

ESR Kendall Square REIT Co., Ltd.

Separate Interim Financial Statements

February 28, 2022 and August 31, 2021

ESR Kendall Square REIT Co., Ltd.

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
ESR Kendall Square REIT Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of ESR Kendall Square REIT Co., Ltd. (the Company). These financial statements consist of the separate interim statement of financial position of the Company as at February 28, 2022, and the related separate interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended February 28, 2022 and August 31, 2021, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these separate interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying separate interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to the separate interim financial statements of the Company. Note 3 to the separate interim financial statements describes the uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Company's productivity and ability to satisfy customer's orders.

Other Matters

We have audited the separate statement of financial position of the Company as at November 30, 2021, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated February 14, 2022. The separate statement of financial position as at November 30, 2021, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at November 30, 2021.

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

Seoul, Korea

April 14, 2022

<p>This report is effective as of April 14, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

ESR Kendall Square REIT Co., Ltd.
Separate Interim Statements of Financial Position
February 28, 2022 and November 30, 2021

<i>(in Korean won)</i>	Notes	February 28, 2022 (Unaudited)	November 30, 2021
Assets			
Current assets			
Cash and cash equivalents	4,20,21	₩ 35,163,536,139	₩ 1,706,287,357
Other financial assets	5,20,21	4,194,880	1,058,636,957
Other assets	6	18,210,003	-
Current tax assets		<u>1,087,189,040</u>	<u>925,631,630</u>
		<u>36,273,130,062</u>	<u>3,690,555,944</u>
Non-current assets			
Investments in subsidiaries	7	932,100,000,000	536,549,000,000
Investments in associates and joint ventures	8	<u>189,696,173,582</u>	<u>185,085,755,449</u>
		<u>1,121,796,173,582</u>	<u>721,634,755,449</u>
Total assets		<u>₩ 1,158,069,303,644</u>	<u>₩ 725,325,311,393</u>
Liabilities			
Current liabilities			
Other financial liabilities	9,20,21	₩ 19,279,319,812	₩ 921,583,109
Other current liabilities	10	<u>294,010</u>	<u>788,700</u>
		<u>19,279,613,822</u>	<u>922,371,809</u>
Non-current liabilities			
Long-term borrowings	11,20,21	<u>-</u>	<u>20,000,000,000</u>
		<u>-</u>	<u>20,000,000,000</u>
Total liabilities		<u>19,279,613,822</u>	<u>20,922,371,809</u>
Equity			
Share capital	12	213,089,000,000	143,259,000,000
Other paid-in-capital	12	900,183,828,580	541,103,130,210
Retained earnings	13	<u>25,516,861,242</u>	<u>20,040,809,374</u>
Total equity		<u>1,138,789,689,822</u>	<u>704,402,939,584</u>
Total liabilities and equity		<u>₩ 1,158,069,303,644</u>	<u>₩ 725,325,311,393</u>

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

ESR Kendall Square REIT Co., Ltd.
Separate Interim Statements of Comprehensive Income
Three-Month Periods Ended February 28, 2022 and August 31, 2021

<i>(in Korean won)</i>	Notes	February 28, 2022 (Unaudited)	August 31, 2021 (Unaudited)
Operating revenues	16	₩ 15,229,162,827	₩ 15,280,202,252
Operating expenses	17	<u>327,444,409</u>	<u>854,782,944</u>
Operating profit		<u>14,901,718,418</u>	<u>14,425,419,308</u>
Non-operating income			
Financial income	18	3,751,778	1,364,990
Other income	19	<u>-</u>	<u>4,109</u>
		<u>3,751,778</u>	<u>1,369,099</u>
Non-operating expense			
Financial costs	18	<u>68,712,328</u>	<u>172,821,917</u>
		<u>68,712,328</u>	<u>172,821,917</u>
Profit before income tax		14,836,757,868	14,253,966,490
Income tax expense	14	<u>-</u>	<u>-</u>
Profit for the period		<u>₩ 14,836,757,868</u>	<u>₩ 14,253,966,490</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>₩ 14,836,757,868</u>	<u>₩ 14,253,966,490</u>
Earnings per share			
Basic earnings per share	15	₩ 74	₩ 99
Diluted earnings per share	15	₩ 74	₩ 99

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

ESR Kendall Square REIT Co., Ltd.
Separate Interim Statements of Changes in Equity
Three-Month Periods Ended February 28, 2022 and August 31, 2021

(in Korean won)

	Equity attributable to equity holders of the Parent Company			Total
	Share capital	Other paid-in-capital	Retained earnings	
Balance at June 1, 2021	₩ 143,259,000,000	₩ 541,850,342,670	₩ 19,715,144,069	₩ 704,824,486,739
Transfer of other paid-in-capital to retained earnings	-	(700,000,000)	700,000,000	-
Dividends	-	-	(19,263,536,138)	(19,263,536,138)
Profit for the period	-	-	14,253,966,490	14,253,966,490
Balance at August 31, 2021	<u>₩ 143,259,000,000</u>	<u>₩ 541,150,342,670</u>	<u>₩ 15,405,574,421</u>	<u>₩ 699,814,917,091</u>
Balance at December 1, 2021	₩ 143,259,000,000	₩ 541,103,130,210	₩ 20,040,809,374	₩ 704,402,939,584
Increase in issued capital	69,830,000,000	372,193,900,000	-	442,023,900,000
Transfer of other paid-in-capital to retained earnings	-	(9,836,000,000)	9,836,000,000	-
Stock issuance fee	-	(3,277,201,630)	-	(3,277,201,630)
Dividends	-	-	(19,196,706,000)	(19,196,706,000)
Profit for the period	-	-	14,836,757,868	14,836,757,868
Balance at February 28, 2022 (Unaudited)	<u>₩ 213,089,000,000</u>	<u>₩ 900,183,828,580</u>	<u>₩ 25,516,861,242</u>	<u>₩ 1,138,789,689,822</u>

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

ESR Kendall Square REIT Co., Ltd.
Separate Interim Statements of Cash Flows
Three-Month Periods Ended February 28, 2022 and August 31, 2021

<i>(in Korean won)</i>	February 28, 2022 (Unaudited)	August 31, 2021 (Unaudited)
Cash flows from operating activities		
Profit for the period	₩ 14,836,757,868	₩ 14,253,966,490
Adjustments for:		
Interest income	(3,751,778)	(1,364,990)
Dividend income	(15,229,162,827)	(15,280,202,252)
Interest expense	68,712,328	172,821,917
	<u>(15,164,202,277)</u>	<u>(15,108,745,325)</u>
Changes in operating assets and liabilities:		
Decrease in accrued income	-	503,734
Decrease (increase) in account receivables	-	(3,046,000)
Increase in prepaid expenses	(18,210,003)	-
Increase (decrease) in trade payables	(20,488,858)	646,301,262
Decrease in withholdings	(494,690)	(473,220)
	<u>(39,193,551)</u>	<u>643,285,776</u>
	<u>(366,637,960)</u>	<u>(211,493,059)</u>
Interest received	1,059,569	4,112,494
Interest paid	(239,452,054)	-
Income taxes paid	(161,557,410)	(410,811,860)
Dividends received	16,286,297,113	19,587,261,205
Net cash inflow from operating activities	<u>15,519,709,258</u>	<u>18,969,068,780</u>
Cash flows from investing activities		
Acquisition of investments in subsidiaries	(395,551,000,000)	(300,000,000)
Acquisition of investments in associates	(5,258,158,846)	(26,200,000,000)
Net cash outflow from investing activities	<u>(400,809,158,846)</u>	<u>(26,500,000,000)</u>
Cash flows from financing activities		
Increase in long-term borrowings	-	20,000,000,000
Increase in issued capital	442,023,900,000	-
Repayment of long-term borrowings	(20,000,000,000)	-
Stock issuance fee	(3,277,201,630)	-
Net cash inflow from financing activities	<u>418,746,698,370</u>	<u>20,000,000,000</u>
Net increase in cash and cash equivalents	33,457,248,782	12,469,068,780
Cash and cash equivalents at the beginning of period	1,706,287,357	8,289,912,266
Cash and cash equivalents at the end of period	<u>₩ 35,163,536,139</u>	<u>₩ 20,758,981,046</u>

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

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Interim Financial Statements
February 28, 2022 and August 31, 2021 (Unaudited) and November 30, 2021

1. Reporting Entity

ESR Kendall Square 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. 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 February 28, 2022, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	5,949,755	2.79%
Kendall Square REIT Management, Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	139,014,548	65.24%
	213,089,000	100.00%

2. Significant Accounting Policies

2.1 Basis of Preparation

The Company’s condensed interim financial statements for the three-month period ended February 28, 2022, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed separate interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at February 28, 2022.

2.1.1 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 Exemption, Concessions, Suspension

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.

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(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

2.1.2 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 February 28, 2022 reporting periods and have not been early adopted by the Company.

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

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments 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.

(b) 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 amendments 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.

(c) 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 amendments 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.

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(d) 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 include 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.

(e) Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* will replace 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.

(f) Amendment 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. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(g) 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 IASB amended IFRS Practice Statement 2 Disclosure of Accounting Policies to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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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.

(h) 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.

(i) 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

(j) 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 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate financial statements for the period ended November 30, 2021, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1.

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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.

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on domestic and 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 interim 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 February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Bank deposits	₩ 35,163,536	₩ 1,706,287

5. Other Financial Assets

Other financial assets as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Accrued income	₩ 4,195	₩ 1,058,637

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6. Other Current Assets

Other current assets as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Prepaid expenses	₩ 18,210	₩ -

7. Investments in Subsidiaries

Investments in subsidiaries as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Country of domicile	Main business	Percentage of ownership		Book amount	
			February 28, 2022	November 30, 2021	February 28, 2022	November 30, 2021
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%	₩ 534,049,000	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd. ¹	Korea	Real estate	100%	100%	398,051,000	2,500,000
					<u>₩ 932,100,000</u>	<u>₩ 536,549,000</u>

Changes in investment in subsidiaries for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,500,000	395,551,000	398,051,000
	<u>₩ 536,549,000</u>	<u>₩ 395,551,000</u>	<u>₩ 932,100,000</u>

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<i>(in thousands of Korean won)</i>	August 31, 2021		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	-	300,000	300,000
	<u>₩ 534,049,000</u>	<u>₩ 300,000</u>	<u>₩ 543,349,000</u>

8. Investment in Associates

Investment in associates as at February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022					
	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions	Ending balance
Beneficiary certificates:						
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 37,264,026	₩ -	₩ 37,264,026
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,126,695	-	41,126,695
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,743,009	-	37,743,009
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	42,104,285	-	42,104,285
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	26,847,741	4,610,418	31,458,159
				<u>₩ 185,085,756</u>	<u>₩ 4,610,418</u>	<u>₩ 189,696,174</u>

Although percentage of ownership of the above beneficiary certificates exceed 50%, the beneficiary certificates are classified as associates because they are trust type beneficiary certificates that are determined to have no de facto control in accordance with the Capital Market Act and trust contract.

9. Other Financial Liabilities

Other financial liabilities as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Trade payables	₩ 19,279,320	₩ 750,843
Accrued expenses	-	170,740
	<u>₩ 19,279,320</u>	<u>₩ 921,583</u>

ESR Kendall Square REIT Co., Ltd.
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10. Other Liabilities

Other liabilities as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022	November 30, 2021
Withholdings	₩	294 ₩	789

11. Long-term Borrowings

Details of long-term borrowings as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate at August 31, 2021	Maturity date	February 28, 2022	November 30, 2021
Tranche D	Industrial Bank of Korea	-	-	₩ -	₩ 20,000,000

12. Share Capital and Other Paid-in-Capital

Details of share capital as at February 28, 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	2,000,000,000 shares	213,089,000 shares	₩ 1,000	₩ 213,089,000,000

Details of other paid-in-capital as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Additional paid-in-capital	₩ 900,183,829 ₩	541,103,130

13. Retained Earnings

Details of retained earnings as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	November 30, 2021
Retained earnings	₩ 25,516,861 ₩	20,040,809

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Changes in retained earnings for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		August 31, 2021	
Beginning balance	₩	20,040,809	₩	19,715,144
Transfer of other paid-in-capital to retained earnings		9,836,000		700,000
Dividends		(19,196,706)		(19,263,536)
Profit for the period		14,836,758		14,253,966
Ending balance	₩	<u>25,516,861</u>	₩	<u>15,405,574</u>

Dividends per share and total dividends for the fiscal year ended November 30, 2021 are ₩134 and ₩19,196,706 thousand, respectively, and were proposed and resolved at the shareholder's meeting on February 25, 2022. The financial statements at February 28, 2022 include the unpaid dividends.

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% and 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 three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in Korean won)</i>	February 28, 2022		August 31, 2021	
Profit for the period	₩	14,836,757,868	₩	14,253,966,490
Weighted average number of common shares outstanding		200,674,778		143,259,000
Basic earnings per share	₩	<u>74</u>	₩	<u>99</u>

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Weighted average number of common shares outstanding for the three-month periods ended February 28, 2022 and August 31, 2021, are calculated as follows:

<i>(in shares)</i>	February 28, 2022		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	143,259,000	16	2,292,144,000
Increase in issued capital	213,089,000	74	15,768,586,000
Weighted average number of common shares outstanding			<u>200,674,778</u>

<i>(in shares)</i>	August 31, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	143,259,000	92	13,179,828,000
Weighted average number of common shares outstanding			<u>143,259,000</u>

Diluted earnings per share

The Company did not issue any potential ordinary shares, therefore, diluted earnings per share are identical to basic earnings per share for the three-month periods ended February 28, 2022 and August 31, 2021.

16. Operating Revenues

Operating revenues for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022	August 31, 2021
Dividend income	₩ 15,229,163	₩ 15,280,202

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17. Operating Expenses

Operating expenses for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		August 31, 2021	
Other fees	₩	166,349	₩	212,965
Salaries		28,500		28,500
General affairs consignment fees		29,542		21,949
Asset custody consignment fees		2,473		2,514
Taxes and due		68		-
Advertising costs		99,000		-
Insurance expenses		1,513		-
Asset management consignment fees		-		588,855
	₩	327,445	₩	854,783

18. Finance Income and Costs

Financial income and expenses for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		August 31, 2021	
Financial income				
Interest income	₩	3,752	₩	1,365
Financial costs				
Interest costs	₩	68,712	₩	172,822

19. Other Income

Other income and expenses for the three-month periods February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		August 31, 2021	
Miscellaneous income	₩	-	₩	4

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20. Financial Risk Management

22.1 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 February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		November 30, 2021	
Liabilities	₩	19,279,614	₩	20,922,372
Equity		1,138,789,690		704,402,940
Debt-to-equity ratio		1.69%		2.97%

22.2 Financial risk factors

The Company 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 liabilities 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 February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	February 28, 2022		November 30, 2021	
Cash and cash equivalents	₩	35,163,536	₩	1,706,287
Other financial assets		4,195		1,058,637
	₩	<u>35,167,731</u>	₩	<u>2,764,924</u>

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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 February 28, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	February 28, 2022				
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years
Trade payables	₩ 19,279,320	₩ 19,279,320	₩ 19,279,320	₩ -	₩ -

(in thousands of Korean won)

	November 30, 2021				
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years
Trade payables	₩ 750,843	₩ 750,843	₩ 750,843	₩ -	₩ -
Accrued expenses	170,740	170,740	170,740	-	-
Long-term borrowings	20,000,000	23,069,151	760,000	760,000	21,549,151
	₩ 20,921,583	₩ 23,990,734	₩ 1,681,583	₩ 760,000	₩ 21,549,151

21. Financial Instruments by Category and Fair Value

Financial instruments by category and fair value as at February 28, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	February 28, 2022		November 30, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 35,163,536	₩ 35,163,536	₩ 1,706,287	₩ 1,706,287
Other financial assets	4,195	4,195	1,058,637	1,058,637
	₩ 35,167,731	₩ 35,167,731	₩ 2,764,924	₩ 2,764,924
Financial liabilities				
Other financial liabilities	₩ 19,279,320	₩ 19,279,320	₩ 921,583	₩ 921,583
Long-term borrowings	-	-	20,000,000	20,000,000
	₩ 19,279,320	₩ 19,279,320	₩ 20,921,583	₩ 20,921,583

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Net gains or losses on each category of financial instruments for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022	August 31, 2021
Financial assets at amortized cost			
Interest income	₩	3,752 ₩	1,365
Interest expenses		68,712	172,822

22. Cash flow

The significant non-cash transactions for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022	August 31, 2021
Transfer of other paid-in-capital to retained earnings	₩	9,836,000 ₩	700,000
Dividends		19,196,706	19,263,536

Changes in liabilities arising from financial activities for the three-month period ended February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions	Ending balance
Long-term borrowings	₩ 20,000,000	₩ (20,000,000)	₩ -	₩ -
Unpaid dividends	-	-	19,196,706	19,196,706

23. Related Party Transactions

Related parties as at February 28, 2022 and November 30, 2021, are as follows:

	February 28, 2022	November 30, 2021
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 KendallSquare Professional Investment	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 KendallSquare Professional Investment

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	February 28, 2022	November 30, 2021
Other related party ¹	Type Real Estate Investment Fund #18 Kendall Square REIT Management, Inc. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.	Type Real Estate Investment Fund #18 Kendall Square REIT Management, Inc. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

¹ The Company grants the right to appoint a director to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties (3 persons in total) with the largest amount of share capital under the shareholders agreement as at February 28, 2022.

¹ As the shareholders agreement of the Company was terminated, the right to appoint a director granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties (3 persons in total) with the largest amount of share capital has expired, however, the directors have been appointed as at February 28, 2022 according to the right to nominate a director.

Transactions with related parties for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022			
		Asset management			
Related party		consignment fees		Dividend income	
Subsidiary	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	-	₩	15,229,163
Other related party	Kendall Square REIT Management, Inc.		120,456		-
		₩	120,456	₩	15,229,163
		<hr/>			
<i>(in thousands of Korean won)</i>		August 31, 2021			
		Asset management			
Related party		consignment fees		Dividend income	
Subsidiary	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	-	₩	15,280,202
Other related party	Kendall Square REIT Management, Inc.		647,740		-
		₩	647,740	₩	15,280,202
		<hr/>			

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Outstanding balances to related parties as at February 28, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022		November 30, 2021	
		Accrued income	Trade payables	Accrued income	Trade payables
	Related party				
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ 267,844	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-	317,683	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-	129,080	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	-	342,528	-
Other related party	Kendall Square REIT Management, Inc.	-	-	-	647,741
		₩ -	₩ -	₩ 1,057,135	₩ 647,741

Fund transactions with related parties for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022			
		Increase in capital	Acquisition of shares	Dividends received	Asset management consignment fees
	Related party				
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ -	₩ 15,229,163	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	395,551,000	-	-	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	-	267,844	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-	317,683	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-	129,080	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	4,610,418	342,528	-
Other related party	Kendall Square REIT Management, Inc.	-	-	-	768,197

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<i>(in thousands of Korean won)</i>		August 31, 2021	
		Increase in capital	Dividends received
	Related party		
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ 15,280,202
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	300,000	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	1,021,774
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	1,350,151
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	1,309,591
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	625,543
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	26,200,000	-
Other related party	Kendall Square REIT Management, Inc.	-	-

Compensation for key management of the Company for the three-month periods ended February 28, 2022, and August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		February 28, 2022	August 31, 2021
Short-term employee benefits	₩	28,500 ₩	28,500

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24. 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>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year + the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</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

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Details

Development fee 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

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 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 ₩ 42.5 million per every fiscal year. In addition, for the assets that the Company additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(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 ₩ 5 million per every fiscal year.

(d) Loan agreement

Details of the loan agreement as at February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche D (Industrial Bank of Korea)	₩ 20,000,000	₩ -
Tranche D (KB Kookmin Bank)	30,000,000	-