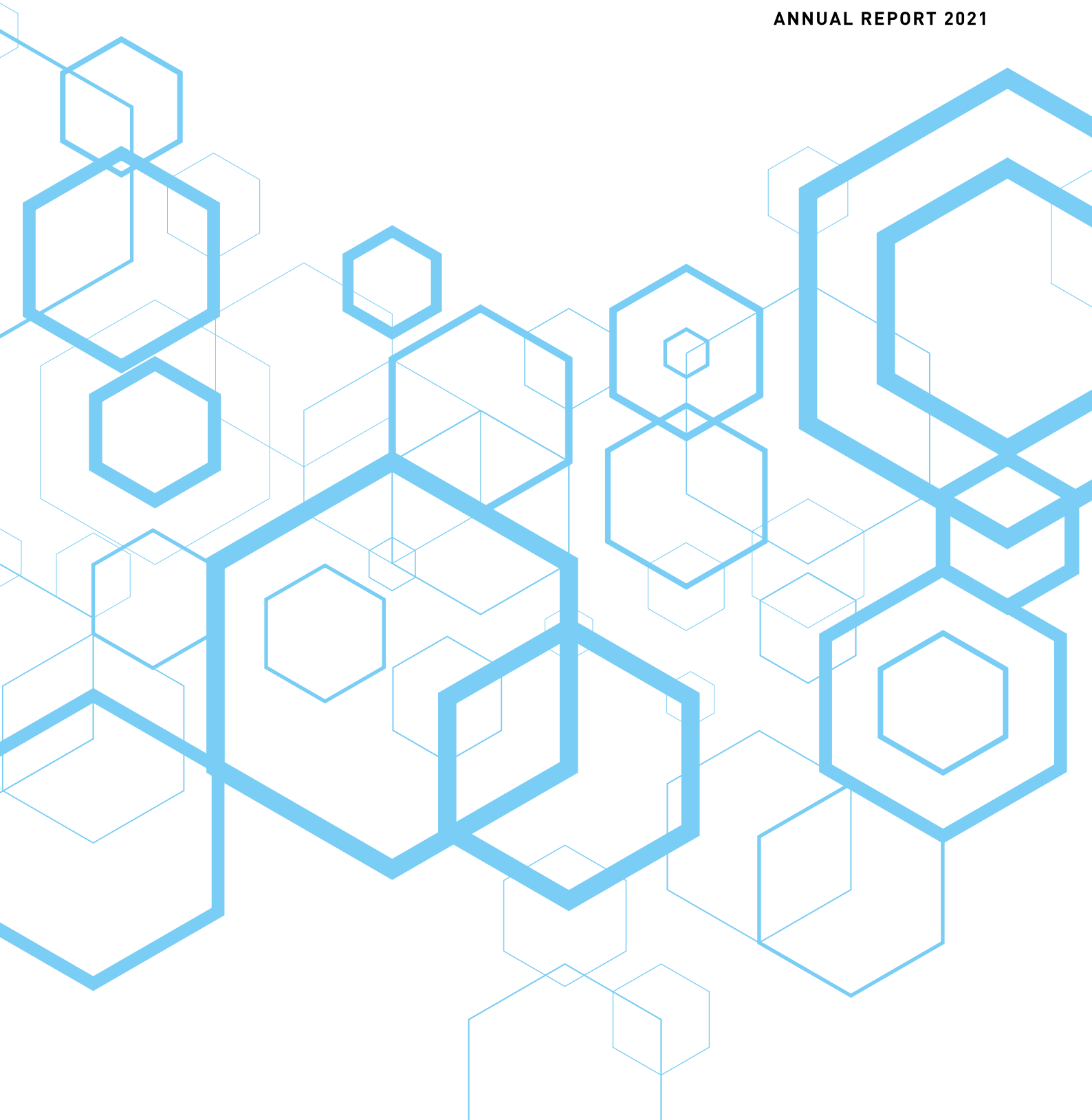




SEIZING NEW OPPORTUNITIES

ANNUAL REPORT 2021



KOREA'S FIRST PURE PLAY LOGISTICS REIT

ESR KendallSquare REIT, as a pure play logistics REIT, was listed on the Korea Exchange in December 2020, and since has positioned itself as the nation's largest REIT. Our relentless commitment to transformation and innovation fueled the growth of our AUM to KRW2.3 trillion, the greatest-ever in Korea, as of the end of 2021.

Apart from the sheer size of AUM, we lead the industry on the back of our extensive experience and expertise in logistics centre development and operation. This not only enables us to remain competitive in acquiring assets, but also identify new growth drivers to maximize returns for our investors.



CONTENTS

OVERVIEW

- 10 About Our Group
- 12 About Our Sponsor
- 14 Financial Highlights
- 16 A Message from the CEO
- 19 FY2021 Key Milestones
- 20 Growth Strategy
- 22 Stock Information & Dividend
- 24 Corporate Milestones

LEADERSHIP

- 26 Board of Directors & Business Management
- 28 Risk Management
- 30 ESG Performance

PERFORMANCE

- 33 Operation Review
- 36 Investment Structure
- 37 Portfolio Detail
- 46 Market Overview

FINANCIALS

- 50 ESR KendallSquare REIT and its Subsidiaries Consolidated Financial Statements
- 89 ESR KendallSquare REIT Separate Financial Statements
- 127 ESR KendallSquare Asset No.1 REIT Financial Statements
- 160 ESR KendallSquare Asset No.2 REIT Financial Statements
- 193 Corporate Information

ESR KendallSquare REIT (365550 KS) is an externally managed REIT, and hires KendallSquare REIT Management (KSRM) as its sole day-to-day business operation manager.

KOREA'S LARGEST LOGISTICS REIT



As a pure play logistics REIT, we continue to acquire assets and build a market-dominating pipeline on the strength of our sponsor ESR KendallSquare.



Goyang Logistics Park



GFA

1,158,523 SQM

Including the acquisition of Icheon Logistics Park 6, based on the property valuation made in the appraisal report published by Pacific Appraisal

AUM

c.KRW **2.3** TRILLION

Excluding Icheon Logistics Park 6 under construction, as of the end of December 2021

NUMBER OF ASSETS

18

17 completed and one under construction as of the end of 2021



AVERAGE
PROPERTY AGE

3 YEARS

Calculated as weighted average by GFA (based on the date of completion), as of the end of December 2021

RATIO OF
E-COMMERCE AND
3PL TENANTS

81.8 %

WALE

4.1 YEARS

Calculated as WALE by contracted GFA, as of the end of December 2021

OCCUPANCY
RATE

99.9 %

HIGH-QUALITY ASSET MANAGEMENT

Our portfolio focuses on A-grade logistics facilities in the Greater Seoul Area, and our tenant network is based on stable lease agreements and high quality tenants in the e-commerce and 3PL sectors.



SUSTAINED FINANCIAL SOUNDNESS

Our stable capital structure ensures exceptional financial flexibility and helps increase dividend income for shareholders when leveraging borrowed capital to eventually deliver the greatest possible shareholder value.



DIVIDEND
PER SHARE

KRW **268**

As of 2021

LTV

48.5 %

Lowest LTV among domestic REITs

Calculated based on the market capitalization on October 18 2021 when the securities registration statement was submitted

CREDIT RATING

A-

(Stable)

Korea Investors Service,
a Moody's Investors
Service company /
as of February 7, 2022



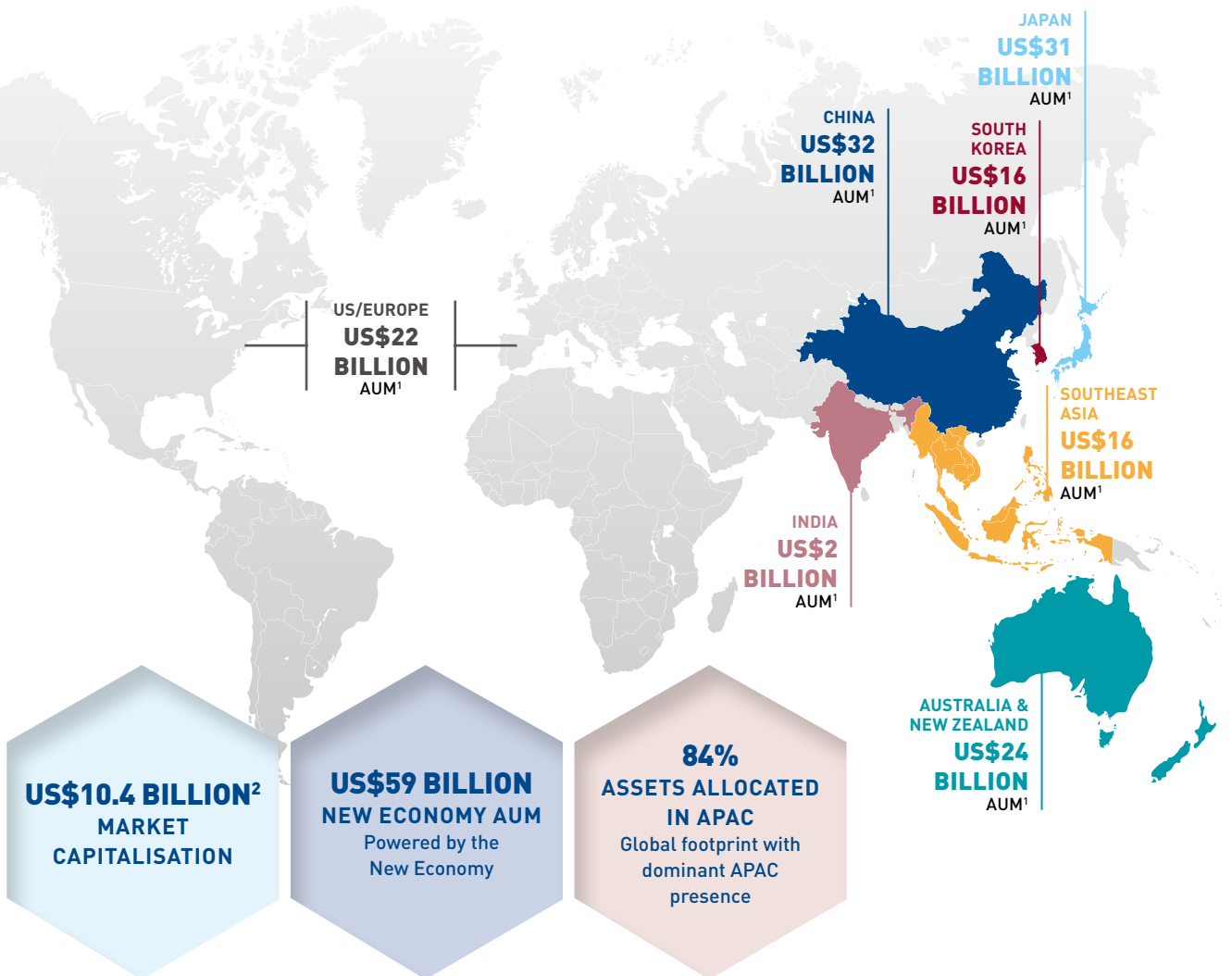
ABOUT OUR GROUP

APAC'S #1 REAL ASSET MANAGER POWERED BY NEW ECONOMY

ABOUT ESR GROUP

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes presence in Europe and the U.S. We provide a diverse range of real asset investment

solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by the Group and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business.



Notes:

1. Based on management estimates for the Group (including the assets under management of associates, Cromwell and Kenedix) as of 31 December 2021.
2. As of 31 December 2021.

ESR GROUP'S ROBUST SCALE, VASTLY EXPANDED CAPABILITIES AND DEEPER BREATH OF OFFERINGS WILL DEFINE THE FUTURE OF APAC REAL ESTATE



3. Based on management estimates for the Group (including the AUM of associates - Cromwell and Kenedix) as of 31 December 2021.

4. Based on 2020 Nominal GDP per Euromonitor.

5. 2016-2021A CAGR for PF ESR Group (incl. ESR, ARA and LOGOS); include AUM of associates.

6. As of 30 June 2021.

7. Private Real Estate Vehicles include ESR balance sheet assets and non-REITs AUM of Cromwell & Kenedix; include credit AUM from Venn.

8. Real estate AUM only; peer data as of 31 December 2020 based on IRE Global Investment Managers 2021 report; ESR data as of 31 December 2021 per management estimates.

9. As of 30 June 2021; excluding assets managed by associates.

ABOUT OUR SPONSOR

KOREA'S #1 LOGISTICS REAL ESTATE PLATFORM

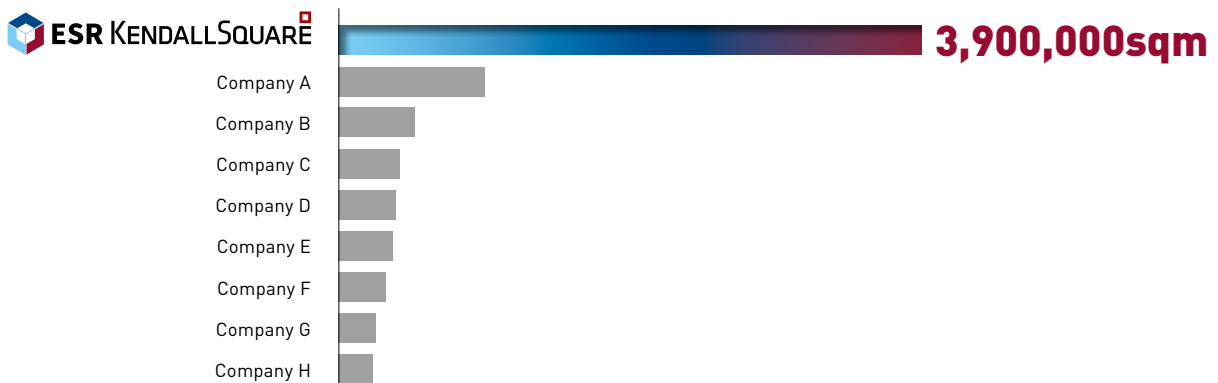


ABOUT ESR KENDALLSQUARE

ESR KendallSquare, a logistics real estate arm operated under ESR Group in Hong Kong, is Korea's #1 logistics real estate manager. Its rich development pipeline totaling 2,330,000 sqm in size serves as the source of its differentiated competitive edge and robust future growth drivers. Since its inception, the total GFA that ESR KendallSquare operates, develops and owns in Korea has grown to 3,900,000 sqm. ESR KendallSquare established ESR KendallSquare REIT in February 2020 and floated the REIT on the Korea Exchange in December 2020 with a goal of developing and operating perpetual logistics centres.



LOGISTICS ASSETS OPERATED AND OWNED BY ESR KENDALLSQUARE IN KOREA AND ITS PIPELINE ESTIMATED BY 2023



※ (by GFA sqm)

OUR ASIA-WIDE PLATFORM IS POWERED BY EXPERTISE ACROSS THE ENTIRE VALUE CHAIN OF LOGISTICS REAL ESTATE AND THE EXTENSIVE TENANT NETWORK.

VALUE CHAIN



STRONG CAPABILITIES IN THE LOGISTICS INDUSTRY

- Development pipeline : 2.3 mil sqm
- Manage the overall logistics centre development cycle on the back of advanced technological expertise and competence(land purchase, design, construction and lease)
- Leverage a range of strategic levers – value addition for distressed assets, advance purchase of logistics centres, and redevelopment – to generate optimal return on logistics centre investment

PROVEN TRACK RECORDS IN ASSET MANAGEMENT

- Total AUM in GFA : 2.9 mil sqm
- Total AUM in USD : USD 7.1 bil / c.KRW 8.5 trillion
- Diversify the lease portfolio by offering optimal solutions and services that cater to diverse tenant needs
- Engage in the management of overall asset operation plans, real estate assets, consignment contracts, and contractual compliance issues
- Develop long-term strategies to secure a reliable profit base for real estate and increase their value

GENERAL PARTNERS EXPERTISE

- Number of Joint Ventures under management : 3
- Invest in prime logistics centres through PFV, REF, REIT and other investment vehicles, and manage & operate the overall fund cycle
- Provide optimal fund solutions on the back of track records in raising large-scale funds from major investors, relevant expertise and relationship management

TENANT NETWORK



Global customers that favor ESR Asia Pacific



High quality logistics customers in Japan and Korea



ESR engaging in reliable business relationships with global customers and local partners based on trust



Expanding KendallSquare's influence through agreements and business relationships with a range of distributors

ASSETS
**KRW1,443.1
BILLION**

EQUITY
KRW704.4 BILLION

OPERATING
REVENUE
KRW53.8 BILLION

FY2021

FINANCIAL HIGHLIGHTS

NET OPERATING
INCOME (NOI)
KRW65.6 BILLION

PROFIT FOR THE
PERIOD
KRW14.9 BILLION

DIVIDEND PER
SHARE
KRW268

AS OF THE END OF NOVEMBER 2021, ESR KENDALLSQUARE REIT POSTED KRW53.8 BILLION IN OPERATING REVENUE AND KRW14.9 BILLION IN PROFIT FOR THE PERIOD, WITH AUM INCREASING TO KRW2.3 TRILLION.

WE EXPECT THAT THE STABLE PORTFOLIO THAT WE ARE BUILDING WILL RESULT IN SIGNIFICANT INCREASES IN OPERATING INCOME IN 2022 AS WELL.

FINANCIAL STATEMENT (KRW100 million)	FY2020	FY2021
Assets	-	14,431
Liabilities	-	7,388
Equity	-	7,044
Operating revenue	-	538
Operating expenses	-	309
Net operating income (NOI)	-	656
Non-operating income	-	78
Non-operating expenses	-	156
Profit for the period	-	149
Dividend per share (KRW)	-	268

Note:

* Listed on the Korean stock Exchange on December 23 2020, and initiated actual operations in 2021

A MESSAGE FROM THE CEO



“Our priority for 2022 at ESR KendallSquare REIT is to further cement our leading position as Korea’s #1 logistics REIT and build a balanced business portfolio even amid the rapidly-shifting landscape.”

Sanghwoi Bae
CEO, KendallSquare REIT Management

DEAR CUSTOMERS AND SHAREHOLDERS,

Let me begin by extending my heartfelt gratitude for your unwavering confidence in and encouragement for ESR KendallSquare REIT for the past one year.

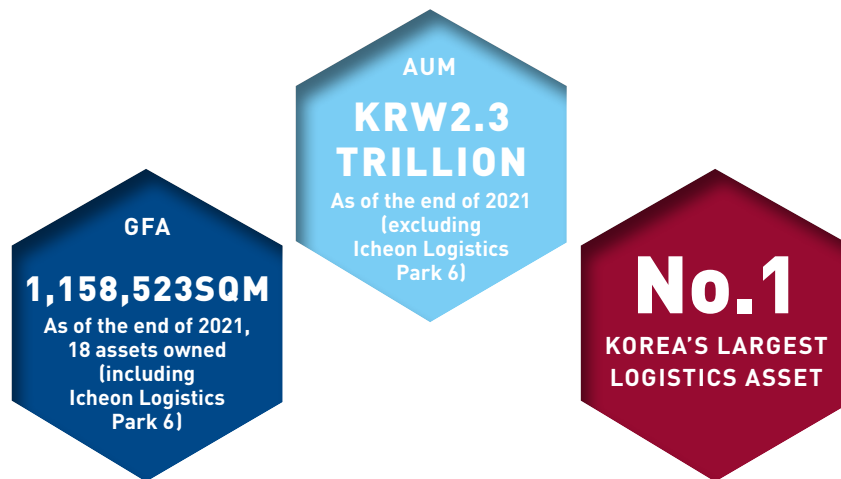
Our deepest appreciation goes out to all our stakeholders who endured the past two years of the COVID-19 pandemic with patience, responsibility and care for one another during a time of great uncertainty and unforeseen crisis.

We may encounter profound change sweeping across the globe before we find ourselves at the other end of this long and unexpected tunnel. The advent of COVID-19 and the climate crisis has spurred a worldwide race for survival, as demonstrated by nations announcing their initiatives for digital transformation and carbon neutrality. In these turbulent times, we cannot tolerate an ounce of indolence in our efforts in preparing for the future.

Such unrelenting headwinds and erratic conditions, however, never deterred our ceaseless pursuit for change and innovation towards sustainable management.

We stepped up our effort for the acquisition of new logistics assets for 2021: Yongin Logistics Park 3(REF) and Anseong Logistics Park 4 were included in our portfolio, and the follow-on offering of 69.80 million shares in December assisted us in raising KRW442 billion in funds. Such secured proceeds have allowed us to complete the acquisition of five state-of-the art logistics facilities, and will be used to make additional investments this year.

Within just a year of our IPO, the number of our assets grew from



11 to 18 including those under construction, and our total GFA from 684,095 sqm to 1,158,523 sqm. As of the end of 2021, our AUM expanded to reach KRW2.3 trillion to establish a virtuous cycle of profit growth and strengthen our profile as Korea's leading top-tier logistics REIT.

ESR KendallSquare REIT will focus on the following priorities to further cement its leading position as Korea's #1 logistics REIT and build a balanced business portfolio even amid the rapidly-shifting landscape.

We will continue to evolve as a leading REIT in the Korean market.

Despite the unprecedented pandemic, we created a sustainable growth model in Korea and overseas and generated unrivalled performance.

It should be noted, however, that Korea still lags significantly behind in the advancement of logistics assets which runs disproportionate to its growing status as a nation in the global market.

At ESR KendallSquare REIT, we are determined to become Korea's leading REIT, proudly on par with

neighbouring nations. Our growth will never be confined to the domestic market.

Recently, our reputable sponsor ESR Group completed the acquisition of ARA Asset Management, the largest real estate asset manager in Singapore. This makes ESR Group Asia's largest real estate asset manager with over KRW 160 trillion of AUM and the world's third largest listed real estate asset manager specializing in New Economy assets.

We will accelerate the acquisition of new logistics assets.

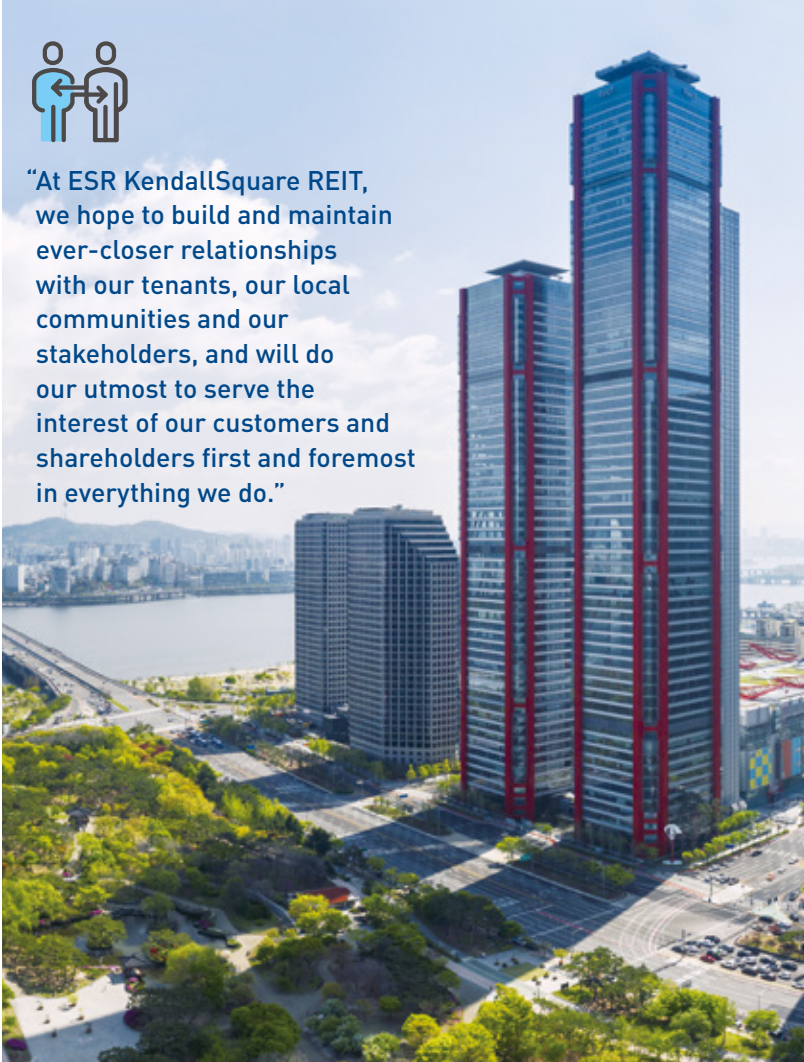
The growth of e-commerce that has been expedited in the wake of COVID-19 has led to a dramatic hike in the demand for modern logistics assets and distribution facilities.

In 2021, the average capitalization rate or cap rate that serves as the yardstick for logistics asset value, continued to fall year-on-year to the mid 4% range. In spite of this downward trend in cap rate and the risk of potential interest rate raises, we are still witnessing an increasing number of large logistics centre developments and a booming

A MESSAGE FROM THE CEO



“At ESR KendallSquare REIT, we hope to build and maintain ever-closer relationships with our tenants, our local communities and our stakeholders, and will do our utmost to serve the interest of our customers and shareholders first and foremost in everything we do.”



We will see to it that we become a constituent of FTSE/EPRA/NAREIT indices.

Along with the continued expansion of its AUM, ESR KendallSquare REIT also set a goal to join the FTSE EPRA/Nareit Developed Asia Index as the first-ever Korean business to do so. This global index, operated by FTSE Russell as a subsidiary of London Stock Exchange Group and a provider of global stock benchmarks, is recognized as the most prestigious in the REIT sector.

Our inclusion in this FTSE index and the resulting inflow of passive funds will surely create a positive impact on our share price and provide a springboard for us to emerge as a global logistics-focused REIT. Throughout all this, we will also strive to maximize shareholder value through increased dividend payments.

We expect 2022 to mark yet another year of sustained uncertainty with the pandemic and the turbulent business conditions that surround us. At ESR KendallSquare REIT, we hope to build and maintain ever-closer relationships with our tenants, our local communities and our stakeholders, and will do our utmost to serve the interest of our customers and shareholders first and foremost in everything we do.

We look forward to your unwavering support and encouragement.

Thank you.

February 2022

Sanghwoi Bae
CEO, KendallSquare REIT Management

logistics investment market in 2022, which is evident in the assets to be developed and supplied and tenant demand.

In 2022, ESR KendallSquare REIT aims to acquire large-scale assets primarily in centres that are leased out to Korea’s leading e-commerce players.

This will be made possible through Korea’s largest and best-in-class logistics asset pipeline established by our sponsor as well as our innate competency to promptly secure high-quality assets in the market.

We will pursue reliable profits and substantial growth across our asset portfolio.

2022 will be a year when we scale up our AUM and increase the asset value of our portfolio to generate solid returns on investment and deliver the greatest-possible investment value.

Leveraging the support extended by ESR Group that prides itself on the largest logistics asset portfolio in Asia Pacific, we aim to pursue steady growth in our AUM size and enhance shareholder value.

FY2021 KEY MILESTONES

ESR KendallSquare REIT, since listed on the Korea Exchange in December 2020, has grown into the nation's largest logistics-focused REIT as well as a leading logistics asset manager.

Dec 1 2021 ACQUIRING ANSEONG LOGISTICS PARK 4 AS THE 13TH ASSET

ESR KendallSquare REIT has included Anseong Logistics Park 4 as its 13th asset. This integrated modern logistics centre was completed in November 2021, totaling 27,039 sqm in gross leasable area and with two floors above ground and four below.

Jun 3 2021 INCLUSION OF ANSEONG LOGISTICS PARK 1

ESR KendallSquare REIT completed the inclusion of Anseong Logistics Park 1, the first asset to be acquired following its listing, with KRW160 billion investment. Totaling 94,875 sqm in gross leasable area, this logistics centre had 4.5 years before the lease ends as of end of April 2021.

May 18 2021 STRENGTHENED ESG STRATEGY

As Korea's first-ever listed REIT focused on logistics assets, ESR KendallSquare REIT is improving its performance primarily in the environment and governance aspects. From the development of logistics facilities to water use and power consumption, we strive to minimize our environmental footprint. Our REIT sponsor ESR KendallSquare is wholeheartedly committed to ESG considerations on a company-wide governance level, and this management philosophy also applies to its Korean operations, which propels us at ESR KendallSquare REIT to continue with this ESG Journey.

Dec 23 2020 ESR KENDALLSQUARE REIT LISTED ON THE KOREA EXCHANGE

ESR KendallSquare REIT (365550), Korea's first logistics-focused REIT, was listed on the Korea Exchange on December 23 2020. Driving the advancement of the Korean logistics platform industry, ESR KendallSquare REIT facilitates investment in the logistics industry and assists investors in increasing their asset value to lead the REIT market.



Dec 21 2021 FOLLOW-ON EQUITY OFFERING TOTALING KRW442 BILLION THROUGH ESR KENDALLSQUARE ASSET NO.2 REIT

ESR KendallSquare REIT successfully raised KRW442 billion by issuing 69.80 million new shares through a follow-on offering. The funds secured have enable us to enlarge our portfolio to include a total of 18 state-of-the-art logistics centres including Icheon Logistics Park 6.



Jun 10 2021 ACQUIRING YONGIN LOGISTICS PARK 3(REF)

ESR KendallSquare REIT invested KRW103.6 billion in completing the acquisition of Yongin Logistics Park 3, which is the 12th addition to its asset portfolio following Anseong Logistics Park 1. This Yongin-based logistics centre is 100% occupied by high-quality tenants. The facility, which handles both dry and cold storage, was completed in June 2020, totaling 43,045 sqm in gross leasable area with four floors above ground and two below.



May 28 2021 ATTENDING AN ONLINE IR EVENT HELD FOR LISTED KOREAN COMPANIES IN H1 2021

ESR KendallSquare REIT attended an online security market IR event for H1 2021 joined by 10 companies listed on the Korea Exchange. In conjunction with the Korea IR Service, we presented our Q1 2021 results and answered questions raised for institutional and professional investors.



Apr 23 2021 CPP INVESTMENTS AND ESR UPSIZING JOINT INVESTMENT IN THE KOREAN LOGISTICS MARKET

The Canada Pension Plan Investment Board (CPP Investments™) and ESR Cayman Limited decided to expand investment into their Korea Income Joint Venture. The new capital is set to effectively double the size of the venture to US\$1 billion in total equity allocation.



GROWTH STRATEGY

WE ACHIEVE SUSTAINED GROWTH AS KOREA'S LEADING LOGISTICS-FOCUSED REIT. WE DELIVER SOLID RETURNS AND MAXIMIZE INVESTMENT VALUE IN OUR INVESTMENT PORTFOLIO BY UPSIZING OUR AUM AND ENHANCING THE VALUE OF OUR ASSET PORTFOLIO. ON THE BACK OF THE STRONG SUPPORT EXTENDED BY ESR KENDALLSQUARE, WE AIM TO SEEK THE CONTINUED GROWTH OF OUR AUM BOTH IN SIZE AND VALUE.





Continued expansion of our portfolio

We plan to focus our investment on modern logistics facilities with an aim to generate solid profits and continuously expand our portfolio in the mid-to-long term. Owning and operating such high-quality logistics properties over a mid/long-term horizon will ensure reliable profitability of our AUM to maximize investment value while contributing to the advancement of Korea's logistics industry.



High-quality asset management

We will fully commit to maximizing the value of our assets through the sophisticated and reliable operation and management of logistics facilities. We will also make the best use of the data, knowledge and management resources made available through ESR Group in developing, operating and leasing modern logistics facilities and in managing assets. This will surely result in building robust partnerships with a range of logistics companies as well as customers.



Maximized asset value

We will accelerate the growth of our Net Operating Income (NOI) by expanding assets in prime locations, securing high-quality tenants including large-size e-commerce players and market-leading 3PLs, and reducing risks occurring in relation to lease renewals. Our plan is to proactively pursue data centres with high growth potential as our future growth assets. The portfolio established as such will allow us to generate additional profits and maximize the value of our assets.



Sustained financial soundness

Leveraging our exceptional financial soundness as demonstrated in our debt ratio and net debt ratio that are lower than those of other listed REITs in Korea (over KRW300 billion in market capitalization), we will ensure that our cost of borrowings remains competitive even amid the interest rate cycle moving upwards. Joining the FTSE Global Equity Indices and continuously enlarging our AUM, we will emerge as a global logistics-focused REIT.



Strengthened ESG strategy

Apart from quantitative growth, we also pursue qualitative growth through ESG-driven management. Our key portfolio assets will strengthen their compliance with tightening ESG requirements including but not limited to facility safety. We also focus on the development of modern logistics facilities that leave minimum environmental footprint in water and power consumption.



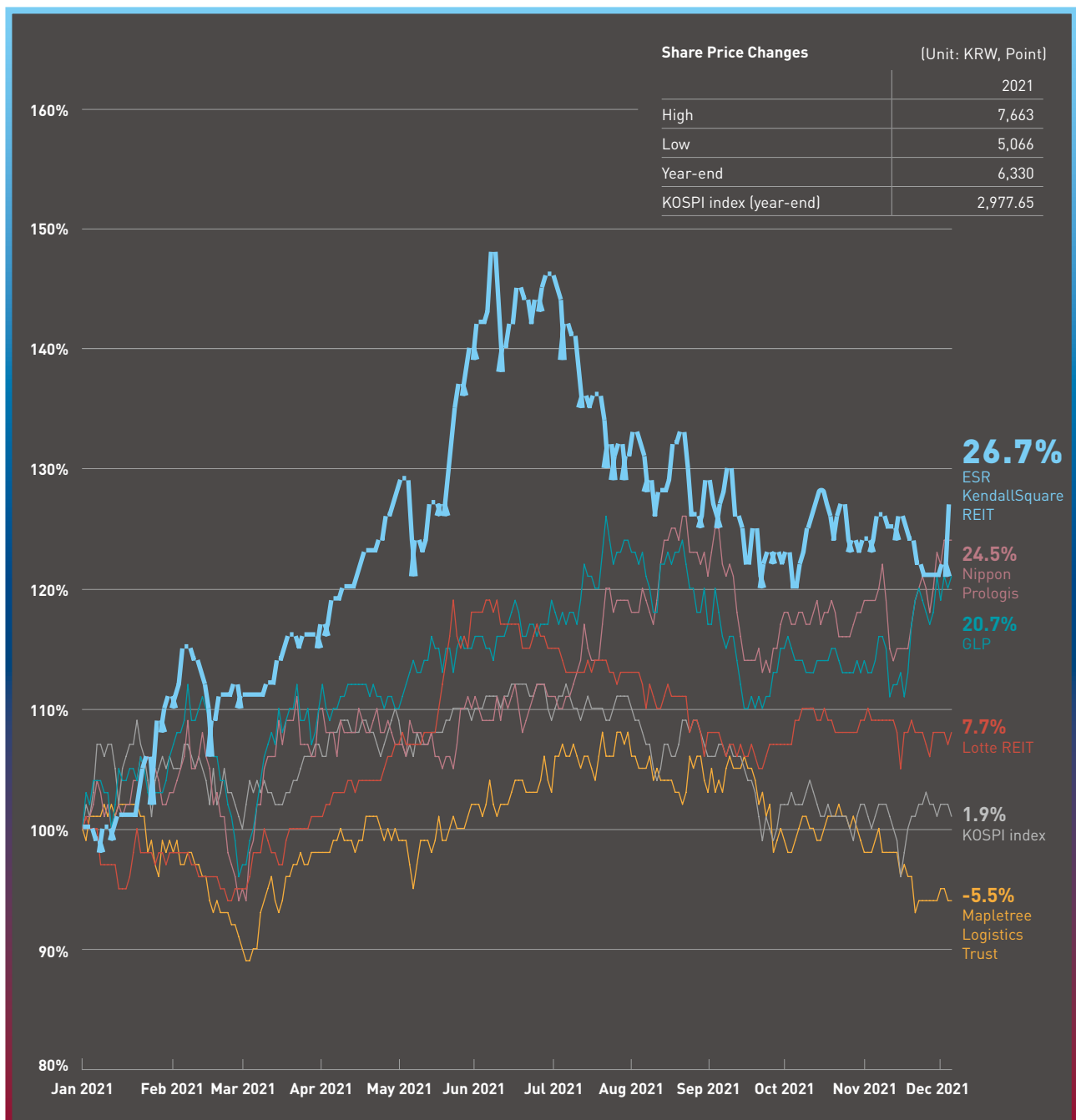
Dividend growth

We maintain our dividend yields in the 5% range, which is higher than those of other global large-size logistics REITs as part of our strategy to continuously upsize our operations. As a leader of Korea's logistics platform industry, ESR KendallSquare REIT will facilitate investment in the logistics industry and assist investors in increasing the value of their assets to cement its leading position in the REIT market.

STOCK INFORMATION

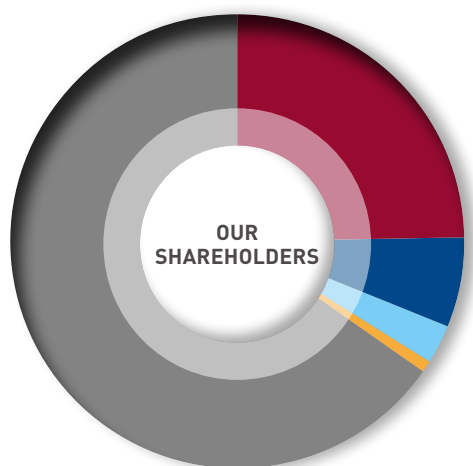
ESR KENDALLSQUARE REIT, SINCE ITS IPO IN DECEMBER 2020, HAS CONTINUOUSLY OUTPERFORMED THE MARKET AND OUTGROWN OTHER LEADING LOGISTICS REITS IN RESPECTIVE COUNTRIES.

2021 Stock Performance



OUR SHAREHOLDERS

Our largest shareholder is CPP Investments that operates Canada’s public pension funds, with an equity ownership of 24.85% as of the end of December 2021. CPP Investments is a wholly owned subsidiary of the Canada Pension Plan. BlackRock, the world’s largest asset manager, also owns 5% or more. Having such global large-size pension funds as our key investors contributes to the stability of our share price.



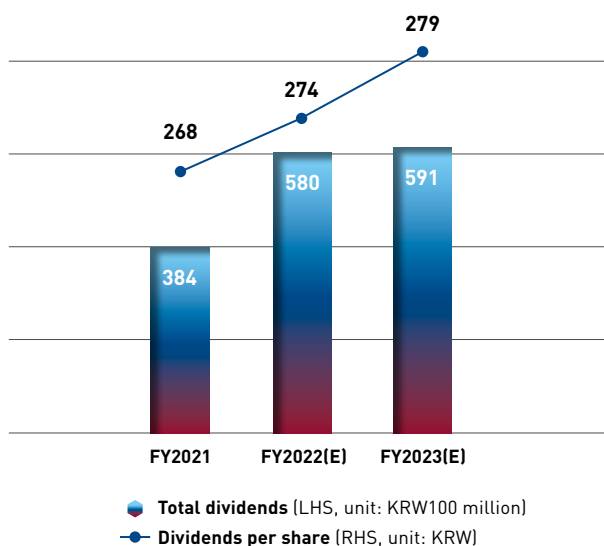
(As of the end of November 2021)

Shareholder	Number of Shares Owned	Ownership (%)
CCP Investment Board Real Estate Holdings Inc.	35,600,000	24.85%
ESR KendallSquare REIT Holding Pte. Ltd.	9,200,000	6.42%
ESR KendallSquare	4,000,000	2.79%
KendallSquare REIT Management	1,000,000	0.70%
Others	93,459,000	65.24%
Total	143,259,000	100%

DIVIDEND

At ESR KendallSquare REIT, dividend payments are made at the end of May and November respectively, and our fiscal year ends to facilitate dividend payments on two occasions as such. In the first and second half of 2021, a total of KRW268 was paid out with KRW134 per share, which translates into KRW19.3 billion in total dividends paid to shareholders. ESR KendallSquare REIT always puts increasing shareholder value as its top strategic priority, and will commit to guaranteeing market-leading profitability for all its investors.

Increases in Dividend per Share



Note:
* Time-weighted average of shares outstanding applied in calculating dividends per share in Year 2

OUTSTANDING CREDIT RATINGS

A- (Stable)

Korea Investors Service, a Moody’s Investors Service company (as of February 7, 2022)



CORPORATE MILESTONES

ESR KENDALLSQUARE REIT WILL PURSUE CONTINUED GROWTH AS KOREA'S LEADING HIGH-QUALITY LOGISTICS REIT.



2020

- Feb 20** Incorporated (KRW900 million in equity capital)
- Jun 12** Entered into a general affairs consignment contract (Shinhan AITAS)
Entered into an asset management consignment contract (KendallSquare REIT Management)
- Aug 24** Obtained a business license as a consignment management real estate investment company from the Ministry of Land, Infrastructure and Transport
- Sep 24** Purchased shares issued by ESR KendallSquare Asset No.1 REIT Co., Ltd. ("subsidiary REIT No.1") (100,000 shares)
- Oct 26** Issued new shares (private equity)
(47,300,000 common shares / KRW48.2 billion in total capital)
- Oct 27** Conducted the first issuance of convertible bonds (KRW118 billion)
(bondholder: CPPIB)
- Dec 10** Conducted the third follow-on offer
(71,459,000 common shares / KRW357.3 billion in total capital)
- Dec 10** Purchased shares of 4 REFs (Real Estate Funds) and invested in common shares of subsidiary REIT No. 1
- Dec 14** Completed the registration of ownership transfer for the real estate assets of Subsidiary REIT No.1 (six logistics centres)
- Dec 23** Listed on the Korea Exchange

2021

- Jun 1** Included Anseong Logistics Park 1
- Jun 10** Included Yongin Logistics Park 3(REF)
- Jul 20** Incorporated ESR KendallSquare Asset No.2 REIT Co., Ltd. ("subsidiary REIT No.2")
- Sep 29** Obtained approval on change in license to conduct consignment management real estate investment business from the Ministry of Land, Infrastructure and Transport (third time)
- Oct 18** Submitted the securities registration statement on the public follow-on offer of forfeited shares following shareholder offering
- Dec 21** Completed a follow-on offering valued at KRW 442 billion



LEADERSHIP

Board of Directors & Business Management	26
Risk Management	28
ESG Performance	30



BOARD OF DIRECTORS

RAEIK PARK

CEO (Representative Director)

CAREER BACKGROUND

CEO at Grape Co., Ltd.

TERM OF OFFICE

Aug 27 2023

JUHYEON CHO

Director (Non-executive Director)

CAREER BACKGROUND

Professor Emeritus, Real Estate Studies, Konkuk University

TERM OF OFFICE

Aug 27 2023

YUCHEOL SHIN

Director (Non-executive Director)

CAREER BACKGROUND

Yoochul Shin Lawfirm

TERM OF OFFICE

Aug 27 2023

BUSINESS MANAGEMENT



SANGHWOI BAE
Chief Executive Officer

DONGJIN LEE
Head of IR & Capital Markets

Sanghwoi Bae joined ESR KendallSquare in 2019 as the head of Income JV investment. He then joined KendallSquare REIT Management to spearhead “ESR KendallSquare REIT”(KOSPI 365550, the “REIT”) IPO and investment. After completing the REIT IPO in Dec. 2020 with initial asset value of KRW 1.4 trillion with 11 prime logistics assets, he became the Chief Executive Officer of the REIT Management.

The REIT has since completed its first rights offering at the end of 2021 to finalize the inclusion of additional 7 assets, increasing the total asset value of the portfolio to KRW 2.4 trillion, making it the largest publicly traded REIT in Korea.

He brings 15 years of Korean real estate investment experience to the Firm, having engaged in investment banking and private equity operations in real estate spectrum in various financial institutions, including LaSalle Investment Management, and Hana Financial Group. Mr. Bae received his Bachelor of Art degree in International Relations from Boston University.

Dongjin Lee joined KendallSquare REIT Management in early 2021 as the head of IR & capital markets, to overlook investor activities and to fulfil the capital market needs of the listed entity “ESR KendallSquare REIT” (KOSPI 365550 KS, or the “REIT”). Following the successful REIT IPO in Dec. 2020 the REIT has continued its outstanding growth in 2021 and has since completed its first rights offering at the end of 2021 by raising KRW 442 billion or the biggest of its kind as a listed REIT in South Korea. This has increased the total asset value of the portfolio to KRW 2.4 trillion, making it the largest publicly traded REIT in Korea with 18 state-of-the-art logistic assets.

He brings 15 years of Korean investment banking experience to the firm, having held roles across the trading floors of investment banks and IBD in various financial institutions, including ABN Amro, Samsung Securities, Standard Chartered and HSBC. Mr. Lee received his Bachelor of Art degree in Business Administration from Yonsei University.

ESR KendallSquare REIT (365550 KS) is an externally managed REIT, and hires KendallSquare REIT Management (KSRM) as its sole day-to-day business operation manager.

JOON WOO CHO

Director (Non-executive Director)

CAREER BACKGROUND

Lawyer, Lee & Ko

TERM OF OFFICE

Nov 5 2023

JAE CHANG HA

Director (Non-executive Director)

CAREER BACKGROUND

Korea Teachers' Credit Union

TERM OF OFFICE

Nov 5 2023

TAEHEON KIM

Internal Audit (Statutory Auditor)

CAREER BACKGROUND

Sep 2011 ~ Aug 2018 KPMG Korea

Aug 2018 ~ present

TERM OF OFFICE

Aug 27 2023



JAEHYUN KIM
Head of Management Planning



MIAE PARK
Head of Compliance & Governance Committee



JINKOOK LEEK
Head of Investment

Jaehyun Kim joined ESR KendallSquare as head of the finance team in 2017. Being a founding member of KendallSquare REIT Management, Kim has aided significantly since 2020 in the establishment of ESR KendallSquare REIT Management and its subsequent IPO, and was honored with the Award of the Minister of Land, Infrastructure and Transport in 2020 in recognition of his contribution to the development of the nation's land and transport industry. Kim has since been responsible for the overall asset management operations as head of strategy.

Kim is a certified public account in Korea, and has nearly 10 years of experience serving in external auditing and corporate advisory roles at KPMG Korea among others. Kim earned his bachelor's and master's degree in accounting at Kyunghee University.

Miae Park joined KendallSquare REIT in 2021 as an expert in compliance and risk management. Park has since driven the reliable growth of the REIT by building rigorous compliance and risk management systems that are required of any asset manager operating publicly-listed REIT offerings.

As the compliance officer, Park has over two decades of career experience in the areas of compliance and risk management through working in industry-leading financial institutions in Korea including but not limited to BOS Securities, QUAD Investment Management, and Samchully Asset Management. Park majored in economics at Sungkyunkwan University.

Jinkook Lee brings his exceptional work experience and expertise in real estate investment and consulting to ESR KendallSquare. Since his joining us in 2020, Lee has engaged in major logistics real estate investment operations. At the time of listing ESR KendallSquare REIT (KOSPI 365550 KS) in December 2020, Lee made significant contributions to the successful debut of the REIT by selecting top-tier logistics assets in Korea and exposing them to the market.

Lee has over 12 years of experience on real estate development and acquisition consulting as well as asset management through his previous roles at Korea Investment & Securities, KT Estate, and EY Hanyoung Korea. Lee is a certified public account in Korea, and majored in international commerce at Hankuk University of Foreign Studies.

RISK MANAGEMENT

RISK MANAGEMENT REGULATIONS

At KendallSquare REIT Management, risk management operations follow internal control standards and REIT asset management & risk management regulations. These standards and regulations aim to ensure the sound operation of assets under management and the efficient management of relevant risks in order to promote the quality and stability of REIT assets and protect investors in so doing



Internal Control Standards

Established as comprehensive standards on risk management and internal control that are stipulated to ensure the efficient management of risk factors spanning the overall corporate operations



REIT Asset Management and Risk Management Regulations

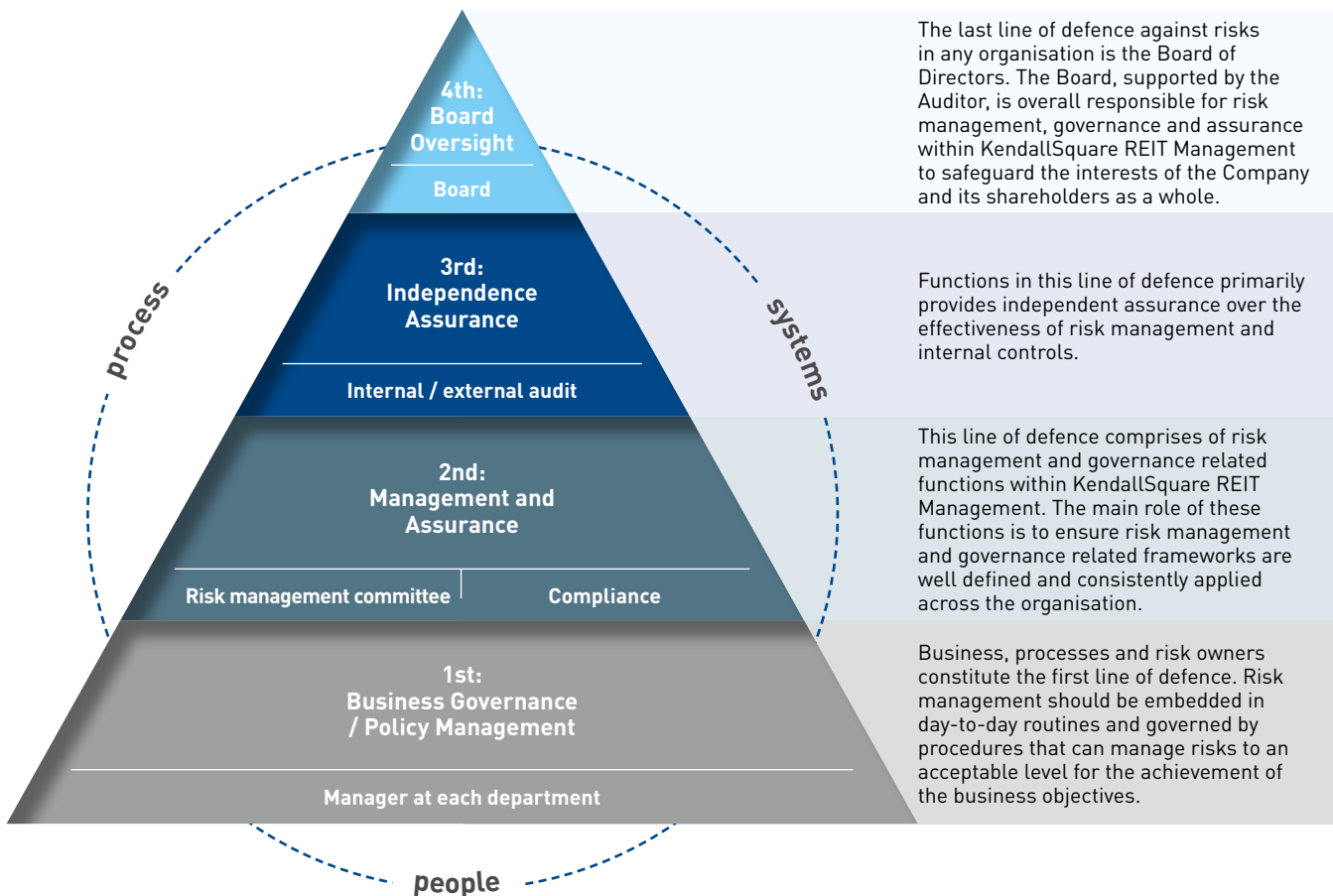
Established to manage risks in terms of their type, recognition, measurement and management system in relation to REIT asset management



Risk Management Committee Regulations

Established to stipulate general matters concerning the organization and operation of the risk management committee

RISK MANAGEMENT ORGANIZATION



RISK MANAGEMENT METHODOLOGY BY TYPE OF RISK



MARKET RISK

Risks that occur when investment assets suffer unexpected losses due to fluctuations in the real estate market, interest rates, and currency rates across the economic and financial landscape causing uncertainties in future value or sudden price changes

Management Methodology

1. Monitor market situations continuously
2. Create scenarios to respond to risk factors, and analyze risk factors under respective scenarios
3. Assess business results and reflect them in business planning



CREDIT RISK

Risks that may occur when debtors, investment target companies or transaction parties fail to comply with their repayment or settlement obligations to the company or third parties

Management Methodology

1. Select transaction parties or tenants by considering their credit ratings or their ability to pay
2. Constantly check transaction parties for their financial conditions (decline in credit rating) or delay on lease payments



LIQUIDITY RISK

Risks that may occur due to a lack of proper response to the outflow of funds caused by mismatch in cash flow between assets and liabilities, decreased market liquidity of assets owned, and abrupt change in value of pledged assets and the resulting risk of repaying short-term debts

Management Methodology

1. Constantly check loan-to-value ratios and debt service ratios by the asset manager
2. Comply with the limit of liquidity investment specified in applicable laws and the articles of incorporation by the asset manager
3. Constantly monitor compliance with the limit of liquidity investment by the compliance department
4. Review business plans including funding plans



OPERATIONAL RISK

Risks that are attributable to errors that may occur due to a lack of internal/external business conduct systems and/or negligence or malpractice on the part of the company or transaction parties in relation to REIT asset management

Management Methodology

1. Select service providers through open competition
2. Analyze risk factors (numerical business data, credit rating of business partners, etc.) and explore measures of risk aversion prior to investment execution
3. Perform regular monitoring and asset management assessment by the asset manager
4. Make it mandatory to obtain prior approval from the compliance officer as to management instructions given by the asset management department or deposit/withdrawal of funds
5. Perform external accounting audits and disclose auditor reports



LEGAL RISK

Risks that occur due to the failure to promptly take appropriate measures in response to the risk of losing in any dispute or litigation that may arise due to non-compliance with applicable laws or anti-competitive transactions as well as to the amendment of applicable laws and regulations

Management Methodology

1. Consult with the compliance officer prior to entering into new contracts
2. Request the compliance officer to provide legal interpretations when it is believed that significant legal risks exist in light of applicable laws, the articles of incorporation and company regulations in conducting major business operations, and process the concerned work in consideration of the outcomes
3. Check quarterly through the use of the compliance checklist and report the outcomes to the CEO



LEVERAGE RISK

Risks that may occur when the REIT suffers unexpected losses due to change in value of target investment assets when the REIT makes investments in excess of its own assets by leveraging such assets, change in value of pledged assets, currency fluctuations, and other change in the economic/financial landscape

Management Methodology

Check in advance compliance with applicable laws and regulations in relation to leveraging including lenders and maximum leverage

ESG PERFORMANCE



AT ESR KENDALLSQUARE REIT, WE DEFINE 'SUSTAINABILITY' IN TERMS OF INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE CONSIDERATIONS INTO EVERY ASPECT OF OUR BUSINESS. OUR OBJECTIVE IS TO ENHANCE SHAREHOLDER VALUE WHILE MAKING POSITIVE IMPACTS ON SOCIETY AND THE ENVIRONMENT FOR THE LONG-TERM BENEFIT OF ALL STAKEHOLDERS.



HUMAN CENTRIC

Basic human needs are universal. Meeting those needs today while ensuring they can continue to be met in the future, is the cornerstone of sustainable development

Focus Areas:

- Safety, Health & Well-being
- Diversity & Inclusion
- Community Investment
- Managing & Developing Talent
- Stakeholder Engagement

PROPERTY PORTFOLIO

Our vision is to develop and manage logistics facilities for the new economy. We offer our tenants modern, state-of-the-art, focused and integrated real estate platforms.

Focus Areas:

- Sustainable & Efficient Operations
- Sustainable Building Certifications
- Climate Change Resilience
- Biodiversity and Habitat Protection
- Flexible & Adaptable Properties
- Strategic Locations

CORPORATE GOVERNANCE

Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth, resulting in stable returns over the long-term.

Focus Areas:

- Financial Performance
- Investor Relations
- Responsible Investing & Finance
- Corporate Governance
- Risk Management
- Disclosure & Reporting



ESG-CONSCIOUS FACILITIES AT GOYANG LOGISTICS PARK



CERTIFICATIONS

WELL Health-Safety Rating



US Green Building Council LEED Gold



Green Building Certification Grade 2



Building Energy Efficiency Grade 1



ESG (Environmental, Social and Governance) is gaining even greater importance recently among companies and REITs (Real Estate Investment Trusts) operating in relation to logistics centres. In addition to investment returns, full compliance with ESG requirements including the safety of facilities is considered a critical yardstick in making investment decisions on logistics REITs. From the viewpoint of real estate investment, eco-friendly buildings also help save operational costs and resolve challenges for aging buildings.

ESR KendallSquare REIT not only pursues quantitative growth but also strengthens the qualitative aspects of its growth through ESG management. We commit ourselves on multiple fronts to rendering our logistics centres greener even from the development phase. Our Goyang Logistics Park is equipped with

devices to reduce water consumption, high-efficiency lighting, and an energy-saving ventilation system enabled by waste heat recovery. Our Anseong Logistics Park 1 and 2 was designed to minimize its environmental impact in water and power consumption.

Key assets of our portfolio are still 'young' in their property life cycle, and have achieved a range of ESG certifications for the safer and greener operation of logistics centres in response to COVID-19. Our Goyang Logistics Park achieved a gold rating under the LEED (Leadership in Energy and Environmental Design) program of the USGBC (US Green Building Council), and became the first in Asia Pacific to be awarded a 'gold' certificate by the International WELL Building Institute.

Furthermore, ESR KendallSquare, sponsor of ESR KendallSquare REIT,

was named an Asia's regional sector leader in the Industrial sector as a result of the assessments made by the GRESB*.

At ESG KendallSquare REIT, our sustained commitment extends beyond the environmental impact generated by the logistics facilities that we operate and manage to bring healthy and positive impact to our tenants and our wide-ranging stakeholders.

* GRESB (Global Real Estate Sustainability Benchmark) provides comprehensive ESG performance data and peer benchmarks for global institutional investors to support their decision-making.

** 15 assets including Goyang and Bucheon Logistics Parks that were dropped into our REIT offerings are the first in Korea to earn the WELL Health Safety Rating as logistics warehouse (excluding Ansong Logistics Park 4, Yongin BRIC Logistics Park and Icheon Logistics Park 6)



PERFORMANCE

- 33 Operation Review
- 36 Investment Structure
- 37 Portfolio Detail
- 46 Market Overview

OPERATION REVIEW

ESR KENDALLSQUARE REIT BENEFITS FROM HIGH SCALABILITY AS A LOGISTICS REAL ESTATE PLATFORM AND A STABLE LEASE STRUCTURE THAT COMPRISES HIGH-QUALITY TENANTS.



Bucheon Cold Logistics Park

KOREA'S FIRST LOGISTICS-FOCUSED PUBLICLY-LISTED REIT

ESR KendallSquare REIT, Korea's first logistics-focused REIT (Real Estate Investment Trust), was listed on the Korean stock market in December 2020 with a total of 11 logistics centres. The REIT currently owns five logistics facilities in Icheon, Yongin and Pyeongtaek through real estate funds, along with seven logistics centres that were dropped down to its subsidiary REIT 'ESR KendallSquare Asset No. 1 REIT', totaling 684,095 sqm in GFA and KRW1.4 trillion in AUM.

STABLE LEASE AGREEMENT WITH HIGH-QUALITY TENANTS

ESR KendallSquare REIT benefits from high scalability as a logistics real estate platform and a stable lease structure that comprises high-quality tenants. Its 11 underlying assets are mostly located in the Greater Seoul Area: 62% of the portfolio consists of modern facilities that were completed over the past two years or less, and the weighted average lease expiry (WALE) was five years when the REIT was listed at the end of 2020.

By region, the portfolio includes two last-mile logistics centers in infill markets with high demand, eight logistics facilities in the Greater Seoul Area (Yongin, Icheon,

Pyeongtaek and Anseong), and one in the Greater Busan Area (Gimhae). Ten of them can handle dry storage and the rest one cold storage. Out of these 11 assets, Goyang Logistics Park, Bucheon Cold Logistics Park and Anseong Logistics Park are the largest in size, and nearly 49% of the areas owned by GFA are exclusively leased by e-commerce tenants.

By industry, 50.9% of our 11 assets are occupied by e-commerce companies,. Our Goyang Logistics Park totaling over 200,000 sqm in GFA is fully leased by an e-commerce tenant as its fulfilment center, and had the longest WALE of 8.3 years as of June this year. The burgeoning e-commerce market increases the possibility of expanding our assets occupied by e-commerce players.

The boosting e-commerce market is accompanied by the growth of 3PL companies that account for 28.2% of the leased areas, followed by consumer goods companies (apparel and food) with 21.6%.

In June 2021, we added Anseong Logistics Park and the Yongin BRIC logistics centre to include a total of 12 assets in our portfolio. The continued acquisition of underlying assets is expected to drive our annual double-digit growth in revenue for the next three years.

OPERATION REVIEW

INCLUSION OF NEW LARGE-SIZE LOGISTICS ASSETS FOLLOWING IPO

Korea represents one of the key strategic markets of ESR Group, and its strategic importance is increasing in line with the rapid growth of the nation’s e-commerce sector and a limited supply of prime logistics assets.

ESR KendallSquare REIT has achieved many “firsts”. Beginning with Korea’s first and largest IPO of logistics REIT in 2020, we then successfully closed on the largest addition of assets as a publicly-listed REIT in 2021. The follow-on offering valued at KRW442 billion in December 2021 allowed us to purchase new logistics facilities with the funds raised, which will also go towards our investment activities in 2022.

As of the end of December 2021, we have added six more assets through direct asset dropdown to our second subsidiary REIT ‘ESR KendallSquare Asset No. 2 REIT’ and through ESR KendallSquare REIT purchasing 100% of the REIT’s shares. This will enlarge our portfolio from 12 to 18 assets and from 684,095 sqm to 1,158,523 sqm in GFA. These new additions are poised to increase our total AUM to KRW2.4135 trillion by the end of 2022, which translates into a nearly 70% growth in AUM within just 12 months following IPO.

All the assets in our portfolio are located in logistics hubs that have easy access to transport infrastructure and are close to areas that serve heavy freight volume. Through the acquisition of high-quality assets in the Greater Seoul and Busan Areas, our portfolio is set to grow in asset value over the long haul for its focus on important traffic centers.

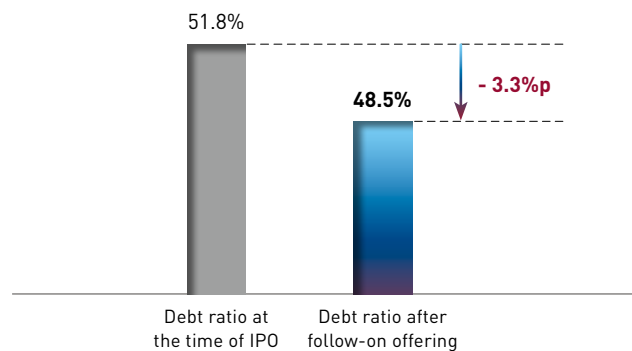
A total of six assets will be added: five of them are situated in Anseong and Icheon, and one in Gimhae. We have recently closed on the purchase of five assets including Anseong Logistics Park 4, and will do the same for the remaining one asset in 2022.

In addition to asset expansion, work is underway at ESR KendallSquare REIT to become a constituent of the FTSE EPRA/Nareit Developed Asia Index in March 2022. Once successfully completed, this is expected to increase our trading volume along with the inflow of passive funds.

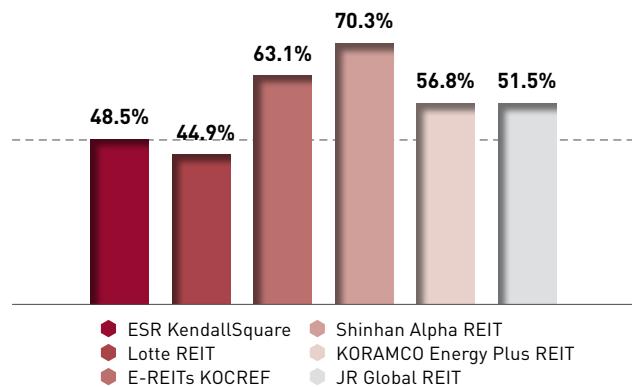
STABLE CAPITAL STRUCTURE AND HIGH GROWTH POTENTIAL

ESR KendallSquare REIT is well positioned in its capital adequacy compared to its domestic peers (publicly-listed REITs with KRW300 billion or more in market capitalization). Our stable capital structure allows for exceptional financial flexibility in leveraging borrowed capital when deemed necessary, and such leveraging is expected to increase dividend income for shareholders, delivering greater shareholder value as a result

Debt Ratio/Net Debt Ratio



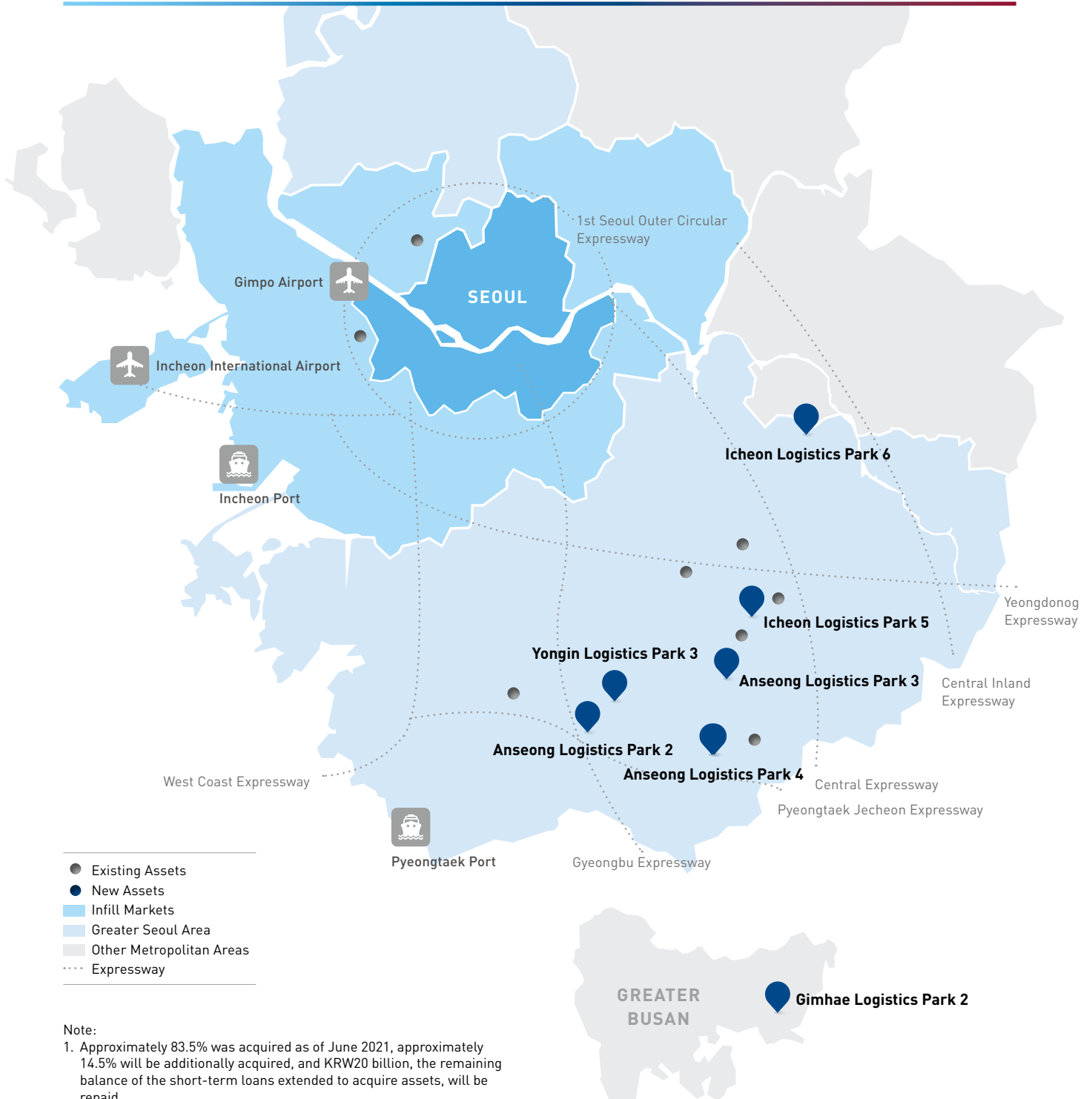
Debt Ratio Following Asset Addition



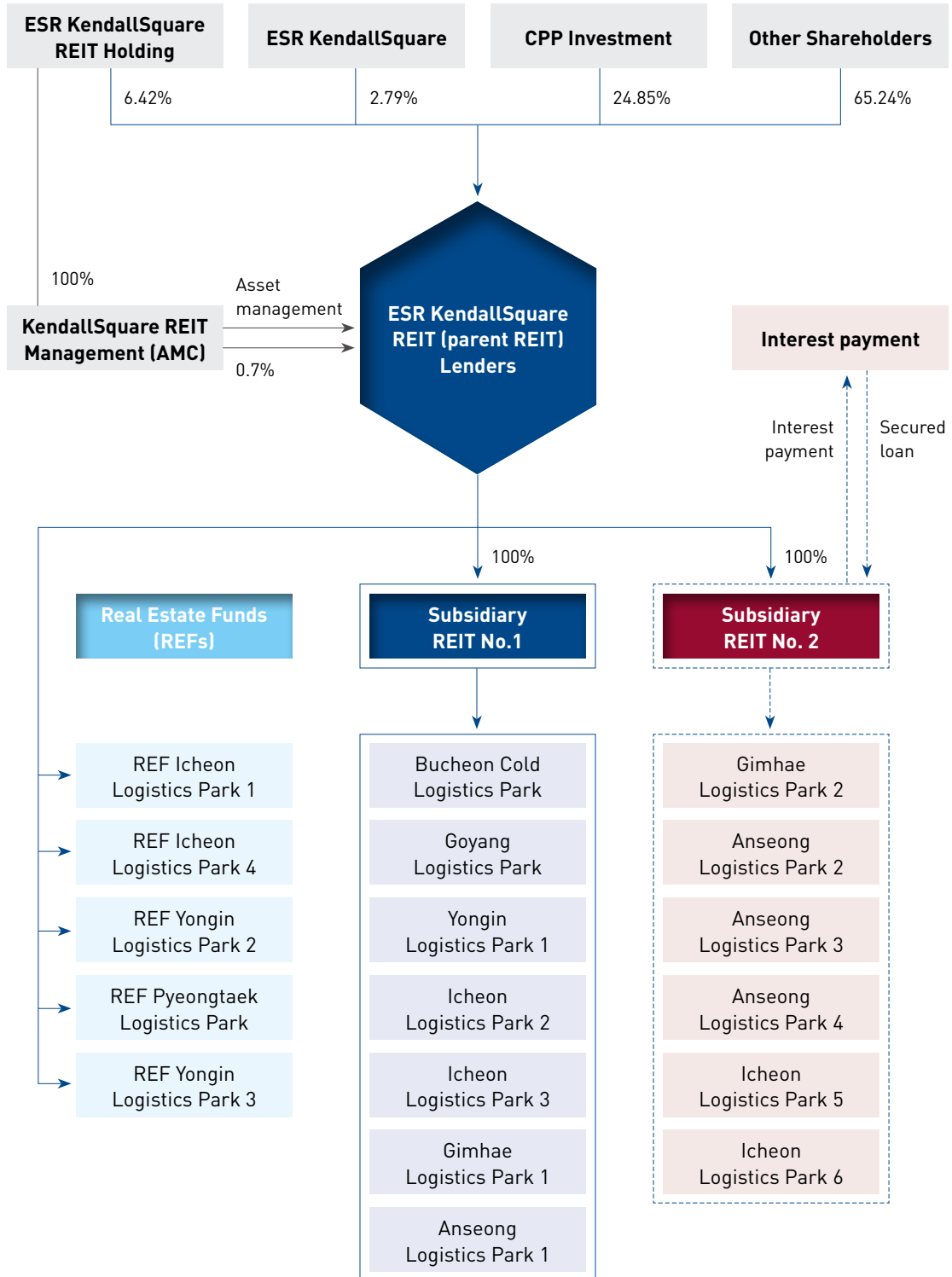
Notes:

1. Calculated based on the most recent regular disclosure of financial statements for other REITs (consolidated basis)
2. Debt ratio (Market) = Borrowings / (borrowings + market capitalization) [as of Oct 18 2021, closing price of KRW6,440]

IN 2021, WE HAVE ACQUIRED A TOTAL OF SEVEN PRIME LOGISTICS CENTRE ASSETS (SIX IN THE GREATER SEOUL AREA AND ONE IN THE GREATER BUSAN AREA) TOTALING 474,428 SQM.



INVESTMENT STRUCTURE



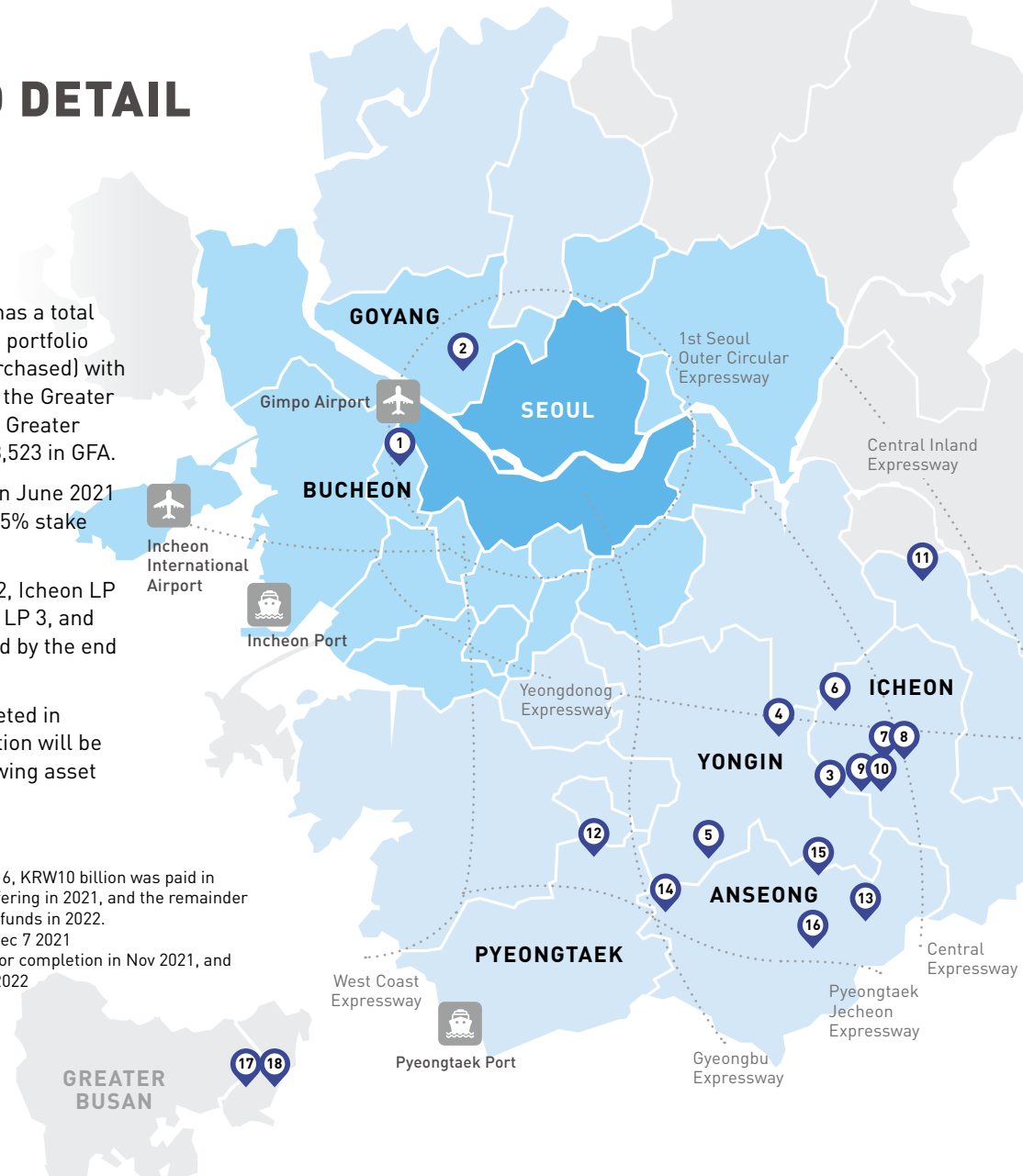
PORTFOLIO DETAIL

ASSETS ACQUIRED

- ESR KendallSquare REIT has a total of 18 assets in its logistics portfolio (including assets to be purchased) with two in infill markets, 14 in the Greater Seoul Area, and two in the Greater Busan Area, totaling 1,158,523 in GFA.
- Yongin LP3 was acquired in June 2021 (c.83.5%), and a nearly 14.5% stake was additionally acquired.
- Acquisition of Gimhae LP 2, Icheon LP 5, Anseong LP 2, Anseong LP 3, and Anseong LP 4 was finalized by the end of 2021.
- Icheon LP 6 will be completed in June 2022, and its acquisition will be finalized within 2022 following asset stabilization.

Notes:

1. To acquire Icheon Logistics Park 6, KRW10 billion was paid in deposit through the follow-on offering in 2021, and the remainder will be paid by raising additional funds in 2022.
2. Based on disclosures made on Dec 7 2021
3. Anseong Logistics Park 4 is set for completion in Nov 2021, and Icheon Logistics Park 6 in June 2022



Area	#	Portfolio Asset	GFA (sqm)	Completion Date	Acquisition Price (KRW100 million)
Greater Seoul Area	1	Bucheon Cold Logistics Park	58,264	Jul 2019	1,970
	2	Goyang Logistics Park	199,678	Jan 2019	4,780
	3	Yongin Logistics Park 1	70,028	Nov 2017	1,290
	4	Yongin Logistics Park 2	43,176	Jan 2017	764
	5	Yongin Logistics Park 3 (BRIC)	43,045	Jun 2020	919
	6	Icheon Logistics Park 1	47,653	Feb 2017	655
	7	Icheon Logistics Park 2	33,365	Apr 2018	490
	8	Icheon Logistics Park 3	18,421	Dec 2018	285
	9	Icheon Logistics Park 4	49,616	Jun 2018	809
	10	Icheon Logistics Park 5	84,545	Feb 2020	1,983
	11	Icheon Logistics Park 6	62,195	Jun 2022	1,223
	12	Pyeongtaek Logistics Park	43,212	Aug 2013	839
	13	Anseong Logistics park 1	95,265	Feb 2020	1,600
	14	Anseong Logistics Park 2	154,191	Jun 2020	3,245
	15	Anseong Logistics Park 3	63,471	Apr 2021	1,270
	16	Anseong Logistics Park 4	27,039	Nov 2021	590
Greater Busan Area	17	Gimhae Logistics Park 1	25,733	Dec 2000	460
	18	Gimhae Logistics Park 2	39,941	Dec 2019	712
Total			1,154,015		2,388,375



**BUCHEON
COLD LOGISTICS PARK**

Address

112, Sinheung-ro 511beon-gil
(801, Ojeong-dong), Bucheon-si,
Gyeonggi-do

Land Area/GFA

16,659 sqm / 58,264 sqm

Occupancy/WALE

100% / 3.4 years

Completion Date

July 2019

GOYANG LOGISTICS PARK

Address

570, Gwonyul-daero, Deogyang-
gu (701, Wonheung-dong),
Goyang-si, Gyeonggi-do

Land Area/GFA

56,281.1 sqm / 199,678 sqm

Occupancy/WALE

100% / 7.9 years

Completion Date

Jan 2019





YONGIN LOGISTICS PARK 1

Address
 120, Deokpyeong-ro
 (434, Gachang-ri),
 Baegam-myeon,
 Cheoin-gu, Yongin-si,
 Gyeonggi-do

Land Area/GFA
 69,963 sqm /
 70,028 sqm

Occupancy/WALE
 100% / 4.9 years

Completion Date
 Nov 2017



YONGIN LOGISTICS PARK 2

Address
 271, Yangji-ro
 (90-7, Yangji-ri),
 Yangji-myeon,
 Cheoin-gu, Yongin-si,
 Gyeonggi-do

Land Area/GFA
 40,122 sqm /
 43,176 sqm

Occupancy/WALE
 100% / 2.4 years

Completion Date
 Jan 2017

YONGIN LOGISTICS PARK 3

Address
439, Wonam-ro, Namsa-eup,
Cheoin-gu, Yongin-si, Gyeonggi-do

Land Area/GFA
31,821 sqm / 43,045 sqm

Occupancy/WALE
100% / 2.4 years

Completion Date
Jun 2020



ICHEON LOGISTICS PARK 1

Address
140-27, Eogmali-ro
(452, Heoeok-ri),
Majang-myeon,
Icheon-si, Gyeonggi-do

Land Area/GFA
36,105 sqm /
47,563 sqm

Occupancy/WALE
100% / 0.8 years

Completion Date
Feb 2017

ICHEON LOGISTICS PARK 2

Address
472-96,
Deokpyeong-ro
(580-1, Maegok-ri),
Hobeop-myeon,
Icheon-si, Gyeonggi-do

Land Area/GFA
26,560 sqm /
33,365 sqm

Occupancy/WALE
100% / 3.4 years

Completion Date
Apr 2018



ICHEON LOGISTICS PARK 3

Address
472-67, Deokpyeong-ro
(567-46, Maegok-ri),
Hobeop-myeon, Icheon-si,
Gyeonggi-do

Land Area/GFA
16,265 sqm / 18,421 sqm

Occupancy/WALE
100% / 3.8 years

Completion Date
Dec 2018

ICHEON LOGISTICS PARK 4

Address
257-34, Deokpyeong-ro
(976, Maegok-ri),
Hobeop-myeon, Icheon-si,
Gyeonggi-do

Land Area/GFA
39,345 sqm / 49,616 sqm

Occupancy/WALE
100% / 1.8 years

Completion Date
Jun 2018





ICHEON LOGISTICS PARK 5

Address
423, Haewol-ri,
Majang-myeon,
Icheon-si,
Gyeonggi-do

Land Area/GFA
73,278 sqm /
84,545 sqm

Occupancy/WALE
100% / 3 years

Completion Date
Feb 2020

ICHEON LOGISTICS PARK 6

Address
250, Joeup-ri,
Baeksa-myeon, Icheon-si,
Gyeonggi-do

Land Area/GFA
48,290 sqm / 62,195 sqm

Occupancy/WALE
100% / 3 years

Completion Date
Jun 2022



PYEONGTAEK LOGISTICS PARK

Address
1198-5, Baran-ro
(2021, Suworam-ri),
Seotan-myeon,
Pyeongtaek-si,
Gyeonggi-do

Land Area/GFA
70,158 sqm /
43,212 sqm

Occupancy/WALE
99.9% / 1.9 years

Completion Date
Aug 2013



ANSEONG LOGISTICS PARK 1

Address
35, Nokbae-gil
(35-4, Jangneung-ri),
Juksan-myeon,
Anseong-si,
Gyeonggi-do

Land Area/GFA
87,383 sqm /
95,265 sqm

Occupancy/WALE
100% / 4.1 years

Completion Date
Feb 2020



ANSEONG LOGISTICS PARK 2

Address
915, Chilgok-ri, Wongok-myeon,
Anseong-si, Gyeonggi-do

Land Area/GFA
90,582 sqm / 154,191 sqm

Occupancy/WALE
100% / 4.4 years

Completion Date
Jun 2020

ANSEONG LOGISTICS PARK 3

Address
23-10, Neungguk-ri, Iljuk-myeon, Anseong-si, Gyeonggi-do

Land Area/GFA
49,543 sqm / 63,471 sqm

Occupancy/WALE
100% / 5.3 years

Completion Date
Apr 2021



ANSEONG LOGISTICS PARK 4

Address
Yongwol-ri, Samjuk-myeon, Anseong-si, Gyeonggi-do

Land Area/GFA
25,356 sqm / 27,039 sqm

Occupancy/WALE
100% / 5 years

Completion Date
Nov 2021



GIMHAE LOGISTICS PARK 1

Address
 680-77, Sangdong-ro
 (5, Daegam-ri),
 Sangdong-myeon,
 Gimhae-si,
 Gyeongsangnam-do

Land Area/GFA
 65,775 sqm /
 25,733 sqm

Occupancy/WALE
 100% / 4.6 years

Completion Date
 Dec 2000



GIMHAE LOGISTICS PARK 2

Address
 5-8, Daegam-ri, Sangdong-myeon,
 Gimhae-si, Gyeongsangnam-do

Land Area/GFA
 27,068 sqm / 39,941 sqm

Occupancy/WALE
 100% / 1.7 years

Completion Date
 Dec 2019

MARKET OVERVIEW

POSITIVE MACROECONOMIC INDICATORS

Korea was the fourth largest economy in Asia Pacific as of 2020, and its nominal GDP amounted to approximately KRW1.6330 trillion (32% of that of Japan, Oxford Economics, June 2021). The service and manufacturing industries each accounted for nearly 56% and 26% of the nation's 2020 GDP (Gross Domestic Product).

While Japan's per capita GDP showed a negative 3% growth (CAGR, compounded annual growth rate) between 2013 and 2020, Korea's per capita nominal GDP rose by 2.3% (CAGR) during the same period, with an expected CAGR of 5.4% over the next five years.

Seoul and Gyeonggi-do take the largest share of the nation's GDP. As of 2019, Seoul ranked first in GRDP (Gross Regional Domestic Product) with KRW422.4880 trillion, followed by Busan (c.KRW9.2 billion, Statistics Korea, 2019). Seoul posted positive growth in all sectors, except for wholesale/retail business, and Busan generated positive growth in its leading sectors of construction, transportation & warehousing, and manufacturing.

Korea has a significantly high internet penetration rate compared to other countries. Virtually everyone in the country has access to the internet. As to mobile phone subscribers, Korea has 136 subscribers per 100 people, following Japan, Hong Kong and Singapore.

CONTINUOUSLY GROWING E-COMMERCE MARKET

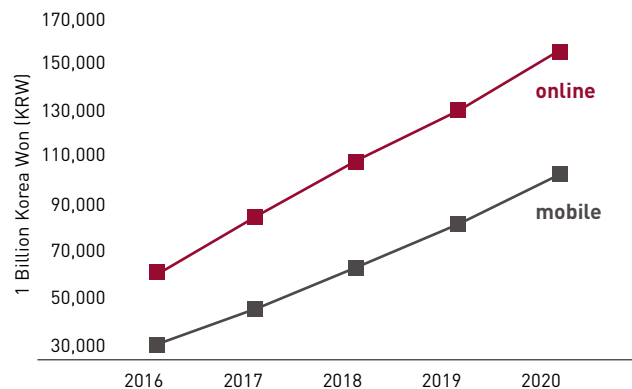
Korea is one of the most advanced e-commerce markets globally, characterized by active communication between consumers and suppliers. Korean consumers' exceptional digital literacy drove the share of e-commerce out of total retail sales to reach 33.6% in 2020 (Statistics Korea, June 2021), which ranks the nation on second place only after China.

The ratio of online shoppers is increasingly rising. Those who shopped online for the past one year accounted for 69.9% in 2020, surging from 50.4% in 2013 and 59.6% in 2017.

Consumers in their 20's and 30's are the ones who most actively use e-commerce platforms: they are characterized by a high level of disposable income and are well-connected with the digital economy.

One of the key trends in the Korean e-commerce market is the emergence of m-commerce or mobile commerce which leverages smartphones to engage in digital commercial transactions. This is giving rise to the increasing share of the mobile sector in Gross Merchandise Value (GMV).

GMV of Online and Mobile Commerce



Source: Statics Korea, June 2021

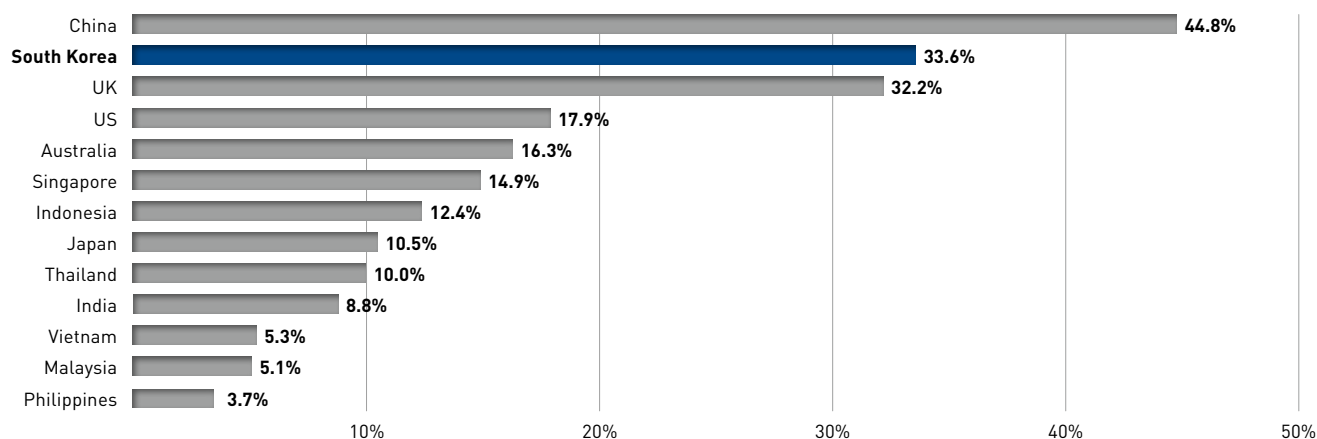
EXPANDING BASE OF THE E-COMMERCE MARKET

The domestic e-commerce logistics market was valued at US\$10,413 million in 2019, and US\$13,198 million in 2020 (26.7% y-o-y growth, Transport Intelligence, 2021). The market is forecast to continue its positive growth with approximately 7.2% in nominal CAGR between 2020 and 2025.

High population density in the Greater Seoul Area serves to further boost the nation's domestic e-commerce market.

The domestic e-commerce logistics market is currently focused on the development of high-efficiency delivery systems and the acquisition of logistics centres, The market is driven by new growth momentum as it embraces automation and Artificial Intelligence technology.

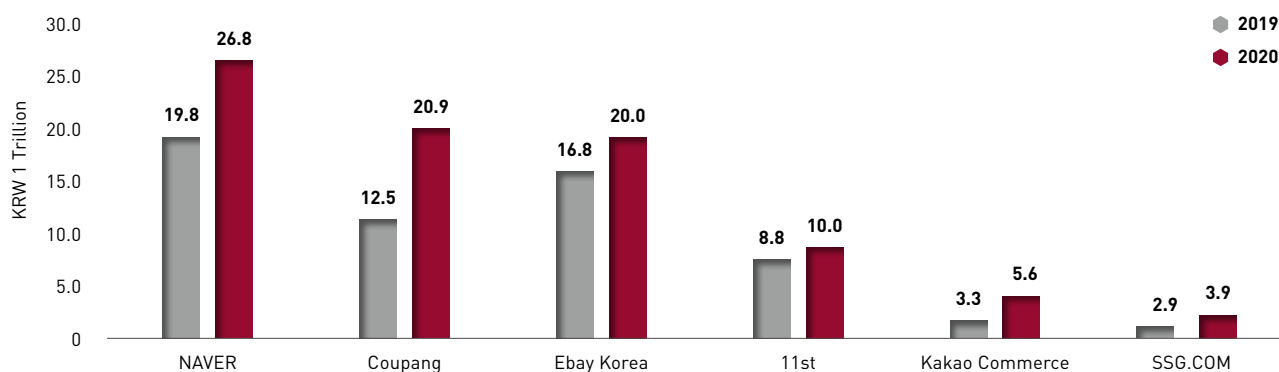
Share of e-Commerce in Total Retail Sales by Key Country



Source: Statics Korea(Korea); Calculations by JLL Research based on e-commerce sales from eMarketer(all markets except (Australia Post) and ASEAN countries [e-Comomy 2020, a report by Google, Temasek & Bain]), retail sales from Oxford Economics, April 2021;

Note: E-commerce penetration rates may not be directly comparable across countries due to differences in methodology and definition of consumer categories that are included.

Estimated GMV of Online Shopping Platforms



Source: eBEST Investment & Securities, SK Telecom, estimated figures for 2019 and 2020

e-Commerce Logistics Sales by Key Country (past and future estimates)

Key countries	2019	2020	2025(F)	2019-2020 CAGR	2020-2025 CAGR
China	107,223	128,740	226,963	20.1%	12.0%
United States	104,112	139,247	186,400	33.7%	6.0%
Japan	13,236	15,699	20,991	18.6%	6.0%
South Korea	10,413	13,198	18,724	26.7%	7.2%
Australia	3,551	4,807	6,462	35.4%	6.1%
Hong Kong	731	962	1,457	31.7%	8.6%
Singapore	362	591	959	63.4%	10.2%
Malaysia	334	501	981	49.8%	14.4%

Source: Transport Intelligence, June 2021; Unit: USD million;

MARKET OVERVIEW

INSTITUTIONAL INVESTORS AND LARGE-SCALE TENANTS ACTIVELY ENTERING THE DOMESTIC LOGISTICS REAL ESTATE MARKET

For the past five years, the Korean real estate sector has enjoyed an increasing inflow of funds invested by domestic and international investors. The intensifying competition over office transactions in Seoul has heightened interest in the Korean logistics real estate market both at home and abroad.

Korea's logistics facility stock stands at approximately 31 million sqm, and the Greater Seoul Area is at the core of the nation's logistics industry. The Area includes Seoul and its satellite cities with the population of 26 million (nearly 50.3% of Korea's total population), accounting for approximately 65% of the nation's total logistics facilities by GFA.

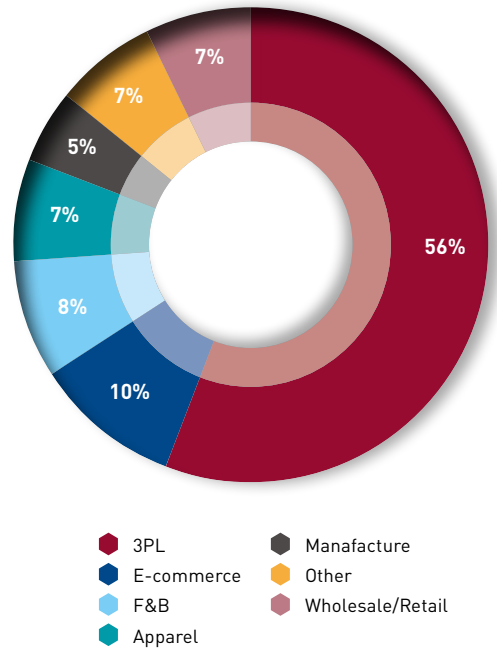
Presently, a number of domestic and international investors, asset managers and developers own and operate key logistics centres in the Greater Seoul Area. ESR KendallSquare ranks first in ownership of logistics facilities by GFA in Korea.

An increasing supply of new assets and the positive outlook driven by lease demand from e-commerce and 3PL companies have expanded logistics asset investment opportunities, and transactions of logistics real assets have skyrocketed from US\$820 million in 2016 to US\$4,949 million in 2020 (Real Capital Analytics).

Tenant demand remained strong in the grade A logistics center segment. Domestic e-commerce players, including Coupang, Gmarket, and 11st Street, have positioned themselves as the primary tenants of key logistics facilities. E-commerce companies prefer locations in the vicinity of Seoul and newly-built facilities for efficient logistics management and operation.

Currently, the total logistics centre stock amounts to 20.2 million sqm in the Greater Seoul Area, and grade A logistics centres account for 10.4 million sqm. Over the past five years, the annual average supply of grade A logistics centres by area stood at 1.2 million sqm, dramatically growing from 380,000 sqm supplied between 2010 and 2015 on an annual average basis.

Logistics Centre Tenants by Industry Classification in the Greater Seoul Area (Q1 2021)



Source: JLL Research estimates based on number of tenants from a combination of information from public sources, company reports, site visits, and industry contacts, 1Q 2021. Compositions based on Grade A stock. Occupiers made up of tenants such as 3PL: CJ Logistics, Lotte Global Logistics, Pantos. E-commerce: Coupang, Gmarket, 11STREET. Retail: Emart, Homeplus, GS Retail, Costco, Daiso, Manufacturing: BMW, Adidas, Sajo Food and Ottogi.



FINANCIALS

ESR KendallSquare REIT and its Subsidiaries
Consolidated Financial Statements **50**

ESR KendallSquare REIT
Separate Financial Statements **89**

ESR KendallSquare Asset No.1 REIT
Financial Statements **127**

ESR KendallSquare Asset No.2 REIT
Financial Statements **160**

INDEPENDENT AUDITOR'S REPORT

(English Translation of a Report Originally Issued in Korean)

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



Opinion

We have audited the accompanying consolidated financial statements of ESR KendallSquare REIT Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at November 30 and May 31, 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ESR KendallSquare REIT Co., Ltd. and its subsidiaries as at November 30 and May 31, 2021, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Occurrence of the Rental Income

Why we determined this matter as Key Audit Matter

As described in Note 17 to the consolidated financial statements, rental income, which accounts for 97% of the Group's operating revenues, is recognized according to the contracts with customers, and terms and conditions of the transaction. As a result, we focused on this area because we determined that there is a significant risk in relation to the occurrence of the rental income.

How our audit addressed the key audit matter

To address the key audit matter, we performed the following audit procedures.

- Assessed of reasonableness of the Group's revenue recognition policies and accounting policies relevant to revenue cut-off
- Performed monthly trend analysis of rental income to verify the existence of unusual circumstance
- Performed recalculation of the amount to be recognized as rental income according to the terms and conditions of each rental contract transaction and reviewed the difference with rental income in the statements of comprehensive income on a sample basis
- Performed substantive test of each rental income transaction on the contract conclusion, determination of revenue amount, payment and accounting treatment on a sample basis

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. As discussed in Note 3 to the consolidated financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Group cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying consolidated financial statements.

Other Matters

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

INDEPENDENT AUDITOR'S REPORT

(English Translation of a Report Originally Issued in Korean)

on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Heung-Su Lee, Certified Public Accountant.



Seoul, Korea
February 14, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

November 30 and May 31, 2021

ESR KendallSquare REIT Co., Ltd. and its Subsidiaries

(in Korean won)	Notes	November 30, 2021	May 31, 2021
Assets			
Current assets			
Cash and cash equivalents	4,21,22	23,518,984,130	26,893,775,417
Other financial assets	6,21,22	1,962,712,170	5,201,481,632
Other assets	7	5,427,377,842	569,298,752
Current tax assets		934,859,080	6,957,770
		31,843,933,222	32,671,513,571
Non-current assets			
Long-term financial assets	5,21,22	26,715,879,351	21,373,453,740
Investments in associates and joint ventures	8	182,609,817,527	156,560,646,070
Investment properties	9	1,199,425,396,013	975,741,830,154
Intangible assets		4,058,026	4,058,026
Other non-current assets	6,21,22	2,546,515,281	1,269,836,220
		1,411,301,666,198	1,154,949,824,210
Total assets		1,443,145,599,420	1,187,621,337,781
Liabilities			
Current liabilities			
Other financial liabilities	10,21,22	12,629,407,224	6,920,386,381
Other current liabilities	11	1,866,350,058	3,833,019,222
Short-term borrowings	12,21,22	28,143,530,519	-
		42,639,287,801	10,753,405,603
Non-current liabilities			
Long-term borrowings	12,21,22	668,141,585,260	446,569,500,855
Other non-current financial liabilities	10,21,22	25,012,584,480	19,616,040,912
Other non-current liabilities	11	2,995,086,523	-
		696,149,256,263	466,185,541,767
Total liabilities		738,788,544,064	476,938,947,370
Equity			
Share capital	13	143,259,000,000	143,259,000,000
Other paid-in-capital	13	541,103,130,210	541,850,342,670
Retained earnings	14	16,494,915,146	25,573,047,741
Equity attributable to equity holders of the Parent Company		700,857,045,356	710,682,390,411
Non-controlling interests		3,500,010,000	-
Total equity		704,357,055,356	710,682,390,411
Total liabilities and equity		1,443,145,599,420	1,187,621,337,781

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Six-Month Periods Ended November 30 and May 31, 2021

ESR KendallSquare REIT Co., Ltd. and its Subsidiaries

(in Korean won)	Notes	November 30, 2021	May 31, 2021
Operating revenues	17	30,062,669,527	23,710,051,451
Operating expenses	18	15,332,415,321	15,606,524,270
Operating profit		14,730,254,206	8,103,527,181
Non-operating income			
Financial income	19,22	96,282,387	761,933,142
Other income	20	1,532,700	50
Gains on valuation using equity method	8	4,335,196,130	2,629,803,163
		4,433,011,217	3,391,736,355
Non-operating expense			
Financial expenses	19,22	8,944,217,143	6,086,011,670
Other expenses	20	-	11
Losses on valuation using equity method	8	733,644,737	-
		9,677,861,880	6,086,011,681
Profit before income tax expenses		9,485,403,543	5,409,251,855
Income tax expenses	15	-	-
Profit for the period		9,485,403,543	5,409,251,855
Owners of the Parent Company		9,485,403,543	5,409,251,855
Non-controlling interests		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		9,485,403,543	5,409,251,855
Owners of the Parent Company		9,485,403,543	5,409,251,855
Non-controlling interests		-	-
Earnings per share			
Basic earnings per share	16	66	39
Diluted earnings per share	16	66	34

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six-Month Periods Ended November 30 and May 31, 2021

ESR KendallSquare REIT Co., Ltd. and its Subsidiaries

(in Korean won)	Equity attributable to equity holders of the Parent Company			Retained earnings (accumulated deficit)	Non-controlling interests	Total
	Share capital	Other paid-i-capital				
Balance at December 1, 2020	48,200,000,000	192,541,961,760	(1,494,204,114)	-	-	239,247,757,646
Increase in issued capital	71,459,000,000	277,064,431,350	-	-	-	348,523,431,350
Conversion of convertible bonds	23,600,000,000	93,901,949,560	-	-	-	117,501,949,560
Integrity of deficit	-	(21,658,000,000)	21,658,000,000	-	-	-
Profit for the period	-	-	5,409,251,855	-	-	5,409,251,855
Balance at May 31, 2021	143,259,000,000	541,850,342,670	25,573,047,741	-	-	710,682,390,411
Balance at June 1, 2021	143,259,000,000	541,850,342,670	25,573,047,741	-	-	710,682,390,411
Transfer of other paid-in capital to retained earnings	-	(700,000,000)	700,000,000	-	-	-
Dividends paid	-	-	(19,263,536,138)	-	-	(19,263,536,138)
Increase in non-controlling interests	-	-	-	3,500,010,000	-	3,500,010,000
Stock issuance fee	-	(47,212,460)	-	-	-	(47,212,460)
Profit for the period	-	-	9,485,403,543	-	-	9,485,403,543
Balance at November 30, 2021	143,259,000,000	541,103,130,210	16,494,915,146	3,500,010,000	-	704,357,055,356

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six-Month Periods Ended November 30 and May 31, 2021

ESR KendallSquare REIT Co., Ltd. and its Subsidiaries

(in Korean won)	November 30, 2021	May 31, 2021
Cash flows from operating activities		
Profit for the period	9,485,403,543	5,409,251,855
Adjustments for:		
Depreciation	7,682,730,245	5,906,579,420
Interest expense	8,944,217,143	6,086,011,670
Losses on valuation using equity method	733,644,737	-
Interest income	(96,282,387)	(101,605,142)
Rental income	(6,782,353)	-
Other income	(303,583,632)	(229,085,922)
Gains on valuation of financial liabilities at fair value through profit or loss	-	(660,328,000)
Gains on valuation using equity method	(4,335,196,130)	(2,629,803,163)
	12,618,747,623	8,371,768,863
Changes in operating assets and liabilities:		
Decrease (increase) in account receivables	20,615,323	(837,361,890)
Increase in accrued income	(1,276,679,061)	(626,536,220)
Increase in prepaid expenses	(669,925,686)	(569,298,752)
Decrease in prepaid value added tax	(4,188,153,404)	-
Increase in unearned revenue	1,011,355,739	-
Increase in trade payables	5,029,544,173	2,318,754,877
Increase in withholdings	6,645,812	532,055,603
Increase in value added tax withheld	101,931,793	-
	35,334,689	817,613,618
	22,139,485,855	14,598,634,336
Interest received	64,511,859	45,045,558
Income taxes paid	(927,901,310)	(6,041,060)
Interest paid	(10,701,189,066)	(5,779,279,865)
Dividends received	7,650,045,316	112,876
Net cash inflow from operating activities	18,224,952,654	8,858,471,845
Cash flows from investing activities		
Decrease in long-term financial assets	5,813,806,103	-
Increase in long-term financial assets	(11,156,231,714)	(21,373,453,740)
Acquisition of investments in associates	(26,200,000,000)	(158,238,014,736)
Acquisition of investment properties (Land)	(59,076,733,981)	(343,807,732,271)
Acquisition of investment properties (Building)	(171,276,323,554)	(637,840,677,303)
Increase in other deposits	-	(643,300,000)
Net cash outflow from investing activities	(261,895,483,146)	(1,161,903,178,050)
Cash flows from financing activities		
Increase in issued capital	-	357,295,000,000
Increase in short-term borrowings	28,143,530,519	-
Increase in long-term borrowings	223,000,000,000	511,400,000,000
Increase in non-controlling interests	3,500,010,000	-
Increase in leasehold deposits received	5,162,657,284	23,134,744,950
Dividends paid	(19,263,536,138)	-

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six-Month Periods Ended November 30 and May 31, 2021

(in Korean won)	November 30, 2021	May 31, 2021
Decrease in leasehold deposits received	(199,710,000)	-
Stock issuance fee	(47,212,460)	(9,269,619,090)
Repayment for current portion of long-term borrowings	-	(60,900,000,000)
Net cash inflow from financing activities	240,295,739,205	821,660,125,860
Net decrease in cash and cash equivalents	(3,374,791,287)	(331,384,580,345)
Cash and cash equivalents at the beginning of period	26,893,775,417	358,278,355,762
Cash and cash equivalents at the end of period	23,518,984,130	26,893,775,417

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

ESR KendallSquare REIT Co., Ltd. and its Subsidiaries

1. REPORTING ENTITY

In accordance with Korean IFRS 1110 Consolidated Financial Statements, the consolidated financial statements were prepared for ESR KendallSquare REIT Co., Ltd., the controlling company, and its subsidiaries ESR KendallSquare Asset 1st REIT Co., Ltd. and ESR KendallSquare Asset 2nd REIT Co., Ltd. included in consolidation (collectively referred to as the "Group").

1.1 Controlling Company

ESR KendallSquare REIT Co., Ltd. (the "Company") was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Group obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The Group 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 Group's head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Group's major shareholders and their respective shareholdings as at November 30, 2021, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR KendallSquare REIT Holding Pte. Ltd.	9,200,000	6.42%
ESR KendallSquare Co., Ltd.	4,000,000	2.79%
KendallSquare REIT Management Co., Inc.	1,000,000	0.70%
CPP Investment Board Real Estate Holdings Inc.	35,600,000	24.85%
Others	93,459,000	65.24%
	143,259,000	100.00%

1.2 Subsidiaries

Details of subsidiaries as at November 30 and May 31, 2021, are as follows:

	Country of domicile	Business type	Percentage of ownership	
			November 30, 2021	May 31, 2021
ESR KendallSquare Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%
ESR KendallSquare Asset No. 2 REIT Co., Ltd. ¹	Korea	Real estate	100%	-

¹ It was newly established during the current period.

Financial information of subsidiaries as at and for the six-month periods ended November 30 and May 31, 2021, are as follows:

November 30, 2021						
(in thousands of Korean won)	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the period	Total comprehensive income (loss)
ESR KendallSquare Asset No. 1 REIT Co., Ltd.	1,181,943,033	648,904,180	533,038,853	30,055,260	6,738,841	6,738,841
ESR KendallSquare Asset No. 2 REIT Co., Ltd.	74,898,135	68,961,993	5,936,142	7,409	(57,723)	(57,723)

May 31, 2021						
(in thousands of Korean won)	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR KendallSquare Asset No. 1 REIT Co., Ltd.	1,018,448,615	476,868,401	541,580,214	23,710,051	7,885,259	7,885,259

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities, certain classes of investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

The preparation of financial statements requires the use of critical accounting estimates. Management also needs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing June 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 consolidated financial statements.

(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 consolidated financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for November 30, 2021 reporting period and have not been early adopted by the Group.

(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 Group does not expect that these amendments have a significant impact on the consolidated 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 Group is in review for the impact of these amendments on the consolidated 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 Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(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 includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

(f) 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.

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

(g) 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 Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(h) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

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 Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(i) Amendment to Korean IFRS 1116 - 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 Group does not expect that these amendments have a significant impact on the consolidated 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 Group does not expect that these amendments have a significant impact on the consolidated 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

2.3 Consolidated Financial Statements

(a) Subsidiaries

The subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities. When assessing control, the Group considers its potential voting rights that can be exercised or converted, to determine whether it has power. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(b) Transactions eliminated in consolidation

Intra-group balances and transactions, including income and expenses and any unrealized income and expenses arising from intragroup transactions, are eliminated. Unrealized losses arising from intra-group transactions are recognized as profit or loss in the case of evidence of impairment that is recognized in the consolidated financial statements.

(c) Non-controlling interests

Non-controlling interest that is defined as the equity interest in a subsidiary not attributable to a parent should be presented separately from the equity interest of the shareholders of the parent. The Group shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The Group shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in ownership interests in subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In this situation, the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in the subsidiary. The Group shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(e) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. The Group has not adjusted the accounting policies of the associates, measured at fair value after initial recognition of investment properties, to those of the Group in consideration of the characteristics of the associates.

2.4 Cash and cash equivalents

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

2.5 Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income
- those to be measured at amortized cost.

(a) Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Group has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

- Debt instruments

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

- Financial assets measured at Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

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

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within 'finance income or finance expenses' in the period in which it arises.

(c) Impairment

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

- Trade receivables

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

- Financial assets measured at amortized cost

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

- Debt instruments measured at fair value through other comprehensive income

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

(d) Recognition and derecognition

Purchases or sales of financial assets in an active market are recognized or derecognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the consolidated statements of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Impairment of non-financial assets

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

An asset's recoverable is estimated for each individual asset or for each cash-generating unit to which the asset belongs if the recoverable amount cannot be estimated. The recoverable amount is the higher of the asset's or cash-generating unit's value in use or fair value less costs of disposal. Value in use is determined by discounting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the current market assessment of the unadjusted asset's specific risk when estimating the time value of money and future cash flows.

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

2.7 Financial liabilities

(a) Classification and measurement

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the consolidated statements of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.8 Financial liabilities measured at Fair value through profit and loss (FVTPL)

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or a contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Korean IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge

accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial income and expenses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is measured by the method described in note 22.

2.9 Investment Property

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

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

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

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

2.10 Capital stock and share issuance expenses

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

2.11 Revenue recognition

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

2.12 Financial income and financial costs

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

Financial costs comprise of interest expenses on borrowings and losses on valuation of financial liabilities measured at FVTPL. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

2.13 Income tax

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

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

2.14 Approval of Issuance of the consolidated financial statements

The Group's consolidated financial statements as at and for the six-month period ended November 30, 2021 were approved for issue by the Board of Directors on January 12, 2022 and are to be approved at the Annual General Meeting scheduled on February 25, 2022.

3. CRITICAL 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

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

4. CASH AND CASH EQUIVALENTS

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Bank deposits	23,518,984	26,893,775

5. FINANCIAL INSTRUMENTS RESTRICTED IN USE

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

[in thousands of Korean won]	November 30, 2021	May 31, 2021
Long-term financial assets ¹	26,715,879	21,373,454

¹ Consist of bank deposit and time deposit and are pledged on the leasehold deposits.

6. OTHER FINANCIAL ASSETS

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

[in thousands of Korean won]	November 30, 2021	May 31, 2021
Current assets		
Account receivables	816,747	837,362
Accrued income	1,145,966	4,364,120
	1,962,713	5,201,482
Non-current assets		
Other leasehold deposits	643,300	643,300
Accrued income	1,903,215	626,536
	2,546,515	1,269,836

7. OTHER ASSETS

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

[in thousands of Korean won]	November 30, 2021	May 31, 2021
Prepaid expenses	1,239,224	569,299
Prepaid value added tax	4,188,153	-
	5,427,377	569,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

8. INVESTMENT IN ASSOCIATES

Investment in associates as at November 30, 2021, are as follows:

(in thousands of Korean won)	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions	Share of profit	Dividends	Ending balance
Beneficiary certificates:								
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	37,039,302	-	973,830	(962,253)	37,050,880
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	40,716,670	-	1,261,367	(1,111,889)	40,866,148
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,096,914	-	1,097,381	(843,297)	37,350,998
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	41,707,759	-	1,002,618	(973,067)	41,737,311
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	83.54%	26,398,138,840	-	26,847,741	(733,645)	(509,614)	25,604,482
				156,560,645	26,847,741	3,601,551	(4,400,120)	182,609,819

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. INVESTMENT PROPERTIES

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

(in thousands of Korean won)	November 30, 2021			May 31, 2021		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	403,120,961	-	403,120,961	343,807,732	-	343,807,732
Buildings	809,893,745	(13,589,310)	796,304,435	637,840,677	(5,906,579)	631,934,098
	1,213,014,706	(13,589,310)	1,199,425,396	981,648,410	(5,906,579)	975,741,830

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

(in thousands of Korean won)	November 30, 2021			May 31, 2021		
	Land	Building	Total	Land	Building	Total
Beginning balance	343,807,732	631,934,098	975,741,830	-	-	-
Acquisitions/ transfers	59,313,229	172,053,067	231,366,296	343,807,732	637,840,677	981,648,410
Depreciation	-	(7,682,730)	(7,682,730)	-	(5,906,579)	(5,906,579)
Ending balance	403,120,961	796,304,435	1,199,425,396	343,807,732	631,934,098	975,741,830

Details of acquisition for the six-month periods ended November 30, 2021, are as follows:

(in thousands of Korean won)	Purchase price ¹	Seller
Anseong logistics park	160,000,000	Juksan PFV, Inc.
Anseongsamjuk	59,000,000	KELD&I
	219,000,000	

¹ The amount excludes the additional cost related to purchase.

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Operating revenues ¹	29,759,086	23,474,561
Operating expenses ²	11,641,432	9,040,442

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of depreciation expense, asset management consignment fees, asset custody consignment fees, general affairs consignment fees, real estate consignment management fees and facility maintenance & administrative expenses.

Fair value of investment properties as at November 30, 2021 has no significant difference with the book amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

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

(in thousands of Korean won)	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A (The Industrial Bank of Korea and 3 others)	469,550,741	255,000,000	306,000,000
Tranche B (The Industrial Bank of Korea and others) Tranche C	667,263,972	364,200,000	437,040,000
Tranche A (KB Insurance Co., Ltd.)	62,610,683	34,300,000	41,160,000
Tranche B (KB Capital and another)		24,000,000	28,800,000

The Group subscribes to the property all risks insurance (insured amount: ₩ 518,275 million) in relation to investment property.

10. OTHER FINANCIAL LIABILITIES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Current liabilities		
Trade payables	9,247,652	4,437,576
Accrued expense	3,331,755	2,283,100
Leasehold deposits	50,000	199,710
	12,629,407	6,920,386
Non-current liabilities		
Leasehold deposits	28,682,701	22,935,035
Discount account on present value	(3,670,116)	(3,318,994)
	25,012,585	19,616,041

11. OTHER LIABILITIES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Current liabilities		
Withholdings	7,435	789
Value added tax withholdings	633,350	531,418
Advance received	218,850	-
Unearned revenue	1,006,716	3,300,812
	1,866,351	3,833,019
Non-current liabilities		
Unearned revenue	2,995,087	-
	2,995,087	-

12. SHORT- TERM AND LONG-TERM BORROWINGS

Details of short-term borrowings as at November 30, 2021, are as follows:

(in thousands of Korean won)	Financial institution	Annual interest rate	Maturity date	November 30, 2021
Tranche B	KB Capital Co., Ltd.	4.25%	November 30, 2022	18,000,000
	KB Savings Bank Co., Ltd.	4.25%	November 30, 2022	6,000,000
Tranche E	KB Insurance Co., Ltd.	3.50%	February 28, 2022	4,143,531
				28,143,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

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

(in thousands of Korean won)	Financial institution	Annual interest rate	Maturity date	November 30, 2021	May 31, 2021
Tranche A ¹	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	50,000,000	50,000,000
	Bank of China	2.22%	December 14, 2023	50,000,000	50,000,000
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	50,000,000
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	105,000,000
	KB Insurance Co., Ltd.	2.50%	November 30, 2024	34,300,000	-
Tranche B ¹	Industrial Bank of Korea	2.50%	December 14, 2025	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	40,000,000
Tranche C ¹	Industrial Bank of Korea	2.50%	December 14, 2025	28,700,000	-
	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	-
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	-
	TONGYANG Life Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	-
Tranche D ¹	Industrial Bank of Korea	3.80%	December 14, 2025	20,000,000	-
				673,500,000	450,500,000
Less: discount account on present value				(5,358,415)	(3,930,499)
				668,141,585	446,569,501

¹ The Group provided the investment properties and leasehold deposits as collateral for the borrowing (Note 26).

13. SHARE CAPITAL AND OTHER PAID-IN-CAPITAL

Details of share capital as at November 30, 2021, are as follows:

(in Korean won)	Total number of authorized shares	Total number of issued shares	Par value per share	Share capital
Common shares	2,000,000,000 shares	143,259,000 shares	1,000	143,259,000,000

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Additional paid-in-capital	541,103,130	541,850,343

Changes in share capital for the six-month periods ended November 30 and May 31, 2021, are as follows:

[in thousands of Korean won]	November 30, 2021		May 31, 2021	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	143,259,000	143,259,000	48,200,000	48,200,000
Increase in issued capital	-	-	71,459,000	71,459,000
Conversion of convertible bonds	-	-	23,600,000	23,600,000
Ending balance	143,259,000	143,259,000	143,259,000	143,259,000

14. RETAINED EARNINGS

Details of retained earnings as at November 30 and May 31, 2021, are as follows:

[in thousands of Korean won]	November 30, 2021	May 31, 2021
Retained earnings	16,494,915	25,573,048

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

[in thousands of Korean won]	November 30, 2021	May 31, 2021
Beginning balance	25,573,048	(1,494,204)
Integrity of deficit	-	21,658,000
Transfer of other paid-in capital to retained earnings	700,000	-
Dividends paid	(19,263,536)	-
Profit for the period	9,485,404	5,409,252
Ending balance	16,494,915	25,573,048

Dividends for the six-month periods ended November 30, 2021, are calculated as follows:

[in Korean won]	Common shares
1. Dividends	19,196,706,000
2. Total number of shares issued	143,259,000
3. Dividend per share (1./2.)	134
4. Par value	1,000
5. Dividend rate per share (3./4.)	13.40%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

15. INCOME TAX EXPENSE

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group pay-outs 90% and more of its profit available for dividends as dividends, the Group 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 Group has not recognized any income tax expenses.

16. EARNINGS PER SHARE

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

[in Korean won]	November 30, 2021	May 31, 2021
Profit for the period attributable to owners of the Parent Company	9,485,403,543	5,409,251,855
Weighted average number of common shares outstanding	143,259,000 shares	138,298,940 shares
Basic earnings per share	66	39

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

[in shares]	November 30, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	143,259,000	183	26,216,397,000
Weighted average number of common shares outstanding			143,259,000

[in shares]	May 31, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	48,200,000	9	433,800,000
Increase in issued capital	119,659,000	2	239,318,000
Conversion of convertible bonds	143,259,000	171	24,497,289,000
Weighted average number of common shares outstanding			138,298,940

Diluted earnings (losses) per share

As at November 30, 2021, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Diluted earnings per share for the period ended May 31, 2021 is as follows:

(in Korean won)	May 31, 2021
Profit for the period attributable to owners of the Parent Company	5,409,251,855
Loss on convertible bond (net of tax)	(660,328,000)
Profit used to determine diluted earnings per share	4,748,923,855
Weighted average number of ordinary shares for diluted earnings per share	139,725,313
Diluted earnings per share:	34

17. OPERATING REVENUES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Rental income	29,180,557	22,930,389
Management income	578,529	544,172
Other income	303,584	235,491
	30,062,670	23,710,052

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Within one year	51,332,795	49,000,608
Between 1 and 2 years	60,533,202	49,453,319
Between 2 and 3 years	59,286,123	47,192,146
Between 3 and 4 years	58,073,552	39,099,680
Between 4 and 5 years	44,030,559	31,127,356
Later than five years	113,678,190	100,637,670
	386,934,421	316,510,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

18. OPERATING EXPENSES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Depreciation	7,682,730	5,906,579
Asset management consignment fees	2,884,741	4,802,674
Taxes and due	2,008,224	3,932
Real estate management consignment fees	934,481	770,594
Other fees	515,602	3,454,509
Insurance expenses	718,094	382,382
Rental brokerage fees	250,627	60,734
Advertising expenses	99,000	-
Salaries	85,000	78,000
General affairs consignment fees	86,730	70,493
Asset custody consignment fees	52,750	43,951
Deemed rent	8,762	5,951
Utilities expenses	5,675	5,725
Facility maintenance & administrative expenses	-	21,000
	15,332,416	15,606,524

19. FINANCE INCOME AND EXPENSES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Financial income		
Interest income	96,282	101,605
Gains on valuation of financial liabilities at fair value through profit or loss	-	660,328
	96,282	761,933
Financial expenses		
Interest expenses	8,944,217	6,086,012

20. OTHER INCOME AND EXPENSES

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Other income		
Miscellaneous income	1,533	-
Other expenses	-	-

21. FINANCIAL RISK MANAGEMENT

21.1 Capital risk management

The primary objective of The Group'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 Group 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 November 30 and May 31, 2021, are as follows:

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Liabilities	738,788,544	476,938,947
Equity	704,357,055	710,682,390
Debt-to-equity ratio	104.89%	67.11%

21.2 Financial risk factors

The Group's financial assets and liabilities are exposed to various risks including market risk, credit risk and liquidity risk. The Group'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 Group 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

November 30 and May 31, 2021, are as follows:

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Cash and cash equivalents	23,518,984	26,893,775
Long-term financial instruments	26,715,879	21,373,454
Other financial assets	4,509,227	6,471,318

(c) Liquidity risk

The Group has established a liquidity risk management framework for the management of The Group'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 November 30 and May 31, 2021, are as follows:

(in thousands of Korean won)	November 30, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	9,247,652	9,247,652	9,247,652	-	-	-
Accrued expenses	3,331,755	3,331,755	3,331,755	-	-	-
Short-term borrowings	28,143,531	29,199,290	29,199,290	-	-	-
Long-term borrowings	668,141,585	727,450,018	16,383,500	16,383,500	694,683,018	-
Leasehold deposits	25,062,584	28,732,701	50,000	1,263,829	10,844,809	16,574,063
	733,927,107	797,961,416	58,212,197	17,647,329	705,527,827	16,574,063

(in thousands of Korean won)	May 31, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	4,437,576	4,437,576	4,437,576	-	-	-
Accrued expenses	2,283,100	2,283,100	2,283,100	-	-	-
Long-term borrowings	446,569,501	487,065,300	10,548,500	10,548,500	465,968,300	-
Leasehold deposits	19,815,751	23,134,745	199,710	1,163,829	6,161,859	15,609,347
	473,105,928	516,920,721	17,468,886	11,712,329	472,130,159	15,609,347

22. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE

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

(in thousands of Korean won)	November 30, 2021		May 31, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	23,518,984	23,518,984	26,893,775	26,893,775
Long-term financial instruments	26,715,879	26,715,879	21,373,454	21,373,454
Other financial assets	4,509,227	4,509,227	6,471,318	6,471,318
	54,744,090	54,744,090	54,738,547	54,738,547
Financial liabilities				
Short-term borrowings	28,143,531	28,143,531	-	-
Long-term borrowings	668,141,585	668,141,585	446,569,501	446,569,501
Other financial liabilities	37,641,992	37,641,992	26,536,427	26,536,427
	733,927,108	733,927,108	473,105,928	473,105,928

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Financial assets at amortized cost		
Interest income	96,282	101,605
Financial liabilities at amortized cost		
Interest expenses	8,944,217	6,086,012
Financial liabilities at fair value through profit or loss		
Gains on valuation of financial liabilities at fair value through profit or loss	-	660,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

23. CASH FLOW

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Deficit set-off	-	21,658,000
Conversion of convertible bonds	-	118,000,000
Reclassification to current portion of long-term borrowings	-	60,900,000
Transfer of trade payables into discount account on present value	1,773,773	4,505,000
Transfer of other paid-in capital to retained earnings	700,000	-
Transfer of accrued income into investments in associates	1,057,134	-
Transfer of trade payables into investments in associates	647,741	-
Reclassification to current portion of leasehold deposits received	50,000	-
Transfer of trade payables and other into land	236,495	-
Transfer of trade payables and other into buildings	776,744	-

Changes in liabilities arising from financial activities for the six-month periods ended November 30, 2021, are as follows:

(in thousands of Korean won)	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions ¹	Ending balance
Short-term borrowings	-	28,143,531	-	28,143,531
Long-term borrowings	446,569,501	223,000,000	(1,427,916)	668,141,585
Leasehold deposits	19,815,751	4,962,947	283,886	25,062,584

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

24. RELATED PARTY TRANSACTIONS

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

	November 30, 2021	May 31, 2021
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	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 #7
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	KendallSquare Professional Investment Type Real Estate Investment Fund #8
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	KendallSquare Professional Investment Type Real Estate Investment Fund #11
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-
Other related party ¹	KendallSquare REIT Management Co., Ltd.	KendallSquare REIT Management Co., Ltd.
	CPP Investment Board Real Estate Holdings Inc.	CPP Investment Board Real Estate Holdings Inc.
	ESR KendallSquare REIT Holding PTE, LTD.	ESR KendallSquare REIT Holding PTE, LTD.

¹ As the shareholders agreement of the Group was terminated, the right to appoint a director granted to ESR KENDALLSQUARE 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 November 30, 2021 according to the right to nominate a director.

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

(in thousands of Korean won)	Related party	November 30, 2021	
		Asset management consignment fees and others ¹	
Other related party	KendallSquare REIT Management Co., Ltd.		5,322,482

(in thousands of Korean won)	Related party	May 31, 2021	
		Asset management consignment fees	Gains on valuation of financial liabilities measured at FVTPL
Other related party	CPP Investment Board Real Estate Holdings Inc.	-	660,328
	KendallSquare REIT Management Co., Ltd.	11,758,924	-
		11,758,924	660,328

¹ Asset management consignment fees for ESR KendallSquare REIT Management Co., Ltd. includes acquisition cost of investments in associates amounting to ₩ 648 million and asset purchase fee amounting to ₩ 1,790 million (May 31, 2021: ₩ 6,956 million), which is included in the acquisition cost of investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

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

(in thousands of Korean won)	Related party	November 30, 2021		May 31, 2021	
		Accrued income	Trade payables	Accrued income	Trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	267,844	-	1,021,774	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	317,683	-	1,350,151	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	1,309,591	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	129,080	-	625,543	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	342,528	-	-	-
Other related party	KendallSquare REIT Management Co., Ltd.	-	4,469,957	-	2,272,583
		1,057,135	4,469,957	4,307,059	2,272,583

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

(in thousands of Korean won)	Related party	November 30, 2021			May 31, 2021	
		Contributions in cash	Dividends received	Dividends paid	Contributions in cash	Dividends received
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	1,716,184		11,700,000	27
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	2,144,358		9,600,000	29
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	2,152,888		12,100,000	27
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	1,469,529		7,800,000	30
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	1,500,000	167,087		-	-
Other related party ¹	KendallSquare REIT Management Co., Ltd.	-	-	134,466	-	-
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC	-	-	4,787,007	-	-
	ESR KendallSquare REIT Holding PTE, LTD.	-	-	1,237,092	-	-
		1,500,000	7,650,046	6,158,565	41,200,000	113

¹ Dividends of ₩ 6,830,898 thousands were paid to ESR KENDALLSQUARE 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 who appointed directors as at November 30, 2021 according to the right to appoint a director granted under the shareholders agreement.

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Short-term employee benefits	57,000	60,000

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, net income before income tax expense, and total assets and liabilities by reporting sector was omitted in these reports.

Revenues of approximately KRW22,224million (2020: KRW16,535million), over 10% of the Group's revenue, are derived from a single external customer. These revenues are attributed to Buchon cold logistics park and 2 others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and May 31, 2021

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 KendallSquare REIT Management Co., Ltd. Details of fees as follows:

	Details
Management fees	<p>a. Real estates: (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: (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: 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: 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 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 Group, and the board of directors and shareholder's meetings. Fees are paid ₩ 105 million per every fiscal year. In addition, for the assets that the Group 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 Group entered a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 45 million per every fiscal year. The Group entered a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. Fees are paid ₩ 15 million per every fiscal year. The Group entered a consignment contract for custody and management of real estate with KB Real Estate Trust Co., Ltd. Separate fees are determined according to the "real estate collateral trust contract", and the trust fee amounts to ₩ 200 million for 5 assets.

(d) Loan agreement

Details of the loan agreement as at November 30, 2021, are as follows:

(in thousands of Korean won)	Contract amount	Loan amount
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	289,300,000	289,300,000
Tranche B&C (Industrial Bank of Korea, etc.)	806,200,000	388,200,000
Tranche E (KB Insurance Co., Ltd, etc.)	133,300,000	4,143,531
Tranche D (Industrial Bank of Korea)	20,000,000	20,000,000
Tranche D (KB Bank)	30,000,000	-
	1,278,800,000	701,643,531

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

(in thousands of Korean won)	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	469,550,741	306,000,000	Tranche A	Industrial Bank of Korea, etc.
	Goyang logistics park	499,797,207		Tranche B&C	Industrial Bank of Korea, etc.
	Anseong logistics park	167,466,765	437,040,000	Tranche A	KB Insurance Co., Ltd
	Anseongsamjuk	62,610,683	28,800,000	Tranche B	KB Capital Co., Ltd., KB Savings Bank Co., Ltd.
		1,199,425,397	813,000,000		

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

27. EVENTS AFTER THE REPORTING PERIOD

(a) Decision on increase in issued capital

After the reporting period, the Group increased its capital amounting to ₩ 442,023,900 thousand and acquired beneficiary certificates of KendallSquare Professional Investment Type Real Estate Investment Fund #18.

(b) Repayment of Borrowings

The Group fully repaid Tranche D borrowings amounting to ₩ 20 billion after the reporting period.

(c) Acquisition investment property

The Group plans to acquire the Gimhae logistics park and other three investment properties additionally.

(in thousands of Korean won)	Expected date of purchase	Purchase price
Gimhae logistics park 2	December 20, 2021	71,200,000
Icheon logistics park 5	December 20, 2021	198,300,000
Anseong logistics park 2	December 20, 2021	324,500,000
Anseong logistics park 3	December 20, 2021	127,000,000
		721,000,000

(d) Reduction in class shares

After the reporting period, the Group decided to reduce the total amount for 116,667 class shares which correspond to non-controlling interests.

ESR Kendall Square REIT Co., Ltd.

Separate Financial Statements

November 30, 2021 and May 31, 2021

ESR Kendall Square REIT Co., Ltd.

Index

November 30, 2021 and May 31, 2021

	Page(s)
Independent Auditor's Report	J1 - J4
 Separate Financial Statements	
Separate Statements of Financial Position	J5
Separate Statements of Comprehensive Income	J6
Separate Statements of Changes in Equity	J7
Separate Statements of Cash Flows	J8
Notes to the Separate Financial Statements	J9 - F26



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying separate financial statements of ESR Kendall Square REIT Co., Ltd. (the Company) which comprise the separate statements of financial position as at November 30 and May 31, 2021, and the separate statements of comprehensive income, separates statement of changes in equity and separate statements of cash flows for the six-month periods then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of ESR Kendall Square REIT Co., Ltd. as at November 30 and May 31, 2021, and its separate financial performance and its separate cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Occurrence of the Dividend Income

Why we determined this matter as Key Audit Matter

As described in Note 15 to the separate financial statements, the Company's operating revenues represent dividend income received from subsidiaries and associates. As a result, we focused on this area because we determined that there is a significant risk in relation to the occurrence of the dividend income.

How our audit addressed the key audit matter

To address the key audit matter, we performed the following audit procedures.

- Assessed of reasonableness of the Group's revenue recognition policies and accounting policies relevant to revenue cut-off
- Confirmed dividend payment notice and dividend deposit details for individual dividend income
- Performed external confirmation procedure over dividend amounts arising from associates.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the separate financial statements of the Group. As discussed in Note to the separate financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Company cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying separate financial statements.

Other Matter

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatements of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters

that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Heung-Su Lee, Certified Public Accountant.

Samil PricewaterhouseCoopers

Seoul, Korea

February 14, 2022

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Financial Position
November 30 and May 31, 2021

<i>(in Korean won)</i>	Notes	November 30, 2021	May 31, 2021
Assets			
Current assets			
Cash and cash equivalents	4,19,20	₩ 1,706,287,357	₩ 8,289,912,266
Other financial assets	5,19,20	1,058,636,957	4,311,171,447
Current tax assets		925,631,630	6,934,990
		<u>3,690,555,944</u>	<u>12,608,018,703</u>
Non-current assets			
Investments in subsidiaries	6	536,549,000,000	534,049,000,000
Investments in associates and joint ventures	7	185,085,755,449	158,238,014,736
		<u>721,634,755,449</u>	<u>692,287,014,736</u>
Total assets		<u>₩ 725,325,311,393</u>	<u>₩ 704,895,033,439</u>
Liabilities			
Current liabilities			
Other financial liabilities	8,19,20	₩ 921,583,109	₩ 69,758,000
Other current liabilities	9	788,700	788,700
		<u>922,371,809</u>	<u>70,546,700</u>
Non-current liabilities			
Long-term borrowings	10,19,20	20,000,000,000	-
		<u>20,000,000,000</u>	<u>-</u>
Total liabilities		<u>20,922,371,809</u>	<u>70,546,700</u>
Equity			
Share capital	11	143,259,000,000	143,259,000,000
Other paid-in-capital	11	541,103,130,210	541,850,342,670
Retained earnings	12	20,040,809,374	19,715,144,069
Total equity		<u>704,402,939,584</u>	<u>704,824,486,739</u>
Total liabilities and equity		<u>₩ 725,325,311,393</u>	<u>₩ 704,895,033,439</u>

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Comprehensive Income
Six-Month Periods Ended November 30 and May 31, 2021

<i>(in Korean won)</i>	Notes	November 30, 2021		May 31, 2021	
Operating revenues	15	₩	19,680,322,901	₩	4,307,171,829
Operating expenses	16		<u>430,840,192</u>		<u>5,512,323,574</u>
Operating profit (loss)			<u>19,249,482,709</u>		<u>(1,205,151,745)</u>
Non-operating income					
Financial income	17,20		2,006,419		708,921,779
Other income	18		13,684		-
			<u>2,020,103</u>		<u>708,921,779</u>
Non-operating expense					
Financial expenses	17,20		362,301,369		-
Other expenses	18		-		-
			<u>362,301,369</u>		<u>-</u>
Profit (loss) before income tax expenses			18,889,201,443		(496,229,966)
Income tax expenses	13		-		-
Profit (loss) for the period		₩	<u>18,889,201,443</u>	₩	<u>(496,229,966)</u>
Other comprehensive income			-		-
Total comprehensive income (loss) for the period		₩	<u>18,889,201,443</u>	₩	<u>(496,229,966)</u>
Earnings (losses) per share					
Basic earnings (losses) per share	14	₩	132	₩	(4)
Diluted earnings (losses) per share	14	₩	132	₩	(8)

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Changes in Equity
Six- Month Periods Ended November 30 and May 31, 2021

(in Korean won)

	Share capital	Other paid-in-capital	Retained earnings	Total
Balance at December 1, 2020	₩ 48,200,000,000	₩ 192,541,961,760	₩ (1,446,625,965)	₩ 239,295,335,795
Increase in issued capital	71,459,000,000	277,064,431,350	-	348,523,431,350
Conversion of convertible bonds	23,600,000,000	93,901,949,560	-	117,501,949,560
Integrity of deficit	-	(21,658,000,000)	21,658,000,000	-
Loss for the period	-	-	(496,229,966)	(496,229,966)
Balance at May 31, 2021	₩ 143,259,000,000	₩ 541,850,342,670	₩ 19,715,144,069	₩ 704,824,486,739
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	-
Stock issuance fee	-	(47,212,460)	-	(47,212,460)
Dividends	-	-	-	-
Profit for the period	-	-	(19,263,536,138)	(19,263,536,138)
Balance at November 30, 2021	₩ 143,259,000,000	₩ 541,103,130,210	₩ 18,889,201,443	₩ 18,889,201,443
	-	-	20,040,809,374	₩ 704,402,939,584

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 Statements of Cash Flows
Six-Month Periods Ended November 30 and May 31, 2021

<i>(in Korean won)</i>	November 30, 2021	May 31, 2021
Cash flows from operating activities		
Profit (loss) for the period	₩ 18,889,201,443	₩ (496,229,966)
Adjustments for:		
Interest income	(2,006,419)	(48,593,779)
Dividend income	(19,680,322,901)	(4,307,171,829)
Gains on valuation of financial liabilities at fair value through profit or loss	-	(660,328,000)
Interest expense	362,301,369	-
	<u>(19,320,027,951)</u>	<u>(5,016,093,608)</u>
Changes in operating assets and liabilities:		
Increase (decrease) in trade payables	33,344,670	(274,873,711)
Increase in withholdings	-	637,400
	<u>33,344,670</u>	<u>(274,236,311)</u>
	<u>(397,481,838)</u>	<u>(5,786,559,885)</u>
Interest received	4,616,242	44,919,785
Interest paid	(191,561,643)	-
Income taxes paid	(918,696,640)	(6,079,690)
Dividends received	22,930,247,568	112,876
Net cash inflow (outflow) from operating activities	<u>21,427,123,689</u>	<u>(5,747,606,914)</u>
Cash flows from investing activities		
Acquisition of investments in subsidiaries	(2,500,000,000)	(533,549,000,000)
Acquisition of investments in associates	(26,200,000,000)	(158,238,014,736)
Net cash outflow from investing activities	<u>(28,700,000,000)</u>	<u>(691,787,014,736)</u>
Cash flows from financing activities		
Increase in issued capital	-	357,295,000,000
Increase in long-term borrowings	20,000,000,000	-
Dividend paid	(19,263,536,138)	-
Stock issuance fee	(47,212,460)	(9,269,619,090)
Net cash inflow from financing activities	<u>689,251,402</u>	<u>348,025,380,910</u>
Net decrease in cash and cash equivalents	<u>(6,583,624,909)</u>	<u>(349,509,240,740)</u>
Cash and cash equivalents at the beginning of period	<u>8,289,912,266</u>	<u>357,799,153,006</u>
Cash and cash equivalents at the end of period	<u>₩ 1,706,287,357</u>	<u>₩ 8,289,912,266</u>

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

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

1. General Information

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 November 30, 2021, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	9,200,000	6.42%
ESR Kendall Square Co., Ltd.	4,000,000	2.79%
Kendall Square REIT Management Co., Inc.	1,000,000	0.70%
CPP Investment Board Real Estate Holdings Inc.	35,600,000	24.85%
Others	93,459,000	65.24%
	143,259,000	100.00%

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

investment property – measured at fair value

- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

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

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 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.

2.2.2 New standards and interpretations not yet 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 to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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 is in review for the impact of these amendments 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.

(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 includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

ESR Kendall Square REIT Co., Ltd.

Notes to the Separate Financial Statements

November 30 and May 31, 2021

or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Company is in review for the impact of this new standard on the financial statements.

(f) 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.

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.

(g) 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.

(h) 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.

(i) Amendment to Korean IFRS 1116 - 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.

(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.

ESR Kendall Square REIT Co., Ltd.

Notes to the Separate Financial Statements

November 30 and May 31, 2021

- 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

2.3 Cash and cash equivalents

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

2.4 Subsidiaries and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries and associates are recognized at cost. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

2.5 Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss.
- Those to be measured at fair value through other comprehensive income, and
- Those to be measured at amortized cost

(a) Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Company has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

- Debt instruments

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

- Financial assets measured at Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

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

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the separate statements of comprehensive income within 'other income or other expenses' in the period in which it arises.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in

ESR Kendall Square REIT Co., Ltd.

Notes to the Separate Financial Statements

November 30 and May 31, 2021

credit risk. For trade and other receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

- Trade receivables

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

- Financial assets measured at amortized cost

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

- Debt instruments measured at fair value through other comprehensive income

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

(d) Recognition and Derecognition

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

(e) Offsetting of financial instruments

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

2.6 Impairment of non-financial assets

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

An asset's recoverable is estimated for each individual asset or for each cash-generating unit to which the asset belongs if the recoverable amount cannot be estimated. The recoverable amount

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

is the higher of the asset's or cash-generating unit's value in use or fair value less costs of disposal. Value in use is determined by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the current market assessment of the unadjusted asset's specific risk when estimating the time value of money and future cash flows.

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

2.7 Financial liabilities

(a) Classification and measurement

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the separate statements of financial position.

(b) Derecognition

Financial liabilities are removed from the separate statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.8 Financial liabilities measured at Fair value through profit and loss (FVTPL)

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or a contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the

ESR Kendall Square REIT Co., Ltd.

Notes to the Separate Financial Statements

November 30 and May 31, 2021

Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and Korean IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial income and expenses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss.

2.9 Capital stock and share issuance expenses

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

2.10 Revenue

The Company recognizes dividend income from subsidiaries and associates in profit or loss when its right to receive the dividend is established as shareholders.

2.11 Financial income and financial costs

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

Financial costs comprise of interest expenses on borrowings and losses on valuation of financial liabilities measured at FVTPL. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

2.12 Income tax

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

Special Purpose Companies, etc., if the Company payouts 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.

2.13 Approval of Issuance of the separate financial statements

The Company's separate financial statements as at and for the periods ended November 30, 2021 are to be approved at the Annual General Meeting scheduled on February 25, 2022.

2.13 Approval of Issuance of the separate financial statements

The Company's separate financial statements as at and for the periods ended November 30, 2021 were approved for issue by the Board of Directors on January 12, 2022 and are to be approved at the Annual General Meeting scheduled on February 25, 2022.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company.

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

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

4. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Bank deposits	₩	1,706,287	₩	8,289,912

5. Financial Instruments Restricted in Use

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Accrued income	₩	1,058,637	₩	4,311,171

6. Investment in Subsidiaries

Investment in subsidiaries as at November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Country of domicile	Main business	Percentage of ownership		Book amount	
			November 30, 2021	May 31, 2021	November 30, 2021	May 31, 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	86.38%	-	2,500,000	-
					<u>₩ 536,549,000</u>	<u>₩ 534,049,000</u>

¹ It was newly established during the current period and although percentage of ownership of ESR Kendall Square Asset No. 2 REIT Co., Ltd. is 86.38%, as the class shares held by non-controlling shareholders are non-voting stock, the percentage of voting rights of ESR Kendall Square Asset No. 2 REIT Co., Ltd. is 100%.

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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

(in thousands of Korean won)

	November 30, 2021			
	Beginning balance	Acquisitions	Disposal	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	-	2,500,000
	<u>₩ 534,049,000</u>	<u>₩ 2,500,000</u>	<u>₩ -</u>	<u>₩ 536,549,000</u>

(in thousands of Korean won)

	May 31, 2021			
	Beginning balance	Acquisitions	Disposal	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 500,000	₩ 533,549,000	₩ -	₩ 534,049,000

7. Investment in Associates

Investment in associates as at November 30 and May 31, 2021, are as follows:

(in thousands of Korean won)

	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions /Transfer	Disposal	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	83.54%	26,398,138,840	-	26,847,740	-	26,847,740
				<u>₩ 158,238,015</u>	<u>₩ 26,847,740</u>	<u>₩ -</u>	<u>₩ 185,085,755</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.

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

8. Other Financial Liabilities

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Current liabilities				
Trade payables	₩	750,843	₩	69,758
Accrued expense		170,740		-
	₩	<u>921,583</u>	₩	<u>69,758</u>

9. Other Liabilities

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Withholdings	₩	789	₩	789

10. Long-term Borrowings

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	November 30, 2021		May 31, 2021	
Tranche D	Industrial Bank of Korea	3.80%	December 14, 2025	₩	20,000,000	₩	-

11. Share Capital and Other Paid-in-Capital

Details of share capital as at November 30, 2021, 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	143,259,000 shares	₩ 1,000	₩ 143,259,000,000

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Additional paid-in-capital	₩	541,103,130	₩	541,850,343

Changes in share capital for the periods ended November 30 and May 31, 2021, are as follows:

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	143,259,000	₩ 143,259,000	48,200,000	₩ 48,200,000
Increase in issued capital	-	-	71,459,000	71,459,000
Conversion of convertible bonds	-	-	23,600,000	23,600,000
Ending balance	<u>143,259,000</u>	<u>₩ 143,259,000</u>	<u>143,259,000</u>	<u>₩ 143,259,000</u>

12. Retained Earnings

Details of retained earnings as at November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Retained earnings	₩ 20,040,809	₩ 19,715,144

Changes in retained earnings for the periods ended November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Beginning balance	₩ 19,715,144	₩ (1,446,626)
Integrity of deficit	-	21,658,000
Transfer of other paid-in-capital to retained earnings	700,000	-
Dividends	(19,263,536)	-
Profit (loss) for the period	18,889,201	(496,230)
Ending balance	<u>₩ 20,040,809</u>	<u>₩ 19,715,144</u>

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Unappropriated retained earnings carried over from prior year	₩ 1,151,607,931	₩ 20,211,374,035
Profit (loss) for the period	<u>18,889,201,443</u>	<u>(496,229,966)</u>
Retained earnings available for appropriation	20,040,809,374	19,715,144,069
Transfers from other paid-in-capital		
Transfers from share premium	9,836,000,000	700,000,000
Appropriation of retained earnings		
Dividends for common shares ¹	<u>19,196,706,000</u>	<u>19,263,536,138</u>
Unappropriated retained earnings to be carried forward	<u>₩ 10,680,103,374</u>	<u>₩ 1,151,607,931</u>

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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

Dividends for the period ended November 30, 2021, are calculated as follows:

<i>(in Korean won)</i>	Common shares	
1. Dividends	₩	19,196,706,000
2. Total number of shares issued		143,259,000
3. Dividend per share (1./2.)	₩	134
4. Par value	₩	1,000
5. Dividend rate per share (3./4.)		13.40%

13. 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.

14. Earnings (Losses) per Share

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

<i>(in Korean won)</i>	November 30, 2021		May 31, 2021	
Profit (loss) for the period	₩	18,889,201,443	₩	(496,229,966)
Weighted average number of common shares outstanding		143,259,000 shares		138,298,940 shares
Basic earnings (losses) per share	₩	132	₩	(4)

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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

<i>(in shares)</i>	November 30, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	143,259,000	183	26,216,397,000
Weighted average number of common shares outstanding			<u>143,259,000</u>

<i>(in shares)</i>	May 31, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	48,200,000	9	433,800,000
Increase in issued capital	119,659,000	2	239,318,000
Conversion of convertible bonds	143,259,000	171	24,497,289,000
Weighted average number of common shares outstanding			<u>138,298,940</u>

Diluted earnings (losses) per share

As at November 30, 2021, the Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Diluted losses per share for the period ended November 30, 2021 is as follows:

<i>(in Korean won)</i>	November 30, 2021	
Loss for the period	₩	(496,229,966)
Loss on convertible bond (net of tax)		(660,328,000)
Loss used to determine diluted earnings per share		(1,156,557,966)
Weighted average number of ordinary shares for diluted earnings per share		<u>139,725,313</u>
Diluted losses per share:	₩	<u>(8)</u>

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

15. Operating Revenues

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Dividend income	₩	19,680,323	₩	4,307,172

16. Operating Expenses

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Other fees	₩	226,110	₩	2,880,407
Advertising expenses		99,000		-
Salaries		57,000		57,000
General affairs consignment fees		43,730		39,780
Asset custody consignment fees		5,000		4,979
Asset management consignment fees		-		2,530,091
Taxes and due		-		67
	₩	430,840	₩	5,512,324

17. Finance Income and Expenses

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Financial income				
Interest income	₩	2,006	₩	48,594
Gains on valuation of financial liabilities at fair value through profit or loss		-		660,328
	₩	2,006	₩	708,922
Financial expenses				
Interest expenses	₩	362,301	₩	-

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

18. Other Income and Expenses

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Other income		
Miscellaneous income	₩ 14	₩ -

19. Financial Risk Management

19.1 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 November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Liabilities	₩ 20,922,372	₩ 70,547
Equity	704,402,940	704,824,487
Debt-to-equity ratio	2.97%	0.01%

19.2 Financial risk factors

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

(a) Market risk

The Company has no assets or 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 November 30 and May 31, 2021, are as follows:

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

<i>(in thousands of Korean won)</i>		November 30, 2021	May 31, 2021
Cash and cash equivalents	₩	1,706,287 ₩	8,289,912
Other financial assets		1,058,637	4,311,171

(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 November 30 and May 31, 2021, are as follows:

*(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
	<u>₩ 20,921,583</u>	<u>₩ 23,990,734</u>	<u>₩ 1,681,583</u>	<u>₩ 760,000</u>	<u>₩ 21,549,151</u>

(in thousands of Korean won)

	May 31, 2021		
	Book amount	Contractual cash flows	Within 1 year
Trade payables	₩ 69,758	₩ 69,758	₩ 69,758

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

20. Financial Instruments by Category and Fair Value

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

(in thousands of Korean won)

	November 30, 2021		May 31, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 1,706,287	₩ 1,706,287	₩ 8,289,912	₩ 8,289,912
Other financial assets	1,058,637	1,058,637	4,311,171	4,311,171
	₩ 2,764,924	₩ 2,764,924	₩ 12,601,083	₩ 12,601,083
Financial liabilities				
Other financial liabilities	₩ 921,583	921,583	₩ 69,758	₩ 69,758
Long-term borrowings	20,000,000	20,000,000	-	-
	₩ 20,921,583	20,921,583	₩ 69,758	₩ 69,758

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

(in thousands of Korean won)

	November 30, 2021	May 31, 2021
Financial assets at amortized cost		
Interest income	₩ 2,006	₩ 48,594
Interest expenses	362,301	-
Financial liabilities at fair value through profit or loss		
Gains on valuation of financial liabilities at fair value through profit or loss	-	660,328

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

21. Cash flow

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Conversion of convertible bonds	₩ -	₩ 118,000,000
Deficit set-off	-	21,658,000
Transfer of other paid-in-capital to retained earnings	700,000	-
Transfer of trade payables into investments in associates	647,741	

Changes in liabilities arising from financial activities for the period ended November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Ending balance
Borrowings	₩ -	₩ 20,000,000	₩ 20,000,000

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

22.Related Party Transactions

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

	November 30, 2021	May 31, 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. -
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 Type Real Estate Investment Fund #18	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 -
Other related party ¹	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

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 November 30, 2021 according to the right to nominate a director.

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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

(in thousands of Korean won)

		November 30, 2021	
		Asset management consignment fees ¹	Dividend income
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ 15,280,202
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	-	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	962,253
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	1,111,889
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	843,297
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	973,067
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	509,614
	Kendall Square REIT Management Co., Ltd.	647,741	-
Other related party	CPP Investment Board Real Estate Holdings Inc.	-	-
		₩ 647,741	₩ 19,680,322

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee which is included in the acquisition cost of investment in associates¹ Dividends of ₩6,830,898 thousands were paid 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 who appointed directors as at November 30, 2021 according to the right to appoint a director granted under the shareholders agreement.

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

(in thousands of
Korean won)

		May 31, 2021			
		Asset management consignment fees	Gains on valuation of financial liabilities at fair value through profit or loss	Dividend income	
Related party					
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ -	1,021,801
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-		1,350,181
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-		1,309,618
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-		625,573
	Other related party CPP Investment Board Real Estate Holdings Inc.	-	660,328		-
	Kendall Square REIT Management Co., Ltd.	2,530,091	-		-
		<u>₩ 2,530,091</u>	<u>₩ 660,328</u>	<u>₩ -</u>	<u>4,307,173</u>

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

(in thousands of
Korean won)

		November 30, 2021		May 31, 2021	
		Accrued income	Trade payables	Accrued income	
Related party					
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 267,844	₩ -	₩ -	1,021,774
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	317,683	-		1,350,151
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-		1,309,591
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	129,080	-		625,543
	Other related party Kendall Square REIT Management Co., Ltd.	-	647,741		-
		<u>₩ 1,057,135</u>	<u>₩ 647,741</u>	<u>₩ -</u>	<u>4,307,059</u>

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

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

(in thousands of Korean won)	Related party	November 30, 2021			May 31, 2021	
		Contributions in cash	Dividends received	Dividends paid	Contributions in cash	Dividends received
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ 15,280,202	₩ -	₩ 533,549,000	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,500,000	-	-	-	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	1,716,184	-	11,700,000	27
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	2,144,358	-	9,600,000	29
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	2,152,888	-	12,100,000	27
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	1,469,529	-	7,800,000	30
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	26,200,000	167,087	-	-	-
Other related party ¹	Kendall Square REIT Management Co., Ltd.	-	-	134,466	-	-
	CPP Investment Board Real Estate Holdings Inc.	-	-	4,787,007	-	-
	ESR Kendall Square REIT Holding PTE, LTD.	-	-	1,237,092	-	-
		₩ 28,700,000	₩ 22,930,248	₩ 6,158,565	₩ 574,749,000	₩ 113

¹ Dividends of ₩6,830,898 thousands were paid 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 who appointed directors as at November 30, 2021 according to the right to appoint a director granted under the shareholders agreement.

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

(in thousands of Korean won)	November 30, 2021	May 31, 2021
Short-term employee benefits	₩ 57,000	₩ 57,000

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

23. Commitments

(a) Contract for the asset management services

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

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>

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
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 Group, 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 November 30, 2021, are as follows:

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

ESR Kendall Square REIT Co., Ltd.
Notes to the Separate Financial Statements
November 30 and May 31, 2021

24.Events After the Reporting Period

(a) Decision on increase in issued capital

After the reporting period, the Company increased its capital amounting to ₩ 442,023,900 thousand after the reporting period and acquired shares of ESR Kendall Square Asset No. 2 REIT Co., Ltd., a subsidiary, and beneficiary certificates of Kendall Square Professional Investment Type Real Estate Investment Fund #18.

(b) Repayment of Borrowings

The Group fully repaid Tranche D borrowings amounting to ₩ 20 billion after the reporting period.

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

Financial Statements

November 30 and May 31, 2021

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

Index

November 30, 2021 and May 31, 2021

	Page(s)
Independent Auditor's Report	129 - 131
 Financial Statements	
Statements of Financial Position.....	132
Statements of Comprehensive Income	133
Statements of Changes in Equity.....	134
Statements of Cash Flows	135
Notes to the Financial Statements	136 - Fí J



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ESR Kendall Square REIT Co., Ltd. and its subsidiaries as at November 30 and May 31, 2021, and its financial performance and its cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the financial statements of the Company. As discussed in Note 3 to the financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Company cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying financial statements.

Other Matter

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Samit PricewaterhouseCoopers

Seoul, Korea

February 11, 2022

This report is effective as of February 11, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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

<i>(in Korean won)</i>	Notes	November 30, 2021		May 31, 2021	
Assets					
Current assets					
Cash and cash equivalents	4,19,20	₩	15,223,428,614	₩	18,603,863,151
Other financial assets	6,19,20		903,342,415		890,310,185
Other assets	7		1,005,328,787		569,298,752
Current tax assets			<u>9,225,070</u>		<u>22,780</u>
			<u>17,141,324,886</u>		<u>20,063,494,868</u>
Non-current assets					
Long-term financial assets	5,10,20		25,440,479,751		21,373,453,740
Investment properties	8,11		1,136,814,713,064		975,741,830,154
Other non-current assets	6,19,20		<u>2,546,515,281</u>		<u>1,269,836,220</u>
			<u>1,164,801,708,096</u>		<u>998,385,120,114</u>
Total assets		₩	<u>1,181,943,032,982</u>	₩	<u>1,018,448,614,982</u>
Liabilities					
Current liabilities					
Other financial liabilities	9,19,20	₩	6,510,495,816	₩	6,850,628,381
Other current liabilities	10		<u>1,240,583,981</u>		<u>3,832,230,522</u>
			<u>7,751,079,797</u>		<u>10,682,858,903</u>
Non-current liabilities					
Long-term borrowings	11,19,20		614,390,906,714		446,569,500,855
Other non-current financial liabilities	9,10,20		23,891,198,594		19,616,040,912
Other non-current liabilities	10		<u>2,870,994,465</u>		<u>-</u>
			<u>641,153,099,773</u>		<u>466,185,541,767</u>
Total liabilities			<u>648,904,179,570</u>		<u>476,868,400,670</u>
Equity					
Share capital	12		53,854,900,000		53,854,900,000
Other paid-in-capital	12		477,541,691,480		478,351,691,480
Retained earnings	13		<u>1,642,261,932</u>		<u>9,373,622,832</u>
Total equity			<u>533,038,853,412</u>		<u>541,580,214,312</u>
Total liabilities and equity		₩	<u>1,181,943,032,982</u>	₩	<u>1,018,448,614,982</u>

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

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

<i>(in Korean won)</i>	Notes	November 30, 2021		May 31, 2021	
Operating revenues	16	₩	30,055,260,168	₩	23,710,051,451
Operating expenses	17		<u>14,831,125,049</u>		<u>9,791,792,176</u>
Operating profit			<u>15,224,135,119</u>		<u>13,918,259,275</u>
Non-operating income					
Financial income	18		94,127,202		53,011,363
Other income			<u>1,519,016</u>		<u>50</u>
			<u>95,646,218</u>		<u>53,011,413</u>
Non-operating expense					
Financial expenses	18		8,580,939,985		6,086,011,670
Other expenses			<u>-</u>		<u>11</u>
			<u>8,580,939,985</u>		<u>6,086,011,681</u>
Profit before income tax expenses			6,738,841,352		7,885,259,007
Income tax expenses	14		<u>-</u>		<u>-</u>
Profit for the period		₩	<u>6,738,841,352</u>	₩	<u>7,885,259,007</u>
Other comprehensive income			<u>-</u>		<u>-</u>
Total comprehensive income for the period		₩	<u>6,738,841,352</u>	₩	<u>7,885,259,007</u>
Earnings per share					
Basic and diluted earnings per share	15	₩	626	₩	788

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

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

(in Korean won)

	Equity attributable to equity holders of the Parent Company			Total
	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)	
Balance at December 1, 2020	₩ 500,000,000	₩ -	₩ (51,636,175)	₩ 448,363,825
Increase in issued capital	53,354,900,000	479,891,691,480	-	533,246,591,480
Integrity of deficit	-	(1,540,000,000)	1,540,000,000	-
Profit for the period	-	-	7,885,259,007	7,885,259,007
Balance at May 31, 2021	₩ 53,854,900,000	₩ 478,351,691,480	₩ 9,373,622,832	₩ 541,580,214,312
Balance at June 1, 2021	₩ 53,854,900,000	₩ 478,351,691,480	₩ 9,373,622,832	₩ 541,580,214,312
Transfer of other paid-in-capital to retained earnings	-	(810,000,000)	810,000,000	-
Dividends	-	-	(15,280,202,252)	(15,280,202,252)
Profit for the period	-	-	6,738,841,352	6,738,841,352
Balance at November 30, 2021	₩ 53,854,900,000	₩ 477,541,691,480	₩ 1,642,261,932	₩ 533,038,853,412

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

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

<i>(in Korean won)</i>	November 30, 2021	May 31, 2021
Cash flows from operating activities		
Profit for the period	₩ 6,738,841,352	₩ 7,885,259,007
Adjustments for:		
Depreciation	7,680,321,475	5,906,579,420
Interest expense	8,580,939,985	6,086,011,670
Interest income	(94,127,202)	(53,011,363)
Other income	(303,501,669)	(229,085,922)
	<u>15,863,632,589</u>	<u>11,710,493,805</u>
Changes in operating assets and liabilities:		
Decrease (increase) in account receivables	21,214,870	(837,361,890)
Increase in accrued income	(1,276,679,061)	(626,536,220)
Increase in prepaid expenses	(436,030,035)	(569,298,752)
Increase in trade payables	680,430,214	2,593,628,588
Increase in unearned revenue	480,917,800	-
Increase in value added tax withholdings	101,931,793	531,418,203
	<u>(428,214,419)</u>	<u>1,091,849,929</u>
Cash generated from operations	<u>22,174,259,522</u>	<u>20,687,602,741</u>
Interest received	59,880,102	125,773
Interest paid	(10,046,577,423)	(5,779,279,865)
Income taxes refunded (paid)	(9,202,290)	38,630
Net cash inflow from operating activities	<u>12,178,359,911</u>	<u>14,908,487,279</u>
Cash flows from investing activities		
Disposal of long-term financial assets	5,813,806,103	-
Acquisition of investment properties (Land)	(40,660,182,565)	(343,807,732,271)
Acquisition of investment properties (Building)	(128,093,021,820)	(637,840,677,303)
Increase in other deposits	-	(643,300,000)
Increase in long-term financial assets	(9,880,832,114)	(21,373,453,740)
Net cash outflow from investing activities	<u>(172,820,230,396)</u>	<u>(1,003,665,163,314)</u>
Cash flows from financing activities		
Increase in issued capital	-	533,549,000,000
Increase in long-term borrowings	168,700,000,000	511,400,000,000
Increase in leasehold deposits received	4,041,348,200	23,134,744,950
Repayment for current portion of long-term borrowings	-	(60,900,000,000)
Decrease in leasehold deposits received	(199,710,000)	-
Stock issuance fee	-	(302,408,520)
Dividends paid	(15,280,202,252)	-
Net cash inflow from financing activities	<u>157,261,435,948</u>	<u>1,006,881,336,430</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,380,434,537)</u>	<u>18,124,660,395</u>
Cash and cash equivalents at the beginning of period	<u>18,603,863,151</u>	<u>479,202,756</u>
Cash and cash equivalents at the end of period	<u>₩ 15,223,428,614</u>	<u>₩ 18,603,863,151</u>

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

1. Reporting Entity

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

The Company’s major shareholders and their respective shareholdings as at November 30, 2021, are as follows:

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

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

- Certain financial assets and liabilities (including derivative instruments), certain classes of investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

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

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

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

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 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.

2.2.2 New standards and interpretations not yet 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 to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The 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.

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

(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 is in review for the impact of these amendments 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.

(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 includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

(f) 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.

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.

(g) 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.

(h) 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.

(i) Amendment to Korean IFRS 1116 - 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.

(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

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

Notes to the Financial Statements

November 30, 2021 and May 31, 2021

of financial liabilities

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

2.3 Cash and cash equivalents

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

2.4 Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss.
- Those to be measured at fair value through other comprehensive income, and
- Those to be measured at amortized cost

(a) *Classification*

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Company has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

(b) *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

- Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- Financial assets measured at Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

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

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statements of comprehensive income within 'other income or other expenses' in the period in which it arises.

(c) Impairment

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

- Trade receivables

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

- Financial assets measured at amortized cost

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

- Debt instruments measured at fair value through other comprehensive income

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

(d) Recognition and Derecognition

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

(e) Offsetting of financial instruments

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

2.5 Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

November 30, 2021 and May 31, 2021

2.6 Financial liabilities

(a) Classification and measurement

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the statements of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.7 Investment Property

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

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

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

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

2.8 Capital stock and share issuance expenses

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

2.9 Revenue recognition

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

2.10 Financial income and financial costs

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

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

2.11 Income tax

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Company payouts 90% 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.

2.12 Approval of Issuance of the financial statements

The Company's financial statements as at and for the periods ended November 30, 2021 were approved for issue by the Board of Directors on February 3, 2022 and are to be approved at the Annual General Meeting scheduled on February 18, 2022.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company.

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

4. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Bank deposits	₩	15,223,429	₩	18,603,863

5. Financial Instruments Restricted in Use

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Long-term financial assets ¹	₩	25,440,480	₩	21,373,454

¹ Consist of bank deposit and time deposit and are pledged on the leasehold deposits.

6. Other Financial Assets

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Current assets				
Account receivables	₩	816,147	₩	837,362
Accrued income		87,195		52,948
	₩	<u>903,342</u>	₩	<u>890,310</u>
Non-current assets				
Other leasehold deposits	₩	643,300	₩	643,300
Accrued income		1,903,215		626,536
	₩	<u>2,546,515</u>	₩	<u>1,269,836</u>

7. Other Assets

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Prepaid expenses	₩	1,005,329	₩	569,299

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

8. Investment Properties

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

<i>(in thousands of Korean won)</i>	November 30, 2021			May 31, 2021		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 384,467,915	₩ -	₩ 384,467,915	₩ 343,807,732	₩ -	₩ 343,807,732
Buildings	765,933,699	(13,586,901)	752,346,798	637,840,677	(5,906,579)	631,934,098
	<u>₩ 1,150,401,614</u>	<u>₩ (13,586,901)</u>	<u>₩ 1,136,814,713</u>	<u>₩ 981,648,409</u>	<u>₩ (5,906,579)</u>	<u>₩ 975,741,830</u>

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

<i>(in thousands of Korean won)</i>	November 30, 2021			May 31, 2021		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 343,807,732	₩ 631,934,098	₩ 975,741,830	₩ -	₩ -	₩ -
Acquisitions/transfers	40,660,183	128,093,022	168,753,204	343,807,732	637,840,677	981,648,409
Depreciation	-	(7,680,321)	(7,680,321)	-	(5,906,579)	(5,906,579)
Ending balance	<u>₩ 384,467,915</u>	<u>₩ 752,346,799</u>	<u>₩ 1,136,814,713</u>	<u>₩ 343,807,732</u>	<u>₩ 631,934,098</u>	<u>₩ 975,741,830</u>

Details of acquisition for the period ended November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Purchase price¹	Seller
Anseong logistics park	₩ 160,000,000	Juksan PFV, Inc.

¹ The amount excludes the additional cost related to purchase.

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Operating revenues ¹	₩ 29,751,758	₩ 23,474,561
Operating expenses ²	11,571,186	9,040,442

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of depreciation expense, asset management consignment fees, asset custody consignment fees, general affairs consignment fees, real estate consignment management fees and facility maintenance & administrative expenses.

Fair value of investment properties as at November 30, 2021 has no significant difference with the book amount.

The Company has provided collateral rights for the underlying mortgage on land and buildings and

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

the insurance coverage rights of the property all risks insurance in relation to long-term borrowings and details are as follows:

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A	₩ 469,550,741	₩ 255,000,000	₩ 306,000,000
Tranche B&C	667,263,972	364,200,000	437,040,000

The Company subscribes to the property all risks insurance (insured amount: ₩ 492,525 million) in relation to investment property.

9. Other Financial Liabiliti

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Current liabilities		
Trade payables	₩ 3,305,022	₩ 4,367,818
Accrued expense	3,155,474	2,283,100
Leasehold deposits	50,000	199,710
	<u>₩ 6,510,496</u>	<u>₩ 6,850,628</u>
Non-current liabilities		
Leasehold deposits	₩ 27,407,301	₩ 22,935,035
Discount account on present value	(3,516,102)	(3,318,994)
	<u>₩ 23,891,199</u>	<u>₩ 19,616,041</u>

10. Other Liabilities

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Current liabilities		
Value added tax withholdings	₩ 633,350	₩ 531,419
Unearned revenue	607,234	3,300,812
	<u>₩ 1,240,584</u>	<u>₩ 3,832,231</u>
Non-current liabilities		
Unearned revenue	₩ 2,870,994	-
	<u>₩ 2,870,994</u>	<u>-</u>

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

11. Borrowings

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	November 30, 2021	May 31, 2021
Tranche A	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩ 50,000,000	₩ 50,000,000
	Bank of China	2.22%	December 14, 2023	50,000,000	50,000,000
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	50,000,000
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	105,000,000
Tranche B	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	-
Tranche C	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	-
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	-
	Tongyang Life Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	-
				<u>619,200,000</u>	<u>450,500,000</u>
	Less: discount account on present value			<u>(4,809,093)</u>	<u>(3,930,499)</u>
				<u>₩ 614,390,907</u>	<u>₩ 446,569,501</u>

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

<i>(in thousands of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	₩ 469,550,741	₩ 306,000,000	Tranche A	Industrial Bank of Korea and 3 others
	Goyang logistics park	499,797,207			
	Anseong logistics park	167,466,765	437,040,000	Tranche B&C	Industrial Bank of Korea and 3 others
		<u>₩ 1,136,814,713</u>	<u>₩ 743,040,000</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.

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

12. Share Capital and Other Paid-in-Capital

Details of share capital as at November 30, 2021, are as follows:

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

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Additional paid-in-capital	₩ 477,541,691	₩ 478,351,691

Changes in share capital for the periods ended November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	10,770,980	₩ 53,854,900	100,000	₩ 500,000
Increase in issued capital	-	-	10,670,980	53,354,900
Ending balance	10,770,980	₩ 53,854,900	10,770,980	₩ 53,854,900

13. Retained Earnings

Details of retained earnings as at November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Retained earnings	₩ 1,642,262	₩ 9,373,623

Changes in retained earnings for the periods ended November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Beginning balance	₩ 9,373,623	₩ (51,636)
Integrity of deficit	-	1,540,000
Transfer of other paid-in-capital to retained earnings	810,000	-
Dividends	(15,280,202)	-
Profit for the period	6,738,841	7,885,259
Ending balance	₩ 1,642,262	₩ 9,373,623

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

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

<i>(in Korean won)</i>	November 30, 2021	May 31, 2021
Unappropriated retained earnings (undisposed accumulated deficits) carried over from prior year	₩ (5,096,579,420)	₩ 1,488,363,825
Profit for the period	<u>6,738,841,352</u>	<u>7,885,259,007</u>
Retained earnings available for appropriation	1,642,261,932	9,373,622,832
Transfer of other paid-in-capital		
Transfer of share premium	810,000,000	810,000,000
Appropriation of retained earnings		
Dividends for common shares ¹	<u>15,229,162,827</u>	<u>15,280,202,252</u>
Undisposed accumulated deficits to be carried forward	<u>₩ (12,776,900,895)</u>	<u>₩ (5,096,579,420)</u>

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

Dividends for the period ended November 30, 2021, are calculated as follows:

<i>(in Korean won)</i>	Common shares	
1. Dividends	₩	15,229,162,827
2. Total number of shares issued		10,770,980
3. Dividend per share (1./2.)	₩	1,414
4. Par value	₩	5,000
5. Dividend rate per share (3./4.)		28.28%

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.

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

15. Earnings per Share

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

<i>(in Korean won)</i>	November 30, 2021		May 31, 2021	
Profit for the period	₩	6,738,841,352	₩	7,885,259,007
Weighted average number of common shares outstanding		10,770,980 shares		10,008,767 shares
Basic earnings per share	₩	626	₩	788

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

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

<i>(in shares)</i>	May 31, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	100,000	13	1,300,000
Increase in issued capital	10,770,980	169	1,820,295,620
Weighted average number of common shares outstanding			10,008,767

As at November 30, 2021, the Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

16. Operating Revenues

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Rental income	₩	29,173,774	₩	22,930,389
Management income		577,984		544,172
Other income		303,502		235,490
	₩	<u>30,055,260</u>	₩	<u>23,710,051</u>

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Within one year	₩	49,004,768	₩	49,000,608
Between 1 and 2 years		57,982,403		49,453,319
Between 2 and 3 years		56,735,324		47,192,146
Between 3 and 4 years		55,499,371		39,099,680
Between 4 and 5 years		41,430,636		31,127,356
Later than five years		113,307,465		100,637,670
	₩	<u>373,959,967</u>	₩	<u>316,510,779</u>

17. Operating Expenses

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Depreciation	₩	7,680,321	₩	5,906,579
Asset management consignment fees		2,883,883		2,272,583
Taxes and due		2,006,736		3,865
Real estate management consignment fees		934,481		770,594
Insurance expenses		717,783		382,382
Rental brokerage fees		250,626		60,734
Other fees		249,361		271,694
Asset custody consignment fees		40,000		38,973
General affairs consignment fees		32,500		30,713
Salaries		21,000		21,000
Deemed rent		8,758		5,951
Utilities expenses		5,676		5,724
Facility maintenance & administrative expenses		-		21,000
	₩	<u>14,831,125</u>	₩	<u>9,791,792</u>

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

18. Finance Income and Expenses

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Financial income				
Interest income	₩	94,127	₩	53,011
Financial expenses				
Interest expenses	₩	8,580,940	₩	6,086,012

19. Financial Risk Management

19.1 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 November 30 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
Liabilities	₩	648,904,180	₩	476,868,401
Equity		533,038,853		541,580,214
Debt-to-equity ratio		121.74%		88.05%

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

19.2 Financial risk factors

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

(a) Market risk

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

(b) Credit risk

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

- Level of exposure to credit risk

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

<i>(in thousands of Korean won)</i>		November 30, 2021		May 31, 2021
Cash and cash equivalents	₩	15,223,429	₩	18,603,863
Long-term financial instruments		25,440,480		21,373,454
Other financial assets		3,449,858		2,160,146

(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 November 30 and May 31, 2021, are as follows:

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

<i>(in thousands of Korean won)</i>	May 31, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	₩ 4,367,818	₩ 4,367,818	₩ 4,367,818	₩ -	₩ -	₩ -
Accrued expenses	2,283,100	2,283,100	2,283,100	-	-	-
Long-term borrowings	446,569,501	487,065,300	10,548,500	10,548,500	465,968,300	-
Leasehold deposits	19,815,751	23,134,745	199,710	1,163,829	6,161,859	15,609,347
	<u>₩ 473,036,170</u>	<u>₩ 516,850,963</u>	<u>₩ 17,399,128</u>	<u>₩ 11,712,329</u>	<u>₩ 472,130,159</u>	<u>₩ 15,609,347</u>

20. Financial Instruments by Category and Fair Value

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

<i>(in thousands of Korean won)</i>	November 30, 2021		May 31, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 15,223,429	₩ 15,223,429	₩ 18,603,863	₩ 18,603,863
Long-term financial instruments	25,440,480	25,440,480	21,373,454	21,373,454
Other financial assets	3,449,858	3,449,858	2,160,146	2,160,146
	<u>₩ 44,113,767</u>	<u>₩ 44,113,767</u>	<u>₩ 42,137,463</u>	<u>₩ 42,137,463</u>
Financial liabilities				
Other financial liabilities	₩ 30,401,694	₩ 30,401,694	₩ 26,466,669	₩ 26,466,669
Long-term borrowings	614,390,907	614,390,907	446,569,501	446,569,501
	<u>₩ 644,792,601</u>	<u>₩ 644,792,601</u>	<u>₩ 473,036,170</u>	<u>₩ 473,036,170</u>

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

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Financial assets at amortized cost		
Interest income	₩ 94,127	₩ 53,011
Financial liabilities at amortized cost		
Interest expenses	8,580,940	6,086,012

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

21. Related Party Transactions

Related parties as at November 30, 2021, are as follows:

Related parties

Parent Company	ESR Kendall Square REIT Co., Ltd.
Other related party	Kendall Square REIT Management Co., Ltd. ESR Kendall Square Asset No.2 REIT Co., Ltd. CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC ESR KENDALL SQUARE REIT HOLDING PTE, LTD.

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

<i>(in thousands of Korean won)</i>	Related party	Asset management consignment fees¹	
		November 30, 2021	May 31, 2021
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 4,083,883	₩ 9,228,833

¹ Asset management consignment fees for Kendall Square REIT Management Co., Ltd. includes asset purchase fee ₩1,200 million(May 31,2021: ₩6,956 million), which is included in the acquisition cost of investment properties.

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

<i>(in thousands of Korean won)</i>	Related party	November 30, 2021	May 31, 2021
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 3,172,272	₩ 2,272,583

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

<i>(in thousands of Korean won)</i>	Related party	Details	November 30, 2021	May 31, 2021
Parent Company	ESR Kendall Square REIT Co., Ltd.	Increase in issued capital	₩ -	₩ 533,549,000
		Dividends paid	15,280,202	-

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

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

22. Operating Segments

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

23. Cash flow

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

<i>(in thousands of Korean won)</i>	November 30, 2021	May 31, 2021
Deficit set-off	₩ -	₩ 1,540,000
Transfer of other paid-in-capital to retained earnings	810,000	-
Reclassification to current portion of leasehold deposits received	50,000	-
Reclassification to current portion of long-term borrowings	-	60,900,000
Transfer of trade payables into discount account on present value	1,687,000	4,505,000

Changes in liabilities arising from financial activities for the period ended November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions¹	Ending balance
Borrowings	₩ 446,569,501	₩ 168,700,000	₩ (878,594)	₩ 614,390,907
Leasehold deposits	19,815,751	3,841,638	283,809	23,941,199

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

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

Details

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

ESR Kendall Square Asset No.1 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021 and May 31, 2021

Details

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

(b) General affairs consignment contract

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

(c) Asset custody consignment contract

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

(d) Loan agreement

Details of the loan agreement as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount		Loan amount	
Tranche A (Hanwha General Insurance Co., Ltd. and 3 others)	₩	255,000,000	₩	255,000,000
Tranche B&C (Industrial Bank of Korea and 3 others)		364,200,000		364,200,000
Tranche E-1&E-2 (Hanwha General Insurance Co., Ltd. and 2 others) ¹		73,200,000		-
	₩	<u>692,400,000</u>	₩	<u>619,200,000</u>

¹ Tranche E-1&E-2 loan agreement was executed and repaid for the periods ended November 30 and May 31, 2021.

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

Financial Statements

November 30, 2021

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

Index

November 30, 2021

	Page(s)
Independent Auditor's Report	FÍ G- FÍ I
Financial Statements	
Statement of Financial Position	FÍ Í
Statement of Comprehensive Income	FÍ Î
Statement of Changes in Equity	FÍ Ï
Statement of Cash Flows	FÍ ð
Notes to the Financial Statements	FÍ J - 192



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
ESR Kendall Square Asset No.2 REIT Co., Ltd.

Opinion

We have audited the accompanying financial statements of ESR Kendall Square Asset No.2 REIT Co., Ltd. (the Company), which comprise the statement of financial position as at November 30, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from July 20, 2021 to November 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ESR Kendall Square Asset No.2 REIT Co., Ltd. as at November 30, 2021, and its financial performance and its cash flows for the period from July 20, 2021 to November 30, 2021 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the financial statements of the Company. As discussed in Note 3 to the financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Company cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying financial statements.

Other Matter

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting

and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Samit PricewaterhouseCoopers

Seoul, Korea

February 11, 2022

This report is effective as of February 11, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Statement of Financial Position
November 30, 2021

<i>(in Korean won)</i>	Notes	November 30, 2021	
Assets			
Current assets			
Cash and cash equivalents	4,19,20	₩	6,589,268,159
Other financial assets	6,19,20		732,798
Other current assets	7		4,422,049,055
Current tax assets			2,380
			<u>11,012,052,392</u>
Non-current assets			
Long-term financial instruments	5,19,20		1,275,399,600
Investment properties	8,11		62,610,682,949
			<u>63,886,082,549</u>
Total assets		₩	<u>74,898,134,941</u>
Liabilities			
Current liabilities			
Other financial liabilities	9,19,20	₩	5,197,328,299
Short-term borrowings	11		28,143,530,519
Other current liabilities	10		624,977,377
			<u>33,965,836,195</u>
Non-current liabilities			
Long-term borrowings	11,19,20		33,750,678,546
Other non-current financial liabilities	9,19,20		1,121,385,886
Other non-current liabilities	10		124,092,058
			<u>34,996,156,490</u>
Total liabilities			<u>68,961,992,685</u>
Equity			
Share capital	12		856,667,000
Other paid-in-capital	12		5,137,197,770
Accumulated deficit	13		(57,722,514)
Total equity			<u>5,936,142,256</u>
Total liabilities and equity		₩	<u>74,898,134,941</u>

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Statement of Comprehensive Income
For the Period from July 20, 2021 to November 30, 2021

<i>(in Korean won)</i>	Notes	November 30, 2021
Operating revenues	16	₩ 7,409,359
Operating expenses	17	<u>64,304,850</u>
Operating loss		<u>(56,895,491)</u>
Non-operating income		
Financial income	18	148,766
Other income		-
		<u>148,766</u>
Non-operating expense		
Financial expenses	18	975,789
Other expenses		-
		<u>975,789</u>
Loss before income tax expenses		(57,722,514)
Income tax expenses	14	-
Loss for the period		<u>₩ (57,722,514)</u>
Other comprehensive income		-
Total comprehensive loss for the period		<u>₩ (57,722,514)</u>
Losses per share		
Basic and diluted losses per share	15	₩ (184)

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Statement of Changes in Equity
For the Period from July 20, 2021 to November 30, 2021

(in Korean won)

	Share capital	Other paid-in-capital	Accumulated deficit	Total
Balance at July 20, 2021 (Establishment date)	₩ -	₩ -	₩ -	₩ -
Fund investment	856,667,000	5,137,197,770	-	5,993,864,770
Loss for the period	-	-	(57,722,514)	(57,722,514)
Balance at November 30, 2021	<u>₩ 856,667,000</u>	<u>₩ 5,137,197,770</u>	<u>₩ (57,722,514)</u>	<u>₩ 5,936,142,256</u>

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Statement of Cash Flows
For the Period from July 20, 2021 to November 30, 2021

(in Korean won)

November 30, 2021

Cash flows from operating activities

Loss for the period	₩ (57,722,514)
Adjustments for:	
Depreciation	2,408,770
Interest expense	975,789
Interest income	(148,766)
Rental income	(6,782,353)
Other income	(81,963)
	<u>(3,628,523)</u>
Changes in operating assets and liabilities:	
Increase in account receivables	(599,547)
Increase in prepaid value added tax	(4,188,153,404)
Increase in prepaid expenses	(233,895,651)
Increase in trade payables	4,315,769,289
Increase in unearned revenues	530,437,939
Increase in withholdings	6,645,812
	<u>430,204,438</u>
	<u>368,853,401</u>
Interest received	15,515
Interest paid	(463,050,000)
Income taxes paid	(2,380)
Net cash outflow from operating activities	<u>(94,183,464)</u>

Cash flows from investing activities

Acquisition of investment properties (Land)	(18,416,551,416)
Acquisition of investment properties (Building)	(43,183,301,734)
Increase in long-term financial instruments	(1,275,399,600)
Net cash outflow from investing activities	<u>(62,875,252,750)</u>

Cash flows from financing activities

Increase in issued capital	6,000,010,000
Increase in short-term borrowings	28,143,530,519
Increase in long-term borrowings	34,300,000,000
Increase in leasehold deposits received	1,121,309,084
Share issuance cost	(6,145,230)
Net cash inflow from financing activities	<u>69,558,704,373</u>

Net increase in cash and cash equivalents

Net increase in cash and cash equivalents	6,589,268,159
Cash and cash equivalents at the beginning of period	-
Cash and cash equivalents at the end of period	<u>₩ 6,589,268,159</u>

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

1. Reporting Entity

ESR Kendall Square Asset No.2 REIT Co., Ltd. (the "Company") was established on July 20, 2021 under the Real Estate Investment Companies Act of the Republic of Korea. The Company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on September 29, 2021. The Company is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development, and trade of real estate lease securities. The Company's head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Company's major shareholders and their respective shareholdings as at November 30, 2021, are as follows:

Shareholders	Common shares		Class shares ¹	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
ESR Kendall Square REIT Co., Ltd.	740,000	100.00	-	-
Kendall Square REIT Management Co., Inc.	-	-	116,667	100.00
	<u>740,000</u>	<u>100.00</u>	<u>116,667</u>	<u>100.00</u>

¹ The class shares issued by the Company have no voting rights and no preferential, cumulative or participating rights over dividends.

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

Notes to the Financial Statements

November 30, 2021

Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing July 20, 2021.

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 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.

2.2.2 New standards and interpretations not yet 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 to be recognized in a

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The 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 is in review for the impact of these amendments 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.

(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 includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

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 is in review for the impact of this new standard on the financial statements.

(f) 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.

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.

(g) 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.

(h) 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.

(i) Amendment to Korean IFRS 1116 - 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.

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

Notes to the Financial Statements

November 30, 2021

(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

2.3 Cash and cash equivalents

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

2.4 Financial Assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

(a) Classification

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

A. Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'financial income or expenses' in the year in which it arises.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

- Trade receivables

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

- Financial assets measured at amortized cost

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

- Debt instruments measured at fair value through other comprehensive income

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

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as “borrowings” in the statement of financial position.

(e) Offsetting of financial instruments

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

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required,

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

Notes to the Financial Statements

November 30, 2021

the Company makes an estimate of the asset's recoverable amount.

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

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

2.6 Financial liabilities

(a) Classification and measurement

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the statements of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.7 Investment Property

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

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

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

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

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

Notes to the Financial Statements

November 30, 2021

2.8 Capital stock and share issuance expenses

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

2.9 Revenue recognition

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

2.10 Financial income and financial costs

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

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

2.11 Income tax

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Company payouts 90% 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.

2.12 Approval of Issuance of the financial statements

The Company's financial statements as at and for the periods ended November 30, 2021 were approved for issue by the Board of Directors on February 3, 2022 and are to be approved at the Annual General Meeting scheduled on February 18, 2022.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company.

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

4. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>	November 30, 2021	
Bank deposits	₩	6,589,268

5. Financial Instruments Restricted in Use

Financial instruments that are restricted in use as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	
Long-term financial assets ¹	₩	1,275,400

¹ Consist of bank deposit and time deposit and are pledged on the leasehold deposits.

6. Other Financial Assets

Other financial assets as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	
Account receivables	₩	600
Accrued income		133
	₩	733

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

7. Other Current Assets

Other current assets as at November 30, 2021, are as follows:

(in thousands of Korean won)

	November 30, 2021	
Prepaid expenses	₩	233,896
Prepaid value added tax		4,188,153
	₩	<u>4,422,049</u>

8. Investment Properties

Investment properties as at November 30, 2021, are as follows:

(in thousands of Korean won)

	November 30, 2021		
	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 18,653,046	₩ -	₩ 18,653,046
Buildings	43,960,046	(2,409)	43,957,637
	₩ 62,613,092	₩ (2,409)	₩ 62,610,683

Changes in investment properties for the period from July 20, 2021 to November 30, 2021, are as follows:

(in thousands of Korean won)

	2021		
	Land	Building	Total
Beginning balance	₩ -	₩ -	₩ -
Acquisitions/transfers	18,653,046	43,960,046	62,613,092
Depreciation	-	(2,409)	(2,409)
Ending balance	₩ 18,653,046	₩ 43,957,637	₩ 62,610,683

Details of acquisition for the period from July 20, 2021 to November 30, 2021, are as follows:

(in thousands of Korean won)

	Purchase price¹	Seller
Anseong Samjuk logistics park	₩ 59,000,000	KLD&I

¹ The amount excludes the additional cost related to purchase.

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

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

<i>(in thousands of Korean won)</i>	November 30, 2021	
Operating revenues ¹	₩	7,327
Operating expenses ²		21,516

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of depreciation expense, asset management consignment fees, asset custody consignment fees, general affairs consignment fees.

Fair value of investment properties as at November 30, 2021 has no significant difference with the book amount.

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

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A	₩ 62,610,683	₩ 34,300,000	₩ 41,160,000
Tranche B		24,000,000	28,800,000

The Company subscribes to the property all risks insurance (insured amount: ₩ 25,750 million) in relation to investment property.

9. Other Financial Liabilities

Other financial liabilities as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	
Current liabilities		
Trade payables	₩	5,191,787
Accrued expense		5,541
	₩	<u>5,197,328</u>
Non-current liabilities		
Leasehold deposits		1,275,400
Discount account on present value		(154,014)
	₩	<u>1,121,386</u>

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

10. Other Liabilities

Other liabilities as at November 30, 2021, are as follows:

(in thousands of Korean won)

November 30, 2021

Current liabilities		
Withholdings	₩	6,646
Advances		218,850
Unearned revenue		399,482
	₩	<u>624,978</u>
Non-current liabilities		
Unearned revenue		124,092
	₩	<u>124,092</u>

11. Short-term and Long-term Borrowings

Details of short-term borrowings as at November 30, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	Annual interest rate at November 30, 2021	Maturity date	November 30, 2021	
Tranche B	KB CAPITAL CO., LTD	4.25%	2022-11-30	₩	18,000,000
	KB Savings Bank Co.,Ltd.	4.25%	2022-11-30		6,000,000
Tranche E	KB Insurance Co., Ltd	3.50%	2022-02-28		4,143,531
				₩	<u>28,143,531</u>

Details of long-term borrowings as at November 30, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	Annual interest rate at November 30, 2021	Maturity date	November 30, 2021	
Tranche A	KB Insurance Co., Ltd	2.50%	2024-11-30	₩	34,300,000
	Less: discount account on present value				(549,321)
				₩	<u>33,750,679</u>

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

Regarding the above borrowings, the Company provided the investment property as collateral and details are as follows:

<i>(in thousands of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Anseong Samjuk	₩ 62,610,683	₩ 41,160,000	Tranche A	KB Insurance Co., Ltd KB CAPITAL CO., LTD, KB Savings Bank Co.,Ltd.
			28,800,000	Tranche B	

12.Share Capital and Other Paid-in-Capital

Details of share capital as at November 30, 2021, are as follows:

<i>(in Korean won)</i>	Total number of issued shares	Par value per share	Share capital
Common shares	740,000 shares	₩ 1,000	₩ 740,000,000
Class shares ¹	116,667 shares	1,000	116,667,000

¹ The class shares issued by the Company have no voting rights and no preferential, cumulative or participating rights over dividends.

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

<i>(in thousands of Korean won)</i>	November 30, 2021
Additional paid-in-capital	₩ 5,137,198

Changes in share capital for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Common shares		Ordinary shares	
	Number of shares	Amount	Number of shares	Amount
Establishment	300,000	₩ 300,000	-	₩ -
Increase in issued capital	440,000	440,000	116,667	116,667
Ending balance	740,000	₩ 740,000	116,667	₩ 116,667

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

13. Accumulated Deficit

Details of accumulated deficit as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	
Accumulated deficit	₩	(57,723)

Changes in accumulated deficit for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	2021	
Beginning balance	₩	-
Loss for the period		(57,723)
Ending balance	₩	<u>(57,723)</u>

The disposition of accumulated deficit for the period from July 20, 2021 to November 30, 2021, is expected to be disposed at the shareholders' meeting on February 18, 2022.

The disposition of accumulated deficit for the period from July 20, 2021 to November 30, 2021, is as follows:

<i>(in thousands of Korean won)</i>	2021	
Loss for the period	₩	(57,722,514)
Retained earnings available for appropriation		(57,722,514)
Transfers such as additional paid-in-capital		2,068,036,214
Transfers such as other paid-in-capital		2,068,036,214
Disposition of accumulated deficit		-
Undisposed accumulated deficit to be carried forward	₩	<u>2,010,313,700</u>

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.

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

15. Losses per Share

Basic losses per share for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in Korean won)</i>	2021	
Loss for the period	₩	(57,722,514)
Dividends for class shares		-
		<u>(57,722,514)</u>
Weighted average number of common shares outstanding		<u>313,233 shares</u>
Basic losses per share	₩	<u>(184)</u>

Weighted average number of common shares outstanding for the period from July 20, 2021 to November 30, 2021, are calculated as follows:

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

Diluted losses per share

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

16. Operating Revenues

Operating revenues for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	2021	
Rental income	₩	6,782
Management income		545
Other income		82
	₩	<u>7,409</u>

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

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

<i>(in thousands of Korean won)</i>	2021	
Within one year	₩	2,328,027
Between 1 and 2 years		2,550,799
Between 2 and 3 years		2,550,799
Between 3 and 4 years		2,574,181
Between 4 and 5 years		2,599,923
Later than five years		370,725
	₩	<u>12,974,454</u>

17. Operating Expenses

Operating expenses for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	2021	
Other fees	₩	33,985
General affairs consignment fees		10,500
Asset custody consignment fees		7,750
Salaries		7,000
Depreciation		2,409
Taxes and due		1,488
Asset management consignment fees		858
Insurance expenses		311
Deemed rent		4
	₩	<u>64,305</u>

18. Financial Income and Expenses

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

<i>(in thousands of Korean won)</i>	2021	
Financial income		
Interest income	₩	149
Financial expenses		
Interest expenses	₩	976

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

19. Financial Risk Management

19.1 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 November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2021	
Liabilities	₩	68,961,993
Equity		5,936,142
Debt-to-equity ratio		1161.73%

19.2 Financial risk factors

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

(a) Market risk

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

(b) Credit risk

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

- Level of exposure to credit risk

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

<i>(in thousands of Korean won)</i>	November 30, 2021	
Cash and cash equivalents	₩	6,589,268
Long-term financial instruments		1,275,400
Other financial assets		733

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

(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 November 30, 2021, are as follows:

(in thousands of Korean won)

	November 30, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	₩ 5,191,787	₩ 5,191,787	₩ 5,191,787	₩ -	₩ -	₩ -
Accrued expenses	5,541	5,541	5,541	-	-	-
Short-term borrowings	28,143,531	29,199,290	29,199,290	-	-	-
Long-term borrowings	33,750,679	36,872,500	857,500	857,500	35,157,500	-
Leasehold deposits	1,121,386	1,275,400	-	-	-	1,275,400
	<u>₩ 68,212,924</u>	<u>₩ 72,544,518</u>	<u>₩ 35,254,118</u>	<u>₩ 857,500</u>	<u>₩ 35,157,500</u>	<u>₩ 1,275,400</u>

20. Financial Instruments by Category and Fair Value

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

(in thousands of Korean won)

	November 30, 2021	
	Book amount	Fair value
Financial assets		
Cash and cash equivalents	₩ 6,589,268	₩ 6,589,268
Long-term financial instruments	1,275,400	1,275,400
Other financial assets	733	733
	<u>₩ 7,865,401</u>	<u>₩ 7,865,401</u>
Financial liabilities		
Other financial liabilities	₩ 6,318,714	₩ 6,318,714
Short-term borrowings	28,143,531	28,143,531
Long-term borrowings	33,750,679	33,750,679
	<u>₩ 68,212,924</u>	<u>₩ 68,212,924</u>

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

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

<i>(in thousands of Korean won)</i>	2021
Financial assets at amortized cost	
Interest income	₩ 149
Financial liabilities at amortized cost	
Interest expenses	976

21. Related Party Transactions

Related parties as at November 30, 2021, are as follows:

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

Transactions with related parties for the period from July 20, 2021 to November 30, 2021, are as follows:

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

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

Outstanding balances to related parties as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Related party	November 30, 2021	
		Trade payables	
Other related party	Kendall Square REIT Management Co., Ltd.	₩	649,944

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

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

Compensation for key management of the Company for the period from July 20, 2021 to November 30, 2021, consists of:

<i>(in thousands of Korean won)</i>	2021
Short-term employee benefits	₩ 7,000

22. Operating Segments

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

23. Cash flow

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

<i>(in thousands of Korean won)</i>	2021
Trade payables related to acquisition of property and equipment	₩ 789,245
Accrued expenses related to acquisition of property and equipment	5,144
Rent-free included in acquisition cost of property and equipment	218,850
Transfer of trade payables into discount account on present value	86,774
Reclassification to current portion of unearned revenue	399,482

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

Changes in liabilities arising from financial activities for the period from July 20, 2021 to November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions¹	Ending balance
Short-term borrowings	₩	-	₩ 28,143,531	₩ 28,143,531
Long-term borrowings		-	34,300,000	33,750,679
Leasehold deposits		-	1,121,309	1,121,386

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

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>
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</p>

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

1.0% (*) X Consigner's ratio of shareholding

(*) 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.

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
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 consignee 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 ₩ 30 million per every fiscal year.

(c) Asset custody consignment contract

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

ESR Kendall Square Asset No.2 REIT Co., Ltd.
Notes to the Financial Statements
November 30, 2021

(d) Loan agreement

Details of the loan agreement as at November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount		Loan amount	
Tranche A (KB Insurance Co., Ltd)	₩	34,300,000	₩	34,300,000
Tranche B (KB CAPITAL CO., LTD, KB Savings Bank Co.,Ltd.)		24,000,000		24,000,000
Tranche C-1 (Kookmin Bank, KB Insurance Co., Ltd)		303,500,000		-
Tranche C-2 (Kookmin Bank)		114,500,000		-
Tranche E (KB Insurance Co., Ltd)		60,100,000		4,143,531
	₩	<u>536,400,000</u>	₩	<u>62,443,531</u>

25.Events After the Reporting Period

(a) Decision on increase in issued capital

After the reporting period, the Company increased its capital amounting to ₩ 395,551,000 thousand and plans to acquire the Gimhae logistics park and other three investment properties additionally.

<i>(in thousands of Korean won)</i>	Expected purchase date	Purchase price	
Gimhae logistics park 2	2021-12-20	₩	71,200,000
Icheon logistics park 5	2021-12-20		198,300,000
Anseong logistics park 2	2021-12-20		324,500,000
Anseong logistics park 3	2021-12-20		127,000,000
		₩	<u>721,000,000</u>

(b) Reduction in class shares

The Company decided to reduce the total amount for 116,667 class shares.

CORPORATE INFORMATION

ESR KendallSquare

35F 10, Gukjegeumyung-ro (Three IFC,
Yeouido-dong), Yeongdeungpo-gu, Seoul,
Republic of Korea
Tel. +82-2-6331-0749



www.esr-ks.com

ESR KendallSquare REIT

35F 10, Gukjegeumyung-ro (Three IFC,
Yeouido-dong), Yeongdeungpo-gu, Seoul,
Republic of Korea
Tel. +82-2-6205-0467



www.ks-reit.com

KendallSquare REIT Management

35F 10, Gukjegeumyung-ro (Three IFC,
Yeouido-dong), Yeongdeungpo-gu, Seoul,
Republic of Korea
Tel. +82-2-6205-0472



www.kendallsquarerm.com



Business registration number : 382-81-01986

ESR KendallSquare REIT

35F 10, Gukjegeumyung-ro (Three IFC, Yeouido-dong),
Yeongdeungpo-gu, Seoul, Republic of Korea
Tel. 02-6205-0467

ks-reit.com



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