

Kiltearn Partners LLP

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8 June 2023

Kiltearn Partners LLP (“**Kiltearn**”), acting on behalf of its clients, controlled 508,800 shares in The Bank of Kyoto, Ltd. (the “**Company**”) as of 31 May 2023. This represented 0.67% of the Company’s issued share capital. Kiltearn’s clients have been shareholders in the company since July 2021.

Kiltearn has reviewed Silchester International Investors LLP’s (“**Silchester**”) 26 April 2023 press release on the shareholder proposals it intends to bring at the Company’s upcoming annual general meeting. The proposals and accompanying press release are broadly consistent with concerns and suggested action Kiltearn expressed in a private letter to the Company’s Board of Directors in January 2023. Kiltearn has not discussed the proposals with Silchester.

Following our review of the press release, we asked the Company for a call to discuss the proposals. The Company did not accommodate our request. Instead, the Company sent Kiltearn a copy of its public response to the proposals on 12 May 2023.

We have reviewed the Company’s public response which stated opposition to the shareholder proposals. We do not believe the Board of Directors’ rationale for opposing the proposals is persuasive – or credible.

Current Overcapitalisation of the Company’s Balance Sheet and Shareholder Returns

We are encouraged that the Company acknowledged in its 2023-2025 Medium-Term Management Plan (the “**2023-2025 Plan**”) that its balance sheet is overcapitalised, and it needs to take steps to address that overcapitalisation and increase shareholder returns. However, the action taken by the Company to date and that the Company proposes to take in the future is, in Kiltearn’s view, insufficient.

Under the 2023-2025 Plan, the Company has committed to maintaining a total pay-out ratio of 50% or more. While this is an incremental improvement, given the magnitude of the excess capital on the balance sheet, Kiltearn believes that even if the Company meets this target, return on equity (“**ROE**”) – a key measure of shareholder value creation – will likely continue to be depressed (ROE has averaged less than 3% over the last five years).

Kiltearn consequently intends to vote in favour of both shareholder proposals.

Please contact Douglas McArthur (dmcarthur@kiltearnpartners.com) with questions on this press release.

About Kiltearn

Kiltearn is a UK-based asset management firm. Kiltearn invests its clients’ assets in publicly traded global equity securities using a bottom-up, value-based, investment approach. Kiltearn is a ‘long-only’ manager. Kiltearn does not short securities, utilise derivatives or invest in convertible instruments. Kiltearn seeks to invest in companies trading cheaply relative to their assets, earnings or dividends. Kiltearn has been invested in Japanese equity securities since its inception in 2011. As of 31 May 2023, Kiltearn had more than 13.4% of its clients’ assets invested in equity securities issued by publicly traded Japanese companies.

Kiltearn is the appointed investment manager for several commingled funds. Unitholders in our commingled funds are institutional investors. The majority of these investors are charities, foundations, endowments, corporate pension plans, church plans and state pension plans. As a result,

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Authorised and regulated by the Financial Conduct Authority

Kiltearn believes that generating investment returns for its clients and their beneficiaries has sustainable benefits for society.

Kiltearn is not an 'activist' investor. Kiltearn is a fiduciary for its clients' assets and takes its stewardship obligations seriously. Kiltearn will engage with portfolio companies where appropriate.

Kiltearn first invested its clients' assets in the Company in July 2019. Kiltearn recently engaged with the company via a formal letter in January of this year on its approach to capital allocation and its overcapitalised balance sheet. Kiltearn believes the shareholder proposals will go some way to addressing its concerns given that the Company has, to date, not taken the action necessary itself.

As of 31 May 2023, Kiltearn could exercise control over 0.67% of the Company's issued share capital.