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Statement by Oasis Management Company Ltd. on "A Better DG"

(Stock Code: 4819 JT)

*** Oasis launches campaign to transform Digital Garage into Japan's leading payment service provider**

*** Oasis urges restructuring of Digital Garage into two entities and a full divestment of Kakaku shares**

More information available at www.ABetterDG.com

December 21, 2022, Tokyo and Hong Kong – Oasis Management Company Ltd. ("Oasis") is the manager to funds that beneficially own 9.3% of payment service provider Digital Garage Inc. (4819 JT) ("Digital Garage", "DG" or the "Company"). Oasis has adopted the Japan FSA's "Principles of Responsible Ownership" (a/k/a the Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with its investee companies.

Today, Oasis announces its "A Better DG" campaign in an effort to transform Digital Garage into Japan's leading payment service provider and a key beneficiary from Japan's transition toward cashless payments.

Oasis has been actively engaged with DG since 2020. Although the Company has a strong position within its payments business, we are concerned about the management's lack of sufficient focus on the opportunity presented by the market shift in Japan towards cashless payments.

We must not allow DG to miss this opportunity. Therefore, Oasis today announces its "A Better DG" campaign in order to urge transformational change at Digital Garage in order to enhance the Company's business and governance for every stakeholder. We believe our plan, if implemented, would increase the profit before tax from the current JPY4.5bn to JPY11.4bn in 2024, and result in nearly 100% upside from the current stock price.

To create A Better DG, Oasis proposes that the Company:

1. Spin-off the Financial Technology and Marketing Technology segments to create DG Financial Technology, expanding the payment service provider business;
2. Operate the remaining business as DG Investments, expanding startup and venture capital investments; and
3. Divest its shares of Kakaku.com, Inc. ("Kakaku").

First, by splitting DG into two independent entities, we believe DG will accelerate growth in each of its businesses and benefit from the substantial opportunity in Financial Technology amid the growth of cashless transactions in Japan, resulting in significant value creation over the long-term to the benefit of all stakeholders.

The shift towards cashless transactions in Japan represents a once-in-a-generation growth opportunity for payment service providers. While currently just 32.5% of Japan's payments are cashless today according to a METI presentation, the government aims to increase Japan's cashless settlement ratio to 80%. The payment service provider market is assumed to grow from current JPY23.0tr to JPY33.8tr in the next four years. With its strong position in the Financial Technology segment as a payment service provider, DG must not miss this opportunity.

However, DG has not done enough to prepare to benefit from this market transition. The payment service provider market has grown 18% annually over the last three years, while DG has grown 17% annually, in line with the market. DG's largest competitor, GMO Payment Gateway, Inc. ("GMO PG"), has grown 26% per year over the same period. We believe that DG product quality is superior to that of GMO PG, and this underperformance is primarily driven by mismanagement, as DG's management has been distracted by other business ventures and has not been able to fully focus on the opportunity presented by the rise in cashless transactions. The valuation of DG has also fallen behind GMO PG: while DG is valued at 19.4x FY2P/E, GMO PG trades at 55.1x FY2P/E.

To remedy this, we propose a tax-free spin-off of the Company's Financial Technology and Marketing Technology businesses, creating a new entity called DG Financial Technology. We believe that this will ensure focus and accountability, accelerate growth, and prevent DG from missing the opportunity presented by the shift to cashless transactions. We urge DG's Board of Directors to formally propose this spin-off plan at the Company's next annual general meeting of shareholders ("AGM"). Prior to the AGM, DG should update investors about this plan by no later than mid-March 2023, as a milestone.

Second, we propose that the remaining business operate as DG Investments, including the Incubation Technology and Long-term Incubation segments, with an increased focus on start-up and VC investments, and new dedicated management.

DG's Chairman, Mr. Kaoru Hayashi, is a visionary founder of the business. However, we believe he has been distracted by other businesses, preventing him from fully focusing on the opportunity in the Financial Technology segment. Among other roles, Mr. Hayashi serves as the Chairman of Kakaku. We believe he should step down from his role as Kakaku Chairman so he can fully focus on the DG Financial Technology business.

Third, moreover, DG's Kakaku shares should be sold and the proceeds returned to shareholders. We applaud the Company's announcement on November 16, 2022, that it would divest some of its Kakaku shares. However, we believe that DG should sell the entirety of its stake and return the capital to shareholders. We note that the value of DG's Kakaku shares post-tax accounts for 32% of DG's market cap.

Seth Fischer, Founder and Chief Investment Officer of Oasis, said:

"Digital Garage has a great payment service provider business, and yet, they have not done enough to capture the shift toward cashless payments in Japan. As shareholders, we can no longer sit idly by and allow this great company to miss this opportunity. This is a call to action for DG's management."

Full details of Oasis's proposals are available at www.ABetterDG.com.

We welcome all stakeholders to contact Oasis at info@ABetterDG.com to help build A Better DG. We will continue our efforts to engage constructively with management to help further enhance corporate value and corporate governance in order to realize “A Better DG”.

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Oasis Management Company Ltd. manages private investment funds focused on opportunities in a wide array of asset classes across countries and sectors. Oasis was founded in 2002 by Seth H. Fischer, who leads the firm as its Chief Investment Officer. More information about Oasis is available at https://oasiscm.com. Oasis has adopted the Japan FSA's "Principles of Responsible Institutional Investors" (a/k/a Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with our investee companies.

The information contained in this press release (referred to as the "Document") is an information resource for shareholders in DG offered by Oasis, the investment manager to funds that are shareholders of DG (the "Oasis Funds"). The Document is not intended to solicit or seek shareholders' agreements to jointly exercise any voting rights with Oasis. Shareholders that have an agreement to jointly exercise their voting rights are regarded as Joint Holders under the Japanese large shareholding disclosure rules and they must file notification of their aggregate share ownership with the relevant Japanese authority for public disclosure under the Financial Instruments and Exchange Act. Oasis does not intend to be subjected to such notification requirement. The Document exclusively represents the opinions, interpretations, and estimates of Oasis.

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