

# **ESR Kendall Square REIT Co., Ltd. and its subsidiaries**

Consolidated interim financial statements  
for the three-month period ended February 29, 2024  
with the independent auditor's review report

ESR Kendall Square REIT Co., Ltd. and its subsidiaries

## Table of contents

Report on review of interim condensed consolidated financial statements	Pages
Interim condensed consolidated financial statements	
Interim condensed consolidated statements of financial position	1
Interim condensed consolidated statements of comprehensive income	2
Interim condensed consolidated statements of changes in equity	3
Interim condensed consolidated statements of cash flows	4
Notes to the interim condensed consolidated financial statements	5-35

## **Report on review of interim condensed consolidated financial statements**

(English Translation of a Report Originally Issued in Korean)

### **The Stockholders and Board of Directors ESR Kendall Square REIT Co., Ltd.**

We have reviewed the interim condensed consolidated financial statements of ESR Kendall Square REIT Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as of February 29, 2024, and the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period ended February 29, 2024, and material accounting policy information and other explanatory information.

### **Management’s responsibility for the interim condensed consolidated financial statements**

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

### **Auditor’s responsibility**

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements 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 (“KSA”) 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 that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

## Other matters

The interim condensed consolidated statement of comprehensive income for the three-month period ended August 31, 2023 and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended, presented for comparative purpose, were reviewed by Samil PricewaterhouseCoopers whose review report dated October 16, 2023 states that nothing has come to its attention that causes it to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Moreover, the consolidated statement of financial position as of November 30, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been audited by Samil PricewaterhouseCoopers, in accordance with KSA (not presented herein), whose report dated February 16, 2024 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of November 30, 2023 presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

*Ernst & Young Han Young*

April 15, 2024

This review report is effective as of April 15, 2024, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of financial position**  
**as of February 29, 2024 and November 30, 2023**

<i>(in Korean won)</i>	Notes	February 29, 2024	November 30, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,21,22	₩ 70,837,279,773	₩ 50,608,114,769
Short-term financial instruments	5,21,22	22,560,885,000	12,662,078,672
Other financial assets	6,21,22	7,509,135,683	10,692,949,903
Other current assets	7	2,230,889,449	2,374,938,254
Current tax assets		3,500,934,266	2,932,321,656
		<u>106,639,124,171</u>	<u>79,270,403,254</u>
<b>Non-current assets</b>			
Long-term financial instruments	5,21,22	44,662,012,974	41,705,552,581
Investments in associates	8	185,785,267,552	169,377,773,529
Investment properties	9	2,155,769,875,874	2,052,482,738,721
Property and equipment		61,265,052	66,341,917
Intangible assets		4,058,026	4,058,026
Other non-current financial assets	6,21,22	150,000,000	150,000,000
Other non-current assets	7	957,981,240	861,469,353
		<u>2,387,390,460,718</u>	<u>2,264,647,934,127</u>
<b>Total assets</b>		<u>₩ 2,494,029,584,889</u>	<u>₩ 2,343,918,337,381</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other financial liabilities	10,21,22	₩ 41,362,440,904	₩ 12,731,550,720
Other current liabilities	11	3,326,514,424	2,419,442,598
Current portion of long-term borrowings	12	336,357,502,646	254,969,726,027
		<u>381,046,457,974</u>	<u>270,120,719,345</u>
<b>Non-current liabilities</b>			
Long-term borrowings	12,21,22	958,885,595,376	912,070,325,107
Other non-current financial liabilities	10,21,22	44,537,290,622	41,636,753,916
Other non-current liabilities	11	3,171,198,471	3,177,948,812
		<u>1,006,594,084,469</u>	<u>956,885,027,835</u>
<b>Total liabilities</b>		<u>1,387,640,542,443</u>	<u>1,227,005,747,180</u>
<b>Equity</b>			
Share capital	13	213,089,000,000	213,089,000,000
Other paid-in-capital	13	900,186,631,606	900,186,631,606
Retained earnings (deficits)	14	(6,886,589,160)	3,636,958,595
<b>Equity attributable to equity holders of the Parent Company</b>		<u>1,106,389,042,446</u>	<u>1,116,912,590,201</u>
<b>Total equity</b>		<u>1,106,389,042,446</u>	<u>1,116,912,590,201</u>
<b>Total liabilities and equity</b>		<u>₩ 2,494,029,584,889</u>	<u>₩ 2,343,918,337,381</u>

*The accompanying notes are an integral part of the interim condensed consolidated financial statements.*

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

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three-month period ended February 29, 2024 and August 31, 2023**

<i>(in Korean won)</i>	Notes	February 29, 2024	August 31, 2023
<b>Operating revenues</b>	17	₩ 27,813,799,379	₩ 26,522,645,796
<b>Operating expenses</b>	18	<u>13,542,732,029</u>	<u>15,474,921,444</u>
<b>Operating profit</b>		<u>14,271,067,350</u>	<u>11,047,724,352</u>
<b>Non-operating income</b>			
Financial income	19	543,693,665	408,594,141
Other income	20	402,282	1,098,388
Share of profit of equity method investees Gains on valuation	8	<u>16,407,494,023</u>	<u>1,711,585,827</u>
		<u>16,951,589,970</u>	<u>2,121,278,356</u>
<b>Non-operating expense</b>			
Financial costs	19	12,553,012,069	9,522,438,021
Other expenses	20	6	17,983
Share of loss of equity method investees Loss on valuation	8	<u>-</u>	<u>66,129,629</u>
		<u>12,553,012,075</u>	<u>9,588,585,633</u>
<b>Profit before income tax expense</b>		18,669,645,245	3,580,417,075
Income tax expense	15	<u>-</u>	<u>-</u>
<b>Profit for the period</b>	14	<u>₩ 18,669,645,245</u>	<u>₩ 3,580,417,075</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<u>₩ 18,669,645,245</u>	<u>₩ 3,580,417,075</u>
Owners of the Parent Company		18,669,645,245	3,580,417,075
<b>Earnings per share</b>			
Basic and diluted earnings per share	16	₩ 88	₩ 17

*The accompanying notes are an integral part of the interim condensed consolidated financial statements.*

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

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in equity**  
**for the three-month period ended February 29, 2024 and August 31, 2023**

*(in Korean won)*

	Equity attributable to equity holders of the Parent Company			Non-controlling interests	Total
	Share capital	Other paid-in-capital	Retained earnings		
<b>Balance as of June 1, 2023</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 20,551,500,840	₩ -	₩ 1,133,827,132,446
Dividends	-	-	(28,767,015,000)	-	(28,767,015,000)
Profit for the period	-	-	3,580,417,075	-	3,580,417,075
<b>Balance as of August 31, 2023</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ (4,635,097,085)	₩ -	₩ 1,108,640,534,521
<b>Balance as of December 1, 2023</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 3,636,958,595	₩ -	₩ 1,116,912,590,201
Dividends	-	-	(29,193,193,000)	-	(29,193,193,000)
Profit for the period	-	-	18,669,645,245	-	18,669,645,245
<b>Balance as of February 29, 2024</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ (6,886,589,160)	₩ -	₩ 1,106,389,042,446

*The accompanying notes are an integral part of the interim condensed consolidated financial statements.*

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

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the three-month period ended February 29, 2024 and August 31, 2023**

(in Korean won)

	February 29, 2024	August 31, 2023
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 18,669,645,245	₩ 3,580,417,075
Adjustments for:		
Depreciation of property and equipment	5,076,865	5,141,918
Depreciation of investment properties	7,727,381,711	7,459,651,016
Interest expense	12,553,012,069	9,522,438,021
Share of loss of equity method investees	-	66,129,629
Interest income	(543,693,665)	(408,594,141)
Other income	(331,167,656)	(301,821,488)
Share of profit of equity method investees	(16,407,494,023)	(1,711,585,827)
	<u>3,003,115,301</u>	<u>14,631,359,128</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(78,576,350)	(58,965,637)
Decrease (increase) in accrued income	113,784,858	(1,578,473,019)
Decrease (increase) in prepaid expenses	47,536,918	(1,789,205,911)
Decrease in prepaid value added tax	-	9,421,379,040
Increase (decrease) in unearned revenue	39,487,286	(614,792,638)
Decrease in non-trade payables	(3,047,776,852)	(12,534,846,885)
Increase (decrease) in withholdings	37,524,750	(611,440)
Increase in value added tax withheld	691,719,972	952,131,486
	<u>(2,196,299,418)</u>	<u>(6,203,385,004)</u>
	<u>19,476,461,128</u>	<u>12,008,391,199</u>
Interest received	822,116,319	85,909,045
Income taxes paid	(568,612,610)	(2,922,743,810)
Interest paid	(16,450,377,706)	(7,996,551,735)
Dividends received	2,869,894,673	18,674,346,224
Net cash inflows from operating activities	<u>6,149,481,804</u>	<u>19,849,350,923</u>
<b>Cash flows from investing activities</b>		
Decrease in investments in associates	-	37,264,025,475
Decrease in short-term financial instruments	12,528,020,605	2,765,087,400
Decrease in long-term financial instruments	12,370,759,434	-
Increase in short-term financial instruments	(20,083,096,304)	(10,000,000,000)
Increase in long-term financial instruments	(17,670,662,071)	(2,765,087,400)
Acquisition of investment properties (land)	(35,976,882,047)	(4,335,562)
Acquisition of investment properties (buildings)	(75,037,636,817)	-
Net cash outflows (inflows) from investing activities	<u>(123,869,497,200)</u>	<u>27,259,689,913</u>
<b>Cash flows from financing activities</b>		
Increase in long-term borrowings	390,000,000,000	-
Increase in leasehold deposits received	3,048,460,000	127,199,574
Repayments of long-term borrowings	-	(20,000,000,000)
Decrease in leasehold deposits received	(99,279,600)	(60,000,000)
Repayments of current portion of long-term borrowings	(255,000,000,000)	-
Net cash inflows (outflows) from financing activities	<u>137,949,180,400</u>	<u>(19,932,800,426)</u>
<b>Net increase in cash and cash equivalents</b>	20,229,165,004	27,176,240,410
<b>Cash and cash equivalents at the beginning of period</b>	50,608,114,769	25,521,971,901
<b>Cash and cash equivalents at the end of period</b>	<u>₩ 70,837,279,773</u>	<u>₩ 52,698,212,311</u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.  
The accompanying notes are an integral part of the interim condensed consolidated financial statements.



# ESR Kendall Square REIT Co., Ltd. and its subsidiaries

## Notes to the interim condensed consolidated financial statements

### February 29, 2024 and August 31, 2023

#### 1. Reporting Entity

In accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") 1110 *Consolidated Financial Statements*, ESR Kendall Square REIT Co., Ltd. (the "Company" or the "Parent Company") and its subsidiaries of ESR Kendall Square Asset NO.1 REIT Co., Ltd. and ESR Kendall Square Asset NO.2 REIT Co., Ltd. (collectively referred to as the "Group") prepares the consolidated financial statements.

##### 1.1 Parent Company

The Parent Company was established on February 20, 2020 under the *Real Estate Investment Company Act* of the Republic of Korea. The Parent 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 business purpose of the Parent Company is to distribute its profits to its stockholders, which are generated from the revenue earned from acquisition, development, management, refurbishment and disposition of real estates and other properties. Its head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul. The Parent Company's major shareholders and their respective shareholdings as of February 29, 2024, 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.	8,183,698	3.84%
Kendall Square REIT Management Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	136,780,605	64.19%
	<u>213,089,000</u>	<u>100.00%</u>

##### 1.2 Subsidiaries

Details of subsidiaries as of February 29, 2024 and November 30, 2023 are as follows:

	Location	Business type	Percentage of ownership	
			February 29, 2024	November 30, 2023
ESR Kendall Square Asset No.1 Reit Co., LTD.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No.2 Reit Co., LTD.	Korea	Real estate	100%	100%

# ESR Kendall Square REIT Co., Ltd. and its subsidiaries

## Notes to the interim condensed consolidated financial statements

### February 29, 2024 and August 31, 2023

Financial information of subsidiaries as of February 29, 2024 and November 30, 2023 and for the three-month periods ended February 29, 2024 and August 31, 2023 is as follows:

(in thousands of Korean won)	As of February 29, 2024			Three-month period ended February 29, 2024		
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,286,447,700	₩ 756,179,191	₩ 530,268,509	₩ 16,537,560	₩ 2,083,705	₩ 2,083,705
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	962,585,755	543,914,037	418,671,718	11,276,240	897,812	897,812

  

(in thousands of Korean won)	As of November 30, 2023			Three-month period ended August 31, 2023		
	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,169,246,787	₩ 652,468,451	₩ 516,778,336	₩ 15,249,198	₩ 2,940,914	₩ 2,940,914
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	971,404,121	544,344,707	427,059,414	11,273,448	(594,086)	(594,086)

## 2. Material Accounting Policies

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

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won (presented as “Korean won” or “₩”). The accompanying interim condensed consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail. The Group’s interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as of November 30, 2023.

#### 2.1.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after December 1, 2023.

##### (a) KIFRS 1001 *Presentation of Financial Statements* - Disclosure of Accounting Policies

The amendments to KIFRS 1001 define and require entities to disclose their material accounting policies. The amendments had no material impact on the Group’s consolidated financial statements.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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*(b) KIFRS 1001 Presentation of Financial Statements - Disclosure of Gain or Loss on Valuation of Financial Liabilities Subject to Adjustment of Exercise Price*

The amendments require entities to disclose the carrying amount of financial liabilities and gains and losses in relation thereto if all or part of the instrument is classified as a financial liability under which the exercise price is adjusted according to changes in the issuer's stock price. These amendments had no material impact on the Group's financial position or management performance.

*(c) KIFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. The amendments had no material impact on the Group's consolidated financial statements.

*(d) KIFRS 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 had no material impact on the Group's consolidated financial statements.

*(e) KIFRS 1117 Insurance Contract*

KIFRS 1117 *Insurance Contracts* replaces KIFRS 1104 *Insurance Contracts*. These amendments estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The Group 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. The amendments had no material impact on the Group's consolidated financial statements.

*(f) KIFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules*

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two Model Rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The amendments had no material impact on the Group's consolidated financial statements.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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**2.1.2 Standards issued but not effective**

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

(a) Amendments to KIFRS 1001 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

Liabilities are classified as current or non-current according to substantive rights existing at the end of the reporting period and do not take into account the possibility of exercising the right to defer settlement of the liabilities or management expectations. In addition, the settlement of liabilities includes the transfer of equity instruments, unless the option to settle with equity instruments in a compound financial instrument meets the definition of equity instruments and is recognized separately from the liability. These amendments will be applied from annual periods beginning on or after January 1, 2024, and early application is allowed. The Group is in review for the impact of the amendments on its consolidated financial statements.

(b) Amendments to KIFRS 1007 *Statement of Cash Flows*, KIFRS 1107 *Financial Instruments: Disclosures* – Supplier Finance Arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of the amendments on its consolidated financial statements.

(c) Amendments to KIFRS 1116 *Leases* - Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of the amendments on its consolidated financial statements.

(d) Amendments to KIFRS 1001 *Presentation of Financial Statements* – Disclosure of Virtual Assets

These amendments mandate entities to disclose material information for the financial statement users. The entities should separately disclose information related to holding virtual assets, holding them on behalf of the customers, and issuing them. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024 and shall be applied retrospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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*(e) Amendments to KIFRS 1021 The Effects of Changes in Foreign Exchange Rates and KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability*

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and consequential amendments to KIFRS 1101 *First-time Adoption of IFRS* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments require disclosure of information that enables users of financial statements to understand the risk and impact of a currency not being exchangeable. The amendments apply to annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

## **2.2 Accounting Policies**

Material accounting policies and method of computation used in the preparation of the interim condensed consolidated financial statements are consistent with those of the annual consolidated financial statements for the period ended November 30, 2023. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Various amendments are effective for the first time from 2023, with no impact on the Group's interim condensed consolidated financial statements.

## **3. Material Accounting Estimates and Assumptions**

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

Material accounting estimates and assumptions applied in the preparation of these interim condensed consolidated financial statements are the same as those applied to annual the consolidated financial statements for the period ended November 30, 2023.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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**4. Cash and Cash Equivalents**

Cash and cash equivalents as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Bank deposits	₩ 70,837,280	₩ 50,608,115

**5. Financial Instruments Restricted in Use**

Financial instruments that are restricted in use as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Short-term financial assets <sup>1</sup>	₩ 217,308	₩ 572,237
Long-term financial assets <sup>1</sup>	44,662,013	41,705,553
	<u>₩ 44,879,321</u>	<u>₩ 42,277,790</u>

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

**6. Other Financial Assets**

Other financial assets as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Current assets		
Accounts receivable	₩ 1,223,266	₩ 1,144,689
Accrued income	6,285,870	9,548,261
	<u>₩ 7,509,136</u>	<u>₩ 10,692,950</u>
Non-current assets		
Other leasehold deposits	₩ 150,000	₩ 150,000
	<u>₩ 150,000</u>	<u>₩ 150,000</u>

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**7. Other Assets**

Other assets as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>		<b>November 30, 2023</b>	
Current assets				
Prepaid expenses	₩	2,230,889	₩	2,374,938
	₩	2,230,889	₩	2,374,938
Non-current assets				
Prepaid expenses	₩	957,981	₩	861,469
	₩	957,981	₩	861,469

**8. Investments in Associates**

Investments in associates as of February 29, 2024 and August 31, 2023 are as follows:

*(in thousands of Korean won)*

	Location	Percentage of ownership	Number of shares invested	February 29, 2024		Share of profit or loss	Dividends	Ending balance
				Beginning balance	Termination			
Beneficiary certificates: <sup>1</sup>								
KendallSquare General Private Placement Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	₩ 44,614,921	₩ -	₩ 13,002,606	₩ -	₩ 50,617,527
KendallSquare General Private Placement Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	46,721,863	-	1,018,792	-	47,740,655
KendallSquare General Private Placement Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	47,040,178	-	1,636,078	-	48,676,256
KendallSquare General Private Placement Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	31,000,811	-	750,018	-	31,750,829
				₩ 169,377,773	₩ -	₩ 16,407,494	₩ -	₩ 185,785,267

<sup>1</sup> Although percentage of ownership of the above beneficiary certificates exceeds 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 *Financial Investment Services and Capital Markets Act* and trust contract.

# ESR Kendall Square REIT Co., Ltd. and its subsidiaries

## Notes to the interim condensed consolidated financial statements

### February 29, 2024 and August 31, 2023

(in thousands of Korean won)

(in thousands of Korean won)

	August 31, 2023								
	Location	Percentage of ownership	Number of shares invested	Beginning balance	Termination	Share of profit or loss	Dividends	Ending balance	
Beneficiary certificates: <sup>1</sup>									
KendallSquare Professional Investment Type Real Estate Investment Fund #6 <sup>2</sup>	Korea	-	-	₩ 51,696,981	₩ (37,264,025)	₩ (66,130)	₩ (14,366,826)	₩	-
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	43,971,493	-	647,562	-		44,619,055
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	45,454,812	-	512,716	-		45,967,528
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	46,225,182	-	374,887	-		46,600,069
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,967,029	-	176,421	-		31,143,450
				₩ 218,315,497	₩ (37,264,025)	₩ 1,645,456	₩ (14,366,826)	₩	168,330,102

<sup>1</sup> Although percentage of ownership of the above beneficiary certificates exceeds 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 *Financial Investment Services and Capital Markets Act* and trust contract.

<sup>2</sup> For the three-month period ended August 31, 2023, the Group has received a request for consent to terminate the trust contract from the collective investment business operator due to the disposition of trust real estate, and accordingly it was excluded from the investment in associates.



**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**9. Investment Properties**

Investment properties as of February 29, 2024 and November 30, 2023 are as follows:

(in thousands of  
Korean won)

	February 29, 2024			November 30, 2023		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 679,485,607	₩ -	₩ 679,485,607	₩ 640,172,508	₩ -	₩ 640,172,508
Buildings	1,553,097,203	(76,812,934)	1,476,284,269	1,471,036,157	(69,085,552)	1,401,950,605
Construction in progress <sup>1</sup>	-	-	-	10,359,626	-	10,359,626
	₩ 2,232,582,810	₩ (76,812,934)	₩ 2,155,769,876	₩ 2,121,568,291	₩ (69,085,552)	₩ 2,052,482,739

<sup>1</sup> The purchase was completed on December 14, 2023 with the amount of expenditure for the acquisition of Icheon logistics park 6

Changes in investment properties for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

(in thousands of  
Korean won)

	February 29, 2024			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 640,172,508	₩ 1,401,950,605	₩ 10,359,626	₩ 2,052,482,739
Acquisitions	35,976,882	75,037,637	-	111,014,519
transfers	3,336,217	7,023,409	(10,359,626)	-
Depreciation	-	(7,727,382)	-	(7,727,382)
Ending balance	₩ 679,485,607	₩ 1,476,284,269	₩ -	₩ 2,155,769,876

(in thousands of  
Korean won)

	August 31, 2023			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 640,168,172	₩ 1,416,759,887	₩ 10,294,626	₩ 2,067,222,685
Acquisitions/transfers	4,336	-	-	4,336
Depreciation	-	(7,459,651)	-	(7,459,651)
Ending balance	₩ 640,172,508	₩ 1,409,300,236	₩ 10,294,626	₩ 2,059,767,370

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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Details of acquisition of investment properties are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>
Icheon logistics park 6	₩	114,291,000 <sup>1</sup>

<sup>1</sup> Excluding purchase incidental expenses.

Revenues and expenses related to investment properties for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>August 31, 2023</b>
Operating revenues <sup>1</sup>	₩	27,476,012	₩	26,220,824
Operating expenses <sup>2</sup>		9,739,509		12,334,232

<sup>1</sup> Operating revenues consist of rental income and management income.

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

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

The fair values of investment properties as of February 29, 2024 are as follows:

(in thousands of Korean won)

	Classification	Address	Book amount	Fair value
Goyang logistics park	Land	701, Wonheung-dong , Deogyang-gu, Goyang-si, Gyeonggi-do	₩ 197,132,815	₩ 248,195,600
	Building		288,780,859	325,004,400
			485,913,674	573,200,000
Anseong logistics park	Land	35-4, Jangneung-ri, Juksan-myeon, Anseong-si, Gyeonggi-do	40,658,182	41,482,000
	Building		121,107,910	151,488,000
			161,766,092	192,970,000
Buchon cold logistics park	Land	801, Ojeong-dong, Bucheon-si, Gyeonggi-do	57,965,398	93,309,800
	Building		141,926,745	152,890,200
			199,892,143	246,200,000
Gimhae logistics park	Land	5, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	30,398,338	36,236,800
	Building		17,267,669	23,363,200
			47,666,007	59,600,000
Yongin logistics park	Land	434, Gachang-ri, Cheoin-gu, Yongin-si, Gyeonggi-do	39,837,801	55,829,700
	Building		90,500,410	95,470,300
			130,338,211	151,300,000
Icheon logistics park 2	Land	580-1, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	11,375,771	19,623,600
	Building		37,976,436	51,476,400
			49,352,207	71,100,000
Icheon logistics park 3	Land	567-46, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	7,099,609	11,329,600
	Building		21,652,591	27,470,400
			28,752,200	38,800,000
Icheon logistics park 6	Land	250 Joeup-ri, Baeksa-myeon, Icheon-si, Gyeonggi-do	39,313,099	39,313,099
	Building		81,645,597	81,645,597
			120,958,696	120,958,696
Anseong logistics park 2	Land	915/916 Chilgok-ri, Wongok-myeon, Anseong-si, Gyeonggi-do	99,246,022	96,230,250
	Building		232,845,770	241,419,750
			332,091,792	337,650,000
Anseong logistics park 3	Land	23-10/13/14, Neungguk-ri, Iljuk-myeon, Anseong-si, Gyeonggi-do	27,156,790	28,258,250
	Building		102,262,341	102,891,750
			129,419,131	131,150,000
Icheon logistics park 5	Land	423, Haewol-ri, Majang-myeon, Icheon-si, Gyeonggi-do	59,300,980	63,722,000
	Building		143,534,860	145,808,000
			202,835,840	209,530,000
Gimhae logistics park 2	Land	5-8, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	18,497,330	20,963,360
	Building		54,259,549	54,716,640
			72,756,879	75,680,000
Anseong logistics park 4	Land	409-3, Yongwol-ri , Samjuk-myeon, Anseong-si, Gyeonggi-do	18,658,263	17,820,400
	Building		41,980,432	41,979,600
			60,638,695	59,800,000
Icheon logistics park 7	Land	309, Bupil-ri, Daewol-myeon, Icheon-si, Gyeonggi-do	32,845,207	32,845,207
	Building		100,543,102	100,543,102
			133,388,309	133,388,309

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

(in thousands of Korean won)

Classification	Address	Book amount	Fair value
		₩ 2,155,769,876	₩ 2,401,327,005

The investment properties held by the Group are logistics warehouses, and their marketability and profitability through integrated utility are major factors in determining their value. Therefore, the fair value of the Group's investment properties has been determined by integrating estimates from both a market approach (sales comparison approach) and an income approach.

The fair values of the five investment properties, Buchon cold logistics park, Gimhae logistics park, Yongin logistics park, Icheon logistics park 2, and Icheon logistics park 3, were appraised by Kyungil Appraisal Corporation, an external independent appraiser with the appropriate qualification and experience in real estate valuation in the relevant region (the valuation date of July 25, 2023). There have been no significant changes since then. The fair values of the seven investment properties, Goyang logistics park, Anseong logistics park, Anseong logistics park 2, Anseong logistics park 3, Icheon logistics park 5, Gimhae logistics park 2, and Anseong logistics park 4, were appraised by the First Appraisal & Consulting Co., an external independent appraiser with the appropriate qualification and experience in real estate valuation in the relevant region (the valuation date of November 30, 2023). There are no material differences between the fair value of Icheon logistics park 6, Icheon logistics park 7 at acquisition and its book amount at the end of the reporting period.

The Group has provided as collaterals the underlying mortgage on land and buildings and the right to receive insurance claims for the comprehensive insurance for property and equipment against fire and other casualty losses in relation to long-term borrowings, and their details are as follows:

(in thousands of Korean won)	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A&B&C	₩ 1,285,277,925	₩ 760,500,000	₩ 912,600,000
Tranche C1-1	72,756,879	41,800,000	50,160,000
Tranche C1-2	332,091,792	187,900,000	225,480,000
Tranche C1-3	129,419,131	73,800,000	88,560,000
Tranche C2	202,835,840	114,500,000	137,400,000
Secured loan of East-Icheon BRIC logistics park	133,388,309	72,600,000	87,120,000
	₩ 2,155,769,876	₩ 1,251,100,000	₩ 1,501,320,000

The Group has comprehensive insurance policies to cover damages and losses on its investment properties for up to ₩ 1,050,591 million.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**10. Other Financial Liabilities**

Other financial liabilities as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Current liabilities		
Non-trade payables	₩ 32,341,881	₩ 6,196,465
Accrued expense	8,128,240	5,549,510
Leasehold deposits	896,450	995,730
Discount account on present value	(4,130)	(10,154)
	<u>₩ 41,362,441</u>	<u>₩ 12,731,551</u>
Non-current liabilities		
Leasehold deposits	₩ 49,168,946	₩ 45,914,886
Discount account on present value	(4,631,655)	(4,483,732)
Advance received	-	205,600
	<u>₩ 44,537,291</u>	<u>₩ 41,636,754</u>

**11. Other Liabilities**

Other liabilities as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Current liabilities		
Withholdings	₩ 138,313	₩ 100,789
Value added tax withholdings	1,814,110	1,122,390
Unearned revenue	1,374,091	1,196,264
	<u>3,326,514</u>	<u>2,419,443</u>
Non-current liabilities		
Unearned revenue	3,171,198	3,177,949
	<u>₩ 3,171,198</u>	<u>₩ 3,177,949</u>

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**12. Borrowings**

Details of current portion of long-term borrowings as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate (%)	Maturity date	February 29, 2024	November 30, 2023
Tranche A	Hanwha General Insurance Co., Ltd.	-	-	₩ -	₩ 50,000,000
	Bank of China	-	-	-	50,000,000
	Shinhan Bank	-	-	-	50,000,000
	Industrial Bank of Korea	-	-	-	105,000,000
	KB Insurance Co., Ltd.	2.50	December 2, 2024	34,300,000	-
Tranche C1-1	KB Kookmin Bank	2.50	December 20, 2024	32,751,000	-
	KB Insurance Co., Ltd.	2.50	December 20, 2024	9,049,000	-
Tranche C1-2	KB Kookmin Bank	2.50	December 20, 2024	147,225,000	-
	KB Insurance Co., Ltd.	2.50	December 20, 2024	40,675,000	-
Tranche C1-3	KB Kookmin Bank	2.50	December 20, 2024	57,824,000	-
	KB Insurance Co., Ltd.	2.50	December 20, 2024	15,976,000	-
				337,800,000	255,000,000
Less: discount				(1,442,497)	(30,274)
				₩ 336,357,503	₩ 254,969,726

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

Details of long-term borrowings as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>Financial institution</b>	<b>Annual interest rate (%)</b>	<b>Maturity date</b>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Tranche A <sup>1</sup>	Hanwha General Insurance Co., Ltd.	-	-	₩ -	₩ 50,000,000
	Bank of China	-	-	-	50,000,000
	Shinhan Bank	-	-	-	50,000,000
	Industrial Bank of Korea	-	-	-	105,000,000
	KB Insurance Co., Ltd.	2.50	December 2, 2024	34,300,000	34,300,000
	Korea Development Bank <sup>3</sup>	4.64	December 14, 2026	100,000,000	-
	NongHyup Bank <sup>3</sup>	4.64	December 14, 2026	60,000,000	-
	NongHyup Life Insurance Co., Ltd. <sup>3</sup>	4.64	December 14, 2026	40,000,000	-
	Industrial Bank of Korea <sup>3</sup>	4.99	December 14, 2026	77,000,000	-
	Shinhan Bank <sup>3</sup>	5.29	December 14, 2026	45,000,000	-
Tranche B <sup>1</sup>	Bank of China <sup>3</sup>	5.29	December 14, 2026	40,000,000	-
	Industrial Bank of Korea	2.50	December 14, 2025	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50	December 14, 2025	40,000,000	40,000,000
	Industrial Bank of Korea	2.50	December 14, 2025	28,700,000	28,700,000
Tranche C <sup>1</sup>	Hanwha General Insurance Co., Ltd.	2.50	December 14, 2025	50,000,000	50,000,000
	NongHyup Life Insurance Co., Ltd.	2.50	December 14, 2025	40,000,000	40,000,000
	TONGYANG Life Insurance Co., Ltd.	2.50	December 14, 2025	50,000,000	50,000,000
Tranche C1-1 <sup>1</sup>	Kookmin Bank	2.50	December 20, 2024	32,751,000	32,751,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	9,049,000	9,049,000
Tranche C1-2 <sup>1</sup>	Kookmin Bank	2.50	December 20, 2024	147,225,000	147,225,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	40,675,000	40,675,000
Tranche C1-3 <sup>1</sup>	Kookmin Bank	2.50	December 20, 2024	57,824,000	57,824,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	15,976,000	15,976,000

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

<i>(in thousands of Korean won)</i>	<b>Financial institution</b>	<b>Annual interest rate (%)</b>	<b>Maturity date</b>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Tranche C-2 <sup>1</sup>	Kookmin Bank	2.70	December 20, 2026	114,500,000	114,500,000
Tranche D (Line of credit)	Industrial Bank of Korea	3.80	December 14, 2025	20,000,000	20,000,000
	Kookmin Bank	3.83	May 9, 2026	28,000,000	-
Facility loan	NongHyup Bank	5.08	September 22, 2025	10,000,000	10,000,000
	The Kwangju Bank, Ltd.	5.31	May 10, 2026	5,000,000	5,000,000
Secured loan of East-Icheon	Daegu Bank	5.31	May 10, 2026	10,000,000	10,000,000
	BUSAN BANK	5.31	May 10, 2026	5,000,000	5,000,000
BRIC logistics park <sup>1,2</sup>	NongHyup Bank	5.31	May 10, 2026	27,000,000	27,000,000
	Shinhan Bank	5.31	May 10, 2026	25,600,000	25,600,000
				<u>1,309,100,000</u>	<u>1,174,100,000</u>
	Less: discount			(13,856,902)	(7,059,949)
	Less: reclassification to current portion			(336,357,503)	(254,969,726)
				<u>₩ 958,885,595</u>	<u>₩ 912,070,325</u>

<sup>1</sup> The Group provided the investment properties and leasehold deposits as collateral for the borrowings (Note 26).

<sup>2</sup> Interest rate for the secured loan of East-Icheon BRIC logistics park is floating rate, which is CD+1.6%. The initial disclosed interest rate is 5.15%.

<sup>3</sup> Interest rate for the secured loan is floating rate, which is CD+1.03% (weighted average). The CD interest rate on the initial withdrawal date is 3.84%.



**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**13. Share Capital and Other Paid-in Capital**

Details of share capital as of February 29, 2024 are as follows:

<i>(in Korean won)</i>	<b>Total number of authorized shares</b>	<b>Total number of issued shares</b>	<b>Par value per share</b>	<b>Share capital</b>
Common shares	2,000,000,000 shares	213,089,000 shares	₩ 1,000	₩ 213,089,000,000

Details of other paid-in capital as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Additional paid-in capital	₩ 900,186,632	₩ 900,186,632

**14. Retained Earnings (Deficits)**

Details of retained earnings (deficits) as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Retained earnings (deficits)	₩ (6,886,589)	₩ 3,636,959

Changes in retained earnings for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Beginning balance	₩ 3,636,959	₩ 20,551,501
Dividends	(29,193,193)	(28,767,015)
Profit for the period	18,669,645	3,580,417
Ending balance	₩ (6,886,589)	₩ (4,635,097)

Dividends per share and total dividends for the fiscal year ended November 30, 2023 are ₩137 and ₩ 29,193,193 thousand, respectively, which was proposed and decided at the shareholders' meeting on February 29, 2024. The interim condensed consolidated financial statements as of February 29, 2024 include these unpaid dividends.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**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 income tax legislation and adding or subtracting the changes in deferred tax in the current period.

In regard to Income Deductions for Special Purpose Companies, etc. as described in the Article 51-2 of *Corporate Tax Act* of the Republic of Korea, if the Group distributes 90% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the relevant business year. Since there was no income tax to be paid, the Group has not recognized any income tax expense.

**16. Earnings per Share**

Basic earnings per share for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in Korean won)</i>	<b>February 29, 2024</b>		<b>August 31, 2023</b>	
Profit for the period attributable to owners of the Parent Company	₩	18,669,645,245	₩	3,580,417,075
Weighted average number of common shares outstanding		213,089,000 shares		213,089,000 shares
Basic earnings per share	₩	88	₩	17

The weighted average number of common shares outstanding for the three-month periods ended February 29, 2024 and August 31, 2023 is calculated as follows:

<i>(in shares)</i>	<b>February 29, 2024</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	91	19,391,099,000
Weighted average number of common shares outstanding			213,089,000

<i>(in shares)</i>	<b>August 31, 2023</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	92	19,604,188,000
Weighted average number of common shares outstanding			213,089,000

***Diluted earnings per share***

For the three-month periods ended February 29, 2024 and August 31, 2023, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share are identical to diluted earnings per share.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**17. Operating Revenues**

Operating revenues for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Rental income	₩ 26,535,876	₩ 25,300,969
Management income	940,136	919,855
Other income	337,788	301,821
	<u>₩ 27,813,800</u>	<u>₩ 26,522,645</u>

The future minimum lease payments expected to be received in relation to the operating lease agreement as of February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Within one year	₩ 101,993,469	₩ 100,281,451
Between 1 and 2 years	97,883,958	94,048,562
Between 2 and 3 years	75,310,028	76,530,857
Between 3 and 4 years	53,706,283	54,479,608
Between 4 and 5 years	38,023,758	42,272,609
Later than five years	13,735,304	28,151,317
	<u>₩ 380,652,800</u>	<u>₩ 395,764,404</u>

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**18. Operating Expenses**

Operating expenses for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Operating expenses related to investment properties:		
Insurance expenses	₩ 866,588	₩ 888,683
Depreciation	7,727,382	7,459,651
Real estate management consignment fees	1,003,411	982,318
Facility maintenance & administrative expenses	-	3,287
Taxes and due	2,853	2,878,508
Utilities expenses	5,209	3,072
Deemed rent	30,060	24,861
Rental brokerage fees	104,006	93,852
	<u>9,739,509</u>	<u>12,334,232</u>
Other operating expenses:		
Asset management consignment fees	2,756,353	2,657,197
Asset management performance fees	126,675	-
Other fees	711,266	338,146
Agent bank fees	50,000	-
Asset custody consignment fees	41,463	30,164
General affairs consignment fees	67,389	65,040
Salaries	45,000	45,000
Depreciation	5,077	5,142
	<u>3,803,223</u>	<u>3,140,689</u>
	<u>₩ 13,542,732</u>	<u>₩ 15,474,921</u>

**19. Finance Income and Costs**

Finance income and costs for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Finance income		
Interest income	₩ 543,694	₩ 408,594
Finance costs		
Interest costs	₩ 12,553,012	₩ 9,522,438

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**20. Other Income and Expenses**

Other income and expenses for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>August 31, 2023</b>
Other income				
Miscellaneous income	₩	402	₩	1,098
Other expenses				
Miscellaneous expenses		-		18

**21. Financial Risk Management**

**21.1 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group uses the debt-to-equity ratio as its capital management index, which is calculated by dividing the total liabilities by the total equity.

Debt-to-equity ratio as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>November 30, 2023</b>
Liabilities	₩	1,387,640,542	₩	1,227,005,747
Equity		1,106,389,042		1,116,912,590
Debt-to-equity ratio		125.42%		109.86%

**21.2 Financial risk factors**

The Group is exposed to various financial risks, such as market risks, credit risk and liquidity risk, in relation to financial instruments. The objective of the Group's risk management is to identify potential risks that affect the Group's financial performance and to reduce, eliminate, and avoid them to an acceptable level.

*(a) Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Group periodically reviews the status of interest rates. As of February 29, 2024, when all other variables are constant and the interest rate changes by 1%, the impact on the Group's profit before tax is as follows:

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>August 31, 2023</b>
1% increase	₩	(1,086,500)	₩	(181,500)
1% decrease		1,086,500		181,500

*Foreign Currency risk*

As of February 29, 2024, the Group has no assets or liabilities exposed to changes in foreign exchange rates.

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. In the case of the Group, other price risk is limited.

*(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 the Group's exposure to credit risk as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>November 30, 2023</b>
Cash and cash equivalents	₩	70,837,280	₩	50,608,115
Short-term financial instruments		22,560,885		12,662,079
Long-term financial instruments		44,662,013		41,705,553
Other financial assets		7,659,136		10,842,950

*(c) Liquidity risk*

To manage liquidity risk, the Group implements a short-term and mid-term funding management plan and continuously analyzes and reviews the cash outflow budget and actual cash outflow to respond to the maturity structure of financial liabilities and financial assets. The management of the Group determines that the financial liability is redeemable through cash flows from operating activities and cash inflows from financial assets.

Analysis of liquidity risk as of February 29, 2024 and November 30, 2023 is as follows:

*(in thousands of Korean won)*

	<b>February 29, 2024</b>					
	<b>Book amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 year ~ 2 years</b>	<b>2 years ~ 5 years</b>	<b>Over 5 years</b>
Non-trade payables	₩ 32,341,881	₩ 32,341,881	₩ 32,341,881	₩ -	₩ -	₩ -

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

Current portion of long-term borrowings	336,357,503	344,583,123	344,583,123	-	-	-
Long-term borrowings	958,885,595	1,058,393,220	35,981,720	427,909,819	594,501,681	-
Leasehold deposits	45,429,611	50,065,396	550,790	12,591,744	23,712,862	13,210,000
	<u>₩ 1,373,014,590</u>	<u>₩ 1,485,383,620</u>	<u>₩ 413,457,514</u>	<u>₩ 440,501,563</u>	<u>₩ 618,214,543</u>	<u>₩ 13,210,000</u>

(in thousands of Korean won)

	November 30, 2023					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 6,196,465	₩ 6,196,465	₩ 6,196,465	₩ -	₩ -	₩ -
Advance received	205,600	205,600	-	205,600	-	-
Current portion of long-term borrowings and interest	254,969,726	255,217,134	255,217,134	-	-	-
Long-term borrowings and interest	912,070,325	968,108,140	25,855,154	365,531,099	576,721,887	-
Leasehold deposits	42,416,729	46,910,617	995,730	5,369,209	27,335,678	13,210,000
	<u>₩ 1,215,858,845</u>	<u>₩ 1,276,637,956</u>	<u>₩ 288,264,483</u>	<u>₩ 371,105,908</u>	<u>₩ 604,057,565</u>	<u>₩ 13,210,000</u>

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**22. Financial Instruments by Category and Fair Value**

Financial instruments by category and fair value as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>		<b>November 30, 2023</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
Financial assets				
Cash and cash equivalents	₩ 70,837,280	₩ 70,837,280	₩ 50,608,115	₩ 50,608,115
Short-term financial instruments	22,560,885	22,560,885	12,662,079	12,662,079
Long-term financial instruments	44,662,013	44,662,013	41,705,553	41,705,553
Other financial assets	7,659,136	7,659,136	10,842,950	10,842,950
	<u>₩ 145,719,314</u>	<u>₩ 145,719,314</u>	<u>₩ 115,818,697</u>	<u>₩ 115,818,697</u>
Financial liabilities				
Current portion of long-term borrowings	₩ 336,357,503	₩ 336,357,503	₩ 254,969,726	₩ 254,969,726
Long-term borrowings	958,885,595	958,885,595	912,070,325	912,070,325
Other financial liabilities	85,899,732	85,899,732	54,368,305	54,368,305
	<u>₩ 1,381,142,830</u>	<u>₩ 1,381,142,830</u>	<u>₩ 1,221,408,356</u>	<u>₩ 1,221,408,356</u>

Net gains or losses on each category of financial instruments for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>February 29, 2024</b>	<b>August 31, 2023</b>
Financial assets at amortized cost		
Interest income	₩ 543,694	₩ 408,594
Financial liabilities at amortized cost		
Interest expenses	12,553,012	9,522,438



**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**23. Cash flow information**

The significant non-cash transactions for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>August 31, 2023</b>
Dividends	₩	29,193,193	₩	28,767,015
Transfer of construction in progress to land		3,336,217		-
Transfer of construction in progress to building		7,023,409		-
Transfer of leasehold deposits received to unpaid non-trade payables		-		90,000
Reclassification to current portion of leasehold deposits received		-		2,547,779
Transfer of Advance received to leasehold deposits		205,600		-
Reclassification to current portion of discount on present value of leasehold deposits		6,024		3,751
Reclassification to current portion of unearned revenues		450,828		95,048
Transfer of discount on present value of leasehold deposits to unearned revenues		462,757		360,899
Reclassification to current portion of prepaid expenses		136,547		26,320
Reclassification to current portion of long-term financial Instruments		-		217,308
Reclassification to current portion of long-term borrowings		337,800,000		-
Reclassification to current portion of discount on present value long-term borrowings		1,472,597		-

Changes in liabilities arising from financial activities for the three-month period ended February 29, 2024 are as follows:

<i>(in thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Cash flow from financing activities</b>	<b>Changes in non-cash transactions<sup>1</sup></b>	<b>Ending balance</b>
Unpaid dividends	₩ -	₩ -	₩ 29,193,193	₩ 29,193,193
Advance received	205,600	-	(205,600)	-
Current portion of long-term borrowings	254,969,726	(255,000,000)	336,387,777	336,357,503
Long-term borrowings	912,070,325	381,605,602	(334,790,331)	958,885,596
Leasehold deposits	42,416,729	2,949,182	63,700	45,429,611

<sup>1</sup> 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.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

**24. Related Party Transactions**

The Group's related parties as of February 29, 2024 and November 30, 2023 are as follows:

	<b>February 29, 2024</b>	<b>November 30, 2023</b>
Associates	Kendall Square General Private Placement Real Estate Investment Fund #7 <sup>2</sup>	KendallSquare Professional Investment Type Real Estate Investment Fund #7
	Kendall Square General Private Placement Real Estate Investment Fund #8 <sup>2</sup>	KendallSquare Professional Investment Type Real Estate Investment Fund #8
	Kendall Square General Private Placement Real Estate Investment Fund #11	Kendall Square General Private Placement Real Estate Investment Fund #11
	Kendall Square General Private Placement Real Estate Investment Fund #18 <sup>2</sup>	KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related party <sup>1</sup>	Kendall Square REIT Management Inc. CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. ESR KENDALL SQUARE REIT HOLDING PTE, LTD.	Kendall Square REIT Management Inc. CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. ESR KENDALL SQUARE REIT HOLDING PTE, LTD.

<sup>1</sup> Rights to appoint a director based on shareholders' agreement of the Group which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD. and CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC., are terminated due to termination of the agreement, and the appointed directors as of February 29, 2024 are those who have been appointed by the parties within the term of the agreement.

<sup>2</sup> For the three-month period ended February 29, 2024, the name of the investment in associate has changed.

Transactions with the related parties for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>	
	<b>Related party</b>	<b>Asset management consignment fees</b>	<b>Asset management performance fee</b>
Other related party	Kendall Square REIT Management Inc.	₩ 2,756,353	₩ 139,343

<i>(in thousands of Korean won)</i>		<b>August 31, 2023</b>	
	<b>Related party</b>	<b>Asset management consignment fees</b>	
Other related party	Kendall Square REIT Management Inc.	₩	2,657,197

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

Outstanding balances to the related parties as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>November 30, 2023</b>	
	<b>Related party</b>	<b>Non-trade payables</b>	<b>Accrued income</b>	<b>Non-trade payables</b>	
Associates	Kendall Square General Private Placement Real Estate Investment Fund #7	₩ -	₩ 1,290,586	₩ -	
	Kendall Square General Private Placement Real Estate Investment Fund #8	-	396,846	-	
	Kendall Square General Private Placement Real Estate Investment Fund #11	-	595,755	-	
	Kendall Square General Private Placement Real Estate Investment Fund #18	-	586,708	-	
Other party	related Kendall Square REIT Management Co., Ltd.	3,099,475	-	5,814,819	
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC.	7,254,537	-	-	
	ESR KENDALL SQUARE REIT HOLDING PTE, LTD.	1,874,768	-	-	
		₩ 12,228,780	₩ 2,869,895	₩ 5,814,819	

Fund transactions with the related parties for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>	<b>August 31, 2023</b>	
	<b>Related party</b>	<b>Dividends received</b>	<b>Dividends received</b>	<b>Collection of principal upon termination</b>
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ 15,358,841	₩ 37,264,025
	Kendall Square General Private Placement Real Estate Investment Fund #7	1,290,586	595,655	-
	Kendall Square General Private Placement Real Estate Investment Fund #8	396,846	1,091,326	-
	Kendall Square General Private Placement Real Estate Investment Fund #11	595,755	992,925	-
	Kendall Square General Private Placement Real Estate Investment Fund #18	586,708	635,600	-
		₩ 2,869,895	18,674,347	₩ 37,264,025

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

Compensations for key management of the Group for the three-month periods ended February 29, 2024 and August 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		<b>February 29, 2024</b>		<b>August 31, 2023</b>
Short-term employee benefits	₩	28,500	₩	28,500

## **25. Operating Segments**

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

Revenues of approximately ₩ 18,513 million (₩ 18,489 million as of August 31, 2023), over 10% of the Group's revenue, are derived from a single external customer who leases Buchon logistics park and 6 others.

## **26. Commitments**

### *(a) Contract for the asset management services*

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

	<b>Details</b>
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%(Annual Percentage Rate) 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>

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

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	<b>Details</b>
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 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.</p>

*(b) General affairs consignment contract*

The Group entered into a general affairs consignment contract with SHINHAN FUND PARTNERS CO.,LTD. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the management of board of directors and shareholder's meetings. Fees are paid ₩ 105,000 thousand per every fiscal year. In addition, for the assets that the Group additionally purchases, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

*(c) Asset custody consignment contract*

The Group entered into a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 45,000 thousand per every fiscal year. The Group entered into a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. Fees are paid ₩ 15,000 thousand per every fiscal year. The Group entered into a consignment contract for custody and management of real estate of Icheon logistics park 7, newly acquired during the current period, with KB Real Estate Trust Co., Ltd. Separate fees are determined according to the “real estate collateral trust contract”, and the trust fee for the current period in relation to Icheon logistics park 7 is approximately ₩ 30,000 thousand.

*(d) Loan agreement*

Details of the loan agreement as of February 29, 2024 are as follows:

<i>(in thousands of Korean won)</i>	<b>Contract amount</b>	<b>Loan amount</b>
Tranche A (Industrial Bank of Korea, etc. and 6 others)	₩ 396,300,000	₩ 396,300,000
Tranche B&C (Industrial Bank of Korea, etc. and 5 others)	782,200,000	782,200,000
Tranche D (Industrial Bank of Korea)	20,000,000	20,000,000
Tranche D (KB Kookmin Bank)	30,000,000	28,000,000
Tranche D (Korea Development Bank)	5,000,000	-
Facility loans (NongHyup Bank)	10,000,000	10,000,000
Secured loan of East-Icheon BRIC logistics park	72,600,000	72,600,000
Tranche E (Industrial Bank of Korea)	10,000,000	-
	₩ 1,326,100,000	₩ 1,309,100,000

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**February 29, 2024 and August 31, 2023**

Regarding the loan agreements, the Group provided the investment property as collateral and details are as follows:

<i>(in thousands of Korean won)</i>	<b>Collateral</b>	<b>Book value</b>	<b>Secured amount</b>	<b>Related borrowings</b>	<b>Financial institutions</b>
Investment properties	Buchon cold logistics park and 4 others	₩ 576,959,464	₩ 434,400,000	Tranche A	Industrial Bank of Korea, etc. and 5 others
	Goyang logistics park	485,913,674	437,040,000	Tranche B&C	Industrial Bank of Korea, etc. and 3 others
	Anseong logistics park	161,766,092			
	Anseong logistics park 4	60,638,695	41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park 2	72,756,879	50,160,000	Tranche C1-1	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 2	332,091,792	225,480,000	Tranche C1-2	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 3	129,419,131	88,560,000	Tranche C1-3	KB Insurance Co., Ltd, Kookmin Bank
	Icheon logistics park 5	202,835,840	137,400,000	Tranche C-2	KB Kookmin Bank
	Icheon logistics park 7	133,388,309	87,120,000	Secured loan of East-Icheon BRIC logistics park	The Kwangju Bank, Ltd., Daegu Bank, BUSAN BANK, NongHyup Bank, Shinhan Bank
		<u>₩ 2,155,769,876</u>	<u>₩ 1,501,320,000</u>		

Among the Tranche A, the leasehold deposits of ₩ 310,684 thousand and ₩ 353,897 thousand are reserved as leasehold rights and senior collateral, respectively.

As of February 29, 2024, the Group has been provided with a payment guarantee of ₩ 1,034,548 thousand from Seoul Guarantee Insurance Company in relation to leasehold deposits, management fee payment and permission for development activities under the lease contract.

## **27. Events After the Reporting Period**

With the approval of the general shareholders' meeting on February 29, 2024, a new asset custody consignment contract was signed on March 13, 2024. The new asset custodian is NH Investment & Securities Co., Ltd., and the fee is ₩5,000 thousand for every fiscal year.