

# **AMOREPACIFIC Group, Inc. and its subsidiaries**

Consolidated financial statements  
for the year ended December 31, 2022  
with the independent auditor's report

AMOREPACIFIC Group, Inc. and its subsidiaries

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**Independent auditor's report**  
(English Translation of a Report Originally Issued in Korean)

**The Shareholders and Board of Directors**  
**AMOREPACIFIC Group Inc. and its subsidiaries**

**Opinion**

We have audited the accompanying consolidated financial statements of AMOREPACIFIC Group, Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

**Basis for opinion**

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment test on cash generating units of AMOREPACIFIC Trading Co.,Ltd. - Estimation of recoverable amount.

As described in Note 1.3 to the consolidated financial statements, the total assets of AMOREPACIFIC Trading Co., Ltd., a subsidiary of the Group, amounts to ₩382,731 million and accounts for 5.0% of total assets in the Group's consolidated statement of financial position as of December 31, 2022. As described in Note 3 to the consolidated financial statements, the Group annually measures the recoverable amount of a cash generating unit ("CGU") to which goodwill is allocated at the higher of the asset's value-in-use and its fair value less costs of disposal and compares the recoverable amount to the carrying amount of the CGU. As described in Note 1.3 to the consolidated financial statements, the Group measured the recoverable amount based on the value-in-use of AMOREPACIFIC Trading Co., Ltd.'s CGUs.

We have identified the impairment testing of CGUs of AMOREPACIFIC Trading Co., Ltd. as a key audit matter because the value-in-use involves management's significant judgements and estimates such as future cash flow forecasts, discount rate and perpetual growth rates.

The main audit procedures that we have conducted for this key audit matter are as follows:

- We evaluated the competency and independence of external specialists used for in-house testing performed by management.
- We evaluated key assumptions, such as the valuation model methodology and discount rate used by management to measure value-in-use, by involving internal specialists.
- We compared business plans approved by the Group with external market information in respect of sales growth rate, ratio of operating profit to revenue and perpetual growth rate used by management to measure value-in-use.
- We evaluated the appropriateness of management's estimation by comparing estimates presented in the business plan that management provided for the prior year with the actual performance.
- We recalculated recoverable amount using the valuation model methodology provided by management.
- We evaluate the sensitivity of value-in-use depending on fluctuations in discount rate and perpetual growth rate.

(2) Sales from domestic e-commerce channels in the Daily Beauty ("DB") business division - Occurrence and measurement

As described in Note 4 to the consolidated financial statements, the Group's Daily Beauty ("DB") business division is mainly engaged in manufacturing and sales of personal household products, and others. Sales of the DB business division usually arise from various channels such as e-commerce, multi-brand shops, and large discount stores.

As sales presented in the consolidated financial statements are one of the key financial performance evaluation indicators of the Group, there are inherent risks such as the risk of misstatement of sales price per unit or overstatement of profits using fictitious vendors. In addition, sales arising from domestic e-commerce channels of the DB business division are measured on the basis of variable considerations and considerations to be paid to customers. Thus, complexities exist in estimating and calculating key factors affecting such sales, including price discounts, and the frequency of the occurrence of such sales and the proportion of such sales is significant, compared to sales generated from other business sectors or channels. Therefore, we identified the occurrence and measurement of sales generated from domestic e-commerce channels of the DB business division as a key audit matter.

The main audit procedures that we have conducted for these key audit matters are as follows:

- We obtained an understanding of the controls related to sales from domestic e-commerce channels of the DB business division and evaluated such controls.
- We assessed revenues recognized in accordance with KIFRS 1115 *Revenue from contracts with customers*, by testing newly concluded contracts during the current period by inspecting contracts on a sample basis.
- We performed analytical procedures such as trend analysis of monthly performance for items including sales and discounts.
- We assessed documents on transactions selected on a sample basis and reviewed accounting treatment for the occurrence and measurement of revenue.
- We conducted confirmation procedures for the balance of trade receivables selected on a sample basis in relation to sales from domestic e-commerce channels of the DB business division.

## **Other matters**

The consolidated financial statements as of and for the year ended December 31, 2021, were audited by Samil PricewaterhouseCoopers, whose report dated March 16, 2022 expressed an unqualified opinion thereon.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jong seok, Lee.



March 9, 2023

This audit report is effective as the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# **AMOREPACIFIC Group, Inc. and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2022 and 2021

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Seung-hwan Kim  
Chief Executive Officer  
AMOREPACIFIC Group, Inc.

**AMOREPACIFIC Group, Inc. and its subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2022 and 2021**

<i>(in thousands of Korean won)</i>	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,6,37	₩ 650,066,005	₩ 870,595,030
Financial deposits	5,7,34	206,069,238	316,825,500
Financial assets at fair value through profit or loss	5,7,38	754,007,357	863,824,272
Financial assets at amortized cost	5,7,38	59,534,959	-
Trade receivables	5,7,35	300,982,901	311,950,820
Other receivables	5,7,35	65,948,981	38,438,534
Current tax assets		3,140,638	8,430,945
Other current assets	5,15	46,721,996	58,525,168
Inventories	8	459,962,411	542,815,041
Non-current assets held-for-sale	14	19,949,061	4,066,226
		<u>2,566,383,547</u>	<u>3,015,471,536</u>
<b>Non-current assets</b>			
Financial deposits	5,7,34	27,176,341	24,032,307
Other receivables	5,7,35	70,579,095	126,171,027
Financial assets at fair value through profit or loss	5,7,38	32,195,525	226,132,645
Financial assets at amortized cost	5,7,38	430,315	1,965,805
Financial assets at fair value through other comprehensive income	5,7,38	224,477,933	5,410,060
Property, plant and equipment	10	2,820,687,111	2,919,950,211
Investment properties	12,38	314,918,091	344,130,030
Right-of-use assets	13	115,856,189	164,554,888
Intangible assets	11	856,377,167	703,436,883
Investments in associates	9	329,967,792	282,307,314
Deferred tax assets	26	69,558,739	101,017,035
Net defined benefit assets	20	209,903,459	109,592,951
Other non-current assets	15	12,492,497	13,970,241
		<u>5,084,620,254</u>	<u>5,022,671,396</u>
<b>Total assets</b>		<u>₩ 7,651,003,801</u>	<u>₩ 8,038,142,932</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,35,37	₩ 57,624,404	₩ 95,482,220
Short-term borrowings	5,16,37	240,913,564	257,724,083
Other payables	5,35,37	155,561,836	354,969,672
Current tax liabilities		48,724,369	115,197,697
Contract liabilities	18	38,988,213	40,482,233
Provisions	17	37,081,289	11,277,940
Other current liabilities	5,19,37	202,368,155	288,022,840
Current lease liabilities	13,37	70,640,115	110,128,185
		<u>851,901,945</u>	<u>1,273,284,870</u>
<b>Non-current liabilities</b>			
Net defined benefit liabilities	20	4,643,816	4,059,129
Deferred tax liabilities	26	185,048,806	136,909,563
Provisions	17	10,631,195	12,480,548
Other non-current liabilities	5,19,37	9,611,399	24,309,484
Non-current lease liabilities	13,37	55,663,299	111,474,561
		<u>265,598,515</u>	<u>289,233,284</u>
<b>Total liabilities</b>		<u>1,117,500,460</u>	<u>1,562,518,154</u>
<b>Equity</b>			
Share capital	1,21	47,997,075	47,997,075
Share premium	21	903,820,398	903,711,141
Capital surplus		(213,214,348)	(209,370,231)
Other components of equity	22,23	(195,095,987)	(195,102,639)
Accumulated other comprehensive income	22	31,088,990	(2,561,688)
Retained earnings	24	2,781,774,777	2,761,864,143
<b>Equity attributable to owners of the Parent Company</b>		<u>3,356,370,905</u>	<u>3,306,537,801</u>
<b>Non-controlling interest</b>	36	3,177,132,436	3,169,086,977
<b>Total equity</b>		<u>6,533,503,341</u>	<u>6,475,624,778</u>
<b>Total liabilities and equity</b>		<u>₩ 7,651,003,801</u>	<u>₩ 8,038,142,932</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.



**AMOREPACIFIC Group, Inc. and its subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2022 and 2021**

<i>(in thousands of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2022</b>		<b>2021</b>	
<b>Revenue</b>	4,27,35	₩	4,494,956,807	₩	5,326,080,007
<b>Cost of sales</b>	28,35		<u>1,347,786,581</u>		<u>1,461,565,392</u>
<b>Gross profit</b>			3,147,170,226		3,864,514,615
<b>Selling and administrative expenses</b>	28,29		<u>2,875,269,513</u>		<u>3,508,343,342</u>
<b>Operating profit</b>			271,900,713		356,171,274
Finance income	5,30		52,512,453		21,061,315
Finance costs	5,30		57,934,534		14,322,951
Other non-operating net profit	31		10,097,992		61,004,431
Share of net profit of associates	9		11,801,766		5,660,108
			<u>16,477,677</u>		<u>73,402,903</u>
Profit before income tax			288,378,390		429,574,176
Income tax expense	26		<u>139,155,977</u>		<u>137,595,330</u>
<b>Profit for the period</b>		₩	<u>149,222,413</u>	₩	<u>291,978,846</u>
<b>Profit is attributable to:</b>					
Owners of the Parent Company		₩	62,237,029	₩	179,995,030
Non-controlling interests			86,985,384		111,983,816
<b>Other comprehensive income (loss)</b>					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities	20,26		6,369,294		(57,633,336)
Gain on valuation of financial assets at fair value through other comprehensive income	22,26		42,649,600		307,763
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income of associates	9,22,26		(265,529)		227,434
Exchange differences on transaction of foreign operations	22,26		(31,919,927)		31,359,476
<b>Other comprehensive income (loss) for the period, net of tax</b>			<u>16,833,438</u>		<u>(25,738,663)</u>
<b>Total comprehensive income for the period</b>			<u>166,055,851</u>		<u>266,240,184</u>
<b>Total comprehensive income for the period is attributable to:</b>					
Owners of the Parent Company			95,507,472		165,405,661
Non-controlling interests			70,548,378		100,834,523
		₩	<u>166,055,850</u>	₩	<u>266,240,184</u>
<b>Earnings per share attributable to owners of the Parent Company</b>	32				
<b>Basic earnings per ordinary share</b>		₩	657	₩	1,989
<b>Diluted earnings per ordinary share</b>			657		1,988
<b>Basic earnings per preferred share</b>			662		1,994
<b>Diluted earnings per preferred share</b>			662		1,994

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

**AMOREPACIFIC Group, Inc. and its subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**

(in thousands of Korean won)

	Attributable to owners of the Parent Company								
	Share capital	Share premium	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance as of January 1, 2021</b>	₩ 47,997,075	₩ 903,711,141	₩ (124,392,315)	₩ (196,032,004)	₩ (13,646,567)	₩ 2,631,906,543	₩ 3,249,543,873	₩ 3,022,498,905	₩ 6,272,042,778
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	179,995,030	179,995,030	111,983,816	291,978,846
Remeasurements of net defined benefit liabilities through other comprehensive income	-	-	-	-	-	(25,399,828)	(25,399,828)	(32,233,507)	(57,633,336)
Gain on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	201,974	-	201,974	105,789	307,763
Share of other comprehensive income of associates	-	-	-	-	274,420	(274,420)	-	-	-
Exchange differences on transaction of foreign operations	-	-	-	-	55,055	-	55,055	172,379	227,434
Share-based payments	-	-	-	930,521	10,553,430	-	10,553,430	20,806,046	31,359,476
<b>Total comprehensive income for the period</b>	-	-	-	930,521	11,084,879	154,320,782	166,336,182	116,888,051	283,224,233
<b>Transactions with owners</b>									
Dividends paid	-	-	-	-	-	(24,363,181)	(24,363,181)	(36,582,331)	(60,945,512)
Acquisition of additional interests in a subsidiary	-	-	(80,763,266)	(1,156)	-	-	(80,764,422)	80,752,852	(11,570)
Transactions with non-controlling interests	-	-	(4,214,651)	-	-	-	(4,214,651)	(14,470,500)	(18,685,151)
<b>Total transactions with owners</b>	-	-	(84,977,917)	(1,156)	-	(24,363,181)	(109,342,254)	29,700,021	(79,642,233)
<b>Balance as of December 31, 2021</b>	₩ 47,997,075	₩ 903,711,141	₩ (209,370,232)	₩ (195,102,639)	₩ (2,561,688)	₩ 2,761,864,144	₩ 3,306,537,801	₩ 3,169,086,977	₩ 6,475,624,778
<b>Balance as of January 1, 2022</b>	₩ 47,997,075	₩ 903,711,141	₩ (209,370,232)	₩ (195,102,639)	₩ (2,561,688)	₩ 2,761,864,144	₩ 3,306,537,801	₩ 3,169,086,977	₩ 6,475,624,778
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	62,237,029	62,237,029	86,985,384	149,222,413
Remeasurements of net defined benefit liabilities	-	-	-	-	-	3,133,370	3,133,370	3,235,923	6,369,293
Gain(loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	42,680,141	-	42,680,141	(30,541)	42,649,600
Gain (loss) on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	3,513,604	(3,513,604)	-	-	-
Share of other comprehensive income (loss) of associates	-	-	-	-	(492,107)	-	(492,107)	226,578	(265,529)
Exchange differences on transaction of foreign operations	-	-	-	-	(12,050,960)	-	(12,050,960)	(19,868,966)	(31,919,926)
<b>Total comprehensive income for the period</b>	-	-	-	-	33,650,678	61,856,795	95,507,473	70,548,378	166,055,851
<b>Transactions with owners</b>									
Treasury shares	-	-	92,855	161,900	-	-	254,755	-	254,755
Share-based payments	-	-	-	(607,165)	-	-	(607,165)	(9,317,366)	(9,924,531)
Dividends paid	-	-	-	-	-	(41,946,161)	(41,946,161)	(63,341,509)	(105,287,670)
Transactions with non-controlling interests	-	109,257	(3,936,972)	451,917	-	-	(3,375,798)	10,155,957	6,780,159
<b>Total transactions with owners</b>	-	109,257	(3,844,117)	6,652	-	(41,946,161)	(45,674,369)	(62,502,918)	(108,177,287)
<b>Balance as of December 31, 2022</b>	₩ 47,997,075	₩ 903,820,398	₩ (213,214,349)	₩ (195,095,987)	₩ 31,088,990	₩ 2,781,774,778	₩ 3,356,370,905	₩ 3,177,132,437	₩ 6,533,503,342

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

**AMOREPACIFIC Group, Inc. and its subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**

<i>(in thousands of Korean won)</i>	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	₩ 336,857,020	₩ 792,633,595
Interest received		15,777,926	10,224,589
Interest paid		(15,949,109)	(15,366,780)
Income tax paid		(153,235,642)	(24,898,697)
<b>Net cash inflow from operating activities</b>		<u>183,450,195</u>	<u>762,592,707</u>
<b>Cash flows from investing activities</b>			
Net decrease in current financial deposits		110,925,462	-
Proceeds from disposal of financial assets at fair value through profit or loss		330,047,914	18,361,777
Decrease in other receivables		42,842,851	49,013,304
Proceeds from disposal of non-current financial assets at amortized cost		1,615,110	1,313,800
Proceeds from disposal of financial assets at fair value through other comprehensive income	7	4,983,329	1,177,924
Proceeds from disposal of property, plant and equipment	10	4,036,697	2,910,037
Proceeds from disposal of intangible assets	11	1,389,994	875,500
Proceeds from disposal of investment properties		3,105,500	4,226,484
Proceeds from disposal of investments in associates	9	1,777,744	-
Proceeds from disposal of non-current assets held-for-sale	14	6,246,100	180,015,012
Dividend income from associates		600,000	816,717
Increase in other financial liabilities		2,556,500	12,782,500
Other cash inflows generated from changes in the consolidation scope		15,234,950	11,634,876
Net increase in current financial deposits		-	(94,694,000)
Acquisition of financial assets at fair value through profit or loss		(104,584,766)	(638,804,098)
Acquisition of financial assets at fair value through other comprehensive income		(59,534,959)	-
Increase in other receivables		(10,799,451)	(30,569,423)
Increase in non-current financial deposits		(1,900,010)	(1,903,010)
Acquisition of financial assets at fair value through other comprehensive income	7	(138,354,845)	(3,000,080)
Acquisition of property, plant and equipment	10	(120,101,818)	(99,364,939)
Acquisition of intangible assets	11	(40,098,323)	(31,721,233)
Increase in right-of-use assets		(125,443)	(27,301)
Acquisition of investments in associates		(4,416,600)	(192,255,852)
Payment for business combination		(175,584,951)	-
<b>Net cash outflow from investing activities</b>		<u>(130,139,015)</u>	<u>(809,212,005)</u>
<b>Cash flows from financing activities</b>			
Increase in short-term borrowings	33	52,869,951	45,070,111
Increase in leasehold deposits		1,256,776	3,262,293
Repayments of short-term borrowings	33	(65,490,212)	(53,866,492)
Dividends paid	25	(105,256,236)	(60,922,174)
Payments for lease liabilities	13,33	(135,580,259)	(176,295,043)
Redemption of leasehold deposits		(1,534,545)	(671,606)
Acquisition of non-controlling interest	36	(3,445,951)	(18,685,151)
<b>Net cash outflow from financing activities</b>		<u>(257,180,476)</u>	<u>(262,108,062)</u>
Effects of exchange rate changes on cash and cash equivalents		(16,659,729)	(11,603,921)
<b>Net decrease in cash and cash equivalents</b>		(220,529,025)	(320,331,281)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>870,595,030</u>	<u>1,190,926,311</u>
<b>Cash and cash equivalents at the end of the year</b>		₩ 650,066,005	₩ 870,595,030

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

**AMOREPACIFIC Group, Inc. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**1. General Information**

**1.1 General information**

General information of AMOREPACIFIC Group, Inc. (the “Company”) which is the parent company in accordance with KIFRS 1110 *Consolidated Financial Statements*, and its 38 subsidiaries (collectively referred to as the “Group”), are as follows.

The Company was incorporated on September 5, 1945 under the laws of the Republic of Korea to engage in manufacturing, marketing and trading of cosmetics, personal care goods and other related products. However, on January 1, 2007, the Company’s legal form of business entity was changed to a holding company to provide management, administrative and financing services to its consolidated subsidiaries and sub-subsidiaries. The Company listed its shares on the Korea Stock Exchange on April 30, 1973, and as approved by the shareholders on March 25, 2011, the Company changed its name from PACIFIC Corporation to AMOREPACIFIC Group, Inc.

As of December 31, 2022, the Company’s share capital is ₩47,997 million, including ₩6,768 million of preferred shares. The Company is authorized to issue 360,000,000 shares at a par value per share of ₩500. On December 26, 2019, the Company has issued 7,092,200 convertible preferred shares. As of December 31, 2022, the number of ordinary shares and preferred shares issued by the Company are 82,458,180 shares and 13,535,970 shares, respectively.

The Parent Company’s ordinary shareholders as of December 31, 2022 are as follows:

<b>Shareholders</b>	<b>2022</b>	
	<b>Number of ordinary shares</b>	<b>Percentage of ownership (%)</b>
Kyung- Bae Suh	44,344,298	53.8
Others <sup>1</sup>	38,113,882	46.2
	<u>82,458,180</u>	<u>100.0</u>

<sup>1</sup> Includes 6,203,589 treasury shares.

# AMOREPACIFIC Group, Inc. and its subsidiaries

## Notes to the Consolidated Financial Statements

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#### 1.2 Consolidated subsidiaries

The Company's consolidated subsidiaries as of December 31, 2022 are as follows:

Shareholder	Name of subsidiary	Primary business	Percentage of ownership (%)	Year end	Location
AMOREPACIFIC Group, Inc.	AMOREPACIFIC Corporation <sup>1</sup>	Manufacturing and marketing of cosmetics	38.1	Dec.31	Korea
AMOREPACIFIC Group, Inc.	Innisfree Corporation	Marketing of cosmetics	81.8	Dec.31	Korea
AMOREPACIFIC Group, Inc.	Etude Corporation <sup>2</sup>	Manufacturing and marketing of cosmetics	100.0	Dec.31	Korea
AMOREPACIFIC Group, Inc.	AMOS Professional Corporation	Marketing of hair care products	100.0	Dec.31	Korea
AMOREPACIFIC Group, Inc.	Espoir Corporation <sup>2</sup>	Marketing of cosmetics	100.0	Dec.31	Korea
AMOREPACIFIC Group, Inc.	Osulloc	Marketing of tea products	100.0	Dec.31	Korea
AMOREPACIFIC Group, Inc.	Osulloc Farm Co.,Ltd <sup>2</sup> .	Manufacturing and marketing of green tea	98.6	Dec.31	Korea
AMOREPACIFIC Corporation	COSVISION CO.,LTD.	Manufacturing and marketing of cosmetics, detergents and organic compounds	100.0	Dec.31	Korea
AMOREPACIFIC Corporation	AMOREPACIFIC Global Operations Limited.	Holding company and marketing of cosmetics	90.8	Dec.31	Hong Kong
AMOREPACIFIC Corporation	AMORE Cosmetics (Shanghai) Co.,Ltd.	Manufacturing and marketing of cosmetics	100.0	Dec.31	China
AMOREPACIFIC Corporation	AMOREPACIFIC (Shanghai) R&I Center Co.,Ltd.	Research and development	100.0	Dec.31	China
AMOREPACIFIC Corporation	AMOREPACIFIC MANUFACTURING MALAYSIA SDN. BHD.	Manufacturing and R&D of cosmetics	100.0	Dec.31	Malaysia
AMOREPACIFIC Corporation	We-Dream Co.,Ltd.	Packaging of products and managing of facilities	100.0	Dec.31	Korea
AMOREPACIFIC Corporation	Core Technology Corporation.	Manufacturing of industrial machinery	80.0	Dec.31	Korea
AMOREPACIFIC Corporation	AMOREPACIFIC US INVESTMENT, INC.	Holding company	100.0	Dec.31	United States
AMOREPACIFIC Corporation	AMOREPACIFIC GLOBAL OPERATION PTE. LTD.	Holding company	90.8	Dec.31	Singapore
Osulloc	Green Partners Corporation	Packaging of products and managing of facilities	100.0	Dec.31	Korea
AMOREPACIFIC Global Operations Limited.	AMOREPACIFIC Trading Co., Ltd.	Marketing of cosmetics	100.0	Dec.31	China
AMOREPACIFIC Global Operations Limited.	AMOREPACIFIC Hong Kong Co.,Limited <sup>3</sup>	Marketing of cosmetics	100.0	Dec.31	Hong Kong
AMOREPACIFIC Global Operations Limited.	AMOREPACIFIC Taiwan Co.,Ltd.	Marketing of cosmetics	100.0	Dec.31	Taiwan
AMOREPACIFIC Global Operations Limited.	AMOREPACIFIC ME FZ-LLC	Marketing of cosmetics	100.0	Dec.31	United Arab Emirates
AMOREPACIFIC GLOBAL OPERATION PTE. LTD.	AMOREPACIFIC SINGAPORE PTE Co Ltd.	Marketing of cosmetics	100.0	Dec.31	Singapore
AMOREPACIFIC GLOBAL OPERATION PTE. LTD..	AMOREPACIFIC MALAYSIA SDN. BHD.	Marketing of cosmetics	100.0	Dec.31	Malaysia
AMOREPACIFIC GLOBAL OPERATION PTE. LTD.	AMOREPACIFIC (Thailand) LIMITED	Marketing of cosmetics	100.0	Dec.31	Thailand
AMOREPACIFIC Corporation	PT. LANEIGE INDONESIA PACIFIC OPERATION PTE.	Marketing of cosmetics	2.3	Dec.31	Indonesia
AMOREPACIFIC GLOBAL OPERATION PTE.	AMOREPACIFIC Vietnam LTD.	Marketing of cosmetics	97.7	Dec.31	Vietnam
AMOREPACIFIC GLOBAL OPERATION PTE.	AMOREPACIFIC PHILIPPINES, INC.	Marketing of cosmetics	100.0	Dec.31	Philippines
AMOREPACIFIC GLOBAL OPERATION PTE..	AMOREPACIFIC US, INC.	Marketing of cosmetics	100.0	Dec.31	United States
AMOREPACIFIC GLOBAL OPERATION PTE.	AMOREPACIFIC CANADA INC.	Marketing of cosmetics	100.0	Dec.31	Canada
AMOREPACIFIC GLOBAL OPERATION PTE.	AMOREPACIFIC EUROPE S.A.S	Manufacturing and marketing of cosmetics	100.0	Dec.31	France
AMOREPACIFIC GLOBAL OPERATION PTE.	Annick Goutal S.A.S	Marketing of cosmetics	100.0	Dec.31	France
AMOREPACIFIC GLOBAL OPERATION PTE..	AMOREPACIFIC Japan Co.,Ltd.	Marketing of cosmetics	100.0	Dec.31	Japan
AMOREPACIFIC GLOBAL OPERATION PTE.	Innisfree Cosmetics India Private Limited	Marketing of cosmetics	100.0	Mar. 31	India
AMOREPACIFIC GLOBAL OPERATION PTE.	AMOREPACIFIC AUSTRALIA PTY LTD	Marketing of cosmetics	100.0	Dec.31	Australia
AMOREPACIFIC GLOBAL OPERATION PTE.	Amorepacific Russia LLC	Marketing of cosmetics	100.0	Dec.31	Russia
AMOREPACIFIC Trading Co.,Ltd.	AMOREPACIFIC (SHANGHAI) COSMETICS CO., LTD	Marketing of cosmetics	100.0	Dec.31	China
AMOREPACIFIC US INVESTMENT, INC.	Tata's NATURAL ALCHEMY, LLC	Manufacturing and marketing of cosmetics	100.0	Dec.31	United States

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**1.2 Consolidated subsidiaries (cont'd)**

<sup>1</sup> Although the Parent Company holds less than 50% of shares with voting right in the entity, the entity is classified as a subsidiary as the Company is deemed to have substantial control over the entity considering its right to decide the entity's financial and operating policies.

<sup>2</sup> Percentage of ownership has changed since the Company made additional investment in the subsidiaries and stock holdings structure changed due to the changes in shares held by largest shareholders other than the Company during the year ended December 31, 2022.

<sup>3</sup> Includes financial information of Billion-Wide Enterprise Limited.

**1.3 Summarized financial information of subsidiaries**

Summarized financial information for consolidated subsidiaries as of and for the year ended December 31, 2022 is as follows:

<i>(in millions of Korean won)</i>	December 31, 2022		2022	
	Total assets	Total liabilities	Revenue	Profit (loss) for the year
AMOREPACIFIC Corporation	₩ 5,264,930	₩ 416,497	₩ 2,874,462	₩ 184,011
Innisfree Corporation	387,425	47,136	299,743	22,495
Etude Corporation	44,019	33,721	105,988	3,349
AMOS Professional Corporation	64,202	14,046	66,537	10,479
Espoir Corporation	22,010	8,812	51,562	1,635
Osulloc	65,688	20,117	81,371	6,585
Osulloc Farm Co.,Ltd	143,025	11,360	35,028	8,623
COSVISION CO.,LTD.	136,641	41,671	162,411	(1,636)
Amorepacific Global Operations Limited.	70,223	63,408	20,991	8,964
AMOREPACIFIC US INVESTMENT, INC.	158,413	9,080	-	(9,253)
AMOREPACIFIC GLOBAL OPERATION PTE. LTD.	106,090	-	-	(37)
AMORE Cosmetics (Shanghai) Co.,Ltd.	329,361	12,389	87,558	289
AMOREPACIFIC (Shanghai) R&I Center Co.,Ltd.	6,755	619	7,026	1,004
AMOREPACIFIC MANUFACTURING MALAYSIA SDN. BHD.	30,635	229	-	(108)
We-Dream Co.,Ltd.	2,395	439	4,966	501
Core technology	1,593	880	8,156	40
Green Partners Corporation	1,865	506	5,960	265
AMOREPACIFIC Trading Co.,Ltd.	382,731	526,574	764,876	(61,884)
AMOREPACIFIC Hong Kong Co.,Limited	69,154	59,439	72,546	3,885
AMOREPACIFIC Taiwan Co.,Ltd.	39,830	18,028	62,982	1,956
AMOREPACIFIC SINGAPORE PTE Co Ltd.	39,942	20,874	53,504	2,978
AMOREPACIFIC MALAYSIA SDN. BHD.	26,314	16,056	46,730	1,775
AMOREPACIFIC (Thailand) LIMITED	39,103	10,194	62,111	2,559
PT. LANEIGE INDONESIA PACIFIC	11,986	8,629	26,452	256
AMOREPACIFIC Vietnam LTD.	29,758	13,806	41,931	3,765
AMOREPACIFIC PHILIPPINES, INC.	5,059	2,887	5,564	79
AMOREPACIFIC US, INC.	70,340	124,030	150,496	1,652
AMOREPACIFIC CANADA INC.	8,167	12,385	21,923	(397)
AMOREPACIFIC EUROPE S.A.S	12,449	16,860	17,834	180
Annick Goutal S.A.S	21,499	30,917	12,299	4,957
AMOREPACIFIC Japan Co.,Ltd.	41,917	35,473	62,142	(5,114)
Innisfree Cosmetics India Private Limited	11,277	5,840	8,681	(681)
AMOREPACIFIC ME FZ-LLC	16	-	-	(398)

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**1.3 Summarized financial information of subsidiaries (cont'd)**

<i>(in millions of Korean won)</i>	2022.12.31		2022	
	Total Assets	Total liabilities	Revenue	Profit (loss) for the year
AMOREPACIFIC AUSTRALIA PTY LTD	9,671	23,824	18,751	1,295
Amorepacific Russia LLC	1,799	1,270	1,867	204
AMOREPACIFIC (SHANGHAI) COSMETICS CO., LTD	395	-	-	(14)
Tata's NATURAL ALCHEMY, LLC	22,978	12,120	8,942	(1,808)

The amounts presented above are before the elimination of intercompany transactions. Also, the amounts presented above reflect accounting adjustments which were different from the Parent Company.

During the year ended December 31, 2022, there was an indication of impairment of the cash-generating units (CGUs) of AMOREPACIFIC Trading Co.,Ltd. and an impairment test was conducted. However, the Group did not recognize an impairment as the recoverable amount of the CGUs exceeded their carrying amount. The recoverable amount is calculated on the basis of value-in-use estimates reflecting future business plans approved by management, and key assumptions used for value-in-use calculations are as follows:

**AMOREPACIFIC Trading Co.,Ltd**

Weighted average cost of capital	11.4%
Perpetual growth rate	1.0%

Summarized financial information for consolidated subsidiaries as at and for the year ended December 31, 2021 is as follows:

<i>(in millions of Korean won)</i>	2021.12.31		2021	
	Total assets	Total liabilities	Revenue	Profit (loss) for the year
AMOREPACIFIC Corporation	₩ 5,291,053	₩ 565,127	₩ 3,475,233	₩ 280,076
Innisfree Corporation	487,918	68,844	307,171	8,242
Etude Corporation	39,443	63,205	105,620	(15,335)
AMOS Professional Corporation	85,098	10,021	61,925	8,568
Espoir Corporation	19,903	17,355	46,734	(4,377)
Osulloc	59,463	20,510	65,003	3,279
PACIFICPACKAGE Corporation	63,563	14,514	60,778	1,964
Osulloc Farm Co.,Ltd	114,486	11,215	31,861	6,849
TBT Global Growth Equity Fund No.2	26,972	-	-	(660)
COSVISION CO.,LTD.	104,861	42,779	170,631	3,310
Amorepacific Global Operations Limited.	180,103	78,950	26,380	14,561
AMORE Cosmetics (Shanghai) Co.,Ltd.	348,823	23,712	132,228	15,867
AMOREPACIFIC (Shanghai) R&I Center Co.,Ltd.	6,582	1,260	6,810	(12)
AMOREPACIFIC MANUFACTURING MALAYSIA SDN. BHD.	30,317	86	-	(22)
We-Dream Co.,Ltd.	1,697	290	4,271	321
Core technology	2,605	1,932	8,404	554
Green Partners Corporation	1,876	804	5,370	92
AMOREPACIFIC Trading Co.,Ltd.	581,242	665,782	1,183,785	(115,184)
AMOREPACIFIC Hong Kong Co.,Limited	66,504	51,118	84,250	(2,850)

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**1.3 Summarized financial information of subsidiaries (cont'd)**

(in millions of Korean won)

	2021.12.31		2021	
	Total assets	Total liabilities	Revenue	Profit (loss) for the year
AMOREPACIFIC Taiwan Co.,Ltd.	₩ 37,905	₩ 17,207	₩ 61,904	₩ 2,532
AMOREPACIFIC SINGAPORE PTE Co Ltd.	33,707	20,620	48,553	(487)
AMOREPACIFIC MALAYSIA SDN. BHD.	19,932	11,667	36,647	(513)
AMOREPACIFIC (Thailand) LIMITED	35,011	9,373	47,269	(69)
PT. LANEIGE INDONESIA PACIFIC	16,034	7,614	25,060	1,905
AMOREPACIFIC Vietnam LTD.	21,360	9,309	31,651	1,408
AMOREPACIFIC PHILIPPINES, INC.	5,045	2,849	3,026	(544)
AMOREPACIFIC US, INC.	46,489	98,229	85,566	6,353
AMOREPACIFIC CANADA INC.	5,359	9,183	13,332	(5,218)
AMOREPACIFIC EUROPE S.A.S	7,984	12,544	10,479	114
Annick Goutal S.A.S	6,924	21,182	11,563	(3,108)
AMOREPACIFIC Japan Co.,Ltd.	56,237	43,915	69,264	(4,680)
Innisfree Cosmetics India Private Limited	15,102	9,110	8,959	(929)
AMOREPACIFIC ME FZ-LLC	589	1,156	905	(132)
AMOREPACIFIC AUSTRALIA PTY LTD	10,350	25,754	13,766	(14,008)
Amorepacific Russia LLC	987	658	1,156	15
AMOREPACIFIC (SHANGHAI) COSMETICS CO., LTD	311	(108)	2,751	44

The amounts presented above are before the elimination of intercompany transactions. Also, the amounts presented above reflect accounting adjustments which were different from the Parent Company.

**1.4 Changes in the consolidation scope**

Details of subsidiaries newly included from the consolidation scope for the year ended December 31, 2022 are as follows:

Subsidiary	Reason of inclusion
AMOREPACIFIC US INVESTMENT, INC.	It was newly established as a subsidiary wholly owned by the Group during the year ended December 31, 2022.
AMOREPACIFIC GLOBAL OPERATION PTE. LTD.	It was newly established as a subsidiary in which the Group holds 90.83% of equity during the year ended December 31, 2022.
Tata's NATURAL ALCHEMY, LLC	The Group acquired the whole shares in the entity during the year ended December 31, 2022.

Details of subsidiaries excluded from the consolidation scope for the year ended December 31, 2022 are as follows:

Subsidiary	Reason of exclusion
Autajon Packaging Pacific Co., Ltd. <sup>1</sup>	The Group lost its control over the entity due to the disposal of 60% of shares in the entity during the year ended December 31, 2022.
TBT Global Growth Equity Fund No.2	It was reclassified as an associate since the Group's control over the entity was revisited.

<sup>1</sup> During the year ended December 31, 2022, the entity's name changed from PACIFICPACKAGE Corporation to Autajon Packaging Pacific Co., Ltd.



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**1.4 Changes in the consolidation scope (cont'd)**

Details of subsidiaries newly included from the consolidation for the year ended December 31, 2021 are as follows:

Subsidiary	Reason
TBT Global Growth Equity Fund No.2	It was newly established as a subsidiary in which the Group holds 53.74% of equity during the year ended December 31, 2021.

Details of subsidiaries excluded from the consolidation for the year ended December 31, 2021 are as follows:

Subsidiary	Reason
Verescence Pacific, Inc. <sup>1</sup>	The Group lost its control over the entity due to the disposal of 60% of shares in the entity during the year ended December 31, 2021.
AESTURA Corporation	It was merged into AMOREPACIFIC Corporation, a subsidiary of the Group during the year ended December 31, 2021.
Info-Billion Enterprise Limited	It was liquidated during the year ended December 31, 2021.

<sup>1</sup> During the year ended December 31, 2021, the entity's name changed from PACIFICGLAS, Inc. to Verescence Pacific, Inc.

**2. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The Group prepares statutory financial statements in Korean in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), enacted by *the Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- Assets held for sale – measured at fair value less costs to sell, and
- Defined benefit pension plans – plan assets measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates.

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## **Notes to the Consolidated Financial Statements**

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#### **2.1 Basis of preparation (cont'd)**

Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### **2.2 Changes in accounting policies and disclosures**

##### **2.2.1 New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments which are effective for the annual reporting period beginning on or after January 1, 2022.

These amendments and interpretations have no significant impact on the consolidated financial statements of the Group.

##### **(1) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037**

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

##### **(2) Reference to the Conceptual Framework – Amendments to KIFRS 1103**

The amendments replace a reference to a previous version of the International Accounting Standards Board (IASB)'s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of KIFRS 1103 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 Provisions, Contingent Liabilities and Contingent Assets or KIFRS Interpretation 2121 Levies, if incurred separately. The exception requires entities to apply the criteria in KIFRS 1037 or KIFRS Interpretation 2121, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to KIFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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**2.2.1 New and amended standards and interpretations (cont'd)**

**(3) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

**(4) KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of KIFRS 1101 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to KIFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of KIFRS 1101.

**(5) KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for KIFRS 1039 *Financial Instruments: Recognition and Measurement*.

**(6) KIFRS 1041 *Agriculture* – Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041.

**2.2.2 New and amended standards and interpretations**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group has not early adopted any standards or interpretations stated below.

**(1) KIFRS 1117 *Insurance Contracts***

In 2021, KIFRS 1117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure was issued. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* that was issued in 2007. KIFRS

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#### **2.2.2 New and amended standards and interpretations (cont'd)**

1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance),

regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

KIFRS 1117 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### **(2) Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current**

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact on the consolidated financial statements due to the amendments.

#### **(3) Definition of Accounting Estimates - Amendments to KIFRS 1008**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The Group is currently assessing the impact on the consolidated financial statements due to the amendments.

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**2.2.2 New and amended standards and interpretations (cont`d)**

**(4) Disclosure of Accounting Policies - Amendments to KIFRS 1001**

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Group is currently assessing the impact of the financial statements due to the amendments.

**(5) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to KIFRS 1012**

The amendments narrow the scope of the initial recognition exception under KIFRS 1012, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the financial statements due to the amendments.

**2.3 Consolidation**

The Group has prepared the consolidated financial statements in accordance with KIFRS 1110 *Consolidated Financial Statements*.

*(a) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other

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**2.3 consolidation (cont`d)**

standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value

of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Any difference between the amount of the adjustment of non-controlling interest and fair value of consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

*(b) Associates*

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

*(c) Business Combination under a Common Control*

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Group applies the carrying amount of assets and liabilities accounted on acquiree's financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as reserves.

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**2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Translation differences on non-monetary assets and liabilities carried at fair value are reported as part of the fair value gain or loss; thus translation differences from financial instruments at fair value through profit and loss are recognized in profit or loss, while translation differences from financial instruments at fair value through other comprehensive income are recognized in other comprehensive income.

*(c) Translation to presentation currency*

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

When the Group ceases to control the subsidiary, exchange differences that were recorded in equity are reclassified in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**2.5 Financial assets**

*(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

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**2.5 Financial assets (cont'd)**

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and

only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

*(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*A. Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented



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**2.5 Financial assets (cont`d)**

in 'other non-operating income or expenses' and impairment losses are presented in 'other non-operating expenses'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss within 'finance income or costs' in the year in which it arises.

*B. Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'other non-operating income' when the right to receive dividend payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or costs' in profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

*Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach that recognizes expected lifetime credit losses from initial recognition of the receivables.

*(c) Recognition and Derecognition*

Regular purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position.

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**2.5 Financial assets (cont`d)**

*(e) Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**2.6 Derivative**

Derivatives are initially recognized at fair value upon the conclusion of derivative contracts and subsequently measured at fair value. Changes in fair value of derivatives that do not meet the requirements of risk hedging accounting are recognized in profit or loss as finance income or costs depending on the nature of the transaction.

**2.7 Trade receivables**

Trade receivables that do not contain a significant financing component are measured at the transaction price determined without any contractual conditions, but those containing a significant financial component are measured at fair value upon the initial recognition.

Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

**2.8 Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of merchandise, raw materials, subsidiary materials and supplies are determined using the moving-weighted average method, while the cost of finished goods, semi-finished goods and work-in-progress are determined using gross average method. The cost of materials in transit is determined using the specific identification method.

**2.9 Non-current assets (or disposal group) held-for-sale**

Non-current assets (or disposal group) are classified as held-for-sale when their carrying amounts are recovered principally through a sale transaction and the sale is considered highly probable. The assets are measured at the lower of the carrying amount and the fair value less costs to sell.

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**2.10 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	<b>Useful life</b>
Buildings	10 - 60 years
Structures	10 - 20 years
Machinery	3 - 20 years
Vehicles	6 years
Tools	1 - 5 years
Fixtures and furniture	2 - 5 years
Others	10 years

The assets' depreciation method, residual values and useful lives are reviewed at the end of each reporting period and are adjusted if appropriate.

**2.11 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

**2.12 Government grants**

Government grants relating to assets are recognized as deferred income and they are credited to profit or loss over the useful life of the related assets on the basis of systematic and rational way, and government grants related to income are deferred and later deducted from the related expense.

# AMOREPACIFIC Group, Inc. and its subsidiaries

## Notes to the Consolidated Financial Statements

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#### 2.13 Intangible assets

Goodwill is measured as explained in Note 2.3.(a) and carried at its cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are internally generated by the Group are sum of expenses that are incurred once the asset recognition are met. Such criteria include technical feasibility, probable future economic benefits and other. Membership rights have an indefinite useful life, therefore are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<b>Useful life</b>
Industrial property	5 - 20 years
Software	5 - 10 years
Others	2 - 15 years

#### 2.14 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is initially measured at its cost, and after the initial measurement, it is measured at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment property, except for land, using the straight-line method over their estimated useful lives of 10-60 years.

#### 2.15 Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, and other assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may be impaired. Investments in subsidiaries and associates are tested for impairment when there is an indication that the carrying amount will not be recoverable.

An impairment loss is recognized to the extent that the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss previously recognized for non-financial assets other than goodwill is reviewed for possible reversal of the impairment at the end of each reporting period.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of

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**2.15 Impairment of non-financial assets (cont`d)**

assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. Perpetual growth rate is calculated and applied to project future cash flows after the fifth year..

Impairment losses are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset. For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. An impairment loss previously recognized for asset excluding goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount at amortized cost that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Additional disclosures relating to impairment of non-financial assets are also provided in note 3, Disclosure of significant assumptions.

**2.16 Trade and other payables**

These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of reporting period. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**2.17 Financial liabilities**

*(a) Classification and measurement*

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded

# **AMOREPACIFIC Group, Inc. and its subsidiaries**

## **Notes to the Consolidated Financial Statements**

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#### **2.17 Financial liabilities (cont`d)**

derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

#### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; when the obligation specified in the contract is discharged, cancelled or expired, or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **2.18 Financial guarantee contract**

Financial guarantee contracts provided by the Group are measured at fair value upon initial recognition and subsequently recognized as 'other liabilities' in the consolidated statement of financial position by measuring at the higher of the following:

- (1) Loss allowance calculated in accordance with the policy for impairment of financial instruments; and
- (2) The amount recognized initially less the cumulative amount of profit recognized in accordance with KIFRS 1115

#### **2.19 Provisions**

Provisions for service warranties, provision for restoration, and provisions for litigations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

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**2.20 Current and deferred tax**

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax based on amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis.

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**2.21 Employee benefits**

*(a) Retirement benefits*

The Group operates both defined contribution and defined benefit pension plans. For defined contribution plans, the Group pays fixed amount of contribution to publicly or privately administered pension insurance plans, and the contribution is recognized as employee benefit expense as employees provide services. A defined benefit plan is a pension plan that is not a defined contribution plan.

Generally, retirement benefits are payable after the completion of employment, and the benefit amount depends on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

*(b) Other long-term employee benefits*

Certain entities with the Group provide long-term employee benefits. Employees with service periods of ten years and above are entitled to these benefits. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent qualified actuaries.

*(c) Share-based payments*

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When issuing new shares at the time of exercise of the option, net inflows excluding directly related transaction costs are recognized as share capital (nominal value) and share capital premium.



# **AMOREPACIFIC Group, Inc. and its subsidiaries**

## **Notes to the Consolidated Financial Statements**

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#### **2.22 Revenue recognition**

##### *(a) Identifying performance obligations*

The Group manufactures and sells cosmetics and personal care goods. As the Group separates contracts to recognize revenue from service rendered, apart from sales of goods or products, identifying performance obligation does not have a material impact on the consolidated financial statements.

##### *(b) Variable consideration*

The Group provides promotional incentives to enhance customer's revenue and allows sales returns, which may cause variability in consideration received or receivable from the customers.

The Group estimates an amount of variable consideration by using the expected value that the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

##### *(c) Allocating consideration received*

The Group operates a customer loyalty program granting loyalty points and where members can redeem the points on future purchases. The customers' option is identified as a separate performance obligation.

The Group allocates the fair value of the consideration received or receivable in respect of revenues between the award credits and the sales of goods, based on the relative stand-alone selling prices of each distinct goods.

#### **2.23 Lease**

The Group leases various retail stores, offices and cars. Lease contracts are typically made for fixed periods of 1 to 40 years, but may have extension options as described in (b) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# AMOREPACIFIC Group, Inc. and its subsidiaries

## Notes to the Consolidated Financial Statements

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#### 2.23 Lease (cont'd)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise items of office equipment that are considered to be low value.

#### *(a) Variable lease payments*

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and, when determining lease payments, percentages ranges applied to sale is widespread. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

#### *(b) Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by

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**2.23 Lease (cont`d)**

the respective lessor.

*(c) Residual value guarantees*

To optimize lease costs during the contractual lease term, the Group sometimes provides residual value guarantees in relation to equipment leases.

**2.24 Segment reporting**

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (see Note 4). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the representative director that makes strategic decisions.

**2.25 Approval of issuance of the financial statements**

The consolidated financial statements as of and for the year ended December 31, 2022 were approved for issuance by the Board of Directors on February 1, 2023, and are subject to change with the approval of shareholders at their Annual General Meeting. If any.

**3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

*(a) Estimated goodwill impairment*

The recoverable amount of a cash generating unit (CGU), which is used to test impairment of goodwill, is determined based on value-in-use calculations (see Note 11).

*(b) Income taxes*

The Group's taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions; hence, there is uncertainty in calculating the final tax effect (see Note 26).

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**3. Critical Accounting Estimates and Assumptions (cont`d)**

If certain portion of the taxable income is not used for investments or increase in wages, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by these tax effects. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

*(c) Refund liabilities*

A refund liability is recognized for the products expected to be returned once they are sold. The return rate is estimated by the expected value method based on the accumulated experience by sales channel at the time of sale, and the Group's revenue is affected by changes in expected return rate.

*(d) Customer loyalty programs*

Regarding the estimation of consideration receivable to allocate to award credits from customer loyalty programs, the Group uses fair value of goods to be provided, and takes account of rates and timing of redemption based on historical data (see Note 18).

*(e) Fair value of financial instruments*

The fair value of financial instruments that are not traded in active market is determined principally by using valuation techniques. The Group uses its judgment in selecting a variety of methods and making assumptions based on important market conditions existing at the end of each reporting period (see Note 38).

*(f) Impairment of financial assets*

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

*(g) Impairment of non-financial assets*

The Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or when there are indications of impairment. Other non-financial assets are reviewed annually for indications that their carrying amounts may not be recoverable and, when such indications exist, are tested for impairment. To test for impairment, the Group measures the recoverable amount at the higher of the asset's value in use or fair value minus costs of disposal and compares it with the carrying amount of the asset. To calculate value in use, the Group must estimate future expected cash flows from the asset or cash-generating unit and select an appropriate discount rate to calculate the present value of those future expected cash flows. Key assumptions are detailed in Note 1.3

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#### 3. Critical Accounting Estimates and Assumptions (cont'd)

If, and only if, the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

Goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An

impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

#### *(h) Net defined benefit liability (asset)*

The present value of net defined benefit liability (asset) depends on a number of factors that are determined on an actuarial basis using a number of assumptions, especially the change in discount rate (see Note 20).

#### *(i) Lease*

In determining the lease term, management considers all facts and circumstances that cause an economic incentive to exercise an extension option, or not exercise a termination option. The Group determines the lease term to include any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability,

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#### 3. Critical Accounting Estimates and Assumptions (cont`d)

because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee (see Note 13).

##### *(j) Measurement of the net realizable value of inventory*

Inventories are stated at the lower of cost or net realizable value. The measurement of the net realizable value requires estimation of the estimated selling price and estimated selling cost. In these estimation processes, the management's judgments take an important role (see Note 8).

##### *(k) Financial Guarantee liabilities*

Financial guarantee liabilities under financial guarantee contracts are measured at fair value upon the initial recognition and is subsequently recognized as allowance for expected credit losses based on significant changes in credit risk.

##### *(l) Impact of the COVID-19*

The spread of COVID-19 has a material impact on the global economy. It may have a negative impact on some issues such as decrease in productivity, decrease or delay in sales and collection of existing receivables. Accordingly, it may have a negative impact on the financial position and financial performance of the Group and the impact is expected to continue for a while.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in uncertainty arising from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot be determined currently.

#### 4. Segment Information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker who formulates the management strategy. Chief operating decision-maker reviews the business from the perspective of products of each segment.

The main products of each business division as of December 31, 2022 are as follows:

<b>Divisions</b>	<b>Products</b>
Cosmetics <sup>1</sup>	Cosmetics and household products
Others	Cosmetics containers and hair products

<sup>1</sup> It includes the DB (Daily Beauty) business division.

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**4. Segment Information (cont'd)**

The segment information for revenue and operating profit for the years ended December 31, 2022 and 2021 is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
	Revenue	Operating profit	Revenue	Operating profit
Cosmetics	₩ 4,369,867	₩ 251,085	₩ 5,184,925	₩ 341,993
Others	208,549	20,799	339,182	19,140
	<u>₩ 4,578,416</u>	<u>₩ 271,884</u>	<u>₩ 5,524,107</u>	<u>₩ 361,133</u>

Adjustments from total segment revenue to the Group's revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Total segment revenue	₩ 4,578,416	₩ 5,524,107
Elimination of intercompany transactions and others	(83,459)	(198,027)
Group revenue	<u>₩ 4,494,957</u>	<u>₩ 5,326,080</u>

Adjustments from total segment operating profit to the Group's operating profit for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Total segment operating profit	₩ 271,884	₩ 361,133
Intersegment expense	17	(4,962)
Operating profit	<u>₩ 271,901</u>	<u>₩ 356,171</u>

External revenues by geographic areas for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	Revenue	
	2022	2021
Korea	₩ 2,784,677	₩ 3,274,353
Asia	1,476,517	1,913,075
North America	183,281	101,800
Others	50,482	36,852
	<u>₩ 4,494,957</u>	<u>₩ 5,326,080</u>

There is no external customer attributing to more than 10% of total revenue for the years ended December 31, 2022 and 2021.

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**5. Financial Instruments by Category**

Categorizations of financial assets as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Financial assets at amortized cost	Cash and cash equivalents	₩ 650,066	₩ 870,595
	Current financial deposits	181,669	298,726
	Non-current financial deposits	4,986	5,032
	Current debt securities	59,535	-
	Non-current financial assets at amortized costs <sup>1</sup>	430	1,966
	Trade receivables	300,983	311,951
	Current other receivables	65,949	38,439
	Non-current other receivables	70,579	126,171
	Other current assets <sup>2</sup>	2,833	1,205
Financial assets at fair value through other comprehensive income	Non-current financial assets at fair value through other comprehensive income <sup>3</sup>	224,478	5,410
Financial assets at fair value through profit or loss	Current financial deposits <sup>4</sup>	24,400	18,100
	Current derivative assets	1,454	-
	Current financial assets at fair value through profit or loss <sup>4</sup>	752,553	863,824
	Non-current financial deposits <sup>5</sup>	22,190	19,000
	Non-current financial assets at fair value through profit or loss <sup>6</sup>	32,196	226,133
		₩ 2,394,301	₩ 2,786,552

<sup>1</sup> Consist of government and public bonds (see Note 7).

<sup>2</sup> Consist of accrued income (see Note 15).

<sup>3</sup> Consist of equity instruments such as listed shares (see Note 7).

<sup>4</sup> Consist of beneficiary certificates (see Note 7).

<sup>5</sup> Consist of variable annuities (see Note 7).

<sup>6</sup> Consist of beneficiary certificates, redeemable convertible preferred shares, convertible preferred shares, private equity investment trust (see Note 7).



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**5. Financial Instruments by Category (cont`d)**

Categorizations of financial liabilities as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Financial liabilities	Trade payables	₩ 57,624	₩ 95,482
at amortized cost	Short-term borrowings	240,914	257,724
	Other payables	155,562	354,970
	Other current liabilities <sup>1</sup>	148,766	194,247
	Other non-current liabilities <sup>2</sup>	9,489	24,145
		₩ 612,355	₩ 926,568

<sup>1</sup> Other current liabilities consist of deposits received, dividend payables, accrued expenses and refund liabilities (see Note 19).

<sup>2</sup> Other non-current liabilities consist of deposits received, accrued expenses, and other financial liabilities (see Note 19).

Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Financial assets at fair value through profit or loss:			
	Gain on valuation and disposal	₩ (8,561)	₩ 10,605
	Gain on valuation of derivative assets	1,454	-
Financial assets at fair value through other comprehensive income:			
	Gain on valuation and disposal	42,650	308
	Dividend income	9	96
Financial assets at amortized cost:			
	Interest income <sup>1</sup>	15,055	9,060
	Gain on foreign currency translation	40,721	34,056
	Bad debt expenses	(2,674)	(1,652)
Financial liabilities at amortized cost:			
	Gain on valuation	192	161
	Interest expense <sup>1</sup>	(7,592)	(4,670)
	Gain (loss) on foreign currency translation	(16,104)	1,221

<sup>1</sup> Interest income and expenses under the application of KIFRS 1116 *Lease* are excluded.

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**6. Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Cash on hand	₩	12,247	₩	235
Ordinary deposits		174,969		174,612
Checking accounts		71,756		49,941
Other accounts		391,094		645,807
	₩	<u>650,066</u>	₩	<u>870,595</u>

Cash and cash equivalents include bank deposits that have a maturity of three months or less from the date of acquisition.

**7. Financial assets**

**7.1 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Financial deposits:				
Beneficiary certificates	₩ 24,400	₩ -	₩ 18,100	₩ -
Variable annuities	-	22,190	-	19,000
Financial assets at fair value through profit or loss:				
Beneficiary certificates	752,553	-	863,824	151,474
Derivative assets	1,454	-	-	-
Debt instruments, including convertible redeemable preferred shares	-	14,302	-	8,155
Equity securities (convertible preferred shares)	-	1,752	-	48,947
Equity securities (ordinary shares)	-	4,292	-	3,000
Private equity investment trust	-	11,850	-	14,557
	₩ <u>778,407</u>	₩ <u>54,386</u>	₩ <u>891,924</u>	₩ <u>245,133</u>

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**7.2 Financial Assets at Fair Value through Other Comprehensive Income**

Financial assets at fair value through other comprehensive income as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Equity instruments:		
Marketable equity securities		
China Tourism Group Duty Free Corporation Limited <sup>1</sup>	₩ 185,744	₩ -
Waldencast (Formerly, Milk Makeup) <sup>2</sup>	32,088	-
Evofem Biosciences, Inc. <sup>3</sup>	-	17
ReShape Lifesciences, Inc. <sup>3,4</sup>	-	61
GL Pharm Tech Corporation <sup>3</sup>	-	436
Humedix Co., Ltd. <sup>3</sup>	-	519
Fresh Tracks Therapeutics, Inc. <sup>3,5</sup>	-	29
Non-marketable equity securities	6,646	4,347
	<u>₩ 224,478</u>	<u>₩ 5,410</u>

<sup>1</sup> During the year ended December 31, 2022, the Group acquired shares in China Tourism Group Duty Free Corporation Limited.

<sup>2</sup> During the year ended December 31, 2022, Milk Makeup was merged into Waldencast.

<sup>3</sup> During the year ended December 31, 2022, the Group disposed all shares in the entities.

<sup>4</sup> During the year ended December 31, 2021, the entity's name was changed from Obalon Therapeutics Inc to Reshape Lifesciences, Inc.

<sup>5</sup> During the year ended December 31, 2022, the entity's name was changed from Brickell Biotech Inc to Fresh Tracks Therapeutics, Inc.

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
<b>Beginning balance</b>	₩ 5,409	₩ 4,389
Acquisitions	138,355	3,000
Gain (loss) on valuation and disposals <sup>1</sup>	53,302	(1,980)
Others	27,412	-
<b>Ending balance</b>	<u>₩ 224,478</u>	<u>₩ 5,409</u>

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**7.2 Financial Assets at Fair Value through Other Comprehensive Income (cont'd)**

<sup>1</sup> During the year ended December 31, 2022, upon disposal transaction, loss on disposal recognized in other comprehensive income of ₩ 3,514 million (2021: ₩ 274 million) were reclassified into retained earnings.

The maximum exposure to credit risk of debt instruments categorized as financial assets at fair value through other comprehensive income at the reporting date is the carrying value.

There are no financial assets at fair value through other comprehensive income that are past due or impaired.

**7.3 Trade and other receivables, and other financial assets at amortized cost**

Trade receivables and its provisions for impairment as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Trade receivables	₩	306,301	₩	315,623
Less: provision for impairment		<u>(5,318)</u>		<u>(3,672)</u>
Trade receivables, net	₩	<u>300,983</u>	₩	<u>311,951</u>

Other receivables and its provisions for impairment as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Non-trade receivables	₩ 10,545	₩ -	₩ 9,019	₩ -
Financial lease receivables	1,787	1,909	1,677	3,373
Loans	30,519	17,319	1,712	46,462
Deposits provided	23,767	51,351	26,444	76,336
Less: provision for impairment	<u>(669)</u>	<u>-</u>	<u>(414)</u>	<u>-</u>
	₩ 65,949	₩ 70,579	₩ 38,438	₩ 126,171

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**7.3 Trade and other receivables, and other financial assets at amortized cost (cont'd)**

Movements in the provision for impairment of trade receivables for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Beginning balance	₩	3,672	₩	3,345
Impairment loss		1,388		1,686
Receivables written off during the year as uncollectible		(9)		(1,325)
Recovered receivables		64		-
Exchange differences		203		(34)
Ending balance	₩	<u>5,318</u>	₩	<u>3,672</u>

Provision for impaired receivables and unused amounts reversed are included in 'selling and administrative expenses (see Note 29)' in profit or loss. When there is no possibility of recovering additional cash, impairment provision is generally written off.

Other financial assets at amortized cost and its provisions for impairment as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				<b>2021</b>			
	<b>Current</b>		<b>Non-current</b>		<b>Current</b>		<b>Non-current</b>	
Current financial deposits	₩	181,669	₩	4,986	₩	298,726	₩	5,032
Current debt securities		59,535		-		-		-
Government bonds		-		430		-		1,966
Accrued income		2,833		-		1,205		-
Less: provision for impairment		-		-		-		-
	₩	<u>244,037</u>	₩	<u>5,416</u>	₩	<u>299,931</u>	₩	<u>6,998</u>

The Group's trade and other receivables are spread to a great number of customers, so there is no concentration of important credit risk. The maximum exposure of trade and other receivables to credit risk at the end of reporting period is the carrying amount of each class of receivables mentioned above.

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**8. Inventories**

Inventories as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Merchandise and finished goods	₩ 309,855	₩ 393,484
Raw materials	74,094	61,817
Subsidiary materials	22,645	29,851
Others	53,368	57,663
	<u>₩ 459,962</u>	<u>₩ 542,815</u>

The amount of inventories recognized as an expense during the year ended December 31, 2022 amounts to ₩ 1,029,623 million (2021: ₩ 1,058,925 million).

Loss on valuation of inventories and loss on disposal of inventories for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Loss on valuation/disposal of inventories	₩ 47,066	₩ 58,231

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**9. Associates**

Details of investments in associates as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)	Country	Main operating activities	2022		2021	
			Percentage of ownership (%)	Book amount	Percentage of ownership (%)	Book amount
Taiwan AMORE Co.,Ltd.	Taiwan	Sales of cosmetics	50.0	₩ 2,252	50.0	₩ 2,350
Rationale Group Pty Ltd	Australia	Manufacturing and sales of cosmetics	49.0	49,255	49.0	51,796
Partner One Value up 2 Private Equity Fund	Korea	Domestic and foreign corporate investment	29.7	1,439	29.7	1,467
COSRX INC	Korea	Sales of cosmetics	40.0	194,334	40.0	182,832
BBDO Korea Inc.	Korea	Advertising agency and production of advertisement	30.0	1,971	30.0	2,253
AP&M Beauty Fashion Joint Venture	Korea	Domestic and foreign corporate investment	49.0	4,986	49.0	4,672
Smart AP-WE Untact Fund No. 1	Korea	Domestic and foreign corporate investment	36.6	9,397	36.6	9,752
Verescence Pacific, Inc. <sup>1</sup>	Korea	Manufacturing and sales of glassware containers	40.0	27,691	40.0	27,185
Sparkpet Inc. <sup>2</sup>	Korea	Pet related services	26.1	4,323	-	-
TBT Global Growth Equity Fund No.2 <sup>3</sup>	Korea	Domestic and foreign corporate investment	53.7	16,339	-	-
Autajon Packaging Pacific Co., Ltd. <sup>4</sup>	Korea	Manufacturing and sales of printing and paper processing	40.0	17,579	-	-
Twoslashfour. Inc. <sup>5</sup>	Korea	Sales of cosmetics	20.0	402	-	-
Anhui Pacific Tea Co., Ltd. <sup>6</sup>	China	Tea processing	80.0	-	80.0	-
				<u>₩ 329,968</u>		<u>₩ 282,307</u>

<sup>1</sup> During the year ended December 31, 2021, the entity's name changed from PACIFICGLAS, Inc. to Verescence Pacific, Inc.

<sup>2</sup> During the year ended December 31, 2022, the Group newly acquired additional shares in the entity, whereby the investment in the entity reclassified from financial assets measured at fair value through profit or loss to investment in an associate.

<sup>3</sup> The entity is classified as associate because the Group cannot exercise control over the entity as a limited partner despite of the Group's percentage of ownership exceeding 50%.

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**9. Associates (cont'd)**

<sup>4</sup> The Group lost its control over the entity by selling its 60% of shares in Autajon Packaging Pacific Co., Ltd. to the third parties during the year ended December 31, 2022, and the entity's name changed from PACIFICPACKAGE Corporation to Autajon Packaging Pacific Co., Ltd.

<sup>5</sup> During the year ended December 31, 2022, the Group newly acquired shares in the entity.

<sup>6</sup> The entity is a consolidated subsidiary but excluded from the consolidation because it is not significant.

Changes in investments in associates for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	2022			
	Taiwan AMORE Co., Ltd.	Rationale Group Pty Ltd	Partner One Value up 2 Private Equity Fund	COSRX INC
Beginning balance	₩ 2,350	₩ 51,796	₩ 1,467	₩ 182,832
Acquisition	-	-	-	-
Disposal	-	-	-	-
Reclassification	-	-	-	-
Share of profit (loss) of associates	(12)	(2,621)	(28)	11,520
Share of other comprehensive income (loss) of associates	(252)	80	-	(18)
Dividends	-	-	-	-
Exchange differences	166	-	-	-
Ending balance	₩ 2,252	₩ 49,255	₩ 1,439	₩ 194,334

<i>(in millions of Korean won)</i>	2022				
	BBDO Korea Inc.	AP&M Beauty Fashion Joint Venture	Smart AP-WE Untact Fund No. 1	Verescence Pacific, Inc.	Sparkpet Inc.
Beginning balance	₩ 2,253	₩ 4,672	₩ 9,752	₩ 27,185	₩ -
Acquisition	-	-	-	-	4,015
Disposal	-	-	(842)	-	-
Reclassification	-	-	-	-	1,344
Share of profit (loss) of associates	318	314	511	544	(1,036)
Share of other comprehensive income (loss) of associates	-	-	(24)	(38)	-
Dividends	(600)	-	-	-	-
Exchange differences	-	-	-	-	-
Ending balance	₩ 1,971	₩ 4,986	₩ 9,397	₩ 27,691	₩ 4,323



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**9. Associates (cont'd)**

<i>(in millions of Korean won)</i>	2022			
	TBT Global Growth Equity Fund No.2	Twoslashfour. Inc.	Autajon Packaging Pacific Co., Ltd.	Tota
Beginning balance	₩ -	₩ -	₩ -	₩ 282,307
Acquisition	-	402	-	4,417
Disposal	(935)	-	-	(1,777)
Reclassification	17,242	-	15,333	33,919
Share of profit (loss) of associates	32	-	2,259	11,801
Share of other comprehensive income (loss) of associates	-	-	(13)	(265)
Dividends	-	-	-	(600)
Exchange differences	-	-	-	116
Ending balance	₩ 16,339	₩ 402	₩ 17,579	₩ 329,968

<i>(in millions of Korean won)</i>	2021			
	Taiwan AMORE Co., Ltd.	Rationale Group Pty Ltd	Partner One Value up 2 Private Equity Fund	COSRX INC
Beginning balance	₩ 2,152	₩ 50,362	₩ -	₩ -
Acquisition	-	-	1,500	181,756
Share of profit (loss) of associates	(27)	120	(33)	866
Share of other comprehensive income (loss) of associates	51	-	-	210
Dividends	(7)	-	-	-
Exchange differences	181	1,314	-	-
Ending balance	₩ 2,350	₩ 51,796	₩ 1,467	₩ 182,832

<i>(in millions of Korean won)</i>	2021				
	BBDO Korea Inc.	AP&M Beauty Fashion Joint Venture	Smart AP-WE Untact Fund No. 1	Verescence Pacific, Inc.	Total
Beginning balance	₩ 2,331	₩ 4,776	₩ 1,000	₩ -	₩ 60,621
Acquisition	-	-	9,000	22,865	215,121
Share of profit (loss) of associates	732	(104)	(248)	4,354	5,660
Share of other comprehensive income (loss) of associates	-	-	-	(34)	227
Dividends	(810)	-	-	-	(817)
Exchange differences	-	-	-	-	1,495
Ending balance	₩ 2,253	₩ 4,672	₩ 9,752	₩ 27,185	₩ 282,307

**AMOREPACIFIC Group, Inc. and its subsidiaries**  
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**9. Associates (cont'd)**

Summarized financial information of associates as of and for the years ended December 31, 2022 and 2021 is as follows:

(in millions of Korean won)

	2022			
	Taiwan AMORE Co., Ltd.	Rationale Group Pty Ltd	Partner One Value up 2 Private Equity Fund	COSRX INC
<b>December 31, 2022</b>				
Current assets	₩ 4,573	₩ 14,393	₩ 4,844	₩ 114,839
Non-current assets	526	23,403	-	16,065
Current liabilities	325	5,863	-	23,470
Non-current liabilities	271	11,911	-	7,195
<b>2022</b>				
Revenue	₩ 4,502	₩ 29,449	₩ 12	₩ 204,287
Operating profit (loss)	(57)	(3,491)	(84)	53,202
Profit (loss) for the period	(25)	(3,445)	(84)	40,544

(in millions of Korean won)

	2022			
	BBDO Korea Inc.	AP&M Beauty Fashion Joint Venture	Smart AP-WE Untact Fund No. 1	Verescence Pacific, Inc.
<b>December 31, 2022</b>				
Current assets	₩ 15,816	₩ 5,689	₩ 2,567	₩ 30,912
Non-current assets	1,711	4,487	23,128	35,849
Current liabilities	10,648	-	12	6,345
Non-current liabilities	307	-	-	305
<b>2022</b>				
Revenue	₩ 19,870	₩ 2,176	₩ 2,113	₩ 62,580
Operating profit (loss)	838	643	1,395	3,125
Profit (loss) for the period	1,061	643	1,395	2,330

(in millions of Korean won)

	2022			
	Sparkpet Inc. <sup>1</sup>	TBT Global Growth Equity Fund No.2 <sup>1</sup>	Twoslashfour. Inc. <sup>1</sup>	Autajon Packaging Pacific Co., Ltd. <sup>1</sup>
<b>December 31, 2022</b>				
Current assets	₩ 5,129	₩ 1,488	₩ 874	₩ 12,328
Non-current assets	4,411	28,927	43	43,609
Current liabilities	5,365	12	9	10,471
Non-current liabilities	151	-	14	79
<b>2022</b>				
Revenue	₩ 3,567	₩ 510	₩ -	₩ 8,188
Operating profit (loss)	(3,933)	60	-	(639)
Profit (loss) for the period	(3,975)	60	-	(666)

<sup>1</sup> Profits and losses from the associates stated above present details of profit or loss incurred after the acquisition and reclassification of the associates in the current period.

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**9. Associates (cont'd)**

(in millions of Korean won)

	2021			
	Taiwan AMORE Co., Ltd.	Rationale Group Pty Ltd	Partner One Value up 2 Private Equity Fund <sup>1</sup>	COSRX INC <sup>1</sup>
<b>December 31, 2021</b>				
Current assets	₩ 5,316	₩ 21,915	₩ 4,983	₩ 59,425
Non-current assets	570	22,741	-	18,792
Current liabilities	779	8,871	45	14,620
Non-current liabilities	407	12,383	-	9,491
<b>2021</b>				
Revenue	₩ 4,452	₩ 25,699	₩ 13	₩ 22,811
Operating profit (loss)	(92)	2,518	(110)	3,364
Profit (loss) for the period	(53)	2,008	(110)	4,160

(in millions of Korean won)

	2021			
	BBDO Korea Inc.	AP&M Beauty Fashion Joint Venture	Smart AP-WE Untact Fund No. 1	Verescence Pacific, Inc. <sup>1</sup>
<b>December 31, 2021</b>				
Current assets	₩ 17,842	₩ 9,534	₩ 5,246	₩ 39,493
Non-current assets	1,615	-	21,418	37,425
Current liabilities	11,756	-	12	15,597
Non-current liabilities	191	-	-	227
<b>2021</b>				
Revenue	₩ 24,574	₩ -	₩ 9	₩ 70,020
Operating profit (loss)	2,781	(246)	(648)	12,228
Profit (loss) for the period	2,439	(212)	(648)	11,918

<sup>1</sup> Profits and losses from the associates stated above present details of profit or loss incurred after the acquisition of the associates in the prior period.

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**9. Associates (cont'd)**

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates for the years ended 2022 and 2021 are as follows:

(in millions of Korean won)

	2022				
	Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW(a*b)	Goodwill and others	Book amount
Taiwan AMORE Co.,Ltd.	₩ 4,503	50.0%	₩ 2,252	₩ -	₩ 2,252
Rationale Group Pty Ltd	20,022	49.0%	9,811	39,444	49,255
Partner One Value up 2 Private Equity Fund	4,844	29.7%	1,439	-	1,439
COSRX INC	95,365	40.0%	38,146	156,188	194,334
BBDO Korea Inc.	6,572	30.0%	1,971	-	1,971
AP&M Beauty Fashion Joint Venture	10,176	49.0%	4,986	-	4,986
Smart AP-WE Untact Fund No. 1	25,683	36.6%	9,408	(11)	9,397
Verescence Pacific, Inc.	60,111	40.0%	24,044	3,647	27,691
Sparkpet Inc.	4,024	26.1%	1,049	3,274	4,323
TBT Global Growth Equity Fund No.2	30,403	53.7%	16,339	-	16,339
Twoslashfour. Inc.	894	20.0%	179	223	402
Autajon Packaging Pacific Co., Ltd.	45,387	40.0%	18,155	(576)	17,579

(in millions of Korean won)

	2021				
	Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW(a*b)	Goodwill and others	Book amount
Taiwan AMORE Co., Ltd.	₩ 4,700	50.0%	₩ 2,350	₩ -	₩ 2,350
Rationale Group Pty Ltd	23,402	49.0%	11,467	40,329	51,796
Partner One Value up 2 Private Equity Fund	4,938	29.7%	1,467	-	1,467
COSRX INC	54,106	40.5%	21,642	161,190	182,832
BBDO Korea Inc.	7,510	30.0%	2,253	-	2,253
AP&M Beauty Fashion Joint Venture	9,534	49.0%	4,672	-	4,672
Smart AP-WE Untact Fund No. 1	26,652	36.6%	9,763	(11)	9,752
Verescence Pacific, Inc.	61,094	40.0%	24,438	2,747	27,185

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**10. Property, Plant and Equipment**

Property, plant and equipment as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Acquisition cost	Accumulated depreciation <sup>1</sup>	Book amount	Acquisition cost	Accumulated depreciation <sup>1</sup>	Book amount
Land	₩ 981,431	₩ (288)	₩ 981,143	₩ 987,100	₩ (288)	₩ 986,812
Buildings	1,664,974	(372,174)	1,292,800	1,680,150	(332,059)	1,348,091
Structures	82,514	(42,825)	39,689	82,300	(41,081)	41,219
Machinery	680,028	(410,054)	269,974	704,668	(397,849)	306,819
Vehicles	2,881	(2,126)	755	3,519	(2,814)	705
Tools	170,175	(148,954)	21,221	175,396	(149,986)	25,410
Fixtures and furniture	726,594	(564,032)	162,562	856,820	(678,054)	178,766
Others	9,499	(5,672)	3,827	9,754	(5,870)	3,884
Construction in progress	48,716	-	48,716	28,245	-	28,245
	<u>₩ 4,366,812</u>	<u>₩ (1,546,125)</u>	<u>₩ 2,820,687</u>	<u>₩ 4,527,953</u>	<u>₩ (1,608,003)</u>	<u>₩ 2,919,950</u>

<sup>1</sup>Accumulated impairment losses are included.

Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022				
	Land	Buildings	Structures	Machinery	Vehicles
Opening net book amount	₩ 986,812	₩ 1,348,091	₩ 41,219	₩ 306,819	₩ 705
Acquisition	-	3,929	2,332	14,917	351
Reclassification	144	16,798	648	9,307	-
Disposal	(13)	(5)	(82)	(353)	(13)
Depreciation	-	(47,123)	(3,895)	(51,103)	(257)
Impairment loss <sup>1</sup>	-	-	751	-	-
Others	(45)	46	-	-	-
Changes of the scope of consolidation <sup>2</sup>	(5,755)	(25,673)	(719)	(9,257)	(31)
Exchange differences	-	(3,263)	(565)	(356)	-
Closing net book amount	<u>₩ 981,143</u>	<u>₩ 1,292,800</u>	<u>₩ 39,689</u>	<u>₩ 269,974</u>	<u>₩ 755</u>

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**10. Property, Plant and Equipment (cont'd)**

		<b>2022</b>				
<i>(in millions of Korean won)</i>		<b>Tools</b>	<b>Fixtures and furniture</b>	<b>Others</b>	<b>Construction in progress</b>	<b>Total</b>
Opening net book amount	₩	25,410	₩ 178,765	₩ 3,884	₩ 28,245	₩ 2,919,950
Acquisition		11,032	37,583	503	49,053	119,700
Reclassification		38	1,224	-	(28,159)	-
Disposal		-	(9,725)	(157)	(29)	(10,377)
Depreciation		(15,200)	(50,919)	(584)	-	(169,081)
Impairment loss <sup>1</sup>		-	230	-	-	981
Others		-	-	-	-	1
Changes of the scope of consolidation <sup>2</sup>		-	2,615	-	(410)	(39,230)
Exchange differences		(59)	2,789	181	16	(1,257)
Closing net book amount	₩	<u>21,221</u>	<u>₩ 162,562</u>	<u>₩ 3,827</u>	<u>₩ 48,716</u>	<u>₩ 2,820,687</u>

<sup>1</sup> Reversal of impairment losses recognized for the period before the year ended December 31, 2022 is included.

<sup>2</sup> It presents the effect of inclusion to or exclusion from the scope of consolidation for the year ended December 31, 2022.

		<b>2021</b>				
<i>(in millions of Korean won)</i>		<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Vehicles</b>
Opening net book amount	₩	998,966	₩ 1,415,750	₩ 47,170	₩ 333,946	₩ 596
Acquisition		204	1,188	772	17,840	448
Reclassification <sup>1</sup>		(4,295)	(33,420)	-	7,145	-
Disposal		-	(2,273)	(164)	(1,124)	(73)
Depreciation		-	(47,295)	(4,405)	(53,396)	(266)
Impairment loss <sup>2</sup>		-	-	(2,312)	(155)	-
Others <sup>3</sup>		(8,063)	-	-	-	-
Exchange differences		-	14,141	158	2,563	-
Closing net book amount	₩	<u>986,812</u>	<u>₩ 1,348,091</u>	<u>₩ 41,219</u>	<u>₩ 306,819</u>	<u>₩ 705</u>

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**10. Property, Plant and Equipment (cont'd)**

<i>(in millions of Korean won)</i>	<b>2021</b>				
	<b>Tools</b>	<b>Fixtures and furniture</b>	<b>Others</b>	<b>Construction in progress</b>	<b>Total</b>
Opening net book amount	₩ 25,538	₩ 238,239	₩ 4,933	₩ 15,951	₩ 3,081,089
Acquisition	15,142	40,884	14	21,097	97,589
Reclassification <sup>1</sup>	523	1,019	(443)	(8,741)	(38,212)
Disposal	-	(9,374)	(645)	-	(13,653)
Depreciation	(15,634)	(89,358)	(603)	-	(210,957)
Impairment loss <sup>2</sup>	(610)	(8,282)	313	-	(11,046)
Others <sup>3</sup>	-	-	-	-	(8,063)
Exchange differences	451	5,637	315	(62)	23,203
Closing net book amount	<u>₩ 25,410</u>	<u>₩ 178,765</u>	<u>₩ 3,884</u>	<u>₩ 28,245</u>	<u>₩ 2,919,950</u>

<sup>1</sup> During the year ended December 31, 2021, ₩ 34,142 million was reclassified from property, plant and equipment to investment property, and the amount of ₩ 4,066 million classified as a group of assets held for sale is included.

<sup>2</sup> During the year ended December 31, 2021, impairment testing was conducted for cash-generating units of AMOREPACIFIC AUSTRALIA PTY LTD. and Espoir Corporation as the Group identified the indication of impairment such as decrease in the entities' operating profits. The amount of impairment loss recognized for property, plant and equipment amounts to ₩ 1,492 million and ₩ 9,554 million of impairment loss was recognized for each individual asset.

<sup>3</sup> During the year ended December 31, 2021, some of the acquisition tax in relation to the construction of the new building were refunded. The amount of refund is ₩ 8,031 million on land.

Depreciation of property, plant and equipment is charged to the following accounts for the years ended 2022 and 2021:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Selling and administrative expenses <sup>1</sup>	₩ 96,451	₩ 135,043
Cost of sales	72,630	75,913
	<u>₩ 169,081</u>	<u>₩ 210,957</u>

<sup>1</sup> The amount includes depreciation expense allocated to research and development expense.

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**11. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Goodwill</b>	<b>Industrial property</b>	<b>Software</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 503,790	₩ 32,674	₩ 127,440	₩ 39,533	₩ 703,437
Acquisition	-	221	16,676	23,201	40,098
Reclassification	-	3,537	7,147	(10,684)	-
Disposal	(4,067)	(2)	(1,229)	(855)	(6,153)
Amortization	-	(4,449)	(36,863)	(272)	(41,584)
Impairment loss	-	-	(24)	(1,162)	(1,186)
Changes of the scope of consolidation <sup>1</sup>	110,250	49,410	539	23,559	183,758
Exchange differences	(12,978)	(5,823)	(186)	(3,006)	(21,993)
Ending balance	<u>₩ 596,995</u>	<u>₩ 75,568</u>	<u>₩ 113,500</u>	<u>₩ 70,314</u>	<u>₩ 856,377</u>

<sup>1</sup> Presents the effect of inclusion to or exclusion from the scope of consolidation.

<i>(in millions of Korean won)</i>	<b>2021</b>				
	<b>Goodwill</b>	<b>Industrial property</b>	<b>Software</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 509,716	₩ 32,267	₩ 136,984	₩ 40,666	₩ 719,633
Acquisition	-	57	17,839	13,825	31,721
Reclassification	-	4,281	8,669	(12,945)	5
Disposal	(6,768)	(1)	(437)	(1,519)	(8,725)
Amortization	-	(3,800)	(37,441)	(171)	(41,412)
Impairment loss <sup>1</sup>	-	(130)	(237)	(227)	(594)
Exchange differences	842	-	2,063	(96)	2,809
Ending balance	<u>₩ 503,790</u>	<u>₩ 32,674</u>	<u>₩ 127,440</u>	<u>₩ 39,533</u>	<u>₩ 703,437</u>

<sup>1</sup> During the year ended December 31, 2021, impairment testing was conducted for cash-generating units of AMOREPACIFIC AUSTRALIA PTY LTD. and Espoir Corporation as the Group identified the indication of impairment such as decrease in the entities' operating profits. The amount of impairment loss recognized for intangible assets amounts to ₩ 463 million and ₩ 131 million of impairment loss was recognized for each individual assets.



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**11. Intangible Assets (cont'd)**

Amortization of intangible assets is charged to the following accounts for the years ended 2022 and 2021:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Selling and administrative expenses <sup>1</sup>	₩	38,627	₩	38,285
Cost of sales		2,957		3,126
	₩	<u>41,584</u>	₩	<u>41,412</u>

<sup>1</sup> Amortization expense is included in research and development expenses.

Management of the Group monitors the impairment of goodwill by cash-generating unit (CGU), the unit of goodwill management. The table below summarizes information on goodwill allocated to each operating segment as of December 31, 2022 and 2021:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Cosmetics CGU	₩	490,118	₩	493,511
AMOREPACIFIC Trading Co.,Ltd.		4,412		4,529
AMOREPACIFIC Vietnam LTD.		3,902		3,785
Tata's NATURAL ALCHEMY, LLC		97,264		-
Other CGU		1,299		1,965
	₩	<u>596,995</u>	₩	<u>503,790</u>

The recoverable amounts of all CGUs have been determined based on value-in-use calculations, and the key assumptions used for value-in-use calculations in 2022 are as follows:

<i>(in percentage, %)</i>	Cosmetics CGU	AMOREPACIFIC Trading Co.,Ltd.	AMOREPACIFIC Vietnam LTD.	Tata's NATURAL ALCHEMY, LLC
Weighted average cost of capital	10.56	11.4	14.0	11.3
Growth rate	1.00	1.0	0.0	0.0

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**12. Investment Property**

Details of investment property as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Land	₩ 134,811	₩ -	₩ 134,811	₩ 157,319	₩ -	₩ 157,319
Buildings	215,474	(35,487)	179,987	215,443	(29,535)	185,908
Right-of-use assets	233	(113)	120	1,993	(1,090)	904
	<u>₩ 350,518</u>	<u>₩ (35,600)</u>	<u>₩ 314,918</u>	<u>₩ 374,755</u>	<u>₩ (30,625)</u>	<u>₩ 344,130</u>

Changes in investment property for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			
	Land	Buildings	Right-of-use assets	Total
Beginning balance	₩ 157,319	₩ 185,908	₩ 904	₩ 344,131
Transfers <sup>1</sup>	(19,949)	-	(671)	(20,620)
Depreciation	-	(5,921)	(113)	(6,034)
Disposal	(2,709)	-	-	(2,709)
Others	(34)	-	-	(34)
Exchange differences	184	-	-	184
Ending balance	<u>₩ 134,811</u>	<u>₩ 179,987</u>	<u>₩ 120</u>	<u>₩ 314,918</u>

<sup>1</sup> During the year ended December 31, 2022, ₩19,949 million of land was transferred to non-current assets held for sale.

<i>(in millions of Korean won)</i>	2021			
	Land	Buildings	Right-of-use assets	Total
Beginning balance	₩ 161,905	₩ 160,120	₩ 1,268	₩ 323,293
Transfers <sup>1</sup>	1,023	33,119	-	34,142
Depreciation	-	(4,966)	(364)	(5,330)
Disposal	(3,936)	(2,365)	-	(6,301)
Others <sup>2</sup>	(2,672)	-	-	(2,672)
Exchange differences	999	-	-	999
Ending balance	<u>₩ 157,319</u>	<u>₩ 185,908</u>	<u>₩ 904</u>	<u>₩ 344,131</u>

<sup>1</sup> During the year ended December 31, 2021, ₩ 34,142 million of property, plant and equipment was transferred to investment property.

<sup>2</sup> During the year ended December 31, 2021, some of acquisition tax in relation to the construction of the new building were refunded, and the amount of refund is ₩ 2,672 million on land.

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**12. Investment Property (cont`d)**

The Group has contracts to provide operating leases for some of right-of-use assets and the carrying amount of the operating leases for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Acquisition cost	₩ 233	₩ 1,993
Accumulated depreciation	(112)	(1,089)
Carrying amount	<u>₩ 121</u>	<u>₩ 904</u>

Meanwhile, as of December 31, 2022 and 2021, the contractual future cash inflows expected to be received in relation to the providing operating leases for investment property are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Within one year	₩ 22,525	₩ 26,257
Later than one year but not later than five years	79,988	85,367
Later than five years	2,267	19,450
	<u>₩ 104,780</u>	<u>₩ 131,074</u>

The fair value of investment property as of December 31, 2022, is ₩ 456,853 million (2021: ₩ 444,489 million).

The amount recognized as income and expenses in relation to investment property are ₩ 24,582 million, (2021: ₩ 20,019 million) and ₩ 5,406 million (2021: ₩ 4,874 million) respectively, for the year ended December 31, 2022.

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**12. Investment Property (cont`d)**

Details of investment properties provided as collateral as of December 31, 2022 and 2021, are as follows:

<b>2022</b>						
<i>(in millions of Korean won)</i>	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>	
Land and buildings ₩	18,441	₩ 1,249	Deposits received	₩ 961	National Pension Service	
Land and buildings		151	Deposits received	116	National Human Rights Commission of Korea	
Buildings		50	Deposits received	50	Korea Fire Facility Association	
Buildings	14,605	3,594	Deposits received	3,594	Korea Workers' Compensation & Welfare Service	
Buildings		719	Deposits received	719	Korea Workers' Compensation & Welfare Service	
Buildings		658	Deposits received	658	Korea Workers' Compensation & Welfare Service	
Buildings	2,695	102	Deposits received	102	Hanwha General Insurance Co., Ltd.	
Buildings	14,210	78	Deposits received	78	SAMSUNG CLAIM ADJUSTMENT SERVICE CO.LTD.	
Buildings		78	Deposits received	78	DB MnS CO.Ltd.	
Buildings	30,216	3,218	Deposits received	3,218	Qualcomm CDMA Technologies Korea YH	

<b>2021</b>						
<i>(in millions of Korean won)</i>	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>	
Land and buildings ₩	18,866	₩ 1,249	Deposits received	₩ 961	National Pension Service	
Land and buildings		151	Deposits received	116	National Human Rights Commission of Korea	
Buildings		50	Deposits received	50	Korea Fire Facility Association	
Buildings	15,157	3,594	Deposits received	3,594	Korea Workers' Compensation & Welfare Service	
Buildings		719	Deposits received	719	Korea Workers' Compensation & Welfare Service	
Buildings		658	Deposits received	658	Korea Workers' Compensation & Welfare Service	
Buildings	2,867	102	Deposits received	102	Hanwha General Insurance Co., Ltd.	
Buildings	14,757	78	Deposits received	78	SAMSUNG CLAIM ADJUSTMENT SERVICE CO.LTD.	
Buildings	24,359	2,363	Deposits received	2,363	Qualcomm CDMA Technologies Korea YH	

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**13. Leases**

The Group has irrevocable lease contracts for some property, plant and equipment and the lease term is 1 to 40 years. Changes in right-of-use assets for the year ended December 31, 2022 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Land</b>	<b>Building</b>	<b>Fixtures and furniture</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 11,521	₩ 126,355	₩ 824	₩ 25,856	₩ 164,556
Acquisition	-	58,000	334	489	58,823
Changes of the scope of consolidation <sup>1</sup>	-	4,195	-	(18)	4,177
Remeasurement	240	1,863	327	540	2,970
Disposal	(189)	(11,736)	(102)	(100)	(12,127)
Reclassification	-	670	-	-	670
Amortization	(362)	(80,165)	(703)	(24,777)	(106,007)
Impairment loss	-	2,163	-	-	2,163
Exchange differences	(277)	966	(59)	1	631
Ending balance	<u>₩ 10,933</u>	<u>₩ 102,311</u>	<u>₩ 621</u>	<u>₩ 1,991</u>	<u>₩ 115,856</u>

<sup>1</sup> It presents the effect of inclusion to or exclusion from the scope of consolidation for the year ended December 31, 2022.

<i>(in millions of Korean won)</i>	<b>2021</b>				
	<b>Land</b>	<b>Building</b>	<b>Fixtures and furniture</b>	<b>Others</b>	<b>Total</b>
Beginning balance <sup>1</sup>	₩ 10,731	₩ 227,484	₩ 1,240	₩ 48,928	₩ 288,383
Acquisition	-	85,114	38	961	86,113
Remeasurement	(17)	(705)	230	639	147
Disposal	-	(16,946)	-	(104)	(17,050)
Amortization	(414)	(131,050)	(740)	(24,658)	(156,862)
Impairment loss <sup>1</sup>	-	(50,371)	(57)	(28)	(50,456)
Exchange differences	1,220	12,828	113	118	14,279
Ending balance	<u>₩ 11,521</u>	<u>₩ 126,355</u>	<u>₩ 824</u>	<u>₩ 25,856</u>	<u>₩ 164,556</u>

<sup>1</sup> During the year ended December 31, 2021, impairment testing was conducted for cash-generating units of AMOREPACIFIC AUSTRALIA PTY LTD. and Espoir Corporation as the Group identified the indication of impairment such as decrease in the entities' operating profits. The amount of impairment loss recognized for right-of-use assets amounts to ₩ 12,177 million and ₩ 38,279 million of impairment loss was recognized for each individual asset

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**13. Leases (cont'd)**

Allocation details of depreciation of right-of-use assets for the years ended 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Selling and administrative expenses	₩	105,036	₩	155,971
Cost of sales		971		891
		<u>106,007</u>		<u>156,862</u>

The total of future minimum lease payments to the lessor as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Total minimum lease payments				
Within one year	₩	72,271	₩	113,769
Later than one year but not later than five years		51,511		98,877
Later than five years		14,567		32,387
		<u>138,349</u>		<u>245,032</u>
Unearned finance income		<u>(12,045)</u>		<u>(23,430)</u>
Net minimum lease payments				
Within one year		70,640		110,128
Later than one year but not later than five years		46,926		93,208
Later than five years		8,737		18,266
	₩	<u>126,303</u>	₩	<u>221,603</u>

As of December 31, 2022, the sum of the total minimum lease payments that are expected to be received by sub-lease is ₩ 3,892 million (2021: ₩ 5,387 million). The lease contracts have no options of lease renewal and buyout. There are no other restrictions on lease contracts related to dividends, additional debts and additional leases.

The consolidated statement of comprehensive income shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Interest expense relating to lease liabilities	₩	6,946	₩	9,627
Lease payment for short-term leases		10,703		12,675
Lease payment for leases of low-value assets that are not short-term leases		4,642		4,289
Lease payment for variable lease payments not included in lease liabilities		489,882		770,831

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**13. Leases (cont'd)**

The total cash outflow of leases in 2022 and 2021 are ₩ 647,753 million and ₩ 973,717 million respectively.

The Group uses the following practical expedient permitted in the standard, with initially applying the amendment of KIFRS 1116:

- Do not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

The Group uses a practical expedient that does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Accordingly, the Group recognized ₩ 1,678 million in profit or loss during the year ended December 31, 2022 (2021: ₩ 10,182 million) to reflect changes in lease payments that arise from a rent concession to which the lessee has applied the practical expedient.

Details of financial lease receivables as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Financial lease receivables:		
Principal of the receivables:	₩ 3,864	₩ 5,373
Deferred loan subsidiary expenses (earnings)	(168)	(323)
Carrying amount	3,696	5,050
	<b>₩ 3,696</b>	<b>₩ 5,050</b>

The total lease investment and the present value of minimum lease payments of the finance leases provided as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	
	<b>Total lease investment</b>	<b>Present value of minimum lease payments</b>
Within one year	₩ 1,823	₩ 1,787
Later than one year but not later than five years	2,042	1,909
	<b>₩ 3,865</b>	<b>₩ 3,696</b>

<i>(in millions of Korean won)</i>	<b>2021</b>	
	<b>Total lease investment</b>	<b>Present value of minimum lease payments</b>
Within one year	₩ 1,711	₩ 1,677
Later than one year but not later than five years	3,662	3,373
	<b>₩ 5,373</b>	<b>₩ 5,050</b>

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**13. Leases (cont'd)**

The unearned interest income of the finance leases provided as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Total lease investment	₩	3,865	₩	5,373
Net lease investment				-
Present value of minimum lease payments		3,696		5,050
Present value of unguaranteed residual value		-		-
		<u>3,696</u>		<u>5,050</u>
Unearned interest income	₩	169	₩	323

**14. Non-current Assets Held-for-sale**

Details of non-current assets held-for-sale as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>			<b>2021</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>
Land	₩ 19,949	₩ -	₩ 19,949	₩ 3,588	₩ -	₩ 3,588
Buildings	-	-	-	1,838	(1,360)	478
	<u>₩ 19,949</u>	<u>₩ -</u>	<u>₩ 19,949</u>	<u>₩ 5,426</u>	<u>₩ (1,360)</u>	<u>₩ 4,066</u>

Changes in non-current assets held-for-sale for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Assets of disposal group<sup>2</sup></b>	<b>Liabilities of disposal group<sup>2</sup></b>	<b>Total</b>
Beginning balance	₩ 3,588	₩ 478	₩ -	₩ -	₩ 4,066
Transfers <sup>1</sup>	19,949	-	54,469	(10,443)	63,975
Impairment	-	-	(6,843)	-	(6,843)
Disposal	(3,588)	(478)	(47,626)	10,443	(41,249)
Ending balance	<u>₩ 19,949</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 19,949</u>

<sup>1</sup> Investment properties of the Group's overseas subsidiary, AMOREPACIFIC MANUFACTURING MALAYSIA SDN. BHD. were transferred to non-current assets held for sale.

<sup>2</sup> During the year ended December 31, 2022, the Group sold a 60% stake in Autajon Packaging Pacific Co., Ltd.



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**14. Non-current Assets Held-for-sale (cont`d)**

<i>(in millions of Korean won)</i>	2021				
	Land	Buildings	Assets of disposal group	Liabilities of disposal group	Total
Beginning balance	₩ 47,166	₩ 8,971	₩ 59,532	₩ (18,957)	₩ 96,712
Reclassification <sup>1</sup>	3,588	478	10,798	(1,508)	13,356
Disposal	(47,166)	(8,971)	(70,330)	20,465	(106,002)
Ending balance	₩ 3,588	₩ 478	₩ -	₩ -	₩ 4,066

<sup>1</sup> For the year ended December 31, 2021, Wonju office building (143-19, Dangu-dong, Wonju-si) was reclassified to non-current assets held-for-sale.

**15. Other Assets**

Other assets as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Accrued revenues	₩ 2,833	₩ -	₩ 1,205	₩ -
Advanced payments	9,624	-	22,477	-
Prepaid expenses	29,122	12,492	29,350	13,970
Prepaid value added tax	1,631	-	2,731	-
Others	3,512	-	2,761	-
	₩ 46,722	₩ 12,492	₩ 58,524	₩ 13,970

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**16. Borrowings**

Details of carrying amount of borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won, in EUR, USD, JPY, HKD, INR, AUD, AED, PHP, CAD)</i>	<b>Creditor</b>	<b>Interest rate(%), December 31, 2022</b>	<b>2022</b>	<b>2021</b>
<b>Short-term borrowings</b>				
Bank overdrafts of EUR 5,891,002 (2021: EUR 4,281,575)	KEB Hana Bank Paris Branch	EURIBOR 1M + 1.60	₩ 7,960	₩ 5,747
Loans for working capital of USD 45,500,000 (2021: USD 38,000,000)	DBS BANK LTD	Term SOFR + 1.22	57,662	45,049
Loans for working capital of JPY 1,800,000,000 (2021: JPY 1,700,000,000)	Bank of Tokyo-Mitsubishi UFJ, Ltd. Azabu Branch	Tibor6M + 0.2	17,157	17,514
Loans for working capital of EUR 7,000,000 (2021: EUR 7,000,000)	Citibank Europe PLC	MAX(EURIBOR 3M, 0) + 1.05	9,458	9,368
Loans for working capital of HKD - (2021: HKD 130,000,000)	DBS BANK LTD., HONG KONG BRANCH	HIBOR 3M + 0.85	-	19,764
Loans for working capital of EUR 3,000,000 (2021: EUR 3,000,000)	Citibank Europe PLC	MAX(EURIBOR 3M, 0) + 1.05	4,054	4,027
Loans for working capital of HKD 313,000,000 (2021: HKD 313,000,000)	CITI N.A HONG KONG	3.26	50,878	47,585
Loans for working capital of EUR 5,000,000 (2021: EUR 5,000,000)	KEB Hana Bank Paris Branch	MAX(EURIBOR 3M, 0) + 1.08	6,756	6,712
Loans for working capital of EUR 5,000,000 (2021: EUR -)	KEB Hana Bank Paris Branch	EURIBOR + 1.24	6,756	-
Loans for working capital of AUD 7,000,000 (2021: AUD 7,000,000)	Citibank N.A. Sydney Branch	BBSY 3M + 0.80	6,610	6,012
Loans for working capital of AED - (2021: AED 1,500,000)	Citibank N.A. United Arab Emirates	EIBOR 3M + 1.90	-	484
Loans for working capital of AED - (2021: AED 1,600,000)	Citibank N.A. United Arab Emirates	EIBOR 3M + 1.20	-	517
Loans for working capital of INR 45,000,000 (2021: INR 45,000,000)	Citibank N.A. India	1M T Bill + 2.00	690	717
Loans for working capital of USD 4,000,000 (2021: USD 5,300,000)	Citibank N.A. Indonesia	Term SOFR + 1.50	4,610	6,251
Loans for working capital of CAD 3,000,000 (2021: CAD 3,000,000)	Citibank N.A. Canadian Branch	CDOR 3M + 1.50	2,806	2,792
Loans for working capital of PHP 72,000,000 (2021: PHP 83,000,000)	Citibank N.A. Philippine Branch	COF + 1.50	1,634	1,928

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**16. Borrowings (cont`d)**

<i>(in millions of Korean won, in EUR, USD, JPY, HKD, INR, AUD, AED, PHP, CAD)</i>	<b>Creditor</b>	<b>Interest rate(%), December 31, 2022</b>	<b>2022</b>	<b>2021</b>
Loans for working capital of USD - (2021: USD 1,800,000)	Citibank Berhad	3M USD COF + 1.50	-	2,129
Loans for working capital of CNY 73,591,608 (2021: CNY -)	JPMORGAN CHASE BANK (CHINA) COMPANY, SHANGHAI BRANCH	LPR – 1.10	13,353	-
Loans for working capital of CNY 47,014,883 (2021: CNY -)	Citibank (China) Co., Ltd	1M CNY COF (2.33)	8,530	-
Facility loans	Korea Development Bank	(Industrial Financial Debentures 12M + 0.88)	-	5,600
Loans for working capital <sup>1</sup>	Korea Development Bank	(Industrial short - term loan 1M + 0.96)	-	2,000
Loans for working capital <sup>1</sup>	BNP Paribas S.A.	(CD 3M + 0.50)	8,000	6,000
Facility loans	Korea Development Bank	(CD 3M + 0.85)	16,000	16,000
Loans for working capital	Korea Development Bank	(Industrial Financial Debentures 12M + 1.03)	15,000	31,000
Loans for working capital	Woori Bank	(CD + 1.45)	-	10,000
Loans for working capital	BNP Paribas S.A.	(CD 3M + 0.6)	2,000	2,000
Loans for working capital	Korea Development Bank	(Key rate for short-term limit loan 1M + 1.11)	-	5,000
Loans for working capital	BNP Paribas S.A.	(CD 3M + 0.6)	500	3,000
Other loans	Nara Technology Corporation	4.60	500	500
			<u>W 240,914</u>	<u>W 257,724</u>

<sup>1</sup> Presents borrowings from Autajon Packaging Pacific Co., Ltd. which was excluded from the consolidated scope during the year ended December 31, 2022.

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**17. Provisions**

Details and changes of provisions for liabilities and charges for the years ended December 31, 2022 and 2021, are as follows:

	2022									
	Current					Non-current				
	Profit-sharing and bonuses	Accumulating compensated absences	Provision for restoration	Others	Total	Long-term employee benefits	Provision for restoration	Total		
<b>Beginning balance</b>	₩ 152	₩ 7,651	₩ 3,281	₩ 194	₩ 11,278	₩ 4,846	₩ 7,635	₩ 12,481		
<b>Increase</b>	28,081	428	-	226	28,735	572	1,411	1,983		
<b>Decrease</b>	(219)	(455)	(1,259)	(179)	(2,112)	(693)	(3,232)	(3,925)		
<b>Exchange differences</b>	(354)	(8)	-	2	(360)	-	179	179		
<b>Changes in consolidated scope<sup>1</sup></b>	(153)	(132)	-	(175)	(460)	(87)	-	(87)		
<b>Ending balance</b>	₩ 27,507	₩ 7,484	₩ 2,022	₩ 68	₩ 37,081	₩ 4,638	₩ 5,993	₩ 10,631		

<sup>1</sup> Presents the carrying amount of items as of the date when Autajon Packaging Pacific Co., Ltd. was excluded from the consolidation scope in the year ended December 31, 2022.

	2021									
	Current					Non-current				
	Profit-sharing and bonuses	Accumulating compensated absences	Provision for restoration	Others	Total	Long-term employee benefits	Provision for restoration	Total		
<b>Beginning balance</b>	₩ -	₩ 6,962	₩ 1,169	₩ 2,162	₩ 10,293	₩ 9,609	₩ 10,952	₩ 20,561		
<b>Increase</b>	3,131	1,000	2,148	168	6,447	15	215	230		
<b>Decrease</b>	(2,912)	(205)	(36)	(2,215)	(5,368)	(4,778)	(4,108)	(8,886)		
<b>Reclassification</b>	(67)	(106)	-	-	(173)	-	-	-		
<b>Exchange differences</b>	-	-	-	79	79	-	576	576		
<b>Ending balance</b>	₩ 152	₩ 7,651	₩ 3,281	₩ 194	₩ 11,278	₩ 4,846	₩ 7,635	₩ 12,481		

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**18. Contract Liabilities**

Changes in contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

	2022					
	Customer loyalty program		Advances from customers		Total	
Beginning balance	₩	25,002	₩	15,480	₩	40,482
Decrease		(821)		(673)		(1,494)
Ending balance	₩	24,181	₩	14,807	₩	38,988

*(in millions of Korean won)*

	2021					
	Customer loyalty program		Advances from customers		Total	
Beginning balance	₩	31,462	₩	15,568	₩	47,030
Decrease		(6,460)		(88)		(6,548)
Ending balance	₩	25,002	₩	15,480	₩	40,482

**19. Other Liabilities**

Other liabilities as of December 31, 2022 and 2021, are as follows:

	2022				2021			
	Current		Non-current		Current		Non-current	
Withholdings	₩	13,566	₩	-	₩	40,252	₩	-
Value added tax withheld		22,201		-		43,582		-
Advances from customers		10,297		-		4,564		-
Deposits received		12,145		9,142		10,156		11,097
Accrued expenses		127,364		347		175,412		427
Dividends payable		566		-		534		-
Refund liabilities		8,691		-		8,145		-
Others		7,538		122		5,379		12,786
	₩	202,368	₩	9,611	₩	288,024	₩	24,310

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**20. Retirement Benefits**

**20.1 Defined Benefit Plan**

Details of net defined benefit liabilities (assets) recognized in the statements of financial position as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Present value of funded defined benefit obligations	₩ 433,287	₩ 440,543
Present value of unfunded defined benefit obligations	4,643	4,059
Total	437,930	444,602
Fair value of plan assets	(643,190)	(550,136)
Net defined benefit liabilities (assets)	₩ (205,260)	₩ (105,534)

Changes in the defined benefit obligations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	₩ 444,602	₩ 410,776
Current service cost	42,202	35,801
Interest expense	15,141	10,818
Remeasurements:		
Actuarial loss from change in demographic assumptions	2,588	718
Actuarial loss (gain) from change in financial assumptions	(68,863)	41,406
Actuarial loss from experience adjustments	49,389	26,460
Exchange differences	17	25
Payments from plans:		
Benefit payments	(43,717)	(81,260)
Others <sup>1</sup>	(3,429)	(142)
Ending balance	₩ 437,930	₩ 444,602

<sup>1</sup> Others presents the carrying amount of Autajon Packaging Pacific Co., Ltd. which was excluded from the consolidated scope during the year ended December 31, 2022.

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**20.1 Defined Benefit Plan (cont`d)**

Changes in the fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Beginning balance	₩	550,136	₩	541,822
Interest income		19,218		15,052
Remeasurements:				
Return on plan assets		(8,905)		(5,750)
Contributions:				
Employers		128,600		80,160
Payments from plans:				
Benefit payments		(41,808)		(81,188)
Others <sup>1</sup>		(4,051)		40
Ending balance <sup>2</sup>	₩	643,190	₩	550,136

<sup>1</sup> Others presents the carrying amount of Autajon Packaging Pacific Co., Ltd. which was excluded from the consolidated scope during year ended December 31, 2022.

<sup>2</sup> As of December 31, 2022, the obligation to pay has been confirmed, but the unpaid amount has been included in the benefit payments.

The significant actuarial assumptions as of December 31, 2022 and 2021, are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	3.66~6.34%	3.34~4.05%
Salary growth rate	4.00%	4.00%

The sensitivity analyses of the defined benefit obligations to changes in the principal assumptions are as follows:

	<b>Impact on defined benefit obligation</b>		
	<b>Changes in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	1.00%P	7.43% decrease	4.43% increase
Salary growth rate	1.00%P	4.50% increase	7.59% decrease

The defined benefit liabilities are exposed to a significant risk on changes in the corporate bond yields rate.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant; however, in practice, multiple assumptions fluctuate in conjunction with each other. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions

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**20.1 Defined Benefit Plan (cont`d)**

is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Plan assets as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Unquoted price</b>	<b>Composition (%)</b>	<b>Unquoted price</b>	<b>Composition (%)</b>
Deposits	₩ 643,190	100.0	₩ 550,136	100.0

The weighted average maturity of the defined benefit obligation is 6.5 years and expected maturity analysis of undiscounted pension benefits for the next 10 years as of December 31, 2022, is as follows:

<i>(in millions of Korean won)</i>	<b>Less than 1 year<sup>1</sup></b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Total</b>
Pension benefits	₩ 68,880	₩ 47,898	₩ 160,099	₩ 303,711	₩ 580,588

<sup>1</sup> Pension benefits for less than 1 year do not include payable amount for retirees as of the end of December.

The Group reviews the funding level on an annual basis and has a policy to contribute in the fund.

Expected contributions to retirement benefit plans for the year ending December 31, 2023 are ₩ 55,399 million (2022: ₩ 52,137 million).

**20.2 Defined Contribution Plan**

The expense recognized in the current period in relation to defined contribution plan was ₩ 804 million (2021: ₩ 532 million).



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**21. Share Capital and Share Premium**

Share capital and share premium as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Ordinary shares	₩	41,229	₩	41,229
Preferred shares <sup>1</sup>		6,768		6,768
	₩	47,997	₩	47,997

<sup>1</sup> The types and contents of preferred shares issued by the Group as of December 31, 2022 are as follows:

Type	Dividend rate	Number of shares	Remarks
Preferred shares	Ordinary share dividend rate+1%	6,443,770	Non-participating, Non-cumulative
Convertible preferred shares <sup>1</sup>	Preferred share dividend rate <sup>2</sup>	7,092,200	Participating, cumulative

<sup>1</sup> Convertible preferred share newly issued in 2019 were issued with a par value of ₩ 500 and an issue price of ₩ 33,350. After 10 years of issuance, they will be converted into ordinary shares of AMOREPACIFIC Group, Inc. (7,092,200 shares to be issued after conversion). (However, if the prescribed dividend is not paid during that period, the period will be extended until the prescribed dividend is paid.)

<sup>2</sup> The preferential dividend of the newly issued convertible preferred shares shall be calculated by multiplying the par value by the preferential dividend rate, and the preferential dividend rate shall be as follows:

2019.01.01 ~ 12.31 : (issue price per share / par value per share) X 2.50%  
 2020.01.01 ~ 12.31 : (issue price per share / par value per share) X 2.25%  
 2021.01.01 ~ : (issue price per share / par value per share) X 2.00%

However, if the dividend calculated according to the above preferential dividend rate after January 1, 2019 is less than the dividend of ₩ 15 added to the dividend per share of ordinary shares, the dividend of ₩ 15 added to the dividend per share of ordinary shares shall be the preferred dividend per share of new shares.

Changes in share capital and share premium for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Ordinary shares</b>		<b>Preferred shares</b>		<b>Share premium</b>		<b>Total</b>	
As of January 1, 2021	₩	41,229	₩	6,768	₩	903,711	₩	951,708
As of December 31, 2021		41,229		6,768		903,711		951,708
As of January 1, 2022		41,229		6,768		903,711		951,708
As of December 31, 2022	₩	41,229	₩	6,768	₩	903,820	₩	951,817

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**22. Other Components of Equity and Accumulated Other Comprehensive Income**

Other components of equity as of December 31, 2022 and 2021, consist of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Treasury shares <sup>1</sup>	₩ (189,537)	₩ (189,700)
Share-based payments <sup>2</sup>	323	930
Capital adjustments	(5,882)	(6,333)
	<u>₩ (195,096)</u>	<u>₩ (195,103)</u>

<sup>1</sup> Represents 6,203,589 ordinary shares (2021: 6,208,915 shares) and 62,463 preferred shares of treasury shares (2021: 62,463 shares) as of December 31, 2022 and 2021.

<sup>2</sup> Recognized as compensation for labor services of employees.

Accumulated other comprehensive income as of December 31, 2022 and 2021, consists of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Loss on valuation of financial assets at fair value through other comprehensive income	₩ 40,732	₩ (5,462)
Exchange differences on transaction of foreign operations	(8,506)	3,545
Share of other comprehensive income of associates	(1,137)	(645)
	<u>₩ 31,089</u>	<u>₩ (2,562)</u>

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**22. Other Components of Equity and Accumulated Other Comprehensive Income (cont`d)**

Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Beginning balance</b>	<b>Increase (decrease)</b>	<b>Reclassification to retained earnings</b>	<b>Transfer to non-controlling interest</b>	<b>Ending balance</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (5,462)	₩ 42,650	₩ 3,514	₩ 30	₩ 40,372
Exchange differences on transaction of foreign operations	3,545	(31,920)	-	19,869	(8,506)
Share of other comprehensive income of associates	(645)	(265)	-	(227)	(1,137)
	<u>₩ (2,562)</u>	<u>₩ 10,465</u>	<u>₩ 3,514</u>	<u>₩ 19,672</u>	<u>₩ 31,089</u>

  

<i>(in millions of Korean won)</i>	<b>2021</b>				
	<b>Beginning balance</b>	<b>Increase</b>	<b>Reclassification to retained earnings</b>	<b>Transfer to non-controlling interest</b>	<b>Ending balance</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (5,938)	₩ 308	₩ 274	₩ (106)	₩ (5,462)
Exchange differences on transaction of foreign operations	(7,009)	31,359	-	(20,806)	3,545
Share of other comprehensive income of associates	(700)	227	-	(172)	(645)
	<u>₩ (13,647)</u>	<u>₩ 31,895</u>	<u>₩ 274</u>	<u>₩ (21,084)</u>	<u>₩ (2,562)</u>

Changes in financial assets at fair value through other comprehensive income are the amount deducted after tax effect.

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**23. Share-based Payments**

The Group has a share-based compensation system in which treasury shares are paid to its employees, and the main details are as follows:

a) Selective stock option

	<b>Details</b>	<b>Vesting conditions</b>	<b>Payment period</b>
Long-term executive incentive	Payment of treasury shares corresponding to the committed payout rate based on the achievement rate for mid- and long-term performance goals to the qualifying executives. However, the company can choose the payment method (treasury shares or cash)	- Service period: 2 years (Payment in proportion to the service periods of executives who provided services more than 2 years) - Conditions for achieving mid- to long-term performance: Determining the quantity paid in proportion to the achievement rate	Installment payment: 50% in 2022, 25% in 2023, and 25% in 2024

b) Treasury share payment

	<b>Details</b>	<b>Vesting conditions</b>	<b>Payment period</b>
Other long-term employee benefits <sup>1</sup>	Payment of treasury shares by calculating the number of shares corresponding to the value of 10 golds to employees who provided services for 10 years.	Service period: 10 years	Payment to the qualifying employees every year from 2022 Payment in August 2022
Rewards for purchase of treasury shares	Grant of treasury shares to employees by calculating the number of shares, corresponding to resources of 5% of growth profit based on management accounting standards, comparing to those of prior year. However, it is granted only to the employees who purchased treasury shares, and the reward ratio is 2:1 (the number of shares purchased : shares reward).	- Payment in proportion to service period based on the year (fiscal periods for resource calculation) - Targeting Share Buyback Employees	Payment in May, November 2022

<sup>1</sup> Estimation based on actuarial valuation.

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**23. Share-based Payments (cont'd)**

c) Performance-linked stock payment

	<b>Details</b>	<b>Vesting conditions</b>	<b>Payment period</b>
Compensation for executive <sup>2</sup>	Payment of treasury stocks corresponding to the agreed payment rate to the target executive based on the achievement rate calculated by using the Company performance and individual contribution. The Company may choose to pay either in stock or cash.	Service period: proportional to service period in the relevant management cycle (~June 2024)	Installment payment: 50% in 2024, 25% in 2025, and 25% in 2026

<sup>2</sup> In accordance with performance-linked stock compensation, 50% of compensation is paid in cash according to the base stock price after two years from the beginning date of the grant year, and the fair value of the base stock price to be paid in the future is revalued at the semi-annual closing price every year.

The effect of share-based compensation system as of December 31, 2022 and 2021 is as follow:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Equity :				
Other components of equity	₩	323	₩	930
Long-term executive incentive <sup>1</sup>		230		866
Other long-term employee benefits <sup>2</sup>		73		64
Rewards for purchase of treasury shares <sup>3</sup>		-		-
Compensation for executive <sup>4</sup>		20		-
Liabilities :				
Provision for compensation for executive		546		-
Compensation for executive <sup>4</sup>		546		-
	₩	869	₩	930

<sup>1</sup> For the year ended December 31, 2022, 1,365 treasury shares are paid as long-term executive incentive and 4,736 share options are exercised to be paid in cash under the Company's share-based compensation system. As of December 31, 2022, 4,596 share options outstanding remain unexercised.

<sup>2</sup> For the year ended December 31, 2022, 595 treasury shares are paid as other long-term employee benefits under the Company's share-based compensation system and ₩ 38 million is recognized in the consolidated statements of comprehensive income as expenses related thereto.

<sup>3</sup> For the year ended December 31, 2022, 1,813 treasury shares are paid as rewards for purchase of treasury shares.

<sup>4</sup> For the year ended December 31, 2022, ₩ 566 million of expenses related to 583 share options to be paid in treasury shares and 6,821 share options to be paid in cash are recognized in profit or loss.

In addition to the share-based payments stated above, 1,554 treasury shares are paid to the Company's employees as performance-based bonuses for the year ended December 31, 2022, and ₩ 66 million was recognized in the consolidated statements of comprehensive income as expenses related thereto.

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**24. Retained Earnings**

Retained earnings as of December 31, 2022 and 2021, consist of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Legal reserves <sup>1</sup>	₩ 28,615	₩ 28,615
Discretionary reserves	739,337	739,337
Retained earnings before appropriation	<u>2,013,823</u>	<u>1,993,913</u>
	<u>₩ 2,781,775</u>	<u>₩ 2,761,864</u>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

**25. Dividends**

The dividends paid for the years ended December 31, 2022 and 2021, are as follows:

	<b>2022</b>			<b>2021</b>		
	<b>Ordinary shares</b>	<b>Preferred shares</b>	<b>Convertible preferred shares</b>	<b>Ordinary shares</b>	<b>Preferred shares</b>	<b>Convertible preferred shares</b>
Dividends paid	₩ 34,312 million	₩ 2,903 million	₩ 4,730 million	₩ 17,537 million	₩ 1,500 million	₩ 5,326 million
Dividends per share (in Korea won)	450	455	667	230	235	751

Dividends in respect of the year ended December 31, 2022, of ₩ 205 per ordinary share and ₩ 210 per preferred share, ₩ 667 per convertible preferred shares amounting to a total dividend of ₩ 15,632 million on ordinary shares, ₩ 1,340 million on preferred shares and ₩ 4,730 million on convertible preferred shares are to be proposed at the annual general shareholders' meeting on March 17, 2023. These financial statements do not reflect these dividend payables.

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**26. Tax Expense and Deferred Tax**

Income tax expense for the years ended December 31, 2022 and 2021, consists of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current tax	₩ 90,832	₩ 140,000
Deferred tax	<u>48,324</u>	<u>(2,405)</u>
Income tax expense	<u>₩ 139,156</u>	<u>₩ 137,595</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit before income tax expense	<u>₩ 288,378</u>	<u>₩ 429,574</u>
Tax at domestic tax rates applicable to profits in the respective countries	₩ 123,407	₩ 106,019
Tax effects of:		
Income not subject to tax	(35,956)	(8,158)
Expenses not deductible for tax purposes	11,269	14,732
Changes in previously unrecognized deferred tax	11,477	8,516
Tax credits	(3,272)	(1,987)
Adjustments in respect of prior years	5,924	23,477
Others	<u>26,307</u>	<u>(5,004)</u>
Income tax expense	<u>₩ 139,156</u>	<u>₩ 137,595</u>

The weighted average applicable tax rate of the Group for the year ended December 31, 2022 is 48.3% (2021: 32.0%).

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**26. Tax Expense and Deferred Tax (cont'd)**

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2022 and 2021, is as follows:

(in millions of Korean won)

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of available-for-sale assets	₩ 53,803	₩ (11,153)	₩ 42,650	₩ 405	₩ (97)	₩ 308
Remeasurements of net defined benefit obligations	7,960	(1,591)	6,369	(74,333)	16,700	(57,633)
Share of other comprehensive income (loss) of associates	99	(365)	(266)	227	-	227
Exchange differences on transaction of foreign operations	(31,920)	-	(31,920)	31,359	-	31,359
	<u>₩ 29,942</u>	<u>₩ (13,109)</u>	<u>₩ 16,833</u>	<u>₩ (42,342)</u>	<u>₩ 16,603</u>	<u>₩ (25,739)</u>

The changes in deferred tax assets and liabilities during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in millions of Korean won)

	2022					
	Beginning balance	Transfer of business	Statement of profit or loss	Other comprehensive income	Exchange differences	Ending balance
Deferred tax assets(liabilities)						
Trade receivables	₩ 1,051	₩ -	₩ 7,343	₩ -	₩ (392)	₩ 8,002
Inventories	20,188	-	(5,577)	-	68	14,679
Lease liabilities	29,758	-	(11,455)	-	181	18,484
Property, plant and equipment	(56,083)	-	5,064	-	(62)	(51,081)
Intangible assets	(2,151)	(17,738)	(1,131)	-	444	(20,576)
Financial assets at fair value through other comprehensive income	2,735	-	(1,553)	(11,153)	-	(9,971)
Investments in subsidiaries	(21,117)	-	(25,521)	(365)	-	(47,003)
Contract liabilities	5,974	-	(751)	-	(28)	5,195
Retirement benefit obligations	83,825	-	(1,810)	(3,564)	3	78,454
Accrued expenses	44,463	-	(14,009)	-	(429)	30,025
Tax loss carryforwards	4,995	-	1,572	-	(362)	6,205
Plan assets	(118,568)	-	(7,260)	1,973	-	(123,855)
Right-of-use assets	(21,118)	-	383	-	157	(20,578)
Others	(9,845)	-	6,381	-	(6)	(3,470)
	<u>₩ (35,893)</u>	<u>₩ (17,738)</u>	<u>₩ (48,324)</u>	<u>₩ (13,109)</u>	<u>₩ (426)</u>	<u>₩ (115,490)</u>



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**26. Tax Expense and Deferred Tax (cont`d)**

(in millions of Korean won)

	2021				
	Beginning balance	Statement of profit or loss	Other comprehensive income	Exchange differences	Ending balance
Deferred tax assets(liabilities)					
Trade receivables	₩ 3,323	₩ (2,463)	₩ -	₩ 191	₩ 1,051
Inventories	17,849	2,220	-	119	20,188
Lease liabilities	646	28,183	-	929	29,758
Property, plant and equipment	(64,485)	7,870	-	532	(56,083)
Intangible assets	(3,492)	1,585	-	(244)	(2,151)
Financial assets at fair value through other comprehensive income	2,226	606	(97)	-	2,735
Investments in subsidiaries	(20,268)	(770)	-	(79)	(21,117)
Contract liabilities	7,320	(1,654)	-	308	5,974
Retirement benefit obligations	68,177	204	15,442	2	83,825
Accrued expenses	36,161	3,969	-	4,333	44,463
Tax loss carryforwards	21,028	(17,190)	-	1,157	4,995
Plan assets	(110,138)	(9,688)	1,258	-	(118,568)
Right-of-use assets	(171)	(20,350)	-	(597)	(21,118)
Others	(20,029)	9,883	-	301	(9,845)
	<u>₩ (61,853)</u>	<u>₩ 2,405</u>	<u>₩ 16,603</u>	<u>₩ 6,952</u>	<u>₩ (35,893)</u>

Deferred tax assets are recognized for tax loss and credit carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of ₩ 602,880 million in respect of losses that can be carried forward against future taxable income.

The maturity of unused tax losses are as follows:

	Tax losses	
(in millions of Korean won)		
2023 ~ 2024	₩	50,471
2025 ~ 2039		330,492
No maturity		221,917
	<u>₩</u>	<u>602,880</u>

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**26. Tax Expense and Deferred Tax (cont`d)**

The temporary differences from the subsidiaries whose disposal is not in the foreseeable future were not recognized because of the uncertainty in realizability of the deferred tax assets (liabilities), and the amount as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Taxable temporary differences	₩	(264,559)	₩	(267,050)
Deductible temporary differences		122,409		123,656
	₩	(142,150)	₩	(143,394)

**27. Revenue**

Revenue for the years ended December 31, 2022 and 2021 consist of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Sales of goods	₩	4,430,840	₩	5,263,823
Rendering of services		30,479		33,796
Others				
Rental income		24,582		20,019
Royalty income		27		107
Others		9,029		8,335
		33,638		28,461
	₩	4,494,957	₩	5,326,080

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**28. Expenses by Nature**

Classification based on the nature of expenses for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Changes in inventories	₩ 82,853	₩ (64,367)
Purchase of raw materials and merchandise	946,770	1,123,292
Employee benefit expense	836,075	911,072
Depreciation and amortization <sup>1</sup>	322,706	414,468
Advertising expense	547,895	660,735
Service fees	477,447	553,892
Distribution commission	579,122	866,205
Other expenses	430,188	504,613
Total <sup>2</sup>	<u>₩ 4,223,056</u>	<u>₩ 4,969,909</u>

<sup>1</sup> Depreciation of investment properties and right-of-use assets is included.

<sup>2</sup> The amount represents sum of cost of sales and selling and administrative expenses in the statements of comprehensive income.

**29. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Salaries and retirement benefits	₩ 553,600	₩ 638,226
Employee benefits	115,572	96,999
Advertising expense	547,895	660,735
Depreciation and amortization <sup>1</sup>	237,626	326,104
Service fees	401,769	452,948
Distribution commission	579,122	866,205
Freight expense	137,171	133,486
Taxes and dues	25,442	30,163
Research and development	98,631	105,555
Other	178,442	197,922
	<u>₩ 2,875,270</u>	<u>₩ 3,508,343</u>

<sup>1</sup> Depreciation of investment properties and right-of-use assets is included.

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**30. Finance Income and Costs**

Finance income and costs for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Finance income		
Interest income	₩ 15,084	₩ 9,060
Interest income - others	999	1,235
Gain on valuation and disposal of financial assets at fair value through profit or loss	36,237	10,605
Gain on valuation of financial liabilities	192	161
	<u>₩ 52,512</u>	<u>₩ 21,061</u>
Finance costs		
Interest expense	₩ (7,621)	₩ (4,670)
Interest expense - others	(6,970)	(9,653)
Loss on valuation and disposal of financial assets at fair value through profit or loss	(43,344)	-
	<u>₩ (57,935)</u>	<u>₩ (14,323)</u>

**31. Other Non-operating Income (Loss)**

Other non-operating income (loss) for the years ended December 31, 2022 and 2021 consist of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Other non-operating income		
Gain on foreign currency transactions	₩ 72,510	₩ 39,030
Gain on foreign currency translation	3,842	8,505
Gain on disposal of property, plant and equipment	355	1,042
Reversal on impairment loss of property, plant and equipment	981	-
Gain on disposal of intangible assets	1,298	251
Gain on disposal of right-of-use assets	15,302	1,147
Reversal on impairment loss of right-of-use assets	2,399	-
Gain on disposal of non-current assets held-for-sale	3,323	95,566
Dividend income	9	96
Others	18,045	37,523
	<u>118,064</u>	<u>183,160</u>
Other non-operating loss		
Loss on foreign currency transactions	(23,381)	(12,258)

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**31. Other Non-operating Income (Loss) (cont'd)**

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Loss on foreign currency translation	(28,354)	-
Loss on disposal of property, plant and equipment	(7,256)	(11,392)
Impairment loss on property, plant and equipment	-	(11,359)
Loss on disposal of intangible assets	(2,002)	(1,334)
Impairment loss on intangible assets	(1,186)	(594)
Loss on disposal of investment property	-	(2,077)
Loss on disposal of right-of-use assets	(850)	(245)
Impairment loss on right-of-use assets	(237)	(50,143)
Impairment losses of right-of-use assets	(6,843)	-
Donations	(15,035)	(13,980)
Others	(22,822)	(18,775)
	<u>(107,966)</u>	<u>(122,155)</u>
	<u>₩ 10,098</u>	<u>₩ 61,004</u>

**32. Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares (see Note 22).

Basic earnings per ordinary share for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Parent Company	₩ 62,237	₩ 179,995
Profit attributable to ordinary shares	50,080	151,630
Weighted average number of ordinary shares outstanding (unit: shares)	76,252,614	76,249,265
Basic earnings per ordinary share (in Korean won)	657	1,989

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**32. Earnings per Share (cont'd)**

Basic earnings per preferred share<sup>1</sup> for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Parent Company	₩ 62,237	₩ 179,995
Profit attributable to preferred shares	4,223	12,722
Weighted average number of preferred shares outstanding (unit: shares)	6,381,307	6,381,307
Basic earnings per preferred share (in Korean won)	662	1,994

<sup>1</sup> The preferred share is determined as an ordinary share with a different dividend rate (annually 1% additional dividends) from other types of ordinary share and therefore, it is included in the calculation of basic earnings per share.

Diluted earnings per ordinary share for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won and in shares)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to the ordinary equity holders of the Parent Company	₩ 62,237	₩ 179,995
Profit attributable to ordinary shares	50,080	151,630
Weighted average number of diluted ordinary shares outstanding (unit: shares)	76,259,655	76,266,900
Diluted earnings per ordinary shares (in Korean won)	₩ 657	₩ 1,988

Calculation basis of weighted average number of dilutive ordinary shares to calculate diluted earnings per share for the years ended December 31, 2022 and 2021, are as follows:

<i>(in shares)</i>	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares outstanding	76,252,614	76,249,265
The effect of exercising share-based compensation	7,041	17,635
Weighted average number of diluted ordinary shares outstanding	76,259,655	76,266,900

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has a dilutive potential ordinary share: convertible preferred shares. The convertible preferred shares is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the dividend and the net profit belong to the convertible preferred shares. Since there is no dilutive potential ordinary shares in 2022, diluted earnings per share is identical to the earnings per share.

The Group did not issue any potential preferred shares; thus, basic earnings per share is identical to diluted earnings per share for the years ended December 31, 2022 and 2021.

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**33. Cash Flows Generated from Operating Activities**

Details of cash flows generated from operation activities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit for the year	₩ 149,222	₩ 291,979
Adjustments for:	573,951	601,980
Finance cost, net	(1,831)	3,844
Loss (gain) on foreign currency translation, net	24,513	(8,505)
	(1,454)	-
Depreciation and amortization <sup>1</sup>	322,705	414,560
Loss on disposal of property, plant and equipment and intangible assets	7,605	11,433
Impairment loss on property, plant and equipment and intangible assets	205	11,640
Gain on disposal of right-of-use assets	(14,452)	(902)
Impairment loss on right-of-use assets	(2,162)	50,456
Loss on disposal of investment property	-	2,075
Impairment loss on investment property	4,276	-
Gain on disposal of non-current assets held-for-sale	(3,323)	(107,133)
Impairment loss on non-current assets held-for-sale	6,843	-
Loss (gain) on valuation and disposal of financial assets at fair value through profit or loss	8,967	(8,986)
Income tax expense	139,156	137,595
Share of profit of associates	₩ (11,802)	₩ (5,660)
Share-based payments for employees	-	16,984
Retirement benefits	38,125	31,568
Loss on valuation and disposal of inventories	47,066	58,231
Others	9,514	(5,220)
Changes in assets and liabilities from operating activities	(386,316)	(101,325)
Increase in trade receivables	(3,718)	(15,318)
Increase in other receivables	(2,511)	838
Decrease (increase) in inventories	47,475	(123,011)
Decrease in other assets	11,796	29,664
Increase (decrease) in trade payables	(46,801)	22,055
Increase (decrease) in other payables	(198,380)	39,727
Increase (decrease) in provisions	24,919	(7,358)
Increase (decrease) in other liabilities	(87,093)	38,858
Decrease in contract liabilities	(1,494)	(6,548)
Retirement benefits payment	(43,717)	(81,260)
Decrease (increase) in plan assets	(86,792)	1,028
Cash generated from operations	<u>₩ 336,857</u>	<u>₩ 792,634</u>

<sup>1</sup> Depreciation of investment properties and right-of-use assets is included.

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**33. Cash Flows Generated from Operating Activities (cont'd)**

Significant transactions not affecting cash flows for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Transfer of construction in-progress to property, plant and equipment	₩	28,159	₩	8,741
Transfer of asset in development to intangible assets		10,684		12,945
Transfer of investment property to right-of-use assets		670		-
Transfer of property, plant and equipment to investment property		-		34,142
Transfer of property, plant and equipment to assets held-for-sale		19,949		4,066
Increase in right-of-use assets as recognition of lease liabilities		53,418		69,183
Changes in non-trade payables related to the acquisition of property, plant and equipment and intangible assets		(402)		19,893
Reconciliation of financial instruments <sup>1</sup>		31,889		-
Current portion of non-current financial assets at fair value through profit or loss		12,417		-

<sup>1</sup> During the year ended December 31, 2022, Milk Makeup was merged into Waldencast and investments in the entity were reclassified from financial assets at fair value through profit or loss to financial assets at fair value through other comprehensive income.

Changes in liabilities arising from financial activities for the year ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Short-term borrowings</b>		<b>Lease liabilities</b>		<b>Total</b>	
As of January 1, 2021	₩	257,460	₩	336,683	₩	594,143
Lease agreements		-		53,902		53,902
Cash flows (interest expense)		-		(9,627)		(9,627)
Cash flows (principal)		(8,796)		(176,295)		(185,091)
Exchange differences		9,060		16,941		26,001
As of December 31, 2021	₩	257,724	₩	221,603	₩	479,327
As of January 1, 2022	₩	257,724	₩	221,603	₩	479,327
Lease agreements		-		43,665		43,665
Cash flows (interest expense)		-		(6,946)		(6,946)
Cash flows (principal)		(12,620)		(135,580)		(148,200)
Exchange differences		1,710		3,585		5,295
Variation of consolidated scope		(5,900)		(24)		(5,924)
As of December 31, 2022	₩	240,914	₩	126,303	₩	367,217



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**34. Commitments and Contingencies**

Significant commitments entered into with financial institutions as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won and thousands of USD, EUR, HKD, JPY, AUD, CAD, AED, INR and PHP)</i>	Financial institution	Commitment	2022		2021	
			Limit	Outstanding balance	Limit	Outstanding balance
AMOREPACIFIC CORPORATION	Woori Bank	Electronic loan agreement	₩ 2,000	₩ 41	₩ 6,000	₩ 30
		Letter of credit	USD 2,000	15	USD 3,000	-
Etude Corporation	Korea Development Bank	Operating fund loan agreement	15,000	15,000	35,000	31,000
	Woori Bank	Operating fund loan agreement	15,000	-	17,000	10,000
Espoir Corporation	BNP Paribas S.A.	Corporate working capital loan agreement	2,000	2,000	2,000	2,000
	BNP Paribas S.A.	Corporate working capital loan agreement	3,000	500	3,000	3,000
	Korea Development Bank	Operating fund loan agreement	10,000	-	5,000	5,000
AMOS Professional Corporation	Woori Bank	Electronic loan agreement	-	-	1,000	-
PACIFICPACKAGE CO.,LTD.	Korea Development Bank	Operating fund loan agreement	9,000	1,000	9,000	2,000
		Facility loans	4,900	4,900	5,600	5,600
COSVISION CO.,LTD.	Korea Development Bank	Facility loans	16,000	16,000	42,000	16,000
	BNP Paribas S.A.	Corporate working capital loan agreement	10,000	8,000	10,000	6,000
Core Technology Corporation.	Woori Bank	Overdraft	400	-	450	-
Amorepacific Global Operations Limited.	CITI N.A HONG KONG	Short-term borrowings	HKD 313,000	HKD 313,000	HKD 313,000	HKD 313,000
	DBS BANK LTD., HONG KONG BRANCH	Short-term borrowings	-	-	HKD 220,000	HKD 130,000
	CITY N.A HONG KONG	Overdraft and others	-	-	USD 10,000	-

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**34. Commitments and Contingencies (cont'd)**

<i>(in millions of Korean won and thousands of USD, EUR, HKD, JPY, AUD, CAD, AED, INR and PHP)</i>			<b>2022</b>		<b>2021</b>	
<b>Financial institution</b>	<b>Commitment</b>	<b>Limit</b>	<b>Outstanding balance</b>	<b>Limit</b>	<b>Outstanding balance</b>	
AMOREPACIFIC Hong Kong Co., Limited	Hang Seng Bank	Overdraft and others	HKD 10,000	-	HKD 10,000	-
	Bank of East Asia	Overdraft	HKD 10,000	-	HKD 10,000	-
AMOREPACIFIC Japan CO., LTD	Bank of Tokyo-Mitsubishi UFJ, Ltd. Azabu Branch	Short-term borrowings	JPY 2,000,000	JPY 1,800,000	JPY 2,000,000	JPY 1,700,000
Amorepacific Trading Co., Ltd	JP Morgan Chase Bank	Overdraft	CNY 140,000	CNY 73,592	-	-
	Citi Bank	Short-term limit loan agreement	CNY 150,000	CNY 47,015	-	-
	DBS Bank	Short-term revolving loan agreement	USD 20,000	-	-	-
AMOREPACIFIC EUROPE S.A.S	Citibank Europe PLC	Short-term borrowings	EUR 8,500	EUR 7,000	EUR 8,500	EUR 7,000
Annick Goutal S.A.S	KEB Hana Bank Paris Branch	Overdraft	EUR 6,000	EUR 5,891	EUR 6,000	EUR 4,282
	Citibank Europe PLC	Short-term borrowings	EUR 3,000	EUR 3,000	EUR 3,000	EUR 3,000
	KEB Hana Bank Paris Branch	Short-term borrowings	EUR 10,000	EUR 10,000	EUR 5,000	EUR 5,000
Amorepacific Australia PTY Ltd	Citibank N.A. Sydney Branch	Short-term borrowings	AUD 8,500	AUD 7,700	AUD 8,500	AUD 7,000
Amorepacific US Inc	Citibank N.A.	Short-term borrowings	USD 20,000	-	USD 20,000	-
	DBS BANK LTD	Short-term borrowings	USD 50,000	USD 45,500	USD 50,000	USD 38,000
Amorepacific Canada Inc	Citibank N.A. Canadian Branch	Short-term borrowings	CAD 5,100	CAD 3,000	CAD 5,100	CAD 3,000
Amorepacific ME FZ-LLC	Citibank N.A. United Arab Emirates	Short-term borrowings	-	-	AED 1,500	AED 1,500
	Citibank N.A. United Arab Emirates	Short-term borrowings	-	-	AED 1,600	AED 1,600
Innisfree Cosmetics India PVT LTD	Citibank N.A. India	Short-term borrowings	INR 45,000	INR 45,000	INR 70,000	INR 45,000
PT. LANEIGE INDONESIA PACIFIC	Citibank N.A. Indonesia	Short-term borrowings	USD 5,300	USD 4,000	USD 5,300	USD 5,300

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**34. Commitments and Contingencies (cont'd)**

(in millions of Korean won and thousands of USD, EUR, HKD, JPY, AUD, CAD, AED, INR and PHP)	Financial institution	Commitment	2022		2021	
			Limit	Outstanding balance	Limit	Outstanding balance
AMOREPACIFIC Philippines Co.,LTD	Citibank N.A. Philippine Branch	Short-term borrowings	PHP 90,000	PHP 72,000	PHP 90,000	PHP 83,000
AMOREPACIFIC MALAYSIA SDN. BHD.	Citibank Berhad	Short-term borrowings	USD 1,800	-	USD 1,800	USD 1,800
AMOREPACIFIC Russia LLC	Citibank Russia	Corporate card limited warranty	RUB 7,200	-	RUB 7,200	-

Details of payment guarantees provided to the Group at the end of reporting period are as follows:

(in millions of Korean won)	Guaranteed by	Remark	2022		2021	
AMOREPACIFIC Corporation	Seoul Guarantee Insurance	Performance guarantees	₩	30,809	₩	34,546
Innisfree Corporation	Seoul Guarantee Insurance	Performance guarantees		87		90
Etude Corporation	Seoul Guarantee Insurance	Performance guarantees		30		45
AMOS Professional Corporation	Seoul Guarantee Insurance	Performance guarantees		5		5
Espoir Corporation	Seoul Guarantee Insurance	Performance guarantees		25		25
Osulloc	Seoul Guarantee Insurance	Performance guarantees		60		80
PACIFIC PACKAGE Corporation	Seoul Guarantee Insurance	Performance guarantees		-		269
Osulloc Farm Co., Ltd	Seoul Guarantee Insurance	Performance guarantees		1,906		100

Details of payment guarantees provided by the Parent Company at the end of reporting period are as follows:

(in millions of Korean won)	Beneficiary	2022	Financial institution	Guarantee period
	Employee stock ownership association	₩ 23,061	Korea Securities Finance Corp.	2022.12.05 ~ 2023.12.05

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**34. Commitments and Contingencies (cont'd)**

Restricted financial instruments in use as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won, thousands of RMB, HKD and USD)</i>	<b>Remark</b>	<b>2022</b>		<b>2021</b>	
Current financial deposits	Collateral provided for borrowings of subsidiaries	₩	131,690	₩	162,135
Current financial deposits	Agreement of shared growth and cooperation		24,400		18,100
Non-current financial deposits	Deposit for checking account		28		31
Non-current financial deposits	Pledge as a collateral		500		500
Non-current financial deposits	Permission of door-to-door sales in China	RMB	20,000	RMB	20,000
Non-current financial deposits	Overdraft agreement and bank payment guarantee of leased stores	HKD	5,054	HKD	5,054
Non-current financial deposits	Overdraft agreement and bank payment guarantee of leased stores	USD	194	USD	194
Non-current financial deposits	Deposit for stores and offices in USA	USD	655	USD	655

The Group is involved in a number of litigation cases arising from the normal course of business, and there are cases in which the Group is a plaintiff and defendant. The outcome of the above cases cannot be reasonably estimated, and any outflows of resources and the timing are also uncertain. Therefore, the Group does not include the potential effects for the outcome of the cases in the consolidated financial statements as of December 31, 2022. The Group expects that these cases would not have any material impact on its consolidated financial statements.

**Major commitments**

As of December 31, 2022, the Group has entered into a long-term lease agreements with external customers in relation to a new building located in Yongsan until March 2028.

During 2018, the Group has entered into the contract for to sell shares of Elastagen Pty Ltd. to Allergan Australia Pty Ltd.(Acquirer) which includes contingent consideration dependent on launching new products (contingent consideration for the United states market: USD 7,080 thousand, for the European market USD 3,540 thousand, Other market: USD 1,062 thousand). The acquirer has the control to manage the business procedures and retains ability to complete conditions related to contingent consideration to be fulfilled, which means the Group has no substantial right to make an agreement to be accomplished. The fair value of the above contingent consideration cannot be reasonably estimated, and the Group will recognise the above consideration as income when its requirements are met.

**Investment agreement**

The Group has entered into an investment agreement with Fernbrook Investment Association and TBT Global Growth Equity Fund No.2, and has an investment obligation amounting to USD 5.04

# AMOREPACIFIC Group, Inc. and its subsidiaries

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#### 34. Commitments and Contingencies (cont'd)

million, respectively. As at December 31, 2022, the amount invested by the Group is USD 4.47 million, respectively.

##### Sale of shares in subsidiaries

During the year ended December 31, 2022, the Group sold 60% of its shares in Autajon Packaging Pacific Co., Ltd. to Lagora Sarl, and remaining 40% was reclassified as investment in an associate.

The Group sold 60% of its shares in Verescence Pacific, Inc. to Verescence Luxembourg Perfumery Holdings SaRL (hereinafter referred to as "Verescence") during the year ended December 31, 2021, and remaining 40% was reclassified as investment in an associate.

The Group has entered into a shareholders' agreement with Verescence and details are as follows:

- Both parties are restricted from selling the shares for 10 years and are prohibited from transferring shares to competitors.
- Verescence has a right-of-first-refusal.
- AMOREPACIFIC Group Co., Ltd. has a tag-along right.
- In certain cases, Verescence has a drag-along right.

##### Acquisition of other company's shares

The Group (hereinafter also referred to as the 'buyer') acquired 192,000 shares (40% of ownership) of COSRX INC (excluding 20,000 treasury shares held by COSRX INC) from the existing shareholders (hereinafter referred to as the 'seller'). Other details related to the contract are as follows:

##### [Call Option]

The buyer has a right to claim a purchase of the residual shares held by the seller ("Call option") during the period of 2 years from contract date for the above initial acquisition. Exercise price of the call option is calculated based on business performance of the future business years (2022 ~ 2024) of COSRX INC, agreed by both parties. On the other hand, if the Group does not exercise the call option within the vesting period, the seller reserves the right to purchase all shares of the target company held by the Group within six months from the date when the Group decides not to exercise the option.

##### [Tag Along Rights]

If the buyer does not exercise the call option, the seller may sell the shares of COSRX INC to a third party, then, the buyer has a right to claim to the seller to sell all or a part of the shares held by the buyer to the third party, together.

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**34. Commitments and Contingencies (cont`d)**

[Right of First Refusal]

If the buyer does not exercise the call option within the exercise period and sells the shares held by the buyer to a third party, the seller has the right of first refusal.

[Drag Along Rights]

If the buyer does not exercise the call option within the call option exercise period, the seller has a right to claim to sell all of the buyer's shares with the seller's shares to a third party.

**35. Related Party Transactions**

Details of the parents and subsidiaries as of December 31, 2022 and 2021, are as follows:

<b>Classification</b>	<b>Name</b>
Ultimate parent	Kyung- Bae Suh
Ultimate parent company in the preparation of consolidated financial statements for disclosure	AMOREPACIFIC Group, Inc.
Associates	BBDO Korea Inc. Verescence Pacific, Inc. AP&M Beauty Fashion Joint Venture Smart AP-WE Untact Fund No. 1 Taiwan AMORE Co.,Ltd. Rationale Group Pty Ltd Partner One Value up 2 Private Equity Fund COSRX INC TBT Global Growth Equity Fund No.2 Autajon Packaging Pacific Co., Ltd. <sup>1</sup> Twoslashfour. Inc Sparkpet. Inc
Other related parties	Taeshin Inpack Corporation Kyung-Bae Suh Science Foundation, etc

<sup>1</sup> During the year ended December 31, 2022, the Group lost its control over the entity by selling 40% of its shares in the entity which had been a wholly owned subsidiary of the Group to the third parties and the entity was reclassified as associate.

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**35. Related Party Transactions (cont'd)**

Sales and purchases with related parties for the years ended December 31, 2022 and 2021 are as follows:

	2022							
	Sales	Dividend income	Acquisition of property, plant and equipment and intangible assets	Disposal of property, plant and equipment and intangible assets	Purchases	Other income	Other cost	
<i>(in millions of Korean won)</i>								
<b>Associates</b>								
BBDO Korea Inc.	₩ 935	₩ 600	₩ -	₩ -	₩ -	₩ -	₩ 17,670	
Verescence Pacific, Inc	356	-	376	-	40,646	174	36	
Autajon Packaging Pacific Co., Ltd. <sup>1</sup>	-	-	-	-	6,700	5	-	
COSRX Inc	2,594	-	-	-	-	4	-	
<b>Other related party</b>								
Taeshin Inpack Corporation	-	-	-	-	7,757	-	-	
	<u>₩ 3,885</u>	<u>₩ 600</u>	<u>₩ 376</u>	<u>₩ -</u>	<u>₩ 55,103</u>	<u>₩ 183</u>	<u>₩ 17,706</u>	

<sup>1</sup> Only transactions after reclassification as associates are included.

	2021							
	Sales	Dividend income	Acquisition of property, plant and equipment and intangible assets	Disposal of property, plant and equipment and intangible assets	Purchases	Other income	Other cost	
<i>(in millions of Korean won)</i>								
<b>Ultimate parent</b>								
Kyung-Bae Suh <sup>1</sup>	₩ -	₩ -	₩ -	₩ 2,693	₩ -	₩ -	₩ -	
<b>Associates</b>								
BBDO Korea Inc.	939	810	-	-	-	-	23,762	
Verescence Pacific, Inc. <sup>2</sup>	245	-	360	-	54,553	33	-	
<b>Other related party</b>								
Taeshin Inpack Corporation	-	-	-	-	12,915	-	4	
	<u>₩ 1,184</u>	<u>₩ 810</u>	<u>₩ 360</u>	<u>₩ 2,693</u>	<u>₩ 67,468</u>	<u>₩ 33</u>	<u>₩ 23,766</u>	

<sup>1</sup> Dividends, salaries, bonuses, and retirement benefits for the ultimate parent are included in fund transactions with related parties and the compensation for key management disclosed in Note 35.

<sup>2</sup> Only transactions after reclassification as associates are included.

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**35. Related Party Transactions (cont`d)**

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>							
	<b>Receivables</b>		<b>Payables</b>					
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Trade payables</b>	<b>Other payables</b>				
<b>Associates</b>								
BBDO Korea Inc.	₩	-	₩	-	₩	-	₩	2,972
Verescence Pacific, Inc		24		-		3,524		467
Autajon Packaging Pacific Co., Ltd.		18		4		3,866		-
COSRX Inc		314		-		-		-
<b>Other related party</b>								
Taeshin Inpack Corporation		-		-		488		-
	₩	356	₩	4	₩	7,878	₩	3,439

<i>(in millions of Korean won)</i>	<b>2021</b>							
	<b>Receivables</b>		<b>Payables</b>					
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Trade payables</b>	<b>Other payables</b>				
<b>Associates</b>								
BBDO Korea Inc.	₩	-	₩	-	₩	-	₩	5,960
Verescence Pacific, Inc.		23		3		5,283		467
<b>Other related party</b>								
Taeshin Inpack Corporation		-		-		500		-
	₩	23	₩	3	₩	5,783	₩	6,427

The trade receivables from related parties are due three months after the date of sale. The receivables from related parties are unsecured in nature and bear no interest.

Fund transactions with related parties for the year ended December 31, 2022 are as follows:

Details of fund transactions arising from acquisition of associates:

<i>(in millions of Korean won)</i>		<b>Name</b>		<b>Contributions in cash</b>
<b>Classification</b>				
Associates	Sparkpet Inc		₩	4,000
	Twoslashfour. Inc			402

The Group paid ₩ 28,915 million in dividends to related parties for the year ended December 31,



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**35. Related Party Transactions (cont`d)**

2022.

Fund transactions with related parties for the year ended December 31, 2021 are as follows:

Details of fund transactions arising from acquisition of associates:

*(in millions of Korean won)*

<b>Classification</b>	<b>Name</b>		<b>Contributions in cash</b>
Associates	Smart AP-WE Untact Fund No. 1	₩	9,000
	Partner One Value up 2 Private Equity Fund		1,500

The Group paid ₩ 17,714 million in dividends to related parties for the year ended December 31, 2021.

As of December 31, 2022, there are no collateral and payment guarantees provided to or provided by related parties other than the Group. The details of collateral provided by the Group for the financial supports to the related parties as of December 31, 2022 are as follows:

*(in millions of Korean won)*

						<b>2022</b>		
	<b>Collateral</b>	<b>Book amount</b>	<b>Guaranteed amount</b>	<b>Guaranteed by</b>	<b>Guarantee period</b>		<b>Remark</b>	
<b>Associates</b>								
Autajon	Time deposits ₩	11,000 ₩	10,800 ₩	Korea Development Bank	July 29, 2022 ~ July 29, 2023		Borrowings	
Packaging Pacific Co., Ltd.	Time deposits	6,000	5,880	Korea Development Bank	July 29, 2022 ~ July 29, 2023			

The compensation paid or payable to key management for employee services for the years ended December 31, 2022 and 2021, consists of the following:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Short-term employee benefits	₩	13,364	₩	15,605
Retirement benefits		1,421		1,374
Share-based compensation <sup>1</sup>		369		5,736
	₩	<u>15,154</u>	₩	<u>22,715</u>

<sup>1</sup>The above share-based payment cost is the recognition of the cost of the share-based payment agreement during the vesting period.

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**36. Information About Non-controlling Interests**

**36.1 Changes in Accumulated Non-controlling Interests**

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022						
	Non-controlling interest rate (%) <sup>1</sup>	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Changes in non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
AMOREPACIFIC Corporation	65.56	₩ 3,105,676	₩ 81,807	₩ (44,877)	₩ (3,641)	₩(12,755)	₩ 3,126,210
Innisfree Corporation	18.18	74,558	4,048	(18,465)	-	48	60,189
Etude Corporation	0.00	(4,431)	753	-	3,709	(31)	-
Others		(6,716)	378	-	-	(2,929)	(9,267)
		₩ 3,169,087	₩ 86,986	₩ (63,342)	₩ 68	₩(15,667)	₩ 3,177,132

<sup>1</sup> Non-controlling interest rate considering the preferred shares.

<i>(in millions of Korean won)</i>	2021						
	Non-controlling interest rate (%) <sup>1</sup>	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Changes in non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
AMOREPACIFIC Corporation	65.58	₩ 2,952,455	₩ 117,400	₩ (36,271)	₩ 82,336	₩(10,244)	₩ 3,105,676
Innisfree Corporation	18.18	73,547	1,876	(311)	-	(553)	74,558
Etude Corporation	19.52	(1,658)	(2,411)	-	-	(362)	(4,431)
Others		(1,844)	(4,881)	-	-	8	(6,716)
		₩ 3,022,500	₩ 111,984	₩ (36,582)	₩ 82,336	₩(11,151)	₩ 3,169,087

<sup>1</sup> Non-controlling interest rate considering the preferred shares.

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**36.2 Summarized Financial Information of Subsidiaries**

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarized consolidated statements of financial position as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>					
	<b>AMOREPACIFIC Corporation</b>		<b>Innisfree Corporation</b>		<b>Etude Corporation</b>	
Current assets	₩	1,735,019	₩	338,966	₩	31,791
Non-current assets		4,066,764		48,459		12,228
Current liabilities		831,117		37,407		29,594
Non-current liabilities		191,391		9,728		4,127
Equity		4,779,275		340,290		10,298

<i>(in millions of Korean won)</i>	<b>2021</b>					
	<b>AMOREPACIFIC Corporation</b>		<b>Innisfree Corporation</b>		<b>Etude Corporation</b>	
Current assets	₩	2,018,527	₩	386,654	₩	33,616
Non-current assets		4,098,187		101,264		5,827
Current liabilities		1,157,485		60,830		60,707
Non-current liabilities		214,929		8,014		2,498
Equity		4,744,300		419,074		(23,762)

Summarized consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>					
	<b>AMOREPACIFIC Corporation</b>		<b>Innisfree Corporation</b>		<b>Etude Corporation</b>	
Revenue	₩	4,134,933	₩	299,743	₩	105,988
Profit for the year		129,264		22,495		3,349
Other comprehensive income (loss)		(27,047)		265		864
Total comprehensive income		102,217		22,760		4,213

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**36.2 Summarized Financial Information of Subsidiaries (cont'd)**

<i>(in millions of Korean won)</i>	2021					
	AMOREPACIFIC Corporation		Innisfree Corporation		Etude Corporation	
Revenue	₩	4,863,128	₩	307,171	₩	105,620
Profit (loss) for the year		180,858		8,242		(15,335)
Other comprehensive loss		(15,641)		(3,039)		(1,854)
Total comprehensive income (loss)		165,217		5,203		(17,189)

Summarized consolidated statements of cash flows for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	2022					
	AMOREPACIFIC Corporation		Innisfree Corporation		Etude Corporation	
Cash flows from operating activities	₩	151,023	₩	27,242	₩	1,226
Cash flows from investing activities		(68,514)		84,595		3,389
Cash flows from financing activities		(154,551)		(111,128)		116
Effects of exchange rate changes on cash and cash equivalents		(16,054)		(603)		-
Net increase (decrease) in cash and cash equivalents		(88,096)		106		4,731
Cash and cash equivalents at the beginning of the year		537,694		95,807		3,574
Cash and cash equivalents at the end of the year	₩	449,598	₩	95,913	₩	8,305

<i>(in millions of Korean won)</i>	2021					
	AMOREPACIFIC Corporation		Innisfree Corporation		Etude Corporation	
Cash flows from operating activities	₩	691,434	₩	33,114	₩	(7,269)
Cash flows from investing activities		(708,415)		(103,402)		5,962
Cash flows from financing activities		(225,981)		(12,839)		1,511
Effects of exchange rate changes on cash and cash equivalents		(13,073)		1,107		-
Net increase (decrease) in cash and cash equivalents		(256,035)		(82,020)		201
Cash and cash equivalents at the beginning of the year		793,728		177,826		3,373
Cash and cash equivalents at the end of the year	₩	537,694	₩	95,807	₩	3,574

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**37. Risk Management**

**37.1 Financial Risk Management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Board of Directors. The Board of Directors reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

*(a) Market risk*

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various foreign currency transactions, primarily with respect to the US dollar, Euro and the Japanese yen.

The purpose of foreign exchange risk management is to maximize the Group's value by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Group's financial instruments denominated in major foreign currencies as of December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
USD	₩ 360,047	₩ 239,025	₩ 305,531	₩ 212,725
EUR	-	381	3	334
JPY	1,392	728	1,845	2,514
CNY	130	-	1,174	187
Others	131	1,407	96	-
	<u>₩ 361,700</u>	<u>₩ 241,541</u>	<u>₩ 308,649</u>	<u>₩ 215,760</u>

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**37.1 Financial Risk Management (cont'd)**

As of December 31, 2022 and 2021, if the foreign exchange rate of the Korean won fluctuated by 10% with all other variables held constant, the effects on profit before income tax would be as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	₩ 12,102	₩ (12,102)	₩ 9,281	₩ (9,281)
EUR	(38)	38	(33)	33
JPY	66	(66)	(67)	67
CNY	13	(13)	99	(99)
Others	(128)	128	10	(10)

The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not the Group's functional currency.

ii) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

At the end of the reporting period, the Group has more floating rate deposits than floating rate borrowings, and because of this, net interest expenses decrease when interest rates increase. However, the Group adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Group (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The Group invests in fixed interest assets with maturities of one year or less, and if the market interest rate increases, there is risk of decrease in fair value. However, the risk of changes in fair value is minor as the investments are short-term deposits.

At the end of the reporting period, if interest rates on floating rate borrowings had been 1% higher/lower with all other variables held constant, profit before income tax for the year would be ₩979 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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**37.1 Financial Risk Management (cont`d)**

iii) Price risk

The Group is exposed to equity securities price risk arises from investments held by the Group that are classified as available-for-sale in the consolidated statement of financial position.

The Group's equity investments are publicly traded and are included in the NASDAQ index.

The table below summarizes the impact of increases/decreases of this index on the Group's equity and before-tax profit for the period. The analysis is based on the assumption that the equity indexes has increased/decreased by 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

<i>(in millions of Korean won)</i>	2022		2021	
	10% Increase	10% Decrease	10% Increase	10% Decrease
	₩ 21,783	₩ (21,783)	₩ 11	₩ (11)

*(b) Credit Risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. If customers have no independent rating and their credit risk needs to be reduced, their credit is enhanced through pledged property and deposit and guarantee insurance. For customers without insurance and collateral, the Group strictly manages credit risk in accordance with the internal credit-rating standard. Sales to retail customers are settled in cash or using major credit cards.

The Group reviews whether the above trade receivables are individually or collectively impaired at the end of every reporting period.

*(c) Liquidity Risk*

The Group holds sufficient amount of cash and cash equivalents and maintains a flexible fund capacity within credit limit by brisk business. Financial liabilities involved in sales except borrowings are basically paid within maximum three months after purchasing ( within two months on average), so maturity of all financial liabilities (with or without payment condition) are within three months. The

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**37.1 Financial Risk Management (cont`d)**

Group manages liquidity by holding more cash and cash equivalents than monthly payments.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For the liabilities with maturity less than a year, the effect of the discount is insignificant, so the amount is equal to the carrying amount.

<i>(in millions of Korean won)</i>	2022					Book amount
	Up to 1 year	1 to 5 years	Over 5 years	Total		
Trade payables	₩ 57,624	₩ -	₩ -	₩ 57,624	₩	57,624
Borrowings	240,914	-	-	240,914		240,914
Other payables	155,562	-	-	155,562		155,562
Other liabilities	148,766	875	11,933	161,573		158,255
Lease liability	72,271	51,511	14,567	138,349		126,303
Financial guarantee contract	23,061	-	-	23,061		273

  

<i>(in millions of Korean won)</i>	2021					Book amount
	Up to 1 year	1 to 5 years	Over 5 years	Total		
Trade payables	₩ 95,482	₩ -	₩ -	₩ 95,482	₩	95,482
Borrowings	259,491	-	-	259,491		257,724
Other payables	354,970	-	-	354,970		354,970
Other liabilities	194,247	2,268	24,555	221,069		218,392
Lease liability	113,769	98,877	32,387	245,032		221,603
Financial guarantee contract	31,495	-	-	31,495		88



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**37.2 Capital Risk Management**

The Group's capital risk management purpose is maximising shareholders' value through maintaining a sound capital structure. The Group monitors financial ratios, such as liability to equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

Debt-to-equity ratio and net borrowing ratio are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Liabilities (A)	₩	1,117,500	₩	1,562,518
Equity (B)		6,533,503		6,475,625
Cash at bank and time deposits (C)		883,312		1,211,453
Borrowings (D)		240,914		257,724
Debt-to-equity ratio (A/B)		17.10%		24.13%
Net borrowings ratio (D-C)/B		(-)9.83%		(-)14.73%

**38. Fair Value Estimation**

**38.1 Fair Value Hierarchy**

There are no significant changes in business and economic circumstances which affect the fair value of financial assets and liabilities of the Group for the year ended December 31, 2022.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

<i>(in millions of Korean won)</i>	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Financial assets at fair value through profit or loss	₩ -	₩ 799,143	₩ 33,650	₩ 832,794
Financial assets at fair value through other comprehensive income	217,832	-	6,646	224,478
Disclosed fair value				
Investment property	-	-	456,853	456,853

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**38.1 Fair Value Hierarchy (cont'd)**

(in millions of Korean won)

	<b>2021</b>			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss	₩ -	₩ 1,062,403	₩ 74,659	₩ 1,137,062
Financial assets at fair value through other comprehensive income	1,063	-	4,347	5,410
Disclosed fair value				
Investment property	-	-	444,489	444,489

**38.2 Valuation Technique**

Valuation techniques used in the recurring fair value measurements categorized as Level 2 and Level 3 of the fair value hierarchy as of December 31, 2022, are as follows:

(a) *Investment property*

The fair value of investment property is measured on a basis of a valuation by an independent appraiser who holds a recognized and relevant professional qualification, or a value of land determined by the local government in Korea for property tax assessment purposes and a valuation by reflecting the similar recent transaction price which is available to use.

(b) *Financial assets at fair value through other comprehensive income and Financial assets at fair value through profit or loss*

Valuation techniques and inputs used in the financial assets categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2022, are as follows:

(in millions of Korean won)

	<b>2022</b>			
	Fair value	Level	Valuation techniques	Inputs
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	₩ 6,646	3	Present value technique	Perpetual earning growth rate and others
Financial assets at fair value through profit or loss				
Debt securities such as redeemable convertible preferred shares	14,302	3	Option pricing model	Stock price of underlying assets and others
Equity instruments such as unlisted shares	6,044	3	Option pricing model	Stock price of underlying assets and others
Private equity investment trust	11,850	3	Valuation Multiples	Stock price of peer companies and others
Beneficiary certificates	776,953	2	Present value technique	Credit risk adjusted discount rate

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**38.2 Valuation Technique (cont'd)**

(in millions of Korean won)

	Fair value	Level	2022 Valuation techniques	Inputs
Variable annuities insurance	22,190	2	Present value technique	Credit risk adjusted discount rate
derivative	1,454	3	Present value technique	Credit risk adjusted discount rate

**38.3 Financial Instruments Measured at Cost**

Details of financial instruments measured at cost as of December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
Debt instruments at amortized cost				
Debt securities	₩	59,535	₩	-
Government-issued securities		430		1,966
	₩	<u>59,965</u>	₩	<u>1,966</u>

Debt instruments at amortized cost are measured at fair value because the difference between their fair values and the acquisition costs is immaterial.

Other financial assets and liabilities whose book amount is a reasonable approximation of fair value are excluded from the separate fair value disclosures.

**39. Business Combination**

General information

<2022>

AMOREPACIFIC US INVESTMENT, INC. was established with 100% investment by AMOREPACIFIC Co., Ltd., a subsidiary of the Group, invested and established AMOREPACIFIC US INVESTMENT, INC. as its wholly owned subsidiary for the purpose of promoting its entry into the global market for the year ended December 31, 2022. AMOREPACIFIC US INVESTMENT, INC. acquired the entire shares in Tata's NATURAL ALCHEMY, LLC as of October 31, 2022 and obtained control over the entity, accordingly .

<2021>

On September 1, 2021, AMOREPACIFIC Corporation, a subsidiary of the Group, acquired 100% stake in AESTURA Corporation from the Company and classified AESTURA Corporation as a subsidiary of AMOREPACIFIC Corporation by exchanging 100% of its shares in COSVISION CO., LTD. with the Company. It is a business combination under common control. The Group applies the book amount method to account for business combinations under a common control. Identifiable assets acquired and liabilities assumed in business combination are measured at their book amounts

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**39. Business Combination (cont`d)**

on the consolidated financial statements.

The amount of assets acquired and liabilities assumed through the business combination with AESTURA Corporation is ₩ 132,371 million and ₩ 25,975 million, respectively. In addition, the assets acquired and liabilities assumed through the business combination with COSVISION CO.,LTD. is ₩ 139,851 million and ₩ 68,299 million, respectively.

The assets acquired and liabilities assumed through the business combination with Tata's NATURAL ALCHEMY, LLC are as follows:

<i>(in millions of Korean won)</i>	Tata's NATURAL CHEMY, LLC	
Consideration		
Cash and cash equivalents	₩	2,325
Property, plant and equipment		2,790
Right-of-use assets		4,201
Intangible assets		734
Inventories		14,777
Trade and other receivables		2,701
Other assets		1,676
Trade and other payables		(10,622)
Lease liabilities		(4,263)
Book amounts of net assets	₩	14,319
Intangible assets caused by acquisition		73,070
Deferred tax liabilities		(19,729)
Goodwill resulting from acquisition <sup>1</sup>		110,250
Total consideration transferred	₩	177,910

<sup>1</sup> Goodwill consists of the value of synergies expected to arise from the business combination.

Cash flows from business combinations are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	
Consideration transferred:		
Total transferred consideration	₩	177,910
Less: cash and cash equivalents of the acquired subsidiary		(2,325)
Net cash outflow	₩	<u>175,585</u>

Income contributable to the acquired business are as follows:

<i>(in millions of Korean won)</i>	<u>2022</u>	
Consideration transferred:		
Sales	₩	8,942
Net profit (loss)		(1,808)

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**40. Introduction and impact of the global minimum tax**

The Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalization of the global economy. Global Minimum Tax (Pillar Two) were released and they apply to Multinational Enterprises (MNEs) with revenue in excess of EUR 750 million per their consolidated financial statements.

National Assembly of South Korea passed into law new Global Minimum Tax rules to align with the OECD BEPS Pillar Two in December 2022. The regulation will be included in the Adjustment of International Taxes Act and will be effective for fiscal years beginning on or after January 1, 2024. However, the Enforcement Decrees that provide further detail on the application of the legislation is not yet finalized as of December 31, 2022.

In South Korea, Pillar Two legislation is not yet considered substantively enacted as of December 31, 2022 for financial reporting purposes. The Group therefore has not recognized any tax effect arising from the Global Minimum Tax in its consolidated financial statements as of 31 December 2022 and for the year then ended.