This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.

May 12, 2023

To Whom It May Concern

Company name： The Bank of Kyoto, Ltd.
Representative： Nobuhiro Doi, President
Securities code： 8369, TSE Prime
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Notice Regarding Opinion of the Board of Directors of the Bank on the Shareholder Proposals

The Bank of Kyoto, Ltd. (President: Nobuhiro Doi; the "Bank") has received a document from Silchester International Investors LLP, the representative of the Bank's shareholder, stating that they will make a shareholder proposal regarding the proposals at the 120th Ordinary General Meeting of Shareholders scheduled to be held in June 2023. We hereby announce that the Board of Directors has resolved to oppose the shareholder proposals.

1. Proposed shareholder

Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust

2. Summary of the proposals

(1) Agenda

A. Dividend of surplus (special dividend)

B. Buyback of Own Shares

(2) Detail of proposals

As described in the attachment "Details of the Shareholder Proposal".

In addition, the attachment "Details of the Shareholder Proposal" is indicated, in principle, by transcribing the statements received from the Proposing Shareholder.

3. Opinion of the Board of Directors of the Bank on the Shareholder Proposal

(1) Dividend of surplus (special dividend)

A. Opinion of the Board of Directors of the Bank

The Board of Directors **opposes** the shareholder proposal.

B. Reasons for Opposition

The Bank has embraced the idea that, to improve its corporate value continuously over the medium and long term, it is important to realize "investment for growth," "ensuring sound management," and "enhancing shareholder returns" in a balanced manner. Especially, the Bank, as a regional financial institution, have recognized that the Bank is required to realize flexibly "enhancing shareholder returns" to a high level as well as to realize actively support for the start-up and growth of local companies through "investment for growth" and "ensuring sound management" that will allow the Bank to continue to support corporate cash flows even in the event of a sudden and prolonged deterioration in the corporate business environment.

The Bank recognizes that returning profit to shareholders is one of the most important issues in management and has been improving shareholder returns. The Bank announced a new shareholder return policy in December 2021, aiming for a total payout ratio of 50%. Pursuant to this policy, for the fiscal year ended March 31, 2022, the Bank paid an annual dividend of 100yen and acquired 2.5 billion yen of treasury stock, resulting in a total payout ratio of 49%. In the fiscal year ended March 31, 2023, the Bank plans for an annual dividend of 140 yen (planned) and acquired 5 billion yen of treasury stock, resulting in a total payout ratio of 57% (planned).

Although the business environment surrounding regional financial institutions continues to be severe, the Bank has taken various measures to improve corporate value over the long term. Specifically, the Bank has expanded its business domain by establishing Kyogin Securities in 2017, started a will and inheritance trust business in 2018, and started a recruitment business in 2020, thereby expanding its problem-solving functions. In addition, the Bank has maintained an efficient and robust operating structure by reviewing its digital investments and branch network as appropriate.

The Medium-Term Management Plan (FY2023-FY2025) announced on March 27, 2023, targets an ROE of 6% based on shareholders' equity (3% based on net assets) and an equity ratio in the 11% range. To achieve these targets, the Bank has raised its shareholder return policy from "a total payout ratio targeting around 50% " to "a total payout ratio of 50% or more", and intends to flexibly implement shareholder returns while committing to a total payout ratio of 50%. The bank is also preparing transition to a holding company structure effective as of October 2, 2023 (scheduled), subject to the approval of the Ordinary General Meeting of Shareholders and the necessary approval, etc. from the relevant authorities. The Bank plans to concentrate the strengths of each group company as a comprehensive solutions provider and increase the annual dividend from 140 yen (planned, the fiscal year ended March, 2023) to 160 yen for the fiscal year ending March 31, 2024, the first year of the plan. In addition, based on medium and long term management strategy and capital policy, the Board of Director is considering a flexible share buyback at an appropriate amount and number of shares.

The Bank deems that the best way to return profits to shareholders is through measures based on the Bank's shareholder return policy, based on a medium- to long-term perspective. With regard to the criteria for shareholder return, the Bank positions it as the distribution of profits to shareholders who invest in the Bank's business strategy and believes that decisions should be based on profit attributable to owners of the parent generated as a result of business activities during the each fiscal year, rather than solely on dividends the Bank receives for shares it owns.

If the Bank implement the shareholder returns of the shareholder proposals (Dividend of surplus (special dividend), Buyback of Own Shares), the Bank will return all profits to shareholders without retaining internal reserves, we cannot deny that it is based on a short-term perspective that does not take into account the characteristics of the Bank as a regional financial institution and is judged not to lead to improvement in medium- to long-term corporate value.

Therefore, the Board of Directors of the Bank opposes the shareholder proposal.

(2) Buyback of Own Shares

A. Opinion of the Board of Directors of the Bank

The Board of Directors **opposes** the shareholder proposal.

B. Reasons for Opposition

Same as "Dividend of surplus (special dividend)".

End

"The attachment" Details of the Shareholder Proposal

*The relevant descriptions in the Shareholder Proposal submitted by the proposer are posted as they are in the original.

I. Matters Concerning the Purpose of the AGM

Agenda: Dividend of surplus (special dividend)

II. Summary of the Proposals

I. Summary of the First Proposal

(1) Agenda: Dividend of Surplus (special dividend)

A special dividend shall be made as follows:

A. Type of dividend:
Cash

B. Allocation and the total amount of dividends:
An amount equal to **JP¥ 62** per share shall be paid in addition to the amount (if any) of the dividend payment from surplus per share of common stock which is approved at the 120th Annual General Meeting of Shareholders based on the proposal on the dividend of surplus made by the Company. The total amount of special dividends to be paid pursuant to the Agenda shall be calculated by multiplying the amount of the special dividend per share of common stock by the number of shares eligible to receive dividend payments as of 31st March 2023.

C. Effective date of dividend payment from surplus
The day after the date of the 120th Annual General Meeting of Shareholders.

D. Payment date of dividend:
19th July 2023.

2. Reason for the First Proposal

(1) Agenda: Dividend of Surplus (special dividend)

The Company is currently forecasting an ordinary dividend of **JP¥ 140** per share for the financial year ended 31st March 2023. The Company is currently forecasting net earnings at the group level of **JP¥ 333** per share. Silchester International Investors LLP ("Silchester") is recommending that shareholders approve a special dividend of **JP¥ 62** per share. A special dividend is being proposed because:

- For the year ended 31st March 2023, the Bank is currently forecasting net income of JP¥25 billion. The Bank is forecast to generate a ROE of 2.6%. The Company estimates that it will collect JP¥15 billion of dividends from its equity holdings in the financial year ended 31st March 2023.

- Silchester believes the Company should distribute 100% of the value of the annual dividend income that the Company receives on the Company's equity holdings plus 50% of the Bank's earnings from its core lending activities. This approach allows the Company to retain 50% the available earnings generated by the Company's core lending and banking activities and gives the Company sufficient flexibility to self-fund the expansion of its banking business.

The payment of this special dividend does not adversely impact the Company and/or its future business prospects. The payment of a special dividend dose not jeopardise the Company's ability to prepare for various technology changes, meet solvency requirements, provide services to its customers, or fulfill its obligations to stakeholders in the Kyoto prefecture.

3. Outline of Reason for the First Proposal

The Company's dividend policy should be to distribute to shareholders amount equal to 100% of the amount of the Company's net income that is not directly related to its core business activities (specifically, dividend income that the Company receives on the Company's equity holdings) plus an amount equal to 50% of the net income from its core lending activities. If the Company adopts such policy, the Company is able to retain 50% of the available earnings generated by the Company's core lending and banking activities. The Company has sufficient financial flexibility to self-fund the expansion of its banking business.

The payment of this special dividend to be proposed at the upcoming General Meeting of Shareholders does not adversely impact the Company and its future business prospects or solvency of the Company. Further, the payment of such a special dividend does not jeopardise the Company's ability to prepare for various technology changes, provide services to its customers, or fulfill its obligations to stakeholders in the Kyoto prefecture.

4. Summary of the Second Proposal

(2) Agenda: Buyback of Own Shares

Pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, prior to 31st March 2024, the Company shall acquire its common stock by way of cash payment up to a total number of 760,000 shares at a total acquisition price of JP¥ 5 billion (or, if the total amount of the acquisition price permitted under the Companies Act (the "Distributable Amount" as defined in Article 461 of the Companies Act) is less than such amount, the maximum amount of the total acquisition price permitted under the Companies Act).

5. Reason for the Second Proposal

(2) Agenda: Buyback of Own Shares

For the year ended 31st March 2023, the Company is forecast to generate a ROE of 2.6%. On 27th March 2023, The Company updated their mid-term plan ROE targets. The Company is targeting a ROE of 3% within its core banking business (the ROE for the 'core' banking business exclude dividend income from equity holdings) by 31st March 2026.
This means that the Company will continue to deliver a dilutive ROE that adversely impacts shareholders. Notwithstanding the recent increase in the Company's dividends and share buybacks, the Board of Directors is failing to justify the retention of part of the Company's earnings. The Company' ROE would be improved by an increase in share buybacks.

Even if the Company performs the share buyback as approved, the share buyback will not adversely impact the Company and its future business prospects or solvency of the Company. Further, the share buyback does not jeopardise the Company's ability to prepare for various technology changes, provide services to its customers, or fulfill its obligations to stakeholders in the Kyoto prefecture.

6. Outline of Reason for the Second Proposal

The Company should not retain additional earnings until the Company can achieve a ROE of at least 10% on its core banking activities. The Company must also publish a reasonable plan to achieve a price to book value ratio of 1.0x, as set out in the Tokyo Stock Exchange guidelines.

The share repurchased proposed at the upcoming General Meeting of Shareholders does not adversely impact the Company and its future business prospects or solvency of the Company.
Further, the share buyback does not jeopardise the Company's ability to prepare for various technology changes, provide services to its customers, or fulfill its obligations to stakeholders in the Kyoto prefecture.

III. About Silchester

Silchester is a UK based asset management firm. Silchester invests client moneys in publicly traded non-US equity securities using a bottom up, value based, investment approach. Silchester is a 'long-only' investment manager. Silchester does not short securities, utilise derivatives or invest in convertible instruments. Silchester seeks to invest in companies that are trading cheaply relative to their assets, earnings or dividends. Silchester has been invested in Japanese equity securities since 1995. As of 31st March 2023, Silchester has more than JP¥ 1.8 trillion of its client assets invested in equity securities issued by publicly traded Japanese companies.

Silchester is the appointed investment manager for several large commingled funds. One of these commingled funds is the Silchester International Investors International Value Equity Trust. The Northern Trust Company acts as the custodian for this commingled fund. The Northern Trust Company holds the shares for this commingled fund in a nominee account that is called Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust. The Northern Trust Company has provided Silchester with a power of attorney granting Silchester the authority, as investment manager, to introduce the proposals. The Northern Trust Company is not otherwise involved with this Proposal.

Silchester is not an 'activist' investor. Silchester is a fiduciary to its client assets and takes its corporate governance obligations seriously. Silchester will engage with portfolio companies where appropriate. Silchester first invested in the Company's shares in September 2006. Silchester has regularly discussed the Company's operating performance and capital allocation with the Company's board and senior management. Silchester has offered a number of suggestions to the Company on how each of these items could be improved.

As of 25th April 2023, Silchester is able to exercise control over 7.8% of the Company's issued share capital. The Silchester International Investors International Value Equity Trust holds more than 3.7% of the Company's issued share capital and has done so on a continuous basis for more than six (6) calendar months. Silchester's clients are, collectively, the Company's largest shareholder.