Shinhan Alpha REIT Co., Ltd.

Separate Financial Statements

September 30, 2021 and March 31, 2021

Contents

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Financial Position

As of September 30, 2021 and March 31, 2021

(In won)	*Note*		September 30	March 31
Assets				
Cash and cash equivalents	22,25	₩	9,364,000,946	6,785,895,505
Short-term financial instruments	4,12,22		31,200,000	31,200,000
Other current financial assets	5,22		376,594,618	247,771,188
Other current assets	8		464,527,575	517,596,506
Current income tax assets			6,539,610	2,827,250
Total current assets			10,242,862,749	7,585,290,449
Long-term financial instruments	4,12,22		858,682,000	858,682,000
Financial assets at fair value through profit or loss	21,22		77,510,417	15,463,172
Investments in subsidiaries	6		261,595,440,729	156,995,440,729
Investment properties, net	7		534,474,919,802	536,924,000,412
Other non-current financial assets	5,22		726,000	726,000
Other non-current assets	8		1,428,729,080	1,628,714,207
Total non-current assets			798,436,008,028	696,423,026,520
Total assets		₩	808,678,870,777	704,008,316,969

See accompanying notes to the financial statements.

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Financial Position, Continued

As of September 30, 2021 and March 31, 2021

(In won)	***Note***		**September 30**	**March 31**
Liabilities				
Other accounts payables	9,22,23		4,124,216,083	3,759,774,926
Short-term borrowings	11,22,23,25		-	41,000,000,000
Short-term leasehold deposits received	12,22,23		181,750,000	180,573,870
Other current liabilities	10		1,172,760,442	1,293,202,705
Total current liabilities		₩	5,478,726,525	46,233,551,501
Long-term borrowings	11,21,22,23,25		485,000,000,000	337,916,661,472
Leasehold deposits received	12,22,23		12,609,002,008	12,390,184,714
Long-term unearned revenues			1,466,471,590	1,648,506,862
Total non-current liabilities			499,075,473,598	351,955,353,048
Total liabilities			504,554,200,123	398,188,904,549
Equity				
Share capital	13		56,330,123,000	56,330,123,000
Other paid-in capital	13		248,932,282,791	248,932,282,791
Retained earnings (Deficits)	14		(1,137,735,137)	557,006,629
Total equity			304,124,670,654	305,819,412,420
Total liabilities and equity		₩	808,678,870,777	704,008,316,969

See accompanying notes to the financial statements.

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Comprehensive Income

For the six months ended September 30, 2021 and March 31, 2021

(In won)	***Note***		**September 30**	**March 31**
Operating revenue	15	₩	**25,568,584,112**	21,372,546,003
Operating expenses	16		**8,631,394,354**	7,344,789,783
Operating income (loss)			**16,937,189,758**	14,027,756,220
Other income	17		158,277,143	9,934,590
Other expenses	17		9,000	102
Finance income	18,22		106,789,825	24,287,125
Finance costs	18,22		8,670,849,320	6,290,920,996
Profit before income taxes			8,531,398,406	7,771,056,837
Income tax expenses	19		-	-
Profit for the period			8,531,398,406	7,771,056,837
Other comprehensive income			-	-
Total comprehensive income for the period		₩	8,531,398,406	7,771,056,837
Earnings per share	20			
Basic and diluted earnings per share			131	117

See accompanying notes to the financial statements.

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Changes in Equity

For the six months ended September 30, 2021 and March 31, 2021

(In won)		Share capital	Other paid-in capital	Retained earnings	Total
Balance at October 1, 2020	₩	56,330,123,000	248,932,282,791	2,440,458,611	307,702,864,402
Total comprehensive income for the period					
Profit for the period		-	-	7,771,056,837	7,771,056,837
Transactions with owners of the Company, recognized directly in equity					
Dividends		-	-	(9,654,508,819)	(9,654,508,819)
Balance at March 31, 2021	₩	56,330,123,000	248,932,282,791	557,006,629	305,819,412,420
Balance at April 1, 2021	₩	56,330,123,000	248,932,282,791	557,006,629	305,819,412,420
Total comprehensive income for the period					
Profit for the period		-	-	8,531,398,406	8,531,398,406
Transactions with owners of the Company, recognized directly in equity					
Dividends		-	-	(10,226,140,172)	(10,226,140,172)
Balance at September 30, 2021	₩	56,330,123,000	248,932,282,791	(1,137,735,137)	304,124,670,654

See accompanying notes to the financial statements.

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Cash Flows

For the six months ended September 30, 2021 and March 31, 2021

(In won)		September 30	March 31
Cash flows from operating activities			
Profit (loss) for the period	₩	8,531,398,406	7,771,056,837
Adjustments for:			
Depreciation		2,449,080,610	2,449,080,607
Bad debt expenses (Reversal)		9,817,175	72,908,072
Interest expenses		8,670,849,320	6,284,590,368
Losses on valuation of derivatives instruments		-	6,330,628
Dividends		(7,920,392,659)	(3,822,825,058)
Interest income		(44,742,580)	(23,959,225)
Rental revenues		(211,165,242)	(213,156,769)
Gains on valuation of derivatives instruments		(62,047,245)	(327,900)
Changes in assets and liabilities:			
Accounts receivable		(222,439,819)	28,277,101
Advance payments		-	1,963,920
Prepaid expenses		268,483,329	442,461,271
Current income tax assets		(3,712,360)	3,590,140
Long-term prepaid expenses		(13,850,000)	-
Non-trade payable		76,687,734	575,627,965
Accrued expenses		-	(107,253,571)
Value added tax withheld		11,737,582	19,168,553
Advances received		6,672,184	124,650,000
Long-term leasehold deposits received		(12,276,000)	-
Cash generated from operations		11,534,100,435	13,612,182,939
Interest received		42,588,123	18,458,307
Dividends received		7,920,392,659	3,822,825,058
Interest paid		(6,092,835,604)	(5,642,839,421)
Net cash provided by operating activities	₩	13,404,245,613	11,810,626,883

See accompanying notes to the financial statements.

Shinhan Alpha REIT Co., Ltd.

Separate Statements of Cash Flows, Continued

For the six months ended September 30, 2021 and March 31, 2021

(In won)		September 30	March 31
Cash flows from investing activities			
Decrease in short-term financial instruments	₩	-	6,000,000,000
Proceeds from disposal of investment in subsidiary		-	300,000,000
Acquisition of investments in subsidiary		(104,600,000,000)	(3,000,000,000)
Net cash used in investing activities		(104,600,000,000)	3,300,000,000
Cash flows from financing activities			
Increase in long-term borrowings		485,000,000,000	-
Decrease in short-term borrowings		(41,000,000,000)	-
Decrease in long-term borrowings		(340,000,000,000)	-
Dividends paid		(10,226,140,172)	(9,654,508,819)
Net cash used in financing activities		93,773,859,828	(9,654,508,819)
Net increase (decrease) in cash and cash equivalents		2,578,105,441	5,456,118,064
Cash and cash equivalents at April 1, 2021		6,785,895,505	1,329,777,441
Cash and cash equivalents at September 30, 2021	₩	9,364,000,946	6,785,895,505

See accompanying notes to the financial statements.

September 30, 2021 and March 31, 2021

1. General Description

(1) Organization and description of business of the Company

Shinhan Alpha REIT (the "Company") was incorporated on December 18, 2017 under the Real Estate Investment Company Act of the Republic of Korea and was qualified as a real estate investment trust ("REIT"), as approved by the Ministry of Land, Infrastructure and Transport on March 21, 2018. The business purpose of the Company is to distribute profits of the Company to its stockholders, which are generated from the revenue earned from acquisition, development, management, refurbishment and disposition of real estates and other properties. The Company is headquartered on 18th floor, 33 Jongno-gu, Seoul, and was listed on the Korea Stock Exchange as of August 8, 2018.

As of September 30, 2021, the Company's shareholders are as follows:

(In won, except number of shares)

Type	Shareholders	Number of shares	Percentage of ownership
Ordinary Shares	Eugene Dream Square Investor Private Investment Trust #34	4,081,632	7.80
	Hanwha General Insurance Co., Ltd.	3,273,096	6.25
	Shinhan REITs Management Co., Ltd.	2,705,838	5.17
	HYUNDAI MOTOR SECURITIES CO., LTD.	2,499,867	4.78
	Capstone Professional Investment Private Fund #10	2,040,816	3.90
	NongHyup	2,040,816	3.90
	KRAFTON, Inc.	1,000,000	1.91
	Others	34,688,058	66.29
Preferred Shares (*)	Korea Teachers' Credit Union	2,000,000	-
	NongHyup	1,333,000	-
	Capstone Professional Investment Private Fund #10	666,000	-
	Shinhan REITs Management Co., Ltd.	1,000	-
Total shares		56,330,123	100.00

(*) The above preferred shares are cumulative, non-participating, and non-voting shares.

September 30, 2021 and March 31, 2021

The normal business year of the Company begins on April 1 and ends on September 30, and then begins on October 1 and closes on March 31 next year.

2. Basis of Preparation

(1) Statement of compliance

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS") as prescribed in Article 5 (1) 1 of the Act on External Audit of Corporations in the Republic of Korea.

The Company's financial statements are separate financial statements in accordance with K-IFRS 1027 *Separate Financial Statements*, and presented with accounting treatment based on direct equity investments, in which a parent or an investor of associate or participants with joint control does not relate to the reported performance and net assets.

(2) New and amened standards adopted by the Company

There are no new and amened standards and interpretations applied by the Company from the new fiscal period commencing on April 1, 2021.

(3) New standards that have been issued but are not yet effective as of September 30, 2021

As of the approved issuance date of the Company's financial statements, the contents of the K-IFRS that has been enacted and published but has not yet come into effect are as follows:

・ Amendments to K-IFRS 1001 *Presentation of Financial Statements – Classification of Liabilities as Current or Non- Current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial statements is met the definition of equity instruments and recognized separately from the liability.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is reviewing for the impact of these amendments on the financial statements.

・ Amendments to K-IFRS 1103 *Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities that qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and K-IFRS 2121 *Levies*.
The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

・ Amendments to K-IFRS 1016 *Property, Plant and Equipment – Proceeds Before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling 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 cost of producing those items, in profit or loss. Relevant costs corresponding to such proceeds are recognized in profit or loss, and those costs are measured in accordance with K-IFRS 1002. Also, the amendment clarifies the meaning of 'whether the asset is functioning properly' and specifies whether the technical and physical performance of the asset can be utilized for production or provision of goods or services, rental or management activities to others. This amendment applies retrospectively only to property, plant and equipment that have reached the intended place and state of operation by management after the commencement date of the earliest period indicated in the financial statements to which this amendment is first applied. The cumulative effect of the initial application of this amendment is recognized by adjusting the beginning balance of retained earnings (or, if appropriate, other components of capital) on the start date of the earliest period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

・ Amendments to K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts : Cost of Fulfilling a Contact*

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. Costs directly related to contracts providing goods or services include both incremental costs and cost allocation directly related to contract activities. General management costs are not directly related to the contract and are excluded if those costs cannot be explicitly imposed on the counterparty under the contract. The amendment applies to contracts in which all obligations have not been fulfilled on the commencement date of the fiscal year in which this amendment is first applied. Comparative financial statements are not restated, but instead, the cumulative effect of the initial application of the amendment is recognized in the beginning balance of retained earnings or, if appropriate, other components of capital as of the date of initial application

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

・ Annual Improvements to K-IFRS 2018-2020

① K-IFRS 1101 *'First Adoption of IFRS': Subsidiaries of First-time Adopters*
This amendment provides additional exemptions in relation to the accounting treatment of the cumulative conversion difference of a subsidiary that becomes the first adopted company later than the parent company. Subsidiaries subject to the exemption from paragraph D16(1) of K-IFRS 1101 have an option to measure the cumulative conversion difference of all overseas business with the carrying amount to be included in the parent company's consolidated financial statements based on the date of the parent company's K-IFRS conversion. However, it adjustments arising from the effects of business combinations in which the parent company acquires subsidiaries and its consolidation process are excluded. A similar choice can be made when an associate or joint controlled entity applies the exemption of paragraph D16(1) of K-IFRS 1101.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

September 30, 2021 and March 31, 2021

② K-IFRS 1109 *'Financial Instruments': 10% test-related fees for the purpose of derecognising financial liabilities*

The amendment clarifies that when applying the "10%" test to assess the removal of financial liabilities, it includes only fees received or paid between borrowers and lenders, including fees paid or received by entities or lenders on behalf of the other parties. These amendments are applied prospectively for changes and exchanges occurring after the date of initial application.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

③ K-IFRS 1116 *'Leases': Lease Incentives*

The amendment deleted the contents of the leasehold improvements reimbursement amount in example 13 of K-IFRS 1116. Since this amendment is only related to cases to be applied, the effective date is not separately set.

④ K-IFRS 1041 *'Agriculture' : Measuring fair value*

The amendment deleted the requirement to exclude tax-related cash flows when measuring the fair value of biological assets. The amendment is consistent with the requirements of K-IFRS 1113 to use internally consistent cash flows and discount rates with the fair value measurement of K-IFRS 1041, allowing entities to choose whether to use pre- or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company does not expect that these amendments listed above have a significant impact on financial statements.

September 30, 2021 and March 31, 2021

(4) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

① Investment property

The Company uses an evaluation technique that includes input variables that are not based on observable market data to estimate the fair value of investment property. (See Note 7)

② Deferred taxes

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying mount of deferred tax assets is recognized as the best estimate when it is highly probable that sufficient taxable profit is generated to use the benefits of some or all of the deferred tax assets. These estimates may differ from actual corporate taxes. (See Note 19)

③ Fair value of financial instruments

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial instruments and etc. are measured at fair value after initial recognition, and gains or losses on valuation from changes in fair value are recognized in profit or loss or other comprehensive income. If there are quoted market prices in an active market when measuring fair value, those quoted market prices are applied as fair value. If there is no such quoted market price, the fair value is estimated using the valuation method which requires management's judgement about estimated future cash flows and discount rate. (See Note 22)

September 30, 2021 and March 31, 2021

3. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes in accounting policies and interpretations as described in Note 2.

(1) Investments in subsidiaries and associates

The Company's financial statements were prepared in accordance with K-IFRS 1027, *Separate Financial Statements*. The Company chose the cost method based on K-IFRS 1027 to report investments in subsidiaries and associates. Meanwhile, dividends obtained from subsidiaries and associates are recognized in profit or loss when the right to receive dividends is confirmed.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value.

(3) Functional and presentation currency

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The functional currency of the Company is Korean won, which is the presentation currency for the financial statements.

(4) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially 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. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under K-IFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated at fair value through other comprehensive income (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income that meet all of the following conditions.

- debt instruments that are held within a business model whose objective is to both to collect the contractual cash flows and to sell the debt instruments
- debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income, gains (losses) on foreign exchange translation, and impairment or reversal with debt instruments designated at fair value through other comprehensive income are calculated in the same way of financial assets designated at amortized cost. The remaining fair value changes are recognized in other comprehensive income. When a debt investment measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments designated at fair value through other comprehensive income that the Company holds are included in debt instruments as non-current assets.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under K-IFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company can choose to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income.

This category includes listed equity instruments that does not make an irrevocable election to measure derivatives and changes in fair value to recognize in other comprehensive income. Dividends for listed equity instruments is recognized at fair value through profit or loss when the entity's right to receive payment is established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at fair value through other comprehensive income, the Company uses low credit risk expedients. The Company assesses whether the debt instruments are considered to have low credit risk using historical experience and forward-looking information that is available without undue cost of effort at each reporting date. In making this assessment, the Company re-evaluates internal credit rating of the debt instruments.

If the Company's debt instruments measured at fair value through other comprehensive income are considered to be low credit rating investment if consisted only of listed debt securities with the highest investment grade. The Company's policy is to measure these instruments with 12-month expected credit losses. However, a loss allowance or provision at an amount equal to lifetime expected credit losses is recognized if there is a significant increase in credit risk after initial recognition. The Company uses information that credit-rating agency provides to determine whether there is a significant increase in the credit risk of its debt instruments and to measure the expected credit losses.

2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of KIFRS 1039 are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payable, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by K-IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in K-IFRS 1109 are satisfied.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(5) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. The carrying amount of the replaced part by subsequent expenditure is derecognized. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the respective assets estimated useful lives of 50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(6) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from deferred tax assets, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or a CGU. An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(7) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is presented as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. A provision shall be used only for expenditures for which the provision was originally recognized.

(8) Current and deferred tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise 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 nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company 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, deferred tax asset is recognized for 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 against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Meanwhile, if the Company distributes more than 90% of its net profits under CORPORATE TAX ACT Article 51-2 *Income Deductions for Special Purpose Companies, etc.*, the Company may receive an income deduction for calculation of the amount of income for the current business year. Therefore, the Company calculates corporate income taxes reflecting dividend income deduction in calculation of current year's income.

(9) Retained earnings

The Company does not accumulate legal reserve for appropriation of earnings pursuant to REAL ESTATE INVESTMENT COMPANY ACT Article 28-1 because COMMERCIAL ACT Article 458 which sets out the policy of legal reserve does not apply. In addition, the Company can distribute dividends in excess of profits to the extent of depreciation of the current year because COMMERCIAL ACT Article 462 does not apply as per REAL ESTATE INVESTMENT COMPANY ACT Article 28-3.

(10) Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

(11) Revenue from contracts with customers

As the Company is a real estate investment trust established in accordance with REAL ESTATE INVESTMENT COMPANY ACT, the Company recognizes lease income on a straight-line basis over the lease term arising from operating leases of investment property. Thus, K-IFRS 1115 *Revenue from Contracts with Customers* is not applied.

(12) Finance income and costs

Finance income includes interest income and dividends. Interest income is recognized at fair value through profit or loss applying effective interest method over the period. Dividend income is recognized when the right to receive dividends is confirmed.

Finance costs include interest expenses on borrowings and interest expenses are recognized at fair value through profit or loss applying effective interest method over the period.

(13) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares in the statements of comprehensive income. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

(14) Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the profit or loss and net asset values reported in the prior year.

(15) Approval of the financial statements

The issuance of the September 31, 2021 financial statements of the Company was approved by the Board of Directors on November 29, 2021, which will be approved at the annual shareholder's meeting on December 21, 2021.

4. Restricted Financial Instruments

Financial instruments which are restricted in its usage as of September 30 and March 31, 2021 are summarized as follows:

(In thousands of won)	Financial institution		September 30	March 31	Description
Short-term financial instruments	Woori Bank	₩	31,200	31,200	Provided as collateral for leasehold deposits
Long-term financial instruments	Woori Bank		558,876	558,876	
	Kookmin Bank		299,806	299,806	
		₩	858,682	858,682	

5. Other Financial Assets

(1) Other financial assets as of September 30 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30	March 31
Current assets:			
Accounts receivable	₩	362,375	308,132
Loss allowance provision		-	(72,908)
Accrued income		14,220	12,547
	₩	376,595	247,771
Non-current assets:			
Deposits provided	₩	726	726

(2) Allowance for losses of other financial assets

The Company's period for granting of credit is a month and the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortized cost are considered to have low credit risk, loss allowance provision is not recognized as of September 30, 2021. Also loss allowance provision for accounts receivable as of March 31, 2021 is as follows, and other financial assets measured at amortized cost other than accounts receivable are considered to have low credit risk, and thus loss allowance provision is not recognized.

(In thousands of won)		Current	Within 3 months	Over 3months	Total
Accounts receivable	₩	144,750	30,079	133,303	308,132
Expected loss rate		-	44.62%	44.62%	23.66%
Loss allowance provision		-	(13,422)	(59,486)	(72,908)
	₩	144,750	16,657	73,817	235,224

(3) Changes in loss allowance provision for the period ended September 30, 2021 is as follows:

(In thousands of won)		Beginning balance	Derecognition	Provision	Ending balance
Loss allowance provision	₩	72,908	(72,908)	-	-

(4) Changes in loss allowance provision for the period ended March 31, 2021 is as follows:

(In thousands of won)		Beginning balance	Derecognition	Provision	Ending balance
Loss allowance provision	₩	-	-	72,908	72,908

September 30, 2021 and March 31, 2021

6. Investments in Subsidiaries

(1) Investments in subsidiaries as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)

Company	Country	Main business	Percentage of ownership		September 30	March 31
Subsidiary						
Shinhan Alpha Yongsan REIT	Korea	Real estate asset management	100.00%	₩	29,995,441	29,995,441
Shinhan Alpha Gwanggyo REIT			100.00%		30,000,000	30,000,000
Shinhan K-1 REIT (*1)			80.18%		89,000,000	89,000,000
Shinhan Alpha Namsan REIT (*2)			100.00%		89,600,000	5,000,000
Shinhan Alpha Yeoksam REIT(*3)			100.00%		16,000,000	3,000,000
Shinhan K-2 REIT (*4)			94.34%		7,000,000	-
				₩	261,595,441	156,995,441

(*1) The percentage of ownership in the subsidiary is calculated as the issuance price ratio of the subsidiary's stock issuance value was different for each shareholder, and the percentage of ownership calculated by the company's voting rights exceeds 80%, so it is included in the subsidiaries of the Company.

(*2) The percentage of ownership in the subsidiary is calculated as the issuance price ratio of the subsidiary's stock issuance value was different for each shareholder, and the percentage of ownership calculated by the company's voting rights exceeds 80%, so it is included in the subsidiaries of the Company.

(*3) Participated in capital reduction of Shinhan Alpha Yeoksam REIT for the period ended September 30, 2021

(*4) Newly established by investment in shares for the period ended September 30, 2021

(2) Changes in investments in subsidiaries for the period ended September 30, 2021 are as follows:

(In thousands of won)		Beginning balance	Acquisition	Disposition	Ending balance
Shinhan Alpha Yongsan REIT	₩	29,995,441	-	-	29,995,441
Shinhan Alpha Gwanggyo REIT		30,000,000	-	-	30,000,000
Shinhan K-1 REIT		89,000,000	-	-	89,000,000
Shinhan Alpha Namsan REIT (*1)		5,000,000	84,600,000	-	89,600,000
Shinhan Alpha Yeoksam REIT (*1)		3,000,000	13,000,000	-	16,000,000
Shinhan K-2 REIT (*2)		-	7,000,000	-	7,000,000
	₩	156,995,441	104,600,000	-	261,595,441

(*1) Participated in rights offering of the corresponding subsidiary for the period ended September 30, 2021

(*2) Newly established by investment in shares for the period ended September 30, 2021

(3) Changes in investments in subsidiaries for the period ended March 31, 2021 are as follows:

(In thousands of won)		Beginning balance	Acquisition	Disposition	Ending balance
Shinhan Alpha Yongsan REIT	₩	29,995,441	-	-	29,995,441
Shinhan Alpha Gwanggyo REIT		30,000,000	-	-	30,000,000
Shinhan K-1 REIT (*1)		89,300,000	-	(300,000)	89,000,000
Shinhan Alpha Namsan REIT		5,000,000	-	-	5,000,000
Shinhan Alpha Yeoksam REIT		-	3,000,000	-	3,000,000
	₩	154,295,441	3,000,000	(300,000)	156,995,441

(*1) The subsidiary made a paid-in capital reduction for its paid-in capital arising from its establishment of promotion (share payment: ₩300,000 thousands) according to the agreement, and the company applied specific identification method to calculate the book value of investments in subsidiaries that are to be disposed of due to this paid-in capital reduction.

(*2) Newly established by investment in shares for the period ended March 31, 2021

7. Investment Properties

(1) Investment properties as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30			March 31		
		Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩	306,723,263	-	306,723,263	306,723,263	-	306,723,263
Buildings		244,780,420	(17,028,763)	227,751,657	244,780,420	(14,579,683)	230,200,737
	₩	551,503,683	(17,028,763)	534,474,920	551,503,683	(14,579,683)	536,924,000

(2) Changes in carrying amount of investment properties for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		September 30			March 31		
		Land	Building	Total	Land	Building	Total
Beginning balance	₩	306,723,263	230,200,737	536,924,000	306,723,263	232,649,818	539,373,081
Reclassification		-	-	-	-	-	-
Depreciation		-	(2,449,080)	(2,449,080)	-	(2,449,081)	(2,449,081)
Ending balance	₩	306,723,263	227,751,657	534,474,920	306,723,263	230,200,737	536,924,000

(3) Profit or loss generated from investment property for the periods ended September 30, 2021 and March 31, 2021 is as follows:

(In thousands of won)		September 30	March 31
Operating income	₩	17,648,191	17,549,721
Operating expenses		6,074,014	5,193,911

September 30, 2021 and March 31, 2021

(4) Information of appraisal of fair value

Details of inputs used for fair value measurement in three-level fair value of hierarchy as of September 30, 2021 are as follows:

(In millions of won)		September 30	Level of hierarchy of fair value	Valuation techniques	Unobservable inputs	Description of relationship
Investment property	₩	773,100	3	Weighted average of the income approach and market approach in an appropriate way	-Rent / sq. meter -Discount rate -Utility fee by floor	If rental payments increase (decrease) and discount rates decrease (increase) and utility fees by floor increase (decrease), the fair value of investment property will increase (decrease).

Appraisal of fair value of investment property was conducted by Samchang Appriasal Co, Ltd., and the appraised fair value was applied using 10% and 90% weights to the price based on the market approach which reflects market price as of February 1, 2021 and income approach which reflects investment value.

(5) The Company takes out a package insurance (Insured amount: ₩224,439 million) in connection with its investment property.

(6) In relation to borrowings the Company provides the right of fixed collateral and the right to receive claim related to investment property to the lenders as collateral with maximum pledge amount: ₩582,000 million. Also, in relation to leasehold deposits of lessee of operating lease, relevant investment property is provided as collateral with maximum pledged amount: ₩14,243 million.

(7) Operating lease provided

The Company has entered into a contract with KRFATON, Inc. and others to provide operating lease with some of its investment properties and the carrying amount of operating lease assets as of September 30, 2021 and March 31, 2021 is as follows:

September 30, 2021 and March 31, 2021

(In thousands of won)		September 30	March 31
Acquisition cost	₩	539,854,138	551,503,683
Accumulated depreciation		(16,669,061)	(14,579,683)
Carrying amount	₩	523,185,077	536,924,000

Depreciation incurred from operating lease asset for the periods ended September 30, 2021 and March 31, 2021 is ₩2,397 million and ₩2,449 million, respectively.

As of September 30, 2021 and March 31, 2021, the expected schedule of lease payments to receive from operating lease agreement with regard to the above investment property is as follows:

(In thousands of won)		September 30	March 31
Not later than one year	₩	34,202,291	32,520,616
Later than one year and not later than five years		57,369,623	107,587,723
Later than five years		95,645,161	56,709,395
Total	₩	187,217,075	196,817,734

The information above is based on the remaining lease period as of September 30, 2021 and March 31, 2021 and the possibility of an extension of the lease period has not been considered. The above lease payments may differ from actual amount received due to changes in rental payments linked to sales of lessee.

8. Other Assets

Other assets as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30	March 31
Current assets:			
Advance payments	₩	-	-
Prepaid expenses		464,528	517,597
	₩	464,528	517,597
Non-current assets:			
Prepaid expenses	₩	1,428,729	1,628,714

9. Other Accounts Payable

Other accounts payable as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30	March 31
Non-trade payables	₩	1,899,860	1,823,172
Accrued expenses		2,224,356	1,936,603
	₩	4,124,216	3,759,775

10. Other Current Liabilities

Other current liabilities as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30	March 31
Value added tax withheld	₩	746,344	734,607
Advances received		6,672	138,500
Unearned revenues		419,744	420,096
	₩	1,172,760	1,293,203

11. Borrowings

(1) Details of short-term borrowings as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		Maturity	Interest rate		September 30	March 31
Securities-based loans	Korea Investment & Securities Co., Ltd.	-	-	₩	-	21,000,000
	Samsung Securities Co., Ltd.				-	20,000,000
				₩	-	41,000,000

(2) Details of Long-term borrowings as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		Maturity	Interest rate		September 30	March 31
Project financing (Senior)	Kyobo life insurance co., ltd	-	-	₩	-	35,000,000
	National Credit Union Federation of Korea				-	25,000,000
	Jangan Credit Union				-	5,000,000
	Gwangju Credit Union				-	3,500,000
	Daechang Credit Union				-	1,500,000
	NongHyup				-	70,000,000
	Eugene Dream Square Investor Private Investment Trust #34				-	35,000,000
	National Federation of Fisheries Cooperatives				-	15,000,000
	HANWHA LIFE INSURANCE CO., LTD.	2026.04.29	2.7		190,000,000	70,000,000
	KB Insurance Co., Ltd				100,000,000	70,000,000
	Shinhan Life Insurance Co., Ltd.				20,000,000	10,000,000
	HYUNDAIMARINE&FIREINSURANCECO.,LTD.				100,000,000	-
	NongHyup Life Insurance Co.,Ltd				65,000,000	-
	Hanwha General Insurance Co., Ltd.				10,000,000	-

(In thousands of won)	Maturity	Interest rate		September 30	March 31
Sub-total				340,000,000	340,000,000
Less: Discounted present value				-	(2,083,339)
Total			₩	485,000,000	337,916,661

(3) The Company provides financial instrument, investment property, insurance claim under insurance contract and etc. to lenders as collateral with maximum pledge amount of ₩582,000 million for its long-term borrowings.

12. Leasehold Deposits

(1) Details of leasehold deposits as of September 30, 2021 are summarized as follows:

(In thousands of won)		Current	Non-current
Nominal value	₩	181,750	14,571,588
(Discounted present value)		-	(1,962,586)
Carrying amount	₩	181,750	12,609,002

(2) Details of leasehold deposits as of March 31, 2021 are summarized as follows:

(In thousands of won)		Current	Non-current
Nominal value	₩	181,750	14,529,739
(Discounted present value)		(1,176)	(2,139,554)
Carrying amount	₩	180,574	12,390,185

Some of investment property is pledged as collateral for the above leasehold deposits with maximum pledge amount of ₩14,243 million, and long-term financial instruments are pledged and set ₩890 million.

13. Share Capital and Other Paid-in Capital

(1) Share capital as of September 30, 2021 are summarized as follows:

(In thousands of won except per share)	**Number of Authorized shares**	**Number of shares issued**		**Par value per share in won**	**Capital**
Common stock	750,000,000	52,330,123	₩	1,000	52,330,123
Preferred stock	250,000,000	4,000,000		1,000	4,000,000
	1,000,000,000	56,330,123	₩		56,330,123

(2) Share capital as of March 31, 2021 are summarized as follows:

(In thousands of won except per share)	**Number of Authorized shares**	**Number of shares issued**		**Par value per share in won**	**Capital**
Common stock	750,000,000	52,330,123	₩	1,000	52,330,123
Preferred stock	250,000,000	4,000,000		1,000	4,000,000
	1,000,000,000	56,330,123	₩		56,330,123

(3) There is no change in number of outstanding shares and capital for the periods ended September 30, 2021 and March 31, 2021.

(4) Other paid-in capital as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		**March 31**	**September 30**
Additional paid-in capital:			
Common stock	₩	197,118,968	197,118,968
Preferred stock		51,813,315	51,813,315
	₩	248,932,283	248,932,283

(5) There is no change in other paid-in capital for the periods ended September 30, 2021 and March 31, 2021.

14. Retained Earnings

(1) Share capital as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30	March 31
Unappropriated retained earnings	₩	(1,137,735)	557,007

(2) Changes in unappropriated retained earnings for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		September 30	March 31
Unappropriated retained earnings (Deficit)			
Beginning balance	₩	557,007	2,440,459
Profit for the period		8,531,398	7,771,057
Dividends		(10,226,140)	(9,654,509)
Ending balance	₩	(1,137,735)	557,007

(3) Statement of appropriation of retained earnings as of September 30, 2021 and March 31, 2021 is as follows:

(In won)		September 30 (Expected date of appropriation: December 21, 2021)	March 31 (Confirmed date of appropriation: June 23, 2021)
Unappropriated retained earnings	₩	(1,137,735,137)	557,006,629
Prior year's unappropriated retained Earnings		(9,669,133,543)	(7,214,050,208)
Profit for the period		8,531,398,406	7,771,056,837
Retained earnings transfer		-	-
Appropriation of retained earnings		10,918,431,771	10,226,140,172
Dividends		10,918,431,771	10,226,140,172
Cash dividends of preferred stock (Cash dividend per preferred stock: 414 won)		1,656,000,000	1,644,000,000
Cash dividends of common stock (Cash dividend per common stock: 177 won)		9,262,431,771	8,582,140,172
Undisposed deficit carried over to subsequent year (*)		(12,056,166,908)	(9,669,133,543)

(*) In accordance with the relevant laws the Company may pay out dividends in excess of distributable profits to the extent of depreciation for the period ended March 31, 2021.

(4) Details of dividends paid for the period ended September 30, 2021 are as follows:

(In share, won)		Common stock	Preferred stock
Number of dividend shares		52,330,123	4,000,000
Par value per share	₩	1,000	1,000
Dividend rate		17.70%	41.40%
Dividend per share		177	414
Dividends	₩	9,262,431,771	1,656,000,000

(5) Details of dividends paid for the period ended March 31, 2021 are as follows:

(In share, won)		Common stock	Preferred stock
Number of dividend shares		52,330,123	4,000,000
Par value per share	₩	1,000	1,000
Dividend rate		16.40%	41.10%
Dividend per share		164	411
Dividends	₩	8,582,140,172	1,644,000,000

15. Operating Revenues

Details of revenues for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		September 30	March 31
Rental revenues	₩	12,285,493	12,223,313
Management revenues		4,756,983	4,726,408
Other revenues (*)		8,526,108	4,422,825
	₩	25,568,584	21,372,546

(*) Included dividends received from subsidiaries

16. Operating Expenses

Details of operating expenses for the periods ended September 30, 2021, and September 30 are as follows:

(In thousands of won)		September 30	March 31
Executive salaries	₩	10,200	10,200
Commissions and fees		854,349	521,480
Real estate service fees		1,567,734	1,558,640
Maintenance costs		306,975	343,238

(In thousands of won)		September 30	March 31
Utility Expenses		540,531	524,167
Taxes and dues		1,184,430	293,532
Insurance expenses		25,264	25,253
Depreciation expenses		2,449,080	2,449,081
Management fee expenses		1,507,166	1,440,497
Custodial fees		90,111	20,643
General, administrative and trust expenses		85,737	85,151
Bad debt expenses		9,817	72,908
	₩	8,631,394	7,344,790

17. Other Income and Expenses

Other income and expenses for the periods ended September 30, 2021 and March 31, 2021 consist of miscellaneous gains and losses.

18. Finance Income and Costs

Details of finance income and costs for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		September 30	March 31
Finance income:			
Interest income	₩	44,743	23,959
Gains on valuation of derivative instruments		62,047	328
	₩	106,790	24,287
Finance costs:			
Interest expense	₩	8,670,849	6,284,590
Losses on valuation of derivative instruments		-	6,331
	₩	8,670,849	6,290,921

19. Income Tax Expenses

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. However, if the Company distributes more than 90% of its net profits under CORPORATE TAX ACT Article 51-2 *Income Deductions for Special Purpose Companies, etc.*, the Company may receive an income deduction for calculation of the amount of income for the current business year. Current income tax expenses were not incurred as there is no corporate income tax to be borne by the Company. In addition, deferred tax assets and liabilities are not recognized for deductible temporary differences due to uncertainty over taxable income to be generated in the future as of the end of reporting date.

20. Earnings per Share

(1) Details of basic earnings per share for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In won except per share information)		September 30	March 31
Profit attributable to ordinary shares	₩	8,531,398,406	7,771,056,837
Less: dividends to preferred shares		(1,656,000,000)	(1,644,000,000)
Profit attributable to ordinary shares, net		6,875,398,406	6,127,056,837
Weighted average number of ordinary shares outstanding (shares)		52,330,123	52,330,123
Basic earnings per share	₩	131	117

(2) Details of weighted average number of ordinary shares outstanding for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In day except per share)	Period	Shares outstanding	Days	Accumulated number of days
September 30				
Ordinary shares	2021.04.01 ~ 2021.09.30	52,330,123	183	9,576,412,509
Weighted average number of ordinary shares outstanding				52,330,123
March 31				
Ordinary shares	2020.10.01 ~ 2021.03.31	52,330,123	182	9,524,082,386
Weighted average number of ordinary shares outstanding				52,330,123

(3) The Company does not disclose diluted earnings per share for the periods ended September 30, 2021 and March 31, 2021 because the Company has no potential dilutive shares outstanding.

21. Commitments and Contingencies

(1) Commitments of project financing

(In millions of won)		Project financing
Date of commitment		2021.04.27
Lenders		6 financial institutions including HANWHA LIFE INSURANCE CO., LTD.
Total amount of commitment	₩	485,000

The Company borrowed ₩485,000 million of the above project financing commitment as of September 30, 2021. In relation to financial loan agreement the Company provides its financial instruments, investment property, insurance claim under insurance contract to lenders as collateral with maximum pledge amount of ₩582,000 million.

(2) Asset Management Contract

The Company entered into an asset management contract with Shinhan REITs Management Co., Ltd. for the services of acquisition, management, improvement, and disposal of real estate, and development and lease of real estate and trading of securities on behalf of the Company.

	Description
Purchase fee	0.6% of purchase amount
Basic management fee	0.4% per annum of the base amount(*1) as of the end of business year
Management performance fee	5% of share value increase within the limit(*2)
Basic disposition fee	1% of disposed amount
Incentive disposition fee	10% of gain on disposition – accumulated amount of management performance fee already paid

(*1) Amount after subtracting the carrying amount of equity securities of JA-REITs at the relevant time from the total asset carrying amount at the end of reporting period. However, it is not subtracted in case that JA-REITs decides not to pay management fee to entrusted manage of JA-REITs.

(*2) Balance subtracted the expected amount of dividends from net profits available for dividends for the corresponding business year

Management fee incurred under the above asset management contract for the periods ended September 30, 2021 and March 31, 2021 is ₩1,507 million and ₩1,440 million, respectively.

(3) General Business Administration Contract

The Company entered into a contract with Shinhan Aitas for the services of office work related to the issuance of stock, operation management, tax affair, and notification and disclosure by law or articles of incorporation, and pays administration fees at 0.033% per annum of purchase amount of real estate at every settlement date. In case that the fees is calculated under ₩ 12.5 million, VAT not included, the fees is set to be ₩12.5 million.

(4) Asset Custodial Contract

The Company entered into a contract with Kookmin Bank for the services of custody of real estate, securities, cash, etc., and management on behalf of the Company. The Company pays commission fees (₩200,000 thousands) at every settlement date.

(5) Real estate mortgage trust

The Company entered into a real estate mortgage trust contract with KOREA ASSET IN TRUST Co., Ltd. to ensure the management of real estate ownership and the fulfillment of debts and responsibilities borne by the Company. The scope of the secured debt guaranteed by the real estate mortgage trust contract is as follows:

(In millions of won)		Description
Priority beneficiary		6 financial institutions including HANWHA LIFE INSURANCE CO., LTD.
Secured debts		Senior loans
Amount of loans	₩	485,000
Maximum amount for beneficiary	₩	582,000 (120% of loans)

(6) If the Company intends to sell its investment property, KRAFTON Tower, to a third party, KRAFTON (formerly known as Bluehole) has the right of first offer on the property.

(7) The Company enters into a contract of performance guarantee contract with Seoul Guarantee Insurance Co., Ltd. with insured amount of ₩44 million as of September 30, 2021.

(8) The Company entered into a mutual call-option agreement with financial investors of its subsidiary, Shinhan K-1 REIT, through shareholder's agreement for shares each party holds, and recognized derivative instruments assets and liabilities in relation to the call-option agreement.

	The Company's call-option	Financial investor's call-option
Exercise period	The period from the date 7 years have elapsed from the date of purchase of investment property to the date of 1 year elapse	In case that the Company's call-option is not exercised or transaction is not closed imputable to the buyer, the period from the date 8 years have elapsed from the date of purchase of investment property to the date of 1 year elapse
Option items	All classes of securities of financial investor	All classes of securities and common shares of the Company
Exercise price	Amount with an IRR of 8% for financial investors (calculated after deducting security transaction tax)	Amount with an IRR of 8% for the Company (calculated after deducting security transaction tax)

September 30, 2021 and March 31, 2021

22. Fair Value of Financial Instruments by Category

(1) Details of fair value and carrying amount of financial assets and liabilities by category as of September 30, 2021 and March 31, 2021 are summarized as follows:

(In thousands of won)		September 30		March 31	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost					
Cash and cash equivalents	₩	9,364,001	9,364,001	6,785,896	6,785,896
Short-term financial assets		31,200	31,200	31,200	31,200
Long-term financial instruments		858,682	858,682	858,682	858,682
Other financial assets		377,321	377,321	248,497	248,497
	₩	10,631,204	10,631,204	7,924,275	7,924,275
Financial assets at fair value					
Derivative instruments assets	₩	77,510	77,510	15,463	15,463
Financial Liabilities at amortized cost					
Other accounts payables	₩	4,124,216	4,124,216	3,759,775	3,759,775
Short-term borrowings		-	-	41,000,000	41,000,000
Long-term borrowings		485,000,000	485,000,000	337,916,661	337,916,661
Leasehold deposits received		12,790,752	12,790,752	12,570,759	12,570,759
	₩	501,914,968	501,914,968	395,247,195	395,247,195
Financial Liabilities at fair value					
Derivative instruments liabilities	₩	-	-	-	-

The Company considers the carrying amount and fair value of its financial assets and liabilities measured at amortized cost are similar to each other.

September 30, 2021 and March 31, 2021

(2) Details of gains or losses on financial instruments by category for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)			**September 30**	**March 31**
Financial assets at amortized cost	Interest income	₩	44,743	23,959
	Gains on valuation of derivative instruments		62,047	-
Financial assets at fair value	Losses on valuation of derivative instruments		-	6,331
Financial liabilities at amortized cost	Interest expenses		8,670,849	6,284,590
Financial liabilities at fair value	Gains on valuation of derivative instruments		-	328

(3) Fair value hierarchy

1) Financial assets and liabilities carried at fair value by each valuation techniques are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or in indirectly
- Level 3: input for the asset or liability that are not based on observable market data

2) The level of fair value hierarchy of financial assets and liabilities measured at fair value as of September 30, 2021 is as follows:

(In thousands of won)		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value					
Derivative instruments assets	₩	-	-	77,510	77,510
Financial liabilities at fair value					
Derivative instruments liabilities		-	-	-	-

3) The level of fair value hierarchy of financial assets and liabilities measured at fair value as of March 31, 2021 is as follows:

(In thousands of won)		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value					
Derivative instruments assets	₩	-	-	15,463	15,463
Financial liabilities at fair value					
Derivative instruments liabilities		-	-	-	-

4) Changes in financial instruments corresponding to level 3 for the period ended September 30, 2021 are as follows:

(In thousands of won)		**Beginning balance**	**Valuation**	**Ending balance**
Financial assets at fair value	₩	15,463	62,047	77,510

5) Changes in financial instruments corresponding to level 3 for the period ended March 31, 2021 are as follows:

(In thousands of won)		Beginning balance	Valuation	Ending balance
Financial assets at fair value	₩	21,794	(6,331)	15,463
Financial liabilities at fair value		328	(328)	-

6) Inputs used in measurement of fair value corresponding to level 3 of the hierarchy as of September 30, 2021 are as follows:

(In thousands of won)		Valuation	Level	Valuation Method	Significant unobservable inputs and range		Correlation between unobservable variable inputs and fair value
Derivative instruments assets	₩	77,510	3	Least-Squares MonteCarlo Simulation and discounted cash flow used for calculation of beginning stock price	Expected volatility of land value	2.76%	-If volatility of land value increases, volatility of option increases. -As the remaining maturity of the option decreases, the value of the option decreases.

23. Financial Risk Management

(1) Management of capital risk

The fundamental goal of capital management is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As for this to be maintained, the Company uses debt ratio as indicator of capital management. The debt ratio is calculated as net liability divided by total equity.

The debt ratio as of September 30, 2021 and March 31, 2021 is as follows:

(In thousands of won)		September 30	March 31
Total liabilities (A)	₩	504,554,200	398,188,905
Total equity (B)		304,124,671	305,819,412
Debt ratio (A/B)		165.90%	130.20%

(2) Financial risk management

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and price risk). The Company'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 Company.

1) Market risk

① Interest rate risk

The carrying amount of assets and liabilities with a floating interest rate term exposed to interest rate risk as of September 30, 2021 is as follows:

(In thousands of won)		**September 30**	**March 31**
Cash and cash equivalents and Long-term and short-term financial instruments	₩	10,253,883	7,675,778

The impact of 1% high/low interest rate regarding each asset and liability, with all other variables held constant, on the Company's profit before income tax for the period ended September 30, 2021 is as follows:

(In thousands of won)		**1% high**	**1% low**
Cash and cash equivalents and Long-term and short-term financial instruments	₩	102,539	(102,539)

② Price risk

Price risk is the risk of fluctuations in the fair value or cash flow of financial instruments due to fluctuations in market prices. As of September 30, 2021, the Company's financial instruments exposed to price risk are derivatives instruments assets and liabilities.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, credit risk is limited because the Company has transactions only with highly rated parties. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. As of September 30, 2021, the maximum exposures to credit risk is the same as the carrying amount, which correspond with financial assets in the category measured at amortized cost amounting to ₩10,631 million (₩7,924 million as of March 31, 2021).

3) Liquidity risk

In order to manage the liquidity risk the Company establishes short-term and mid-term fund management plans and continuously analyze and review the projected cash outflows with actual cash outflows, and compares the maturity schedule of its financial assets and liabilities. Management believes financial liabilities can be repaid with the cash inflows from its operating activities and financial assets.

① The contractual maturities of non-derivative financial liabilities as of September 30, 2021 are as follows:

(In thousands of won)		**1 year or less**	**1 year or less**	**More than 5 years**	**Total**
Non-trade payables	₩	1,899,860	-	-	1,899,860
Accrued expenses		2,224,356	-	-	2,224,356
Leasehold deposits		181,750	7,240,867	7,330,721	14,753,338
Long-term borrowings		13,095,000	531,819,110	-	544,914,110
	₩	17,400,966	539,059,977	7,330,721	563,791,664

② The contractual maturities of non-derivative financial liabilities as of March 31, 2021 are as follows:

(In thousands of won)		**1 year or less**	**1 year or less**	**More than 5 years**	**Total**
Non-trade payables	₩	1,823,172	-	-	1,823,172
Accrued expenses		1,936,603	-	-	1,936,603
Leasehold deposits		181,750	7,337,517	7,192,222	14,711,489
Short-term borrowings		41,000,000	-	-	41,000,000
Long-term borrowings		11,220,000	352,049,972	-	363,269,972
	₩	56,161,525	359,387,489	7,192,222	422,741,236

The above maturity analysis is prepared based on the earliest maturity date the Company has to pay, based on cash flows from undiscounted principal and interest.

24. Transactions and Balances with Related Parties

(1) Details of related parties are as follows:

	Name
Subsidiary	Shinhan Alpha Yongsan REIT
	Shinhan Alpha Gwanggyo REIT
	Shinhan K-1 REIT
	Shinhan Alpha Namsan REIT
	Shinhan Alpha Yeoksam REIT
	Shinhan K-2 REIT (*)
Other related party	Shinhan REITs Management Co., Ltd.

(*) Newly established by investment in shares for the period ended September 30, 2021

(2) Significant transactions with related parties for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)	**Transaction**		**September 30**	**March 31**
Shinhan Alpha Yongsan REIT	Dividends received	₩	2,599,000	1,778,882
Shinhan Alpha Gwanggyo REIT	Dividends received		861,217	734,327
Shinhan K-1 REIT	Share reduction		-	300,000
	Dividends received		1,767,548	1,309,617
Shinhan Alpha Namsan REIT	Acquisition of shares		84,600,000	-
	Dividends received		1,159,000	-
Shinhan Alpha Yeoksam REIT	Acquisition of shares		13,000,000	3,000,000
	Dividends received		1,533,627	-
Shinhan K-2 REIT	Acquisition of shares		7,000,000	-
Shinhan REITs Management Co., Ltd.	Expenses		1,507,166	1,440,497

September 30, 2021 and March 31, 2021

(3) Account balances with related parties as of September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)	Type		September 30	March 31
Shinhan REITs Management Co., Ltd.	Liabilities	₩	1,505,720	1,443,637

25. Cash Flow Information

(1) Cash and cash equivalents as of September 30, 2021 and March 31, 2021 is as follows:

(In thousands of won)		September 30	March 31
Deposits on demand	₩	9,364,001	1,329,777

(2) Changes in liabilities (borrowings) from financing activities for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		September 30	March 31
Beginning balance	₩	378,916,661	378,425,622
Borrowings		485,000,000	-
Repayment		(381,000,000)	-
Amortization		2,083,339	491,039
Ending balance	₩	485,000,000	378,916,661

(3) Details of significant transactions not involving cash inflows and outflows for the periods ended September 30, 2021 and March 31, 2021 are as follows:

(In thousands of won)		**September 30**	**March 31**
Reclassification of long-term prepaid expenses to current portion	₩	213,835	205,156
Amortization of present value discount account of long-term borrowings		2,083,339	491,039
Reclassification of advance received to long-term leasehold deposits		138,500	-
Derecognition of accounts receivable		226,839	-
Offset between long-term leasehold deposits and accounts receivable		144,374	-
Recognition of leasehold deposits		60,000	-

26. Operating Segments

Considering the nature of the service that generates operating income, the Company decided the entire company as a single reporting unit. Therefore, the disclosure on operating income, profit and loss before provisions for income taxes, total amount of assets and liabilities by reporting unit is omitted.

The Company's operating profit was entirely generated domestically, and information related to external customers exceeding 10% of the Company's operating profit is as follows:

(In thousands of won)		**Operating profit**
Customer 1	₩	8,727,396
Customer 2		2,658,677