

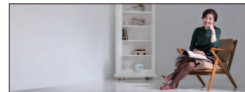


Creating a
Beautiful
Life

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AMOREPACIFIC

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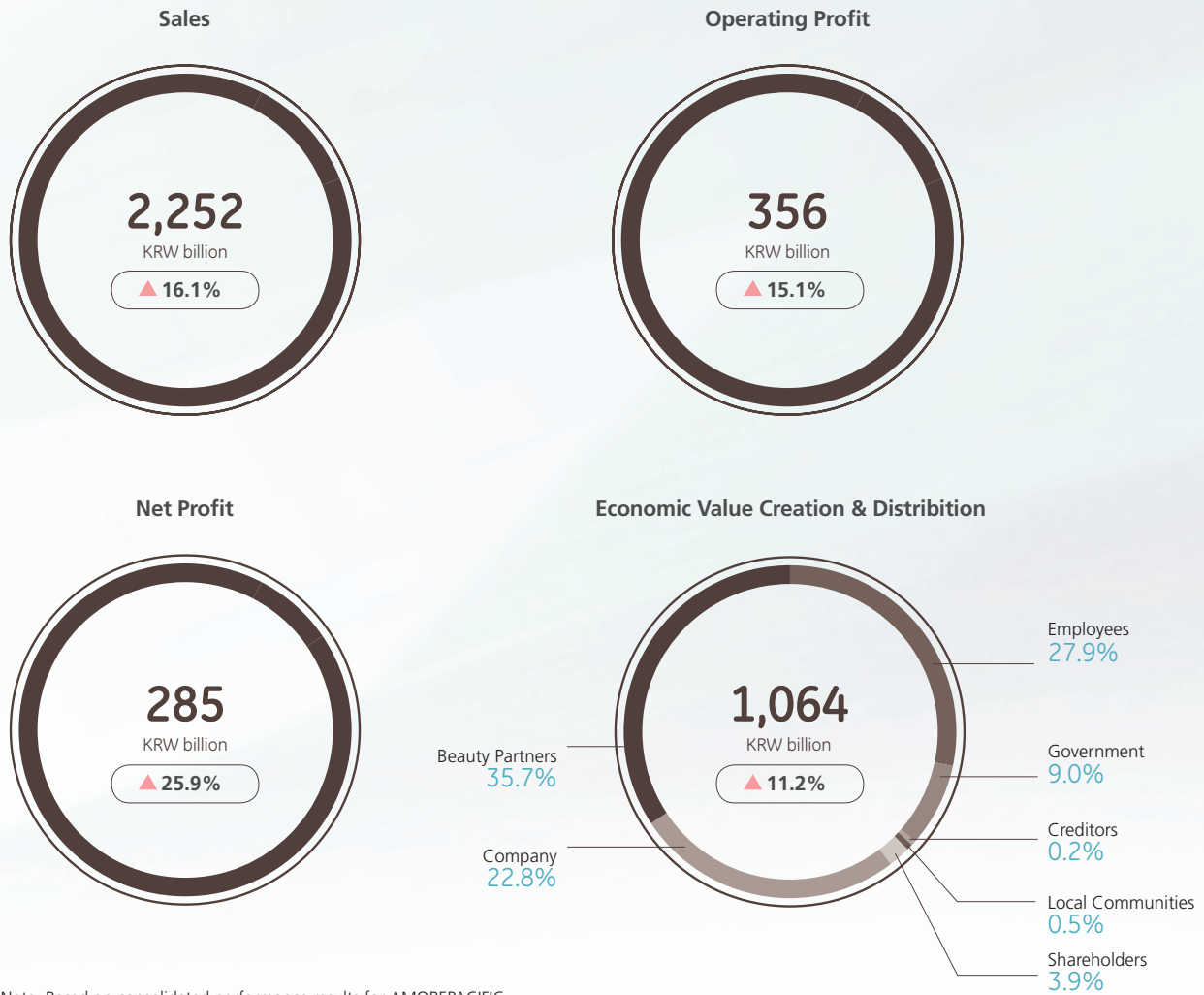


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Major Results from Sustainability Management Efforts in 2010



Note: Based on consolidated performance results for AMOREPACIFIC.

Prizes & Awards

2010

MARCH

Ranked 5th in Sustainability Assessment of Top 100 Companies

(Economic Research Institute for Sustainable Society, Kyunghyang Newspaper)

SEPTEMBER

Listed on DJSI World, Asia-Pacific, Korea



OCTOBER

Top prize at 2010 Sustainability Management Awards (Ministry of Knowledge Economy, The Institute for Industrial Policy Studies)

NOVEMBER

No. 1 in cosmetics industry in Korea Sustainability Index (Korean Standards Association)

DECEMBER

CSR Grand Prize, Excellence Award of East Asia 30 (Hankyoreh Economic Research Institute)

2011

MARCH

Included in FTSE4Good Index





Customers

Number of sustainable products

69

▲ 97.1%

R&D investment

64.5 KRW billion

▲ 14.8%

Waste Generation

97.7 %

▼ 1.5%p

Number of Beautiful Fair Trade agreements signed

4

NEW



Environment

Reduction in greenhouse gas emissions

25,837 Tons

Basic Unit ▼ 6.2%

Reduction in water consumption

278,009 Tons

Basic Unit ▼ 13.1%

Reduction of landfill waste

5,336 Tons

Basic Unit ▼ 1.3%

Collection of empty bottles

22.6 Tons

NEW



Employees

Engagement

81 %

▼ 1%p

Training hours per employee

94.4 Hours

▲ 5.2%

Percentage of women in workforce

63.8 %

▲ 0.9%p

Accident Frequency Rate

0.15 %

▲ 0.01%p



Business partners

Number of counselors

37,528 Persons

▲ 5.9%

Number of Arieles

1,405 Persons

▲ 17.0%

Number of Beauty Partners certified as 'Counseling Master'

219 Persons

▲ 53.1%

Number of Beauty Partners certified as 'Make Up Master'

56 Persons

NEW



Local communities

Social contribution expenditures

9.1 KRW billion

▼ 32.1%

'Make Up Your Life' participants

1,842 Persons

▲ 88.5%

Participants in Pink Ribbon Campaign lectures

22,334 Persons

▲ 199.7%

Hope Store startup support

38 Stores

▲ 137.5%

What does
sustainable
beauty
mean
to you?

The text is surrounded by decorative elements: a green floral icon at the top left, a green vine with leaves at the top right, a green vine with leaves on the left side, a green vine with leaves on the right side, and a cluster of black floral icons at the bottom center.

living together

“To me, sustainable beauty means living together.”

Women have always seemed to have a desire to be as beautiful as they can, and to make their youthful good looks last as long as possible. For many women, cosmetics have an important role to play in their beauty rituals; but if the cosmetics themselves are produced in a way that is not beautiful, then I would have to think twice about using them. If they are based on synthetic chemicals, or processed in a way that damages the environment, then I would certainly refuse to buy them. I think that beauty cannot exist in isolation; it is part of a wider context. In order for my beauty to shine forth and last throughout my life, the world I live in must also be beautiful.

Yun-ju Eom, Prosumer



The 'AMOREPACIFIC Promise' is the way we show our commitment to 'living together'.



What is the AMOREPACIFIC Promise? AMOREPACIFIC has developed a labeling system called the 'AMOREPACIFIC Promise' to identify products that we certify as complying with our sustainability guidelines for ingredients and production processes. When a customer sees the AMOREPACIFIC Promise emblem on their product label, displaying the camellia blossom superimposed on the earth, they know that their product meets our standards for being 'Earth Friendly'.

The AMOREPACIFIC Promise emblem is used on products that meet stringent tests in one of three sustainability categories.

- **Customer-friendly products:** LOHAS certified products, organic products
- **Earth-friendly products:** Korea Eco-label, Carbon Footprint Label certification
- **Society-friendly products:** Fair Trade products ('Beautiful Fair Trade', etc.), PPD(People with Physical Difficulties) Products

Beautiful Fair Trade 'Beautiful Fair Trade' is a raw material purchasing program developed in-house by AMOREPACIFIC. It describes in detail our sourcing guidelines with regard to three important principles: safety, environmental preservation and contribution to local communities.

- **Dongbaek village in Jeju:** Common Camellia • **Goesan, Chung-buk:** Paper Mulberry • **Jeon-buk Insam Nonghyup:** Ginseng • **Sacheon, Kyung-nam:** Bamboo





being smart

“I believe that sustainable beauty is the result of continuous research and innovation.”

“What kinds of beauty products are customers looking for? What products do they really need in order to look as beautiful as they feel?” These are the questions that we ask ourselves every day in the AMOREPACIFIC R&D Center. For the past 65 years, we have been studying and defining Asian beauty, which we believe to be based on the harmony between humankind and nature. We therefore focus on creating Asian beauty products that combine natural ingredients with state-of-the-art biotechnology. In our labs, we often have to be creative in coming up with new technologies and ways of handling unique natural ingredients, so that we can help our customers achieve sustainable beauty with products that retain their natural essence and vitality. This is our passion as scientific researchers, and the results are nothing less than beautiful.

Jun-seong Park, Herbal Science Research Team of the AMOREPACIFIC R&D Center

AMOREPACIFIC's research labs are dedicated to finding sustainable paths to Asian beauty.

Construction completed on Mizium, the company's second R&D center AMOREPACIFIC designed and built its new Mizium complex to fulfill the company's vision of spreading the harmony of Asian beauty throughout the world. Mizium will play a leading role as the technological heart of our quest to learn about and define the natural sources of beauty. It will be a place to explore new ways of harmonizing the loveliness of womanhood with the raw beauty of the natural world. This vision was expressed simply and eloquently in the mission of Mizium, to be an 'Asian Beauty Creator'.



AMOREPACIFIC launches cutting-edge 'Bio-Science Research Institute' Our research strategists have chosen three natural elements— ginseng, green tea and soy – as promising ingredients for intensive future study, based on properties AMOREPACIFIC has identified with previous research. Using modern biotechnology research tools to focus in on the way cell bodies and genetic markers affect human skin, we are moving toward our goal of creating Asia's leading biotechnologies by 2020. These projects are now being carried out in the newly-established Bio Science Research Institute of our R&D Center.

clean future

"A clean future can lead the way to sustainable beauty."

We believe that people achieve their greatest beauty when they live in a clean and healthy environment. My dream is for AMOREPACIFIC to work in harmony with nature to ensure that future generations enjoy all the beauty of clean water, pure air and a healthy environment. I hope that they will continue to develop as an eco-friendly company with green stores and environmentally-sustainability management that creates green value for their customers, business partners and all of society, from R&D through to testing, manufacture, sales and disposal of all their products.

Seung-sik Moon, Eco-Product Promotion Office Director of the Korea Environmental Industry & Technology Institute



AMOREPACIFIC develops products that promote low-carbon, green consumption for a clean future.

Mamonde Skin Softener receives Carbon Footprint Label certification

The Mamonde Age Control Skin Softener became the first cosmetic product to receive Carbon Footprint Label certification (total carbon emissions of 954g). With this start, the company will invest intensively in the development of more products that meet this certification's requirements, and continue to grow as a company that minimizes its impact on the environment while creating green value for its customers.



Mise-en-Scene shampoo receives Korea Eco-label Dermatological testing of our Mise-en-Scene Style Green Refresh Shampoo has confirmed the total safety of this botanical product. Fully effective for use on sensitive skin and able to combat the effects of water-borne toxins, it is the first shampoo in Korea to receive Korea Eco-label.



Development of containers made with PCR PET* material The containers of the shampoo and conditioner products of the Heungunmo line of Ryoe's Heugyunaengi are made of recycled plastics (40%), an environment-friendly material. The containers are no different from other containers in their function and level of durability, but bring down greenhouse gas emission levels during the process of packaging material production.

*PCR PET: Post Consumer Recycled PET



understanding each other

“Sustainable beauty means understanding each other.”

Communication is the only path to understanding. My job is all about connecting with people, and I have seen first-hand how open, honest communication can lift people's spirits and make the world a more beautiful place. Since we all need to share this planet with each other, we should strive for the sustainable beauty that comes from sharing ourselves with one another.

Soo-gyeong Park, Director in charge of customer support at AMOREPACIFIC
Soo-yeon Choi, Sulloc TM Team at AMOREPACIFIC

AMOREPACIFIC provides a many ways for its employees to freely share their thoughts and feelings with each other.



AMOREPACIFIC 人 We believe that every employee has the right to initiate changes that will make their lives better and their jobs more fulfilling. To do that, they must be free to let their creative energies flow, to dream and to share their ideas with one another. That is why AMOREPACIFIC created an internal community space called 'AMOREPACIFIC 人'.

This is a place where every employee can speak their mind and feel free to share their concerns. This community has been so successful that the company has taken suggestions offered here and used them to create new products, improve customer service and even change the way we manage our business.

*人(in): Chinese character for people

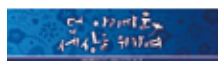
growing together

“Sustainable beauty cannot be achieved without joint growth.”

I am an AMOREPACIFIC beauty partner who deals with customers face-to-face every day. When you ask me about ‘sustainable beauty’, the first thing I think about is the need for everyone to feel a sense of ownership in the company. Without this level of personal involvement, we won’t come across as sincere to our customers. I think it’s based on the concept of ‘joint growth’ – what I mean is that I feel like I am growing personally when I’m doing my job and helping the company to grow. It’s as if we are creating beauty together, a type of sustainable beauty in our workplaces. Today I am getting ready once again to meet my customers and help them realize their true beauty; this is something that makes me and all my colleagues feel beautiful too.

Mi-jin Lee, Arielle at Aritaum in Suwon AK Plaza

AMOREPACIFIC provides training programs and a nurturing atmosphere that ensures the company’s joint growth together with our beauty partners.



Aritaum Academy Before taking on their full job duties, our beauty partners complete a systematic training program at the Aritaum Academy. Here, they learn about the company, its history and philosophy, as well as the knowledge and skills that will make them the industry’s best beauty consultants. The goal of all our training programs is to graduate confident beauty partners who will pursue their dreams of shared growth and success with AMOREPACIFIC and their customers.

Newsletter <For a More Beautiful World> AMOREPACIFIC produces the biweekly Aritaum newsletter for distribution to all the company’s beauty partners. Although they don’t have frequent opportunities to meet in person, through Aritaum they have a chance to share their thoughts and feelings and support one another. Our beauty partners use this medium to stay up to date on the latest developments in beauty products, and to deepen their ties to each other and to the company. Aritaum will continue to develop as a sustainable communication channel that fosters a sense of family and belonging among our staff.



sharing love

“The most appropriate answer seems to be sharing love.”

Helping one another, sharing love and taking action; this is what I believe leads to the creation of sustainable beauty. I took part in the Pink Ribbon campaign as a member of the ‘pink generation’, and found that volunteering was not a burden at all. On the contrary, it was a pleasure to help others, which naturally created a warm feeling in my heart. When we take a small step to help other people, the smiles spread quickly from face to face; this is the type of sustainable beauty that I treasure the most.

Ha-gyeong Lee, Pink Generation



AMOREPACIFIC is sharing love for the happiness of women.

2010 Pink Ribbon Campaign The Pink Ribbon Campaign was launched to raise awareness about breast cancer and to reduce its effects by encouraging early testing and detection. In 2010, the theme of the campaign was to stay positive and love yourself. 365 Pink Generation members were selected to lead the campaign, making frequent appearances throughout the year at flash mob performances, concerts and celebrity events, together with NGO staff, professional artists, medical experts and the media.

2010 Make Up Your Life Campaign One the most traumatizing things for breast cancer patients is the sudden change in appearance that accompanies treatments for the disease, including hair loss and altered complexion. AMOREPACIFIC feels that it is in a unique position to help women in this situation to recover their sense of personal beauty. During the 2010 Make Up Your Life Campaign, 500 of our beauty consultants volunteered their time and expertise to do makeovers for breast cancer patients. From the grateful smiles on their faces, we know that our efforts were appreciated far beyond the mere donation of our time. AMOREPACIFIC was thankful for the opportunity to share love with our neighbors in need, and will continue to support worthy causes with our volunteer efforts.



A Promise
for Beauty
Dreams
*for a World of
Harmony



To bring the pristine beauty of nature
into your healthy life,
is the purpose behind everything we do,

To continue on a beautiful journey
that ensures a green tomorrow for all,
as a success partner that shares your dreams for the future,

To realize our long-cherished vision of sustainable growth,
and our promise of a healthy, beautiful world.

**We continue moving forward today,
as we do every day.**

AMOREPACIFIC

CEO MESSAGE

Beautiful Harmony between People and Nature

As an Asian Beauty Creator, AMOREPACIFIC will become a company that delivers to customers all across the globe the very essence of beauty that is embodied in Asian culture.

To all our shareholders, and everyone who accompanies us on our quest for beauty,

AMOREPACIFIC's vocation is to be an 'Asian Beauty Creator' that helps all humankind to realize its dream of living a beautiful, healthy life. The company seeks to create beauty by promoting inner and outer harmony using its deep understanding of natural elements and the essence of Asian beauty. In pursuit of our vocation, AMOREPACIFIC has established a sustainability management vision of becoming 'Asia's most respected beauty company', as we strive to create a beautiful life for everyone.

In 2010, AMOREPACIFIC continued its beautiful mission to provide new sources of beauty to its customers, employees, business partners, local communities and the environment, in accordance with our five key strategies for realizing sustainability management.

First, we sourced high-quality, natural ingredients through R&D innovation, and spread our 'Beautiful Fair Trade' practices throughout our organization and supplier network, thereby releasing a greater number of safe, reliable and sustainable products onto the market.

Second, we responded to climate change, protected the earth's biodiversity and implemented green campaigns to minimize the impact of our corporate activities on the environment.

Third, we reinvigorated our HR management philosophy and strengthened internal communication through 'AMOREPACIFIC人', which enabled us to understand one another's needs and concerns more deeply. Everyone at AMOREPACIFIC was therefore able to work more happily and effectively, sharing in their joint growth and development.

Fourth, out of our sincere concern for their happiness, we provided greater support to our beauty partners to enable them to grow into knowledgeable professionals with the ability to realize their dreams, and to improve the standard of living.



Fifth, we strived to be a good neighbor by engaging in social contribution activities that focused on ensuring women are able to live healthy, confident lives, based on AMOREPACIFIC's social contribution vocation of 'offering healthful beauty to women and their families'.

Furthermore, as a company dedicated to world-class standards of sustainability management, AMOREPACIFIC supports the ten principles of the UN Global Compact governing human rights, labor, the environment and anti-corruption, and we try every day to faithfully execute these principles in our business activities.

In addition to conducting sustainability management activities, AMOREPACIFIC strengthened the company's brand power and transformed its distribution channels to respond to the challenges of an uncertain global business environment. Thanks to our growth-oriented efforts, we made strong gains in both sales and profits, with total sales exceeding the KRW 2 trillion mark. The full story of these efforts is provided in our third sustainability report, <Creating a Beautiful Life>, which we have carefully prepared as an important means of communicating openly and honestly with all of you, our respected stakeholders.

We promise to continue developing sustainable products and technologies through continuous investment in research and innovation, and to strengthen our sense of responsibility toward the environment. AMOREPACIFIC is a people-centered company, and we strive to create an atmosphere in which all employees and business partners can enjoy working together and achieve tangible results from their labors. As the preeminent 'Asian beauty creator', we will listen carefully to the market and discover exciting new ways of meeting needs that no other company can, and satisfy our customers' demands in AMOREPACIFIC's own unique way. This is the type of business that we are, and it is how we are becoming a company that is loved and admired by everyone.

Thank you.

Kyung-bae Suh, President & CEO
AMOREPACIFIC Corporation

CORPORATE GOVERNANCE STRUCTURE

AMOREPACIFIC shifted into a holding company structure in 2006 to focus core competencies on the beauty and health businesses and to build a transparent governance structure. The company established a responsible management system and is focusing on making each business unit more specialized with stronger core competencies, thereby continually enhancing corporate value.

BOD Composition and Authority

The AMOREPACIFIC Board of Directors has authority as a top decision-making organization. It consists of nine registered members. Six are executive directors who work for the company, and three are non-executive directors (NEDs). Each director is obligated to faithfully exercise his duties and fulfill responsibilities as a good manager based on Korean commercial law and the company's Articles of Incorporation. The directors are striving to promote the interests of shareholders and other stakeholders.

The executive directors are the leaders of different business units and are recommended by the BOD. The NEDs are experts with professional knowledge and extensive experience in their respective fields, including management, finance, global affairs, and marketing. The NEDs are recommended by the NED Nominating Committee and are elected by receiving approval from shareholders during a general meeting of shareholders. The BOD guarantees the independence of the NEDs so that they can actively present their opinions on overall management during BOD meetings, and is actively incorporating their opinions.

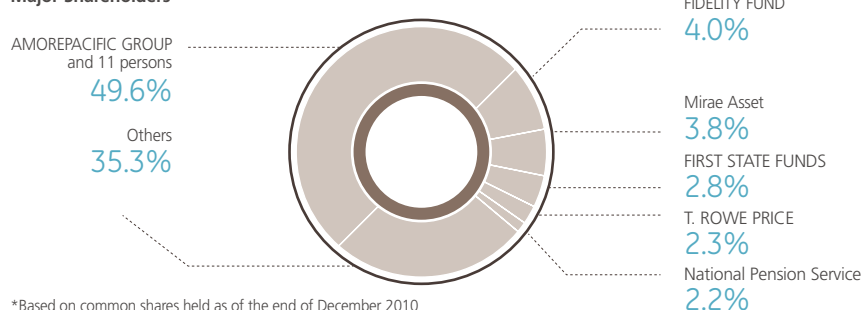
BOD Operation

To ensure efficient management, the AMOREPACIFIC BOD has set up professional committees under the BOD which decide on key matters related to management. These committees include the Executive Committee, Audit Committee, and NED Nominating Committee. In 2010, the Board of Directors convened six times, the Executive Committee three times, and the Audit Committee four times. Information on important decisions was provided to shareholders and stakeholders through public announcements made by the Financial Supervisory Service and the Korea Exchange.

2010 Board of Directors

Category	Name	Responsibilities	Position
Executive Directors	Kyung-bae Suh	Overall Management	CEO, Chairman of BOD, Executive Committee
	Sang-bae Shim	Overall Production & Research	Executive Committee
	Dong-hyun Bae	Overall Support	Executive Committee, NED Nominating Committee
	Young-so Kwon	Overall Sales & Marketing	Executive Committee
	Chang-soo Yang	Marketing	Executive Committee
	Hak-hee Kang	R&D Center	Executive Committee
Non-executive Directors	Jae-yong Song	Professor, Seoul National University	Chairman of Audit Committee, NED Nominating Committee
	Dong-soo Kim	Former President, Asian Pacific HQ, Dupont	Audit Committee
	Eon-Oh Lee	President, Pusan Development Institute	Audit Committee













Major Shareholders



- 1 Defining Sustainable Beauty
- 2 Introducing AMOREPACIFIC**
- 3 Making Sustainable Values
- 4 Taking Sustainable Actions
 - 4.1 with Customers
 - 4.2 with Environment
 - 4.3 with Employees
 - 4.4 with Business Partners
 - 4.5 with Communities

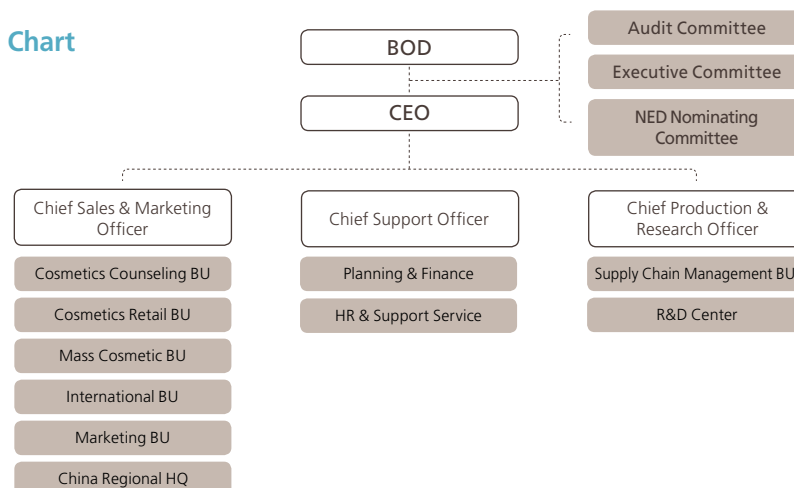


Top Management

 1	 2	
 3	 4	 5
 6	 7	 8
	 9	 10
		 11
		 12

- | | |
|--|--|
| <p>1 Kyung-bae Suh
Chief Executive Officer</p> <p>2 Chang-soo Yang
Marketing BU</p> <p>3 Sang-bae Shim
Supply Chain Management BU</p> <p>4 Young-so Kwon
Cosmetics Counseling BU</p> <p>5 Dong-hyun Bae
Planning & Finance</p> <p>6 Jae-chun Yoo
China Regional HQ</p> | <p>7 Hak-hee Kang
R&D Center</p> <p>8 Min-jeon Lee
Cosmetics Retail BU</p> <p>9 Yoon Lee
HR & Support Service</p> <p>10 Bong-hwan Kim
International BU</p> <p>11 Chan-hoe Kim
Mass Cosmetic BU</p> <p>12 Kwang-yong Koh
AMOREPACIFIC GROUP</p> |
|--|--|

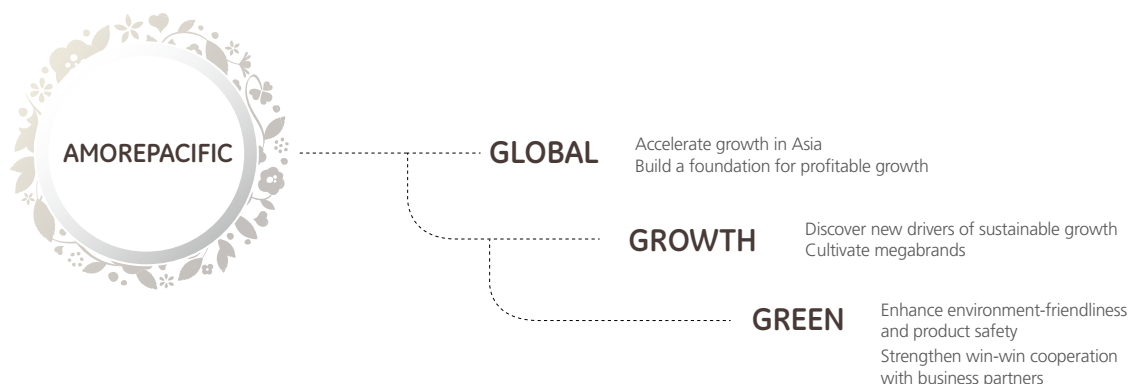
Organization Chart



VISION

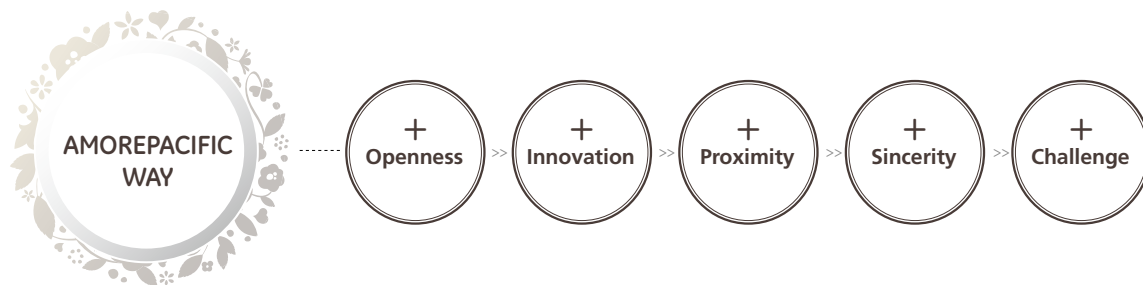
Vision 2015

AMOREPACIFIC's vision is to become a 'Global total care provider of Beauty and Health'. Our strategy is to grow into one of the world's top ten cosmetics companies by developing ten megabrands. We will build a foundation for sustainable growth by continuously searching for new growth drivers. Based on our core competency in Asian beauty, we are developing products that satisfy the demands of the global market. At the same time, AMOREPACIFIC is looking forward to becoming one of the most respected beauty companies that represents social contribution, environmental responsibility and positive stakeholder engagement.



AMOREPACIFIC WAY

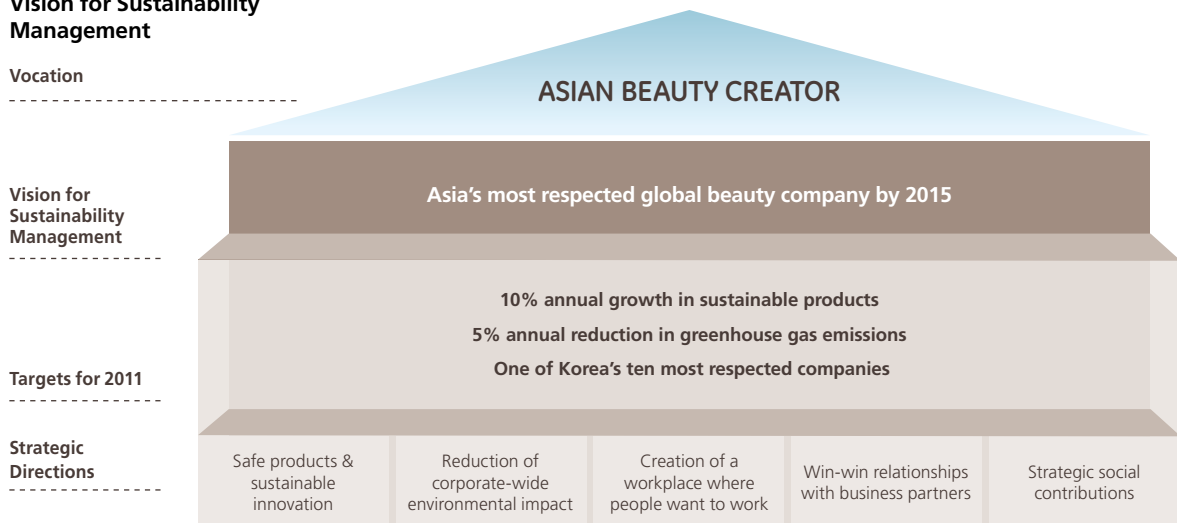
The AMOREPACIFIC WAY is the set of core values our company represents, and the Code of Conduct that everyone who works at AMOREPACIFIC adheres to in their quest to become the 'Asian Beauty Creator'. The core values of the Way are openness, innovation, proximity, sincerity and challenge. Openness refers to our belief that true growth and innovation are achieved when we communicate openly with those outside our organization. Innovation is our passion to bring refreshing newness to the beauty industry, and Proximity is our intention to remain close to our customers and serve them as partners in beauty. By Sincerity, we mean our commitment to doing every job to the best of our ability, no matter how small, while Challenge expresses our pioneering spirit that is never satisfied with doing business as usual.



SUSTAINABILITY MANAGEMENT

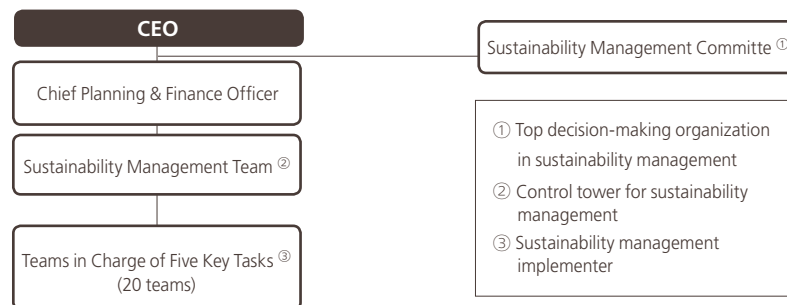
AMOREPACIFIC is pursuing a vision: we are striving to become Asia's most respected company in the beauty industry by 2015. The path that will take us there is the creation of a beautiful world where people, nature and businesses can live in harmony, and where we help our customers to achieve their dreams of beauty and health through sustainability management. Part of that commitment is the preparation of our sustainability management report, titled 'Creating a Beautiful Life', in which we provide a transparent view of all our activities, and demonstrate how we listen to the needs and concerns of all stakeholders and reflect their input in our management plans.

Vision for Sustainability Management



Operational Apparatus

The Sustainability Management Committee is the top decision-making body at AMOREPACIFIC. It held three meetings in 2010, in April, July and November. Strategic decisions on sustainability management were made and key policies reviewed. In March, 2011, the Sustainability Management Team was created to integrate the company's sustainability management commitments with its key corporate strategies, and oversee their execution.

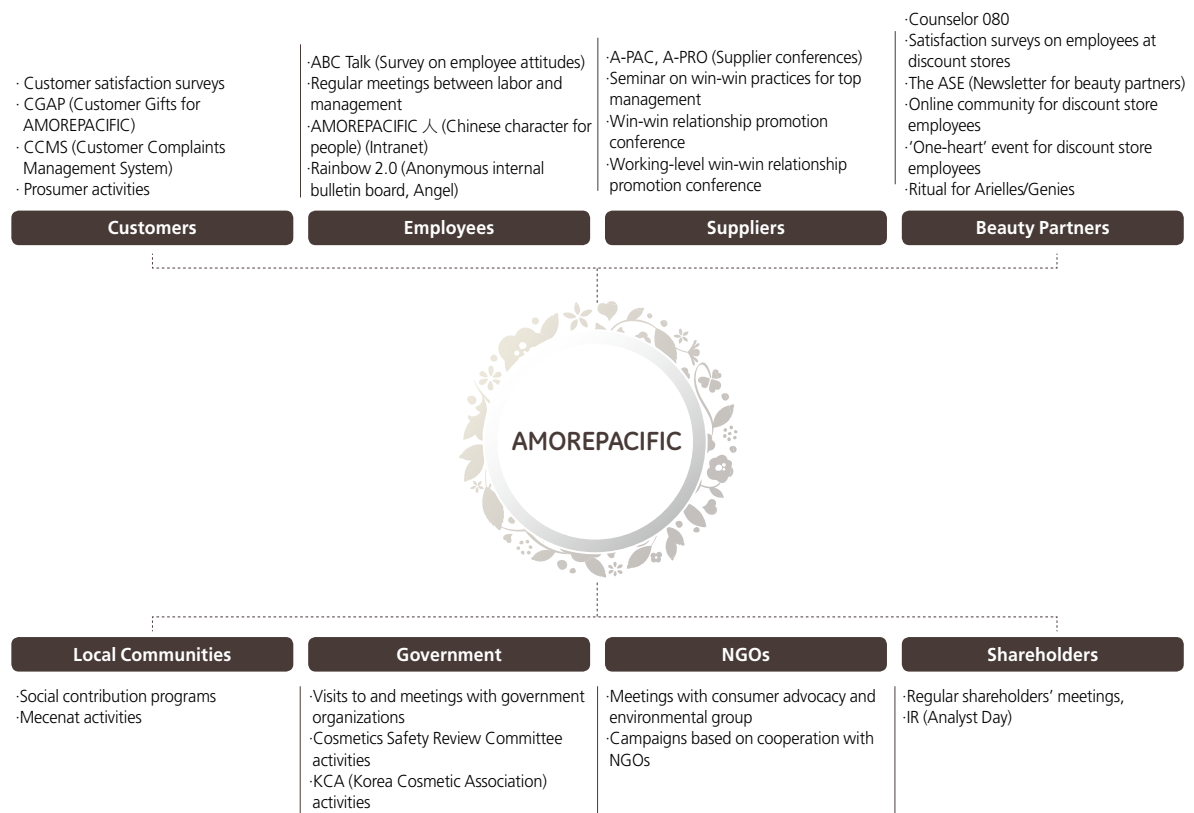


COMMUNICATION WITH STAKEHOLDERS

AMOREPACIFIC's business activities have direct and indirect impacts on many people. As set forth in our five key strategies, the company's sustainability management is most fully expressed when we achieve harmonious growth together with all our stakeholders. This is why we listen closely to people both inside and outside our organization, and respond completely to their requests for transparent disclosure.

In 2010 we gathered input through various channels from the full spectrum of AMOREPACIFIC stakeholders, and organized engagement activities to build bridges and create greater value for our company and everyone whose lives we touch.

Communication channel between AMOREPACIFIC and stakeholders



In 2010, various stakeholder groups engaged in regular discussions organized by the Sustainability Management Committee. A decision was reached to implement projects that would establish improved communication channels to our stakeholders. When completed, these projects will help AMOREPACIFIC achieve its strategic goal of total engagement with the community and provide a two-way flow of information to inform external groups about the company's progress in eco-friendly, environmentally sustainability management.

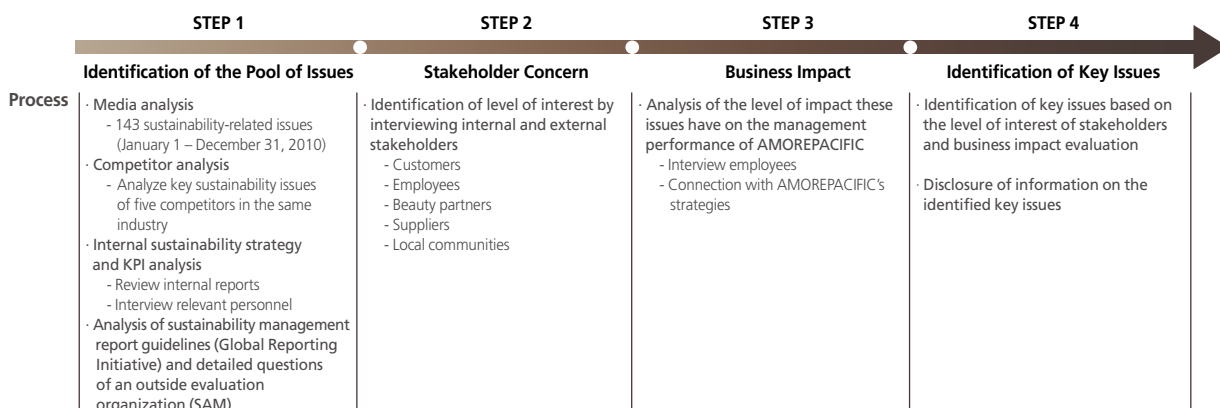
As part of the process of preparing the 2010 Sustainability Report, we collected the opinions of prosumers, labor union representatives and beauty partners. We conducted interviews to share with them the contents of this report and hear their reaction to it. We also listened closely to their opinions on three of the five key strategies—creation of a workplace that people love coming to, win-win cooperation with business partners and strategic social contribution.

Material Issues

The issues covered in the 2010 AMOREPACIFIC Sustainability Report were chosen after a thorough evaluation process that comprehensively studied and prioritized all matters related to the company's sustainability management.

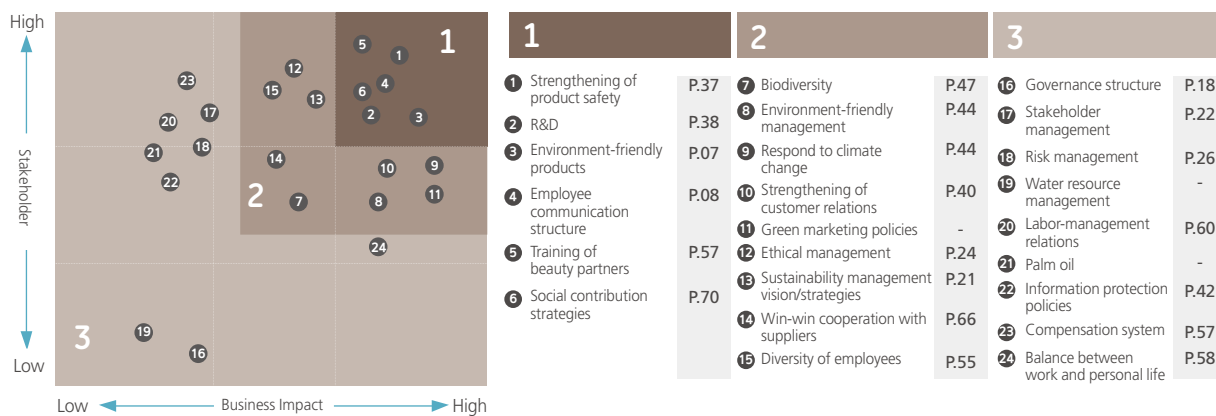
Material Issue Selection Process

AMOREPACIFIC used a four-step process to determine which issues were sufficiently material to warrant discussion in the company's Sustainability Report.



Results

We identified a pool of 24 issues by implementing the material issue selection process. The issues were analyzed after being categorized into the following three groups according to the level of interest of stakeholders and business impact. We identified issues with the highest degree of importance – strengthened product safety, R&D, environment-friendly products, employee training and career development, and training of beauty partners. This report covers these issues in detail in the Special Feature section. Among critical issues, those on green marketing policies, management of water resources and palm oil will top the planning agenda from 2011 through internal reviews.



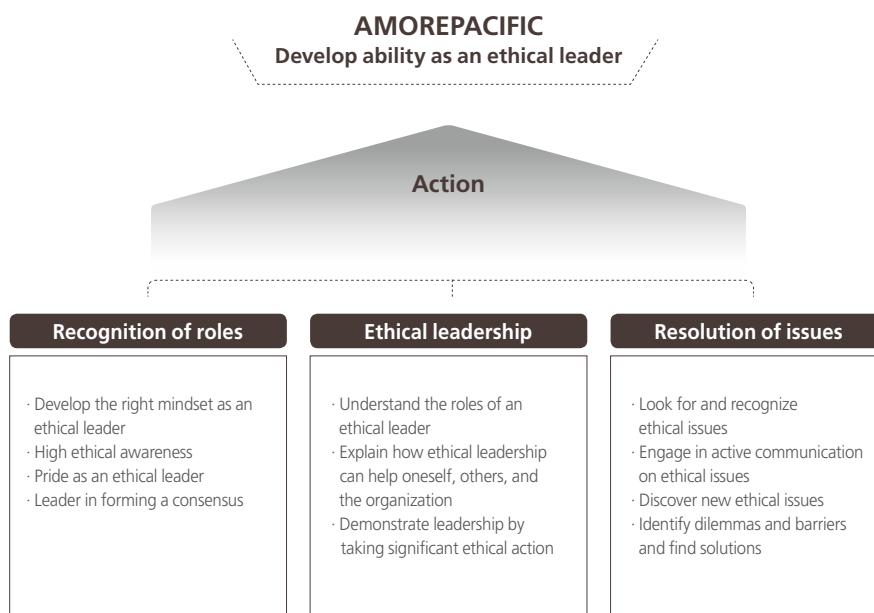
CORPORATE ETHICS

AMOREPACIFIC regards corporate ethics as the foundation of a sound and stable management system. Ethical business practices are vital to achieving our vocation, releasing our hidden competitive advantages and establishing a winning corporate culture. Most important, they underpin all our efforts to achieve sustainable growth and value creation by earning the trust and respect of our customers.

Stronger Ethical Mindset

In accordance with our dedication to realizing the full potential of the AMOREPACIFIC WAY, we focus on continuously strengthening the ethical mindset of employees and making ethics a part of their everyday lives. Various measures were adopted, such as updating the Code of Ethics, having all employees sign a pledge of ethical conduct, and offering a variety of ongoing training and PR programs for employees and executives at all levels.

Ethical leadership-strengthening program



We conducted a corporate ethics survey of both employees and business partners to measure their level of awareness and attitudes toward ethical business practices. The results provided a baseline and therefore helped to shape the future direction of our ethical training programs. Our plan is to continue using such surveys periodically to measure our progress and raise employee awareness. AMOREPACIFIC also sponsored a number of activities designed to spread our ethical compliance attitude to partner companies and overseas subsidiaries. Ethics training was provided for employees at our Chinese subsidiary, including a pledge signing ceremony, which has strengthened the fair business mindset among the procurement staff of the subsidiary. We have also held corporate ethics information seminars at the offices of our main business partners, asked them to sign AMOREPACIFIC's ethics pledge, and required them to draw up and implement their own corporate ethics policies.

We carried this initiative a step further by publishing the 'Blue Book 2 – 100 Questions and Answers on Ethical Dilemmas'. This handbook helps guide employees in their everyday decision-making, and systematically develops their knowledge of corporate ethics. Our cyber-training program 'Beautiful Company, Ethical Leader' is regularly updated to reflect changes in the internal and external policy environment, and the updates are continuously integrated into the 'Beautiful Company, Ethical Leader' offline course contents. We are also currently developing an Ethical Leader course for team managers to help them serve as effective role models and counselors for the people they manage. AMOREPACIFIC further provides an online reporting channel through which any employee can report suspicious activities that the company's senior management should be made aware of.

Cumulative number of participants in corporate ethics training from 2008 through 2010

(Unit: Persons, %)

	2008	2009	2010	Notes
Ethical Management is Global Competitiveness	3,156 (88.7)	3,269 (89.2)	-	Course was discontinued in 2010
Beautiful Company Ethical Leader*	705 (19.8)	1,148 (31.3)	1,506 (36.5)	Number of participants in 2010: 358 persons

*Mandatory for manager - level and higher

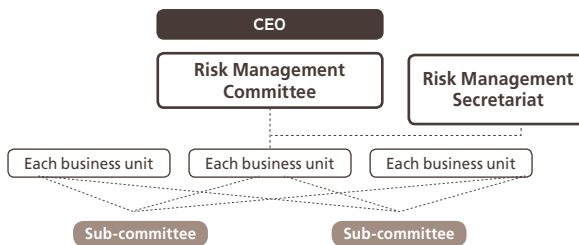
RISK MANAGEMENT

In 2010, we systematically re-established and implemented corporate-wide risk management. We did so to create new opportunities and minimize negative impact from uncertain external circumstances and fiercer competition.

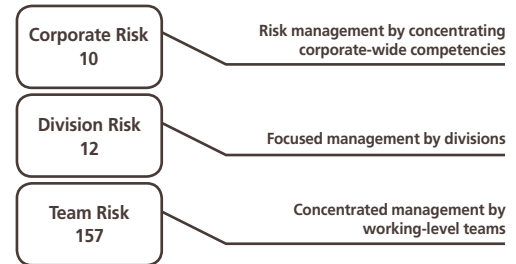
Overall risk management is under the authority of the Risk Management Secretariat, which reports to the Risk Management Committee, whose members comprise the company's senior managers. Corporate risks are divided into six categories: strategic, reputational, legal, operational, financial and social, and are managed accordingly. Each year, a detailed annual risk management plan is created to guide the monitoring and management of all risk factors. AMOREPACIFIC has strengthened its front-line capabilities by building a risk management structure that centers on the responsibilities of each business unit and working-level division.

Also, we practiced pre-emptive risk management related to the company's overseas operations, domestic and overseas competition, and distribution channels. We also improved product quality and implemented rigorous customer information protection measures, along with upgrading our business models whenever necessary to respond to changes in the regulatory environment. Finally, our risk management personnel continually monitor macroeconomic conditions to ensure that the company is fully prepared to maximize profit and minimize losses based on external market dynamics.

Organization



2010 Portfolio of Risk Management



Enterprise-wide Information Security

AMOREPACIFIC's Information Security Center (ISC) is conducting systematic activities aimed at protecting company information so that internal information is safely distributed with high security. We included a security review procedure in key work processes, including personnel movements and management assessments. Security systems such as the Data Leakage Prevention System were used to prevent the leakage of information, track the leakage of information, and carry out regular monitoring. In addition to a 24/7 monitoring system, entrance control systems were set up at Mizium, the company's new research institute. We thus strengthened security measures so that key technologies are not leaked by outside intruders or internal personnel. In 2011, AMOREPACIFIC will acquire ISO27001 certification for a planned system that will meet the toughest global standards for information security. ISO certification requires the implementation of strict internal audits, and through such efforts, we will earn the trust of employees, customers and the markets as a company that takes information security seriously.

A close-up photograph of vibrant green tea leaves, showing the texture of the leaves and the stem. The lighting is bright, highlighting the natural color and structure of the tea plant.

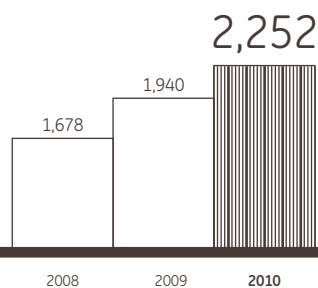
Making Sustainable Values

- 28 Financial Results
- 29 Domestic Business Performance
- 31 Global Business Performance
- 32 Brand Portfolio

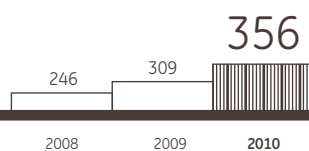
This is a photo of green tea, the core raw material of AMOREPACIFIC.

FINANCIAL RESULTS

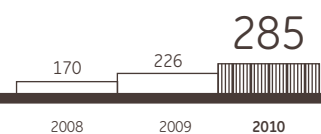
Sales (Unit: KRW in billions)



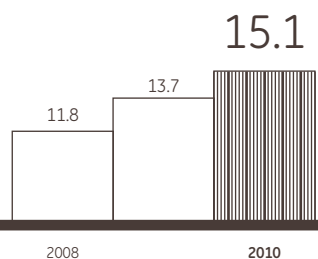
Operating Profit (Unit: KRW in billions)



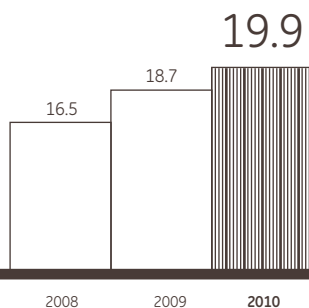
Net Profit (Unit: KRW in billions)



ROA (Unit: %)



ROE (Unit: %)



Economic Value Creation & Distribution

(Unit: KRW in billions)

	2008	2009	2010
Employees*	240.2	275.7	297.1
Government**	82.6	88.2	96.2
Local communities	2.6	9.9	4.9
Creditors	2.3	2.5	1.7
Shareholders	34.5	38.0	41.4
Company	149.6	187.9	243.0
Beauty partners***	313.9	354.2	379.6
Distributed economic value	825.7	956.4	1,063.9

Notes) Economic value was determined based on the consolidated financial statements of AMOREPACIFIC.

*This amount is the sum of salaries, retirement allowances, fringe benefits, etc. provided to employees.

**This amount is the sum of taxes, utility bills, income tax expenses, consolidated income tax expenses, etc.

***This is economic value distributed to AMORE counselors, Aritaum shops, etc.

DOMESTIC BUSINESS PERFORMANCE

In 2010, AMOREPACIFIC met the challenges of a sluggish economy head-on, achieving sustainable growth with differentiated brand management and preceding investment in diversified sales channels. We booked double-digit gains in both revenues and profits through organic growth of our core businesses, following the last year's performance. This has launched AMOREPACIFIC into a new era as a KRW 2 trillion-in-revenue company. We are ready to stretch even further to explore any hidden customer demand, going beyond our No. 1 position in Korea to become a global beauty leader with remarkable innovation in products, services, distribution and organizational capabilities.

Cosmetics Business

AMOREPACIFIC's cosmetic business touts a stronger market leadership driven by revenues growth topping the market growth rate. Despite fiercer competitions due to the entry of new enterprises and aggressive marketing of global beauty companies, we have maintained our brand power based on a distribution structure bolstered through consistent investment and differentiated product power. As a result, our revenues amounted to KRW 1,709 billion, 16% from the previous year, thus strengthening the presence as a leading company.

We continued strong growth in the counseling sales and department store channels, thanks to the outstanding product power and distinctive brand power of leading luxury brands such as Sulwhasoo, Hera, and AMOREPACIFIC. In terms of the counseling sales channel, we spread a program aimed at strengthening the sales competencies of counselors and thus provided customized customer services, resulting in a rise in sales and the percentage of counselors who stay with AMOREPACIFIC. With regards to the department store channel, Sulwhasoo is continuing its reputation as the No. 1 brand, amid fierce competition with global brands, thanks to further strengthening of customer management activities. We increased the counters of new brands such as Lirikos as well as AMOREPACIFIC to enjoy continued growth. Another reason for the growth is a boom in the duty-free business, triggered by an increase in the number of domestic and overseas travelers.

The Aritaum retail store channel also achieved strong growth, driven by the popularity of key brands such as Hannule, IOPE and Laneige. Hannule, a premium herbal cosmetics brand, accumulated more than KRW 80 billion in sales in its first three years, and is on its way to becoming a mega-brand in 2011. Laneige and IOPE are also recording increases in their functional product lines. The 1,200 Aritaum shops across Korea have stepped up their customer relationship management efforts, gaining increasing numbers of first-time as well as repeat visitors. We strived for win-win growth with beauty partners by introducing training programs for franchisees and programs to foster them.

In the discount store channel, we re-energized our CRM activities to boost repurchases amid fierce competition with global brands. Our strategy for improving customer satisfaction in this channel is to focus on counseling according to different skin types. For the online and home shopping sales channels, we have improved CRM activities and developed exclusive products available only through these channels. Online sales in particular are set to record above-trend growth and profitability, as online purchasing becomes generalized for more consumer segments.



1. Hera counter in Lotte Department Store's main branch
2. Aritaum shop in Seolleung

Mass Cosmetics & Sulloc Tea

In 2010 AMOREPACIFIC's Mass Cosmetics & Sulloc Tea (MC&S) business recorded KRW 349.4 billion in sales, representing annual growth of 19% over 2009.

This impressive performance was driven by the rising popularity of Mise-en-Scene, the company's top hair care brand, which expanded its line of functional products to cater to more customized individual needs. Ryoe, an herbal medicine hair care brand, broke the KRW 100 billion mark for annual sales just three years after its launch by expanding its range into products for each scalp type. Ryoe is now the nation's No.1 brand in the shampoo market.

AMOREPACIFIC's top body cleansing line, Happy Bath, has further solidified its brand concept of 'natural and organic', and expanded into more types of moisturizing products and facial cleansers, in addition to its established body cleansing line.

In the green tea business, sales of leaf-form premium products led the way in 2010, especially at our O'sulloc Teahouse theme cafes and O'sulloc Teashops in luxury department stores. Our functional products based on green tea has also been strengthened, including Water Plus and Vium Plus, so as to establish new revenue drivers and secure future sources of profitability.



Insa-dong branch of the O'sulloc Tea House chain

Sales by Business Unit

(Unit: KRW in billions)

	2008	2009	2010
Cosmetics	1,269.6	1,474.4	1,709.1
MC&S	261.8	294.6	349.4
Total	1,531.4	1,769.0	2,058.5

*This is AMOREPACIFIC's sales for each business unit based on individual financial statements.

GLOBAL BUSINESS PERFORMANCE

Asian Market

In Asian countries and especially in China, AMOREPACIFIC continued its growth trend by focusing on strengthening the brand recognition of Laneige and expanding distribution channel for Mamonde. We are looking at China as the most important overseas market for the foreseeable future, and have made preemptive investments to establish customer management systems and improve sales force competencies with training provided by the Korean head office. For Laneige, we have implemented marketing programs targeting the general public, mainly using television and magazine ads. Our aim is to steadily establish Laneige as a young, premium brand for the Chinese and Asian market. For Mamonde, we have increased our sales infrastructure and raised brand awareness in China by acquiring more sales counters in department stores. Active marketing campaigns have aimed to fully establish Mamonde as a high quality mass brand in China. The result of these strategic campaigns has been very positive, with Mamonde recording KRW 135.9 billion in sales in China in 2010, up 18% from the previous year.

We received permission for import of Sulwhasoo products after years of efforts and acquired a license for door-to-door sales in the Shanghai area. We thus developed growth engines for our business in China. We strengthened Sulwhasoo's position in the Hong Kong market as a luxury brand that delivers the very essence of Asian beauty through seven shops in the city center of Hong Kong, including the Spa. We did so ahead of the brand's full launch into the Chinese market in 2011. We also made efforts to enhance the brand image in other areas, with focus on key Asian cities such as Singapore and Hong Kong, by expanding the duty-free business.

Advanced Markets

In the advanced markets of the US, Europe and Japan, AMOREPACIFIC has achieved growth in sales and profits as the global economic recovery gained momentum. In France, strong performance by Lolita Lempicka and cost management allowed us to substantially eliminate a record of operating losses, making 2010 our first profitable year in that country. In Japan, we have increased the number of Amorepacific brand sales counters in the country's most exclusive department stores, and in the US we have expanded our distribution channels by adding the premium boutique chain Sephora as well as high-end department stores such as Bergdorf Goodman and Neiman Marcus. This is to establish Amorepacific brands as premium products for the young generation. We have furthermore installed a Sulwhasoo sales counters at Bergdorf Goodman in the US from July 2010, creating marketing buzz and raising brand awareness. We have high expectations for Sulwhasoo to become a global brand in the US for its unique ability to deliver the very essence of Asian beauty.



Sulwhasoo counter in Parkson Department Store in Beijing



1. Sulwhasoo counter in Bergdorf Goodman Department Store in New York
 2. Amorepacific counter in Mitsukoshi Department Store in Tokyo

Sales by Region	(Unit: KRW in billions)		
	2008	2009	2010
China	76.6	115.0	135.9
France	95.9	97.1	97.5
US	9.2	11.5	11.7
Asia (Except China)	52.5	75.6	89.1
Total	234.2	299.2	334.2

*Created based on the individual financial statements of overseas subsidiaries.

BRAND PORTFOLIO

AMOREPACIFIC

True skin care



Amorepacific brand is established globally as a luxury cosmetics brand. We have a 65-year history and a unique beauty philosophy, coupled with a firm determination to be the world's best cosmetics company. Rare Asian botanical ingredients and innovative formulation technologies are applied to promise customers the healthiest and most beautiful skin possible. In global trend-setting markets such as Japan and the US, Amorepacific brand enjoys steadily increasing brand value and recognition.

kr.amorepacific-cosmetics.com

Sulwhasoo

Beauty products that embody the wisdom of Oriental medicine



Sulwhasoo cosmetics products have been created as a meeting point of ancient Oriental skin care therapies and modern clinical science. Carefully selected herbal essences are the secret behind the amazing ability of Sulwhasoo products to revitalize and illuminate skin of any age or condition. Unchallenged in its segment in Korea, the line's overseas sales are growing steadily, based on rising international demand for naturally-derived cosmetic products.

www.sulwhasoo.co.kr

Hera

Confidence developed through awe-inspiring beauty



It is a trend-setter, uniquely new and utterly tasteful, it is based on intensive research but infused with sophistication. Hera has created its own modern aesthetic by reaching for the deep, inner beauty of women, and established itself as the brand of choice for confident women with a clear sense of their identity and value.

www.hera.co.kr

Lirikos

Inspired by the ocean



Lirikos is a prestigious maritime-themed brand originally from France. Its ingredients and essence are derived from the seas, filling Lirikos products with clean freshness and an alluring mystery. The very essence and value of Lirikos is our accumulated know-how that has combined cosmetics with deep ocean water that is rich with essential minerals as well as marine placenta ingredients that were gained from the ocean, which embodies the mystery of life and birth.

www.lirikos.co.kr

Primera

Natural energy contained in seeds gives vitality to skin



Primera, named by combining the words 'prime' and 'era', was made by capturing the magical potential that is released at the moment a seed sprouts. The concentrated nutritive agents blend with the natural exuberance of new life to infuse Primera with the health and beauty of springtime. Primera is made with organic ingredients and comes packaged in enviro-bottles to promote healthy, green consumerism.

www.primera.co.kr

Hyosia (2010 New Brand)

Restoring youthful skin with the science of fermentation



Hyosia is an innovative balm that builds on the known wound-healing properties of bean extracts. More than 25 years of research has resulted in the creation of Cure Bean™, which has ten times the antioxidant power of regular beans. Using Cure Bean™ ingredients and special fermentation technologies developed in our own labs, AMOREPACIFIC launched Hyosia as the undisputed leader in providing brighter, healthier skin.





Lolita Lempicka

Modern, romantic perfume



Developed in Paris, Lolita Lempicka is a global brand that remains popular for its romantic fragrances and artistic container design. It delivers, in a mystical way, the contrasting, and a sensual woman. The brand has been expanded with Lolita Lempicka Masculine, a globally-popular men's fragrance that captures the unyielding strength and hidden emotions of masculinity.

www.lolitalempicka.co.kr

IOPE

The science of skin rejuvenation



IOPE is a cosmeceutical brand that promises effective solutions to a variety of skin problems. IOPE products are scientifically formulated to treat skin conditions and restore users' clear, wholesome complexions. The brand family includes the Retinol NX™/TX, Super Vital and Plant Stem Cell lines.

www.iope.co.kr

Laneige

The science of water and light for Asian women



Laneige products are meant for Asian women who want to create a unique look that is unconstrained by convention. Laneige is especially known for its 'Water Science' skin care line and 'Snow Crystal' makeup line that give skin a snowy transparency.

www.laneige.com

Mamonde

A beautiful name for women's wisdom



The Mamonde brand, with its emphasis on bright and lively femininity, has been hugely popular in the Korean and Chinese markets. Its product line includes the Total Solution and Powder Pact, both of which contain naturally-derived ingredients that supply moisture to the skin to give a smooth, natural look.

www.mamonde.co.kr

Hannule

Wisdom and beauty of Oriental medicine



Based on Asian herbal medicine ingredients, Hannule exemplifies Korean thinking on health and beauty. The main ingredient, yulleyeodan, is grown locally and extracted using traditional techniques. It is known to increase energy, detoxify the body and restore the natural rhythms of the skin. Hannule's marketing advantage is its unique formulation, designed specifically for Korean skin types.

www.hannule.com

Ryoe

Premium hair care based on traditional medicine



Ryoe is an herbal medicine hair care brand. The name alludes to a rhythmical balance of Yin and Yang to keep the scalp in its optimal condition. Carefully selected herbal ingredients not only help prevent hair loss but also provide hair with a healthy sheen.

www.ryoe.co.kr

Mise-en-Scene

Hair that gives you the confidence of a supermodel



Mise-en-Scene products are crafted with all the care that goes into professional-quality hair treatments. Suitable for iconic stylings that define modernity, they produce a healthy glow that begs to be shown off, photographed and taken out on the town.

www.mjsen.co.kr

Songyeum

Natural vitality for oral health



The name Songyeum is derived from the words for pine tree and salt. It is a professional oral care brand that is based on Oriental medicine and natural plants that have been used in folk remedies for generations. We developed the products with a focus on improving each individual's natural ability to heal and maintain oral health with natural herbal vitality.

www.songyeum.com

Happy Bath

Natural, healthy mass-market cosmetics brand

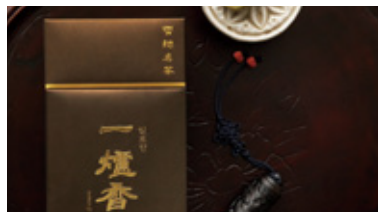


The Happy Bath brand was developed for mass-market consumption, appealing to modern demands for natural, organically-grown product ingredients. Happy Bath cosmetics are environmentally responsible, top-quality beauty products crafted with pleasing natural fragrances, giving them a competitive edge in the mass-consumption market.

www.happybath.co.kr

Sulloc

Clean green tea from snow-covered Mt. Halla



Sulloc, Korea's leading green tea brand, uses tea cultivated exclusively on plantations operated by AMOREPACIFIC. The products are available in leaf, teabag, and powdered form. Customers can also enjoy the healthful benefits of these products at the O'sulloc Tea House chain.

www.sulloc.co.kr

VB Program

Healthy beauty in everyday life



The VB Program is an integrated nutrition brand for health and beauty. It was developed based on AMOREPACIFIC's philosophy that the quest for external beauty must begin on the inside. For 65 years, AMOREPACIFIC has conducted continuous research into ingredients and nutrient extraction technologies to formulate pure, natural foods bursting with the goodness of green tea, red ginseng, soybean and other ingredients. The VB Program includes a wide variety of convenient menu options to suit the lifestyles of beautiful, healthy people.

www.vbprogram.co.kr

Ogarden (2010 New Brand)

Healthy beauty stimulated by botanical nutrients



Ogarden is a new food brand launched in 2010 to offer healthy, functional food choices for modern nutrition-conscious consumers. The product line is filled with botanical ingredients that are high in nutrient value, including fresh sprouts, green leaves, deep roots and fresh fruit. Just as the life cycle of a plant depends on the circulation of energy and nutrients, so Ogarden foods help consumers to maintain balanced health and beauty by supplying naturally-derived nutrients in the proper doses.

www.ogarden.com

Taking Sustainable Actions with Customers

- 36 Sustainable Products
- 38 R&D Innovation
- 40 Activities for Customer Satisfaction
- 42 Stronger Customer Relations

This is a photo of ginseng purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

SUSTAINABLE PRODUCTS

AMOREPACIFIC is continually applying its innovative capacity to develop safe and sustainable products. For us, that means inspiring customer confidence in the safety, low environmental impact and social consciousness of the products they purchase. Between 2008 and 2010, we developed and marketed a total of 69 sustainable products spanning the full spectrum of health, nutrition and beauty. Every work unit in our company is part of the AMOREPACIFIC's effort to lead the nation in sustainable sourcing and production of natural beauty products; going forward, we are striving to expand this portfolio by 10 percent each year.

Development of Sustainable Products

Customer-friendly Products

Songyeum toothpastes receive organic certification (4 products, 6 items)

In January 2010, the Songyeum brand launched four types of toothpaste products that were the first in Korea to receive the Ecocert* certification. Songyeum Baekhyohyang toothpastes and Songyeum Haecheongmok toothpastes are herbal, organic toothpaste products formulated especially for Korean diets and physiology. Ninety-five percent of their ingredients received Ecocert certification and offer herbal medicine benefits. 'Songyeum – Good Toothpaste for Your Child's Teeth' product is also an Ecocert-certified product with 99.9% natural ingredients. It does not include any of the four most commonly used synthetic additives – paraben, artificial dyes, artificial fragrance, and artificial sweeteners, making it safe for use by all ages of children.

*Ecocert is an officially recognized organic certification organization that conducts life-cycle reviews on organically grown ingredients, from their planting to formulation of finished products. It certifies goods in approximately 50 countries across the globe.



Society-friendly Products

Braille on Mise-en-Scene conditioner bottles (6 products, 18 items)

AMOREPACIFIC strives to meet the needs of the broadest range of customers, and to be socially-conscious in all its marketing practices. That is why we pay special attention to the needs of customers in all age groups and people with disabilities. To provide greater convenience for the visually-impaired, bottles of Mise-en-Scene conditioners are outfitted with Braille text to enable our customers to easily distinguish between shampoos and conditioners.



Earth-friendly Products

Mamonde Age Control Skin Softener receives Carbon Footprint Labeling certification (1 item)

The Carbon Footprint Labeling system entails informing consumers of the CO₂ emissions level of the product they are purchasing by indicating the emissions level on the product. In December 2010, the Mamonde Age Control Skin Softener became the first in the cosmetics industry to receive Carbon Footprint Labeling certification. Results of an assessment on CO₂ emission levels indicate that the process of manufacturing glass bottles takes up the highest percentage (64%) of the total amount of emitted CO₂. To address this issue, we will actively work on reducing energy use and greenhouse gases together with our suppliers.

Mise-en-Scene shampoo products receive Korea Eco-label (5 items)

The Mise-en-Scene Style Green Refresh Scalp Shampoo became the first shampoo product to receive the Korea Eco-label from the Korea Environmental Industry & Technology Institute. It was recognized for its comparatively small contribution to pollution in the production and consumption process and its effect of reducing use of resources.



Efforts to Develop Sustainable Products

Establishing a Technical Foundation for Sustainable Product Development

AMOREPACIFIC began building its foundation for the development of sustainable products by first listening to its customers. We organized focus groups and conducted online surveys to listen to the voice of the customer and understand their spoken and unspoken needs. Through these efforts, we realized that product ingredients were just as important as the physical properties of the products themselves. From this, we formulated our strategic policies for sustainable product development.

We released pilot products and allowed internal and external groups to test them and give suggestions for improvement. When final formulations were produced, we publicized them through a wide variety of exhibitions, focusing on their customer-friendly, earth-friendly and society-friendly characteristics. These exhibitions provided valuable feedback on how the general public would receive the new lineup, and increased the involvement and motivation of our staff toward ultimately developing products that were guaranteed market winners.

Sustainable Product Technologies

The AMOREPACIFIC R&D Center has the responsibility of ensuring that our customers can have complete confidence in the quality and sustainability of the products our company markets. The AMOREPACIFIC R&D Center has the responsibility of ensuring that our customers can have complete confidence in the quality and sustainability of the products our company markets. We have formulated new cosmetic products as paraben-free and hygienic products based on natural, non-irritating surfactants.

R&D INNOVATION

Following its foundation in 1954, the AMOREPACIFIC R&D Center developed steadily into a specialized beauty and health care research facility with unrivaled technological capability. Its vision is to be a developer of Asian beauty products that combine natural ingredients and advanced biotechnology to realize sustainable R&D. Leveraging the competitive advantage of its R&D Center, our company will invest in the continuous launch of new products and technologies that capture the attention and respect of customers around the world.

New Research Papers by Year

(Unit: Cases)

	2008	2009	2010
No. of research papers	54	48	57

New Patents by Year

(Unit: Cases)

		2008	2009	2010
Domestic	Pending	242	229	250
	Registered	95	47	52
Overseas	Pending	45	77	97
	Registered	11	16	16

R&D Investment Outlays

(Unit: KRW in millions, %)

	2008	2009	2010
R&D Expenditures	53,704	56,209	64,530
Percentage of Sales	3.51	3.18	3.13

Development of Innovative Technologies and Materials

Development of non-destructive skin absorption promotion technology using polymer composite technology

We developed an intelligent drug delivery technology that effectively delivers components that have efficacy but have skin penetration restrictions to the inside of the outermost surface of the skin (stratum cornea) by using an advanced polymer delivery system. It restricts body penetration of the delivery system itself. This technology received New Excellent Technology (NET) certification from the Ministry of Knowledge Economy. This technology enables various effective components, which previously couldn't be effectively absorbed into the skin, to have practical effects on the skin by delivering the components to the inside of the stratum cornea using an advanced polymer delivery system. The delivery system's outer layer stays in the stratum cornea and is removed safely together with the stratum cornea. This means that safety issues were also resolved. This skin absorption promotion technology intelligently induces the generation of effects of components that cannot be easily absorbed by the skin because they don't dissolve easily as well as fat-soluble components that need to be absorbed in the skin over a long term. The technology is thus expected to further advance the functions of cosmetics.

Development of eco-friendly antioxidant based on Jeju green tea

The AMOREPACIFIC R&D Center is continually developing new technologies for wrinkle-free skin. EGCG is a strong antioxidant that is contained in green tea. In 2010, it developed a new technology that extracts EGCG (Epigallocatechin gallate), in an environment-friendly way, using high pressure, rather than an organic solvent. EGCG is then refined to reach a high purity level and stabilized. This technology received New Excellent Technology (NET) certification from the Ministry of Knowledge Economy. A key element of this technology is that it stabilized EGCG using micro-emulsion technology. EGCG is extremely effective in restraining the aging of cells but is extremely unstable. We applied this ingredient to our cosmetics and received new ingredient approval and functional ingredient certification from the Korea Food & Drug Administration. This technology was applied to the Mamonde Age Control line, and will be adopted for the IOPE and AMOREPACIFIC's functional products for wrinkles.



International Symposium on Green Tea

Development of Innovative Products

Ryoe Jayangyunmo Shampoo & Ryoe Hwayunsaeng Shampoo

Going back to the traditional Korean medical text known as Dongui Bogam, AMOREPACIFIC's researchers became interested in studying the properties of the biota seed. It has been used historically to strengthen hair roots and maintain the health of the scalp, thereby helping to prevent hair loss, which is an increasing problem due to the stress and pollution levels encountered in modern society. Our researchers applied eco-friendly herbal material technologies to develop a modern hair-loss preventive therapy based on biota seed, and received KFDA approval for it. The product's efficacy was further proven by the awarding of the Silver Medal at the 2010 Korea Technology Awards from the Ministry of Knowledge Economy.



IOPE Whitegen Ampoule Essence

Whitegen is a pure essence product that makes skin bright and translucent by controlling levels of black melanin, red hemoglobin and yellow pigments within the skin. We developed and applied the Spot White Capsule™, which treats various factors inside the skin that cause spots to create a uniform skin tone, and the Skinchroma Complex™, which treats black pigments (melanin), red pigments (hemoglobin), and yellow pigments (oxidative stress), to create a bright complexion. This product line is appreciated for its ability to reduce the tone of naturally dark skin and whiten the skin of women with naturally reddish and yellowish tones.

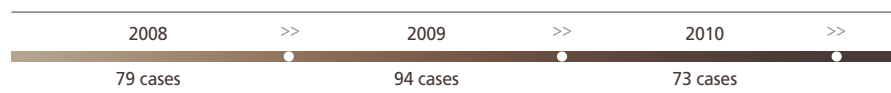


ACTIVITIES FOR CUSTOMER SATISFACTION

Customer Gifts for AMOREPACIFIC (CGAP)

CGAP is a customer service and product improvement program aimed at the rapid resolution of customer complaints and the improvement of product quality based on customer feedback. Through CGAP, we are able to gather genuine, real-time consumer reactions to our products and channel that feedback to the relevant units within the company. AMOREPACIFIC views customer complaints as a gift, because they help us improve our products, services and public image, thereby making us a better and more valuable company.

Product improvements made through CGAP



CGAP-based improvement case exhibition

2010 CGAP-based Improvement Cases on Display

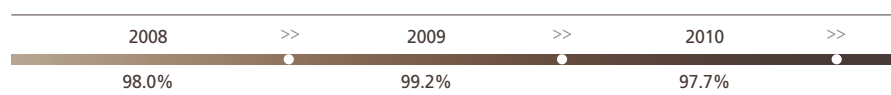
The CGAP-based improvement case exhibition is held to deliver information on various customer complaints that were registered for a year, thus providing an opportunity to communicate with customers and understand their point of view. The fourth exhibition, held in 2010, consisted of a meeting with customers during which customer complaints and compliments were heard and an exhibition of products that were improved through CGAP. The exhibition enabled all AMOREPACIFIC and subsidiary employees to recognize the importance of listening attentively to customer opinions.

Promotion of CCMS* Operation

As part of its overall sustainability management system, AMOREPACIFIC is fundamentally changing the way in which customer complaints are received and handled. Our sales force receives intensive training on the management of service delivery at all customer contact points. As our front line for managing the client relationship, they are taught to listen carefully, adopt the customer's point of view, and take preemptive education to prevent complaints. Based on our accumulated experience in CCMS, we have developed a work manual for the benefit of our Chinese subsidiary. It was incorporated into the foreign firm's training program which was launched in February of 2011, thus globalizing AMOREPACIFIC's efforts to lead the world in quality customer service.

*CCMS (Customer Complaints Management System) = Voluntary customer satisfaction management program

Complaint Resolution Rate*



*Complaint resolution rate (%) = (No. of resolved complaints / No. of complaints received) X 100

Prevention System

Prior to the release of any new product, we subject it to the Prevention System to evaluate it against historical complaint records, and thereby preemptively remedy any anticipated problems. Through such approaches, AMOREPACIFIC is being proactive rather than reactive in reducing and managing customer complaints, taking action ahead of time to prevent complaints right from the product development stage.

Prosumer Activities

In 2010, about 735 prosumers (producer + consumer) took part in 131 product development activities. These activities included the FGI (Focus Group Interview), where they were interviewed about the concept and direction of products in the development pipeline, and the HUT (Home Use Test), in which customers were able to subject pilot products to real-world conditions before the company finalized their release. Prosumers were instrumental in preparing IOPE Anti-Aging Color Makeup for the market. During the feedback phase they became so involved with the product that they actually helped to promote it through viral marketing and consumer blogs.

Prosumers were among the participants in the Pink Ribbon Marathon and Beautiful Saturday, helping to amplify the effects of the company's social contribution activities. Their attendance helped them to understand AMOREPACIFIC's philosophy of joint growth and shared benefits with our local communities. Ecologically-concerned prosumers have helped to raise public awareness about the company's green management activities such as receiving Carbon Footprint Label certification, Ecocert certification. And they visited 'Sulloc Da-won' in Jeju and experienced low-carbon activities by themselves while others have gotten involved in strategic planning by participating in exhibitions that present future product ideas and gather feedback to improve product quality and marketability.



Prosumer Day event

VOC Feedback Communications

(Unit: Cases)

	2008	2009	2010
Telephone	106,195	131,681	157,177
Internet	11,863	13,623	13,893
Others	449	443	472

STRONGER CUSTOMER RELATIONS

Lifetime Customer Campaign

AMOREPACIFIC is expanding Lifetime Customer Campaign activities, which involve further strengthening relationships with customers. We place focus on customers and offer customized products, benefits, and communication that best serve each stage in the customers' experience, thereby enhancing value provided to customers. We also included our specialized customer management know-how in our field training programs to elevate overall sales capabilities at customer contact points. We are engaging in customized customer management based on each customer's inclinations to enable more in-depth customer communication and to allow customers to experience various products and services. Such customer-centered activities have increased our number of domestic customers to roughly 10 million. To increase communication with customers all across the globe, we plan to expand the scope of the Lifetime Customer Campaign to include global customers in the US, China, and ASEAN starting from 2011. Moving forward, AMOREPACIFIC will optimize communication and provide customized services from the customers' perspective. We will also increase communication with customers, in the field and in the world of the Internet, thereby increasing value offered to customers at home and abroad.

Launch of AMOREPACIFIC's Exclusive Members' Website (www.amorepacific.com)

Taking advantage of rapid technological changes to establish new channels of communication with our customers, AMOREPACIFIC created an online hub to provide members-only access to new product information, company news and personal bonus point status. The site provides added value by enabling visitors to receive personalized information on their skin's unique characteristics and needs, and test makeup products that best suit them. It also hosts an online beauty community through which customers can engage in ongoing dialogs with the company's beauty professionals. The benefits run both ways, providing customers with convenient access to personal care information and giving AMOREPACIFIC valuable feedback on new and existing products.

Protection of Customer Information

In response to modern concerns about personal information protection, AMOREPACIFIC has implemented systematic measures to ensure the security of customer information. We have improved our information systems to make them more secure, and strengthened the capabilities of the work units responsible for the care and management of customer data. Information is stored in encrypted form, and access to databases is controlled so that even employees with access rights cannot obtain sensitive customer data, such as citizen registration numbers. We have taken measures to inform customers of their basic rights and educate them as to the allowable uses of their personal information. This is achieved first of all through the use of a Consent Form that is completed at the time of member registration, which clearly defines the scope of information use allowed by the company. Forms are collected offline, scanned, stored and destroyed after a certain period. These measures help to prevent information leakage and abuse associated with the loss or theft of both paper and electronic documents. As technological capabilities improve, we will upgrade and strengthen our data protection systems to ensure the safest possible handling and distribution of customer information.

Beauty in Life Alliance Service (Beauty point card benefits)

AMOREPACIFIC created the Beauty in Life customer benefits program in August, 2010. It uses a point-card system to accumulate benefit points and redeem them for product discounts at any of 5,000 participating stores operated by about 500 companies across the nation. The service's 12 million cardholders can also receive discounts on selected products without any deduction in their point totals.

(<http://www.amorepacific.com/beautyinlife/>)



Beauty in Life

Our online/offline members discount club operates by accumulating integrated beauty points for purchases of AMOREPACIFIC products. We are the only cosmetics company in the country to use this card-based benefits system to provide added value and convenience to our clients.



Taking Sustainable Actions with Environment

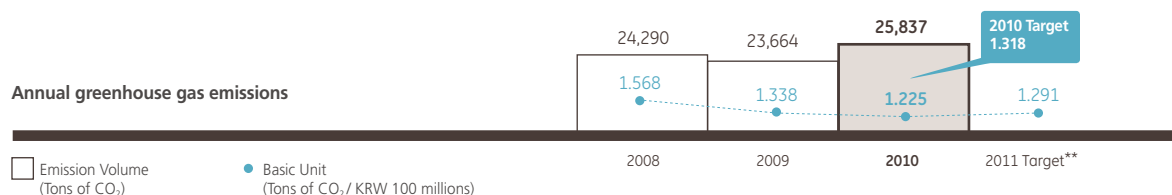
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OUR RESPONSE TO CLIMATE CHANGE

Greenhouse Gas Reduction Activities and Inventory Verification

With the creation of our in-house Climate Change CFT (Cross Functional Team) in 2007, AMOREPACIFIC launched its company-wide commitment to greenhouse gas reduction and established greenhouse gas inventory. We maintain an accurate inventory of our SCM unit (production and logistics), which accounts for about 70% of the company's total emissions, as well as our R&D Center and sales business unit (corporate headquarters and sales offices). Scope 1 mainly includes the amount of LNG used for manufacturing processes and diesel fuel used by logistics vehicles. Scope 2 includes greenhouse gases generated by electricity consumption at the corporate level.

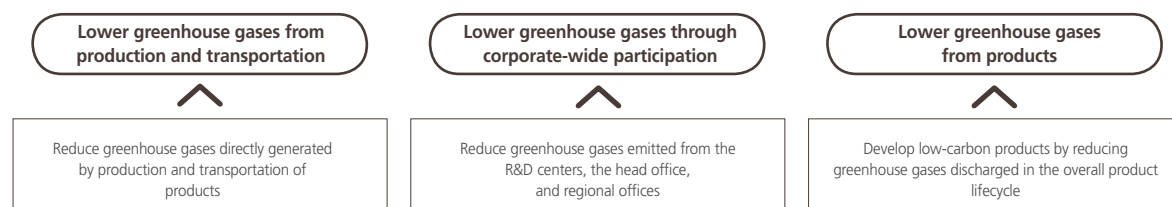
In 2010, we received verification of our emission records from Det Norske Veritas (DNV), confirming the accuracy and credibility of our data and methods. The DNV report was used to plan internal process improvements, and recalibrate carbon emission factor and heating values, so as to improve measurement accuracy. The recalibrations resulted in the need to restate previously-disclosed information from prior years*. Our goal is to achieve emission reductions of 5% annually for the period 2009 – 2011, but in 2010 we achieved a year-on-year reduction of 6.2%. AMOREPACIFIC is constantly looking for innovative ways to reduce its greenhouse gas emissions at every point along the value chain, and improve the effectiveness of all its environmental management activities.



*The carbon emission factor provided by the 1996 IPCC Guidelines was applied in the past, but the carbon emission factor for 2006 was applied for the third-party verification. Changes were made to the previous years data accordingly.

**It is expected that there will be a rise in the amount of energy use and greenhouse gas emissions, attributable to the launch of operations of the integrated SCM station in Osan in July 2011, a rise in the number of utility facilities for CGMP facility improvements at the Mass Cosmetics Division's production site, and the operation of Mizium, the company's research institute whose construction was completed in 2010. The target value for the greenhouse gas emission will be set up considering the operation result in 2011.

Direction for greenhouse gas reduction



Activities to Reduce Greenhouse Gases in the Manufacturing Process

We made engineering improvements to the steam supply system at the Makeup Division's production plants to reduce energy losses, resulting in greenhouse gas reductions. The previous system was based on weekly or daily production plans, which caused waste because steam supply continued even though production had stopped. To address this issue, we built a system that allows machine room staff to check the operating status of each mixing unit, and stop boiler operation when steam is no longer required. We went a step further by installing an inverter to control the speed of pumps that supply Deionized water to the production process, reducing their rpm at stages when only sterilization processes are proceeding and supply of Deionized water is not required. These equipment upgrades have resulted in tangible reductions in LNG and electricity consumption at our cosmetic production plants.

'Eco-Driving Label' for Greenhouse Gas Reduction in Distribution Processes

As one of the company's primary consumers of energy, the logistics unit has made concerted efforts to realize greenhouse gas reductions. In October of 2010 we began to enforce the eco-driving label system to reduce diesel consumption and incentivize drivers to follow environmentally responsible driving practices.

The eco-driving label system involves carrying out quarterly evaluations on four environmental indicators, and providing corresponding incentives to drivers. The indicators include the use of the Green Starter, which automatically shuts off the engine while waiting at traffic lights, and fuel efficiency improvements in the form of reduced fuel consumption or installation of air spoilers. Drivers are categorized into gold, silver and bronze groups based on the label system criteria, and rewarded accordingly. The system is expected to result in tangible reductions in energy consumption by the company's logistics network.



At our Suwon logistics center, forklift recharging infrastructure was upgraded from low frequency to high frequency methods, thus minimizing the loss of electric current and creating a 7% reduction in electricity consumption. Efficiency tests on aging charging units led to the replacement of 38 pieces of inefficient equipment at the Suwon center and four plants. Plans have been drawn up to replace the forklift recharging units at all logistics centers nationwide in 2011. They will be upgraded to high frequency units or fully replaced, depending on their degree of wear.

Activities to Reduce Greenhouse Gases at Company Buildings

An external professional evaluation agency was hired to perform an energy audit on the company's office buildings in 2010. Seventeen factors for improvement were identified. All of them have either been fully resolved or else mid- to long-term plans have been developed to manage them. One prominent example is the Daejeon Regional Office. Cooling and heating used to be frequently supplied to warehouse areas and other unoccupied spaces. To remedy this situation, a Fan Coil Unit (FCU) valve was installed to minimize unnecessary energy consumption. Sensors were installed in washrooms that experience infrequent use at various locations, and the Gwangju Regional Office was equipped with bidets that link to the lighting system to block electricity supply when it is not required.

GREEN COMMUNICATION

Aritaum Green Together Campaign

Aritaum is the total beauty solution retail store brand of AMOREPACIFIC. About 100 Aritaum locations participated in the June, 2010 launch of the Aritaum Green Together Campaign, with all other locations joining by November. The purpose of the campaign was to collect and recycle empty AMOREPACIFIC product containers. Altogether, about 22.6 tons of empty containers were collected. As part of the Green Together Campaign, Aritaum shops carried out the Endangered Species Green Together Campaign in the month of June. 1% of the retail price of leading summer products was donated to the Environmental Committee of the UN Environment Programme. The funds were directed toward research on endangered animals in the Amazon rain forest, and to purchase boats for the use of anti-poaching law enforcement officers.

Participation in 2010 Low Carbon Green Growth EXPO

In 2010, AMOREPACIFIC participated in the Low Carbon Green Growth EXPO hosted by the Ministry of Environment and organized by the Korea Environmental Industry & Technology Institute. We had participated in the EXPO the previous year as well, using both opportunities to showcase our environmentally-friendly products and green growth activities.

Green AP Campaign

Through the Green AP Campaign, AMOREPACIFIC launched company-wide environmental protection initiatives that could be easily integrated into the daily lives of employees and customers. Highlighted suggestions included basic water-saving and energy-saving tips, as well as hints for reducing food waste. The strength of the Green AP campaign is the way it derives large-scale benefits from small-scale behavior changes, demonstrating that everyone can make a difference by making small modifications to their daily habits.

Green Idea Contest

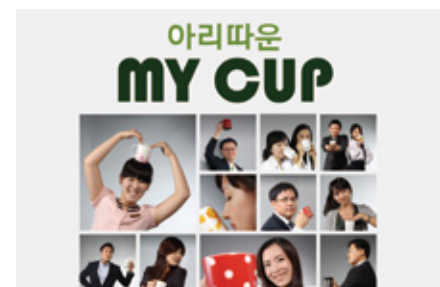
In November of 2010, an online contest was held to gather ideas for in-office activities that would reduce global warming. 84 suggestions were received spanning water conservation, energy conservation and waste reduction. The contest was an excellent opportunity for employees to share their creative ideas on environmental protection. The best ideas were rewarded, and will be used in internal green campaigns.

Beautiful My Cup Campaign

The 'Beautiful My Cup Campaign' was carried out in November, 2010. Mugs were distributed to employees with the goal of reducing the use of disposable cups and plastic water bottles at the workplace. To increase participation, promotional posters were created with employees posing as models. Internal PR activities were launched in support of the campaign and a Beautiful My Cup online community was established by the company. A total of 1,800 cups were handed out to every employee who applied for one via the intranet.



1. Poster of Aritaum Green Together Campaign aimed at collecting empty containers
2. 2010 Low Carbon Green Growth EXPO



Beautiful My Cup Campaign

BIODIVERSITY

AMOREPACIFIC strives to source the most pure and natural raw materials for use in its products, so as to provide wholesome health and beauty to its customers. There are about 300,000 known plant species on earth, but humankind has only studied the properties of a mere 2% of them. The remaining 98% contain limitless potential benefits for people, which is why it is so important to protect the earth's biodiversity. To preserve the health and beauty of the natural environment, AMOREPACIFIC has established guidelines for the company's environmental conservation activities based on the 'Three Objectives of the Convention on Biological Diversity'. In brief, they call for the protection of biodiversity, sustainable use of natural products, and fair sharing of benefits derived from ecological resources.

Survey on Consumer Awareness in the 'International Year of Biodiversity'

The UN designated 2010 as the International Year of Biodiversity, adopting the Convention on Biological Diversity (CBD) as its framework document based on the UN Framework Convention on Climate Change from the Earth Summit in 1992. About 190 countries have subscribed to the Convention. The 10th Conference of Parties to the Convention on Biological Diversity was held in Nagoya, Japan in 2010. Together with UEBT (Union for Ethical Biotrade), an international NGO based in Switzerland, AMOREPACIFIC conducted a consumer survey to ascertain the level of awareness on biodiversity issues. The results of the survey were presented at the conference. In summary, approximately 1,000 people in seven countries were surveyed; 76% of Korean respondents had heard the term 'biodiversity' and 55% knew the exact meaning of the term. Korean respondents had a relatively higher level of awareness of biodiversity than people in other countries.

Activities to Protect Endangered Species

As part of its activities to protect endangered species, AMOREPACIFIC conducted joint research in 2010 with Professor Hong Soon-gwan of Kangwon National University to preserve the dongganhalmikkot (a Korean native flower). This flower is found only in Korea and is considered endangered, but there is no history of any research being carried out on it. To protect this endangered plant species, we joined hands with the National Institute of Biological Resources and Kangwon National University to engage in joint research. We also entered into an agreement with the National Institute of Biological Resources on 'joint research for conservation of biodiversity'.

Seminars for Employees

In addition to the external programs AMOREPACIFIC sponsors to raise awareness of biodiversity issues, the company provides regular staff education sessions to increase the understanding of our employees. In 2010, a total of six seminars were held, in which invited experts such as Jane Goodall (Primatologist, UN Messenger of Peace) and Professor Jae Chun Choe (Division of Ecoscience, Ewha Womans University) spoke to AMOREPACIFIC staff and management about the importance of environmental conservation, and the important work being done to promote it.



Biodiversity seminar

INNISFREE GREEN LIFE SHOP

As a natural cosmetics brand, Innisfree is marketed by emphasizing the beauty and health benefits derived from its natural ingredients. To mark the tenth anniversary of the brand in 2010, Innisfree filled its shops with eco-friendly products and launched PR campaigns to advertise the natural content of its products. Customers were given the opportunity to experience the brand and sample its products, thereby developing a deeper relationship with the brand and appreciating the natural elements that it embodies.

Five Promises of Innisfree

- ① 1. We provide healthy beauty by using "Natural and reliable" ingredients.
- ② 2. We encourage "Ethical consumption" by providing quality products at reasonable prices.
- ③ 3. We promote "Eco-friendly green design" that harmonizes with nature.
- ④ 4. We practice "Eco-friendly green life" to reduce our negative impact on nature.
- ⑤ 5. We provide "Enjoyment for all five senses" by capturing the various essences of nature.

Declaration of the 2020 Green Business Roadmap

In 2010, Innisfree declared its 2020 Green Business Roadmap, a comprehensive plan to create value for customers, the company, society and the environment by carrying out the following key tasks: develop and commercialize high-quality products, enable customers to purchase products in good faith by unveiling green promotions, and engage customers to join in the company's environmental campaigns to deepen our ties to them and amplify the benefits to the environment. The Roadmap also establishes processes to ensure the transparent management of all production processes, from raw materials sourcing to formulation, sales, service and disposal.

Nine key tasks of Innisfree's green business

Category	Details
Creating! Green-Product Create reliable, high-quality products	① Increase the number of organic products that receive Ecocert certification
	② Increase the use of pure ingredients from Jeju
	③ Expand 'Beautiful Fair Trade'
	④ Develop products that inspire customer confidence in their safety
	⑤ Create products that contain more natural ingredients
	⑥ Expand eco-friendly designs
Making! Green Service Create environment-friendly shops that deliver an eco-friendly message and provide environment-friendly services	⑦ Create eco-friendly shops
	⑧ Expand green promotions
Thinking! Green Life Carry out a Green Life campaign that encourages customer participation	⑨ Green Life Campaign



2020 Green Business Roadmap Declaration Ceremony

AMOREPACIFIC generated a spin-off if Innisfree in January 2010. This content is a summary of environmental management activities carried out at Innisfree.

- 1 Defining Sustainable Beauty
- 2 Introducing AMOREPACIFIC
- 3 Making Sustainable Values
- 4 Taking Sustainable Actions
 - 4.1 with Customers
 - 4.2 with Environment**
 - 4.3 with Employees
 - 4.4 with Business Partners
 - 4.5 with Communities



Creation of Green Products

Ecocert certification for organic products

France's Ecocert is an organic product certification organization that conducts inspections and evaluations on full product life-cycle characteristics and measures them against strict global-level environmental standards. They inspect plants and interview internal and external sources to verify that all steps leading up to a product's release are carried out sustainably. Since 2008, Innisfree has received Ecocert certification for 12 of its products, and is developing more. In terms of R&D, Innisfree conducts intensive research to overcome the common shortcoming of many organic products, namely, their inferior skin-feel on application to the skin. We are also increasing the number of distinctive, Ecocert-certified products, recent examples being the Eco Science Toner, Lotion, Serum and Cream that were released in January of 2011. In addition to the Ecocert certification, these products were also certified as having demonstrable wrinkle-removing properties.



Innisfree Eco Science product

Beautiful Fair Trade

Beautiful Purchasing is our internal program for sourcing pure ingredients and paying sustainable prices to the suppliers of those ingredients. AMOREPACIFIC has secured a stable supply of reliable raw materials from local communities, which helps to fulfill our goal of supporting the native economy and providing job growth for our neighbors. Beautiful Purchasing therefore provides win-win benefits of attractive prices for AMOREPACIFIC and corporate sharing benefits for our community. For example, Dongbaek Village on Korea's southern Jeju Island is our company's source of camellia flower petals and seeds, which are grown completely organically without chemicals or fertilizers. They are among the primary ingredients for the Innisfree 'Magic Floral' product line.

Green Stores that Welcome Customers Non-verbally

Flagship Store Launches

Innisfree opened flagship stores in the fashionable Myeongdong and Gangnam districts of Seoul, basing their design on the concept of 'Jeju's natural environment within a green city'. The stores tell a brand story and communicate the brand concept in various interesting ways. The interior and exterior designs simulate natural vertical gardens that vibrate with the energy of Jeju Island, while using responsible materials such as environmentally-friendly paint and low-energy LED lighting.



Flagship store of Innisfree



1. Eco-handkerchief
2. My Green Tea Tour
3. 2010 Jeju Olle Walking Festival



Promotion of Green Communication

Eco-handkerchief Campaign

To implement effective environmental protection efforts, Innisfree developed and launched the Eco-handkerchief Campaign, which encourages the use of handkerchiefs instead of disposable tissues. For one family of four people, if they use handkerchiefs instead of tissues, paper towels and unnecessary paper products, up to 5,000 trees per year can be spared. This campaign is therefore an important way of preserving our green environment and protecting the earth. We exhibited a total of 16 handkerchiefs created by four eco designers, created an eco song participated in by YoonA (pop singer) as the PR ambassador, and also came up with tips on using handkerchiefs in daily life. Such activities enabled easy and enjoyable participation in the campaign by all types of people. During the month of September, 300 thousand eco-handkerchiefs were handed out to all customers who made a purchase at Innisfree stores across the nation, encouraging a greater number of people to take interest and participate in the campaign.

'My Green Tea Tour', Planting My Own Green Tea Tree

Innisfree held the Planting My Own Green Tea Tree event in May, 2010, at the Seogwang Tea Plantation on Jeju Island, Korea's home of clean product ingredients. During the event, Innisfree customers were each given a seedling to plant, from which they will receive tea leaves the following year, thus enjoying the benefits of their efforts to care for the natural environment. Innisfree's efforts to create outstanding customer value and raise public interest in conservation issues came together in this event to provide a memorable and enjoyable experience for our customers.

Innisfree, a Friend of Jeju Olle Trail

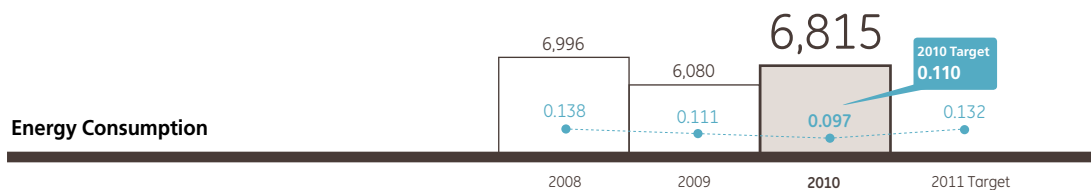
Innisfree entered into an agreement to be a corporate friend of the Jeju Olle Foundation, and is sponsoring efforts to keep the Jeju Olle hiking trail clean and beautiful. We created a tourist guidemap of the various paths and locations along the trail, with brief explanations of the surroundings, making them freely available to hikers. The company also made a pamphlet for a special Olle exhibition at the Jeju National Museum and provided a stamp box for each route. We donated all proceeds from the sale of Olle travel kits and 5% of the revenues from the Jeju Windy Lip Balm to fund conservation efforts along the trail. Innisfree booths were set up at four routes during the Jeju Olle Walking Festival in November, 2010, from which we dispensed eco bags to help visitors participate in keeping the trail in its native state of clean and natural beauty.

Green Christmas 2010, Green Neighborhood Campaign

During the month of December, 2010, Innisfree launched the Green Christmas Neighborhood Campaign to benefit multicultural families living in Korea and share our friendly spirit at a special time of year. We set aside KRW 500 from the sale of any product affixed with a Christmas seal, collecting KRW 60 million in total cash. The cash donation was combined with KRW 30 million worth of products, and given to Holt Children's Services as our way of creating a warm and generous atmosphere at Christmas.

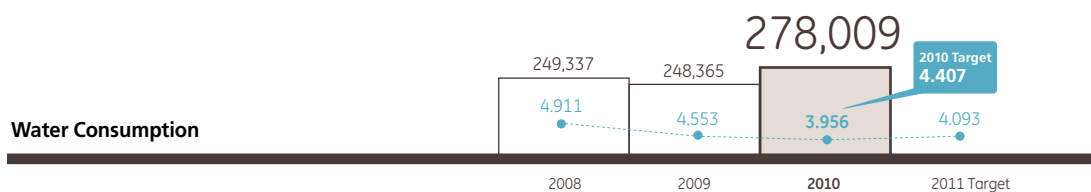
ENVIRONMENTAL PERFORMANCE RESULTS

The scope of the Environmental Performance Results is four domestic factories, including the skin care, makeup, mass cosmetics, and Sulloc Tea factories.

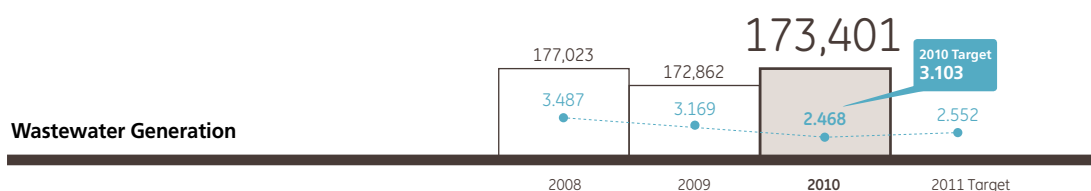


□ Energy Consumed (TOE*) ● Basic Unit (TOE/Tons of Product)

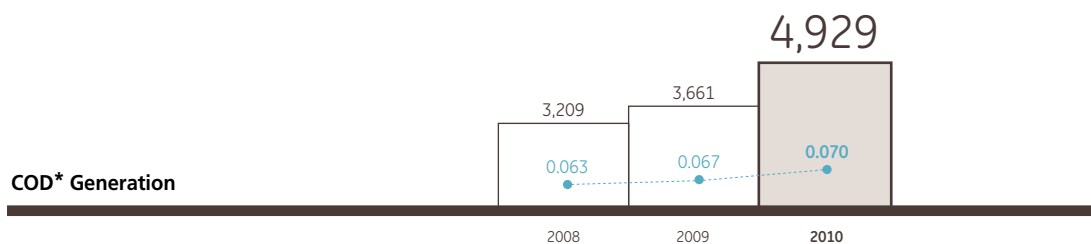
*TOE (Tons of Oil Equivalent): A unit of energy. The amount of energy released by burning one ton of crude oil.



□ Total (Tons) ● Basic Unit (Tons/Tons of Product)



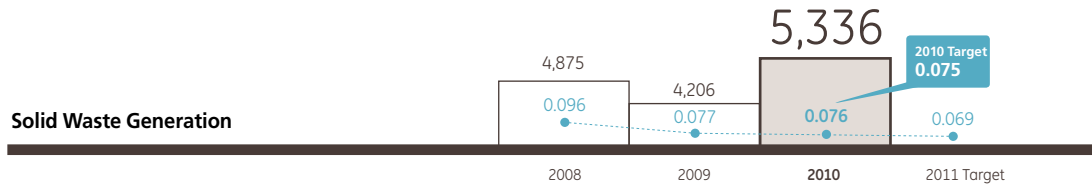
□ Total (Tons) ● Basic Unit (Tons/Tons of Product)



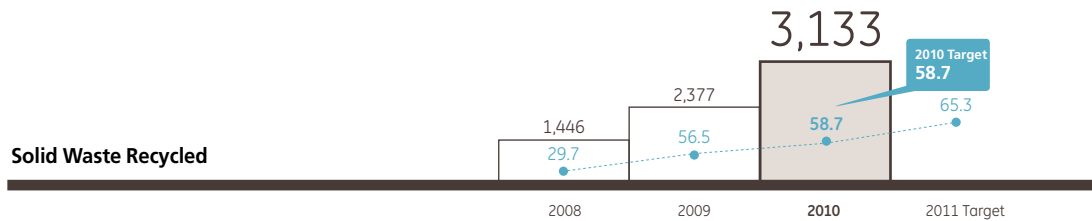
□ Total (kg) ● Basic Unit (kg/Tons of Product)

*COD: Chemical Oxygen Demand

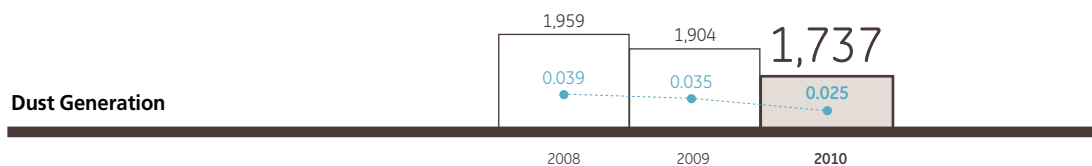
It is expected that there will be a rise in the amount of energy use and greenhouse gas emissions, attributable to the launch of operations of the integrated SCM station in Osan in July 2011, a rise in the number of utility facilities for CGMP facility improvements at the Mass Cosmetics Division's production site, and the operation of Mizium, the company's research institute whose construction was completed in 2010. The target value for the greenhouse gas emission will be set up considering the operation result in 2011.



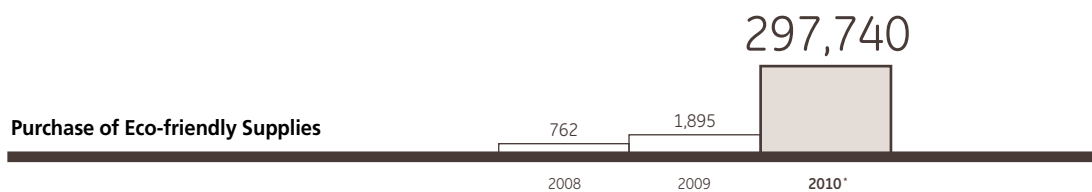
□ Total (Tons) ● Basic Unit (Tons/Tons of Product)



□ Total (Tons) ● Recycling rate (%)



□ Total (kg) ● Basic Unit (kg/Tons of Product)



□ Eco-label and GR mark Purchases (KRW in millions)

*Starting from 2010, the scope of harmful substance verification was expanded to include all suppliers and packaging materials.

Environmental Management System Certification

Organization Unit	Quality management system (ISO 9001)	Environmental management system (ISO 14001)	Health and safety management system (K-OHSMS 18001)	Quality management standards
Head Office	● (2003)			
R&D Center	● (2003)			
Skin Care Factory	● (2003)	● (1995)	● (2002)	CGMP (1993)
Mass Cosmetics Factory	● (1995)	● (2000)	● (2004)	
Makeup Factory	● (2003)	● (2000)		CGMP (1993)
Sulloc Tea Factory	● (2003)	● (2000)		HACCP (2003)
Shanghai Business Site	● (2008)			
Logistics Center	● (2003)	● (2009)		

For details on AMOREPACIFIC's environment policy, please visit the company's website (www.amorepacific.com). Details are available in the "For Our Environment" section of "Sustainability".

A close-up photograph of a tree trunk, showing the rough, textured bark of a paper mulberry tree. The bark is dark brown and has a vertical crevice running down it. The lighting is dramatic, with strong highlights and deep shadows, emphasizing the texture of the wood.

Taking Sustainable Actions with Employees

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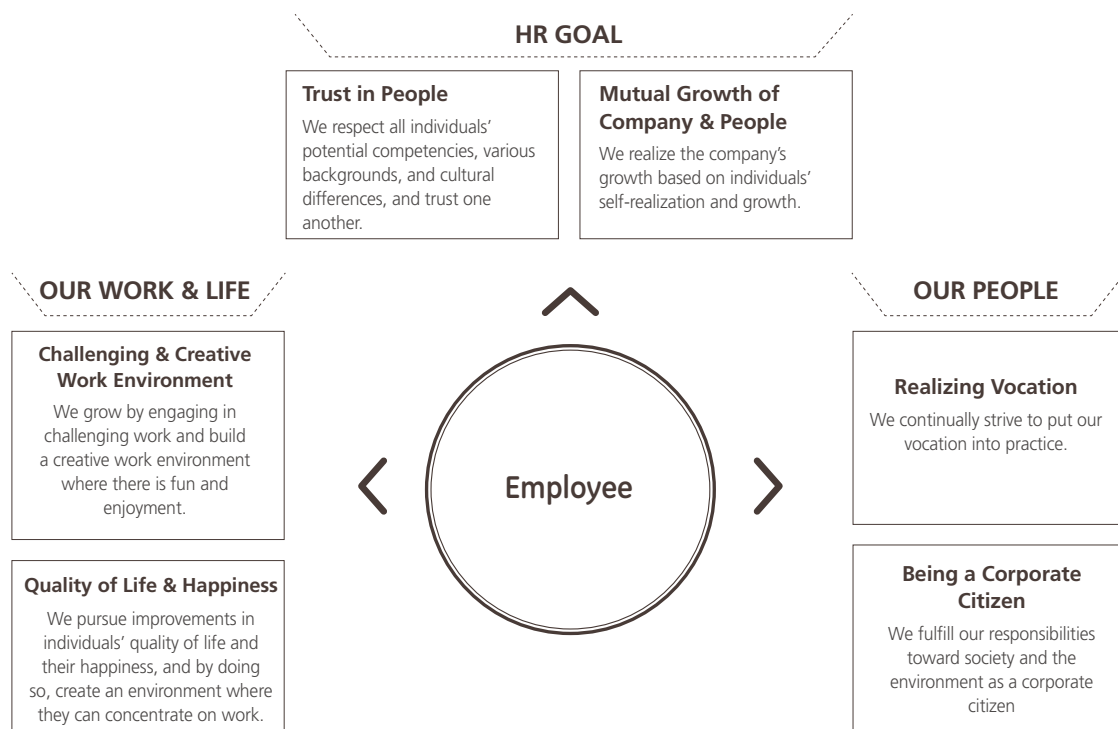
TALENT MANAGEMENT

AMOREPACIFIC trusts and respects its employees, enabling them to grow into an 'Asian Beauty Creator', which is our vocation. It is continuously striving to provide a happy workplace for employees. Based on this HR philosophy, we have defined six strategic directions for talent management: ① Environment where diversity is respected and that is based on trust; ② Joint growth of individuals and the company through the individuals' development; ③ A challenging and creative work environment; ④ Improve the quality of life and pursue happiness; ⑤ Realize vocation; ⑥ Be a good citizen. We aim to foster talented employees who embody the five core values (openness, innovation, proximity, sincerity, challenge) of the AMOREPACIFIC Way.

Talent Management Philosophy

AMOREPACIFIC formulated a talent management philosophy to provide top HR services to employees as their supporter and to build a global talent management infrastructure, in order to respond to changes in the internal and external environment and realize global management. Our talent management philosophy consists of six themes from three perspectives. Our goal is to realize our unique talent management philosophy by continually providing and improving various policies and systems for employees.

The talent management philosophy is our ultimate future direction and criteria for value judgment. We are redesigning our HR system to materialize the philosophy and put it into action. Representing employees, took part in the process of establishing the talent management philosophy and presented their opinions. We will continue to promote mutual respect and strengthen teamwork among employees based on transparent, open, and employee-centered communication. We will also create various talent-fostering opportunities and engage in innovation, thereby providing optimal solutions for the joint growth of individuals and the company.



GOALS OF TALENT MANAGEMENT

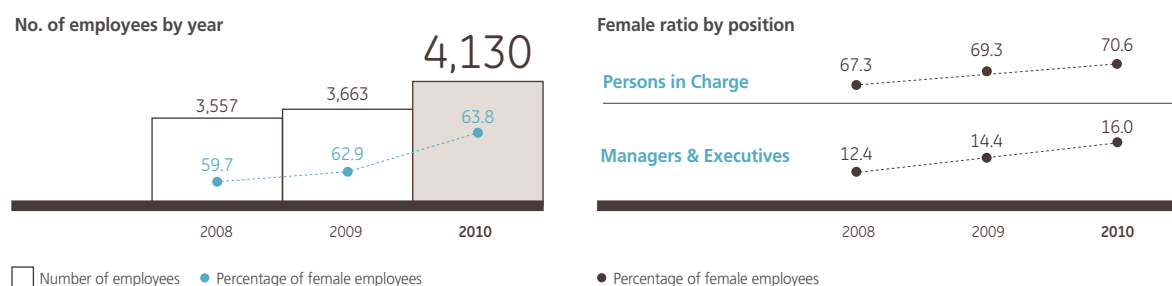
Respect for Diversity

Maintaining Diversity and Preventing Discrimination

Regulations set forth in Chapter 4 of AMOREPACIFIC's Code of Ethics stipulate that equal opportunities be provided to employees based on individual capability and qualifications. All employees are to be judged fairly with regard to their work performance, and compensated accordingly. Gender, region, academic background, physical disabilities, and nationality may not be used as reasons to discriminate against any employee in terms of hiring, work assignment, or promotion. In 2010, not one case of discrimination was reported to the company's Ethics Secretariat or relevant departments. There were also no cases of employment of children or minors (aged less than 18). AMOREPACIFIC, strictly observes all child labor and forced labor prohibition regulations of the International Labor Organization.

Number of Employees

As of the end of December 2010, the domestic AMOREPACIFIC workforce numbered 4,130 persons. The gender ratio was 35 percent men and 65 percent women. Disabled persons made up 0.39% (16 persons) of the total.



Key indexes related to HR management	(Unit: Persons, Year)		
	2008	2009	2010
No. of employees on maternity leave	168	164	180
No. of employees on childcare leave	53	93	96
Average no. of years of service	7.8	8.3	7.9

Employees at Overseas Business Sites

The overseas AMOREPACIFIC workforce numbered 2,817 persons as of the end of December 2010. Locally-hired persons are the majority in all ranks, including top management. There has been a sharp rise in the number of employees at the Chinese subsidiary in tandem with the recent exponential growth of the Chinese market.

Overseas employees	(Unit: Persons)				
	China	Europe	Asia (Excluding China)	US	Total
No. of employees	2,360	208	198	51	2,817

Labor and Human Rights Policy

For detailed information on AMOREPACIFIC's labor and human rights policy, please visit the company's website (www.amorepacific.com). The information is available in the "Corporate Ethics" section of "Sustainability".

Joint Growth of Individuals and the Company through Individuals Development

Talent Development Strategy

AMOREPACIFIC has its own Human Resources Development Center to organize and implement the company's talent development strategies and help the company to realize its vision in partnership with its employees. Through the Center, we are developing the company's inner strengths and supporting the personal goals of our workers. We firmly believe that AMOREPACIFIC can achieve its growth targets while also supporting the dreams and aspirations of individuals. The Human Resources Development Center is currently focused on carrying out the following missions:

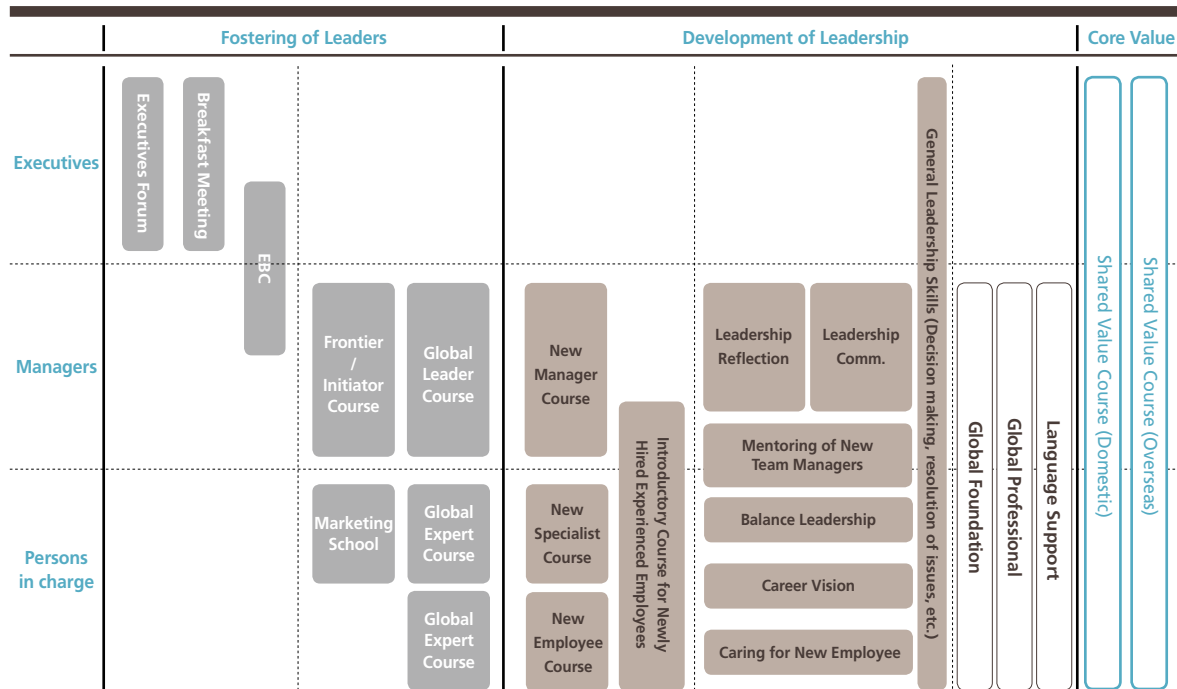
- Foster talented competitive employees who can act as leaders of AMOREPACIFIC
- Act as a strategic resource of AMOREPACIFIC by providing HR development solutions aimed at realizing the company's vision of becoming a global enterprise
- Strengthen AMOREPACIFIC's inner capabilities

Continuous Efforts to Enhance Educational Benefits

We work tirelessly to promote the personal development of our employees and beauty partners so that AMOREPACIFIC can achieve corporate growth jointly with the individual growth of its workforce. Employees are offered many opportunities to attend lectures that help them improve their leadership and job skills through our Learning & Development (L&D) Center, which was established to provide convenient learning opportunities. We also operate the Beauty College, which distributes certifications that improve employees' sense of professional pride as beauty partners that deal directly with customers.

To develop employees' leadership skills and establish a foundation for growth into a globally advanced company, we have categorized employees' training system into the leader-fostering course, leadership development course, and core value course. To help our employees improve their job skills, AMOREPACIFIC offers customized, step-by-step courses for each business unit, thereby enabling employees to increase their expertise in a balanced and organized way. We introduced the 'field expert system' in 2010 to maximize job performance at the worksite level. AMOREPACIFIC also provides professional, in-depth job training for relevant categories of workers.

Leadership & Global Training System

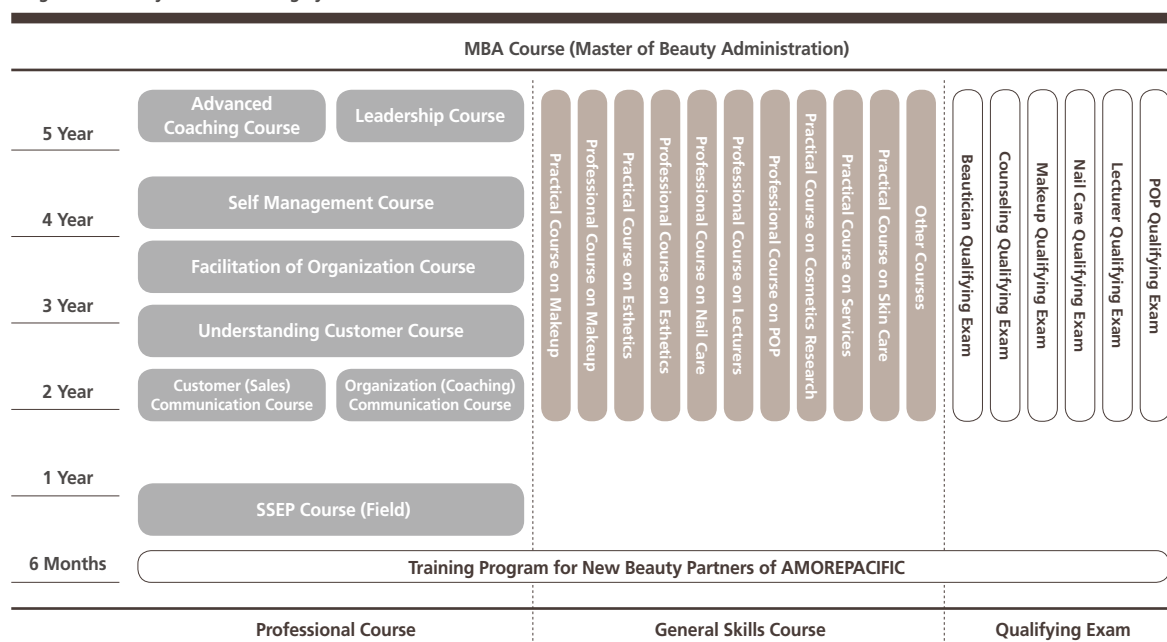


- 1 Defining Sustainable Beauty
- 2 Introducing AMOREPACIFIC
- 3 Making Sustainable Values
- 4 Taking Sustainable Actions
 - 4.1 with Customers
 - 4.2 with Environment
 - 4.3 with Employees**
 - 4.4 with Business Partners
 - 4.5 with Communities

The Retail MBA Course was launched in 2010 to train expert staff in retail distribution. Employees who complete the training receive certification as internal retail consultants after follow-up training on shop consulting and global distribution. The two-month course covers retail distribution theory and benchmarking of successful global retailers, with the result that graduates are equipped with both theoretical and practical skills. In 2011 the course will be expanded to admit beauty counselors, R&D Center research personnel and SCM staff.

We have strengthened training for beauty partners by establishing the AMOREPACIFIC Beauty College (ABC). The College aims to ensure that every AMOREPACIFIC beauty partner has the knowledge and skills to deliver high-quality beauty counseling services to their customers. The training system at ABC consists of the Professional Course, which provides differentiated training according to students' years of experience, and the General Skills Course, which improves various beauty-related job skills. The College has also implemented a certification system which allows graduates to feel enhanced pride in their professional status, giving them the confidence to deliver more advanced beauty services to their customers. The <Counseling Master> certificate received official recognition from the Human Resources Development Service of Korea on January 28, 2010, becoming Korea's first counseling-related certificate. We also have a widely-recognized makeup certification system in place, operated together with a relevant association.

Diagram of Beauty Partner Training System



Training hours and expenditures per employee

(Unit: Hours, KRW in millions)

	2008	2009	2010
Total training hours	232,016	328,553	389,722
Training hours per employee	65.2	89.7	94.4
Total training expenditures	5,024	5,697	7,185
Training expenditures per employee	1.4	1.6	1.7

Compensation system

You can view details on AMOREPACIFIC's compensation system in the 'HR System' section of the company's recruitment website (recruit.amorepacific.co.kr).

OUR WORK & LIFE

Challenging and Creative Work Environment

A Place Where People Love to Work

AMOREPACIFIC's Great Work Place (GWP) activities in 2010 were geared toward creating a workplace in which employees form positive working relationships with one another based on active communication, respect for diversity, and mutual trust and respect. In 2010 we built AMOREPACIFIC人* to provide another channel for two-way communication and understanding. Employee complaints were received, reviewed and resolved to build trust among all levels of our organization. We also established 'Gemcca' (a combination of 'gemmi', which means 'fun' in Korean, and 'mecca'). Gemcca is a place where employees can explore their creativity and enjoy their work away from the standard, uninspiring atmosphere of regular meeting rooms. Here, employees can rest, rejuvenate and come up with new ideas. The 'creating a fun workplace' program that we launched in 2004 received a modernizing upgrade; it has been renamed 'Smile Factory', and offers a different theme for each of its quarterly morale-boosting events.

*人(in): Chinese character for people



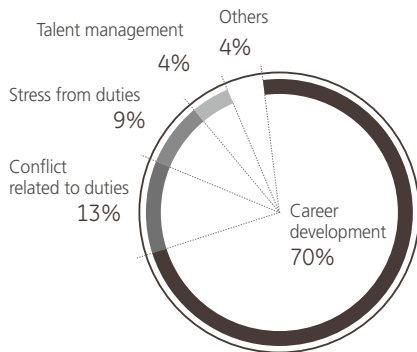
AMOREPACIFIC Gemcca, a rest area for employees

Improving Quality of Life and Pursuing Happiness

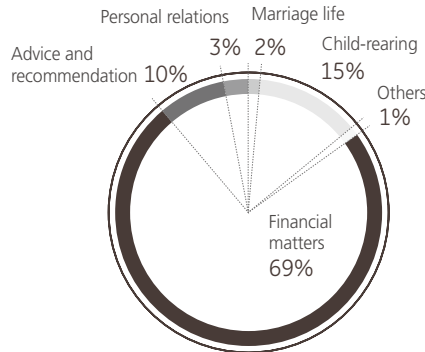
Work-Life Coaching Program

AMOREPACIFIC began offering Work-Life Coaching to employees in 2009. The company brought in professional life coaches to work with employees facing stress or hardship related to any aspect of their job or personal life. The coaching staff's goal is to provide their clients with the tools to effectively manage and resolve their own problems. In 2010 the program met the needs of 239 staff members, and counseling was provided in 262 cases by a professional counseling agency retained by AMOREPACIFIC to offer advice on work and life in general. These services are also available to employees' family members at no charge, and counselors may provide services by phone or face to face or email. Confidentiality is of course strictly enforced at all times.

Subject of Work-related Counseling



Subject of Counseling on Personal Matters



Employee Engagement Survey (ABC Talk)

AMOREPACIFIC has conducted employee engagement surveys since 2008 to ensure that the opinions and needs of employees are reflected in the decision-making process of the company's top management. In 2010 a well-being index was added to the survey to provide information on employees' quality of life. The survey comprises 80 questions in 12 categories. It was conducted over a 10-day period in September-October, and 1,864 responses were received out of 4,070 surveys distributed. The results indicate an 81% engagement rate, higher than the national norm of 75% and the Global Manufacturing Companies' norm of 80%. It is lower, however, than the 87% score of the Global High Performance Companies' norm. The survey revealed that the main factors affecting employee engagement are leadership, image and communication. It was further determined that the areas most in need of improvement were leadership, diversity and compensation. A list of priorities for corrective action was therefore drawn up for each business unit, and FGIs (Focus Group Interviews) and workshops were launched to develop concrete plans for improvement. The well-being index, which was first introduced in 2010 to illuminate employees' level of satisfaction with their work and the factors affecting whether the work experience was positive or negative, revealed a score of 58%. Although showing that there is still significant room for improvement, this is higher than the Korean national norm of 51% and Global Manufacturing Companies' norm of 57%.

	2008	2009	2010
Employee Engagement Level	81.0	82.0	81.0
Employee Participation Rate	61.2	57.5	45.8

Workplace Safety Management Activities

AMOREPACIFIC has formed a Labor-Management Council and Industrial Health & Safety Committee at each worksite to act as decision-making bodies on the maintenance of safe and congenial working environments for all AMOREPACIFIC workers. In 2002 and 2004, the Korea Standards Association has granted K-OHSMS 18001 certification for the health and safety management systems at the Skin Care Value Center and the Mass Cosmetics Value Center. All four domestic value centers are closely monitored for occurrence of workplace accidents, compliance with health and safety regulations and incidences of work-related illness. The number of the injured was six in 2010, and the injury rate was 0.15%, lower than the industrial average of 0.69%, and there was no job-related disease.

	2008	2009	2010
Accident Frequency*	0.14	0.14	0.15
Accident Occurrence**	0.65	0.65	0.73
Domestic Manufacturing Industry Average	0.71	0.70	0.69

*Number of industrial accidents that per year divided by total employees.

**Number of accidents per 1 million hours of labor.

OUR PEOPLE

Realizing our Vocation

Empowering AP

Upon declaring the AMOREPACIFIC Way in 2008, the company began taking tangible steps to align its corporate culture with management's mid- to long-term strategic goals. To establish the entrepreneurial mindset that we envisioned for our employees, we began emphasizing the importance of 'Empowering AP' as a company-wide management objective. Empowering AP means that employees take the initiative in performing their work duties while feeling empowered to innovate and be creative. In 2010, we implemented the 'Action! Empowering' campaign to make all employees aware of the basic components of the empowerment paradigm, namely, delegation, discussion and evaluation, as well as providing practical tips on applying these principles to their actual work-site activities. We then publicized model cases of empowered employees, and held the 'Empowering AP Contest' to build consensus among the entire staff. Ultimately, our goal is to achieve a fundamental shift away from authority-based management and toward internally-motivated action.



Action Empowering Poster

Win-Win Cooperation between Labor and Management

Every AMOREPACIFIC worksite has its own Labor-Management Council consisting of equal numbers of members from labor and management. The Councils hold regular discussions on such matters as performance-based compensation, employee welfare, health and other concerns. There can be anywhere from six to twenty members in total, as long as each side is represented equally.

Each year the company negotiates a new collective agreement with its labor representatives, and the agreement is applied to all employees and executives. To maintain a high-level channel of communication, the chief of the sales division meets with labor union leaders every quarter. Other ad-hoc meetings between prominent opinion leaders are organized at each worksite to provide ample opportunity for open dialog between labor and management.



Ceremony for signing of collective agreement between labor and management

One aspect of the relationship between management and labor that is non-negotiable is their shared responsibility to take part in socially beneficial community engagement activities. The company has, on many opportunities, donated goods for distribution to low-income families, and has a matching-funds policy with regard to voluntary donations executed by deduction from employee paychecks. The labor union also manages its own volunteer organization, dispatching small teams to provide various forms of assistance in the local community. Our shared success in carrying out community support works has been recognized outside the company as well; in 2010 we received the 'Outstanding Enterprise for Joint Fulfillment of Social Responsibilities by Labor and Management' from the Ministry of Employment and Labor. Finally, one of AMOREPACIFIC's proudest achievements is its 19-year record of smooth operations without any work stoppages caused by labor disputes.

Taking Sustainable Actions with Business Partners

62 Win-Win Cooperation with Beauty Partners

66 Win-Win Cooperation with Suppliers

This is a photo of ginseng purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

WIN-WIN COOPERATION WITH BEAUTY PARTNERS

AMOREPACIFIC's beauty partners include the 'AMORE counselors' and 'Beurators', who carry out door-to-door sales, the Arielle beauty consultants who work on-site in Aritaum franchise stores, and the Flora, Genie and Tearator sales representatives located in large discount outlets. We provide every assistance to our pool of beauty partners so that they can earn a stable income and grow their businesses with an entrepreneurial attitude. By helping our employees reach their full potential, AMOREPACIFIC is making the whole society healthier and more beautiful.

Beauty Partners at AMOREPACIFIC

	Divisions	Beauty partners	No. of beauty partners
Door-to-door	Door-to-door	AMORE counselor	37,528
	Lirikos	Beurator	2,603
Retail	Aritaum	Arielle	1,405
	Discount stores	Genie	1,029
MC&S	Mass Cosmetics	Flora	1,271
	Sulloc	Tearator	198

*As of December in 2010

AMORE Counselors

AMORE counselors achieve success by serving their customers as lifetime beauty partners. The company's role is to help them fully understand and meet customer needs so that deep and lasting client relationships are formed. AMORE counselors have been a mainstay of our company's business model for 46 years, and their numbers are about 37 thousand by the end of 2010. Collectively, they serve the needs of roughly 3 million of their own personal clients and account for more than one-third of AMOREPACIFIC's total cosmetics sales.

Improving Professional Competencies

To provide the best level of training for our Beauty Counselors, AMOREPACIFIC adopted the Sales Simulation and Enhancement Program (SSEP) in 2009. By the end of 2010, 354 of our agencies had incorporated SSEP into their training regimens. We have also adopted SSEP-Navi ('navi' is derived from 'navigation') to help counselors prospect for clients in underserved areas, thus opening up new markets in regions with hidden demand. In 2011 we will expand the use of Skin-View, an automated skin-assessment device, to help our counselors gain greater trust from their clients and provide them with more customized services.

Social Contribution Activities

AMOREPACIFIC counselors have shown tremendous generosity and motivation by taking the lead in helping their needy neighbors through the 'Beautiful People' volunteer service club. In 2010, volunteers from 163 agencies took part in Nanum (Sharing) Day, a social contribution event that attracted 2,551 participants. Our counselors also participated in the 'Make up Your Life' campaign, providing beauty services for women cancer patients. They also visited cancer patients with mobility issues, providing on-site care. In 2011, AMOREPACIFIC's volunteer corps will continue to focus on female cancer sufferers as the company's primary care target group.



AMORE Counselors

Efforts to Elevate Counselors' Social Position

AMOREPACIFIC has held annual conferences since 2000 to thank its beauty counselors for their hard work and offer extra motivation. We operate Counselor 080, an exclusive phone line to receive calls from counselors experiencing difficulties with their work, through which we provide emotional and practical support. The company also strives to expand its benefit program to the greatest degree possible each year; for example, top performers receive grants to attend overseas training programs. We have also helped our beauty counselors to increase their income by taking various measures to reduce their expenses, such as consolidating management of doubtful receivables and lowering rates for receivables insurance. And we negotiated with leading credit card companies obtain reduced fees on credit card transactions. With increased investment in our agencies, AMOREPACIFIC is encouraging repeat business and increasing our Counselors' sense of pride. In 2011, we will continue to make retail-level improvements to make customers more comfortable and thereby increase sales volumes.

Number of AMORE Counselors

	2008	2009	2010
Amore Counselors	32,400	35,445	37,528

Arielles & Genies

The Arielles are beauty consultants stationed at Aritaum shops, where customers can experience a broad range of AMOREPACIFIC brands and receive high-quality, personalized beauty advice from trained professionals. The Genies are AMOREPACIFIC's sales representatives working in discount stores. They provide personal beauty solutions for shoppers with an unwavering enthusiasm for spreading the wonder of Asian beauty.

Improving Professional Competencies

To support the professional development of our highly-valued Arielles and Genies, AMOREPACIFIC operates the Counseling Master certification system, which has been accredited by Korea's Ministry of Employment and Labor. Certifications were first offered to the Arielles in 2009, followed by the Genies in the second half of 2010. We provide broad training to all beauty partners through the SSEP (Sales Simulation & Enhancement Program). So they could all acquire the Counseling Master certification as part of a mandatory career-path. As of year-end 2010, a total of 762 Arielles had completed SSEP training, with earning their Master's certification of counselors (190) and makeup (19). Among the Genies, 741 have completed first and second-level SSEP training, 29 have obtained the Counseling Master certificate and 37 have earned the Makeup Master accreditation. In 2011, AMOREPACIFIC will continue to provide ongoing educational support for Arielles and Genies to obtain credentials such as the Counseling Master and Makeup Master so that they can pursue their career ambitions with complete confidence.



Arielles at the Aritaum franchise stores

Arielles and Genies with a Counseling Master Certificate (Accumulated)

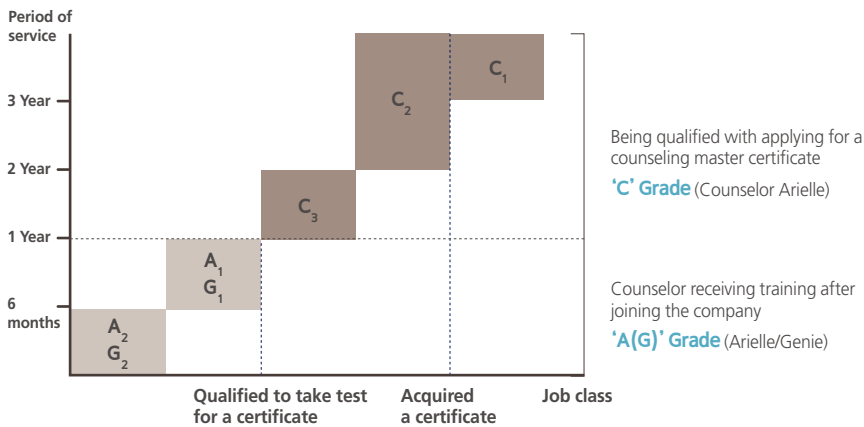
(Unit: Persons, %)

	2009		2010	
	No. of Certification Acquired	Acquisition Rate	No. of Certification Acquired	Acquisition Rate
Arielle	143	12.0	190	13.5
Genie	-	-	29	2.8

Compensation System and Talent Development

AMOREPACIFIC has designed its HR system for managing its beauty partners for Arielles and Genies to turn their jobs into a promising lifelong career. First of all, we reorganized our job classification system to provide training and compensation programs that are unique to each job level. We also expanded the company's benefits program, including Work Life Coaching and Welfare Cafeteria so that Arielles and Genies receive the same level of benefits as regular AMOREPACIFIC employees.

Improvements to the Job Classification System



Genies at discount stores

Support for Lifelong Partnerships

AMOREPACIFIC established the MY SHOP support system to build lifelong bonds to the Arielles and Genies. To reduce the financial burden of starting a new Aritaum franchise, we started allowing top-performing Arielles and Genies to make installment payments against the costs of initial inventory and interior improvements.

Social Contribution Activities

On October 21, 2010, the 'On Maeum' (Full Heart) volunteer group held its launching ceremony. The group's membership comprises Arielles and Aritaum shop owners, who join together to visit seniors in the local community and participate in other volunteer activities that make use of their talents. For example, the group visits mobility-impaired seniors to provide makeup, hair coloring and massage services.

Floras, Tearators, and Tea-sommeliers

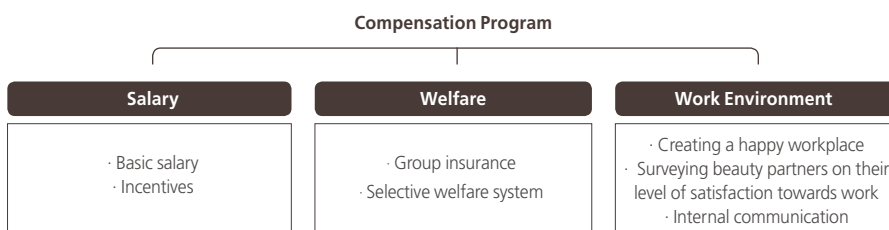
Floras are our on-site customer service representatives in charge of selling AMOREPACIFIC personal care products at large discount stores, while Tearators take charge of promoting sales of Sulloc tea products at department stores. Tea-sommeliers are the name for our partners at O’sulloc Tea House where customers are able to enjoy a premium tea culture experience. All of our beauty partners are treated as the company’s most valuable assets, as they are crucial to the delivery of beauty and health services for AMOREPACIFIC’s customers.

Welfare and Performance-based Compensation

AMOREPACIFIC, has a vested interest in ensuring that the beauty partners who work at all customer contact points are incentivized to represent our products to the best of their ability. We therefore provide various types of support to their beauty partners, so that we can nurture them as talented partners and concentrate on creating mutually shared value.



Tea-sommelier at O’sulloc Tea Shop



AMOREPACIFIC beauty partners’ compensation consists of basic salary and incentive components, the latter being based on each employee’s sales volume. In addition to financial compensation, we offer other benefits to improve the quality of life for our beauty partners, including group insurance, funeral assistance, subsidized health and fitness classes and supporting for transportation expenses for beauty partners who are unavoidably required to work late. Beginning in March, 2011, the welfare benefit of cafeteria access, previously reserved for AMOREPACIFIC regular employees, will be extended to include the beauty partner network. Together with our partner companies, we maintain open communications with the Floras, Tearators and Tea-sommeliers, gathering their opinions each year to inform our management decisions, and reflect their feedback so as to provide a fun and rewarding work environment.

Support for Beauty Partner Training

We established the AMOREPACIFIC Beauty College (ABC) to provide consistent and comprehensive beauty training to our sales professionals, giving them the knowledge and tools to provide customized, value-added services to their customers. ABC is equipped with outstanding facilities and instructors. The school offers a full curriculum of courses spanning years of career development for our beauty partners, from the newest recruits to the most senior sellers. We have also implemented the Counseling Master certification system, which has received accreditation from the Ministry of Employment and Labor. In addition to helping AMOREPACIFIC beauty partners to deliver more professionalized beauty services, the accreditation programs also boost the pride and self-esteem of our employees.



AMOREPACIFIC Beauty College

WIN-WIN COOPERATION WITH SUPPLIERS

To pursue our strategic goal of joint growth with our suppliers, AMOREPACIFIC has established management systems and implemented support programs covering the economic, environmental and social aspects of our supplier relationships. In 2010, we launched initiatives to systematically share information with suppliers on issues of technology, personnel and investment. As part of this effort, we expanded the mandates of our Win-win Cooperation Councils to include OEM/ODM partner companies, logistics companies and contractors, in addition to raw materials and packaging suppliers.

Economic Cooperation

Financial Support for Suppliers

In 2010, AMOREPACIFIC invested KRW 6.7 billion to help its raw materials and packaging suppliers create more value from their QCD (Quality, Cost & Delivery) competencies, so that they could preserve their working capital for ongoing operations. We help to smooth revenues and expenses for both parties by monitoring global raw material prices and agreeing to realistic prices that average the market fluctuations, helping both AMOREPACIFIC and our suppliers to execute stable business management.

Support for Innovation at Suppliers

By building and operating a systematic quality assurance (QA) system for our packaging suppliers, AMOREPACIFIC has made quality improvements that tangibly reduced the number of customer complaints and returns. We view our suppliers as a part of our own company's internal business infrastructure, so that we see their quality improvements as equivalent to improving our own quality. In 2010 we provided consulting services to packaging material suppliers as part of our efforts to build a comprehensive QA system. Taking quality management to a high-tech level, we launched a project to synchronize data with packaging material suppliers to ensure bidirectional information exchange, so that both parties can learn about the delivery status of specified shipments in real time. The project was implemented for six suppliers in 2010 and will be expanded to all 23 'A-PAC' companies in 2011. Along with our raw materials suppliers, AMOREPACIFIC's QM professionals were dispatched to the worksites of packaging suppliers to provide consulting services aimed at improving their overall management and operational infrastructure. These services were provided to nine suppliers, including small-scale operations that were unable to independently evaluate their needs. Process improvements were made at six suppliers of key oriental medicine ingredients, enabling them to manage the history of their batches from cultivation to final delivery at AMOREPACIFIC. In addition, the benefit of working so closely with our suppliers on quality management processes is that our own risk management is strengthened.

Supplier Evaluation and Improvement

AMOREPACIFIC uses its own in-house evaluation tools to impartially assess their QCD performance and basic quality management procedures. Based on the results, we award KRW 200 million in prize money annually to the top-rated suppliers. In addition, we apply the assessment tools to prospective new suppliers before finalizing any agreement, so that potential problems are solved in advance of full-scale supply operations.

Support for Environmental Protection

With the support of Korea's Ministry of Knowledge Economy, AMOREPACIFIC is in the midst of implementing a Supply Chain Carbon Management (SCCM), running from 2009 through 2011. Twenty suppliers signed up to participate in the first year, and seventeen more joined in 2010. Greenhouse gas inventories have been obtained for entire manufacturing processes, revealing that 70% to 80% are emitted during the process of manufacturing raw materials and packaging materials. It is for this reason that AMOREPACIFIC has taken a special interest in improving the carbon efficiency of its suppliers. To establish the system, we provided support in terms of greenhouse gas inventory and carbon management control systems, as well as the development of guidelines and energy consumption tracking systems.

To ensure that such activities can be independently maintained by our suppliers, we operated training programs and workshops to build professional capabilities among our suppliers' staffs.

Social Support

Support for HRD at Suppliers

To strengthen the competitiveness of the company's suppliers, AMOREPACIFIC sponsors customizable training programs for respective job classes within our suppliers' organizations.

Supplier HRD Programs in 2010

	Objectives	Target Trainees	No. of Trainees	Period
A-PAC Leadership Cultivation Program	Strengthen the competencies of packaging material suppliers to innovate flexible manufacturing capabilities	Factory chiefs and production managers at A-PAC member companies	20	September – December
Understanding New PLM Processes	Share information on the standard sample process for AP new product packaging materials to improve their ability to respond to new product demand	Working-level staff in charge of production planning and sales	23	December
Quality training for raw material suppliers	Training on managing microorganisms and the connection between raw material quality and product quality	Raw material manufacturers	20	January
Working-level training on ISO 9001	Increase understanding of the quality management system and enhance system execution capability	Relevant personnel at raw material and packaging suppliers	27	December
Training on managing herbal ingredients	Operational strategies and management direction for herbal ingredients	Oriental medicine ingredient suppliers	10	January, June



1. Ceremony for the signing of an agreement on project to build a low-carbon management system
 2. Green Partnership Council

Open Communication with Suppliers

AMOREPACIFIC encourages an atmosphere of seamless communication with all companies that supply us with raw materials and packaging products. In the case of packaging material suppliers, the presidents of all 23 members of 'A-PAC' (AMOREPACIFIC Partners' Committee) participate in regular general meetings, in addition to Operations Committee and Working Committee meetings. For raw material suppliers, 'A-PRO' (AMOREPACIFIC Raw material Organization), consisting of the presidents of 16 suppliers, holds regular general meetings and Working Committee meetings.

Communication with suppliers in 2010

	Cycle	Date	Subjects
Regular general meeting on win-win cooperation	Once/year	February 26	Review of six-month performance and sharing of future strategic direction by raw material suppliers, packaging suppliers, ODM companies, and subcontracted internal / logistics companies
Working-level win-win relationship promotion conference	Once/year	June 5	Facilitate communication and boost cooperation among working-level employees at raw material and packaging suppliers
A-PAC General Meetings (Internal)	Once/year	August 31	Packaging suppliers review their status and share key strategies for the second half of the year
A-PAC Operations Committee Meetings	At least once/year	May 19	Mainly nine A-PAC members share information on cases of innovation and discuss key issues
A-PAC Working Committee Meetings	As needed	December 17	Provide training programs and share strategic direction among working-level employees at all packaging suppliers
A-PRO General Meetings	Once/year	September 29	Raw material suppliers review their status and share key strategies for the second half of the year
Seminar on win-win practices for CEOs	Once/year	November 3-4	Raw material and packaging suppliers share information on cases of innovation and make proposals



Regular general meeting on win-win cooperation



Taking Sustainable Actions with Communities

70 Social Contribution Activities of AMOREPACIFIC

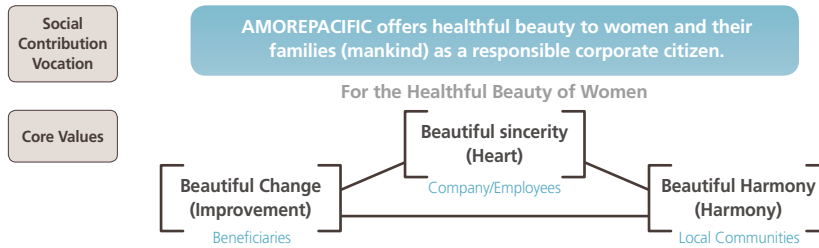
71 For Beautiful Change in Women's Lives

73 For a Future of Harmony with Society

SOCIAL CONTRIBUTION ACTIVITIES OF AMOREPACIFIC

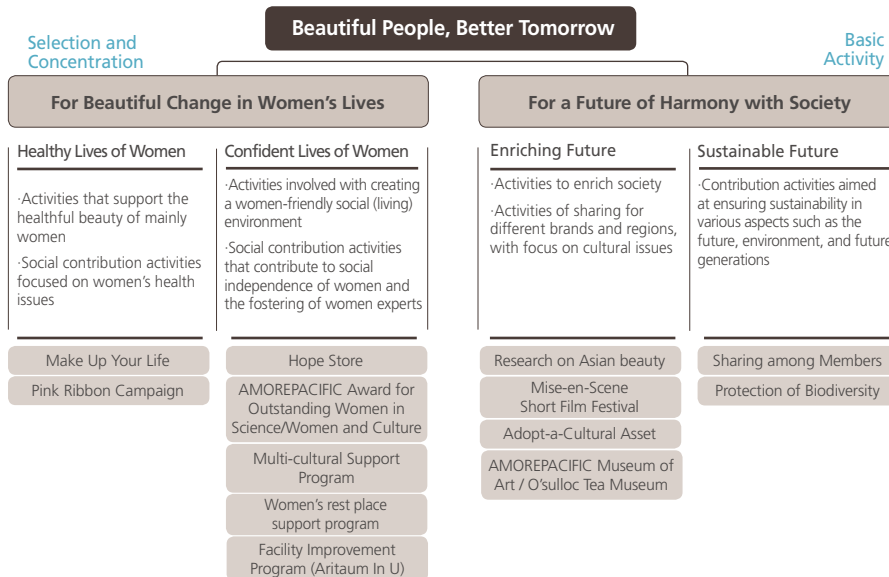
Value System and Implementation Strategies

Our social contribution mission is 'To bring health and beauty to women and their families as a responsible corporate citizen'. This objective combines the original founding spirit of our company with the modern world's recognition of social contribution as a primary responsibility of businesses. It also reflects our core values of creating beautiful change in people's lives and achieving beautiful harmony with our local communities.



Structure of Social Contribution Activities

Our company's headline social contribution slogan is 'Beautiful People, Better Tomorrow', reflecting our determination to enrich our society with beauty and make the world a healthier and more caring place.



Expenditures for Social Contribution Activities

(Unit: KRW in millions, %)

	2008	2009	2010
Expenditures	6,420	13,395*	9,100
Percentage of Sales	0.4	0.8	0.4
Percentage of Pre-tax Profit	2.6	4.5	2.5

*Expenditures for 2009 include KRW 5,954 million donated to promote community development in the city of Osan.

FOR BEAUTIFUL CHANGE IN WOMEN'S LIVES

AMOREPACIFIC leads the way in addressing social issues that affect the health and beauty of women. The people who benefit from our company's social contribution activities find their lives fundamentally changed, often for the first time experiencing the freedom to make independent choices about their lives and future. Our goal is to continue improving the financial condition, social position and cultural lives of the groups we have chosen to help.

Make Up Your Life Campaign

2010 marked the 3rd anniversary of AMOREPACIFIC's Makeup Your Life campaign, which was launched for the benefit of female cancer patients. As both the disease progression and its treatments often accompany emotionally-distressing physical changes - such as weight loss, hair loss and skin changes - we knew that this was a group of people for whom we could offer special benefits. AMOREPACIFIC volunteers share their professional knowledge and skills in makeup, skin care, hair coloring and hair styling to improve the moods of cancer patients and alleviate their emotional pain. An increasing number of hospitals and patients are showing an interest in the campaign, and as such, we have doubled the program's scope to include more regions and benefit more people. In 2010 our beauty volunteers visited cancer patients in the cities of Seoul, Busan Daegu, Gwangju, Daejeon, Gangwon-do and Jeju-do, providing beauty services for nearly 2,000 women in 49 hospitals. The company provided all participants with a Hera Makeup Your Life kit containing beauty products, a bag and a brochure.



Volunteer group of counselors for Make Up Your Life

Pink Ribbon Campaign

2010 was also the 10th anniversary of the Pink Ribbon campaign, which is a multifocal effort to raise awareness of breast cancer and raise funds for treatment and research. To mark the anniversary, we publicized the campaign and encouraged people to discuss and take action to promote women's health, inviting men and women of all ages to take part in events. AMOREPACIFIC recruited Pink Generation PR ambassadors and sponsored the Our Pink Ribbon Project, a breast health activity contest, in May. From July through August we sponsored another contest, Pink Ribbon Colors My Heart. As well, the Pink Tour traveled throughout the country providing open lectures and activities related to breast health.

The highlight of the campaign was the Pink Ribbon Marathon, held in sequence in five cities in Korea. It began in Busan in April, followed by Daejeon in May, Gwangju in June, Daegu in September and Seoul in October.



Pink Ribbon Marathon

Performance of Campaign

	In Details	2008	2009	2010
Make Up Your Life	No. of participants	503	977	1,842
	No. of participating hospitals	18	30	49
	No. of volunteers	118	215	500
Pink Ribbon Campaign	No. of Marathon participants	25,035	24,194	24,165
	No. of beneficiaries who received preventive checkups	483	2,325	987*
	No. of participants in health lectures	7,900	7,453	22,334
	No. of hospitals that participated in health lectures	47	53	63

*In 2010, the preventive checkup program was carried out for only residents in mountainous areas and remote areas, after discussions with relevant government offices. The same criteria used to account the number of beneficiaries in 2008 and 2009 were applied.

Support for Hope Store Startups

The 'Hope Store' is a leading micro credit program that operates under the financial umbrella of the Beautiful World Fund. A total of 92 Hope Stores have so far been opened nationwide. The Beautiful World Fund was established with money set aside by AMOREPACIFIC founder Sung-hwan Suh, who during his life was an ardent supporter of charities that provided welfare for women and children. The funds were donated to the Beautiful Foundation by the family of Mr. Suh in 2003, with the stipulation that they be used to finance business startup loans for low-income single mothers, maximally up to KRW 40 million in value. At its launch, the lending program was focused only on the capital area, but in 2010 it was expanded aggressively, with 28 Hope Stores opening in Busan, Daegu, Daejeon and Gwangju.

Hope Store Openings and Funding	(Unit: Cases, KRW in millions)		
	2008	2009	2010
Hope Stores opened	13	16	38
Paid-in amount*	510	671	1,273

*Including paid-in amounts for Hope Stores that were approved in December of the previous year but opened in the current year.

AMOREPACIFIC Award for Outstanding Women in Science

We created and funded the AMOREPACIFIC Award for Women in Science to spread interest in science among young women, and highlight the achievements of current female scientists. AMOREPACIFIC makes sure to widely publicize the award and the scientific contributions of the winners, which we believe helps to empower female professionals in all fields. The first group of winners was named in 2006, including the Grand Prize, the Science & Technology Award, the Young Scientist Award, and the Scientist & Engineer Award of Asia. The scope of the awards has expanded since then to include applied science as well. As a research-driven company that employs large numbers of scientifically-trained personnel, AMOREPACIFIC feels a special duty to support the science career aspirations of women of all ages.

The winner of the 2010 AMOREPACIFIC Grand Prize was Professor V. Narry Kim of Seoul National University's School of Biological Sciences. The Science & Technology Award was conferred on Professor Myeong-sook Choi of the School of Food Science of Kyungbuk National University, and the Young Scientist Award on Professor Ji-ho Min of the School of Chemical Engineering of Chonbuk National University and Professor Na-yeong Ha of the College of Natural Sciences of Ajou University. The Scientist and Engineer Award of Asia, which is given to an outstanding female scientist in Asia, was conferred on Professor Hongyang Wang of Shanghai Jiao Tong University.

To celebrate the 2010 Awards, AMOREPACIFIC's R&D Center invited around 30 female undergraduate and graduate students in science and engineering to visit the Center and meet with mentors in their future career fields. They also went to the Skin Care Division's production plant to meet the women researchers there, and visited the AMOREPACIFIC Museum of Art.

Prize Funds for the AMOREPACIFIC Award for Outstanding Women in the Science	(Unit: KRW in millions)		
	2008	2009	2010
No. of winners	9	10	5
Prize funds	75	76	80
No. of students who received mentoring	55	98	34



Awards ceremony for the AMOREPACIFIC Award for Outstanding Women in the Science

FOR A FUTURE OF HARMONY WITH SOCIETY

Foundations for Public Welfare

In addition to carrying out direct social contribution programs, AMOREPACIFIC has established three foundations dedicated to public welfare: the Korea Breast Cancer Foundation, AMOREPACIFIC Welfare Foundation and AMOREPACIFIC Foundation. All three are highly active in various fields related to women's health and well-being, as well as providing support for academic and cultural research related to women.

Korea Breast Cancer Foundation

The Korea Breast Cancer Foundation sponsors a wide variety of projects related to breast health in order to raise public awareness and promote deeper understanding of breast health issues. Such projects include the Pink Ribbon Campaign, lectures on breast health, financial support for breast checkups for women at welfare facilities and disabled women, financial support for breast cancer surgery and treatment for low-income women, and financial support for academic research. Since its establishment, the Foundation has helped more than 20,000 women benefit from free checkups, which is a primary means of detecting and treating breast cancer before it reaches dangerous stages of development. Up to the end of 2010, AMOREPACIFIC had paid for the surgery and post-operative care of about 300 low-income women.

AMOREPACIFIC Welfare Foundation

Launched in 1982, the AMOREPACIFIC Welfare Foundation executes welfare promotion projects for low-income women and their children. In August, 2010, the Foundation's name was changed from Taepyeongyang Welfare Foundation to its current name to generate synergistic benefits for AMOREPACIFIC as the Foundation's mother company. Facility improvements at women's welfare facilities are a main focus of the foundation, which in 2010 subsidized washroom and bathing room upgrades at 14 locations, along with rest areas at 5 more. By improving the living environment of women's welfare facilities, the Foundation has made a positive impact on the lives of disadvantaged women and helped them to take meaningful steps toward improving their lives.

AMOREPACIFIC Foundation

Named the Taepyeongyang Scholarship Culture Foundation upon its founding in 1973, the AMOREPACIFIC Foundation is a major contributor to national development through the sponsorship of leading academics and researchers. It supports a variety of research projects related to women's issues and concerns. Each year, the Foundation supplies more than KRW 400 million in funds for research and scholarships to support about 30 researchers and students.



Delivery of facility improvement project funds by the AMOREPACIFIC Welfare Foundation

Project Expenditures by Public Welfare Foundations

(Unit: KRW in millions)

	2008	2009	2010
Korea Breast Cancer Foundation	498	521	812
AMOREPACIFIC Welfare Foundation	352	357	413
AMOREPACIFIC Foundation	433	415	442
Total	1,283	1,293	1,667

Employees' Sharing Activities

Many Ways to Share

AMOREPACIFIC operates a matching gift policy to motivate charitable sharing among the company's employees. In addition to doubling the value of each employee's contribution, the employee received extra ABC Points, which is a performance evaluation and tracking system that affects the level of benefits received by employees. We also have a convenient payroll deduction system, which all employees participate in. Twice each year on major national holidays, funds from the program are dispersed to orphanages and needy families across the nation. In 2010, we created a 'talent-sharing kit' to share our talent, thus engaging in sharing activities that are unique to AMOREPACIFIC. Customized sharing activities were conducted at different facilities such as those for children, women, and seniors.

Beautiful Sharing Activities

AMOREPACIFIC employees share their time, talents and compassion at least twice each year by taking part in Beautiful Sharing activities. In 2010, about 4,300 employees paid personal visits to 1,000 facilities operated by 360 welfare institutions, delivering 70 or more varieties of AMOREPACIFIC personal care products, cosmetics and tea. Nineteen employees were chosen to serve as Sharing Messengers, and the company invested in greater support services for our volunteer corps, thus making it easier and more enjoyable for them to engage in social sharing programs.

Employee volunteerism in 2010

	Beautiful Sharing	Beautiful Saturday	Adopt-a-Cultural Asset
No. of Volunteers	4,376	156	118
Total Time	16,427	700	732

Beautiful Saturday

Our employees are willing and generous donors of gently used items for resale at Beautiful Store outlets, which donates all proceeds to the Beautiful Foundation. In 2003, AMOREPACIFIC launched 'Beautiful Saturday', an annual volunteer event during which employees spend time at the nearest Beautiful Store to help with the sorting of donated items. The employees enjoyed a fun and heart-warming day together with customers who visited the store on November 6, 2010.

Donations to the Beautiful Store

(Unit: KRW in thousands)

	2008	2009	2010
No. of donated items	18,746	13,859	17,730
No. of donators	1,862	1,343	1,311
Sales amount	16,147	13,706	15,150

Adopt a Cultural Asset

AMOREPACIFIC signed an agreement with the Cultural Heritage Administration of Korea in 2006 to help with the preservation of the nation's cultural assets. Since then, we have helped protect some of Korea's most historic sites related to tea-drinking, including Dasancho-dang, Ilji-am, and Chusa Yubaeji. During 2010, around 100 AMOREPACIFIC employees volunteered to go out to these sites each month to do repairs on ancient buildings, clean up the grounds, and plant tea bushes. To educate people about the value of these cultural assets, AMOREPACIFIC has been developing and displaying public billboards since 2008.

Appendix

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- 79 Domestic and Overseas Operations
- 80 Independent Assurance Report to AP Management
- 82 Greenhouse Gas Verification Statement

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unit: KRW in millions)

AMOREPACIFIC Corp.	2010	2009	AMOREPACIFIC GROUP*	
	2010	2009	2010	2009
Assets				
Current assets				
Quick assets				
Cash and cash equivalents	155,295	219,782	275,140	282,639
Short-term investments	170,391	82,700	441,727	393,200
Trade accounts and notes receivable	140,978	150,323	198,938	203,739
Non-trade receivable	12,220	6,743	15,702	11,776
Accrued revenues	877	488	2,299	1,760
Advance payments	13,531	10,205	16,965	11,399
Prepaid expenses	6,208	6,019	7,824	6,930
Deferred income tax assets	6,344	-	8,534	809
Others	225	82	422	94
Inventories				
Merchandise	18,022	17,472	43,427	27,128
Finished goods	95,175	62,064	103,997	70,218
Semi-finished goods	17,440	14,179	20,833	17,683
Work-in-process	1,633	1,339	4,180	2,967
Raw materials	38,705	38,350	37,897	35,703
Subsidiary material	19,989	15,516	21,673	15,812
Supplies	2,481	2,291	2,779	2,399
Materials in transit	11,002	8,883	11,165	9,011
Total current assets	710,515	636,438	1,213,501	1,093,266
Non-current assets				
Investments				
Long-term investments	3,456	3,427	3,477	3,445
Long-term loans	13,911	12,019	40,605	55,599
Investment in properties	36,789	36,789	22,829	16,196
Equity-method investments	16,525	17,547	14,573	12,399
Available-for-sale securities	11,615	7,778	50,438	50,438
Property, plant and equipment				
Land	544,906	357,347	799,176	602,691
Buildings	246,080	196,209	279,043	227,764
Structures	21,564	10,232	26,276	14,524
Machinery	33,435	30,068	48,494	43,762
Vehicles	530	337	633	431
Tools	21,312	24,580	23,237	25,588
Fixtures and furniture	103,230	103,505	118,299	110,423
Trees	-	-	3,813	3,559
Construction in progress	183,977	216,545	191,869	234,879
Machinery in transit	913	827	915	1,100
Intangible assets				
Industrial property rights	5,843	3,459	6,182	3,778
Software	20,841	18,656	23,043	19,860
Goodwill	958	2,873	473,569	503,193
Negative Goodwill	-	-	(97,040)	(97,265)
Others	2,042	2,323	4,679	4,241
Other non-current assets				
Deposits provided	40,552	42,620	62,470	53,151
Long-term prepaid expenses	136	626	171	626
Deferred income tax assets	5,309	29,911	-	-
Total non-current assets	1,313,923	1,117,679	2,096,749	1,890,381
Total assets	2,024,438	1,754,116	3,310,250	2,983,647

*The name PACIFIC Corp. was changed to AMOREPACIFIC GROUP during the 52nd regular shareholders' meeting (held on March 25, 2011).

December 31, 2010 and 2009
(Unit: KRW in millions)

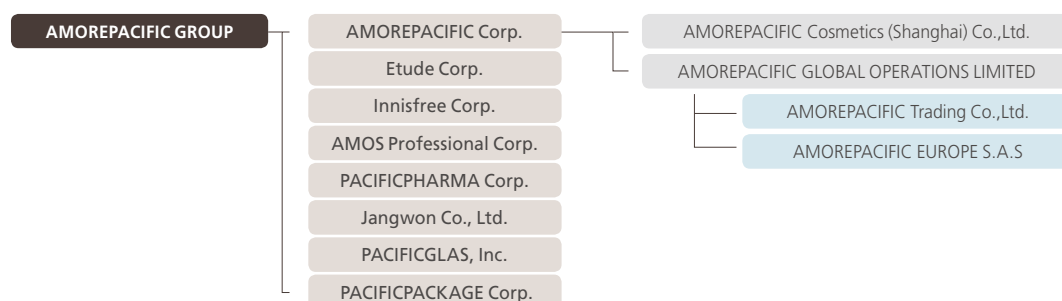
AMOREPACIFIC Corp.	2010	2009	2010	2009
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts and notes payable	81,258	71,484	108,844	86,030
Short-term borrowings	13,261	20,387	13,261	20,387
Non-trade payable	141,074	128,752	165,349	147,589
Value added tax withheld	15,522	18,785	17,870	21,318
Withholdings	9,301	8,358	11,224	9,565
Advances from customers	3,897	6,113	8,060	9,479
Accrued expenses	2,839	1,401	5,168	1,401
Income taxes payable	34,384	26,606	43,656	33,625
Dividends payable	192	160	211	174
Deferred income tax liabilities	-	2,188	-	-
Others	1,353	712	1,415	3,199
Total current liabilities	303,081	284,944	375,057	332,766
Non-current liabilities				
Accrued severance benefits	28,403	28,762	34,469	33,808
Provision for sales returns	13,330	19,350	19,425	23,916
Provision for mileage	9,946	8,355	11,335	8,677
Long-term advances from customers	83,971	83,971	107,049	107,049
Long-term non-trade payable	18,021	22,115	18,021	22,115
Long-term accrued expenses	-	-	-	-
Deferred income tax liabilities	-	-	102,030	78,346
Long-term deposits received	8,148	5,710	10,838	7,850
Others	1,574	1,194	1,942	198
Total non-current liabilities	163,394	169,457	305,108	283,219
Total liabilities	466,475	454,402	680,166	615,985
Commitments and contingencies				
Equity attributable to owners of the Parent Company				
Capital stock				
Common stock	29,229	29,229	39,895	39,895
Preferred stock	5,279	5,279	4,555	4,555
Capital surplus				
Paid-in capital in excess of par value	712,702	712,702	673,096	673,096
Gains on sale of treasury stock	-	-	793	793
Other capital surplus	6,653	-	178,557	176,901
Capital adjustments				
Treasury stock	(1,381)	(1,381)	(133,330)	(133,330)
Others	(429)	(429)	(800)	(335)
Accumulated other comprehensive income and expense				
Gain on valuation of equity-method investments	4,556	4,846	6,034	6,080
Loss on valuation of equity-method investments	-	(211)	-	-
Unrealized gain on available-for-sale securities	2,551	1,885	1,300	2,302
Unrealized loss on available-for-sale securities	(505)	(377)	(163)	(121)
Translation of foreign currency financial statements	13,734	18,275	4,061	5,223
Retained earnings	776,387	529,897	711,229	621,501
Non-controlling interests	9,188	-	1,144,856	971,101
Total shareholders' equity	1,557,963	1,299,714	2,630,085	2,367,662
Total liabilities and shareholders' equity	2,024,438	1,754,116	3,310,250	2,983,647

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2010 and 2009
(KRW in millions, except per share amounts)

AMOREPACIFIC Corp.			AMOREPACIFIC GROUP*	
	2010	2009	2010	2009
Sales	2,252,184	1,940,423	2,674,134	2,219,045
Cost of sales	578,436	539,271	730,979	651,013
Gross income	1,673,748	1,401,152	1,943,155	1,568,032
Selling and administrative expenses	1,317,845	1,091,951	1,573,072	1,257,936
Operating income	355,903	309,202	370,083	310,096
Non-operating income				
Interest income	11,540	9,200	23,484	24,106
Dividend income	15	10	105	70
Rental income	1,479	1,215	1,374	6,930
Gain on foreign currency transactions	2,482	3,224	3,103	5,088
Gain on foreign currency translation	1,007	97	1,032	226
Gain on valuation of equity-method investments	388	508	3,668	2,324
Gain on disposal of investments	1,677	-	3,563	1,093
Gain on disposal of property, plant and equipment	11,780	4,594	2,209	5,205
Gain on amortization of negative goodwill	-	-	225	241
Income from technology fee	184	2,573	107	2,492
Others	3,810	3,600	4,396	3,315
	34,361	25,020	43,264	45,244
Non-operating expenses				
Interest expenses	1,682	2,490	1,693	2,490
Loss on foreign currency transactions	3,257	3,563	4,049	5,025
Loss on foreign currency translation	774	435	851	473
Donations	4,899	9,941	5,318	10,372
Loss on valuation of equity-method investments	13,850	11,032	13,881	11,032
Loss on disposal of investments	121	127	121	128
Loss on disposal of property, plant and equipment	1,002	1,774	1,175	2,612
Others	3,744	5,080	6,314	6,740
	29,331	34,443	33,404	38,872
Income before income taxes	360,934	299,779	379,943	316,468
Income taxes	76,453	73,901	91,809	78,334
Net income	284,481	225,878	288,133	238,134
Net income attribute to parent company	284,481	225,878	103,074	81,208
Net income attribute to non-controlling interests	-	-	185,060	156,926
Basic earnings per share	47,598	37,658	13,662	10,736
Diluted earnings per share			13,249	10,420

Consolidated subsidiaries of AMOREPACIFIC Corp. and AMOREPACIFIC GROUP



DOMESTIC AND OVERSEAS OPERATIONS

Domestic Operations

		Main Business Activities	Location
Headquarters		Sales and support	181 Hangangro 2-ga, Yongsan-gu, Seoul,
R&D Center		R&D	314-1 Bora-dong, Giheung-gu, Yongin City, Gyeonggi Province
Human Resources Development Center		Training	314-1 Bora-dong, Giheung-gu, Yongin City, Gyeonggi Province
Regional Offices	Busan	Sales	1164-9 Choryang 3-dong, Dong-gu, Busan Metropolitan City
	Daegu	Sales	300-12 Sincheon 4-dong, Dong-gu, Daegu Metropolitan City
	Daejeon	Sales	1025 Dunsan-dong, Seo-gu, Daejeon Metropolitan City
	Gwangju	Sales	57 Geumnamro 5-ga, Dong-gu, Gwangju Metropolitan City
	Jeju (Branch)	Sales	Fourth floor of Jinhyeon Building at 1374 Yeon-dong, Jeju City, Jeju Special Self-Governing Province
Factory	Skin Care	Manufacturing cosmetics	751-3 Yeongdeok-dong, Giheung-gu, Yongin City, Gyeonggi Province
	Make-up	Manufacturing cosmetics	1000-2 Daegwang-dong, Gimcheon City, North Gyeongsang Province
	Mass Cosmetics	Manufacturing household products	227 Daehwa-dong, Daedeok-gu, Daejeon Metropolitan City
	Sulloc Tea	Manufacturing green tea, etc.	373-1 Gwanghewon-ri, Manseung-myeon, Jincheon-gun, North Chungcheong Province

Overseas Operations

Country	Name of Companies
China	AMOREPACIFIC Cosmetics (Shanghai) Co.,Ltd.
	AMOREPACIFIC Trading Co., Ltd.
France	AMOREPACIFIC EUROPE S.A.S
USA	AMOREPACIFIC US, INC.
Japan	AMOREPACIFIC JAPAN CO., LTD
Hong Kong	AMOREPACIFIC GLOBAL OPERATIONS LIMITED
	AMOREPACIFIC HongKong Co.,Limited
Singapore	AMOREPACIFIC GLOBAL OPERATIONS PTE. LTD.
	LANEIGE Singapore Pte.,Ltd
Taiwan	AMOREPACIFIC Taiwan Co.,Ltd.
	Taiwan AMORE Co., Ltd.
Malaysia	LANEIGE Malaysia Sdn., Bhd.
Thailand	AMOREPACIFIC (Thailand) Limited.
Vietnam	De LANEIGE S.A

INDEPENDENT ASSURANCE REPORT TO AP MANAGEMENT

At AP (AMORE PACIFIC)'s request, we have reviewed the information presented in the 2010 sustainability report (the "Report"). The management of AP is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide an opinion on it based on our review.

Procedures performed

We conducted our engagement in accordance with ISAE3000¹ and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)².

We performed the following procedures to form our conclusion on the Report:

- Evaluated AP's processes for stakeholder engagement.
- Reviewed AP's processes for determining material issues of stakeholder groups.
- Searched the media coverage of AP's sustainability issues during the applicable reporting period.
- Reviewed recent sustainability reports of the AP's global competitors.
- Interviewed a selection of AP senior managers to understand the current status of sustainability performance and the reporting process during the reporting period.
- Interviewed selected groups from regional business divisions, beauty partners, regional and group labor union, and AP prosumers.
- Reviewed selected data regarding AP's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed AP's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the AP's 2010 audited financial statements.

Level of assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations of our review

We did not review GHG(Greenhouse Gas) emissions from environmental performance data, environmental and social performance data prior to 2010 for our limited assurance engagement. We reviewed financial performance data based on AP's 2010 audited financial statements.

Conclusion

The result of our review is outlined below.

Inclusivity

Has AP been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the Report.
- We are not aware of any matters that would lead us to conclude that AP has not applied the inclusivity principle in developing its approach to sustainability.

¹ International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

² AA1000AS (2008) – The second edition of the AA1000 assurance standard issued by the Institute of Social and Ethical Accountability.

Materiality	<p>Has AP provided a balanced representation of material issues concerning AP's sustainability performance?</p> <ul style="list-style-type: none"> · We are not aware of any material aspects concerning AP's sustainability performance which have been excluded from the Report. · Nothing has come to our attention that causes us to believe that AP management has not applied its processes for determining material issues to be included in the Report.
Responsiveness	<p>Has AP responded to stakeholder concerns?</p> <ul style="list-style-type: none"> · We are not aware of any matters that would lead us to conclude that AP has not applied the responsiveness principle in considering the matters to be reported.
Completeness and accuracy of performance information	<p>How complete and accurate is the economic, customer, environment, employee, partner and local community activity data in the Report?</p> <ul style="list-style-type: none"> · Except selected performance data from the overseas operations, we are not aware of any material reporting units that have been excluded from the economic, customer, environment, employee, partner and local community activity data. · Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from AP's reporting process. <p>How plausible are the statements and claims within the Report?</p> <ul style="list-style-type: none"> · We are not aware of any misstatements of information or explanation used to support statements and claims on AP's sustainability activities presented in the Report.
Observations and areas for improvement	<p>Without prejudice against our conclusions presented above, we believe the following matters require attention.</p> <ul style="list-style-type: none"> · Stakeholders have been well identified and stakeholder communication channels have been expanded continuously. However, communication channels for beauty partners need to be improved. · Internal process to identify relative significance of stakeholders' interest needs to be improved. · The management system for collecting, consolidating and reporting data regarding sustainability performance needs to be improved. · To improve completeness of sustainability reporting, the scope of the Report needs to be expanded.
Independence	<p>We comply with the Ethical Standard issued by the Korean Institute of Certified Public Accountants (KICPA).</p>
Our assurance team	<p>The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.</p>



April 11, 2011

Seung Wha Gweon
Country Managing Partner
Ernst & Young Hanyoung

GREENHOUSE GAS VERIFICATION STATEMENT



DNV Verification Statement

AMOREPACIFIC Co., Ltd. Greenhouse Gas Emission Levels from 2007 through 2010

Introduction

Det Norske Veritas (DNV) verified AMOREPACIFIC's greenhouse gas emission levels from 2007 through 2010 based on a limited assurance level. AMOREPACIFIC is obligated to prepare greenhouse gas emission level materials based on the principles set forth in ISO 14064-1:2006, WRI/WBCSD GHG Protocol: 2004, and IPCC Guidelines:2006, and DNV has the responsibility to carry out limited work for AMOREPACIFIC according to contract conditions. In relation to this Verification Statement, DNV disclaims any responsibility to a third party other than the contracted party.

Scope of Assurance

AMOREPACIFIC's emissions data that was examined for this verification include direct emissions (Scope 1 emissions) and energy indirect emissions (Scope 2 emissions) provided by the "Greenhouse Gas Inventory Report" and "Greenhouse Gas Inventory Calculation Tool". AMOREPACIFIC data verification as well as field verification were conducted.

Organizations and Plants Subject to Verification

- **Production plants** (Suwon, Gimcheon, Daejeon, Jincheon)
- **Logistics centers** (Gangbuk, Gwangju, Gimcheon, Daejeon, Masan, Busan, Suwon, Incheon, Jincheon)
- **R&D Center/Human Resources Development Center**
- **Regional offices** (Gwangju, Daegu, Daejeon, Busan)
- **Headquarters/Counseling sales**

AMOREPACIFIC's greenhouse gases that were reported through the Greenhouse Gas Inventory Report are carbon dioxide (CO₂), methane (CH₄), nitrogen dioxide (NO₂), and hydrofluorocarbons (HFCs).

Verification Method

The verification was carried out from December 2010 through February 2011 based on ISO 14064-3 verification principles and standards. DNV established a verification plan to acquire information and data needed to submit a verification opinion on the greenhouse gas emission levels reported by AMOREPACIFIC and completion of a greenhouse gas inventory, and conducted the verification. The sites that were visited for verification are four production plants (Suwon, Gimcheon, Daejeon, and Jincheon), one logistics center (Gimcheon), the R&D Center, and Human Resources Development Center. For other business sites, DNV carried out data verification without making a field visit.

As part of the verification process, DNV confirmed the following:

- **Greenhouse Gas Inventory Report (February 18, 2011)**
- **Systems used to create, collect, and manage data related to greenhouse gas emissions (AP GMIS)**
- **Worksheet on calculating, managing, and reporting greenhouse gas emission levels (February 18, 2011)**

Conclusion

Results of the abovementioned verification indicate that the greenhouse gas emission levels from 2007 through 2010 that are specified in AMOREPACIFIC's Greenhouse Gas Inventory Report are as follows. DNV did not make any discoveries that lead to the judgment that significant errors or omissions were made in the Greenhouse Gas Inventory Report.

Recommendations

- **For the emission levels of direct emission sources, emission levels related to partner company activities should also be included.**
- **There is a need to obtain and manage basis materials for the AP GMIS data.**

Greenhouse Gas Emission Levels of AMOREPACIFIC from 2007 through 2010

(Unit: Ton CO₂-e)

	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Total emissions
2007	10,208	14,090	24,298
2008	9,902	14,388	24,290
2009	8,787	14,877	23,664
2010	9,301	16,536	25,837

*1) Refer to the DNV Verification Report (Rev.0; February 2011) for verification detail.

2) There can be a difference of ±1 in the emission levels resulting from the rounding off to the nearest whole number in the Greenhouse Gas Inventory Report and Worksheet (dated February 18, 2011).

February 21, 2011

Cheol-soo Kim
Verification and Inspection
Team Manager

In-gyunn Ahn
Verification and Inspection Team Manager
CEO and Director
Det Norske Veritas

This Verification Statement is valid as of the date of issuance of the Statement. There may be an incident or situation that may have a significant effect on the "Greenhouse Gas Inventory Report" and "Greenhouse Gas Inventory Calculation Tool" between the date of issuance and the point at which this Statement is perused. This may lead to a change in this Verification Statement.

GRI INDEX

	G3	Indicators	Reporting Status	Page	UNGC
Official Notice on Profiles					
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the reporting organization and strategy		16,17	
	1.2	Description of key impacts, risks and opportunities		21	
Organizational Profile	2.1	Name of the organization		19	
	2.2	Primary brands, products and / or services		32–34	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures		23, 78	
	2.4	Location of organizations' headquarters		79	
	2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		79	
	2.6	Nature of ownership and legal form		18, 78	
	2.7	Characteristics of Markets served		29–31, 79	
	2.8	Scale of the reporting organization		28, 55	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership		18	
	2.10	Awards received in the reporting period		C2	
Report Parameters	3.1	Reporting period		C4-1	
	3.2	Date of most recent previous report		C4-1	
	3.3	Reporting cycle		C4-1	
	3.4	Contact point for questions on report		C4-1	
	3.5	Process for defining report content		23	
	3.6	Boundaries of the report		C4-1	
	3.7	State any specific limitations on the scope or boundary of the report.		C4-1	
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and / or between organizations		C4-1	
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques		28, 43, 55, 70	
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		72	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		None	
	3.12	Table identifying the location of the Standard Disclosures in the report		C3, C3-1	
	3.13	Policy and current practice with regard to seeking external assurance for the report		80, 81	
Governance, Commitments and Engagement	4.1	Governance structure of the organization		18,19	
	4.2	Whether the BOD chairperson is also an executive officer		18	
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members		18	
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body		18	
	4.5	Linkage between the company's performance and compensation for members of the highest governance body, senior managers and executives		57	
	4.6	Processes for the highest governance body to prevent conflicts of interest		18	
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body to guide the organization's strategy on economic, environmental, and social topics		18	
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		20, 52, 70	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance		18	
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance		18	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		26, 41, Note ¹⁾	
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses		11, 17, 47, 73, 74	
	4.13	Membership in associations(such as industry associations) and / or national / international advocacy organizations		22	
	4.14	List of stakeholder groups engaged by the organization		22	
	4.15	Basis for identification and selection of stakeholders		22	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		22, 23	
	4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns		23	
Economic					
Economic Performance	EC1	Direct economic value generated and distributed	●	C2, 28, 30, 31	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	⦿	17, 36	7
	EC3	Coverage of the organization's defined benefit plan obligations	⦿	28	
Market Presence	EC5	Ratios of standard entry level wage compared to local minimum wage at significant locations of operation	⦿	Note ²⁾	1
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	⦿	55	6
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	28, 70	
	EC9	Understanding and describing indirect economic impacts	●	3, 62, 66–68	
Environmental					
Energy	EN3	Direct energy consumption by primary energy source	●	51	8
	EN4	Indirect energy consumption by primary energy source	●	51	8
	EN5	Energy saved due to conservation and efficiency improvements	●	44, 45	8, 9
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	⦿	49	8, 9
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	⦿	46, 50	8, 9

	G3	Indicators	Reporting Status	Page	UNGC
Water	EN8	Total water withdrawal by source	●	51	8
Biodiversity	EN14	Strategies, current actions, and future plans for managing biodiversity	○	47	
	EN15	Number of national conversational list species with habitats in areas affected by operations, by level of extinction risk	N/A		
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	●	44	8
	EN17	Other relevant indirect greenhouse gas emissions by weight	○	44, 45	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	44, 45	7~9
	EN20	NOx, SOx, and other significant air emissions by type and weight	●	52	8
	EN21	Total water discharge by quality and destination	●	51	8
	EN22	Total weight of waste by type and treatment method	●	52	8
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	3	7~9
	EN27	Ratio of recycling of sold products and relevant packaging materials	○	3, 46	
Compliance	EN28	Monetary value of fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	●	None	8
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	○	45	8
Overall	EN30	Total environmental protection expenditures and investments by type	●	Note ³⁾	7~9
Labor					
Employment	LA1	Total workforce by employment type, employment contract, and region	●	55	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	58, Note ⁴⁾	
Labor Management	LA4	Percentage of employees covered by collective bargaining agreements	●	60	1, 3
Relations	LA5	Minimum notice period regarding important operational changes	●	Note ⁵⁾	3
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	59	1
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	●	59	1
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, and community members regarding serious diseases	○	59	1
Training and Education	LA9	Health and safety topics covered in formal agreements with trade unions	●	59	1
	LA10	Average hours of training per year per employee by employee category	●	57	
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings	○	56, 57	
Diversity and	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	18, 55	1, 6
Equal Opportunity	LA14	Ratio of basic salary of men to women by employee category	●	55	1, 6
Human Rights					
Investment and Procurement Practices	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	○	25	1, 6
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	●	55	1, 2, 6
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	60	1~3
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	●	55	1, 2, 5
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	●	56	1, 2, 4
Society					
Local Community	SO1	Effectiveness of any programs and practices that assess and manage the impacts of operations on communities	●	71, 72	
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	○	24, 25	10
	SO3	Percentage of employees trained in anti-corruption policies and procedures	●	25	10
	SO4	Measures taken for corruption cases	○	25	10
	SO5	Public policy positions and participation in public policy development and lobbying	○	46, 67	
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	●	Note ⁶⁾	
Product Responsibility					
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement		Note ⁷⁾	
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	○	3, 5, 36, 37	8
	PR5	Practices related to customer satisfaction	●	37, 40, 41	
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary rules related to marketing communications, including advertising, promotion, and sponsorship	●	Note ¹⁾	
Customer Privacy	PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data	●	42	1
Compliance with Laws and Regulations	PR9	Monetary value of fines levied for violating laws and regulations on providing products and services	●	Note ⁸⁾	

¹⁾ Information on AMOREPACIFIC's voluntary compliance with fair trade rules is available at http://www.amorepacific.com/sustain/justice_summary.jspa

²⁾ Minimum wage laws are strictly followed

³⁾ Environmental conservation costs amount to KRW 2,977 million

⁴⁾ Information on AMOREPACIFIC's benefits program is available at <http://recruit.amorepacific.co.kr/personnel/pay.jsp>

⁵⁾ Articles 13 and 19 of the Collective Agreement stipulate the minimum notice period

⁶⁾ There were no violations of laws and regulations within the reporting period other than what is indicated in PR9

⁷⁾ Information on AMOREPACIFIC's product safety process is available at http://www.amorepacific.com/sustain/safety_item_01.jsp

⁸⁾ Paid a fine of KRW 450 thousand in relation to violation of labeling and advertising regulations

1. Purpose

This report was created to transparently disclose AMOREPACIFIC's sustainability management activities to stakeholders and to collect various opinions to reflect them in management. AMOREPACIFIC plans to issue this report every year to advance into a company that contributes to sustainable development and to engage in active communication with all of you stakeholders.

2. Standards Followed

The 2010 AMOREPACIFIC Sustainability Report has been prepared in accordance with the G3 guidelines set forth by the Global Reporting Initiative (GRI).

3. Period Covered

This report covers AMOREPACIFIC activities from January 1 to December 31, 2010. Data from 2008 and 2009 were included for comparative purposes.

4. Scope

This report specifies the activities and performance of the AMOREPACIFIC Head Office, the R&D Center, Human Resources Development Center, regional offices, Skin Care Division, Makeup Division, Mass Cosmetics Division, and Sulloc Tea plants. Basic information is offered on subsidiaries, both overseas and domestic. We plan to gradually disclose information on detailed activities in future reports according to sustainability management action plans.

5. Report Assurance

To verify the accuracy and enhance the credibility of the contents of the report, we received third-party verification.

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* This report is our third Communication on Progress (COP) issued after joining the UN Global Compact.