

**ESR Kendall Square Asset No.1 REIT
Co., Ltd.**

Financial Statements

May 31, 2022 and November 30, 2021

ESR Kendall Square Asset No.1 REIT Co., Ltd.

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
ESR Kendall Square Asset No.1 REIT Co., Ltd.

Opinion

We have audited the accompanying financial statements of ESR Kendall Square Asset No.1 REIT Co., Ltd. (the Company), which comprise the statements of financial position as at May 31, 2022 and November 30, 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the six-month periods then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ESR Kendall Square Asset No.1 REIT Co., Ltd. as at May 31, 2022 and November 30, 2021, and its financial performance and its cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Korean Standards on Auditing 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 financial statements.

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

- Identify and assess the risks of material misstatements of the 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 entity'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 Company'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 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 Company

to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Seoul, Korea

August 10, 2022

This report is effective as of August 10, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Statements of Financial Position
May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	Notes	May 31, 2022		November 30, 2021	
Assets					
Current assets					
Cash and cash equivalents	4,20,21	₩	16,163,748,196	₩	15,223,428,614
Other financial assets	6,20,21		977,018,329		903,342,415
Other assets	7		1,193,098,718		1,005,328,787
Current tax assets			<u>2,190,610</u>		<u>9,225,070</u>
			<u>18,336,055,853</u>		<u>17,141,324,886</u>
Non-current assets					
Long-term financial assets	5,20,21		25,440,854,333		25,440,479,751
Investment properties	8,11		1,130,266,921,391		1,136,814,713,064
Other non-current financial assets	6,20,21		<u>2,215,318,558</u>		<u>2,546,515,281</u>
			<u>1,157,923,094,282</u>		<u>1,164,801,708,096</u>
Total assets		₩	<u>1,176,259,150,135</u>	₩	<u>1,181,943,032,982</u>
Liabilities					
Current liabilities					
Other financial liabilities	9,20,21,22,24	₩	7,603,611,502	₩	6,510,495,816
Other current liabilities	10		<u>1,189,218,348</u>		<u>1,240,583,981</u>
			<u>8,792,829,850</u>		<u>7,751,079,797</u>
Non-current liabilities					
Long-term borrowings	11,20,21,24		615,194,895,054		614,390,906,714
Other non-current financial liabilities	9,20,21,24		22,911,090,400		23,891,198,594
Other non-current liabilities	10		<u>2,788,636,360</u>		<u>2,870,994,465</u>
			<u>640,894,621,814</u>		<u>641,153,099,773</u>
Total liabilities			<u>649,687,451,664</u>		<u>648,904,179,570</u>
Equity					
Share capital	12		53,854,900,000		53,854,900,000
Other paid-in-capital	12		476,731,691,480		477,541,691,480
Retained earnings (accumulated deficit)	13		<u>(4,014,893,009)</u>		<u>1,642,261,932</u>
Total equity			<u>526,571,698,471</u>		<u>533,038,853,412</u>
Total liabilities and equity		₩	<u>1,176,259,150,135</u>	₩	<u>1,181,943,032,982</u>

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Statements of Comprehensive Income
Six-Month Periods Ended May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	Notes	May 31, 2022		November 30, 2021	
Operating revenues	16	₩	30,199,720,184	₩	30,055,260,168
Operating expenses	17		<u>13,077,265,511</u>		<u>14,831,125,049</u>
Operating profit			<u>17,122,454,673</u>		<u>15,224,135,119</u>
Non-operating income					
Financial income	18,21		96,528,736		94,127,202
Other income	19		<u>11</u>		<u>1,519,016</u>
			<u>96,528,747</u>		<u>95,646,218</u>
Non-operating expense					
Financial expenses	18,21		<u>8,456,975,534</u>		<u>8,580,939,985</u>
			<u>8,456,975,534</u>		<u>8,580,939,985</u>
Profit before income tax expenses			8,762,007,886		6,738,841,352
Income tax expenses	14		<u>-</u>		<u>-</u>
Profit for the period		₩	<u>8,762,007,886</u>	₩	<u>6,738,841,352</u>
Other comprehensive income			-		-
Total comprehensive income for the period		₩	<u>8,762,007,886</u>	₩	<u>6,738,841,352</u>
Earnings per share					
Basic and diluted earnings per share	15	₩	813	₩	626

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Statements of Changes in Equity
Six-Month Periods Ended May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)	Total
Balance at June 1, 2021	₩ 53,854,900,000	₩ 478,351,691,480	₩ 9,373,622,832	₩ 541,580,214,312
Transfer of other paid-in-capital to retained earnings	-	(810,000,000)	810,000,000	-
Dividends	-	-	(15,280,202,252)	(15,280,202,252)
Profit for the period	-	-	6,738,841,352	6,738,841,352
Balance at November 30, 2021	<u>₩ 53,854,900,000</u>	<u>₩ 477,541,691,480</u>	<u>₩ 1,642,261,932</u>	<u>₩ 533,038,853,412</u>
Balance at December 1, 2021	₩ 53,854,900,000	₩ 477,541,691,480	₩ 1,642,261,932	₩ 533,038,853,412
Transfer of other paid-in-capital to retained earnings	-	(810,000,000)	810,000,000	-
Dividends	-	-	(15,229,162,827)	(15,229,162,827)
Profit for the period	-	-	8,762,007,886	8,762,007,886
Balance at May 31, 2022	<u>₩ 53,854,900,000</u>	<u>₩ 476,731,691,480</u>	<u>₩ (4,014,893,009)</u>	<u>₩ 526,571,698,471</u>

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Statements of Cash Flows
Six-Month Periods Ended May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Cash flows from operating activities		
Profit for the period	₩ 8,762,007,886	₩ 6,738,841,352
Adjustments for:		
Depreciation	7,652,684,473	7,680,321,475
Interest expense	8,456,975,534	8,580,939,985
Interest income	(96,528,736)	(94,127,202)
Other income	(303,277,335)	(303,501,669)
	<u>15,709,853,936</u>	<u>15,863,632,589</u>
Changes in operating assets and liabilities:		
Decrease in account receivables	11,699,237	21,214,870
Increase in accrued income	(312,103,277)	(1,276,679,061)
Increase in prepaid expenses	(187,769,931)	(436,030,035)
Increase (decrease) in non-trade payables	(14,334,819)	680,430,214
Increase in unearned revenue	-	480,917,800
Increase (decrease) in value added tax withholdings	(47,792,485)	101,931,793
	<u>(550,301,275)</u>	<u>(428,214,419)</u>
Cash generated from operations	<u>23,921,560,547</u>	<u>22,174,259,522</u>
Interest received	10,779,003	59,880,102
Interest paid	(7,321,866,801)	(10,046,577,423)
Income taxes refunded (paid)	7,034,460	(9,202,290)
Net cash inflow from operating activities	<u>16,617,507,209</u>	<u>12,178,359,911</u>
Cash flows from investing activities		
Disposal of long-term financial assets	-	5,813,806,103
Reduction of other deposits	643,300,000	-
Acquisition of investment properties (Land)	-	(40,660,182,565)
Acquisition of investment properties (Building)	(1,104,892,800)	(128,093,021,820)
Increase in long-term financial assets	-	(9,880,832,114)
Net cash outflow from investing activities	<u>(461,592,800)</u>	<u>(172,820,230,396)</u>
Cash flows from financing activities		
Increase in long-term borrowings	-	168,700,000,000
Increase in leasehold deposits received	63,568,000	4,041,348,200
Decrease in leasehold deposits received	(50,000,000)	(199,710,000)
Dividends paid	(15,229,162,827)	(15,280,202,252)
Net cash inflow (outflow) from financing activities	<u>(15,215,594,827)</u>	<u>157,261,435,948</u>
Net increase (decrease) in cash and cash equivalents	940,319,582	(3,380,434,537)
Cash and cash equivalents at the beginning of period	15,223,428,614	18,603,863,151
Cash and cash equivalents at the end of period	<u>₩ 16,163,748,196</u>	<u>₩ 15,223,428,614</u>

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.

Notes to the Financial Statements

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1. Reporting Entity

ESR Kendall Square Asset No.1 REIT Co., Ltd. (the "Company") was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020 and approval on changes in business on October 19, 2020. The Company is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development, and trade of real estate lease securities. The Company's head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Company's major shareholders and their respective shareholdings as at May 31, 2022, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Co., Ltd.	10,770,980	100.00%

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these 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 Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying individual financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying individual financial statements.

The individual financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The 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

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- defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing December 1, 2021.

(a) Amendments to Korean IFRS 1116 Lease – Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify 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

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when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations that have been published that are not mandatory for May 31, 2022 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean 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 instruments 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 in review for the impact of these amendments on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these

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amendments have a significant impact on the financial statements.

(d) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Company does not expect that these amendments have a significant impact on the financial statements.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when they have a short maturity with a specified redemption date.

2.4 Financial Assets

The Company 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

(a) Classification

The classification depends on the entity'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

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loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company 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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Company has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

- Debt instruments

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

- Financial assets measured at 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 'financial income' using the effective interest rate method.

- Financial assets measured at Fair value through other comprehensive income (FVOCI)

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. Movements 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 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

- Financial assets measured at Fair value through profit and loss (FVTPL)

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

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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 the statements of comprehensive income within 'financial income or financial expenses' in the period in which it arises.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit loss 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 and other receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

- Trade receivables

The Company applies the simplified approach for trade receivables which requires the expected lifetime losses to be recognized from initial recognition of the receivables.

- Financial assets measured at amortized cost

Financial assets measured at amortized costs are considered to have low credit risk if the risk of default is low and the issuer has sufficient ability to pay contractual cash flows in a short period of time. Therefore, any loss allowance is recognized as 12-month expected credit losses.

- Debt instruments measured at fair value through other comprehensive income

Debt instruments measured at fair value through other comprehensive income include government bonds, corporate bonds and trade receivables subject to discount. Loss allowances for debt instruments measured at fair value through other comprehensive income are recognized in profit or loss and reduces the amount that would have been recognized in other comprehensive income due to fair value valuation losses.

(d) Recognition and Derecognition

Purchases or sales of financial assets in an active market are recognized or derecognized on trade date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as "borrowings" in the statements of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is 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 liabilities 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 Company or the counterparty.

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2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable is estimated for each individual asset or for each cash-generating unit to which the asset belongs if the recoverable amount cannot be estimated. The recoverable amount is the higher of the asset's or cash-generating unit's value in use or fair value less costs of disposal. Value in use is determined by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the current market assessment of the unadjusted asset's specific risk when estimating the time value of money and future cash flows.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

2.6 Financial liabilities

(a) Classification and measurement

The Company 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 in the statements of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or 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.

2.7 Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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. Routine maintenance and repairs are expensed as incurred.

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

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The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each reporting period and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

2.8 Capital stock and share issuance expenses

Proceeds from issuance of common shares are classified as contributed equity. Incremental costs directly attributable to the issuance of common shares are deducted against equity net of tax.

2.9 Revenue recognition

Rental income under operating leases is recognized in profit or loss on a straight-line basis during the term of the lease. The service falls under Korean IFRS 1116 'Leases' and is not subject to Korean IFRS 1115 '*Revenue from Contracts with Customers*' and there is no service identified as a performance obligation.

2.10 Financial income and financial costs

Financial income comprises of interest income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Financial costs comprise of interest expenses. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

2.11 Income tax

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Company payouts 90% or more of its profit available for dividends as dividends, the Company shall be entitled to deduct such amount from its taxable income for the fiscal year.

2.12 Approval of issuance of the financial statements

The Company's financial statements as at and for the period ended May 31, 2022 were approved for issue by the Board of Directors on August 8, 2022 and are to be approved at the Annual General Meeting scheduled on August 19, 2022.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions 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.

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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.

The spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company.

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

4. Cash and Cash Equivalent

Cash and cash equivalents as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Bank deposits	₩ 16,163,748	₩ 15,223,429

5. Other Financial Assets

Financial instruments that are restricted in use as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Long-term financial assets ¹	₩ 25,440,854	₩ 25,440,480

¹ Consist of bank deposit, time deposit and financial receivables with compound interests of small and medium-sized companies and are pledged on the leasehold deposits.

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6. Other Financial Assets

Other financial assets as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Current assets				
Account receivables	₩	804,448	₩	816,147
Accrued income		172,570		87,195
	₩	<u>977,018</u>	₩	<u>903,342</u>
Non-current assets				
Other leasehold deposits	₩	-	₩	643,300
Accrued income		2,215,319		1,903,215
	₩	<u>2,215,319</u>	₩	<u>2,546,515</u>

7. Other Assets

Other assets as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Prepaid expenses	₩	1,193,099	₩	1,005,329

8. Investment Properties

Investment properties as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022			November 30, 2021		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 384,467,915	₩ -	₩ 384,467,915	₩ 384,467,915	₩ -	₩ 384,467,915
Buildings	<u>767,038,592</u>	<u>(21,239,585)</u>	<u>745,799,007</u>	<u>765,933,699</u>	<u>(13,586,901)</u>	<u>752,346,798</u>
	₩ 1,151,506,507	₩ (21,239,585)	₩ 1,130,266,922	₩ 1,150,401,614	₩ (13,586,901)	₩ 1,136,814,713

Changes in investment properties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022			November 30, 2021		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 384,467,915	₩ 752,346,798	₩ 1,136,814,713	₩ 343,807,732	₩ 631,934,098	₩ 975,741,830
Acquisitions	-	1,104,893	1,104,893	40,660,183	128,093,021	168,753,204
Depreciation	-	<u>(7,652,684)</u>	<u>(7,652,684)</u>	-	<u>(7,680,321)</u>	<u>(7,680,321)</u>
Ending balance	<u>₩ 384,467,915</u>	<u>₩ 745,799,007</u>	<u>₩ 1,130,266,922</u>	<u>₩ 384,467,915</u>	<u>₩ 752,346,798</u>	<u>₩ 1,136,814,713</u>

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Revenues and expenses related to investment properties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Operating revenues ¹	₩	29,892,223	₩	29,751,758
Operating expenses ²		9,910,689		11,604,381

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of insurance expenses, depreciation expense, real estate management consignment fees, facility maintenance & administrative expenses, taxes and due, utilities expenses, deemed rent, rental brokerage fees.

Fair value of investment properties as at May 31, 2022 has no significant difference with the book amount.

The Company has provided collateral rights for the underlying mortgage on land and buildings and the insurance coverage rights of the property all risks insurance in relation to long-term borrowings and details are as follows:

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral		Contract amount	Maximum amount of bonds (120%)		
Tranche A	₩	467,358,084	₩	255,000,000	₩	306,000,000
Tranche B&C		662,908,837		364,200,000		437,040,000
	₩	<u>1,130,266,921</u>	₩	<u>619,200,000</u>	₩	<u>743,040,000</u>

The Company subscribes to the property all risks insurance (insured amount: ₩ 480,130 million) in relation to investment property.

9. Other Financial Liabilities

Other financial liabilities as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Current liabilities				
Non-trade payables	₩	3,290,687	₩	3,305,022
Accrued expense		3,196,380		3,155,474
Leasehold deposits		1,138,829		50,000
Discount account on present value		(22,284)		-
	₩	<u>7,603,612</u>	₩	<u>6,510,496</u>
Non-current liabilities				
Leasehold deposits	₩	26,332,040	₩	27,407,301
Discount account on present value		(3,420,950)		(3,516,102)
	₩	<u>22,911,090</u>	₩	<u>23,891,199</u>

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10. Other Liabilities

Other liabilities as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Current liabilities		
Value added tax withholdings	₩ 585,558	₩ 633,350
Unearned revenue	603,661	607,234
	<u>₩ 1,189,219</u>	<u>₩ 1,240,584</u>
Non-current liabilities		
Unearned revenue	₩ 2,788,636	₩ 2,870,994
	<u>₩ 2,788,636</u>	<u>₩ 2,870,994</u>

11. Borrowings

Details of long-term borrowings as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	May 31, 2022	November 30, 2021
Tranche A	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩ 50,000,000	₩ 50,000,000
	Bank of China	2.22%	December 14, 2023	50,000,000	50,000,000
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	50,000,000
Tranche B	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	105,000,000
	Industrial Bank of Korea	2.50%	December 14, 2025	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	40,000,000
Tranche C	Industrial Bank of Korea	2.50%	December 14, 2025	28,700,000	28,700,000
	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	50,000,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	40,000,000
	Tongyang Life Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	50,000,000
				<u>619,200,000</u>	<u>619,200,000</u>
	Less: discount account on present value			(4,005,105)	(4,809,093)
				<u>₩ 615,194,895</u>	<u>₩ 614,390,907</u>

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Regarding the borrowing agreements, the Company provided the investment property as collateral and details are as follows:

<i>(in thousands of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	₩ 467,358,084	₩ 306,000,000	Tranche A	Hanwha General Insurance Co., Ltd. 3 others
	Goyang logistics park	496,719,493			
	Anseong logistics park	166,189,344	437,040,000	Tranche B&C	Industrial Bank of Korea and 3 others
		<u>₩ 1,130,266,921</u>	<u>₩ 743,040,000</u>		

Among Tranche A, leasehold rights amounting to ₩310,684 thousand and right to open-end security amounting to ₩353,897 thousand in relation to leasehold deposits are set as senior collateral, respectively.

12. Share Capital and Other Paid-in-Capital

Details of share capital as at May 31, 2022, are as follows:

<i>(in Korean won)</i>	Total number of authorized shares	Total number of issued shares	Par value per share	Share capital
Common shares	400,000,000 shares	10,770,980 shares	₩ 5,000	₩ 53,854,900,000

Details of other paid-in-capital as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Additional paid-in-capital	₩ 476,731,691	₩ 477,541,691

13. Retained Earnings (accumulated deficits)

Details of retained earnings (accumulated deficits) as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Retained earnings (accumulated deficits)	₩ (4,014,893)	₩ 1,642,262

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Changes in retained earnings (accumulated deficits) for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Beginning balance	₩ 1,642,262	₩ 9,373,623
Transfer of other paid-in-capital to retained earnings	810,000	810,000
Dividends	(15,229,163)	(15,280,202)
Profit for the period	8,762,008	6,738,841
Ending balance	<u>₩ (4,014,893)</u>	<u>₩ 1,642,262</u>

The appropriation of retained earnings (accumulated deficits) for the periods ended and May 31, 2022 and November 30, 2021, is as follows:

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Undisposed accumulated deficits carried over from prior year	₩ (12,776,900,895)	₩ (5,096,579,420)
Profit for the period	<u>8,762,007,886</u>	<u>6,738,841,352</u>
Retained earnings available for appropriation (accumulated deficits available for disposition)	(4,014,893,009)	1,642,261,932
Transfer of other paid-in-capital		
Transfer of share premium	810,000,000	810,000,000
Appropriation of retained earnings		
Dividends for common shares ¹	<u>17,224,692,359</u>	<u>15,229,162,827</u>
Undisposed accumulated deficits to be carried forward	<u>₩ (20,429,585,368)</u>	<u>₩ (12,776,900,895)</u>

¹ In accordance with relevant laws and regulations, the Company may distribute dividends in excess of the distributable income under the Commercial Act up to the depreciation expenses for the current period.

Dividends for the period ended May 31, 2022, are calculated as follows:

<i>(in Korean won)</i>	Common shares	
1. Dividends	₩	17,224,692,359
2. Total number of shares issued		10,770,980
3. Dividend per share (1./2.)	₩	1,599
4. Par value	₩	5,000
5. Dividend rate per share (3./4.)		31.98%

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14. Income Tax Expense

Income tax expense is the sum of income tax calculated at the amount expected to be paid to the taxation authorities under the Corporate Tax Laws and adding or subtracting the changes in deferred tax in the current period.

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Company pay-outs 90% or more of its profit available for dividends as dividends, the Company shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no corporate tax to be paid, the Company has not recognized any income tax expenses.

15. Earnings per Share

Basic earnings per share for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Profit for the period	₩ 8,762,007,886	₩ 6,738,841,352
Weighted average number of common shares outstanding	10,770,980 shares	10,770,980 shares
Basic earnings per share	₩ 813	₩ 626

Weighted average number of common shares outstanding for the periods ended May 31, 2022 and November 30, 2021, are calculated as follows:

<i>(in shares)</i>	May 31, 2022		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	10,770,980	182	1,960,318,360
Weighted average number of common shares outstanding			10,770,980

<i>(in shares)</i>	November 30, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	10,770,980	183	1,971,089,340
Weighted average number of common shares outstanding			10,770,980

As at May 31, 2022, the Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

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16. Operating Revenues

Operating revenues for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Rental income	₩	29,280,517	₩	29,173,774
Management income		611,705		577,984
Other income		307,497		303,502
	₩	<u>30,199,719</u>	₩	<u>30,055,260</u>

The future minimum lease payments expected to be received in relation to the operating lease agreement as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Within one year	₩	58,160,931	₩	49,004,768
Between 1 and 2 years		56,049,518		57,982,403
Between 2 and 3 years		50,372,979		56,735,324
Between 3 and 4 years		45,305,818		55,499,371
Between 4 and 5 years		40,781,648		41,430,636
Later than five years		67,714,566		113,307,465
	₩	<u>318,385,460</u>	₩	<u>373,959,967</u>

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17. Operating Expenses

Operating expenses for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Operating expenses related to investment properties:				
Insurance expenses	₩	1,106,565	₩	717,783
Depreciation		7,652,684		7,680,321
Real estate management consignment fees		926,236		934,481
Facility maintenance cost		189,952		-
Taxes and due		823		2,006,736
Utilities expenses		5,784		5,676
Deemed rent		8,641		8,758
Rental brokerage fees		20,004		250,626
		<u>9,910,689</u>		<u>11,604,381</u>
Other operating expenses:				
Asset management consignment fees		2,868,125		2,883,883
Other fees		204,952		249,361
Asset custody consignment fees		40,000		40,000
General affairs consignment fees		32,500		32,500
Salaries		21,000		21,000
		<u>3,166,577</u>		<u>3,226,744</u>
	₩	<u>13,077,266</u>	₩	<u>14,831,125</u>

18. Finance Income and Expenses

Financial income and expenses for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Financial income				
Interest income	₩	96,529	₩	94,127
Financial expenses				
Interest expenses	₩	8,456,976	₩	8,580,940

19. Other Income

Other income for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Miscellaneous income	₩	-	₩	1,519

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20. Financial Risk Management

20.1 Capital risk management

The primary objective of The Company's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce capital expenses.

The Company adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital.

Debt-to-equity ratio as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Liabilities	₩	649,687,452	₩	648,904,180
Equity		526,571,698		533,038,853
Debt-to-equity ratio		123.38%		121.74%

20.2 Financial risk factors

The Company's financial assets and liabilities are exposed to various risks including market risk, credit risk and liquidity risk. The Company's financial risk management focuses on identifying the potential risks that may arise from operating activities and eliminating or minimizing these risks to an acceptable level.

(a) Market risk

The Company has no assets or borrowings that are exposed to changes in foreign currency exchange rates or risk of interest rate fluctuations.

(b) Credit risk

Credit risk refers to the risk that the customer or the counterparty will suffer financial losses due to failure to fulfil their contractual obligations in our ordinary transactions and investment activities.

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Cash and cash equivalents	₩	16,163,748	₩	15,223,429
Long-term financial instruments		25,440,854		25,440,480
Other financial assets		3,192,337		3,449,858

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(c) *Liquidity risk*

The Company has established a liquidity risk management framework for the management of The Company's short- and medium-term financial assets and liabilities and continuously monitors forecasts and actual cash flows to respond to the maturity profiles of these financial assets and liabilities. Management assesses that financial liabilities can be repaid through cash flows from operating activities and cash inflows from financial assets.

Analysis of liquidity risk as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 3,290,687	₩ 3,290,687	₩ 3,290,687	₩ -	₩ -	₩ -
Accrued expenses	3,196,380	3,196,380	3,196,380	-	-	-
Long-term borrowings	615,194,895	660,145,595	14,766,000	267,160,389	378,219,205	-
Leasehold deposits	24,027,635	27,470,869	1,138,829	483,482	10,549,895	15,298,663
	<u>₩ 645,709,597</u>	<u>₩ 694,103,531</u>	<u>₩ 22,391,896</u>	<u>₩ 267,643,871</u>	<u>₩ 388,769,100</u>	<u>₩ 15,298,663</u>

<i>(in thousands of Korean won)</i>	November 30, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 3,305,022	₩ 3,305,022	₩ 3,305,022	₩ -	₩ -	₩ -
Accrued expenses	3,155,474	3,155,474	3,155,474	-	-	-
Long-term borrowings	614,390,907	667,508,367	14,766,000	14,766,000	637,976,367	-
Leasehold deposits	23,941,199	27,457,301	50,000	1,263,829	10,844,809	15,298,663
	<u>₩ 644,792,602</u>	<u>₩ 701,426,164</u>	<u>₩ 21,276,496</u>	<u>₩ 16,029,829</u>	<u>₩ 648,821,176</u>	<u>₩ 15,298,663</u>

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21. Financial Instruments by Category and Fair Value

(a) Financial instruments by category and fair value as at May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022		November 30, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 16,163,748	₩ 16,163,748	₩ 15,223,429	₩ 15,223,429
Long-term financial instruments	25,440,854	25,440,854	25,440,480	25,440,480
Other financial assets	3,192,337	3,192,337	3,449,858	3,449,858
	<u>₩ 44,796,939</u>	<u>₩ 44,796,939</u>	<u>₩ 44,113,767</u>	<u>₩ 44,113,767</u>
Financial liabilities				
Other financial liabilities	₩ 30,514,702	₩ 30,514,702	₩ 30,401,694	₩ 30,401,694
Long-term borrowings	615,194,895	615,194,895	614,390,907	614,390,907
	<u>₩ 645,709,597</u>	<u>₩ 645,709,597</u>	<u>₩ 644,792,601</u>	<u>₩ 644,792,601</u>

The Company determines that the acquisition or amortized costs of financial assets and liabilities other than the financial assets and liabilities measured at fair value are reasonable approximation of fair value.

(b) Net gains or losses on each category of financial instruments for the periods ended May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022	November 30, 2021
Financial assets at amortized cost		
Interest income	₩ 96,529	₩ 94,127
Financial liabilities at amortized cost		
Interest expenses	8,456,976	8,580,940

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22. Related Party Transactions

Related parties as at May 31, 2022 and November 30, 2021, are as follows:

	May 31, 2022	November 30, 2021
Parent Company	ESR Kendall Square REIT Co., Ltd.	ESR Kendall Square REIT Co., Ltd.
Other related parties	Kendall Square REIT Management Co., Ltd. ESR Kendall Square Asset No.2 REIT Co., Ltd. CPP INVESTMENT BOARD REAL ESTATE HOLDNGS INC ESR KENDALL SQUARE REIT HOLDING PTE, LTD.	Kendall Square REIT Management Co., Ltd. ESR Kendall Square Asset No.2 REIT Co., Ltd. CPP INVESTMENT BOARD REAL ESTATE HOLDNGS INC ESR KENDALL SQUARE REIT HOLDING PTE, LTD.

Transactions with related parties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	Asset management consignment fees ¹	
		May 31, 2022	November 30, 2021
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 2,868,125	₩ 4,083,883

¹ Asset management consignment fees includes asset purchase fee ₩ 1,200 million, which is included in the acquisition cost of investment properties for the period ended November 30, 2021.

Outstanding balances to related parties as at May 31 2022, and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	May 31, 2022	November 30, 2021
		Non-trade payables	Non-trade payables
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 3,154,937	₩ 3,172,272

Fund transactions with related parties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	Details	May 31, 2022	November 30, 2021
			May 31, 2022	November 30, 2021
Parent Company	ESR Kendall Square REIT Co., Ltd.	Dividends paid	₩ 15,229,163	₩ 15,280,202

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Compensation for key management of the Company for the periods ended May 31, 2022 and November 30, 2021, consists of:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Short-term employee benefits	₩	21,000	₩	21,000

23. Operating Segments

The Company operates as a single reporting segment, considering the nature of the services that generate operating profits. Therefore, disclosure of operating income, net income before income tax expense, and total assets and liabilities by reporting sector was omitted in these reports.

24. Cash flow

The significant non-cash transactions for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Transfer of other paid-in-capital to retained earnings	₩	810,000	₩	810,000
Reclassification to current portion of leasehold deposits received		1,138,829		50,000
Transfer of discount on present value of leasehold deposits to unearned revenue		215,669		-
Reclassification to current portion of discount on present value of leasehold deposits		22,284		-
Transfer of non-trade payables to discount account on present value		-		1,687,000
Reclassification to current portion of unearned revenue		5,250		-

Changes in liabilities arising from financial activities for the period ended May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions¹	Ending balance
Borrowings	₩ 614,390,907	₩ -	₩ 803,988	₩ 615,194,895
Leasehold deposits	23,941,199	13,568	72,869	24,027,635

¹ Changes in non-cash transactions include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows when paid.

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25. Commitments

(a) Contract for the asset management services

The Company entered into a contract of the asset management services such as acquisition, management, development, improvement and disposal of real estate, lease, and sales of securities with Kendall Square REIT Management Co., Ltd. Details of fees as follows:

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Management fees	<p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% X consigner's ratio of shareholding</p>
Purchase fee	<p>a. Real estates:</p> <p>Purchase price X 1.0%</p> <p>(*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding</p> <p>(*) 0.75%, in the cases of (i) the assets for purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.</p>
Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	<p>5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table</p> <p>In consultation with the asset management company, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the</p>

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difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.

(b) General affairs consignment contract

The Company entered a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Company, and the board of directors and shareholder's meetings. Fees are paid ₩ 32.5 million per every fiscal year.

(c) Asset custody consignment contract

The Company entered a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 40 million per every fiscal year.

(d) Loan agreement

Details of the loan agreement as at May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche A (Hanwha General Insurance Co., Ltd. and 3 others)	₩ 255,000,000	₩ 255,000,000
Tranche B&C (Industrial Bank of Korea and 3 others)	364,200,000	364,200,000
	<u>₩ 619,200,000</u>	<u>₩ 619,200,000</u>

(e) As at May 31, 2022, the Company has been provided a performance guarantee of ₩ 450 million from Seoul Guarantee Insurance Company in relation to the payment of electricity bills.