では40%~60%台。
- キャッシュレス決済比率を2025年までに4割程度、将来的には世界最高水準の80%を目指す。

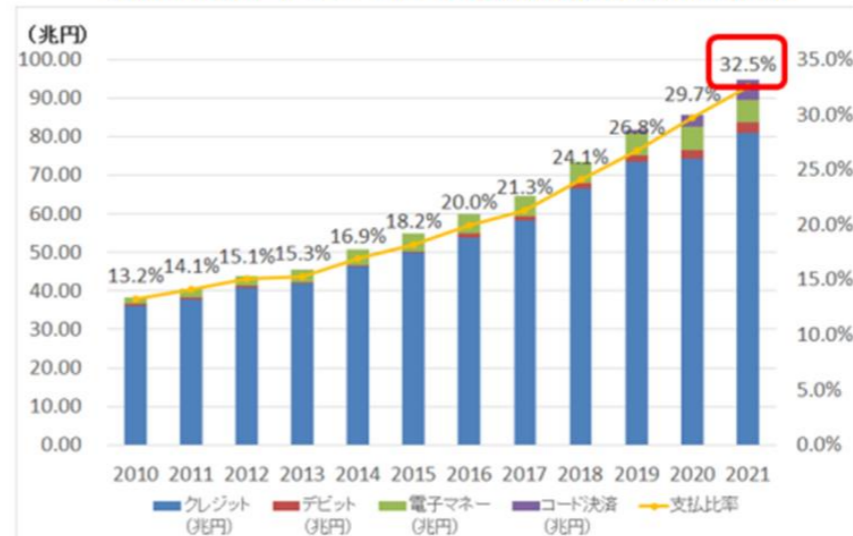
世界各国のキャッシュレス比率比較



(出典) キャッシュレス・ロードマップ2022

世界銀行「Household final consumption expenditure(2018年(2021/2/17版))」、BIS「Redbook」の非現金手段による年間支払金額から算出
 ※1 中国および韓国に関しては、Euromonitor Internationalより参考値として記載。 ※2 日本については2021年の値を記載。

我が国のキャッシュレス支払額及び比率の推移



(出典)

内閣府「国民経済計算」(名目)

クレジット：(一社)日本クレジット協会調査(注)2012年までは加盟クレジット会社へのアンケート調査結果を

基にした推計値、2013年以降は指定信用情報機関に登録されている実数値を使用。

デビットカード：日本デビットカード推進協議会(～2015年)、2016年以降は日本銀行「決済システムレポート」-「決済動向」

電子マネー：日本銀行「決済動向」

QRコード：(一社)キャッシュレス推進協議会「コード決済利用動向調査」

「成長戦略フォローアップ」(令和元年6月21日閣議決定)

【抜粋】2025年6月までに、キャッシュレス決済比率を倍増し、4割程度とすることを旨とする。

「キャッシュレス・ビジョン」(平成30年4月11日 キャッシュレス検討会策定)

【抜粋】大阪・関西万博(2025年)に向けて、「支払い方改革宣言」として「未来投資戦略2017」で設定したキャッシュレス決済比率40%の目標を前倒し、高いキャッシュレス決済比率の実現を本検討会として宣言する。さらに将来的には、世界最高水準の80%を目指していく。

2

Why Japan Needs To Go Cashless (1/2)

Increase efficiency of businesses and overall system

- Help Japan cope with a shrinking population and a tight labor market
 - Allow stores to automate sales estimates and banks to cut back on costly ATM networks
 - Improve retailer convenience, with reduced time spent managing cash and cash registers
-

Improve customer experience

- Improve customer convenience with less time and cost associated with handling, storing and depositing paper money
 - Improve ease of payments for inbound tourists in Japan
 - Improve hygiene
-

Improve collection and use of data

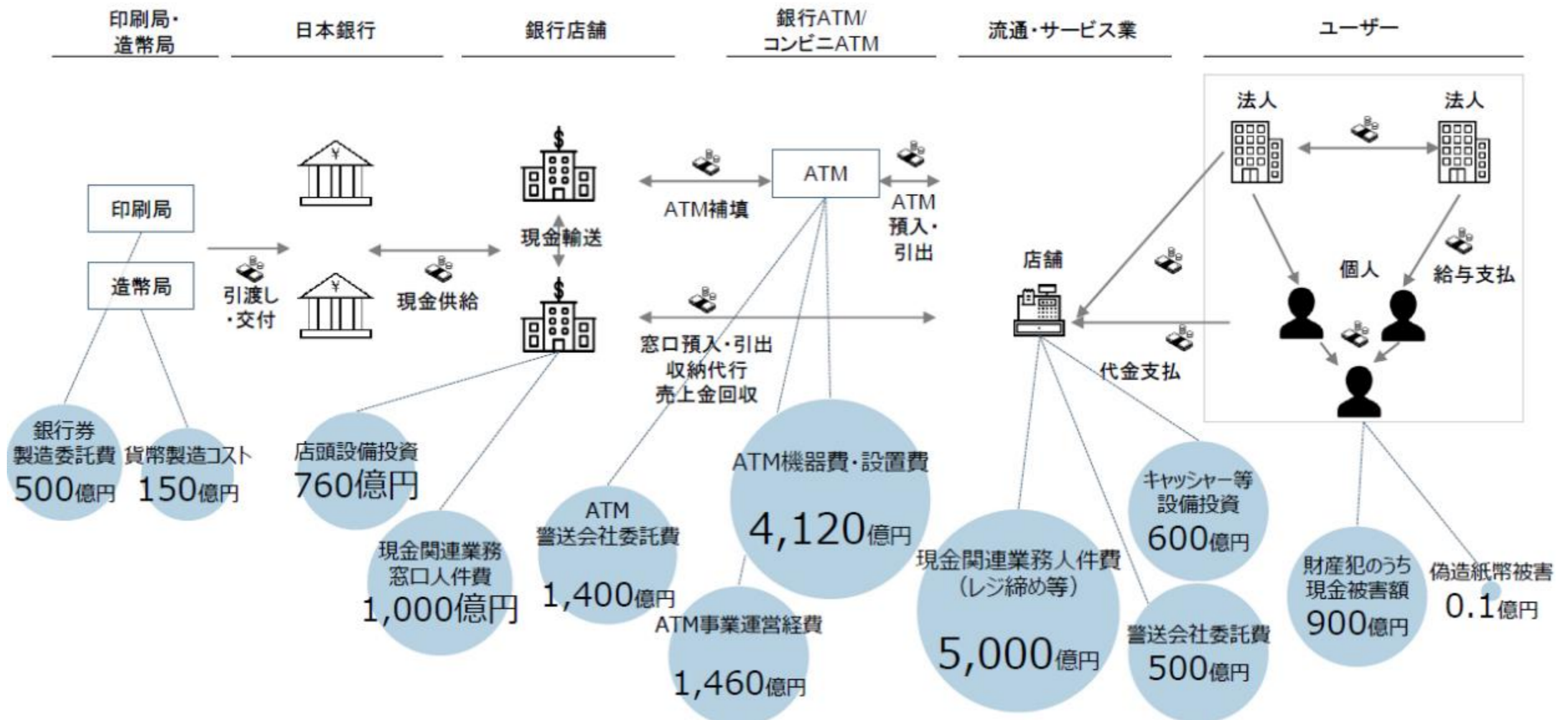
- Advantages for leveraging data; i.e., analyzing and utilizing individual purchase information in advanced marketing, and the development of products and services for target audiences
- Improvement into transparency of transactions for fairer taxation

Why Japan Needs to Go Cashless (2/2): Reducing Infrastructure Costs

Source: Ministry of Economy, Trade and Industry

- Research suggests ¥1.6tr is spent to maintain the cash-oriented infrastructure

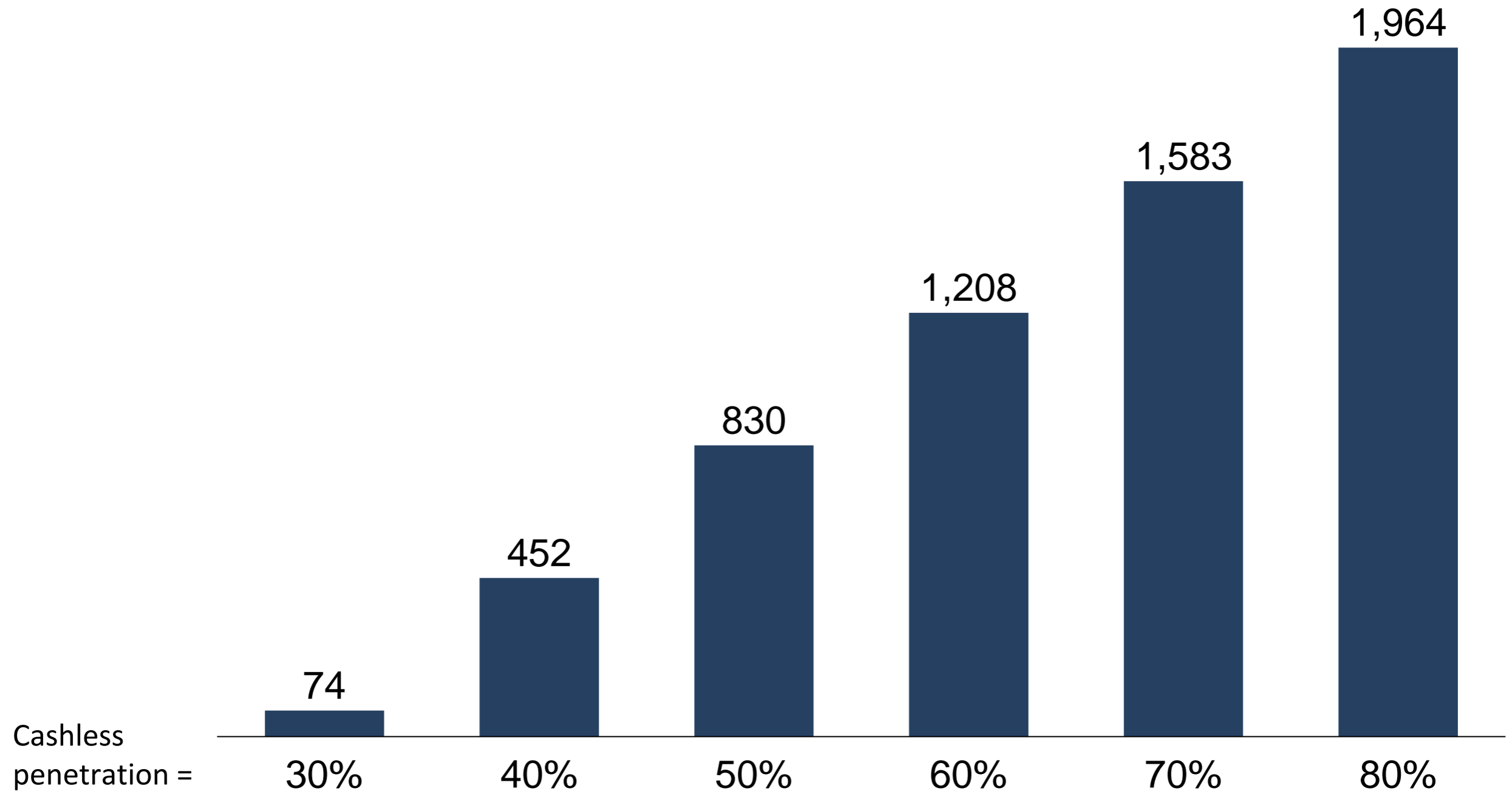
現金決済インフラの直接的な社会コスト(年間)



Government Sees Significant Benefits to Expanding Cashless Payments

Source: Ministry of Economy, Trade and Industry

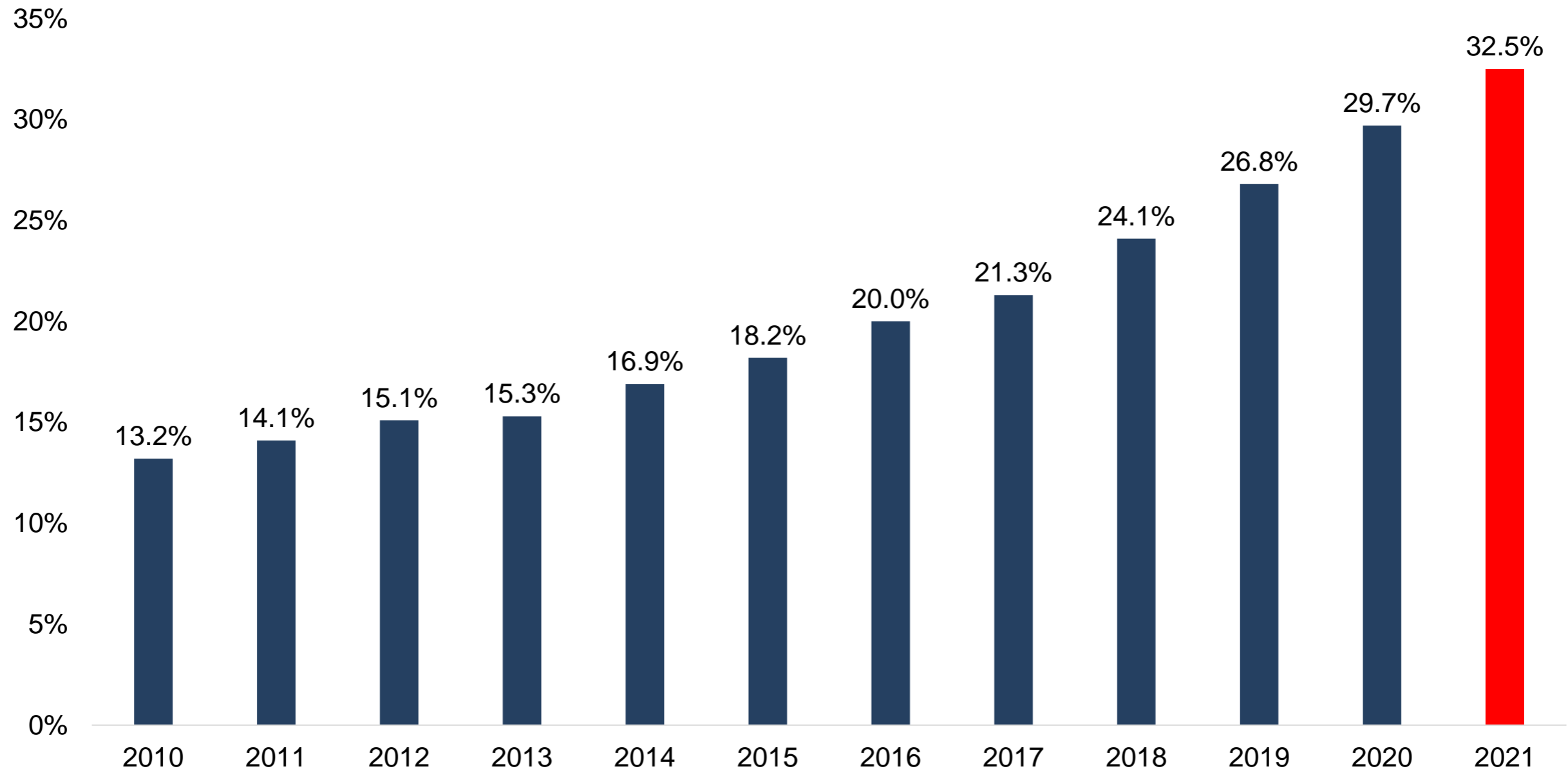
Net benefit (Economic benefit - cost) estimation against cashless payment penetration
(Bn JPY)



Japan's Cashless Payments Are on the Rise

Source: Ministry of Economy, Trade and Industry

Share of Cashless Transactions in Japan (%)



During Covid, Government Programs Have Accelerated The Shift to Cashless

Source: Ministry of Economy, Trade and Industry; Payment Japan Association

10+

Industry groups recommending member businesses “be more cashless” to avoid COVID transmission

50%+

% of consumers who increased their frequency of using cashless payment during COVID with the government campaign, with many keeping up their increased frequency

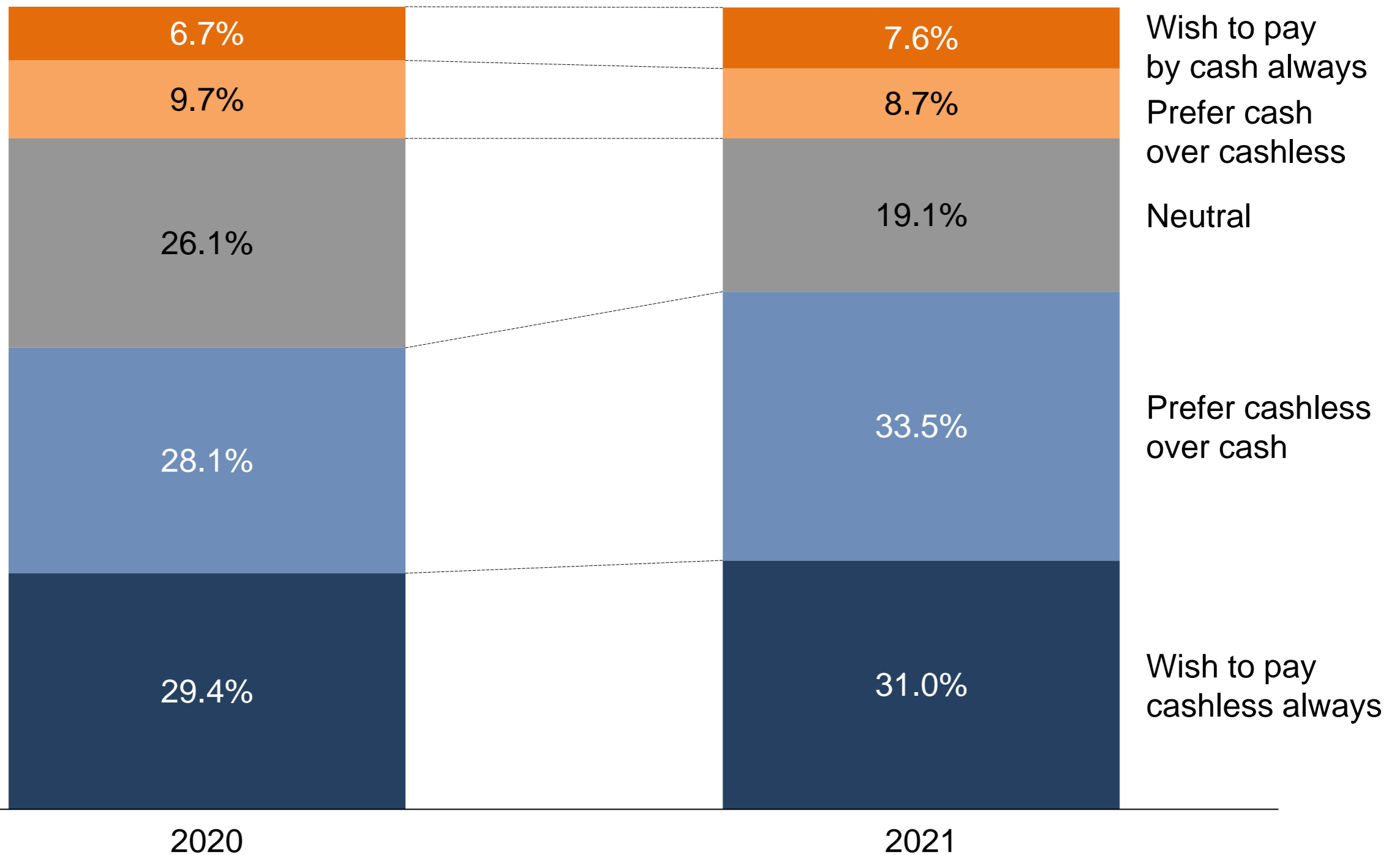
10 p.p.

Increase overall (from 27% to 37%) in businesses accepting cashless payments through the government campaign

Cashless Payment is Increasingly Viewed Positively Among Japanese Consumers

Source: Payment Japan Association

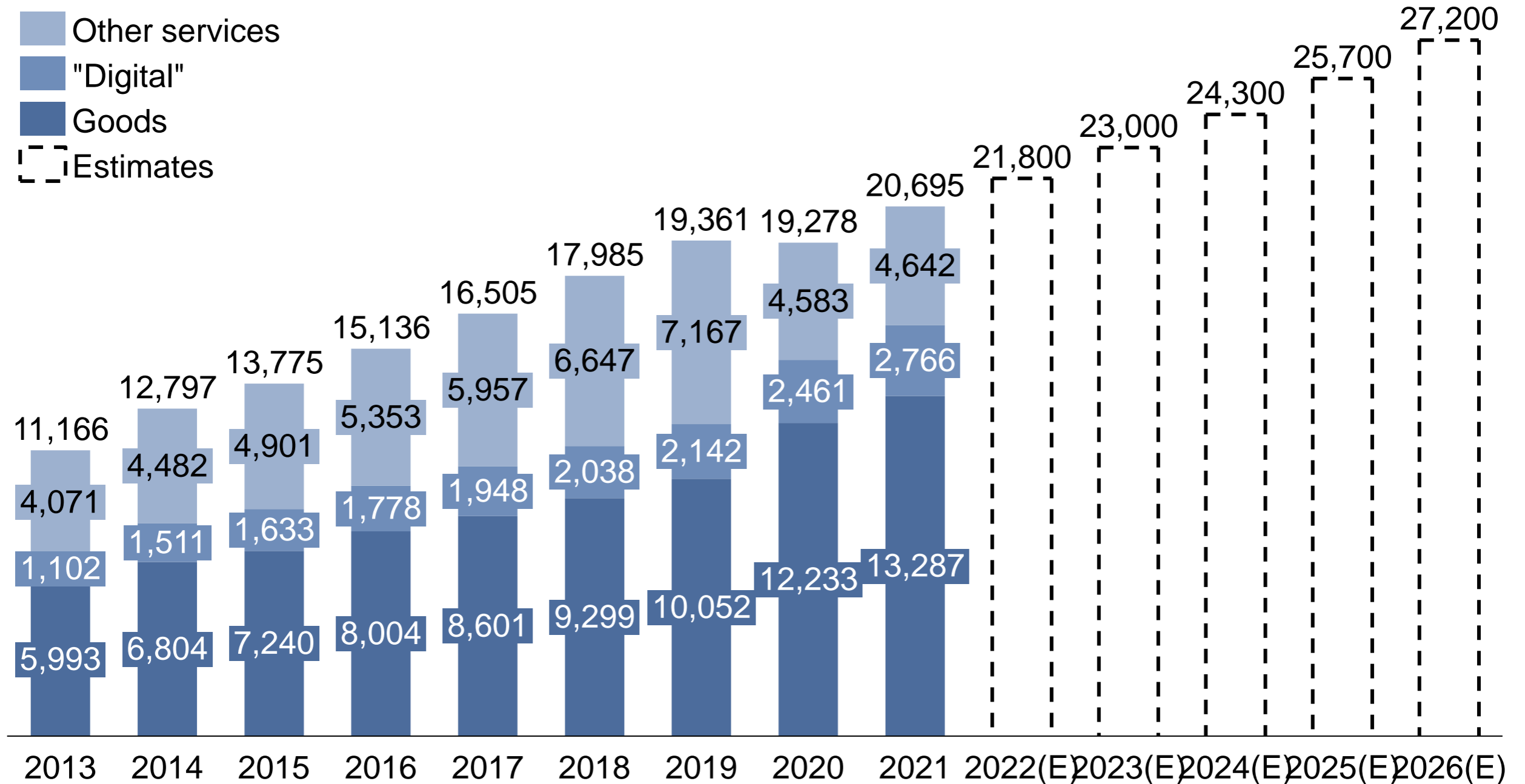
View on Cashless Payments by Consumer



E-commerce Has Seen Steady Growth in Japan, and Is Expected to Grow Further

Source: Ministry of Economy, Trade and Industry, Industry report

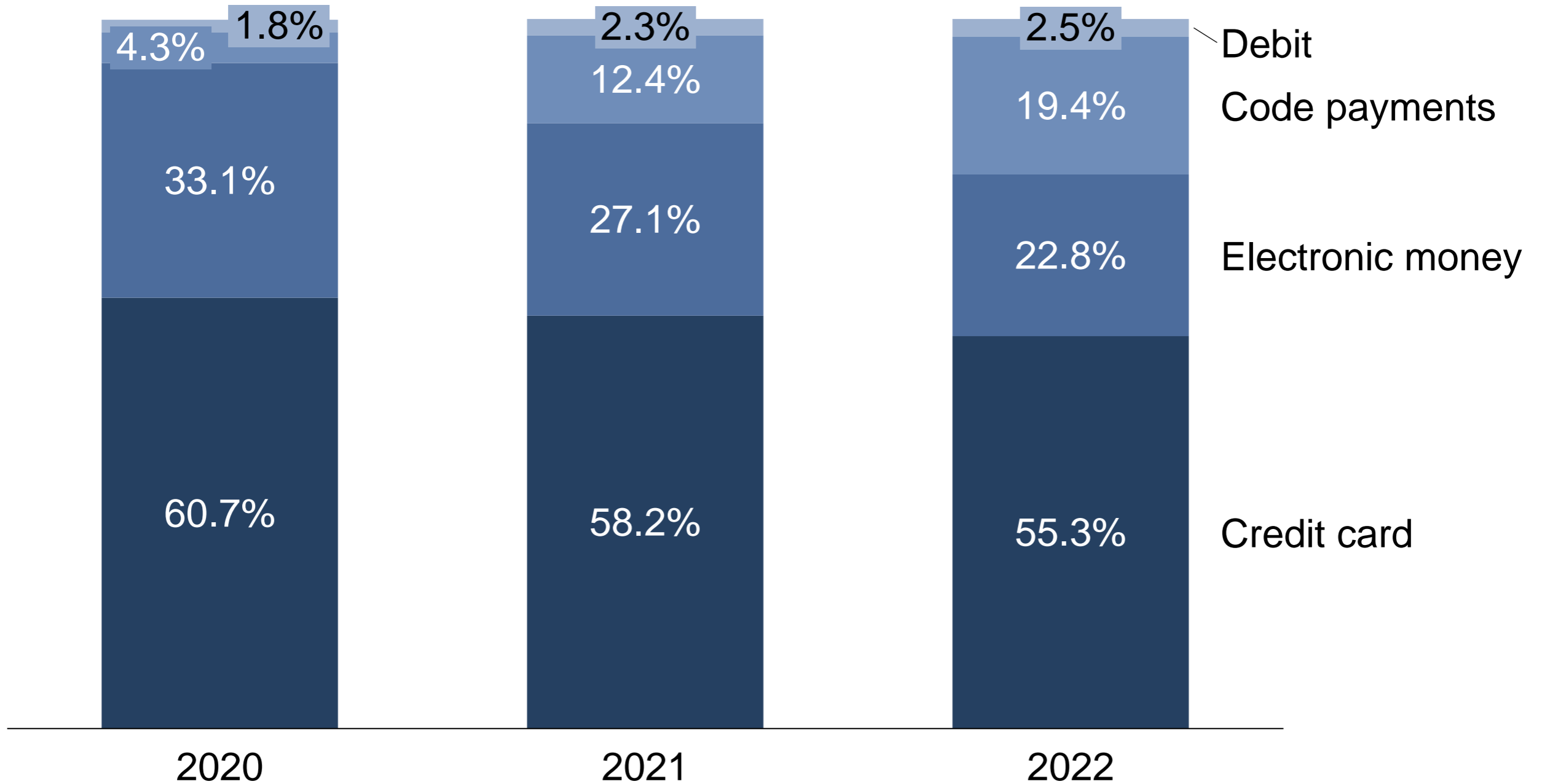
EC transaction volume in Japan (Bn JPY)



Credit Card Alternatives Such as QR Codes & Debit Cards Are Increasing

Source: Ministry of Economy, Trade and Industry

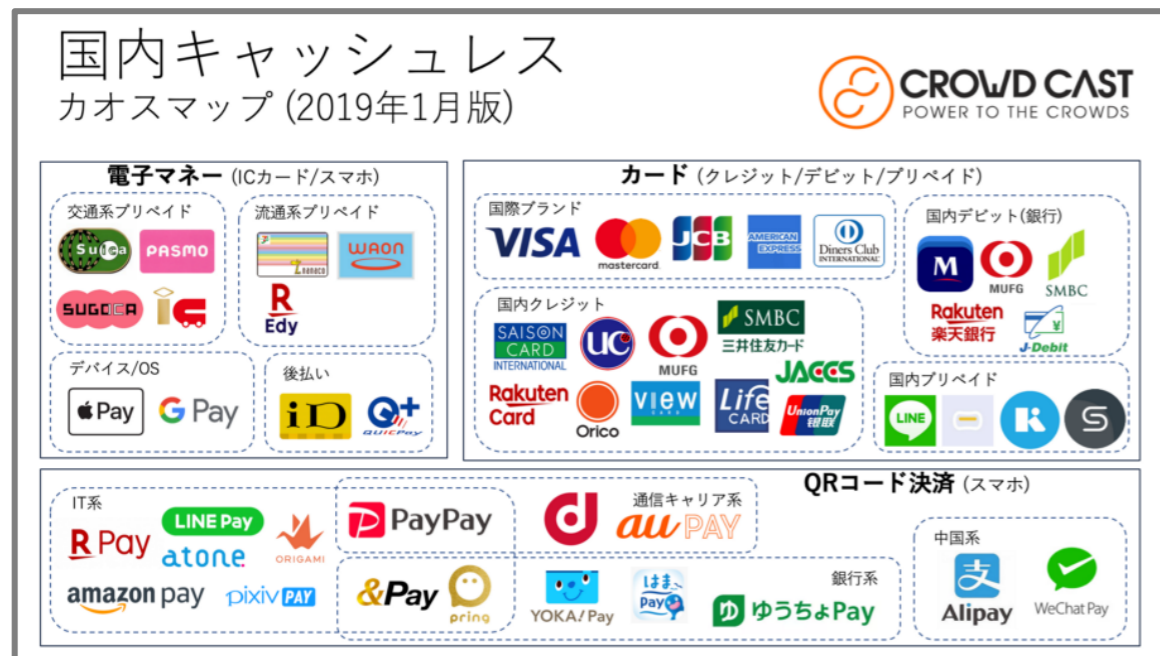
Share of payment methods within cashless payments



While the Domestic Cashless Landscape Is Rapidly Expanding, With Many New Entrants...

Source: Crowd Cast (Takashi Hoshikawa)

Domestic cashless chaos map Jan 2019 vs. Jan 2022

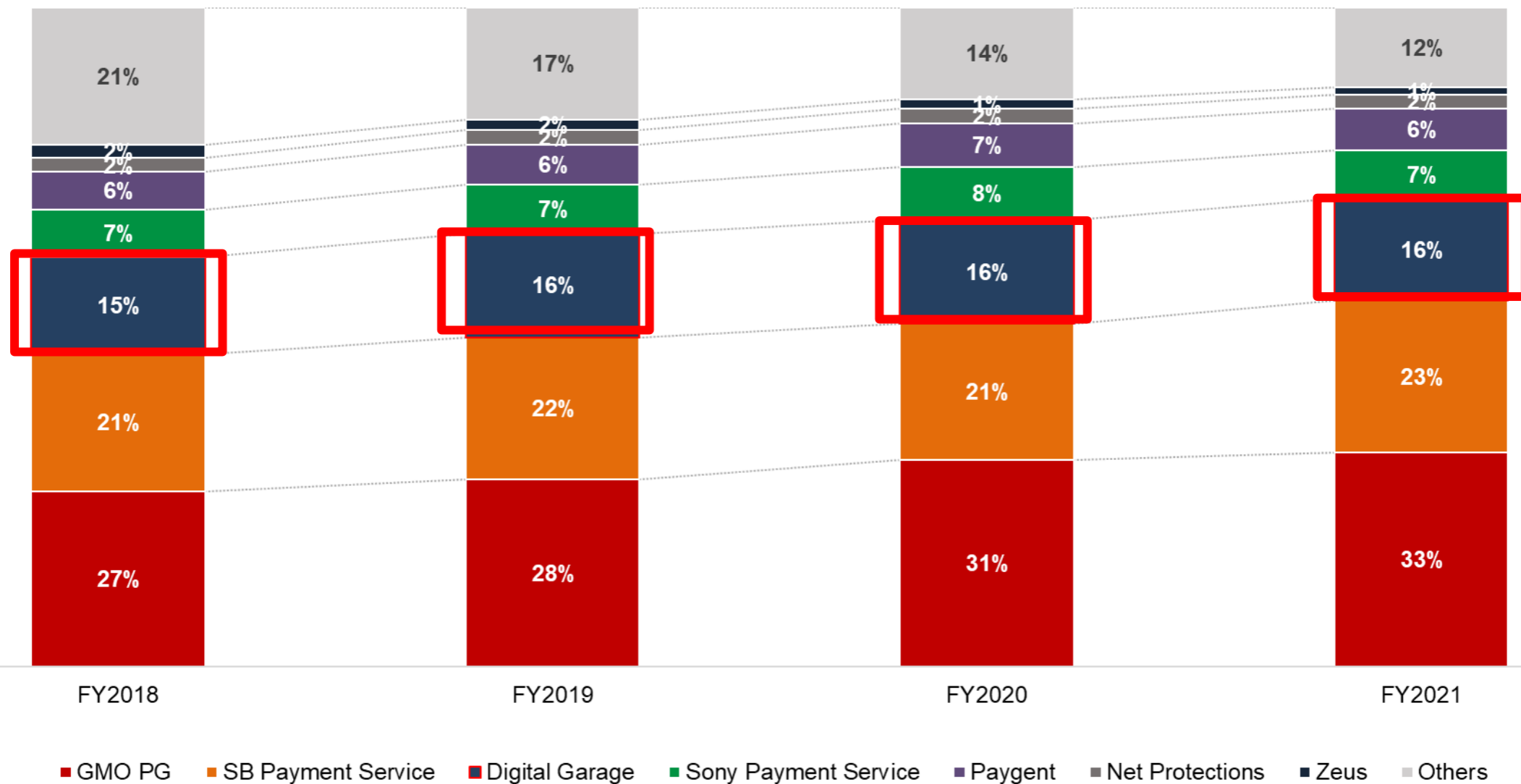


...The Top 3 Payment Service Providers Account for 72% of Market Share; DG is #3

Source: Industry Report

- DG has stable market share and is ranked No.3
- Top 3 payment service providers account for 72% of the market share

Market Share by Payment Service Provider Players

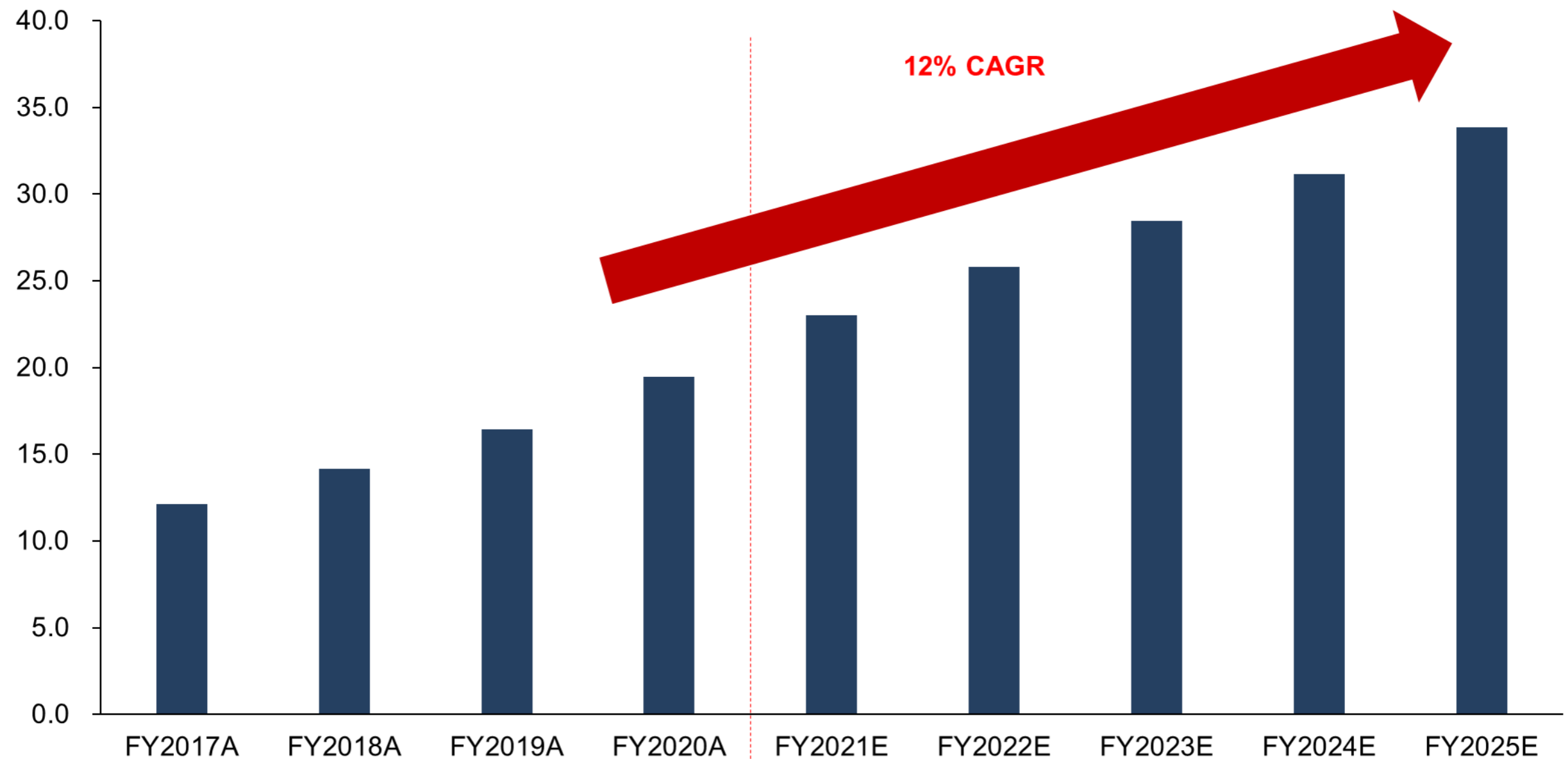


Domestic Payment System Market Growing at 12% CAGR

Source: Industry Report

- The domestic payment system market will grow at 12% CAGR from FY2020-FY2025

Domestic Payment System Market (Amount of Transaction in tr JPY)

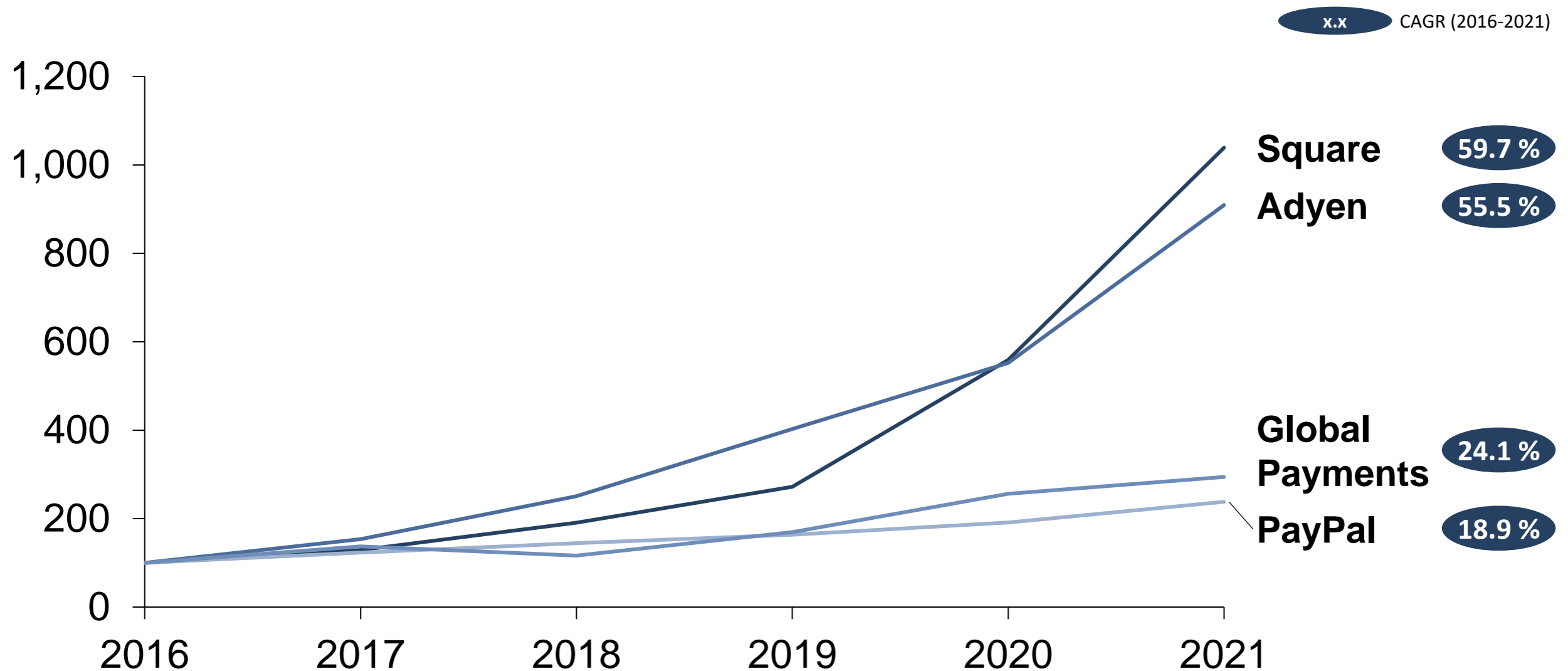


Case Study: US Payments Service Providers Saw Massive Growth Over Last 5 Yrs

Source: Company disclosures, Bloomberg

- US is far ahead of Japan in terms of penetration of cashless payments
- Even in this more mature US market, PSP companies have enjoyed a significant increase in their revenue in recent years
- In the past five years, major PSP companies have seen 2x ~ 10x revenue growth

Revenue growth in US market for major PSP companies (2016 revenue normalized to 100)



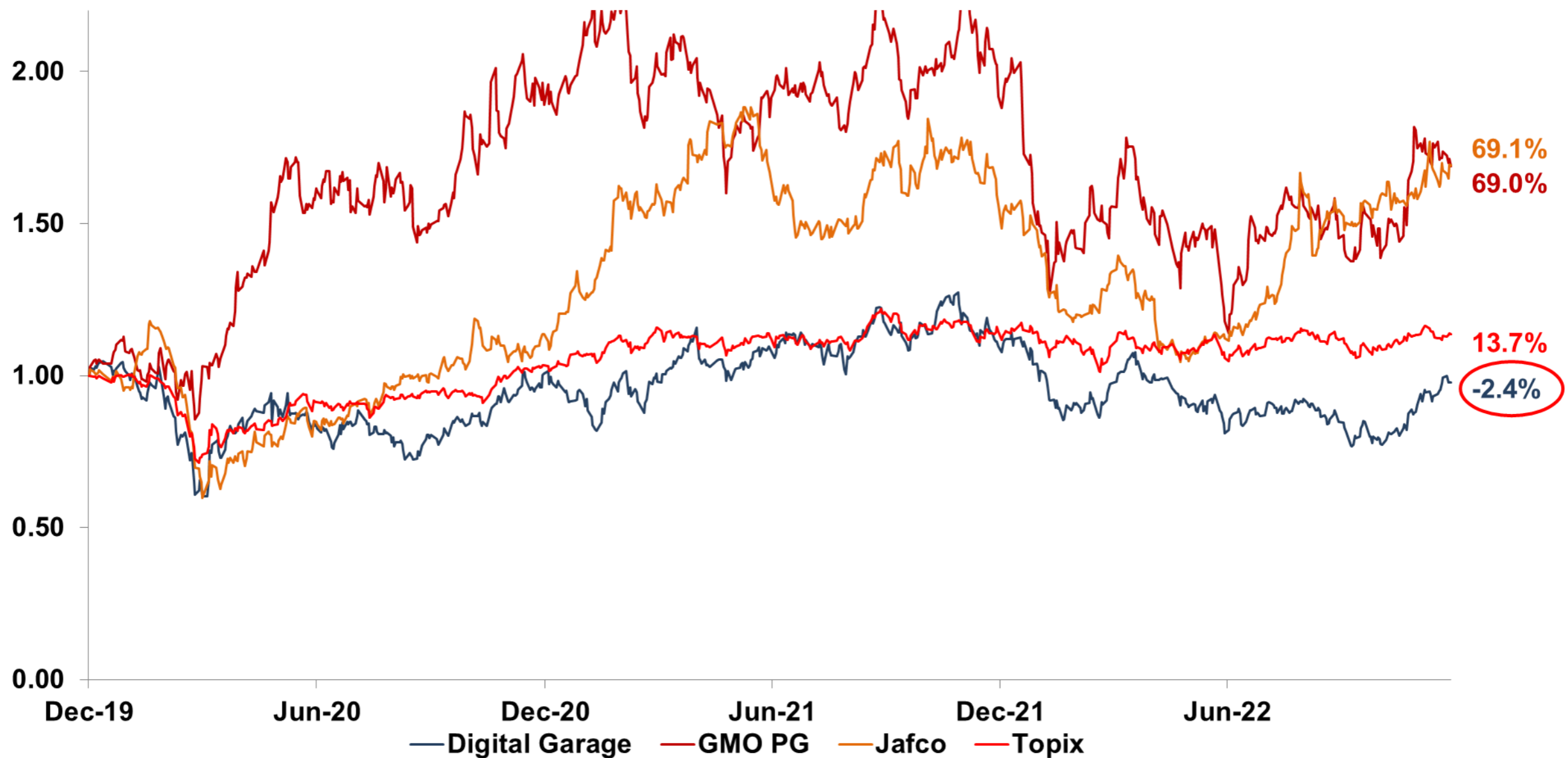
4. DG's Challenges

DG's Stock Has Underperformed

Source: Bloomberg, Market Data as of December 18, 2022

- In the past 3 years, DG's stock price underperformed its competitor GMO PG by 71.4%, Jafco by 71.5%, and Topix by 16.1%

Stock Price Performance Comparison (Relativized, Last 3Y)

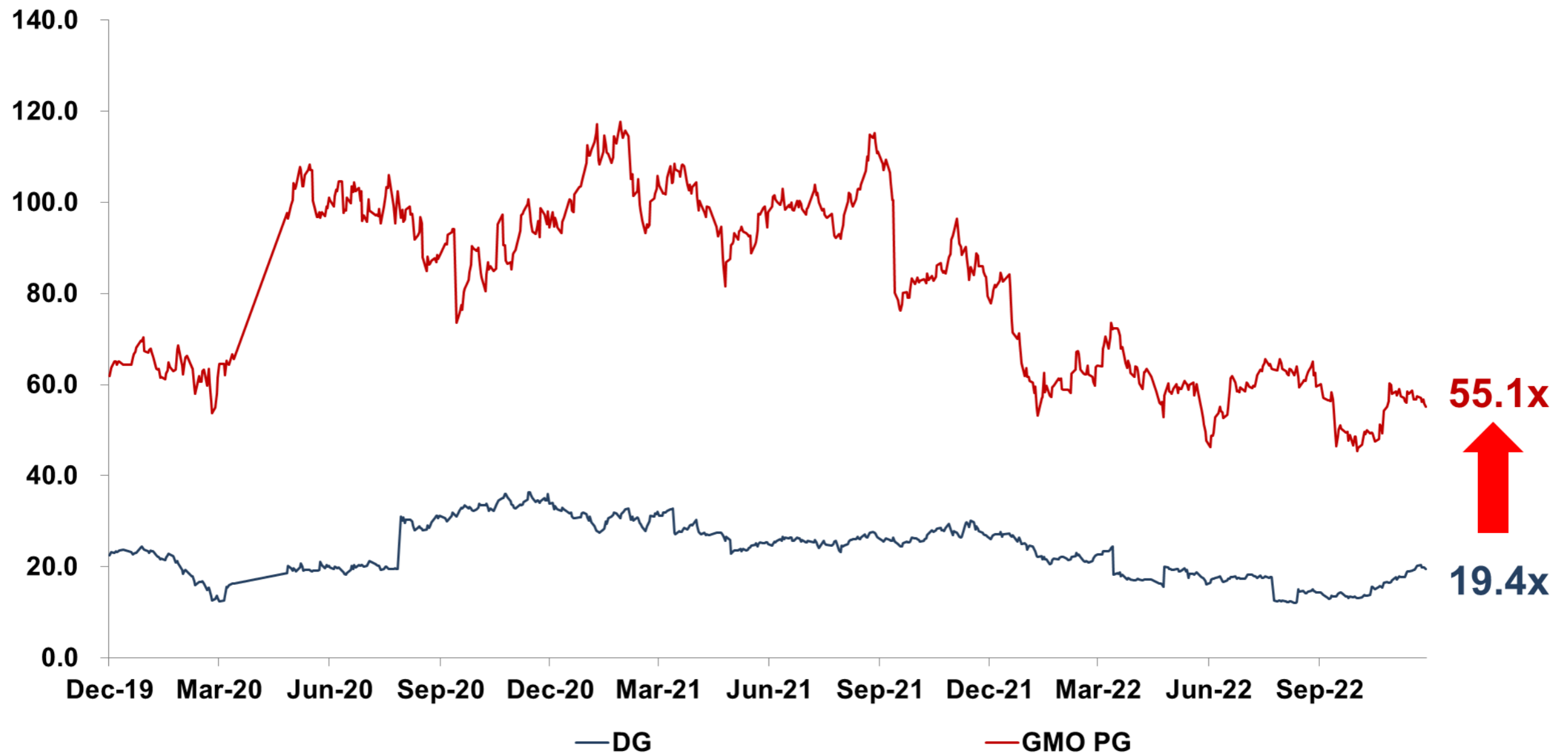


DG is Valued at a Significant Discount to GMO PG...

Source: Bloomberg, Market Data as of December 18, 2022

- The valuation gap between DG and GMO PG is significant
- GMO PG trades at a 2.8x multiple to DG

Historical Multiple Comparison (FY2 P/E)

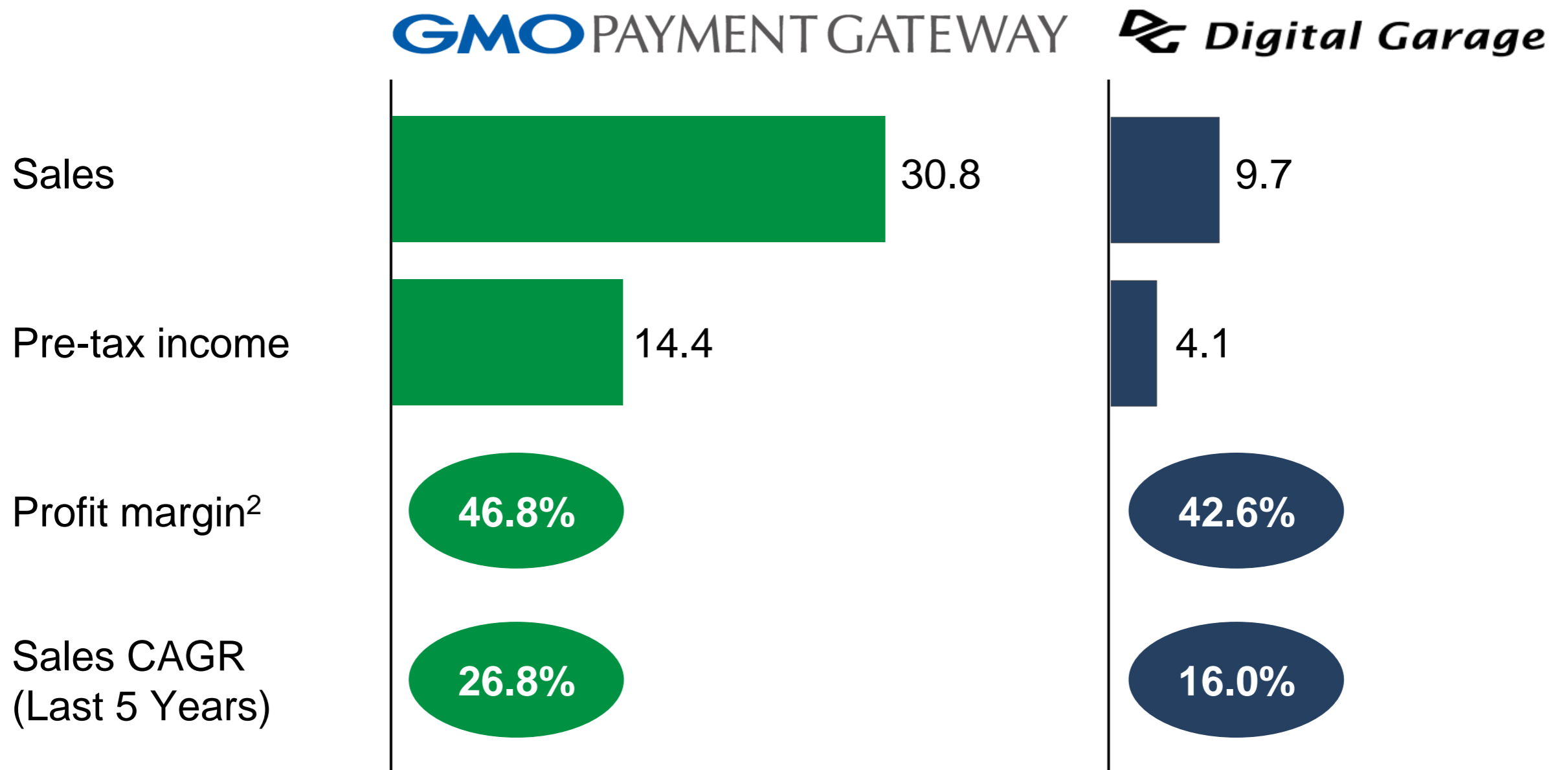


DG's Growth Has Trailed GMO PG

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- GMO PG has outpaced Digital Garage in its growth and its business is currently larger than Digital Garage

Financial Comparison between GMO PG and Digital Garage¹; Bn JPY



1: "Payment Processing Business" for GMO PG; "Financial Technology" segment for Digital Garage

2: Operating profit for GMO PG; Pre-tax income for Digital Garage

Why Has DG Underperformed?

1. Structure & Strategy

- Too many concurrent positions making DG managements unable to focus on growth of its core FT business
- FT segment profit concealed by volatile IT segment
- FT segment could do more to capture generational opportunity in cashless
- FT sales departments lack sufficient personnel
- MT segment growth has stagnated
- DG has not leveraged IT segment's stellar track record
- Vague guidance

2. Governance & Leadership

- Concurrent Chairman role at Kakaku poses a distraction
- Insufficient management focus on growth of FT business to capture market shift towards cashless
- Board lacks experience in payments

3. Capital Allocation

- No synergies with Kakaku, yet maintain holding worth 32% of market cap
- DG is very asset rich (cash + investments make up 61% of mkt cap)
- Investors have no confidence excess capital will be returned to shareholders

1. Structure & Strategy

DG Board Members are Not Able to Focus on the Core FT Segment as They have too Many Concurrent Positions

Source: Company Disclosures

- The accountability for growth of FT business is diminished since the board members of DG has too many concurrent position

DG Board Members

No.	Position	Name	Concurrent Position	In Charge			
				FT	MT	IT	LTI
1	Representative Director	Kaoru Hayashi	13	FT	MT	IT	LTI
2	Member, Board of Directors and Co-Founder	Joi Ito	2			IT	LTI
3	Member, Board of Directors	Keizo Odori	11	FT	MT	IT	LTI
4	Member, Board of Directors	Masahito Okuma	11	FT		IT	LTI
5	Member, Board of Directors	Hiroshi Shino	7	FT			
6	Member, Board of Directors	Masashi Tanaka	6	FT	MT		LTI

1. Structure & Strategy

Core FT Segment Profit is Concealed by Profit Swings in IT Segment

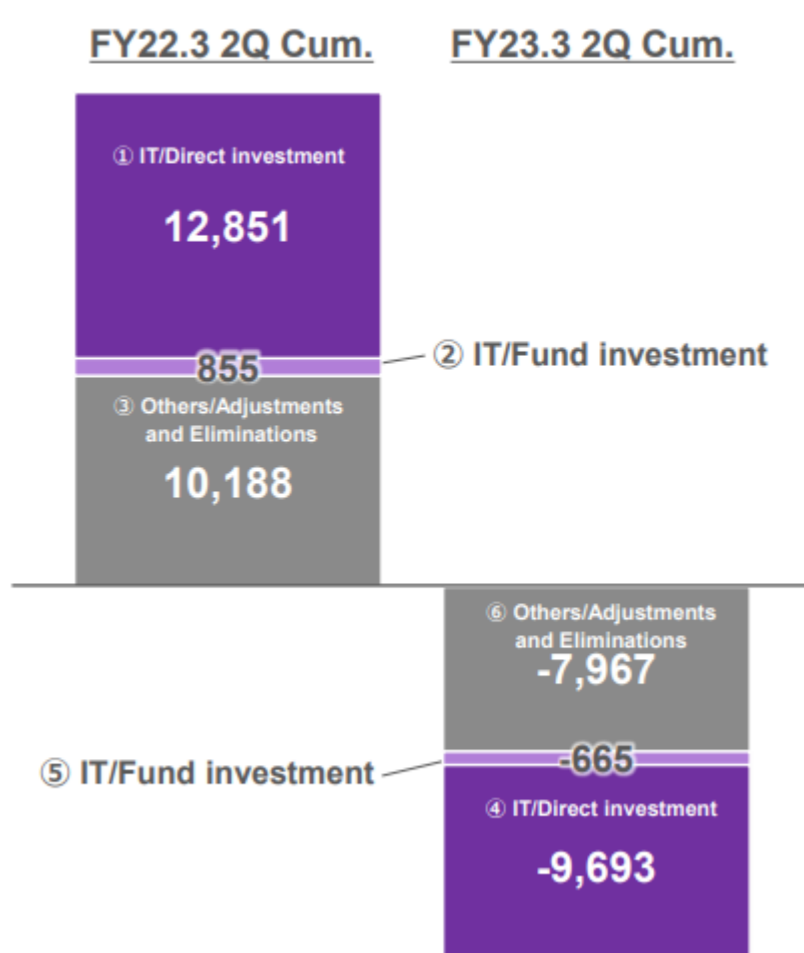
Source: Company Disclosures

- The IT segment profit swings are extreme and conceal the growth of the FT segment
- In 2H FY22/3, DG recorded a loss of ¥42bn from one investment in the IT segment

PL Impact of IT segment is too Significant

■ PL impact of fair value valuation of Blockstream

(Unit : M JPY)



	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY
Revenue	23,893	-10,358	-34,251
Revenue in operational investment securities	① 12,851	④ -9,693	-22,544
Share of profit of investments accounted for using equity method	② 855	⑤ -665	-1,519
Finance income	③ 10,188	-	-10,188
Expenses	-	7,967	+7,967
Finance costs	-	⑥ 7,967	+7,967
Profit before tax	23,893	-18,325	-42,218

IT/Direct investment (①④) : Investment from **DG Ventures, Inc.**, a consolidated sub
 IT/Fund investment (②⑤) : Investment from **DG Lab Fund I**, an equity method affiliate
 Others/Adj. & Elimi. (③⑥) : Investment from **Digital Garage, Inc.**

Multiple Experts Suggest Sales Issues at DG

Source: Expert comments

Lack of sales personnel

““”

The business suffers from consistent lack of sales personnel. There has been multiple cases where the company has lost in tenders due to an overstretched sales representative who couldn't spend enough time on the project.

The company has consistently failed on hiring enough talents on the Financial Technology side, while it has concentrated more efforts on recruiting for the Marketing Technology segment.

Lack of Project Management Function

““”

It is difficult for the DG salespeople to focus on acquiring new clients as the salespeople sometimes spend too much time on managing projects they have acquired.

In addition, IT knowledge has been lacking among the salespeople, which has been a bottleneck for the sales to expand.

Lack of Commitment

““”

GMO PG has the spirit of achieving its sales target number in any circumstances. GMO PG reviews its sales situation weekly and consider a solution if the sales activity is falling behind the target. I think DG has less commitment on the sales target.

Digital Garage should have a coverage team by client sector so that it could efficiently cultivate relationships.

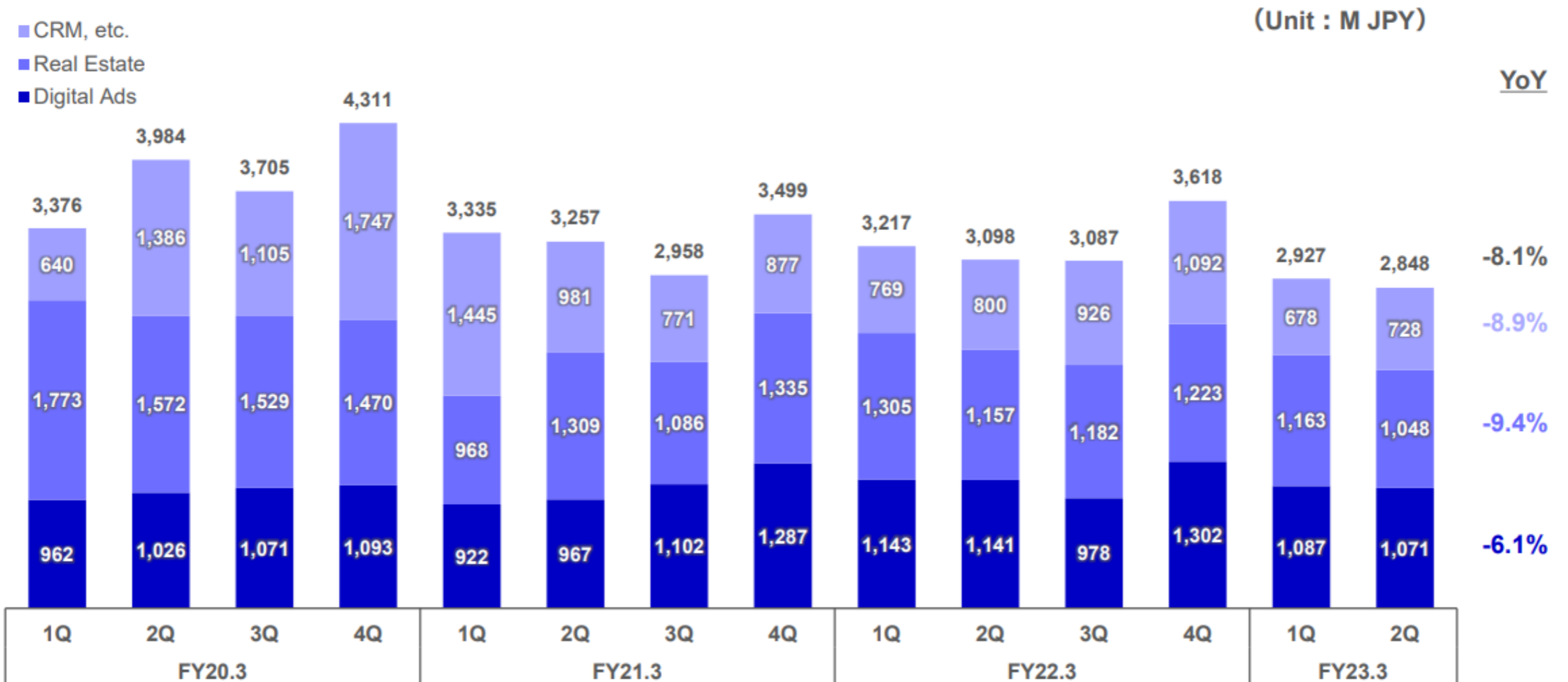
1. Structure & Strategy

MT Segment Growth has Stagnated

Source: Company Disclosures

- Since the Covid-19 pandemic, the MT segment has not been growing

MT Segment Quarterly Segment Revenue



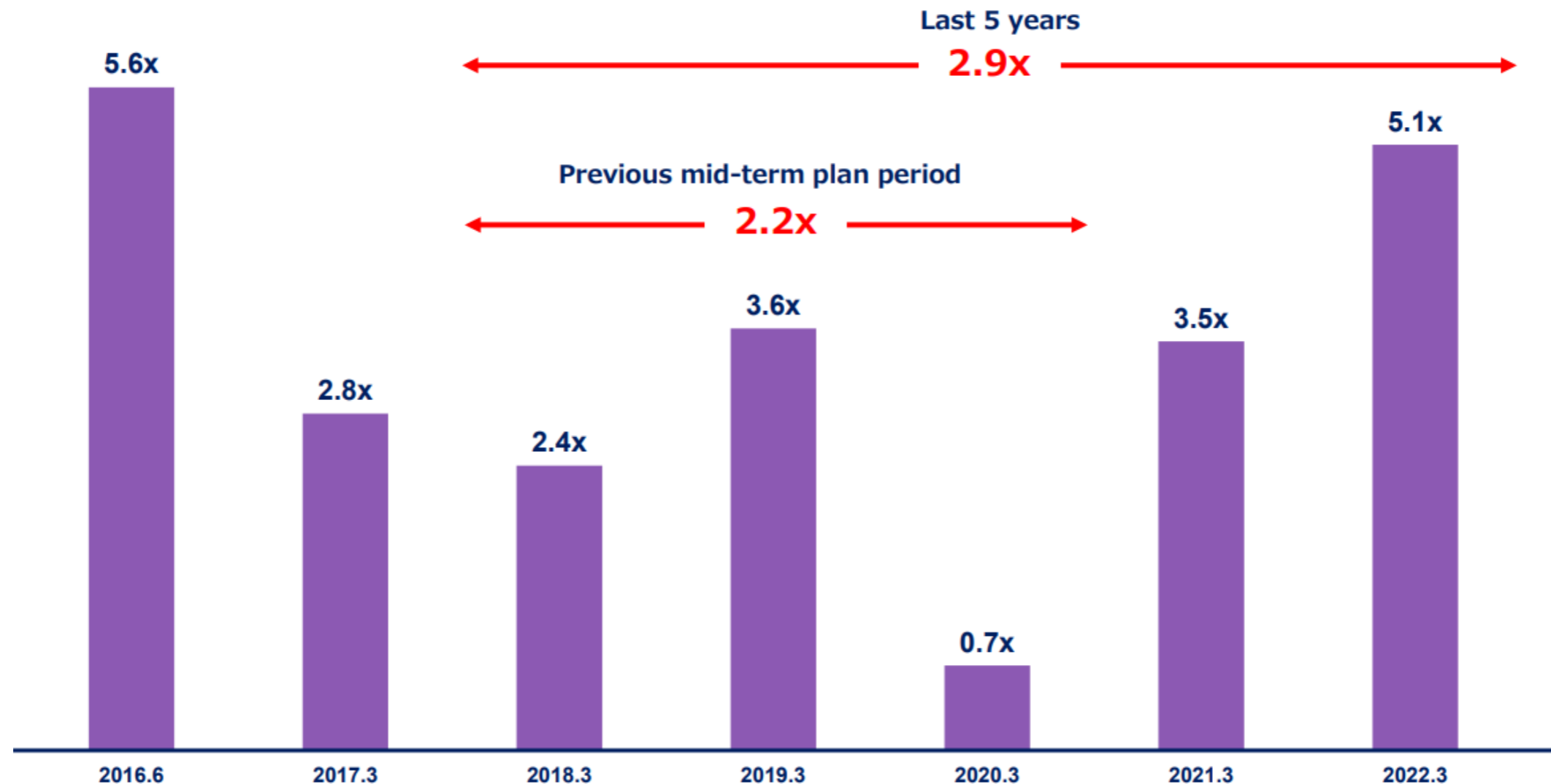
1. Structure & Strategy

DG Has Not Capitalized on IT Segment Success

Source: Company Disclosures

- IT segment has strength in early-stage startup investments
- The company has been successful in the market and the average return on investment has been 2.9x in the last 5 years
- The Company has not been capitalizing on this track record

Track Record in the IT segment (Return on Investments)



1. Structure & Strategy

Guidance for the Growth of the Business is Vague

Source: Company Disclosures

- DG has failed to disclose clear guidance for their businesses
- This shows lack in strategy, commitment and focus

❖ Targets of the Mid-Term Plan (FY2021.3 - FY2025.3)



Growth Indicators		(Profit Before Tax CAGR)		
	FY 20.3	CAGR (20.3 - 25.3)		
FT	4.0 B JPY	20 %	↑	<ul style="list-style-type: none"> ■ Contributing to society as a government-specified operator of "Critical infrastructure", and supporting digital businesses utilizing cutting-edge technologies ■ Further growth of digital ads to leading DX companies, and development of brand ads from developing DX companies into a second pillar ■ In addition to Kakaku.com, create strategic businesses in Japan and overseas
MT	1.9 B JPY	20 %	↑	
LTI	4.7 B JPY	15 %	↑	

Investment Indicators in the Incubation Business				
	FY 20.3	FY 25.3		
IT	ROI 2.2 x	▶ 2.5 x	↑	<ul style="list-style-type: none"> ■ Investment and return at a level that achieves the investment hurdle rate

Capital Efficiency	ROE 20%	Aim for cost of shareholders' equity of 8% or more
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Shareholder Return	Dividend payout ratio to Business cash flow before income taxes	20 %
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※Cost of shareholders' equity calculated by us

2. Governance & Leadership

Mr. Kaoru Hayashi Serves as Chairman for Both DG and Kakaku, which Needs to Change

Source: Company Disclosures

- We believe having Mr. Hayashi as a cross-chairman for DG and Kakaku is preventing DG from exiting its investment in Kakaku

AGM Notice for DG

AGM Notice for Kakaku

Candidate No.	Name (Date of birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
1 Reelection	Kaoru Hayashi (December 26, 1959) Number of the Company's Shares Owned: 6,839,500 shares	Apr. 1983 Representative Director, From Garage, Inc.
		Aug. 1995 Founded the Company Representative Director, the Company
		Dec. 1996 Representative Director, K Garage, Inc. (now Representative Partner, K Garage, G.K.) (current position)
		June 2003 Chairman and Director, Kakaku.com, Inc. (current position)
		Nov. 2004 Representative Director, President and Group CEO, the Company
		Oct. 2013 Director and Chairman, ECONTEXT, INC. (current position)
		Oct. 2015 Director President & Chairman, econtext Asia Limited (current position)
		July 2016 Director Chairman & CEO, Digital Garage US, Inc. (current position)
		July 2016 Director, DG Daiwa Ventures, Inc. (current position)
		Sept. 2016 Representative Director, Chairman and CEO, BI. Garage, Inc. (current position)
		Sept. 2016 Representative Director, President Executive Officer and Group CEO, the Company (current position)
		May 2017 Representative Director, Chairman and CEO, DG Ventures, Inc. (current position)
		Aug. 2018 Representative Director and Chairman, DG Communications Co., Ltd.
		Sept. 2018 Director, Crypto Garage, Inc. (current position)
		June 2021 Representative Director, Chairman and CEO, DG Financial Technology, Inc. (current position)
June 2021 Representative Director, Chairman and President, DG Incubation, Inc. (current position)		
Reason for the nomination as candidate for Director Having paid particular attention to the potential of the Internet service in Japan from its predawn era, Kaoru Hayashi, as founding business manager of the Company, has created new Internet businesses since founding the Company in 1995. In addition, he has driven the Group business management and contributed to expansion of the business, leveraging his wealth of insights about overall Internet business. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.		

Candidate No.		Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company)
1	Kaoru Hayashi [Reelection] [Male] Date of birth: December 26, 1959 Number of shares held in the Company: 165,800 shares Attendance at the meetings of the Board of Directors: 17/17	Aug. 1995 Founder and Representative Director, Digital Garage, Inc.
		Jul. 2002 Representative Chairman, the Company
		Jun. 2003 Chairman of the Board, the Company (present post)
		Oct. 2015 Director President and Chairman, econtext Asia Limited (present post)
		Jul. 2016 Director Chairman and CEO, Digital Garage US, Inc. (present post)
		Sep. 2016 Representative Director, Chairman and CEO, BI.Garage, Inc. (present post)
		Sep. 2016 Representative Director, President Executive Officer and Group CEO, Digital Garage, Inc. (present post)
		May 2017 Representative Director, Chairman and CEO, DG Incubation, Inc. (currently DG Ventures, Inc.) (present post)
		Jun. 2021 Representative Director, Chairman and CEO, DG Financial Technology, Inc. (present post)
		Jun. 2021 Representative Director, Chairman and President, DG Incubation, Inc. (present post)
[Reason for the nomination of the candidate for Director] Mr. Kaoru Hayashi has been focused on future potential since the early days of personal internet services in Japan and has been involved in the internet business as an entrepreneur since founding Digital Garage, Inc. He has a high level of knowledge about the internet business, including global IT technology trends. The Company has nominated him as a candidate for reelection as Director because we have determined that he can be expected to play a suitable role in the expansion of the Company's business and its overall management in the future.		

2. Governance & Leadership

Nearly Half of the DG Board Consists of Outside Directors, and Yet, They Have Been Unable to Realize Value

Source: Company Disclosures

- Nearly half of the Board of DG consists of Outside Directors
- However, there is no expert in the payment service provider industry who could supervise the business

DG Board Members

No.	Position	Name	Age	Internal / Outside	Nationality	Gender	Former Career
1	Representative Director	Kaoru Hayashi	62	Internal	Japan	Male	DG
2	Member, Board of Directors and Co-Founder	Joi Ito	56	Internal	Japan	Male	DG
3	Member, Board of Directors	Keizo Odori	52	Internal	Japan	Male	DG
4	Member, Board of Directors	Masahito Okuma	47	Internal	Japan	Male	Mitsubishi Corp
5	Member, Board of Directors	Hiroshi Shino	46	Internal	Japan	Male	Softbank
6	Member, Board of Directors	Masashi Tanaka	47	Internal	Japan	Male	NTT
7	Outside Director	Makoto Sakai	65	Outside	Japan	Male	Lawyer
8	Outside Director	Emi Omura	46	Outside	Japan	Female	Lawyer
9	Outside Director	Hiromi Ozaki	37	Outside	Japan	Female	MIT
10	Director, Audit and Supervisory Committee Member	Yasuyuki Rokuyata	66	Internal	Japan	Male	DG
11	Director, Audit and Supervisory Committee Member	Junji Inoue	73	Outside	Japan	Male	Mitsubishi Corp
12	Director, Audit and Supervisory Committee Member	Koji Makino	56	Outside	Japan	Male	KPMG
13	Director, Audit and Supervisory Committee Member	Shuma Uchino	68	Outside	Japan	Male	Mitsubishi Corp
Stats			55	Outside: 46% Japanese: 100% Female: 15%			

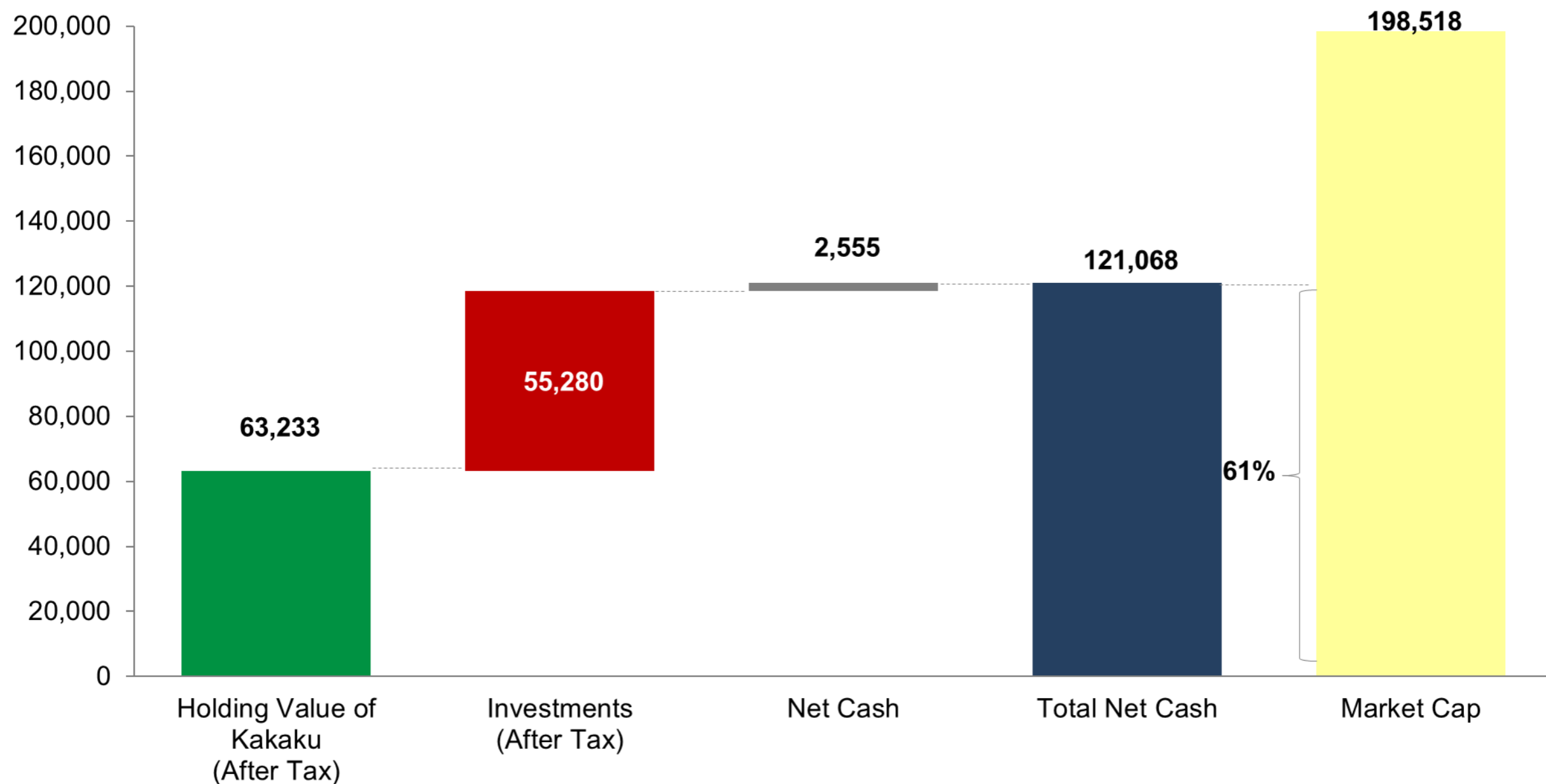
3. Capital Allocation

DG is Very Asset Rich

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- Kakaku shares, investments and cash make up 61% of DG's market cap
- However, this value is heavily discounted by the market.
- The market doubts the Company will ever return capital to shareholders

DG Market Cap v.s. Net Cash (JPY in mn)



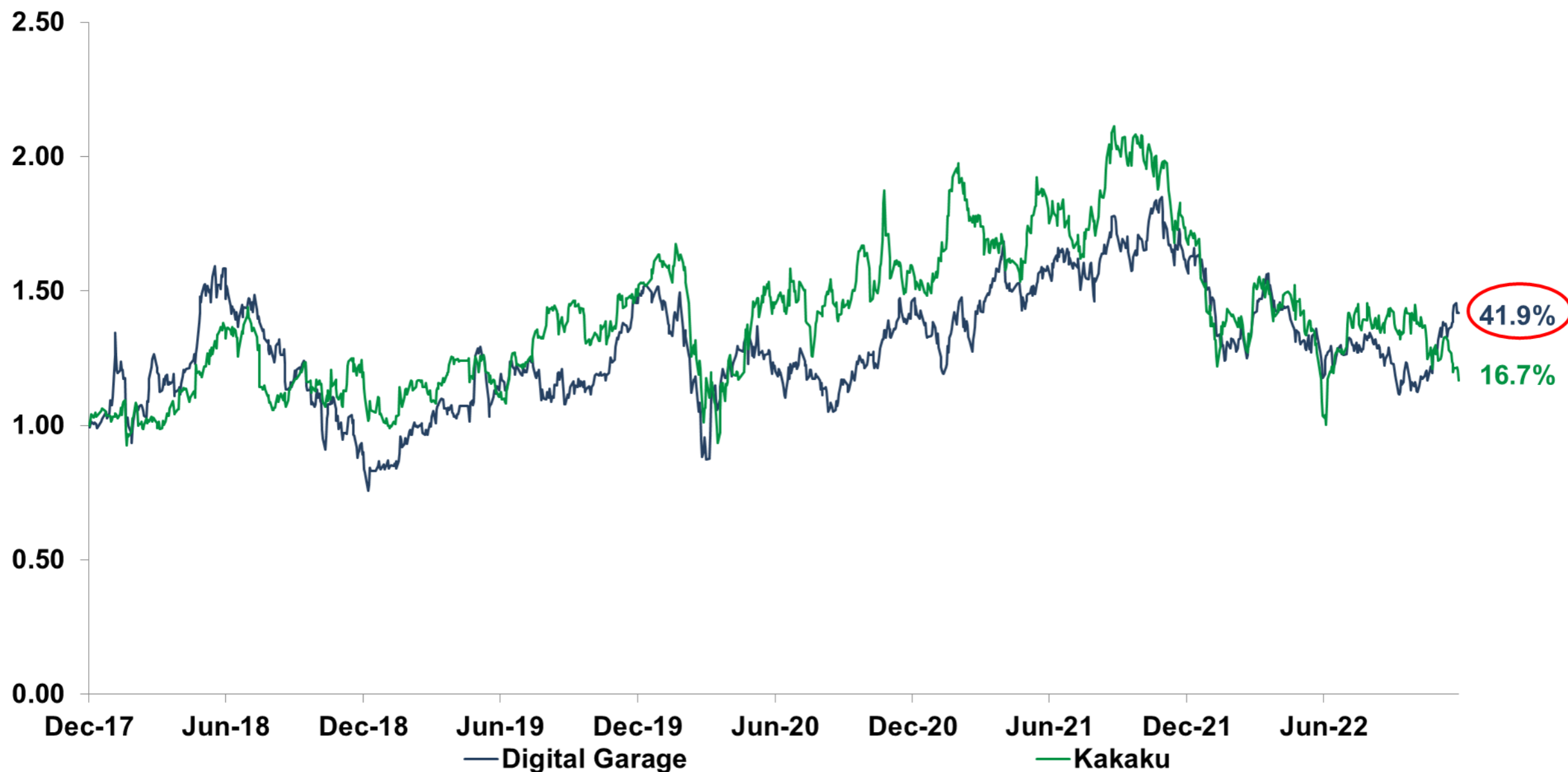
3. Capital Allocation

DG's Stock Mirrors Kakaku's Stock

Source: Bloomberg, Market Data as of December 18, 2022

- DG's stock price movement has been nearly identical to Kakaku's stock price
- The stock market neglects the other businesses within DG

Stock Price Performance Comparison (Relativized, Last 5Y)



5. Oasis Proposal

Oasis Plan for A Better DG

Split the Company into DG Financial Technology & DG Investments

A. DG Financial Technology Improvement Plan

A1. Improve FT Sales Function

A2. Nominate an Independent Director with Sector Expertise

A3. Realize Synergies between the FT Segment and MT Segment

A4. Set Clear Guidance

A5. Focus on Capital Gain

B. DG Investments Improvement Plan

B1. Further Expand the Fund Business

B2. Sell Kakaku Shares

B3. Focus on Shareholder Returns

Benefits to All Stakeholders by Improving DG's Corporate Value

- **DG**
 - Long-term stable continuation of the business
 - M&A using stock consideration
 - Improvement of capital raising capacity
- **DG Employees**
 - Long-term stable employment
 - Attract excellent talent by improving corporate image
 - Improvement in wages
- **Clients**
 - Creating partners that can trust in the long term
- **Creditors**
 - Reduction of credit risk
 - Further room for lending
- **Shareholders**
 - Share price appreciation
 - Improvement in shareholder return

Oasis Proposals for DG

1. Structure & Strategy

- Conduct a tax-effective spin-off to split FT segment and MT segment
- Capitalize in FT business on shift to cashless
- Improve Sales: Hire project managers; Train sales teams by sector; Enhance sales product training
- Realize synergies between FT & MT segments
- Set clear guidance
- In IT, expand the fund business

2. Governance & Leadership

- Step down from concurrent role
- Add experience to board
- Independent management more focused on separate businesses

3. Capital Allocation

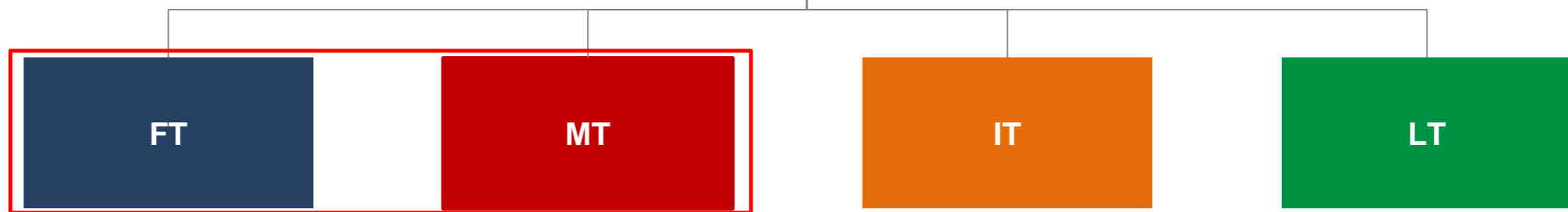
- Fully divest Kakaku stake
- Improve shareholder return

Split the Company into DG Financial Technology and DG Investments

DG Will be a Better Company if it Splits into DG Financial Technology and DG Investments

- DG will be a better company if it splits into two completely independent entities: DG Financial Technology (Current FT segment + MT segment) and DG Investments (IT segment + LTI segment)

Current DG Business



Tax Free Spin-off

DG After Spinning-Off DG Financial Technology



Spinning Off DG Financial Technology will Benefit All Stakeholders

Source: Ministry of Economy, Trade and Industry

- Management will be able to focus more on each business if DG Financial Technology is spun off
- Merits of spin-offs include the creation of 1) independent management, 2) independent capital, and 3) an independent listed company

Independent management

- The original company's management is able to **focus on their core business**
- The independent company can **make faster and more flexible decisions**. The **motivation of the management / employees will increase**

Independent capital

- **The independent company is able to make the necessary investments** which they could not before, via independent financing
- **Third parties would be able to invest in the original / independent company**
- The new independent company will be able to introduce a stock incentive plan which is linked to shareholder value
- **The independent company can conduct business with companies which were competitors** before the spin off
- By utilizing a spin off together with a business combination, it would be difficult to become restricted by antitrust law regulations around business combinations

Independent listed company

- **Could attract investors that are only interested in each business**
- **Could conquer conglomerate discount¹**

¹In the case where a company is running multiple businesses, the sum of the business value is evaluated lower in the market than in the case of individually operating them



Spin off will increase both original and independent companies' enterprise value

Tax Effective Spin-Off will Work for Execution

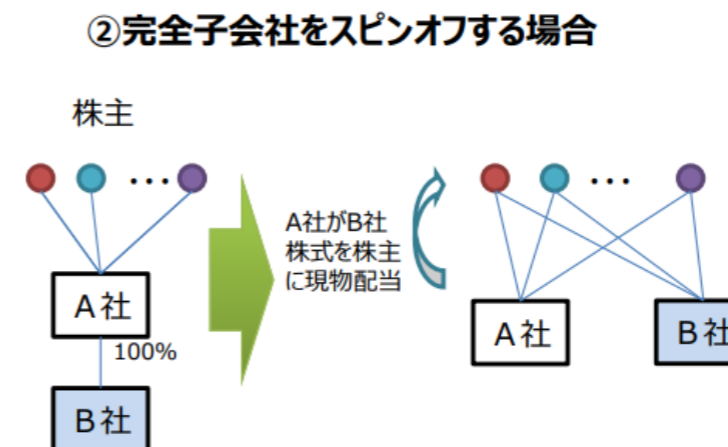
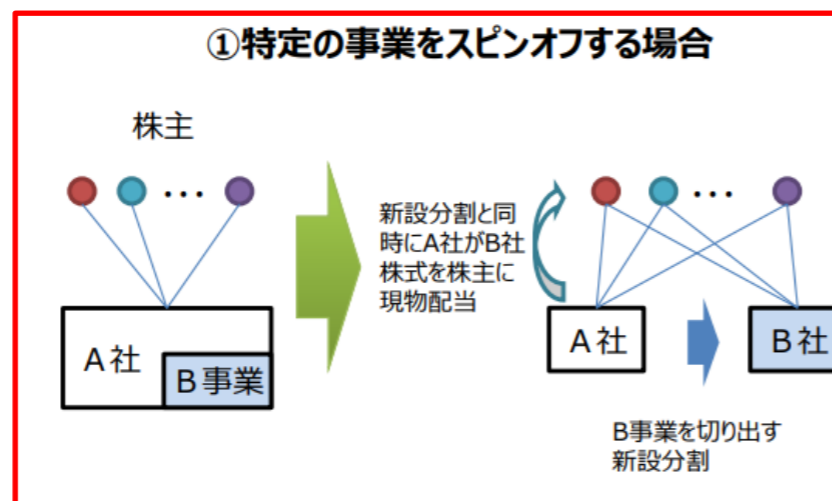
Source: Ministry of Economy, Trade and Industry

- Stakeholders would be able to benefit from a tax effective spin-off if DG creates DG Financial Technology and DG Investments
- The “分割型分割” scheme would work to spin-off the FT segment and MT segment and create DG Financial Technology
- There will be no equity relationship between DG Financial Technology and DG Investments. This will create two completely independent companies

スピノフとは

- 自社内の特定の事業部門又は子会社を切り出し、独立させるもの。独立した会社の株式は元の会社の株主に交付される。
- 自社内の特定の事業部門を切り出す場合は新設分割、子会社を切り出す場合はいわゆる現物配当（注）により行う。

（注）いわゆる現物配当は、会社法上は配当財産が金銭以外の財産である剰余金の配当に当たる。また、法人税法上は完全子会社の株式の全部が移転する現物分配が株式分配に当たる。



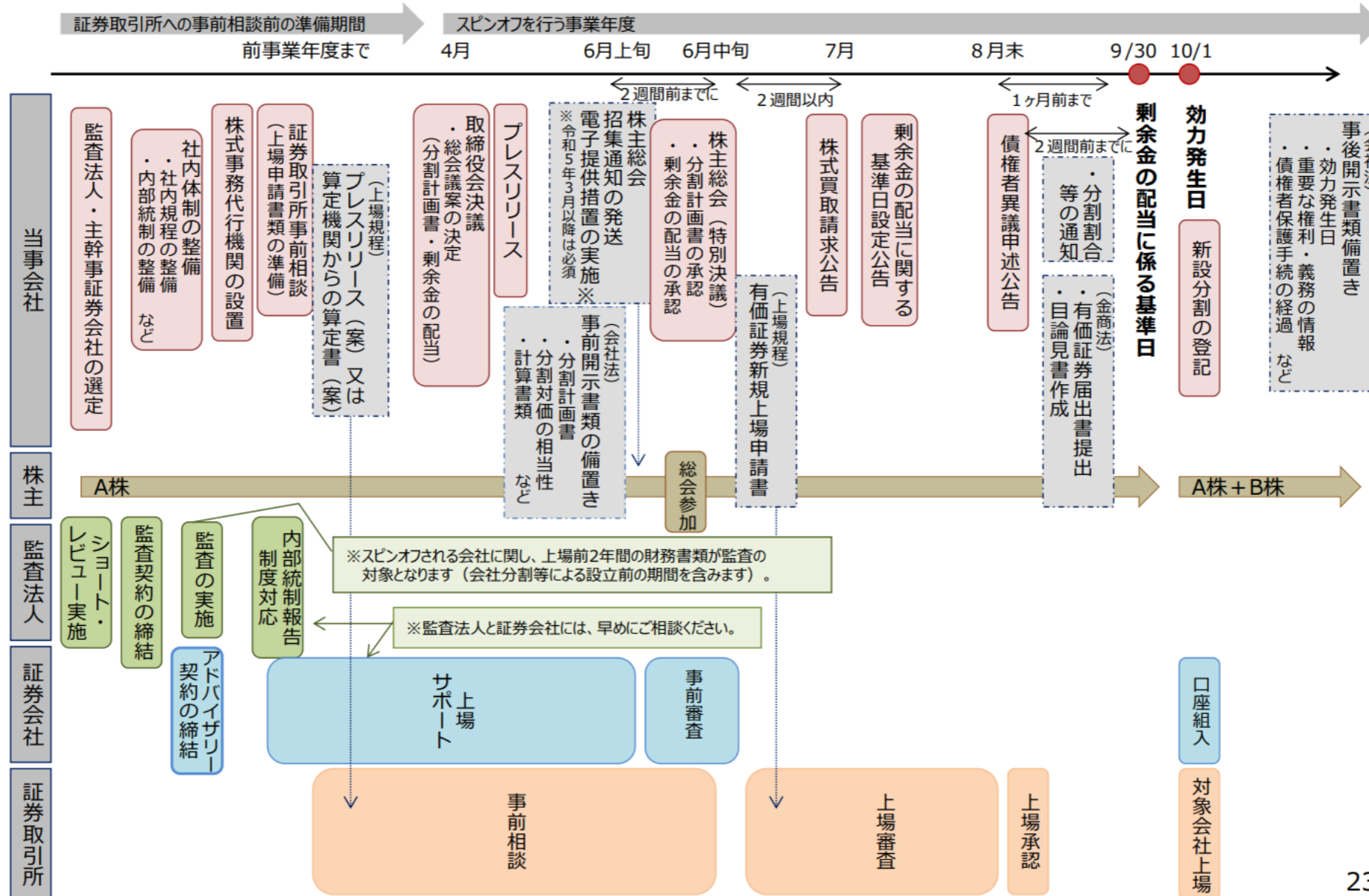
Tax Effective Spin-Off: Example Timeline

Source: Ministry of Economy, Trade and Industry

- DG should start work now on the spin-off in order to execute in the next fiscal year

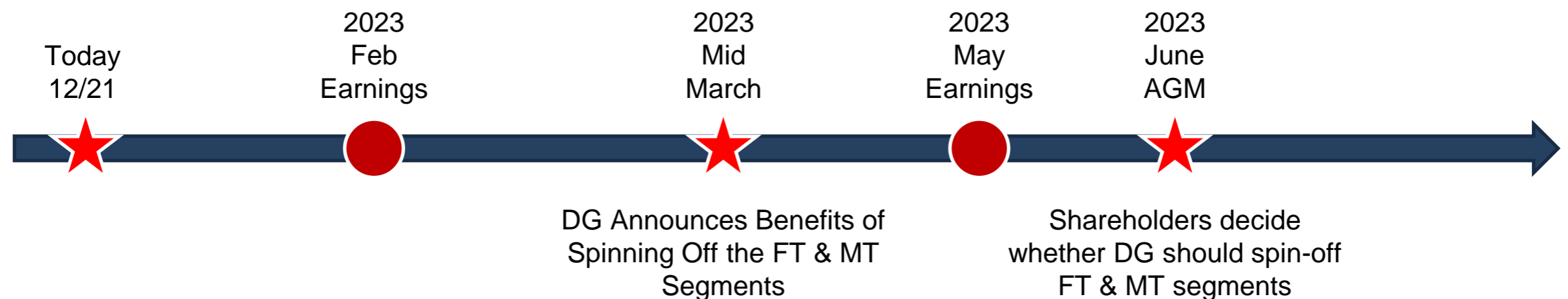
Schedule Example

(参考) 想定される各種手続きとスケジュール (分割型分割) ※3月決算会社で10月1日を効力発生日とする例



We Urge DG's Board to Tax-Free Spin-Off the FT & MT Segments to Create DG Financial Technology

- **DG's Board should propose a tax-free spin-off of the FT and MT segments to create DG Financial Technology at the next AGM**
- **This corporate action would significantly increase management engagement with and focus on each of the businesses, and increase the value of DG as a whole**
- **As a milestone, DG should announce the benefits of creating DG Financial Technology by mid-March 2023 so that investors can understand the benefits**



Illustrative Board Composition

Source: Company Disclosures

- The below would be the illustrative board composition for each of the companies on day one. Additional diversity and experienced Directors would need to be added

DG Financial Technology Board Members

No.	Position	Name	Age	Internal / Outside	Nationality	Gender	Former Career
1	Representative Director	Kaoru Hayashi	62	Internal	Japan	Male	DG
2	Member, Board of Directors	Keizo Odori	52	Internal	Japan	Male	DG
3	Member, Board of Directors	Hiroshi Shino	46	Internal	Japan	Male	Softbank
4	Outside Director	Makoto Sakai	65	Outside	Japan	Male	Lawyer
5	Outside Director	Junji Inoue	73	Outside	Japan	Male	Mitsubishi Corp
6	Outside Director	Koji Makino	56	Outside	Japan	Male	KPMG
Stats			59	Outside: 50% Japanese: 100% Female: 0%			

DG Investments Board Members

No.	Position	Name	Age	Internal / Outside	Nationality	Gender	Former Career
1	Representative Director	Masahito Okuma	47	Internal	Japan	Male	Mitsubishi Corp
2	Member, Board of Directors	Joi Ito	56	Internal	Japan	Male	DG
3	Member, Board of Directors	Masashi Tanaka	47	Internal	Japan	Male	NTT
4	Outside Director	Emi Omura	46	Outside	Japan	Female	Lawyer
5	Outside Director	Hiromi Ozaki	37	Outside	Japan	Female	MIT
6	Member, Board of Directors	Yasuyuki Rokuyata	66	Internal	Japan	Male	DG
7	Outside Director	Shuma Uchino	68	Outside	Japan	Male	Mitsubishi Corp
Stats			52	Outside: 42% Japanese: 100% Female: 29%			

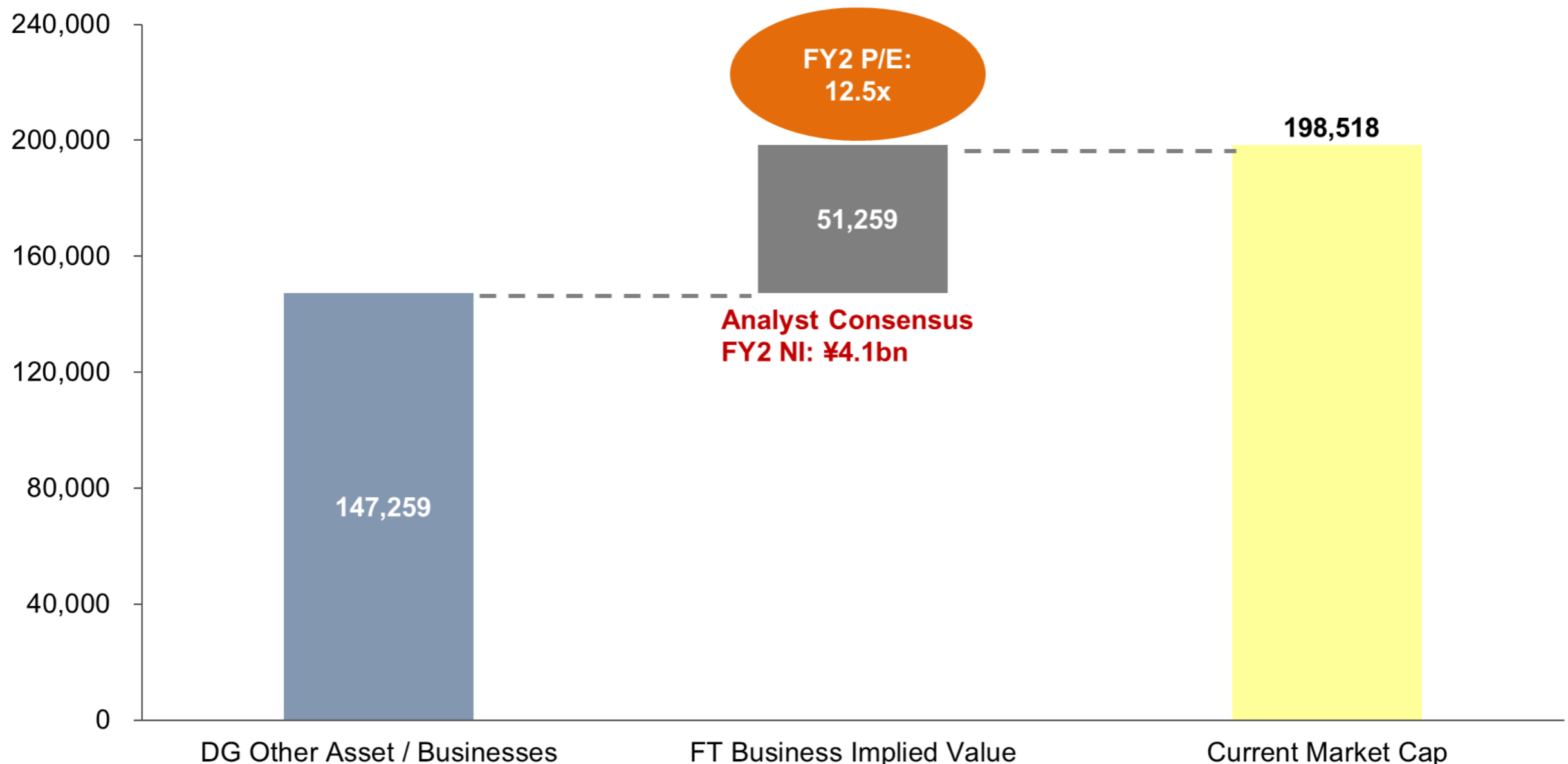
A. DG Financial Technology Improvement Plan

The FT Segment is Valued at ¥51bn, or 12.5x FY2P/E

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- The implied FT segment value is ¥51bn, stripping out all the other DG businesses
- This implies a 12.5x FY2 P/E multiple, which is not a multiple which should be applied to a business where the profit grows at a 20% CAGR

Implied Value of the FT segment (JPY in mn)



After Executing Growth Plan, FT Segment Could Be Valued at ¥225bn

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- Implementing clear growth plan will substantially increase value of the FT segment

Profit Before Tax

¥5.9bn



Tax

69%



GMO PG FY2 P/E

55x

Implied Value

¥225bn

A1. Strengthen FT Sales

Multiple Experts Suggest Sales Issues at DG

Source: Expert Comments

Lack of sales personnel

““”

The business suffers from consistent lack of sales personnel. There has been multiple cases where the company has lost in tenders due to an overstretched sales representative who couldn't spend enough time on the project.

The company has consistently failed on hiring enough talents on the Financial Technology side, while it has concentrated more efforts on recruiting for the Marketing Technology segment.

Lack of Project Management Function

““”

It is difficult for the DG salespeople to focus on acquiring new clients as the salespeople sometimes spend too much time on managing projects they have acquired.

In addition, IT knowledge has been lacking among the salespeople, which has been a bottleneck for the sales to expand.

Lack of Commitment

““”

GMO PG has the spirit of achieving its sales target number in any circumstances. GMO PG reviews its sales situation weekly and consider a solution if the sales activity is falling behind the target. I think DG has less commitment on the sales target.

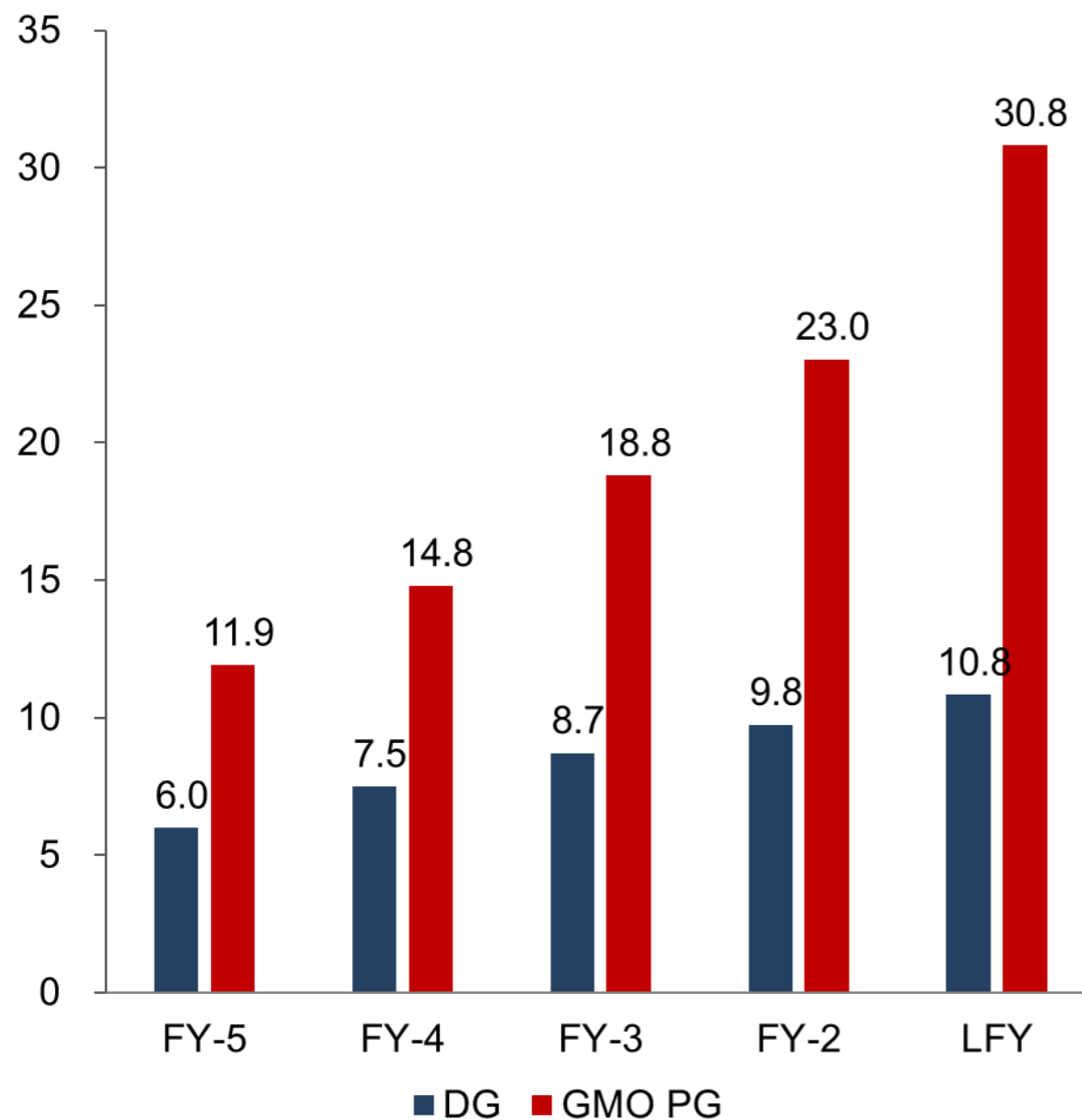
Digital Garage should have a coverage team by client sector so that it could efficiently cultivate relationships.

DG's Headcount Is too Small to Pursue Further Growth

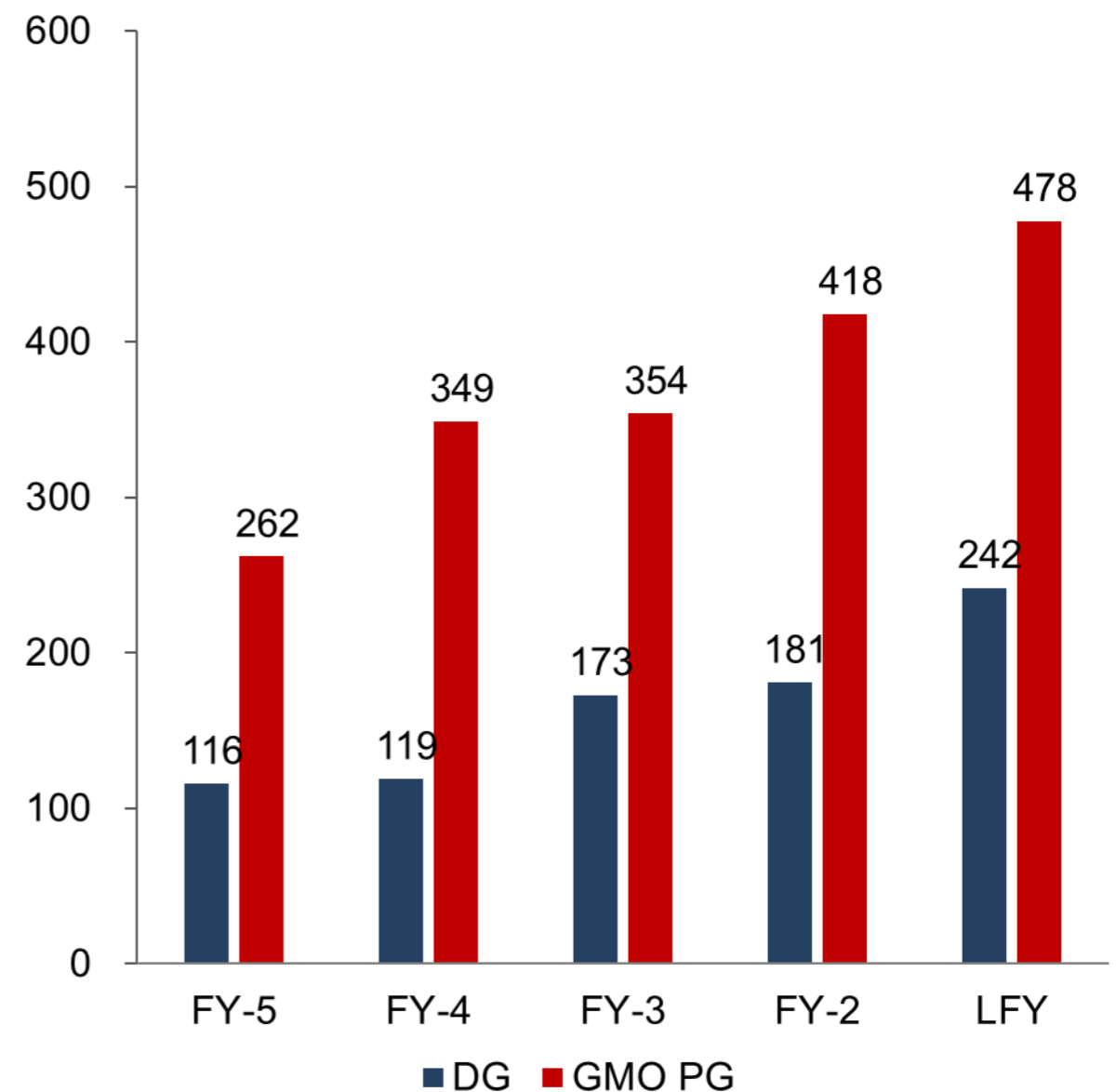
Source: Company Disclosures

- The growth of sales in the market has been driven by growth in the number of employees
- DG should further accelerate hiring of sales and project management staff to grow the business

Sales (JPY in bn)



Number of Employees



DG Should Hire Project Managers so Sales Staff Can Focus on Acquiring New Clients

Source: Expert comments

- One of the issues in DG's sales department is that when the sales managers acquire new clients, they tend to become the client's project manager, which makes it difficult for them to acquire additional new clients
- DG should create a new department focused on project management so salespeople can focus on acquiring new clients

Current DG Operation

IT Department

- IT department customizes products depending on customer needs, which are communicated by the sales department

Sales Department

- Sales department acts as an intermediary to reflect customer needs to DG system
- Sales dept. resources are locked up with current customers

Customer

- Customers interact directly with the sales department as the "face"

What DG Operation should Look Like

IT Department

- IT department customizes products depending on customer needs, which are communicated by the project management department

Project Management Department

- Be the "Face" of DG for current clients

Sales Department

- Cultivate new clients

Customer

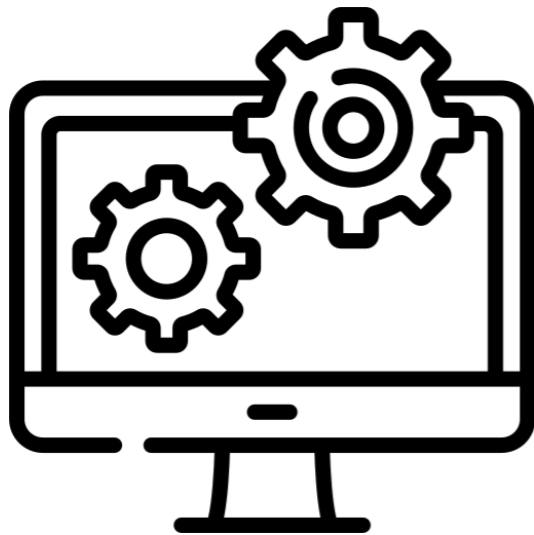
- Customers interact directly with the project management department as the "face"

DG Should Leverage the Strength of its Product to Appeal to Customers

Source: Company Disclosures, expert comments

- DG's system can be customized depending on client requirements. This is one of the strengths of DG's product
- We believe this strength has not been leveraged enough with clients
- DG should educate the sales team so that the sales teams have deeper knowledge of IT to effectively communicate DG's product strengths to customers

IT Department



Sales Department



DG Should Consider Creating Industry Sales Teams

Source: Company Disclosures, expert comments

- **DG currently does not have any sales team dedicated to specific sectors**
- **Since there is required customization for each sector, we suggest DG rebuild its sales teams to develop expertise in each sector**

Bank / Financial Institution

Restaurants

Travel

Government Related

General Retail

Real Estate

Amusement Facility

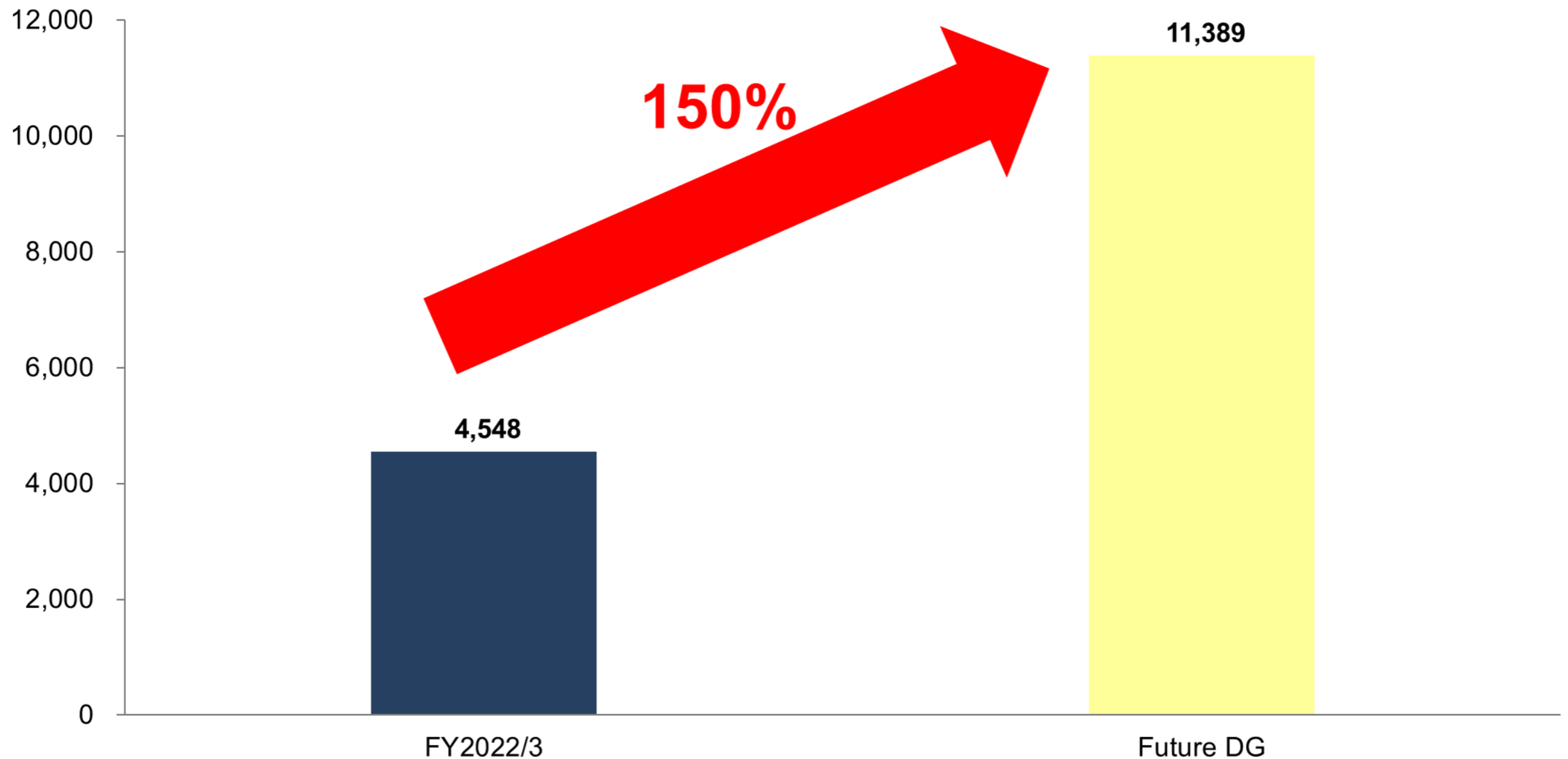
Utility

DG's Profit Could Grow 150% Implementing our Proposals

Source: Company Disclosures, Oasis estimates

- With more focus in the sales force, DG's profit could grow 150%

Profit Before Tax (JPY in mn)



A2. Hire a Director with Sector Expertise

DG's Board Lacks Specialist Knowledge in the Payment Service Provider Industry

Source: Company Disclosures

- Current DG Board does not have any specialists with experience in the Payment Service Provider industry
- We believe someone who could better manage the FT segment and hold management accountable for growth with significant payment service provider experience should be included in the Board
- In addition, someone who has strength in managing the sales department could significantly increase value

DG Board Members

No.	Position	Name	Age	Internal / Outside	Nationality	Gender	Former Career
1	Representative Director	Kaoru Hayashi	62	Internal	Japan	Male	DG
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12	Director, Audit and Supervisory Committee Member	Koji Makino	56	Outside	Japan	Male	KPMG
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Stats			55	Outside: 46% Japanese: 100% Female: 15%			

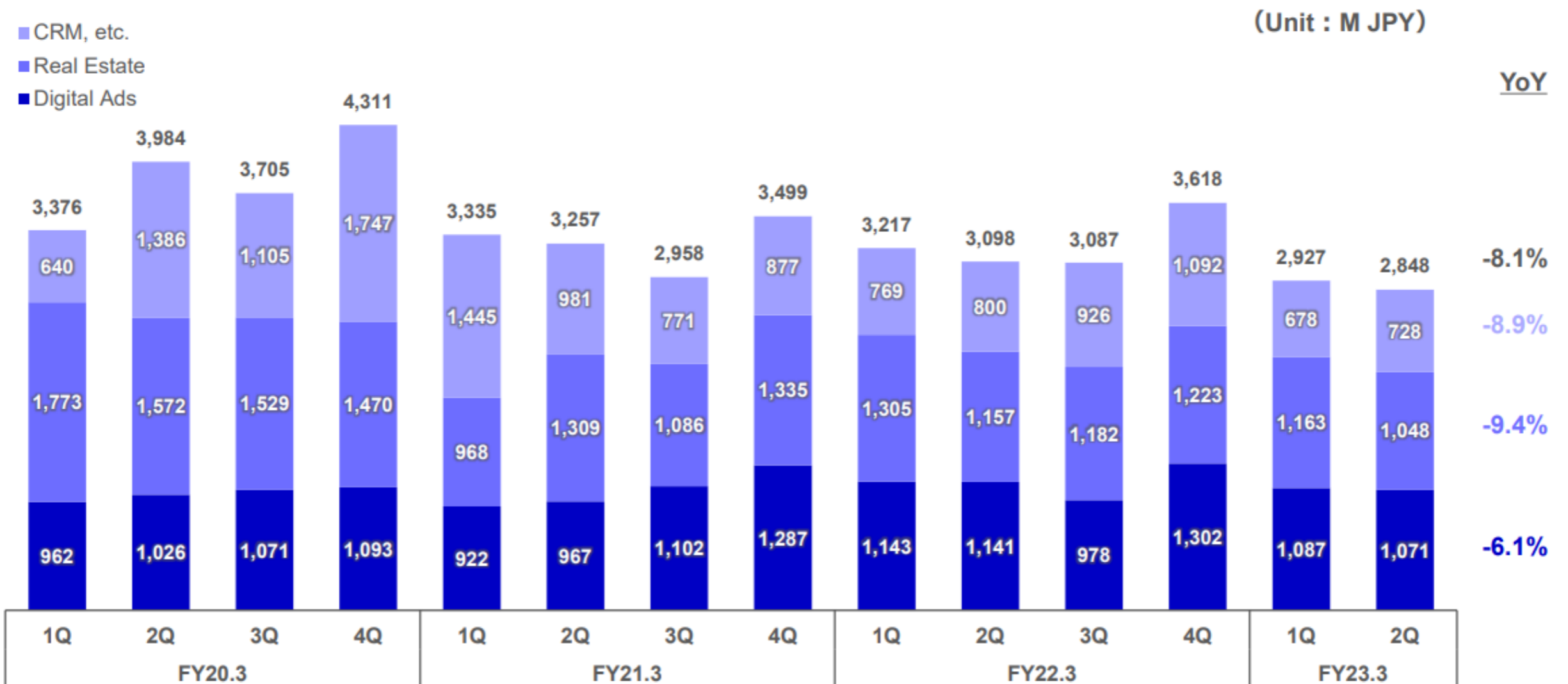
A3. Realize Synergies between the FT Segment and MT Segment

MT Segment Growth has Stagnated

Source: Company Disclosures

- Since the Covid-19 pandemic, the MT segment has not been growing

MT Segment Quarterly Segment Revenue

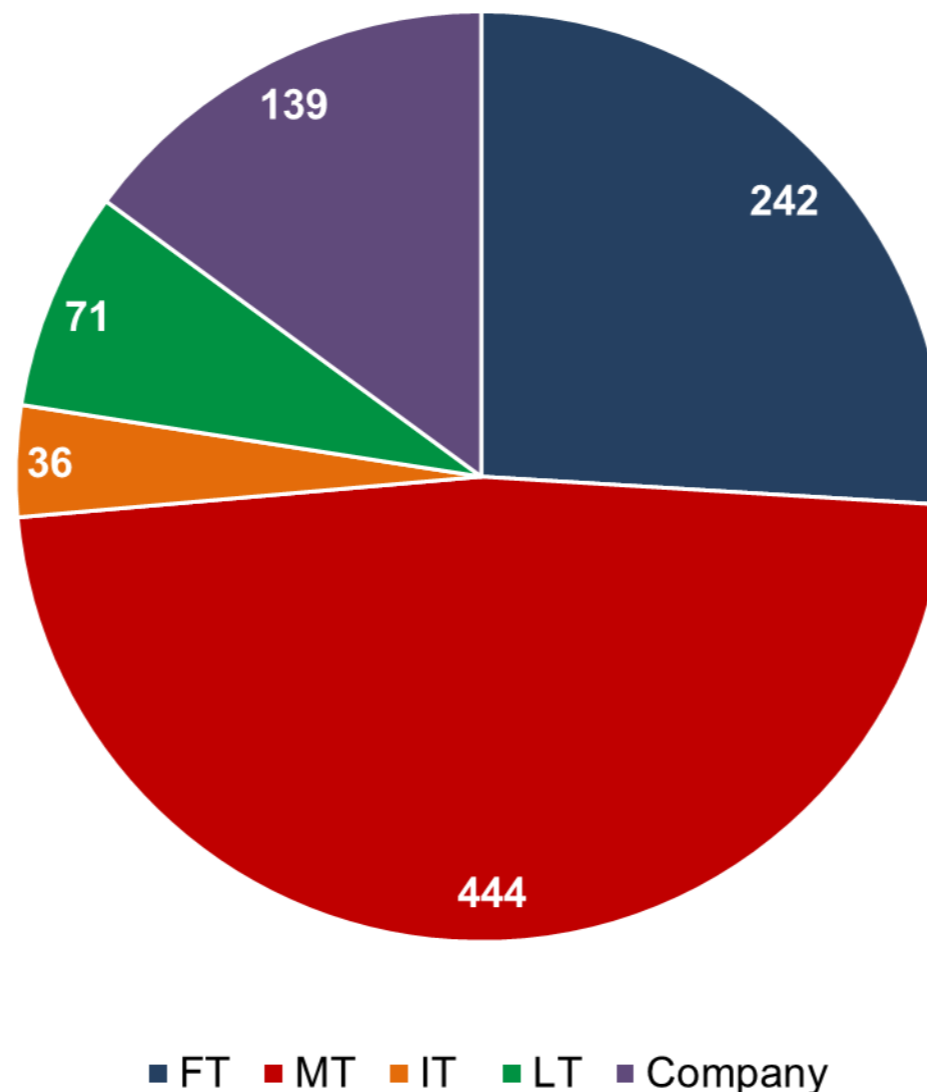


DG Should Consider Relocating Staff from the MT Segment to the FT Segment

Source: Company Disclosures

- The number of employees in the core FT segment only accounts for 26% of total employees, while the MT segment has nearly double the headcount
- DG should consider relocating staff to the FT Segment

Number of Employees by Segment

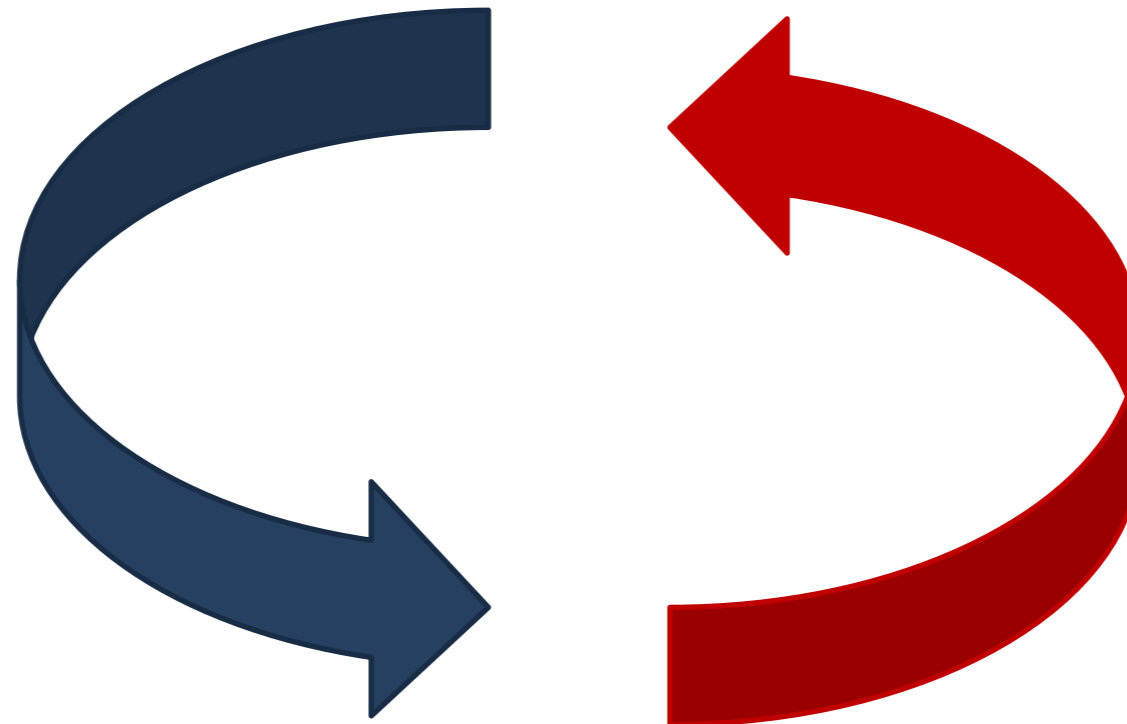


Synergies with the FT Segment Should Be Pursued

- The new DG Financial Technology would create further value by realizing synergies
- The MT business could expand sales to the FT segment clients, which would in turn boost settlement transactions



- Provides payment settlement service
- Help clients with data / payment solutions



- Provides marketing strategy to grow customers' business

Transaction Volume increase in the FT segment

Further Business in MT segment as customers spend more on marketing

A4. Set Clear Guidance

Due to Volatile IT Segment, DG Has Not Disclosed Formal Guidance

- Due to the overall business performance being affected by the volatile IT segment, DG was unable to disclose formal guidance
- This will not be the case after the Company splits into two

Quote from DG Quarterly Report

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

The Company does not disclose its consolidated financial results forecast because it is difficult to reasonably estimate the fair value of securities held by the Group at the end of the fiscal year in the field of investment and incubation in domestic and overseas unlisted companies in the Incubation Technology Segment.

DG Financial Technology Should Set Clear Guidance for the Business with a Bottom-Up Approach

Source: Company Disclosures

- DG Financial Technology should provide clear guidance with a bottom-up approach
- This would further increase the commitment to the guidance for management
- DG has only provided vague guidance historically, which has been a reason for low commitment and low earnings targets

DG Mid-Term Plan Targets

❖ Targets of the Mid-Term Plan (FY2021.3 - FY2025.3)



Growth Indicators		(Profit Before Tax CAGR)	
	FY 20.3	CAGR (20.3 - 25.3)	
FT	4.0 B JPY	20 %	↑
MT	1.9 B JPY	20 %	↑
LTI	4.7 B JPY	15 %	↑

- Contributing to society as a government-specified operator of "Critical infrastructure", and supporting digital businesses utilizing cutting-edge technologies
- Further growth of digital ads to leading DX companies, and development of brand ads from developing DX companies into a second pillar
- In addition to Kakaku.com, create strategic businesses in Japan and overseas

Investment Indicators in the Incubation Business		
	FY 20.3	FY 25.3
IT	ROI 2.2 x	▶ 2.5 x ↑

- Investment and return at a level that achieves the investment hurdle rate

Capital Efficiency	ROE 20%	Aim for cost of shareholders' equity of 8% or more
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Shareholder Return	Dividend payout ratio to Business cash flow before income taxes	20 %
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※Cost of shareholders' equity calculated by us

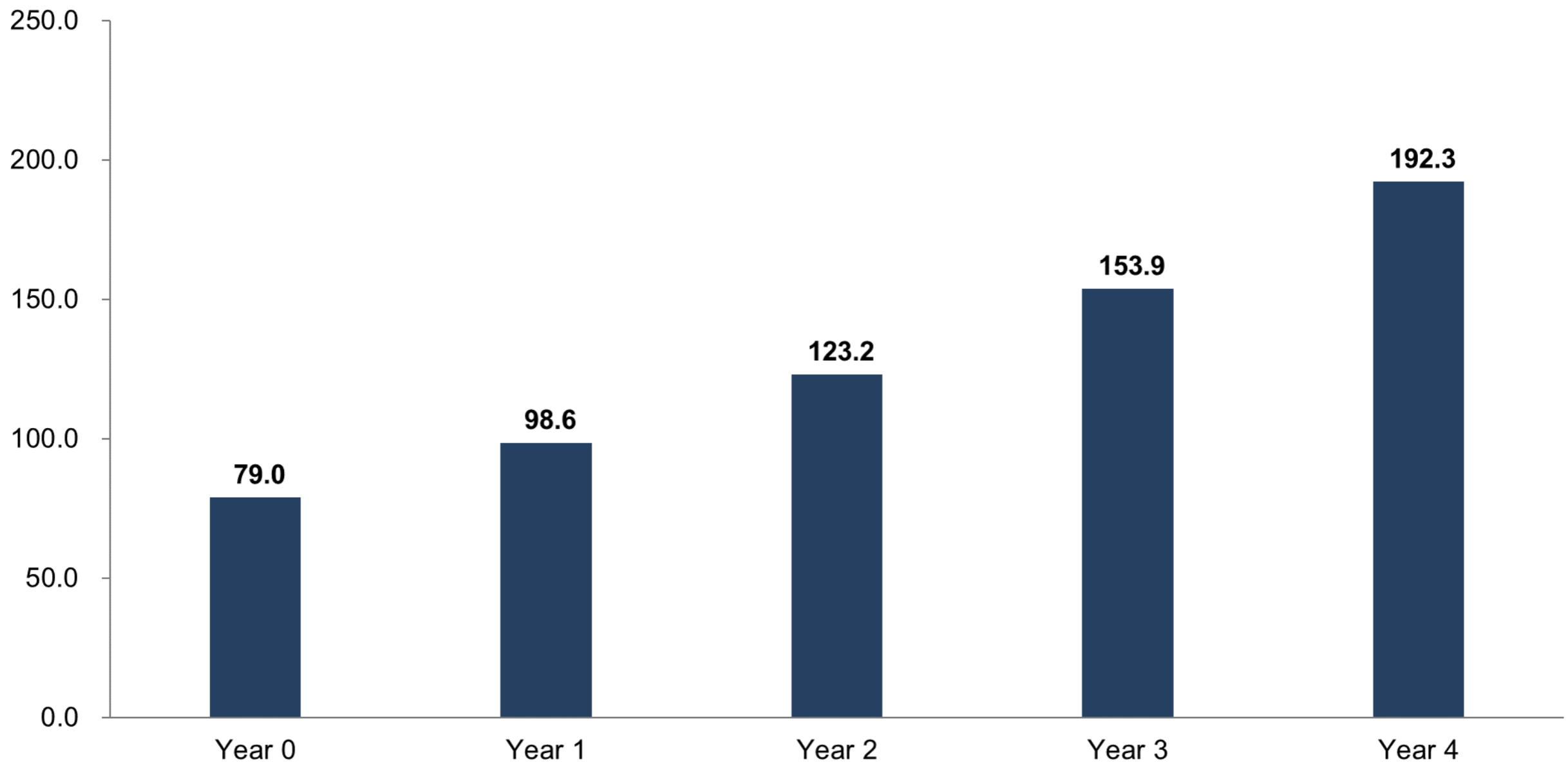
A5. Focus on Capital Gain

DG Financial Technology should Focus on Capital Gain

Source: Oasis estimates

- **DG Financial Technology should focus on capital gain**
- **The business could grow 25% CAGR in profit and we believe it makes the most sense for DG Financial Technology to reinvest in the business**

DG Financial Technology EPS Increase Over Time



Significant and Stable Growth will Result in Massive Capital Gain for Shareholders... Like GMO PG

Source: Bloomberg, Market Data as of December 18, 2022

- We have strong conviction that DG Financial Technology shares could perform like GMO PG over the last 5 years

GMO PG Total Return (Last 5Y)



Implied Share Price of DG Financial Technology Would be JPY5,226 per Share

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022, Oasis estimates

- With implementation of our improvement plan for DG Financial Technology, the shares of DG Financial Technology would be priced at JPY5,226

DG Financial Technology Valuation

FT segment FY2 Profit Before Earnings	¥5,906mn	MT segment FY2 Profit Before Earnings	¥1,853mn
FY2 P/E Multiple	55.1x	FY2 P/E Multiple	17.5x
Value of FT segment	¥225bn	Value of MT segment	¥22bn

Total	¥248bn
Number of Shares Outstanding	47.4mn
Implied Price per Share	¥5,226

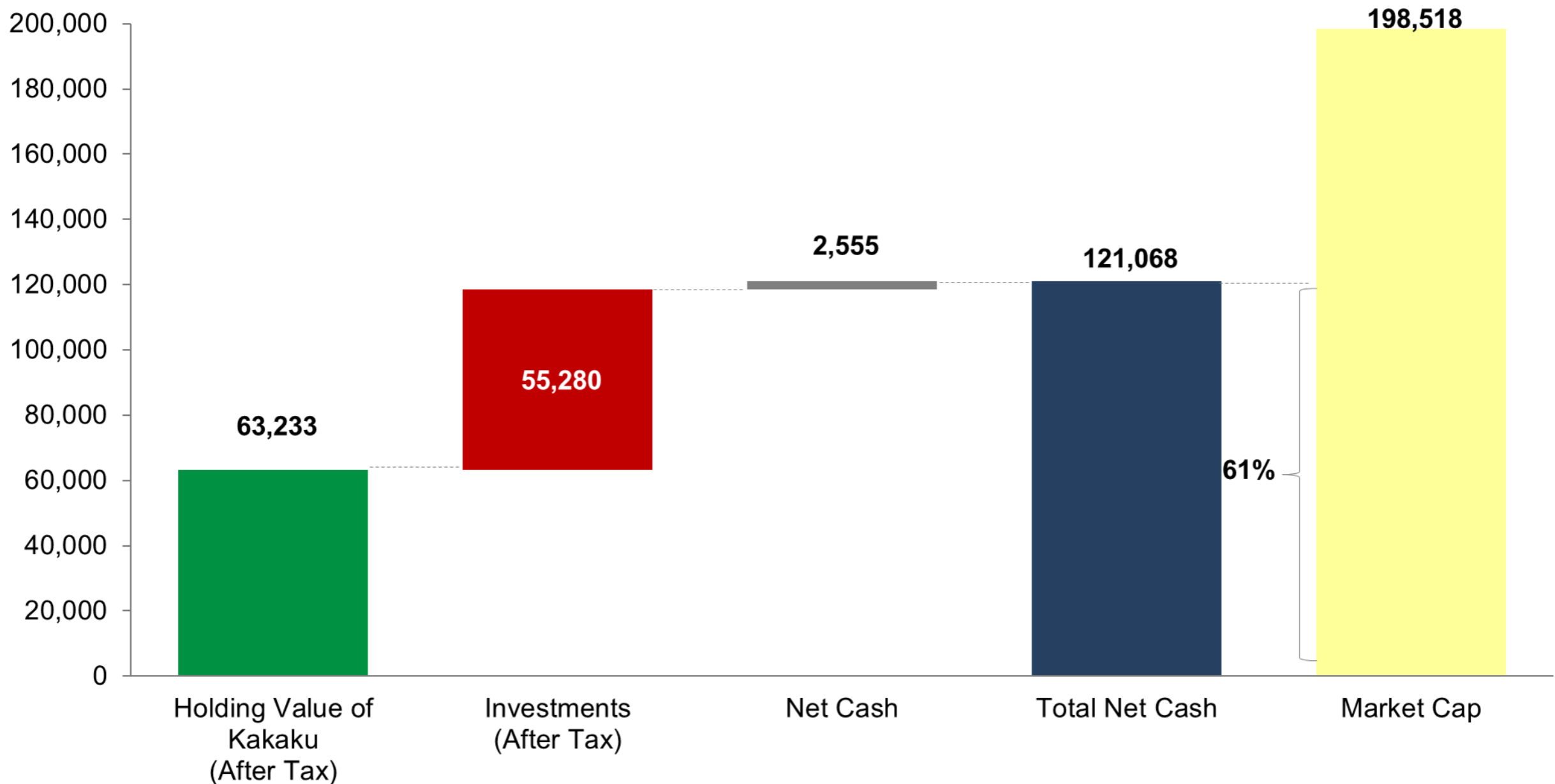
B. DG Investments Improvement Plan

This Improvement Plan Aims to Realize the True Value of DG Investments by Unlocking the Value of the Balance Sheet

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- DG's net cash including securities is 61% of its market cap
- This has not been factored in, as investors are uncertain whether the Company will return capital

DG Market Cap vs. Net Cash (JPY in mn)



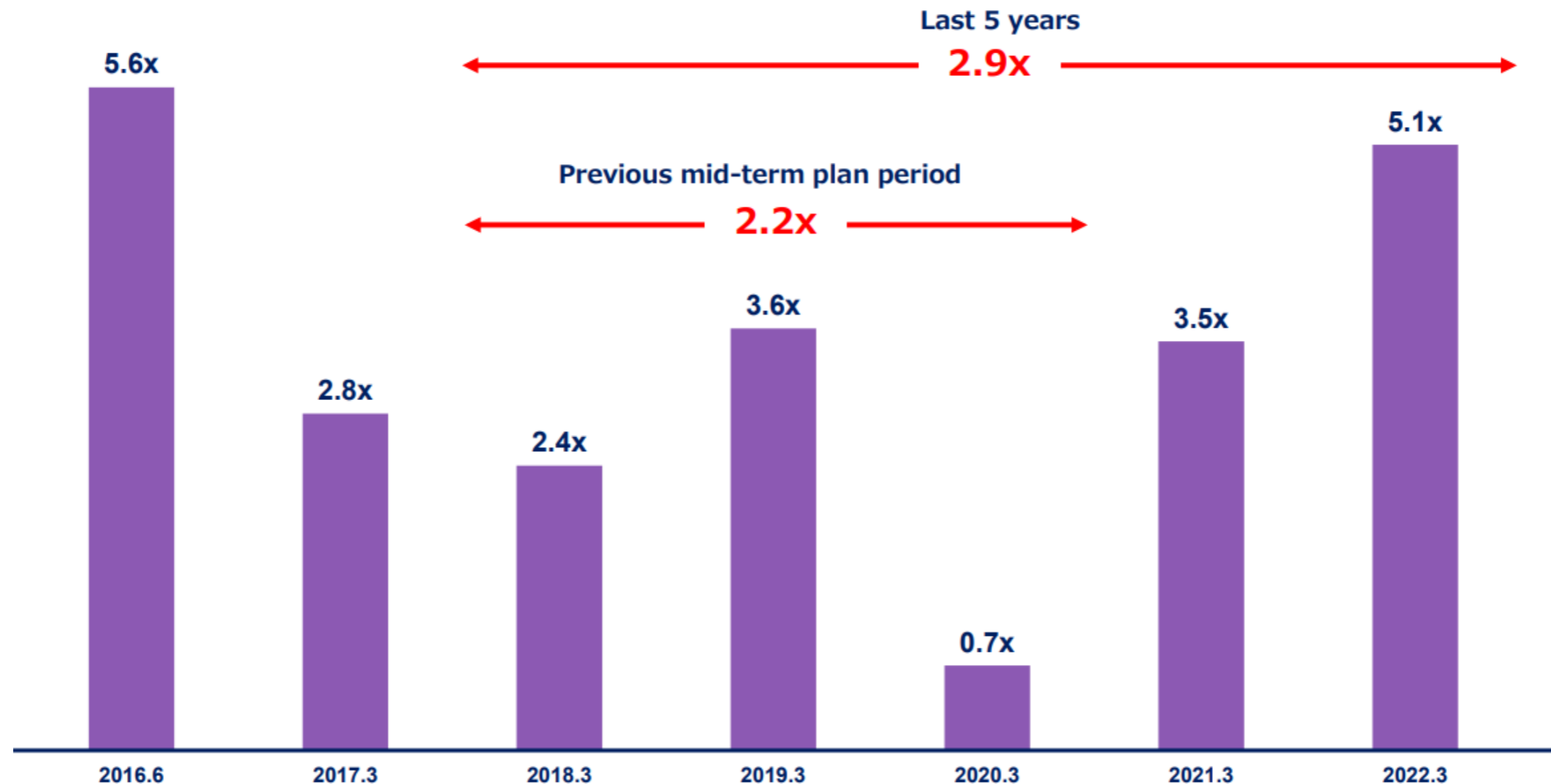
B1. Further Expand the Fund Business

IT Segment has Been Successful, but DG has Not Capitalized on This

Source: Company Disclosures

- IT segment has strength in early-stage startup investments
- The company has been successful in the market and the average return on investment has been 2.9x in the last 5 years
- The Company has not been capitalizing on this track record

Track Record in the IT segment (Return on Investments)



IT Segment Has Made Interesting Overseas Investments

Source: Company Disclosures














- The IT segment with its strong platform has been able to make interesting investments overseas

DG's Key Portfolio for the IT Segment

- Fintech/DX promising portfolio companies in the With Corona era grew in Asia, Japan, North America, and other areas. Steady progress was made in fundraising, listing, and exit of investees.



DG Group's Fintech business collaboration projects

Asia	Japan	North America · Europe
<p>Droom [India]</p>  <p>Operates Droom, India's largest automotive buying and selling online marketplace</p>	<p><input checked="" type="checkbox"/> AGE technologies [Japan]</p>  <p>A member of the 18th Open Network Lab Seed Accelerator Program. Provides "Souzoku.com," a service that completes various procedures occurring at the time of inheritance on the Internet.</p>	<p>MX Technologies [US]</p>  <p>Offers a PFM (personal financial management) tool for financial institutions in the US</p>
<p>NoBroker Technologies Solutions [India]</p>  <p>Operates India's peer-to-peer property marketplace. Users can rent/buy houses online without brokers</p>	<p><input checked="" type="checkbox"/> THIRD [Japan]</p>  <p>Provides cost reduction consulting services for construction, machinery, and electrical work, and AI-based real estate management platform "Kanri Roid"</p>	<p>Helium Systems [US]</p>  <p>Operates IoT business through smart sensor devices that can be provided at low cost</p>
<p>Expedient Healthcare Marketing [India]</p>  <p>Operates medical web service "Healthians.com," which offers online booking for health checkups at clinics, related information from doctors/experts, etc.</p>	<p><input checked="" type="checkbox"/> Pocket Change [Japan]</p>  <p>Provides "pocket change" service for collection, redemption, and exchange of foreign coins, linked to electronic money and point services</p>	<p><input checked="" type="checkbox"/> Blockstream [US]</p>  <p>Develops Sidechain, a technology for using Blockchain, Bitcoin's core technology, in various applications * % stake includes investment securities held by Digital Garage, Inc.</p>
<p>Ralali [Indonesia]</p>  <p>Operates BtoB marketplace for office appliances, etc.</p>	<p>GOYOH [Japan]</p>  <p>Develops and operates IT services for real estate, commercial and residential properties in Japan and abroad. Develops EaSyGo, a real estate tech service that increases real estate value through stakeholder ESG behavior change</p>	<p><input checked="" type="checkbox"/> Pie Systems [Denmark]</p>  <p>Develops mobile app that automatizes refund workflow for international VAT (Value-Added Tax) and bypasses airport kiosk</p>
<p>GoTo Group [Indonesia]</p>  <p>Indonesian technology company formed in a merger between ride-hailing giant Gojek and e-commerce platform Tokopedia</p>		

IT Segment Has Only a Small Participation in the Fund Management Business

Source: Company Disclosures

- DG has not been able to capitalize on the great performance of the IT segment
- Only a small portion of the business is in the fund business

DG IT segment

▶ DG Ventures Inc.

Invests in and incubates cutting-edge internet startups

Number of invested companies : 248

Fair value end of Mar. 2022 : 72.2 B JPY



▶ Open Network Lab, Inc.

Seed Accelerator Program

Number of support companies (accumulation) : Over 150

Funding ratio : 58.2%



▶ DG Incubation, Inc.

Supports startups that challenge the world through incubation and fund management

Hamagin DG Innovation Fund : 3 B JPY

Open Network Lab & ESG I Investment Limited Partnership : Onboarding



▶ DG Daiwa Ventures, Inc. (50% stake/equity method)

Manages DG Lab Fund to invest in startups with next-generation technologies

DG Lab Fund I : 6.8 B JPY

DG Lab Fund II : 12.5 B JPY



▶ Digital Garage US, Inc.

The US-based global strategy headquarters

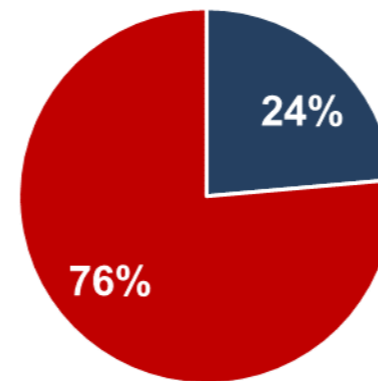


DG Investments Should Accelerate Growth by Expanding its Fund Business

Source: Company Disclosures

- DG is currently focused on using its balance sheet to invest in start ups (76% of investment is using own capital)
- Since DG has a great track record and platform to invest, we believe DG Investments could expand the fund business further
- DG's competitor, Jafco Group Co., Ltd. ("Jafco") recently announced plans to use more external capital to grow its fund business

Current DG IT segment

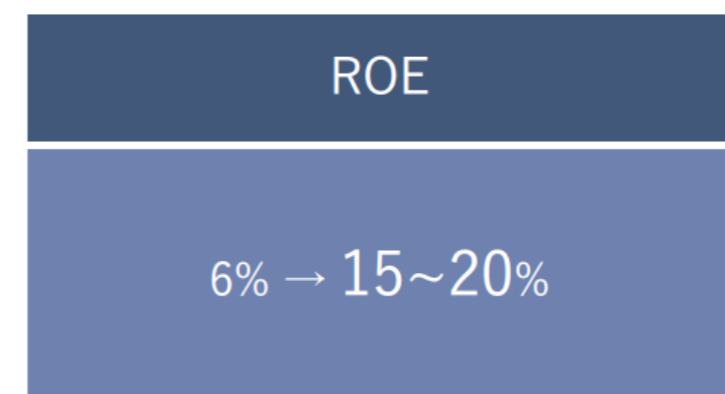
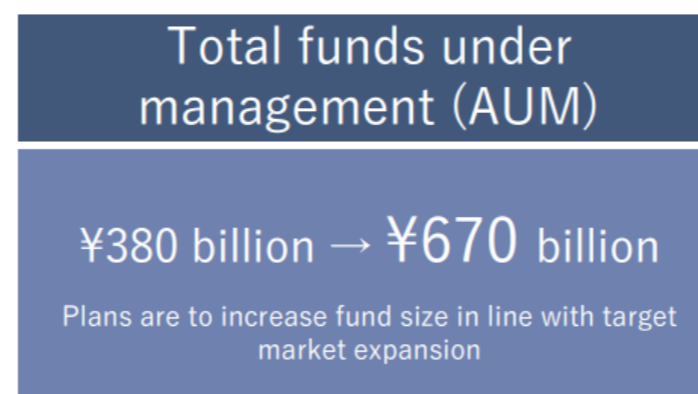
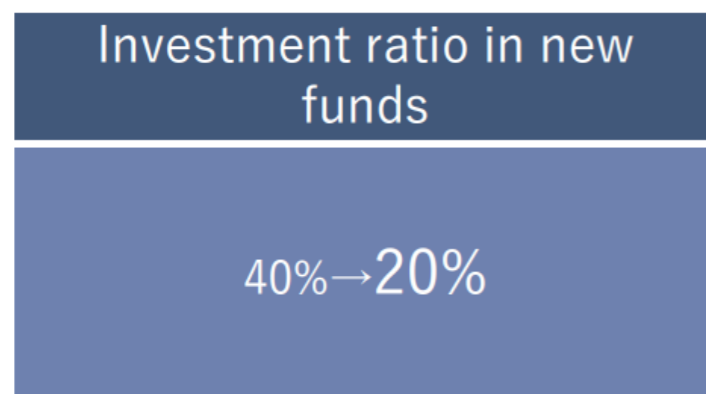


■ Fund ■ Own Capital

Jafco Improving Value Leveraging External Capital

Medium- and long-term goals

deducting the amount of the share buyback from net income.



Growth Market Correction Provides DG Investments with Opportunities

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- The growth market has been weak globally this year amid rising interest rates
- This will provide DG Investments with great opportunities and time to prepare

Nasdaq and TSE Mothers 2022 YTD Performance



B2. Sell Kakaku shares

FT Segment Has Failed to Realize Synergies with Kakaku, while DG Has Been Invested for Decades

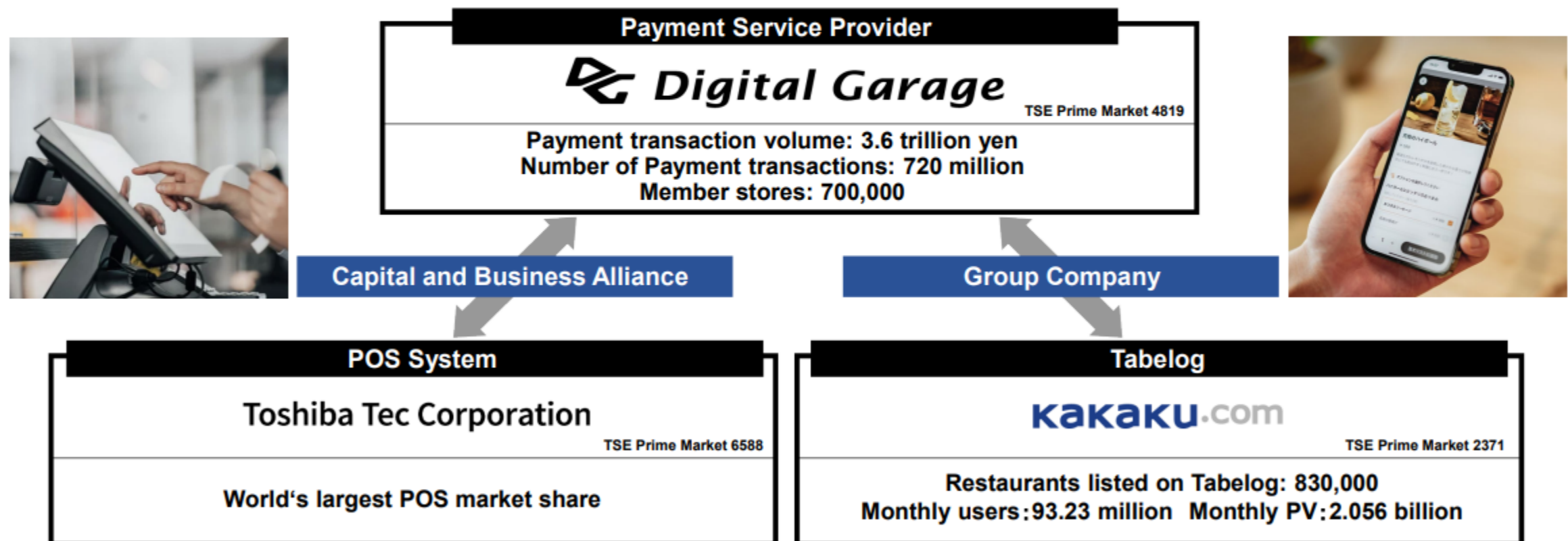
Source: Company Disclosures

- DG has been invested in Kakaku since 2002
- However, historically, DG has not sought any synergies with Kakaku until it announced a plan to do so recently
- We believe this is proof that there are no synergies between DG and Kakaku

DG Q1 FY2022 Presentation

In July 2022, Digital Garage, Kakaku.com, a DG group company, and alliance partner Toshiba Tec entered into an agreement to promote DX (digital transformation) in the food service and retail industries, promoting the digital in-store mobile ordering service  食ペログオーダー (Tabelog Order)

【DX promotion agreement and roles of the three companies for the food service industry】



Strategic business for the 3 companies, each representing their own industries, which aims to invigorate the food service industry also utilizing IT introduction government subsidies.

DG Can Maintain Its Relationship with Kakaku, Regardless of Equity Ownership

Source: Company Disclosures

- DG should have a relationship with Kakaku regardless of the equity ownership
- We believe DG could have a business alliance with Kakaku, regardless of the equity ownership

Corporate Governance Code

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings², they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

Supplementary Principles

1.4.1 When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

1.4.2 Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

DG Sold Some Kakaku Shares, which is a Good Start toward Unwinding the Investment

Source: Company Disclosures

- DG sold 3.4% of its Kakaku shares, which is a start
- We believe DG should further sell Kakaku shares to realize its value

DG Press Release (2022/11/16)

持分法適用会社株式の一部売却に伴う収益計上に関するお知らせ

当社は、2022年11月16日付の取締役会において、持分法適用会社株式の一部売却を決議し、それに伴う収益を計上する見込みとなりましたので、下記のとおりお知らせいたします。

記

1. 売却理由

資産効率の向上及び財務体質の強化を図るため、当社の持分法適用会社である株式会社カカコムが実施する自己株式取得に応じて、当社が保有する株式の一部を売却するものであります。

2. 本件の内容

売却株式：株式会社カカコム 普通株式の一部
売却時期：2022年12月末まで
売却株式数：1,432,300株（上限）
関係会社株式売却益：連結決算（IFRS） 27億円（見込み）
個別決算（日本基準） 33億円（見込み）

3. 業績への影響と今後の見通し

当第3四半期決算において、関係会社売却益を連結決算におきましては連結損益計算書の「その他収益」、個別決算におきましては損益計算書の「特別利益」として計上する見込みです。なお、本株式売却後におきましても、株式会社カカコムは引き続き当社の持分法適用会社であります。

また、当社は連結業績予想の開示を行っておりませんが、今後業績に関する開示が必要となった場合には速やかにお知らせいたします。

Chairman Mr. Kaoru Hayashi Should Step Down as Chairman of Kakaku

Source: Company Disclosures

- We believe having Mr. Hayashi as a cross-chairman for both DG and Kakaku is preventing DG from exiting its investment in Kakaku
- Mr. Kaoru should step down from his role as Chairman of Kakaku

Notice of AGM for DG

Candidate No.	Name (Date of birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
1 Reelection	Kaoru Hayashi (December 26, 1959) Number of the Company's Shares Owned: 6,839,500 shares	Apr. 1983 Representative Director, From Garage, Inc.
		Aug. 1995 Founded the Company Representative Director, the Company
		Dec. 1996 Representative Director, K Garage, Inc. (now Representative Partner, K Garage, G.K.) (current position)
		June 2003 Chairman and Director, Kakaku.com, Inc. (current position)
		Nov. 2004 Representative Director, President and Group CEO, the Company
		Oct. 2013 Director and Chairman, ECONTEXT, INC. (current position)
		Oct. 2015 Director President & Chairman, econext Asia Limited (current position)
		July 2016 Director Chairman & CEO, Digital Garage US, Inc. (current position)
		July 2016 Director, DG Daiwa Ventures, Inc. (current position)
		Sept. 2016 Representative Director, Chairman and CEO, BI. Garage, Inc. (current position)
		Sept. 2016 Representative Director, President Executive Officer and Group CEO, the Company (current position)
		May 2017 Representative Director, Chairman and CEO, DG Ventures, Inc. (current position)
		Aug. 2018 Representative Director and Chairman, DG Communications Co., Ltd.
		Sept. 2018 Director, Crypto Garage, Inc. (current position)
June 2021 Representative Director, Chairman and CEO, DG Financial Technology, Inc. (current position)		
June 2021 Representative Director, Chairman and President, DG Incubation, Inc. (current position)		
Reason for the nomination as candidate for Director Having paid particular attention to the potential of the Internet service in Japan from its predawn era, Kaoru Hayashi, as founding business manager of the Company, has created new Internet businesses since founding the Company in 1995. In addition, he has driven the Group business management and contributed to expansion of the business, leveraging his wealth of insights about overall Internet business. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.		

Notice of AGM for Kakaku

Candidate No.		Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company)
1	Kaoru Hayashi [Reelection] [Male] Date of birth: December 26, 1959 Number of shares held in the Company: 165,800 shares Attendance at the meetings of the Board of Directors: 17/17	Aug. 1995 Founder and Representative Director, Digital Garage, Inc.
		Jul. 2002 Representative Chairman, the Company
		Jun. 2003 Chairman of the Board, the Company (present post)
		Oct. 2015 Director President and Chairman, econext Asia Limited (present post)
		Jul. 2016 Director Chairman and CEO, Digital Garage US, Inc. (present post)
		Sep. 2016 Representative Director, Chairman and CEO, BI.Garage, Inc. (present post)
		Sep. 2016 Representative Director, President Executive Officer and Group CEO, Digital Garage, Inc. (present post)
		May 2017 Representative Director, Chairman and CEO, DG Incubation, Inc. (currently DG Ventures, Inc.) (present post)
		Jun. 2021 Representative Director, Chairman and CEO, DG Financial Technology, Inc. (present post)
		Jun. 2021 Representative Director, Chairman and President, DG Incubation, Inc. (present post)
[Reason for the nomination of the candidate for Director] Mr. Kaoru Hayashi has been focused on future potential since the early days of personal internet services in Japan and has been involved in the internet business as an entrepreneur since founding Digital Garage, Inc. He has a high level of knowledge about the internet business, including global IT technology trends. The Company has nominated him as a candidate for reelection as Director because we have determined that he can be expected to play a suitable role in the expansion of the Company's business and its overall management in the future.		

B3. Focus on Shareholder Returns

DG Investments Should Focus on Shareholders Returns through Buybacks & Dividends

Source: Company Disclosures

- **DG Investments should focus on returning capital through buybacks and dividends at the time it exits investments**
- **DG Investments should have an increased dividend policy and shareholder return policy**

DG Investments Proposed Shareholder Return Policy

- **DG Investments will return 100% of its profit to shareholders, keeping only required capital for further investments**
- **DG Investments will return the capital from selling Kakaku shares**
- **DG Investments will have a stable dividend with 3% DOE**

Significant and Stable Return from Investments will Result in Massive Income Gain for Shareholders... Like Jafco

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022

- DG Investments could perform like Jafco if it successfully returns capital to shareholders through income gain
- Selling Kakaku could be a source of income gain while DG Investments prepares for further growth

Jafco Total Return (Last 3 Years)



DG Investments Could be Valued JPY2,761 per share

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022, Oasis estimates

- **DG Investments would be valued JPY2,761 per share**

DG Investments Valuation

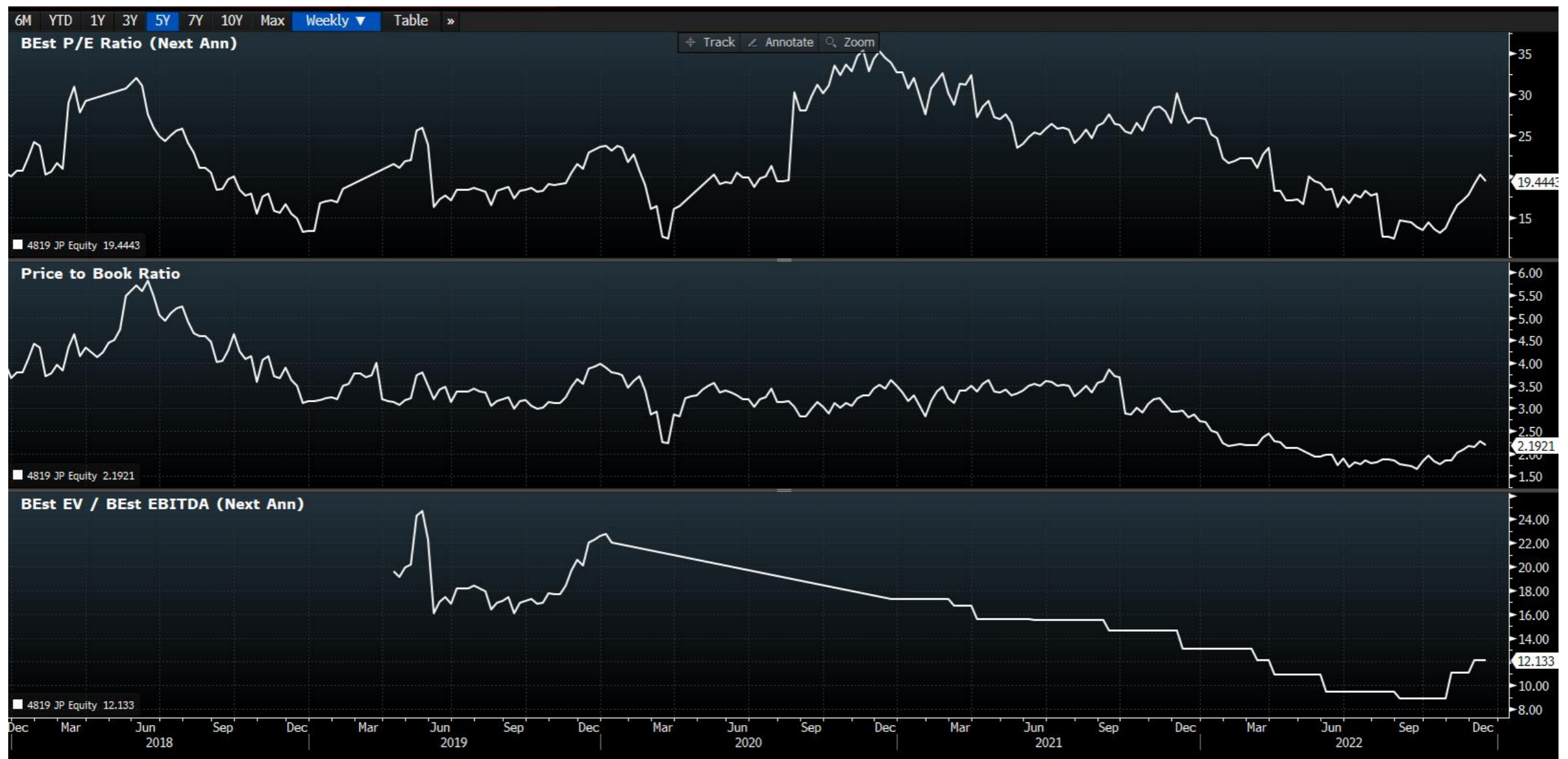
NAV of the IT segment	¥79.8bn
Value of Kakaku Shares	¥90.3bn
Total	¥170.1bn
Number of Shares Outstanding	47.4mn
Implied NAV per Share	¥3,587
Discount to NAV	23%
Implied Price per Share	¥2,761

DG is Cheap; It's a Good Time to Buy Back Shares

Source: Bloomberg, Market Data as of December 18, 2022

- DG is around its historical low on all the valuation metrics
- We believe it is a great time to buyback shares

DG Historical Multiple (Last 5 Years)



DG Announced a Buyback, which Is a Good First Step; More Should Follow

Source: Company Disclosures

- On November 11, 2022, DG made its first step to buy back shares (3.4%)
- We believe the Company's stock is extremely cheap and look forward seeing more buybacks

DG Press Release (2022/11/11)

自己株式取得に係る事項の決定に関するお知らせ (会社法第165条第2項の規定による定款の定めに基づく自己株式の取得)

当社は、2022年11月11日開催の取締役会において、以下のとおり、会社法第165条第3項の規定により読み替えて適用される同法第156条の規定に基づき、自己株式取得に係る事項について決議しましたので、お知らせいたします。

記

1. 自己株式の取得を行う理由

当社は、株主の皆様に対する利益還元を重要な経営課題として位置付けており、キャッシュ・フローを意識した経営による株主還元を基本方針としております。この度、当社の財務状況及び株価の状況等に鑑み、株主還元の拡充を図るとともに、経営環境の変化に対応した機動的な資本政策を遂行するため、自己株式の取得を行うものであります。

2. 取得に係る事項の内容

(1)	取得対象株式の種類	当社普通株式
(2)	取得し得る株式の総数	1,600,000株(上限) (発行済株式総数(自己株式を除く)に対する割合3.39%)
(3)	株式の取得価格の総額	50億円(上限)
(4)	取得期間	2022年11月14日～2023年4月30日
(5)	取得方法	取引一任契約に基づく東京証券取引所における市場買付

(参考) 2022年9月30日時点の自己株式の保有状況

発行済株式総数(自己株式を除く)	47,239,815株
自己株式数	358,885株

以上

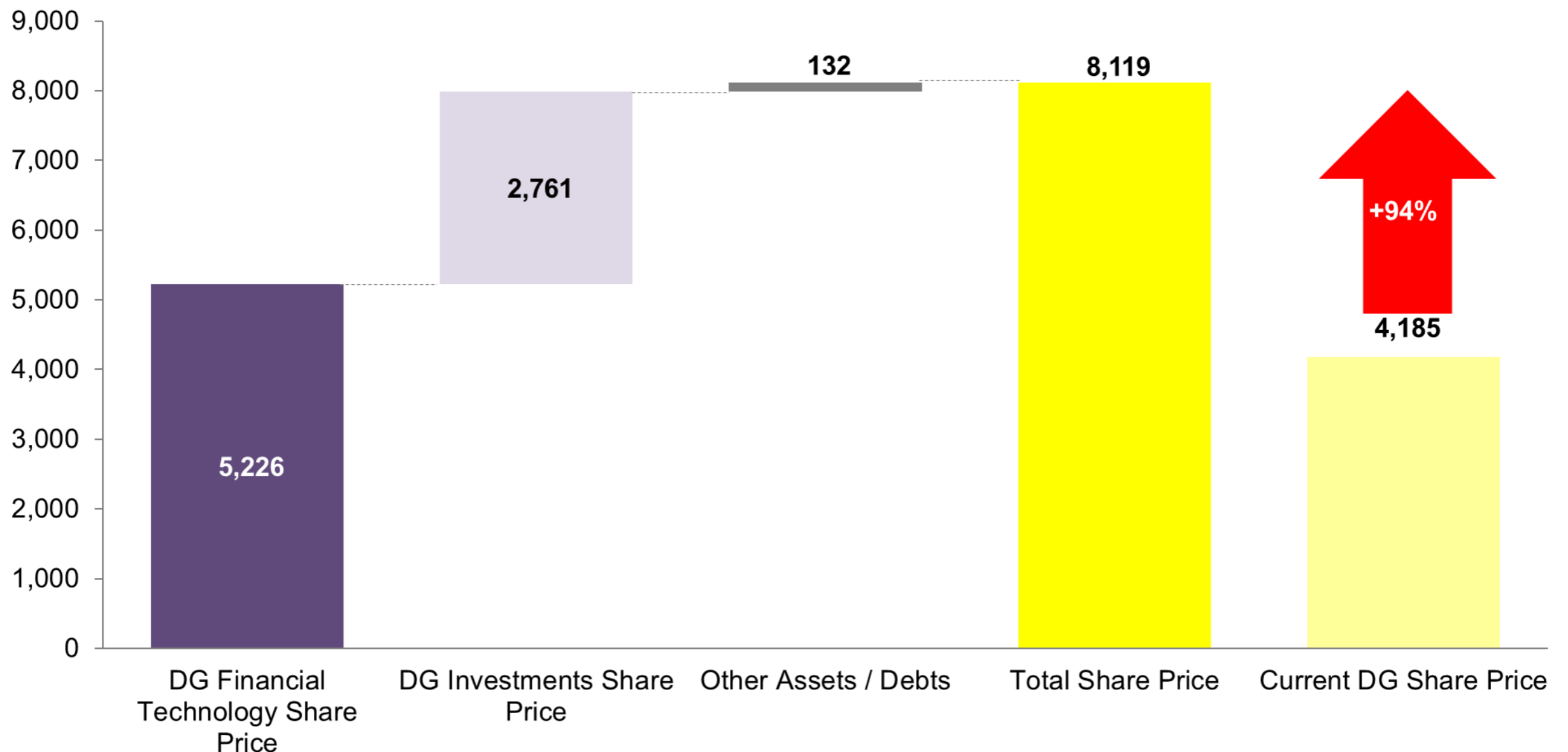
6. Value Enhancement By Implementing Our Proposals

Execution of Oasis's Proposals Will Lead to Significant Value Creation for DG and its Shareholders (1/3)

Source: Company Disclosures, Bloomberg, Market Data as of December 18, 2022, Oasis estimates

- Executing on all of Oasis's proposals will lead to DG realizing nearly 100% upside to its current stock price

Sum of the Parts Analysis (JPY per share)

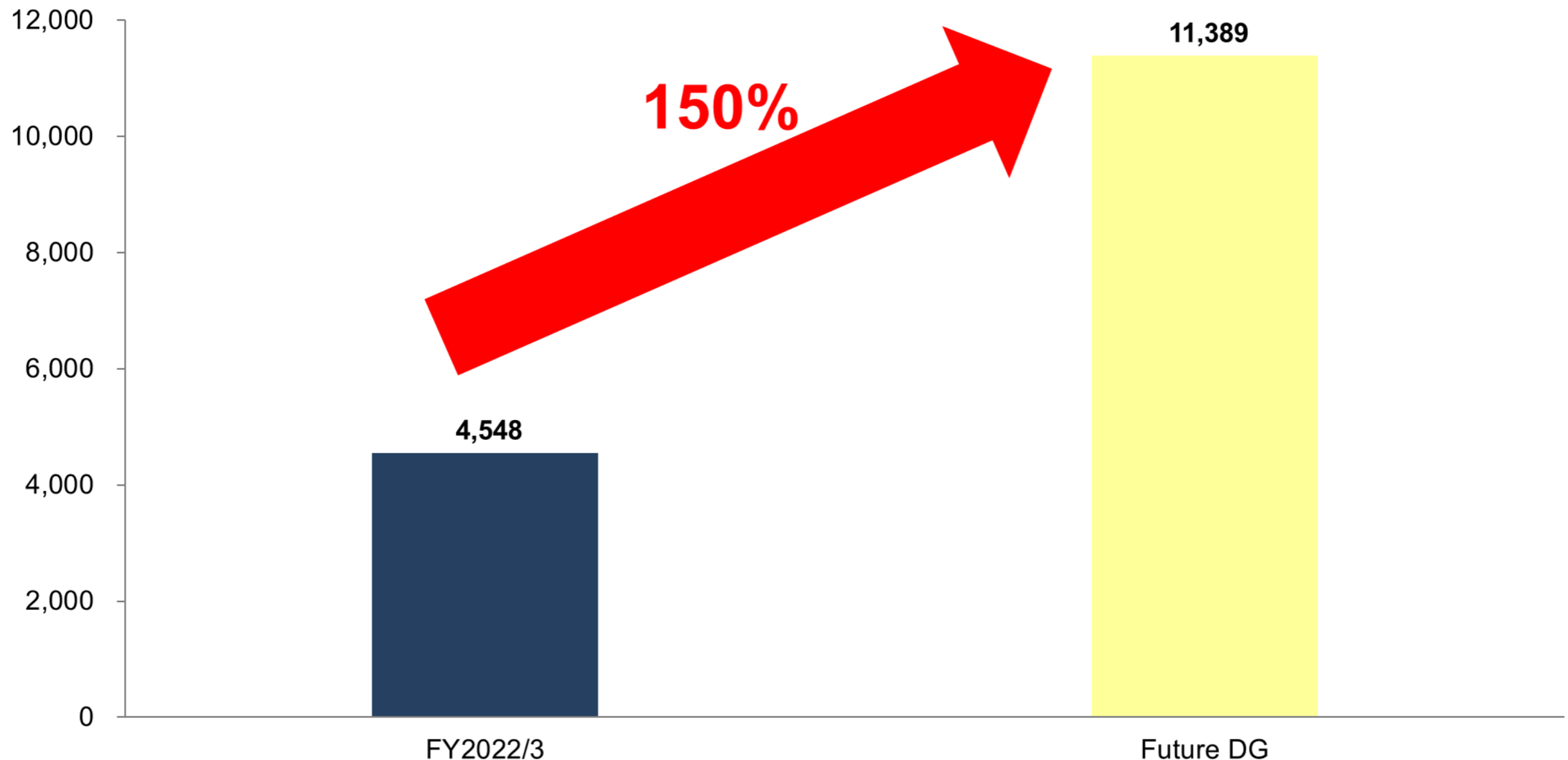


Execution of Oasis's Proposals Will Lead to Significant Value Creation for DG and its Shareholders (2/3)

Source: Company Disclosures, Oasis estimates

- Executing on all of Oasis's proposals will lead DG to realize a 6.8Bn yen or 150% increase in project profit before tax

Profit Before Tax (JPY in mn)

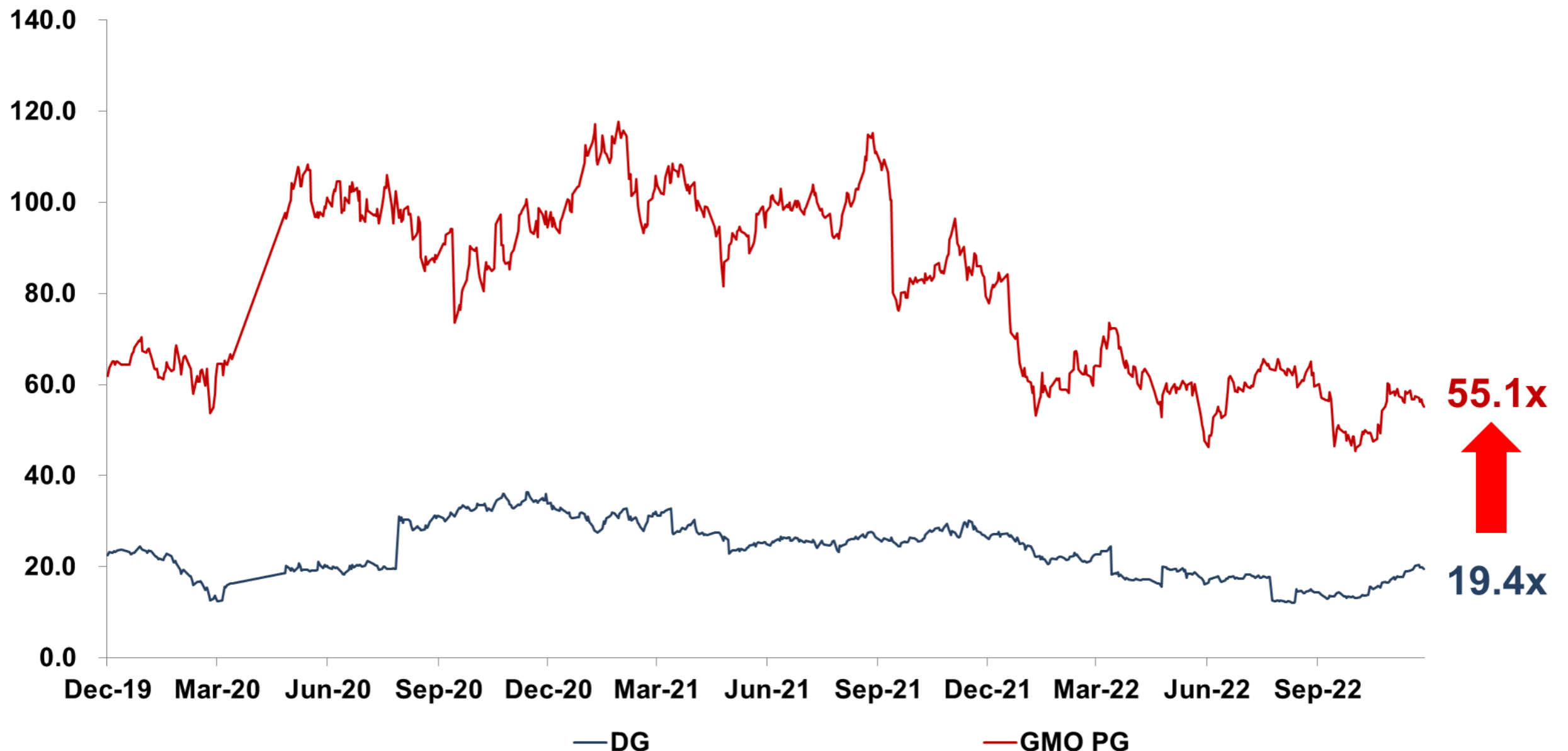


Execution of Oasis's Proposals Will Lead to Significant Value Creation for DG and its Shareholders (3/3)

Source: Bloomberg, Market Data as of December 18, 2022

- The valuation gap between DG and GMO PG is significant
- GMO PG trades at 2.8x multiple to DG
- DG could fill in this gap by implementing our proposals

Historical Multiple Comparison (FY2 P/E)



7. Our Message to the Board and Management of DG

Oasis Message to the Board & Management of DG

- **We urge the DG Board of Directors to split the company into DG Financial Technology and DG Investments so that each management team can be fully engaged with the business**
- **This will massively accelerate growth for each of the businesses**
- **It would also be easier to hire people for the separate businesses**
- **DG Investments should sell down Kakaku shares and return capital to investors**
- **Mr. Hayashi should step down from Kakaku board to focus on growing DG Financial Technology**
- **We have reviewed this in great depth and believe that this option is executable**
- **The directors of DG should execute this at the 2023 AGM**
- **We would like to maintain our constructive dialogue with the management of DG**

Contact Us

- Help us create A Better DG
- For questions, please reach out to:
Info@abetterDG.com

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