



KT&G

Shareholder letter and

Board Recommendations for the 36th AGM



Convocation Notice of the 36th Annual General Meeting of Shareholders

Notice is hereby given that the 36th Annual General Meeting of Shareholders of KT&G will be held as described hereunder.

Date and Time

March 28, 2023 10:00 A.M.
Korea Standard Time (UTC+9)

Place

Vision Hall, KT&G Human Resources Development Institute,
71, Beotkkot-gil, Daedeok-gu, Daejeon, Republic of Korea

Table of Contents

01 Letter to the shareholders from KT&G BOD

02 Proxy Summary

03 Agendas

- ▶ (Agenda1) Approval of Financial Statements(excluding Statement of Appropriation of Retained Earnings)
- ▶ (Agenda2) Approval of Provision of Dividends and Statement of Appropriation of Retained Earnings
- ▶ (Agenda3) Partial Amendment to Articles of Incorporation
- ▶ (Agenda4) Cancellation of Treasury Shares
- ▶ (Agenda5) Acquisition of Treasury Shares
- ▶ (Agenda6) Decision on Whether to Increase the Number of Outside Directors
- ▶ (Agenda7~9) Appointment of Outside Directors and Audit Committee Members
- ▶ (Agenda10) Approval of Cap on Remuneration for Directors

04 Attachment

01 Letter to the Shareholders from KT&G BOD

KT&G Board of Directors' Position on the Shareholder Proposals

Dear valued shareholders,

As Chairman, on behalf of the Board of Directors of KT&G, I am always deeply grateful for the support and interest that our shareholders shown to our company.

KT&G's Board of Directors has paid heed to the recent shareholder proposals and the proposing shareholders' views, as well as various opinions and feedback from a wider group of shareholders. Hence, the Board has held a series of in-depth discussions and deliberations over the potential legal and business issues that may arise out of the proposals in close consultation with experienced legal, strategic and financial advisors.

We now would like to share with our valued shareholders the conclusions the Board drew through a series of extensive discussions and deliberations and would like to ask for your valuable support.

We Need a Reasonable Dividend Policy

Following the announcement of "*Mid- to Long-term Shareholder Return Policy (2021-2023)*" in 2021, KT&G has faithfully carried out the return policy amounting to approximately KRW 1 trillion per year. Our dividend payout ratio has significantly increased compared to 2020 and we made share repurchases for the three consecutive years since 2020.

It is the Board's view that the proposing shareholders' demand is such an excessive request that could seriously undermine our company's future growth potential if they call for a per-share dividend of KRW 10,000, or an aggregate dividends of KRW 1.2 trillion, together with an additional share repurchase of KRW 1.2 trillion. The Board concluded that we could not accommodate a request for approximately a threefold of the current shareholder returns, considering our company's growth investment plan (CAPEX investments of KRW 3.9 trillion for the next five years) and financing plans.

In the second half of this year, which is the end of the three years under the current shareholder return policy, the Board plans to announce "*New Shareholder Return Policy*" to increase shareholder returns, and will also consider more proactive financing plans to secure required resources, including through increased liquidity making use of the company's real estate and borrowings. The Board is also reviewing and actively considering the cancellation of treasury shares, in which some of our shareholders have shown interest. The specific plans for share cancellation will be included in the aforementioned "*New Shareholder Return Policy*" to be announced to the public.

KT&G's Board is fully aware of the market concerns about the use of our company's cash holding and capital efficiency, and will make best efforts to enhance in capital management efficiency and to maximize our corporate and shareholder values, through active monitoring of the business decisions regarding dividends and investment, as well as our management's KPI such as share price and ROE.

We Need a Board That Best Suits Our Mid- and Long-term Strategies

KT&G's Board of Directors believes that it would be best suited to KT&G's corporate and shareholder value maximization to maintain the current Board's composition and competence.

Candidates Myung-Chul, Kim and Yun-Sung Koh, nominated for re-appointment for our Board members, are professionals with extensive experience and outstanding expertise in the fields of finance and global business, and financial management, accounting and tax, respectively. With such experience and competence, both nominees have made great contributions to important business decisions as well as management supervision.

As to the candidates for the audit committee members nominated by the proposing shareholders, we have concerns about whether our audit committee, should those candidates be appointed thereto, would indeed be able to perform its functions required under the laws and our articles of incorporation, because we were unable to verify whether they meet the Korean Commercial Code's qualification requirement for financial expert. On the contrary, the nominees of the Board have served on our audit committee for the most recent term, making great contribution to strengthening the roles of the Committee, including by enhancing its internal audit functions. Based on these grounds, we sincerely ask for your strong support for the nominees of the Board.

KT&G has continuously expanded its business into the world Beyond Korea, currently standing at a critical juncture to become a true global company by implementing our mid- to long-term growth strategy announced in January 2023.

KT&G's Board will make best efforts to ensure our company's growth into a more transparent and sound company by diligently performing the duties of active check and supervision of the management, as well making proposals for our company's continuous performance.

We appreciate again your interest and support for KT&G's continued growth and kindly ask for your continuous encouragement and unwavering support for KT&G.

Thank you.

Yours sincerely,

Myung-Chul Kim

Chairman of the Board of Directors of KT&G

02 Proxy Summary

The Following summarizes the agenda to be voted on at the 36th Annual General Meeting of Shareholders. Your vote is valuable for us. Please review the entire this material carefully before voting.

The Board of Directors recommends you vote [In Favor of agenda items proposed by KT&G BOD](#) and vote Against of agenda items by shareholder proposals.

Agendas to be voted on

Item	Agenda Item	Proposed by	Recommend	Page
Agenda 1	Approval of Financial Statements (excluding Statement of Appropriation of Retained Earnings)	KT&G's BOD	In Favor	8-9
	Approval of Provision of Dividends and Statement of Appropriation of Retained Earnings			
Agenda 2	2-1 Cash Dividends of KRW 5,000 per Share	KT&G's BOD	In Favor	10-12
	2-2 Cash Dividends of KRW 7,867 per Share	Shareholder Proposal	AGAINST	
	2-3 Cash Dividends of KRW 10,000 per Share	Shareholder Proposal	AGAINST	
	Partial Amendment to Articles of Incorporation			
	3-1 Amendment to and Enactment of Provisions Concerning Evaluation and Compensation Committee	Shareholder Proposal	AGAINST	13-14
Agenda 3	3-2 Addition of Right to Decide Cancellation of Treasury Shares	Shareholder Proposal	AGAINST	
	3-3 Enactment of New Provisions for Quarterly Dividends	Shareholder Proposal	In Favor	
	3-4 Addendum	Shareholder Proposal	In Favor	
Agenda 4	Cancellation of Treasury Shares	Shareholder Proposal	AGAINST	15
Agenda 5	Acquisition of Treasury Shares	Shareholder Proposal	AGAINST	16
	Decision on Whether to Increase the Number of Outside Directors			
Agenda 6	6-1 Maintenance of the Current Number of Six (6) Outside Directors	KT&G's BOD	In Favor	
	6-2 Increase of the Number of Outside Directors to Eight (8)	Shareholder Proposal	AGAINST	
	Appointment of Two (2) Outside Directors (if Agenda No. 6-1 is approved) (cumulative voting)			17-27
Agenda 7	7-1 Appointment of Myung-Chul Kim as Outside Director	KT&G's BOD	In Favor	
	7-2 Appointment of Yun-Sung Koh as Outside Director	KT&G's BOD	In Favor	
	7-3 Appointment of Soo-Hyung Lee as Outside Director	Shareholder Proposal	AGAINST	

Item	Agenda Item	Proposed by	Recommend	Page
Agenda 7	7-4	Appointment of DoReen Kim as Outside Director	Shareholder Proposal	AGAINST
	7-5	Appointment of Jae-Whan Park as Outside Director	Shareholder Proposal	AGAINST
	7-6	Appointment of Suk-Yong Cha as Outside Director	Shareholder Proposal	AGAINST
	7-7	Appointment of Ou-Jin Hwang as Outside Director	Shareholder Proposal	AGAINST
Agenda 8	Appointment of Four (4) Outside Directors (if Agenda No. 6-2 is approved) (cumulative voting)			
	8-1	Appointment of Myung-Chul Kim as Outside Director	KT&G's BOD	In Favor
	8-2	Appointment of Yun-Sung Koh as Outside Director	KT&G's BOD	In Favor
	8-3	Appointment of Il-Soon Lim as Outside Director	KT&G's BOD	In Favor
	8-4	Appointment of Soo-Hyung Lee as Outside Director	Shareholder Proposal	AGAINST
	8-5	Appointment of DoReen Kim as Outside Director	Shareholder Proposal	AGAINST
	8-6	Appointment of Jae-Whan Park as Outside Director	Shareholder Proposal	AGAINST
	8-7	Appointment of Suk-Yong Cha as Outside Director	Shareholder Proposal	AGAINST
8-8	Appointment of Ou-Jin Hwang as Outside Director	Shareholder Proposal	AGAINST	
Agenda 9	Appointment of Audit Committee Members			
	9-1	Appointment of Myung-Chul Kim as Outside Director	KT&G's BOD	In Favor
	9-2	Appointment of Yun-Sung Koh as Outside Director	KT&G's BOD	In Favor
	9-3	Appointment of DoReen Kim as Outside Director	Shareholder Proposal	AGAINST
	9-4	Appointment of Jae-Whan Park as Outside Director	Shareholder Proposal	AGAINST
	9-5	Appointment of Suk-Yong Cha as Outside Director	Shareholder Proposal	AGAINST
9-6	Appointment of Ou-Jin Hwang as Outside Director	Shareholder Proposal	AGAINST	
Agenda 10	Approval of Cap on Remuneration for Directors	KT&G's BOD	In Favor	28

17-27

03 AGENDAS

▶ Agenda 1 : Approval of Financial Statements (excluding Statement of Appropriation of Retained Earnings)

Pursuant to Article 449 of the Korean Commercial Act and Article 41 of the Articles of Incorporation of the Company, the Consolidated and Separate Financial Statements and for the 36th Fiscal Year (from January 1, 2022 to December 31, 2022) are required to be approved.

- ※ Notes to the Consolidated and Separate Financial Statements: Please refer to electronic disclosure filings by the Company
- ※ These Financial Statements was prepared reflecting the results of external audits on the Company. For further details, please refer to the disclosure on “Submission of Audit Report” by the Company.

RECOMMENDATION :

Vote **FOR** the Approval of Financial Statements

[Business Results of FY 2022]

In 2022, KT&G achieved record-breaking sales figures thanks to growth in both domestic and international NGP sales and its overseas cigarette subsidiary. The company recorded a consolidated revenue of KRW 58.514 trillion, an 11.9% increase from the previous year, and an operating profit of KRW 12.676 trillion, a 5.3% decrease from the previous year.

On a separate basis, the company achieved a revenue of KRW 36.944 trillion, a 5.8% increase from the previous year, and an operating profit of KRW 11.203 trillion, a 3.4% increase from the previous year. Please refer to the attached documents for the financial statements, income statement (comprehensive income statement), statement of changes in equity, and statement of cash flows for the current fiscal year.

[FY 2022 Key Financial Performance]

Consolidated

(Unit: 100 million KRW)	36 th FY(CY)	35 th FY(PY)	YOY(amt)
Sales	58,514	52,284	11.9%
Operating Profit	12,676	13,384	-5.3%
Profit for the year	10,053	9,718	3.4%
Total assets	123,017	116,373	5.7%
Total Liabilities	29,430	24,284	21.2%
Total Equity	93,587	92,089	1.6%

Separate

(Unit: 100 million KRW)	36 th FY(CY)	35 th FY(PY)	YOY(amt)
Sales	36,944	34,905	5.8%
Operating Profit	11,203	10,834	3.4%
Profit for the year	9,580	8,529	12.3%
Total assets	101,569	97,817	3.8%
Total Liabilities	21,033	17,816	18.1%
Total Equity	80,536	80,001	0.7%

▶ **Agenda 2 : Approval of Provision of Dividends and Statement of Appropriation of Retained Earnings**

※ As for Agendas No. 2-1, 2-2, and 2-3, voting will be conducted for the all these three (3) Agendas and, among the Agendas satisfying the requirements for ordinary resolutions, the Agenda with the most votes shall be approved.

- **Agenda No. 2-1: Cash Dividends of KRW 5,000 per Share (Proposal by KT&G's Board of Directors)**
- Agenda No. 2-2: Cash Dividends of KRW 7,867 per Share (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 2-3: Cash Dividends of KRW 10,000 per Share (Shareholders' Proposal by Agnes, etc.)

RECOMMENDATION :

Vote **FOR the Agenda No. 2-1** Cash Dividends of KRW 5,000 per Share

[Agenda item 2-1 : Cash Dividends of KRW 5,000 per Share]

<Statement of Appropriation of Retained Earnings>

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

Expected date of appropriation : March 28, 2023

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

Fixed date of appropriation : March 29, 2022

KT&G Corporation

(Unit: 100 million KRW)

Classification	36 th FY(CY)	35 th FY(PY)
1. Unappropriated retained earnings	9,890	8,771
1) Unappropriated retained earnings carried over from prior year	-	-
2) Profit for the year	9,580	8,529
3) Reclassification of losses from disposal of financial assets measured at FVOCI to Retained Earnings	-84	-8
4) Remeasurements of net defined benefit liabilities	394	250
2. Appropriation of retained earnings	-9,890	-8,771
1) Dividends paid	-5,814	-5,759
Cash dividend payout(ratio) for Ordinary shares Current year(2022) : 5,000 KRW(100%) Prior year(2021) : 4,800 KRW(96%)		
2) Transfer to other reserves	-4,076	-3,012
3. Unappropriated retained earnings to be Carried over to Subsequent Year	-	-

[The Company's Opinion on Agenda No. 2-1 Cash Dividends for the 36th Fiscal Year]

In order to enhance foreseeability, and to ensure a constant and stable dividend policy with the Company's shareholders, in November 2021, the Board of Directors of the Company resolved to adopt a mid-to-long-term shareholder return policy, applicable for a period of three (3) years from 2021 to 2023, and continued to apply the basis of such a dividend policy, aiming to achieve a dividend payout ratio of at least 50%, while also maintaining or increasing the dividends per share based on the size of profit growth. The Board further made a public disclosure declaring that the Company will purchase treasury shares in an amount equal to approximately KRW 1.75 trillion for a span of three years, and the Company has been faithfully observing its promises with the shareholders.

The dividends for the 36th fiscal year was also reviewed extensively based on the agreed dividend policy, taking into consideration of the size of the Company's profits, mid-to-long-term securing of investment resources, and the stability of the Company's financial structure. As a result, the Board of Directors decided, and subsequently disclosed, a dividend per share of KRW 5,000, which was an increase by KRW 200 from the previous fiscal year, amounting to an aggregate of KRW 581.4 billion. Accordingly, the Company's dividend payout ratio for 2022 would be 57.3%, exceeding the payout ratio of 50% expected by the market.

In addition, the Company is planning to purchase treasury shares of approximately KRW 300 billion in 2023, which will mark the Company's fourth consecutive year of purchasing treasury shares and complete the Company's purchase of its treasury shares in an aggregate amount of KRW 1 trillion in the span of last three years, as previously disclosed by the Company. In addition, the Company is planning to conduct a detailed review of its shareholder return policy applicable in 2024 and thereafter, and is expected to announce the policy during the second half of this year.

Such an aggressive shareholder return policy has led the Company to record gross payout ratios (taking into account dividends and treasury shares) against its net profits of the relevant fiscal year, equal to 95% and 93% for 2021 and 2022, respectively. These are not only payout ratios of the highest level in the country, but also exceed those of large-scale global tobacco companies.

Furthermore, since its initial public offering, the Company has never lowered its per share dividends, and has been paying dividends that were at least equal or more than those of the previous years for the twenty three (23) consecutive fiscal years. This has been possible because the Company continuously pursues a policy which rather than opting for a short-term financial strategy, seeks to enhance both corporate and shareholder value in the long term.

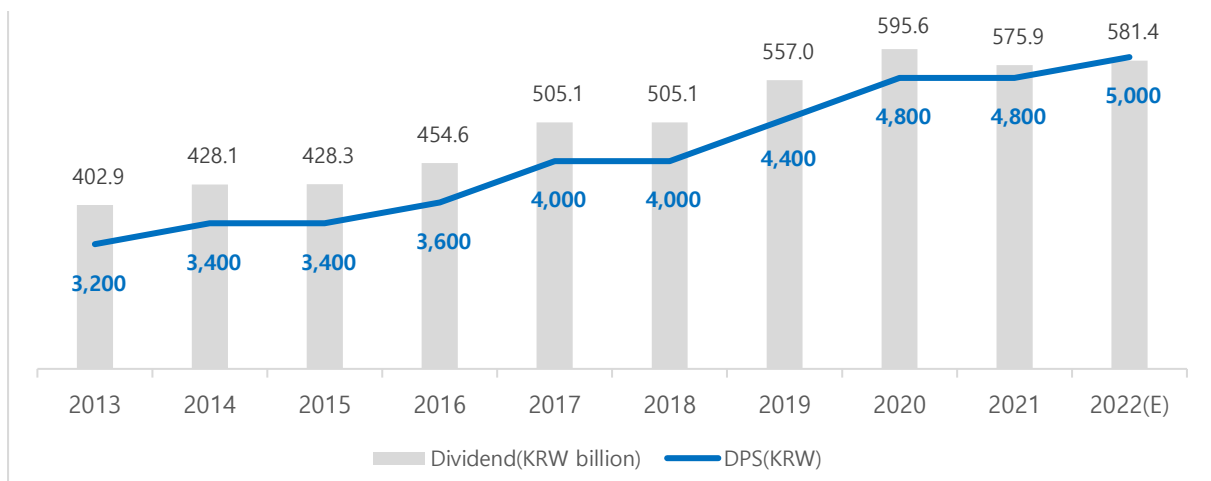
In the mid-to-long term, the Company plans to create a virtuous and sustainable cycle where investments for the Company's future growth, followed by the expansion of its sustainable profits through such investments, ultimately leading to the enhancement of shareholder value. For this purpose, the Company presented a vigorous CAPEX investment plan during Investor Day in January this year, to go from being the No.1 tobacco company in Korea to grow as a global presence representing Korea, by using NGP, dry tobacco and global tobacco as its key growth engines.

Also, together with its mid-to-long term and large-scale CAPEX investment plan for its sustainable growth, the Company will continue to expand its various shareholder return strategies, based on a policy striving for a continuous increase of the dividends. Furthermore, the Company will listen to and reflect the diverse voices of the shareholders, and pursue a balanced development for corporate growth and enhancement of shareholder value.

The dividend proposals submitted by the shareholders present a lump-sum increase of the dividends per share to approximately 164% (Anda, etc.,) and 208% (Agnes, etc.), respectively. The Company believes that these would be sudden and drastic increases and excessive, which also have not taken into consideration of the Company's investment plan for its mid-to-long-term growth, as well as its sustainable and stable dividend policy.

Such an excessive expansion of dividends based on a short-term perspective could cause risks with respect to the Company's future response measures to the uncertainties in the external business environment, or its implementation of future investment plans, and further severely hinder the sustainability of its dividend policy that has adopted a stable increase strategy. As above, in the belief that such proposals could damage the Company's future growth potential and would lead to a breach of its shareholder value, **the Board of Directors are opposed to the shareholder proposals on the dividends for the 36th fiscal year, and requests the shareholders to provide their affirmative votes for Proposal No. 2-1 recommended by the Board of Directors.**

[Dividend History]



▶ **Agenda 3 : Partial Amendment of the Articles of Incorporation
(Shareholders' Proposal by Agnes, etc)**

Agnes, etc., as shareholders, propose to amend the Articles of Incorporation as follows.

- Agenda No. 3-1: Amendment to and Establishment of Provisions on Evaluation and Compensation Committee
- Agenda No. 3-2: Addition of Right to Decide Cancellation of Treasury Share
- Agenda No. 3-3: Establishment of New Provisions for Quarterly Dividends
- Agenda No. 3-4: Addendum

RECOMMENDATION :

Vote **AGAINT the Agenda No. 3-1 and No. 3-2**

Vote **FOR the Agenda No. 3-3 and No.3-4**

[The Company's Opinion on the Evaluation and Compensation Committee]

In order to raise the expertise and operational efficiency of the Board of Directors, KT&G has established and is operating committees within the Board of Directors. The committees consist of five standing committees, including the Evaluation Committee, Management Committee, Audit Committee, ESG Committee, and two non-standing committees, which are the CEO Nomination Committee and the Outside Director Nomination Committee.

The Board of Directors has clearly prescribed the matters relating to the powers, composition and operation of such committees within the Board of Directors in its regulations, and such regulations are transparently disclosed through the Company's website and public disclosures. In particular, the Evaluation Committee, which has the power to evaluate the CEO and internal directors, conducts a preliminary review and determines the remuneration and severance pay of the CEO, internal directors and senior executives, was established in 2001, and has been consisted entirely of outside directors.

Given that there are multiple committees established and operated to achieve an effective operation of the Board of Directors, the Board of Directors believes that, an amendment of the Articles of Incorporation to solely set forth the matters of the Evaluation and Compensation Committee, of which establishment is not mandatory under applicable law in Korea, is not only inappropriate in terms of the suitability of the provisions, but could also potentially hinder the effective operation of the Board of Directors and its committees. Moreover, any amendment or change to such committee's name or operations would require a special resolution of the general meeting of shareholders.

As such, the Board of Directors requests that the shareholders cast their negative votes to Agenda No. 3-1, Partial Amendment of the Articles of Incorporation concerning the Evaluation and Compensation Committee.

[The Company's Opinion Concerning Addition of Right to Decide Cancellation of Treasury Shares]

The Korean Commercial Code requires the resolution of the Board of Directors to both purchase and cancel treasury shares. To enhance shareholder value with the powers and responsibilities granted by the Korean Commercial Code, in 2020, our Board of Directors decided to acquire treasury shares for the first time in ten years. Furthermore, KT&G resolved on a mid-to-long-term shareholder return policy in 2021, and has been conducting purchases of treasury shares for the last three consecutive years, as part of its good faith implementation of the above policy.

The Board of Directors believe it is critical to allow KT&G the flexibility to execute on the strategy by retaining the authority to cancel these shares at the appropriate time for the business. While we value shareholder opinions and will always consider feedback, we firmly believe that execution of strategy and capital management remain management responsibility. Management is in turn fully accountable to shareholders for successful execution.

The Board of Directors is planning to review, and subsequently communicate to the market a comprehensive treasury shares policy, including the cancellation of its treasury shares, in the second half of this year, which would maximize shareholder and corporate value by sufficiently taking into consideration those matters required to ensure the Company's growth in the mid-to-long term.

Therefore, the Board of Directors kindly requests that the shareholders cast their negative votes to Agenda No. 3-1, Partial Amendment of the Articles of Incorporation and Agenda No. 4 regarding Cancellation of Treasury Shares, submitted by the shareholders for the purpose of canceling all treasury shares at once without consideration of long-term implications.

▶ **Agenda 4 : Cancellation of Treasury Shares**
(Shareholders' Proposal by Agnes, etc)

※ to be automatically scrapped if Agenda No. 3-2 is rejected

Agnes, etc., as shareholders, propose to cancel the entire treasury shares held if the Agenda No. 3-2 is passed.

RECOMMENDATION :

Vote **AGAINST the Agenda No. 4**

[The Company's Opinion on the Cancellation of Treasury Shares]

In order to enhance the value of its shareholders, KT&G has been buying back treasury shares for the third consecutive year, and plans to buy back additional shares worth KRW 300 billion this year. Throughout this process, the Board of Directors of KT&G is mindful of the market's concerns regarding the increase in the number of treasury shares.

So, the Board of Directors is planning to review, and subsequently communicate to the market a comprehensive treasury shares policy, including the cancellation of its treasury shares, in the second half of this year, which would maximize shareholder and corporate value by sufficiently taking into consideration those matters required to ensure the Company's growth in the mid-to-long term.

The specific plans for share cancellation will be included in the "New Shareholder Return Policy" to be announced to the public in the second half of this year.

As such, KT&G's Board of Directors kindly requests that the shareholders place their trust in the Board's decision to strengthen a long-term and continuous shareholder return policy, and cast their negative votes to Agenda No. 4.

▶ **Agenda 5 : Acquisition of Treasury Shares**
(Shareholders' Proposal by Agnes, etc)

Agnes, etc., as shareholders, propose to acquire 12,000,000 treasury shares, worth KRW 1.2 trillion.

RECOMMENDATION :

Vote **AGAINST the Agenda No. 5**

[The Company's Opinion on the Cancellation of Treasury Shares]

In addition to the implementation of a dividends policy which has ensured a continued increase of its dividends, the Company endeavors to purchase its treasury shares and, by doing so, is paying careful attention to the enhancement of its shareholder value. As described earlier, the Company is planning to purchase treasury shares at a scale of approximately KRW 300 billion in 2023, which will be the Company's purchase of treasury shares for the fourth consecutive year, and thereby the Company will be fulfilling its promise to the shareholders that it complete the purchase of treasury shares in an aggregate amount of KRW 1 trillion within three years. Through such an aggressive policy to expand shareholder returns, the Company has recorded gross payout ratios (taking into account dividends and treasury shares) against the net profits of the relevant fiscal year, of 95% and 93% in 2021 and 2022, respectively. These not only represent the highest payout ratios in the country, but also exceed those of large-scale global tobacco companies.

However, the shareholders are proposing that the Company acquire 12 million treasury shares, which accounts for approximately 9% of the Company's total issued and outstanding share, without giving any consideration to the Company's mid-to-long-term investments and its sustainable growth and development plan. If this proposal is approved by the shareholders, the Company could be at risk of exhausting its resources necessary to secure its future growth potential, due to excessive cash leakage, which would be an addition to the shareholder returns of approximately KRW 900 billion scheduled to take place this year.

As such, KT&G's Board of Directors requests that the shareholders place their trust in the Board's decision to strengthen a long-term and continuous shareholder return policy, and cast their negative votes to Agenda No. 5.

▶ **Agenda 6 : Decision on Whether to Increase the Current Number of Outside Directors**

As per the shareholders' proposal to increase the number of the Company's outside directors to eight from the current number of six, as submitted by ANDA ESG General Private Investment Trust No. 1, we seek to decide the number of outside directors by choosing either KT&G board of directors' proposal to maintain the current number of outside directors (Agenda No. 6-1) or the shareholders' proposal (Agenda No. 6-2).

※ Voting will be conducted collectively for Agendas No. 6-1 and 6-2 and, among the Agendas satisfying the requirements for ordinary resolutions, the Agenda with the most votes shall be approved.

- Agenda No. 6-1: Maintenance of the Current Number of Six (6) Outside Directors (Proposal by KT&G's Board of Directors)
- Agenda No. 6-2: Increase of the Number of Outside Directors to Eight (8) Outside Directors (Shareholders' Proposal_by ANDA, etc.)

RECOMMENDATION :

Vote **FOR the Agenda No. 6-1**

Vote **AGAINST the Agenda No. 6-2**

▶ **Agenda 7 : Appointment of Two (2) Outside Directors (if Agenda No. 6-1 is approved) (cumulative voting)**

We seek to appoint outside directors pursuant to Article 382 of the Korean Commercial Code, Article 26, Paragraph (6) of the Company's Articles of Incorporation, and the voting results under Agenda No. 6 as below.

※ Two (2) out of seven (7) candidates below shall be appointed through cumulative voting

- **Agenda No. 7-1 : Appointment of Myung-Chul Kim as Outside Director (Proposal by KT&G's Board of Directors)**
- **Agenda No. 7-2 : Appointment of Yun-Sung Koh as Outside Director (Proposal by KT&G's Board of Directors)**
- Agenda No. 7-3 : Appointment of Soo-Hyung Lee as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 7-4 : Appointment of Doreen Kim as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 7-5 : Appointment of Jae-Whan Park as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 7-6 : Appointment of Suk-Yong Cha as Outside Director (Shareholder's Proposal by Agnes, etc.)
- Agenda No. 7-7 : Appointment of Ou-Jin Hwang as Outside Director (Shareholder's Proposal by Agnes, etc.)

RECOMMENDATION :

Vote **FOR the Agenda No. 7-1 and No. 7-2, Nominees proposed by KT&G BOD**

▶ **Agenda 8 : Appointment of Four (4) Outside Directors (if Agenda No. 6-2 is approved) (cumulative voting)**

We seek to appoint outside directors pursuant to Article 382 of the Korean Commercial Code, Article 26, Paragraph (6) of the Company's Articles of Incorporation, and the voting results under Agenda No. 6 as below.

※ Four (4) out of eight (8) candidates below shall be appointed through cumulative voting

- **Agenda No. 8-1 : Appointment of Myung-Chul Kim as Outside Director (Proposal by KT&G's Board of Directors)**
- **Agenda No. 8-2 : Appointment of Yun-Sung Koh as Outside Director (Proposal by KT&G's Board of Directors)**
- **Agenda No. 8-3 : Appointment of Il-Soon Lim as Outside Director (Proposal by KT&G's Board of Directors)**
- Agenda No. 8-4 : Appointment of Soo-Hyung Lee as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 8-5 : Appointment of Doreen Kim as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 8-6 : Appointment of Jae-Whan Park as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 8-7 : Appointment of Suk-Yong Cha as Outside Director (Shareholder's Proposal by Agnes, etc.)
- Agenda No. 8-8 : Appointment of Ou-Jin Hwang as Outside Director (Shareholder's Proposal by Agnes, etc.)

RECOMMENDATION :

Vote **FOR the Agenda No. 8-1, No. 8-2 and No. 8-3**, Nominees proposed by KT&G BOD

▶ **Agenda 9 : Appointment of Audit Committee Members**

We seek to appoint the Audit Committee members pursuant to Articles 542-11 and 542-12 of the Korean Commercial Code and Article 34-3 of the Company's Articles of Incorporation.

※ If any candidates for the Audit Committee members are not appointed as outside directors under the Agendas No. 7 through No. 8, the agendas applicable to such candidates will be automatically scrapped.

- **Agenda No. 9-1 : Appointment of Myung-Chul Kim as Outside Director (Proposal by KT&G's Board of Directors)**
- **Agenda No. 9-2 : Appointment of Yun-Sung Koh as Outside Director (Proposal by KT&G's Board of Directors)**
- Agenda No. 9-3 : Appointment of Doreen Kim as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 9-4 : Appointment of Jae-Whan Park as Outside Director (Shareholders' Proposal by ANDA, etc.)
- Agenda No. 9-5 : Appointment of Suk-Yong Cha as Outside Director (Shareholder's Proposal by Agnes, etc.)
- Agenda No. 9-6 : Appointment of Ou-Jin Hwang as Outside Director (Shareholder's Proposal by Agnes, etc.)

RECOMMENDATION :

Vote **FOR the Agenda No. 9-1, No. 9-2**, Nominees proposed by **KT&G BOD**

[The Company's Opinion on Agendas No. 6 to 9 Appointment of Outside Directors and Members of the Audit Committee]

In order to allow the Board of Director's independent decision-making and effective performance of its supervisory functions, 75% of the Company's Board of Directors is comprised of outside directors, which is at the highest level among Korean domestic companies. Furthermore, the current number of outside directors has been approved by our shareholders at the general meeting of shareholders for many years, and the Board of Directors believes that the current number of outside directors is appropriate in the perspective of effective operations of the Board of Directors in light of the Company's size, business structure, operational efficiency of the Board and the Directors' terms of office.

The Company's Board of Directors represents no particular interest other than of the Company, and is comprised of those with expert knowledge and work experience from various fields, including business management, financial management/accounting/tax, global business, supply networks, finance, legal, marketing, ESG and M&A. Our Directors have been appointed on the basis of a Board Skill Matrix (BSM), which was implemented, and disclosed, by the Company before any other company in Korea, and thereby is promoting the Company's sustainable development. Accordingly, MSCI, the Korea Institute of Corporate Governance and Sustainability (KCGS) and other recognized domestic and foreign rating institutions have confirmed that the Company has established a corporate governance structure of the highest level.

Furthermore, KT&G's Outside Director Nomination Committee and the Board of Directors nominated outside director and audit committee member nominees who were identified in a transparent and fair manner through external search firms, and in their opinions the most appropriate to meet the needs of the Company, by conducting a comprehensive review on their independence, expertise, diversity and contribution to the Board's operational efficiency and effectiveness.

For more background information on each nominee proposed by KT&G BOD, please refer to the following details.

The Company therefore respectfully asks the shareholders to appoint all of the director and audit member nominees nominated by the Board of Directors.

[BSM(Board Skills Matrix)]

Experience and Expertise	Jong-soo, Baek(N)	Myung-chul, Kim(N)	Yun-sung, Koh(N)	Min-kyu, Lim(N)	Kwan-soo, Shon(N)	Jee-hee, Lee(N)	Bok-in, Baek(CEO)	Kyung-man, Bang(E)
Leadership (8/8)	●	●	●	●	●	●	●	●
- CEO Experience (4/8)				●	●	●	●	
- CFO Experience (3/8)		●					●	●
Business Operations (6/8)		●		●	●	●	●	●
Manufacturing (3/8)				●			●	●
Supply Chain (1/8)					●			
Finance/Accounting (2/8)		●	●					
Risk Management (8/8)	●	●	●	●	●	●	●	●
Global Business (5/8)		●		●	●		●	●
ESG Strategy (4/8)				●	●		●	●
M&A (3/8)					●		●	●
Marketing/PR/Consumer (3/8)						●	●	●
Legal/Regulatory (1/8)	●							
Appointed (Avg 2.1years)	2018	2020	2020	2021	2022	2022	2015	2021
Independence (75%)	●	●	●	●	●	●		
Committees	G / ESG / A	G / Evl / A	Evl / ESG / A	G / Evl / ESG	ESG / A	G / Evl	M	G / M
Age (Avg 60.4)	63	67	50	68	63	62	58	52
Gender (Female 12.5%)	M	M	M	M	M	F	M	M

[Outside Director & Audit Committee Member Nominee : Mr. Myung-Chul, Kim]



Date of Birth
1956.2.11

01 Nominator	KT&G's Board of Directors
02 Skill Set	Management, Finance/Accounting, Risk Management Global Biz M&A
03 Relation to the largest Shareholder	None
04 Transaction with KT&G	None
05 Delinquency	None
06 Management of insolvent companies	None
07 Legal grounds for disqualification	None

08 Main Career	(2020~Present) Outside director and Chairman of the BOD, KT&G (2011~2014) Vice President/CFO, U-Life Solutions (2008~2011) President, Shinhan Bank America (2007~2008) CFO, Shinhan Financial Group(Finance, IR)
09 Education	Seoul National University, Graduate School of Business CFP course Kyung Hee University, BA in English Education

Board of Directors' Grounds for Recommendation

1. Enhancement of long-term shareholder value by improving management evaluation/compensation

Myung-Chul Kim, a candidate for the outside director and Audit committee member, served as the chairman of the evaluation committee of KT&G's board of directors (April 2021 to March 2023) and strengthened the linkage of the management evaluation/compensation system to sustainable management value by improving the CEO performance evaluation (KPI) and compensation system. In particular, in order to strengthen the link between long-term shareholder value and management performance, he led the reorganization of the compensation system by introducing a "performance share system" to the long-term performance pay of management members.

2. Advancement of financial performance and risk management as a global financial expert

Based on his practice in global financial markets including the US and Hong Kong for about 30 years, including service as the CFO of Shinhan Financial Group, the president of Shinhan Bank of America, and the head of Shinhan Financial Group's Hong Kong entity, the candidate has high level understanding of the capital market.

He participates in major decisions of the Company based on his management expertise and experience in developing global financial companies by managing financial performance based on risk management and pursuing efficient capital policy.

While serving as the chairman of KT&G's Board of Directors (April 2022 to March 2023), the Board of Directors made decisions on large-scale infrastructure/facility investment plans in line with the rapid growth of NGP's overseas business and accelerated direct entry into overseas cigarette markets. In this process, based on his experience of CFOs of large banks and top decision makers, the candidate has advised the board on the negotiation/implementation process of large-scale contracts and contributed to the preemptive risk management and strategic investment decision-making by suggesting reasonable decisions in overseas business investments.

3. Contribution to maximization of long-term shareholder value, such as the expansion of shareholder return

Based on his in-depth understanding of and experience in the capital market, the candidate has contributed to the establishment and announcement of mid to long-term shareholder return policies (2021-2023), and independently performed duties to maximize long-term shareholder value.

4. Independence as an outside director

In addition to the expertise described above, the candidate is fully qualified under the KCC as required to enhance the independence of outside directors. According to the standards of independence set forth in applicable laws and regulations, the candidate is judged to be in an independent position without any direct special relationship with the largest shareholder and the management. If the independent candidate is appointed as an outside director, it is possible to strictly manage/supervise the management and advise the management in a way that enhances corporate value. Therefore, we, the Outside Director Candidate Recommendation Committee, recommend him as a candidate of Outside Director and the audit committee member.

[Outside Director & Audit Committee Member Nominee : Mr. Yun-Sung, Koh]



Date of Birth
1973.9.7

01 Nominator	KT&G's Board of Directors
02 Skill Set	Finance/Accounting, Taxation, Risk Management
03 Relation to the largest Shareholder	None
04 Transaction with KT&G	None
05 Delinquency	None
06 Management of insolvent companies	None
07 Legal grounds for disqualification	None

08 Main Career	<p>(2020~Present) Outside director and Chairman of Audit Committee, KT&G</p> <p>(2020~Present) Member of T/F for Advancement of Financial Disclosure, the Financial Supervisory Service (FSS)</p> <p>(2017~Present) Professor, College of Business Administration, Hankuk University of Foreign Studies</p> <p>(2023~) Director and Vice-Chairman, the Korean Academic Society of Taxation</p>
09 Education	<p>Yonsei University, MA and PhD in Business Administration(Accounting)</p> <p>AICPA(California)</p>

Board of Directors' Grounds for Recommendation

1. Reinforcement in reliability of financial reports

While serving as the head of Audit Committee for KT&G's board of directors for the past three years (April 2020 ~ March 2023), Yun-Sung Koh, an outside director & Audit Committee member candidate, has reinforced the reliability of financial reports by examining settlement processes and financial issues (such as by examining the respective systems' underlying data and settlement logic following the introduction of the global ERP), and led the internal accounting risk inspections for each subsidiary in preparation for the

introduction of consolidated internal accounting audit system scheduled in 2023.

By establishing the e-audit portal system aimed at reinforcing internal audit focusing on preventive measures, Yun-Sung Koh has increased the efficiency of monitoring audit and has been making efforts for taking preventive risk management actions by selecting audit themes reflecting the company-wide risks.

2. Expansion of Global Audit and Reinforcement of Audit Capacities following the Growth of Global Businesses

With an aim to expand audit functions following the growth of global businesses, Yun-Sung Koh has established an organization dedicated to overseas audit, such as by newly establishing and operating audit organization within the Indonesia entity, removed risks in advance by taking anticipative audits for overseas entities (Indonesia/Russia), and also performed a variety of proposal activities for reinforcing the audit capacities for group companies.

(※ KT&G was selected as the best organization by the Institute of Internal Auditors in 2020)

3. Management/Supervision regarding the Evaluation of/Compensation for the Management

While serving as a member of the Evaluation and Compensation Committee, Yun-Sung Koh has taken actions to ensure the adequate levels of evaluation and compensation for encouragements by supervising/inspecting the levels/systems involving the CEO management evaluation/compensation and management officer's compensation.

4. Possible to Contribute to the Tobacco Business as Tax Expert

As a tax and accounting expert, this candidate is currently serving as Vice-President of the Korean Academic Society of Taxation. In addition, Yun-Sung Koh has been performing a variety of activities as tax expert with his careers as a member of T/F for advancement of financial disclosure at the Financial Supervisory Service (2020~), a member of petition review committee at the National Tax Service (2023~), a member of management evaluation for public corporations, etc.

The tobacco business is characterized by the facts that tax accounts for a substantial portion (approximately 70%) of the consumer purchase price and that the relevant business abruptly changes upon the change of taxation system. As a tax expert, candidate Yun-Sung Koh is expected to substantially

contribute to the management decision-making by analyzing issues and providing proposals relating to tax and accounting issues suitable for such business features.

5. Qualified for Independence Requirements as Outside Director

In addition to the expertise above, candidate Yun-Sung Koh has any and all requirements under the Korean Commercial Code as required to reinforce the outside directors' independence. When applying the statutory independence standards, it is considered that Yun-Sung Koh is an independent candidate in the absence of any direct/indirect or amicable relationship, etc. with the largest shareholder and the management. If Yun-Sung Koh is appointed as outside director with such independence, Yun-Sung Koh is capable of strictly managing/supervising the management and anticipated to provide the management with proposals for enhancing the corporate value, and as such, the Outside Director Candidate Recommendation Committee and BOD recommend Yun-Sung Koh as candidate for Outside Director and the audit Committee member.

[Outside Director Nominee : Ms. Il-Soon, Lim]



Date of Birth
1964.12.11

01 Nominator	KT&G's Board of Directors
02 Skill Set	Management, Finance/Accounting, Distribution, SCM Risk Management Global Biz Marketing
03 Relation to the largest Shareholder	None
04 Transaction with KT&G	None
05 Delinquency	None
06 Management of insolvent companies	None
07 Legal grounds for disqualification	None

08 Main Career	(2022~2023) Representative Director & President, Dr. AG (2017~2021) Representative Director & President, Homeplus (2017~2017) CFO & COO Senior Vice President, Homeplus (2015~2017) CFO Vice President, Homeplus (2002~2005) CFO Vice President, Costco Korea
09 Education	Yonsei University, BA and MBA in Business Administration

Board of Directors' Grounds for Recommendation

1. First female CEO in the Korean distribution industry

During her term as the CEO of Homeplus, Il-Soon Lim, a candidate of the outside director, developed an alternative format for offline hypermarkets based on her insight in the distribution business and converted Homeplus into an online converged "ALL-Line" future retailer. Through this, she expanded the online business model by establishing a sustainable online model and differentiating customer experience based on product and delivery competitiveness.

In addition, during the period of transformation in the distribution industry, the candidate has led large organizations with over 20,000 members, stimulating transition into future distribution, strengthening fundamental business competitiveness, and leading strategic design and implementation of many challenging tasks such as preemptive response to variables in the internal and external business environment. These experiences would be very helpful in her performance of service as a KT&G outside director.

2. Capacity as a finance expert

As a finance expert in accounting, treasury, tax, and risk management, she has served as the Vice President and CFO of Costco Korea and the Managing Director and CFO of Buy The Way. We believe that She has several strengths including strategic capability in the overall business management and ability to capture new business opportunities.

3. High ethical awareness and sense of responsibility;

The candidate has high level ethical awareness and sense of responsibility, which she has built up in the course of developing her career in global companies that apply thorough compliance standards to compliance and risk management.

4. Independence

In addition to the expertise described above, the candidate Il-Soon Lim is fully qualified under the KCC to enhance the independence of outside directors. According to the standards of independence set forth in applicable laws and regulations, a candidate is deemed to be in an independent position without any direct, indirect or friendly relationship with the largest shareholder and management. If the independent candidate is appointed as an outside director, it is possible to strictly manage/supervise the management and advise the management in a way that enhances corporate value. Therefore, we would like to recommend him/her as a candidate by the Outside Director Candidate Recommendation Committee.

▶ **Agenda 10 : Approval of Cap on Remuneration for Directors**

We seek to obtain approval of the cap amount on remuneration for directors pursuant to Article 388 of the Korean Commercial Code and Article 30 of the Company's Articles of Incorporation.

RECOMMENDATION :

Vote **FOR** the Approval of Cap on Remuneration for Directors

[Cap on Remuneration for Directors]

(The 37th Fiscal Year)

Number of Directors (Number of Outside Directors)	8 (6) or 10 (8)
Total Amount of Remuneration or Maximum Cap Amount	KRW 5,000 million

(The 36th Fiscal Year)

Number of Directors (Number of Outside Directors)	8 (6)
Total Amount of Remuneration Actually Paid	KRW 2,709 million
Maximum Cap Amount	KRW 5,000 million

- ※ The number of directors (number of outside directors) for the 37th fiscal year above shall be 8 (6) if two outside directors are appointed by approval of the resolution of Agenda No. 6-1, or 10 (8) if four outside directors are appointed by approval of the resolution of Agenda No. 6-2.
- ※ The number of directors (number of outside directors) above are the number of directors or outside directors in office as of the end of each relevant year.
- ※ The total amount of remuneration actually paid represents the total amount paid to all directors (including two retired directors upon expiration of their terms of office) who served during the period from January 1, 2022 to December 31, 2022.

04 Attachment

A. Consolidated Financial Statements

1. Consolidated Statements of Financial Position

36th Fiscal Year(CY) : As of December 31, 2022

35th Fiscal Year(PY) : As of December 31, 2021

□ Assets

KT&G Corporation and Subsidiaries

(Unit: 100 million KRW)

Chart of Accounts	36 th FY(CY)	35 th FY(PY)	YOY(amt)
1. Current Assets	65,096	62,559	2,537
Cash and cash equivalents	14,010	9,466	4,544
Other financial assets	2,011	4,571	-2,560
Financial assets measured at FVPL	3,931	9,654	-5,723
Trade and other receivables	15,285	10,127	5,158
Derivative assets	231	6	225
Inventories	25,758	23,754	2,004
Refund assets and others	10	18	-8
Accrued tobacco excise and other taxes	2,762	3,249	-487
Advance payments	511	980	-469
Prepaid expenses	587	533	54
Assets held for sale	-	201	-201
2. Non-current assets	57,921	53,814	4,107
Long-term other financial assets	428	90	338
Long-term deposits	14,371	12,505	1,866
Long-term financial assets measured at FVPL	3,204	3,048	156
Long-term trade and other receivables	1,085	948	137
Long-term financial assets measured at FVOCI	2,065	2,284	-219
Investments in associates and joint ventures	2,745	2,430	315
Property, plant and equipment	18,370	17,410	960
Intangible assets	1,679	1,457	222
Investment properties	10,715	11,510	-795
Right-of-use assets	402	364	38
Long-term advanced payments	1,131	1,046	85
Long-term prepaid expenses	71	85	-14
Deferred income tax assets	558	526	32
Net defined benefit assets	1,097	111	986
Total assets	123,017	116,373	6,644

□ **Liabilities/Equity**

KT&G Corporation and Subsidiaries

(Unit: 100 million KRW)

Chart of Accounts	36th FY(CY)	35th FY(PY)	YOY(amt)
1. Current Liabilities	25,273	20,639	4,634
Short-term borrowings	726	754	-28
Current portion of long-term borrowings	41	22	19
Trade and other payables	15,058	9,711	5,347
Current lease liabilities	166	172	-6
Derivative liabilities	-	9	-9
Advance received	215	219	-4
Current refund liabilities and provisions	216	261	-45
Current income tax liabilities	2,187	2,364	-177
Tobacco excise and other taxes payable	6,664	7,127	-463
2. Non-current liabilities	4,157	3,645	512
Long-term borrowings	788	532	256
Long-term trade and other payables	529	574	-45
Long-term lease liabilities	210	194	16
Long-term advance received	26	51	-25
Net defined benefit liabilities	325	577	-252
Long-term refund liabilities and provisions	188	53	135
Deferred income tax liabilities	1,813	1,481	332
Non-controlling interests liabilities	278	183	95
Total Liabilities	29,430	24,284	5,146
1. Share capital	9,550	9,550	-
2. Other capital surplus	45	45	-
3. Treasury shares	-12,369	-8,800	-3,569
4. Gain on sale of treasury shares	5,289	5,289	-
5. Reserves	68,123	64,902	3,221
6. Retained Earnings	22,520	20,602	1,918
7. Non-controlling interest	429	501	-72
Total Equity	93,587	92,089	1,498
Total Liabilities/Equity	123,017	116,373	6,644

2. Consolidated Statements of Comprehensive Income

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation and Subsidiaries

(Unit: 100 million KRW)

Chart of Accounts	36 th FY(CY)	35 th FY(PY)	YOY(amt)
Continuing Operations			
1. Sales	58,514	52,284	6,230
2. Cost of Sales	28,912	23,502	5,410
3. Gross Profit (1-2)	29,602	28,782	820
4. Selling, general & administrative expense	16,926	15,398	1,528
5. Operating Profit (3-4)	12,676	13,384	-708
6. Other income and expense	690	434	256
1) Other income	2,996	1,884	1,112
2) Other expense	2,306	1,450	856
7. Finance income and costs	439	469	-30
1) Finance income	1,314	788	526
2) Finance costs	875	319	556
8. Share of net profit(loss) of associates and joint ventures	294	109	185
9. Gains and losses on net monetary assets	196	-	196
10. Profit before income tax (5+6+7+8+9)	14,295	14,396	-101
11. Income tax expense	4,156	4,155	1
12. Profit for the year	10,053	9,718	335
1) Continued operations	10,139	10,241	-102
2) Discontinued operations	-86	-523	437
13. Other comprehensive income	773	895	-122
14. Total comprehensive income	10,826	10,613	213
1) Continued operations	10,927	11,130	-203
2) Discontinued operations	-101	-517	416
15. Earnings per share(KRW/share)	8,489	7,898	591
1) Continued operations	8,561	8,321	240
2) Discontinued operations	-72	-423	351

3. Consolidated Statement of Changes in Equity

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation and Subsidiaries

(Unit: 100 million KRW)

Classification	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserves	Retained earnings	Owners of the parent	Non-controlling interest	Total equity
2021. 01. 01	9,550	45	-5,316	5,289	59,776	21,025	90,369	547	90,916
Total comprehensive income	-	-	-	-	480	10,179	10,659	-46	10,613
Profit or loss for the period	-	-	-	-	-	9,773	9,773	-55	9,718
Other comprehensive income or loss	-	-	-	-	480	406	886	9	895
Transactions with owners of the Parent company	-	-	-3,484	-	4,646	-10,602	-9,440	-	-9,440
Dividends	-	-	-	-	-	-5,956	-5,956	-	-5,956
Transfer to other reserves	-	-	-	-	4,646	-4,646	-	-	-
Acquisition of treasury shares	-	-	-3,484	-	-	-	-3,484	-	-3,484
2021. 12. 31	9,550	45	-8,800	5,289	64,902	20,602	91,588	501	92,089

Classification	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserves	Retained earnings	Owners of the parent	Non-controlling interest	Total equity
2022. 01. 01	9,550	45	-8,800	5,289	64,902	20,602	91,588	501	92,089
Total comprehensive income	-	-	-	-	209	10,689	10,898	-72	10,826
Profit or loss for the period	-	-	-	-	-	10,158	10,158	-105	10,053
Other comprehensive income or loss	-	-	-	-	209	531	740	33	773
Transactions with owners of the Parent company	-	-	-3,569	-	3,012	-8,771	-9,328	-	-9,328
Dividends	-	-	-	-	-	-5,759	-5,759	-	-5,759
Transfer to other reserves	-	-	-	-	3,012	-3,012	-	-	-
Acquisition of treasury shares	-	-	-3,569	-	-	-	-3,569	-	-3,569
2022. 12. 31	9,550	45	-12,369	5,289	68,123	22,520	93,158	429	93,587

4. Consolidated Statements of Cash Flows

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation and Subsidiaries

(Unit: 100 million KRW)

Classification	36 th FY(CY)	35 th FY(PY)
1. Cash flows from operating activities	8,879	14,198
1) Profit for the period	10,053	9,718
1) Continued operations	10,139	10,241
2) Discontinued operations	-86	-523
2) Adjustments	6,248	6,386
Income tax expense	4,156	4,158
Finance costs	875	322
Finance income	-1,314	-788
Depreciation and amortization expenses	2,255	2,172
Retirement benefits	558	583
Loss on foreign currency translation	696	334
Gain on foreign currency translation	-1,198	-1,298
Other expenses etc.	220	903
3) Changes in working capital	-3,198	2,222
4) Payment of income taxes	-4,224	-4,128
2. Cash flows from investing activities	5,475	-7,976
Interest received	320	108
Dividends received	327	289
Increase/decrease in other financial assets	2,886	-491
Increase/decrease in financial assets measured at FVPL	5,785	-1,010
Increase/decrease in financial assets measured at FVOCI	42	124
Increase/decrease in long-term deposits	-966	-2,472
Disposal of tangible and intangible assets	40	55
Disposal of investment properties	23	4
Acquisition of tangible and intangible assets	-2,829	-2,681
Acquisition of investment properties	-279	-1,097
Increase/decrease in investments in associates and joint ventures	84	-798
Increase/decrease in guarantee deposits and loans	42	-7
3. Cash flows from financing activities	-9,318	-9,476
Dividends paid	-5,759	-5,956
Interest paid	-102	-32
Redemption of lease liabilities	-203	-233
Increase/decrease in borrowings etc.	316	199
Acquisition of treasury shares	-3,570	-3,484
Increase/decrease in liabilities for non-controlling interests	-	30
4. Net increase/decrease in cash and cash equivalents (1+2+3)	5,036	-3,254
5. Cash and cash equivalents at the beginning of the period	9,466	12,536
Fluctuations due to foreign currency conversion	-492	184
6. Cash and cash equivalents at the end of the period	14,010	9,466

B. Separate Financial Statements

1. Separate Statements of Financial Position

36th Fiscal Year(CY) : As of December 31, 2022

35th Fiscal Year(PY) : As of December 31, 2021

□ Assets

KT&G Corporation

(Unit: 100 million KRW)

Chart of Accounts	36 th FY(CY)	35 th FY(PY)	YOY(amt)
1. Current Assets	40,965	40,090	875
Cash and cash equivalents	9,396	5,906	3,490
Other financial assets	1,385	3,322	-1,937
Financial assets measured at FVPL	3,931	9,654	-5,723
Trade and other receivables	12,999	7,888	5,111
Derivative assets	231	6	225
Inventories	11,230	9,249	1,981
Refund assets and others	8	15	-7
Accrued tobacco excise and other taxes	1,712	3,076	-1,364
Advance payments	5	717	-712
Prepaid expenses	68	108	-40
Assets held for sale	-	149	-149
2. Non-current assets	60,604	57,727	2,877
Long-term other financial assets	424	87	337
Long-term deposits	14,371	12,505	1,866
Long-term financial assets measured at FVPL	3,136	2,985	151
Long-term trade and other receivables	1,370	1,277	93
Long-term financial assets measured at FVOCI	1,592	2,032	-440
Investments in associates and joint ventures	2,659	2,380	279
Investments in subsidiaries	12,301	12,014	287
Property, plant and equipment	11,778	11,290	488
Intangible assets	1,225	974	251
Investment properties	10,292	11,285	-993
Right-of-use assets	256	226	30
Long-term prepaid expenses	57	70	-13
Deferred income tax assets	348	492	-144
Net defined benefit assets	795	110	685
Total assets	101,569	97,817	3,752

□ **Liabilities/Equity**

KT&G Corporation

(Unit: 100 million KRW)

Chart of Accounts	36 th FY (CY)	35 th FY (PY)	YOY (amt)
1. Current Liabilities	20,377	17,154	3,223
Short-term borrowings	1	6	-5
Trade and other payables	12,258	7,764	4,494
Current lease liabilities	70	73	-3
Derivative liabilities	-	9	-9
Advance received	132	131	1
Current refund liabilities and provisions	96	99	-3
Current income tax liabilities	1,899	2,107	-208
Tobacco excise and other taxes payable	5,921	6,965	-1,044
2. Non-current liabilities	656	662	-6
Long-term trade and other payables	455	459	-4
Long-term lease liabilities	173	149	24
Long-term advance received	10	41	-31
Long-term refund liabilities and provisions	18	13	5
Total Liabilities	21,033	17,816	3,217
1. Share capital	9,550	9,550	-
2. Other capital surplus	36	36	-
3. Treasury shares	-12,369	-8,800	-3,569
4. Gain on sale of treasury shares	5,289	5,289	-
5. Reserves	68,140	65,155	2,985
6. Retained Earnings	9,890	8,771	1,119
Total Equity	80,536	80,001	535
Total Liabilities/Equity	101,569	97,817	3,752

2. Separate Statements of Comprehensive Income

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation

(Unit: 100 million KRW)

Chart of Accounts	36 th FY(CY)	35 th FY(PY)	YOY(amt)
1. Sales	36,944	34,905	2,039
- Manufacture of tobacco	30,881	27,521	3,360
- Real estate	4,705	6,472	-1,767
- Exports of leaf tobacco and others	1,358	912	446
2. Cost of Sales	17,763	15,903	1,860
- Manufacture of tobacco	14,230	11,903	2,327
- Real estate	2,447	3,277	-830
- Exports of leaf tobacco and others	1,086	723	363
3. Gross Profit (1-2)	19,181	19,002	179
- Manufacture of tobacco	16,651	15,618	1,033
- Real estate	2,258	3,195	-937
- Exports of leaf tobacco and others	272	189	83
4. Selling, general & administrative expense	7,978	8,168	-190
5. Operating Profit (3-4)	11,203	10,834	369
6. Other income and expense	988	634	354
1) Other income	2,922	1,682	1,240
2) Other expense	1,934	1,048	886
7. Finance income and costs	969	560	409
1) Finance income	1,516	712	804
2) Finance costs	547	152	395
8. Profit before income tax (5+6+7)	13,160	12,028	1,132
9. Income tax expense	3,580	3,499	81
10. Profit for the year	9,580	8,529	1,051
11. Other comprehensive income	283	372	-89
12. Total comprehensive income	9,863	8,901	962
13. Earnings per share(KRW/share)	8,007	6,894	1,113

3. Separate Statement of Changes in Equity

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation

(Unit: 100 million KRW)

Classification	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserves	Retained earnings	Total equity
2021. 01. 01	9,550	36	-5,316	5,289	60,379	10,602	80,540
Total comprehensive income	-	-	-	-	130	8,771	8,901
Profit or loss for the period	-	-	-	-	-	8,529	8,529
Other comprehensive income or loss	-	-	-	-	130	242	372
Transactions with owners of the Parent company	-	-	-3,484	-	4,646	-10,602	-9,440
Dividends	-	-	-	-	-	-5,956	-5,956
Transfer to other reserves	-	-	-	-	4,646	-4,646	-
Acquisition of treasury shares	-	-	-3,484	-	-	-	-3,484
2021. 12. 31	9,550	36	-8,800	5,289	65,155	8,771	80,001

Classification	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserves	Retained earnings	Total equity
2022. 01. 01	9,550	36	-8,800	5,289	65,155	8,771	80,001
Total comprehensive income	-	-	-	-	-27	9,890	9,863
Profit or loss for the period	-	-	-	-	-	9,580	9,580
Other comprehensive income or loss	-	-	-	-	-27	310	283
Transactions with owners of the Parent company	-	-	-3,569	-	3,012	-8,771	-9,328
Dividends	-	-	-	-	-	-5,759	-5,759
Transfer to other reserves	-	-	-	-	3,012	-3,012	-
Acquisition of treasury shares	-	-	-3,569	-	-	-	-3,569
2022. 12. 31	9,550	36	-12,369	5,289	68,140	9,890	80,536

4. Separate Statements of Cash Flows

36th Fiscal Year(CY) : From January 1, 2022 to December 31, 2022

35th Fiscal Year(PY) : From January 1, 2021 to December 31, 2021

KT&G Corporation

(Unit: 100 million KRW)

Classification	36 th FY (CY)	35 th FY (PY)
1. Cash flows from operating activities	8,225	11,037
1) Profit for the period	9,580	8,529
2) Adjustments	3,967	4,973
Income tax expense	3,580	3,499
Finance costs	547	152
Finance income	-1,516	-712
Depreciation and amortization expenses	1,485	1,414
Retirement benefits	356	349
Loss on foreign currency translation	422	7
Gain on foreign currency translation	-1,077	-1,192
Other expenses etc.	170	1,456
3) Changes in working capital	-1,570	1,314
4) Payment of income taxes	-3,752	-3,779
2. Cash flows from investing activities	4,704	-6,351
Interest received	196	61
Dividends received	323	287
Increase/decrease in other financial assets	1,600	-18
Increase/decrease in financial assets measured at FVPL	5,790	-1,002
Increase/decrease in financial assets measured at FVOCI	42	129
Increase/decrease in long-term deposits	-965	-2,486
Disposal of tangible and intangible assets	41	81
Disposal of investment properties	23	4
Disposal of assets held for sale	627	6
Acquisition of tangible and intangible assets	-1,658	-1,744
Acquisition of investment properties	-200	-242
Increase/decrease in investments in associates and joint ventures	89	-798
Increase/decrease of investments in subsidiaries	-495	-704
Increase/decrease in guarantee deposits and loans	-709	75
3. Cash flows from financing activities	-9,413	-9,542
Dividends paid	-5,759	-5,956
Interest paid	-5	-7
Redemption of lease liabilities	-80	-95
Acquisition of treasury shares	-3,569	-3,484
4. Net increase/decrease in cash and cash equivalents (1+2+3)	3,516	-4,856
5. Cash and cash equivalents at the beginning of the period	5,906	10,761
Effect of exchange rate fluctuation on cash and cash equivalents	-26	1
6. Cash and cash equivalents at the end of the period	9,396	5,906

Thank you

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