

**ESR Kendall Square Asset No.2 REIT
Co., Ltd.**

Financial Statements

May 31, 2022 and November 30, 2021

ESR Kendall Square Asset No.2 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.2 REIT Co., Ltd.

Opinion

We have audited the accompanying financial statements of ESR Kendall Square Asset No.2 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 period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, 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.2 REIT Co., Ltd. as at May 31, 2022 and November 30, 2021, and its financial performance and its cash flows for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, 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 misstatement 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.2 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	4,21,22	₩ 11,008,939,105	₩ 6,589,268,159
Short-term financial instruments	5,6,21,22	63,408,806	-
Other financial assets	7,21,22	15,394,566,550	732,798
Other current assets	8	678,777,176	4,422,049,055
Current tax assets		1,010,680	2,380
		<u>27,146,702,317</u>	<u>11,012,052,392</u>
Non-current assets			
Long-term financial instruments	6,21,22	16,777,658,400	1,275,399,600
Investment properties	9,12	830,710,587,906	62,610,682,949
Property and equipment		96,969,863	-
Other non-current financial assets	7,21,22	1,128,099,237	-
		<u>848,713,315,406</u>	<u>63,886,082,549</u>
Total assets		<u>₩ 875,860,017,723</u>	<u>₩ 74,898,134,941</u>
Liabilities			
Current liabilities			
Other financial liabilities	10,21,22,23,25	₩ 5,365,528,407	₩ 5,197,328,299
Short-term borrowings	12,21,22,25	-	28,143,530,519
Other current liabilities	11	1,458,319,835	624,977,377
		<u>6,823,848,242</u>	<u>33,965,836,195</u>
Non-current liabilities			
Long-term borrowings	12,21,22,25	445,090,385,686	33,750,678,546
Other non-current financial liabilities	10,21,22,25	14,698,903,405	1,121,385,886
Other non-current liabilities	11	1,019,106,667	124,092,058
		<u>460,808,395,758</u>	<u>34,996,156,490</u>
Total liabilities		<u>467,632,244,000</u>	<u>68,961,992,685</u>
Equity			
Share capital	13	81,850,200,000	856,667,000
Other paid-in-capital	13	323,709,328,116	5,137,197,770
Retained earnings (Accumulated deficit)	14	2,668,245,607	(57,722,514)
Total equity		<u>408,227,773,723</u>	<u>5,936,142,256</u>
Total liabilities and equity		<u>₩ 875,860,017,723</u>	<u>₩ 74,898,134,941</u>

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.

Statements of Comprehensive Income

For the Period from ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021

<i>(in Korean won)</i>	Notes	May 31, 2022	November 30, 2021
Operating revenues	17	₩ 16,543,576,568	₩ 7,409,359
Operating expenses	18	<u>8,923,696,757</u>	<u>64,304,850</u>
Operating profit(loss)		<u>7,619,879,811</u>	<u>(56,895,491)</u>
Non-operating income			
Financial income	19,22	136,026,682	148,766
Other income	20	<u>72,732,641</u>	<u>-</u>
		<u>208,759,323</u>	<u>148,766</u>
Non-operating expense			
Financial expenses	19,22	7,170,707,220	975,789
Other expenses	20	<u>7</u>	<u>-</u>
		<u>7,170,707,227</u>	<u>975,789</u>
Profit(loss) before income tax expenses		657,931,907	(57,722,514)
Income tax expenses	15	<u>-</u>	<u>-</u>
Profit(loss) for the period		<u>₩ 657,931,907</u>	<u>₩ (57,722,514)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit(loss) for the period		<u>₩ 657,931,907</u>	<u>₩ (57,722,514)</u>
Earnings(losses) per share			
Basic and diluted earnings(losses) per share	16	₩ 9	₩ (184)

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

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Statement of Changes in Equity

For the Period from ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021

<i>(in Korean won)</i>	Share capital	Other paid-in-capital	Accumulated deficit	Total
Balance at July 20, 2021 (Establishment date)	₩ -	₩ -	₩ -	₩ -
Fund investment	856,667,000	5,137,197,770	-	5,993,864,770
Loss for the period	-	-	(57,722,514)	(57,722,514)
Balance at November 30, 2021	₩ 856,667,000	₩ 5,137,197,770	₩ (57,722,514)	₩ 5,936,142,256
Balance at December 1, 2021	₩ 856,667,000	₩ 5,137,197,770	₩ (57,722,514)	₩ 5,936,142,256
Transfer of other paid-in-capital to retained earnings	-	(2,068,036,214)	2,068,036,214	-
Increase in issued capital	81,110,200,000	324,440,800,000	-	405,551,000,000
Capital reduction with consideration	(116,667,000)	(3,383,343,000)	-	(3,500,010,000)
Fund investment	-	(417,290,440)	-	(417,290,440)
Profit for the period	-	-	657,931,907	657,931,907
Balance at May 31, 2022	₩ 81,850,200,000	₩ 323,709,328,116	₩ 2,668,245,607	₩ 408,227,773,723

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.

Statement of Cash Flows

For the Period from ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Cash flows from operating activities		
Profit(loss) for the period	₩ 657,931,907	₩ (57,722,514)
Adjustments for:		
Depreciation	5,419,013,971	2,408,770
Interest expense	7,170,707,220	975,789
Interest income	(136,026,682)	(148,766)
Rental income	-	(6,782,353)
Other income	(187,820,005)	(81,963)
Miscellaneous income	(50,000,000)	-
	<u>12,215,874,504</u>	<u>(3,628,523)</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(266,605,983)	(599,547)
Increase in accrued income	(585,099,237)	-
Decrease (increase) in prepaid value added tax	4,188,153,404	(4,188,153,404)
Increase in prepaid expenses	(444,881,525)	(233,895,651)
Increase (decrease) in non-trade payables	(2,281,329,056)	4,315,769,289
Increase in unearned revenues	1,099,078,150	530,437,939
Increase in withholdings	506,107,826	6,645,812
	<u>2,215,423,579</u>	<u>430,204,438</u>
	<u>15,089,229,990</u>	<u>368,853,401</u>
Interest received	538,640,009	15,515
Interest paid	(11,600,915,219)	(463,050,000)
Income taxes paid	(1,008,300)	(2,380)
Net cash inflow(outflow) from operating activities	<u>4,025,946,480</u>	<u>(94,183,464)</u>
Cash flows from investing activities		
Decrease in short-term financial instruments	53,150,701,738	-
Increase in short-term financial instruments	(53,214,110,544)	-
Increase in long-term financial instruments	(15,502,258,800)	(1,275,399,600)
Increase in short-term loans	(15,000,000,000)	-
Acquisition of investment properties (Land)	(204,442,834,776)	(18,416,551,416)
Acquisition of investment properties (Building)	(557,699,422,816)	(43,183,301,734)
Acquisition of investment properties (Construction in progress)	(12,222,074,557)	-
Acquisition of supplies	(102,000,000)	-
Increase in other deposits	(543,000,000)	-
Net cash outflow from investing activities	<u>(805,574,999,755)</u>	<u>(62,875,252,750)</u>
Cash flows from financing activities		
Increase in issued capital	405,551,000,000	6,000,010,000
Increase in short-term borrowings	52,771,182,957	28,143,530,519
Increase in long-term borrowings	418,000,000,000	34,300,000,000
Increase in leasehold deposits received	14,478,555,180	1,121,309,084
Share issuance cost	(417,290,440)	(6,145,230)
Repayment of short-term borrowings	(80,914,713,476)	-
Capital reduction	(3,500,010,000)	-
Net cash inflow from financing activities	<u>805,968,724,221</u>	<u>69,558,704,373</u>
Net increase in cash and cash equivalents	4,419,670,946	6,589,268,159
Cash and cash equivalents at the beginning of period	6,589,268,159	-
Cash and cash equivalents at the end of period	<u>₩ 11,008,939,105</u>	<u>₩ 6,589,268,159</u>

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

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Notes to the Financial Statements
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1. Reporting Entity

ESR Kendall Square Asset No.2 REIT Co., Ltd. (the “Company”) was established on July 20, 2021 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 September 29, 2021. 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	Common shares	
	Number of shares	Percentage of ownership (%)
ESR Kendall Square REIT Co., Ltd.	81,850,200	100.00

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 separate 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 separate financial statements.

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

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Notes to the Financial Statements

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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 – Practical expedient for COVID-19 - Related Rent Concessions

As a 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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. 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 Company does not expect that these amendments 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 Company does not expect that these amendments 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 when assessing whether the contract is onerous. The Company does not expect that these amendments have a significant impact on the financial statements.

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(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 Company does not expect that these amendments 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 amendments have a significant impact on the financial statements.

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(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 Company's business model for managing the financial assets and the contractual terms of the cash flows.

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For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The 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. Changes in fair value of non-designated equity investment 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 payment of principal and interest.

A. 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:

- **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.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. 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 expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit

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or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'financial income or expenses' in the year in which it arises.

(c) Impairment

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

Regular way purchases and sales of financial assets 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 statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial

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

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 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of the Company's property and equipment, consisting of supplies, is calculated using the straight-line method over the estimated useful lives (5 years).

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

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2.8 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.

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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

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2.13 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.

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 Equivalents

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	₩ 11,008,939	₩ 6,589,268

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5. Short-term financial instruments

Short-term financial instruments 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 ¹	₩ 63,409	₩ -

¹ Value added taxes refund accounts are classified as short-term financial instruments.

6. Financial Instruments Restricted in Use

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
Short-term financial instruments ¹	₩ 63,409	₩ -
Long-term financial instruments ²	16,777,658	1,275,400
	<u>₩ 16,841,067</u>	<u>₩ 1,275,400</u>

¹ Consist of value added taxes refund accounts and are pledged on the borrowings.

² Consist of time deposits and are pledged on the leasehold deposits.

7. 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
Account receivables	₩ 267,206	₩ 600
Accrued income	127,361	133
Short-term loans	15,000,000	-
Current assets	<u>₩ 15,394,567</u>	<u>₩ 733</u>
Other deposits	₩ 543,000	₩ -
Accrued income	585,099	-
Non-current assets	<u>₩ 1,128,099</u>	<u>₩ -</u>

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8. 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	₩	678,777	₩	233,896
Prepaid value added tax		-		4,188,153
	₩	<u>678,777</u>	₩	<u>4,422,049</u>

9. 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	₩ 222,859,386	₩ -	₩ 222,859,386	₩ 18,653,046	₩ -	₩ 18,653,046
Buildings	601,042,725	(5,416,393)	595,626,332	43,960,046	(2,409)	43,957,637
Construction in progress	12,224,870	-	12,224,870	-	-	-
	₩ 836,126,981	₩ (5,416,393)	₩ 830,710,588	₩ 62,613,092	₩ (2,409)	₩ 62,610,683

Changes in investment properties for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022				November 30, 2021		
	Land	Buildings	Construction in progress	Total	Land	Building	Total
Beginning balance	₩ 18,653,046	₩ 43,957,637	₩ -	62,610,683	₩ -	₩ -	₩ -
Acquisitions	204,206,340	557,082,679	12,224,870	773,513,889	18,653,046	43,960,046	62,613,092
Depreciation	-	(5,413,984)	-	(5,413,984)	-	(2,409)	(2,409)
Ending balance	₩ 222,859,386	₩ 595,626,332	₩ 12,224,870	830,710,588	₩ 18,653,046	₩ 43,957,637	₩ 62,610,683

Details of acquisition for the period ended May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Purchase price¹	Seller
Gimhae logistics park2	₩ 71,200,000	Kendall Square LP Gimhae Sangdong professional investors private real estate investment
Anseong logistics park2	324,500,000	Kendall Square LP Anseong professional investors private real estate investment
Anseong logistics park3	127,000,000	Kendall Square LP Iljuk professional investors private real estate investment

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Icheon logistics park5		Kendall Square LP majang professional investors private real estate investment
	198,300,000	
Total	<u>₩ 721,000,000</u>	

¹ The amount excludes the additional cost related to purchase.

Revenues and expenses related to investment properties for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Operating revenues ¹	₩ 16,349,224	₩ 7,327
Operating expenses ²	6,637,147	4,212

¹ Operating revenues consist of rental income and management income.

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

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 Loan	₩ 62,177,504	₩ 34,300,000	₩ 41,160,000
Tranche C1-1	74,743,503	41,800,000	50,160,000
Tranche C1-2	340,338,775	187,900,000	225,480,000
Tranche C1-3	133,163,301	73,800,000	88,560,000
Tranche C2	208,062,635	114,500,000	137,400,000
Total	<u>₩ 818,485,718</u>	<u>₩ 452,300,000</u>	<u>₩ 542,760,000</u>

The Company subscribes to the property all risks insurance (insured amount: ₩ 313,114 million) in relation to investment property.

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10. 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	₩ 2,144,440	₩ 5,191,787
Accrued expense	2,140,499	5,541
Leasehold deposits	1,107,052	-
Discount account on present value	(26,462)	-
	<u>₩ 5,365,529</u>	<u>₩ 5,197,328</u>
Non-current liabilities		
Leasehold deposits	16,115,546	1,275,400
Discount account on present value	(1,416,643)	(154,014)
	<u>₩ 14,698,903</u>	<u>₩ 1,121,386</u>

11. 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		
Withholdings	₩ 120,000	₩ 6,646
Value added tax Withholdings	392,754	-
Advances	-	218,850
Unearned revenue	945,566	399,482
	<u>₩ 1,458,320</u>	<u>₩ 624,978</u>
Non-current liabilities		
Unearned revenue	1,019,107	124,092
	<u>₩ 1,019,107</u>	<u>₩ 124,092</u>

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12.Short-term and Long-term Borrowings

Details of short-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 at May 31, 2022	Maturity date		May 31, 2022		November 30, 2021
	KB CAPITAL CO., LTD	-	-	₩	-	₩	18,000,000
Tranche B	KB Savings Bank Co.,Ltd.	-	-		-		6,000,000
Tranche E-1	KB Insurance Co., Ltd	-	-		-		4,143,531
	Total			₩	-	₩	28,143,531

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 at May 31, 2022	Maturity date		May 31, 2022		November 30, 2021
Tranche A	KB Insurance Co., Ltd.	2.50%	2024-11-30	₩	34,300,000	₩	34,300,000
Tranche C1-1	Kookmin Bank	2.50%	2024-12-20		32,751,000		-
Tranche C1-1	KB Insurance Co., Ltd.	2.50%	2024-12-20		9,049,000		-
Tranche C1-2	Kookmin Bank	2.50%	2024-12-20		147,225,000		-
Tranche C1-2	KB Insurance Co., Ltd.	2.50%	2024-12-20		40,675,000		-
Tranche C1-3	Kookmin Bank	2.50%	2024-12-20		57,824,000		-
Tranche C1-3	KB Insurance Co., Ltd.	2.50%	2024-12-20		15,976,000		-
Tranche C-2	Kookmin Bank	2.70%	2026-12-20		114,500,000		-
	Less: discount account on present value				(7,209,614)		(549,321)
	Total			₩	445,090,386	₩	33,750,679

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Regarding the above borrowings, 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	Anseong logistics park4	₩ 62,177,504	₩ 41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park2	74,743,503	50,160,000	Tranche C1-1	KB Insurance Co., Ltd Kookmin Bank
	Anseong logistics park2	340,338,775	225,480,000	Tranche C1-2	KB Insurance Co., Ltd Kookmin Bank
	Anseong logistics park3	133,163,301	88,560,000	Tranche C1-3	KB Insurance Co., Ltd Kookmin Bank
	lchoen logistics park5	208,062,635	137,400,000	Tranche C-2	Kookmin Bank
		<u>₩ 818,485,718</u>			

13. 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 issued shares	Par value per share	Share capital
Common shares	81,850,200 shares	₩ 1,000	₩ 81,850,200,000

Details of other paid-in-capital for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Additional paid-in-capital	₩ 323,709,328	₩ 5,137,198

14. Retained earnings (accumulated deficit)

Details of retained earnings (accumulated deficit) 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 deficit)	₩ 2,668,245	₩ (57,723)

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Changes in retained earnings (accumulated deficit) for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Beginning balance	₩ (57,723)	₩ -
Other paid-in-capital	2,068,036	-
Profit(loss) for the period	657,932	(57,723)
Ending balance	<u>₩ 2,668,245</u>	<u>₩ (57,723)</u>

The appropriation of retained earnings for the period ended May 31, 2022 is expected to be appropriated at shareholders meeting on August 19, 2022. The disposition of accumulated deficit for the period from July 20, 2021 to November 30, 2021, was disposed on February 18, 2022.

The appropriation of retained earnings disposition of retained earnings (accumulated deficit) for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Unappropriated retained earnings (undisposed accumulated deficits) carried over from prior year	₩ 2,010,313,700	₩ -
Profit (loss) for the period	657,931,907	(57,722,514)
Retained earnings available for appropriation (accumulated deficits available for disposition)	2,668,245,607	(57,722,514)
Transfers from other paid-in-capital		
Transfers from share premium	2,000,000,000	2,068,036,214
Appropriation of retained earnings		
Dividends for common shares ¹	8,087,259,578	-
Unappropriated retained earnings (undisposed accumulated deficits) to be carried forward	<u>₩ (3,419,013,971)</u>	<u>₩ 2,010,313,700</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 for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are calculated as follows:

<i>(in Korean won)</i>	Common shares	
1. Dividends	₩	8,087,259,578
2. Total number of shares issued		81,850,200
3. Dividend per share (1./2.)	₩	99
4. Par value	₩	1,000
5. Dividend rate per share (3./4.)		9.88%

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15. 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.

16. Earnings (losses) per Share

Basic earnings (losses) per share for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Profit (loss) for the period	₩ 657,931,907	₩ (57,722,514)
Weighted average number of common shares outstanding	72,471,775	313,233
Basic earnings (losses) per share	₩ 9	₩ (184)

Weighted average number of common shares outstanding for the period ended May 31, 2022 and the period from July 20, 2021 to 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	740,000	17	12,580,000
Increase in issued capital	79,850,200	164	13,095,432,800
Increase in issued capital	81,850,200	1	81,850,200
Weighted average number of common shares outstanding			<u>72,471,775</u>

<i>(in shares)</i>	November 30, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	300,000	129	38,700,000
Increase in issued capital	740,000	4	2,960,000
Weighted average number of common shares outstanding			<u>313,233</u>

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Diluted losses per share

The Company did not issue any potential common shares. Therefore, basic losses per share is identical to diluted losses per share.

17. Operating Revenues

Operating revenues for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Rental income	₩	15,638,832	₩	6,782
Management income		710,392		545
Other income		194,353		82
	₩	<u>16,543,577</u>	₩	<u>7,409</u>

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

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Within one year	₩	34,857,976	₩	2,328,027
Between 1 and 2 years		27,240,486		2,550,799
Between 2 and 3 years		26,065,182		2,550,799
Between 3 and 4 years		22,023,485		2,574,181
Between 4 and 5 years		8,105,658		2,599,923
Later than five years		3,323,528		370,725
	₩	<u>121,616,315</u>	₩	<u>12,974,454</u>

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18. Operating Expenses

Operating expenses for the period ended May 31, 2022 and the period from July 20, 2021 to 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	₩ 607,365	₩ 311
Depreciation	5,413,984	2,409
Real estate management consignment fees	599,313	-
Facility maintenance cost	3,539	-
Taxes and due	3,636	1,488
Deemed rent	9,309	4
	<u>6,637,146</u>	<u>4,212</u>
Other operating expenses:		
Asset management consignment fees	1,855,968	858
Other fees	318,552	33,985
Agency bank fee	50,000	-
Asset custody consignment fees	15,000	7,750
General affairs consignment fees	30,000	10,500
Salaries	12,000	7,000
Depreciation	5,030	-
	<u>2,286,550</u>	<u>60,093</u>
	<u>₩ 8,923,696</u>	<u>₩ 64,305</u>

19. Financial Income and Expenses

Financial income and expenses for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Financial income		
Interest income	₩ 136,027	₩ 149
Financial expenses		
Interest expenses	₩ 7,170,707	₩ 976

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20. Other Income

Other income for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022	November 30, 2021
Miscellaneous income	₩	72,733	₩ -

21. Financial Risk Management

21.1 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	₩	467,632,244	₩ 68,961,993
Equity		408,227,774	5,936,142
Debt-to-equity ratio		114.55%	1161.73%

21.2 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.

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(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	₩	11,008,939	₩	6,589,268
Short-term financial instruments		63,409		-
Long-term financial instruments		16,777,658		1,275,400
Other financial assets		16,522,666		733

(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:

(in thousands of Korean won)

	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	₩ 2,144,440	₩ 2,144,440	₩ 2,144,440	₩ -	₩ -	₩ -
Accrued expenses	2,140,499	2,140,499	2,140,499	-	-	-
Long-term borrowings	445,090,386	487,925,204	11,536,500	11,536,500	464,852,204	-
Leasehold deposits	15,779,493	17,222,598	1,107,052	3,210,027	11,608,215	1,297,304
	<u>₩ 465,154,818</u>	<u>₩ 509,432,741</u>	<u>₩ 16,928,491</u>	<u>₩ 14,746,527</u>	<u>₩ 476,460,419</u>	<u>₩ 1,297,304</u>

(in thousands of Korean won)

	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	₩ 5,191,787	₩ 5,191,787	₩ 5,191,787	₩ -	₩ -	₩ -
Accrued expenses	5,541	5,541	5,541	-	-	-
Short-term borrowings	28,143,531	29,199,290	29,199,290	-	-	-
Long-term borrowings	33,750,679	36,872,500	857,500	857,500	35,157,500	-
Leasehold deposits	1,121,386	1,275,400	-	-	-	1,275,400
	<u>₩ 68,212,924</u>	<u>₩ 72,544,518</u>	<u>₩ 35,254,118</u>	<u>₩ 857,500</u>	<u>₩ 35,157,500</u>	<u>₩ 1,275,400</u>

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22. Financial Instruments by Category and Fair Value

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	₩ 11,008,939	₩ 11,008,939	₩ 6,589,268	₩ 6,589,268
Short-term financial instruments	63,409	63,409	-	-
Long-term financial instruments	16,777,658	16,777,658	1,275,400	1,275,400
Other financial assets	16,522,666	16,522,666	733	733
	<u>₩ 44,372,672</u>	<u>₩ 44,372,672</u>	<u>₩ 7,865,401</u>	<u>₩ 7,865,401</u>
Financial liabilities				
Other financial liabilities	₩ 20,064,432	20,064,432	₩ 6,318,714	₩ 6,318,714
Short-term borrowings	-	-	28,143,531	28,143,531
Long-term borrowings	445,090,386	445,090,386	33,750,679	33,750,679
	<u>₩ 465,154,818</u>	<u>465,154,818</u>	<u>₩ 68,212,924</u>	<u>₩ 68,212,924</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.

Net gains or losses on each category of financial instruments for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022	November 30, 2021
Financial assets at amortized cost		
Interest income	₩ 136,027	₩ 149
Financial liabilities at amortized cost		
Interest expenses	7,170,707	976

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23. Related Party Transactions

Related parties as at May 31, 2022 and November 30, 2021.

May 31, 2022

November 30, 2021

Parent Company	ESR Kendall Square REIT Co., Ltd.	ESR Kendall Square REIT Co., Ltd.
Other related parties ¹	Kendall Square REIT Management Co., Ltd. ESR Kendall Square Asset No.1 REIT Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management Co., Ltd. ESR Kendall Square Asset No.1 REIT Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

Transactions with related parties for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	Details	May 31, 2022	November 30, 2021
Other related party	Kendall Square REIT Management Co., Ltd.	Asset management consignment fees ¹	₩ 7,263,468	₩ 590,858

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee ₩ 5,408 million (2021: ₩ 590 million), which is included in the acquisition cost of investment properties.

Outstanding balances to related parties 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
	Related party	Non-trade payables	Non-trade payables
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 2,041,565	₩ 649,944

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Fund transactions with related parties for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	Details	May 31, 2022	November 30, 2021
Parent Company	ESR Kendall Square REIT Co., Ltd.	Increase in issued capital	₩ 405,551,000	₩ 2,500,000
Other related party	Kendall Square REIT Management Co., Ltd.	Investment in class shares	-	3,500,010
		Reduction in class shares	3,500,010	

Compensation for key management of the Company for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Short-term employee benefits	₩ 12,000	₩ 7,000

24. 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.

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25. Cash flow

The significant non-cash transactions for the period ended May 31, 2022 and the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2021
Non-trade payables related to acquisition of property and equipment	₩ -	₩ 789,245
Accrued expenses related to acquisition of property and equipment	-	5,144
Advance payment related in acquisition of property and equipment	-	218,850
Transfer of non-trade payables to discount account on present value	-	86,774
Reclassification to current portion of unearned revenue	895,015	399,482
Transfer of other paid-in capital	2,068,036	-
Reclassification to current portion of leasehold deposit	1,107,052	-
Transfer of advances to non-trade payables payment	110,000	-
Reclassification to current portion of discount on present value of leasehold deposits	26,462	-

Changes in liabilities arising from financial activities for the period ended May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions¹	Ending balance
Short-term borrowings	₩ 28,143,531	₩ (28,143,531)	₩ -	₩ -
Long-term borrowings	33,750,679	418,000,000	(6,660,293)	445,090,386
Leasehold deposits	1,121,386	14,478,555	179,552	15,779,493

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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26. 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 ESR Kendall Square REIT Management Co., Ltd. Details of fees as follows:

Details

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 ₩ 30 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 Woori Bank. Fees are paid ₩ 15 million per every fiscal year. The Company entered a consignment contract for custody and management of real estate with KB Real Estate Trust Co., Ltd. Separate fees are determined according to the "real estate collateral trust contract", and the trust fee amounts to ₩ 200 million for 5 assets.

(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 (KB Insurance Co., Ltd)	₩	34,300,000	₩	34,300,000
Tranche C-1 (Kookmin Bank, KB Insurance Co., Ltd)		303,500,000		303,500,000
Tranche C-2 (Kookmin Bank,)		114,500,000		114,500,000
	₩	<u>452,300,000</u>	₩	<u>452,300,000</u>

(e) As at May 31, 2022, the Company has entered into the sales contract for the acquisition of Anseong logistics park and others and the total purchase amount excluding incidental costs is ₩ 252,400 billion and unpaid amount was ₩ 240,400 billion. the Company recognized the costs paid for the acquisition of logistics park as construction in progress.