

**ESR Kendall Square REIT Co., Ltd.  
and its Subsidiaries**

**Consolidated Financial Statements  
November 30, 2022 and May 31, 2022**

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

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November 30, 2022 and May 31, 2022

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

### Opinion

We have audited the accompanying consolidated financial statements of ESR Kendall Square REIT Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at November 30, 2022 and May 31, 2022, 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 the Group as at November 30, 2022 and May 31, 2022, 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 Rental Income**

### **Why we determined this matter as key audit matter**

As described in Note 18 of the consolidated financial statements, rental income, which accounts for 96% of the Group's operating revenues, is recognized according to the contracts and terms and conditions of the transaction with customers. As a result, we focused on this area because we determined that there is a significant risk in relation to occurrence of rental income.

### **How our audit addressed the key audit matter**

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

- Assessed reasonableness of the Group's accounting policies relevant to revenue recognition
- Performed analytical review compared to the previous period and monthly trend analysis of rental income to verify the existence of unusual circumstances
- 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

### **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 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 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 Joon-Woo Lee, Certified Public Accountant.

Seoul, Korea

February 13, 2023

This report is effective as of February 13, 2023, 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.

**ESR Kendall Square REIT Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Financial Position**  
**November 30, 2022 and May 31, 2022**

<i>(in Korean won)</i>	Notes	November 30, 2022		May 31, 2022	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4,22,23	₩	31,103,100,434	₩	33,920,832,610
Short-term financial instruments	5,6,22,23		-		63,408,806
Other financial assets	7,22,23		23,751,590,848		20,678,104,812
Other assets	8		1,773,113,629		1,885,114,620
Current tax assets			<u>860,880,286</u>		<u>166,231,040</u>
			<u>57,488,685,197</u>		<u>56,713,691,888</u>
<b>Non-current assets</b>					
Long-term financial instruments	6,22,23		42,218,793,453		42,218,512,733
Investments in associates	9		205,769,671,169		204,689,464,276
Investment properties	10		1,947,771,055,034		1,960,977,509,297
Property and equipment			86,741,918		96,969,863
Intangible assets			4,058,026		4,058,026
Other non-current financial assets	7,22,23		<u>543,000,000</u>		<u>3,343,417,795</u>
			<u>2,196,393,319,600</u>		<u>2,211,329,931,990</u>
<b>Total assets</b>		₩	<u>2,253,882,004,797</u>	₩	<u>2,268,043,623,878</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Other financial liabilities	11,22,23	₩	16,132,537,241	₩	13,107,188,659
Other current liabilities	12		<u>2,115,307,148</u>		<u>2,648,305,413</u>
			<u>18,247,844,389</u>		<u>15,755,494,072</u>
<b>Non-current liabilities</b>					
Long-term borrowings	13,22,23		1,062,285,032,142		1,060,285,280,740
Other non-current financial liabilities	11,22,23		35,201,826,651		37,609,993,805
Other non-current liabilities	12		<u>3,353,833,625</u>		<u>3,807,743,027</u>
			<u>1,100,840,692,418</u>		<u>1,101,703,017,572</u>
<b>Total liabilities</b>			<u>1,119,088,536,807</u>		<u>1,117,458,511,644</u>
<b>Equity</b>					
Share capital	14		213,089,000,000		213,089,000,000
Other paid-in-capital	14		900,186,631,606		900,186,631,606
Retained earnings	15		<u>21,517,836,384</u>		<u>37,309,480,628</u>
<b>Equity attributable to equity holders of the Parent Company</b>			<u>1,134,793,467,990</u>		<u>1,150,585,112,234</u>
<b>Total equity</b>			<u>1,134,793,467,990</u>		<u>1,150,585,112,234</u>
<b>Total liabilities and equity</b>		₩	<u>2,253,882,004,797</u>	₩	<u>2,268,043,623,878</u>

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

**ESR Kendall Square REIT Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Six-Month Periods Ended November 30, 2022 and May 31, 2022**

<i>(in Korean won)</i>	Notes	November 30, 2022		May 31, 2022	
<b>Operating revenues</b>	18	₩	49,006,142,346	₩	46,743,296,752
<b>Operating expenses</b>	19		<u>26,456,797,054</u>		<u>22,953,696,052</u>
<b>Operating profit</b>			<u>22,549,345,292</u>		<u>23,789,600,700</u>
<b>Non-operating income</b>					
Financial income	20,23		628,242,226		241,706,147
Other income	21		277,510,151		72,732,652
Gains on valuation using equity method	9		<u>5,042,759,149</u>		<u>21,767,627,072</u>
			<u>5,948,511,526</u>		<u>22,082,065,871</u>
<b>Non-operating expense</b>					
Financial expenses	20,23		15,648,941,838		15,696,395,082
Other expenses	21		<u>86,633,224</u>		<u>7</u>
			<u>15,735,575,062</u>		<u>15,696,395,089</u>
<b>Profit before income tax expenses</b>			12,762,281,756		30,175,271,482
Income tax expenses	16		<u>-</u>		<u>-</u>
<b>Profit for the period</b>		₩	<u>12,762,281,756</u>	₩	<u>30,175,271,482</u>
Owners of the Parent Company			12,762,281,756		30,175,271,482
<b>Other comprehensive income</b>			<u>-</u>		<u>-</u>
<b>Total comprehensive income for the period</b>		₩	<u>12,762,281,756</u>	₩	<u>30,175,271,482</u>
Owners of the Parent Company			12,762,281,756		30,175,271,482
<b>Earnings per share</b>					
Basic and diluted earnings per share	17	₩	60	₩	146

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

**ESR Kendall Square REIT Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Six-Month Periods Ended November 30, 2022 and May 31, 2022**

(in Korean won)

	Equity attributable to equity holders of the Parent Company				Non-controlling interests	Total
	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)			
<b>Balance at December 1, 2021</b>	₩ 143,259,000,000	₩ 541,103,130,210	₩ 16,494,915,146	₩ 3,500,010,000	₩ 704,357,055,356	
Increase in issued capital	69,830,000,000	372,193,900,000	-	-	442,023,900,000	
Stock issuance fee	-	(3,274,398,604)	-	-	(3,274,398,604)	
Transfer of other paid-in capital to retained earnings	-	(9,836,000,000)	9,836,000,000	-	-	
Dividends paid	-	-	(19,196,706,000)	-	(19,196,706,000)	
Profit for the period	-	-	30,175,271,482	-	30,175,271,482	
Decrease in non-controlling interests	-	-	-	(3,500,010,000)	(3,500,010,000)	
<b>Balance at May 31, 2022</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 37,309,480,628</u>	<u>₩ -</u>	<u>₩ 1,150,585,112,234</u>	
<b>Balance at June 1, 2022</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 37,309,480,628	₩ -	₩ 1,150,585,112,234	
Dividends paid	-	-	(28,553,926,000)	-	(28,553,926,000)	
Profit for the period	-	-	12,762,281,756	-	12,762,281,756	
<b>Balance at November 30, 2022</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 21,517,836,384</u>	<u>₩ -</u>	<u>₩ 1,134,793,467,990</u>	

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

**ESR Kendall Square REIT Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Six-Month Periods Ended November 30, 2022 and May 31, 2022**

<i>(in Korean won)</i>	November 30, 2022	May 31, 2022
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 12,762,281,756	₩ 30,175,271,482
Adjustments for:		
Depreciation for property and equipment	10,227,945	5,030,137
Depreciation for investment properties	13,767,305,001	13,066,668,307
Interest expense	15,648,941,838	15,696,395,082
Miscellaneous expenses	86,527,759	-
Interest income	(628,242,226)	(241,706,147)
Other income	(513,148,104)	(491,097,340)
Gains from assets contributed	(277,061,000)	-
Miscellaneous income	-	(50,000,000)
Gains on valuation using equity method	(5,042,759,149)	(21,767,627,072)
	<u>23,051,792,064</u>	<u>6,217,662,967</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(19,096,529)	(254,906,746)
Increase in accrued income	(531,380,836)	(897,202,514)
Decrease (increase) in prepaid expenses	112,000,991	(645,890,182)
Decrease in prepaid value added tax	-	4,188,153,404
Increase in unearned revenue	-	1,099,078,150
Increase (decrease) in non-trade payables	198,001,202	(2,260,717,795)
Decrease in accrued expenses	(451,000)	-
Increase (decrease) in withholdings	(120,445,170)	113,332,718
Increase in value added tax withheld	55,803,416	344,961,153
	<u>(305,567,926)</u>	<u>1,686,808,188</u>
	<u>35,508,505,894</u>	<u>38,079,742,637</u>
Interest received	71,203,134	551,950,935
Income taxes received (paid)	(694,649,246)	768,628,040
Interest paid	(13,229,559,210)	(19,162,234,074)
Dividends received	4,298,398,455	1,057,134,286
Net cash inflow from operating activities	<u>25,953,899,027</u>	<u>21,295,221,824</u>
<b>Cash flows from investing activities</b>		
Decrease in short-term financial instruments	66,084,535	53,150,701,738
Decrease in other deposits	-	643,300,000
Increase in long-term financial instruments	-	(15,502,258,800)
Increase in short-term financial instruments	-	(53,214,110,544)
Increase in short-term loans	-	(15,000,000,000)
Acquisition of investments in associates	-	(5,258,158,846)
Acquisition of investment properties (Land)	-	(204,442,834,776)
Acquisition of investment properties (Building)	-	(558,804,315,616)
Acquisition of investment properties (Construction in progress)	(283,789,738)	(12,222,074,557)
Acquisition of property and equipment	-	(102,000,000)
Increase in other deposits	-	(543,000,000)
Net cash outflow from investing activities	<u>(217,705,203)</u>	<u>(811,294,751,401)</u>
<b>Cash flows from financing activities</b>		
Increase in issued capital	-	442,023,900,000
Increase in short-term borrowings	-	52,771,182,957
Increase in long-term borrowings	-	418,000,000,000
Increase in leasehold deposits received	-	16,010,766,400
Dividends paid	(28,553,926,000)	(19,196,706,000)
Repayment for short-term borrowings	-	(80,914,713,476)
Repayment for long-term borrowings	-	(20,000,000,000)
Decrease in leasehold deposits received	-	(1,518,643,220)
Stock issuance fee	-	(3,274,398,604)
Decrease in non-controlling interests	-	(3,500,010,000)
Net cash inflow (outflow) from financing activities	<u>(28,553,926,000)</u>	<u>800,401,378,057</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,817,732,176)</u>	<u>10,401,848,480</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>33,920,832,610</u>	<u>23,518,984,130</u>
<b>Cash and cash equivalents at the end of period</b>	<u>₩ 31,103,100,434</u>	<u>₩ 33,920,832,610</u>

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

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

## Notes to the Consolidated Financial Statements

### November 30, 2022 and May 31, 2022

#### 1. Reporting Entity

In accordance with Korean IFRS 1110 *Consolidated Financial Statements*, the consolidated financial statements were prepared for ESR Kendall Square REIT Co., Ltd., the controlling company, and its subsidiaries ESR Kendall Square Asset NO.1 REIT Co., Ltd. and ESR Kendall Square Asset NO.2 REIT Co., Ltd. included in consolidation (collectively referred to as the "Group").

##### 1.1 Controlling Company

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

The Parent company's major shareholders and their respective shareholdings as at November 30, 2022, are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	7,416,276	3.48%
Kendall Square REIT Management Co., Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	137,548,027	64.55%
	<u>213,089,000</u>	<u>100.00%</u>

##### 1.2 Subsidiaries

Details of subsidiaries as at November 30, 2022 and May 31, 2022, are as follows:

	Country of domicile	Business type	Percentage of ownership	
			November 30, 2022	May 31, 2022
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%

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

## Notes to the Consolidated Financial Statements

### November 30, 2022 and May 31, 2022

Financial information of subsidiaries as at and for the six-month periods ended November 30, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	November 30, 2022					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,166,470,369	₩ 650,520,131	₩ 515,950,238	₩ 30,276,392	₩ 6,603,232	₩ 6,603,232
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	869,990,031	468,434,447	401,555,584	18,729,750	1,424,670	1,424,670
<i>(in thousands of Korean won)</i>	May 31, 2022					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,176,259,150	₩ 649,687,452	₩ 526,571,698	₩ 30,199,720	₩ 8,762,008	₩ 8,762,008
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	875,860,018	467,632,244	408,227,774	16,543,577	657,932	657,932

## 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:

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

## Notes to the Consolidated Financial Statements

### November 30, 2022 and May 31, 2022

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- Certain financial assets and liabilities, certain classes of property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and

The preparation of financial statements requires the use of critical accounting estimates. Management also needs 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, 2022.

#### *(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021*

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

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the consolidated financial statements.

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

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

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

## Notes to the Consolidated Financial Statements

### November 30, 2022 and May 31, 2022

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the consolidated financial statements.

#### *(e) Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the 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 1041 Agriculture – Measuring fair value

#### *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, 2022 reporting period and have not been early adopted by the Group.

#### *(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

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

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

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

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

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

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

*(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price*

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. 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.

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#### 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

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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. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

#### **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.

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.

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- 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 'financial income or financial 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.

- 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.

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- 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 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*

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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

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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 23.

#### **2.9 Property and Equipment**

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

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

#### **2.10 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 within 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.

#### **2.11 Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

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#### 2.12 Capital Stock and Share Issuance Expenses

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

#### 2.13 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.

#### 2.14 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.

#### 2.15 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% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

#### 2.16 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, 2022 were approved for issue by the Board of Directors on January 12, 2023 and are to be approved at the Annual General Meeting scheduled on February 24, 2023.

### 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.

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Additional information of significant judgement and assumptions of certain items are included in relevant notes.

The spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the 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, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Bank deposits	₩ 31,103,100	₩ 33,920,833

**5. Short-term Financial Instruments**

Short-term financial assets as at November 30, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Bank deposits <sup>1</sup>	₩ -	₩ 63,409

<sup>1</sup> Reclassified to cash and cash equivalents as the pledge was released for the period ended November 30, 2022.

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**6. Financial Instruments Restricted in Use**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Short-term financial instruments <sup>1</sup>	₩	-	₩	63,409
Long-term financial instruments <sup>2</sup>		42,218,793		42,218,513
	₩	42,218,793	₩	42,281,922

<sup>1</sup> Reclassified to cash and cash equivalents as the pledge was released for the period ended November 30, 2022.

<sup>2</sup> Consist of bank deposit, time deposit, and financial receivables with compound interests of small and medium-sized companies and are pledged on the leasehold deposits.

**7. Other Financial Assets**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Current assets				
Account receivables	₩	1,090,750	₩	1,071,653
Accrued income		7,660,841		4,606,451
Short-term loans		15,000,000		15,000,000
	₩	23,751,591	₩	20,678,104
Non-current assets				
Other leasehold deposits	₩	543,000	₩	543,000
Accrued income		-		2,800,418
	₩	543,000	₩	3,343,418

**8. Other Assets**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Prepaid expenses	₩	1,773,114	₩	1,885,115

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**9. Investment in Associates**

Investment in associates as at November 30, 2022 and May 31, 2022, are as follows:

(in thousands of Korean won)

				November 30, 2022			
	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Share of profit	Dividends	Ending balance
Beneficiary certificates:							
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 46,128,366	₩ 1,085,953	₩ (793,611)	₩ 46,420,708
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,218,197	1,276,309	(893,482)	41,601,024
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	43,242,069	1,173,820	(892,903)	43,522,986
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	43,789,196	948,502	(893,633)	43,844,065
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,311,636	558,175	(488,923)	30,380,887
				₩ 204,689,464	₩ 5,042,759	₩ (3,962,552)	₩ 205,769,670

(in thousands of Korean won)

				May 31, 2022				
	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	₩ 37,050,880	-	₩ 9,871,098	₩ (793,611)	₩ 46,128,366
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	40,866,148	-	1,741,911	(1,389,862)	41,218,197
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,350,998	-	6,238,311	(347,240)	43,242,069
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	41,737,311	-	3,193,749	(1,141,864)	43,789,196
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	25,604,482	4,610,418	722,558	(625,822)	30,311,636
				₩ 182,609,819	₩ 4,610,418	₩ 21,767,627	₩ (4,298,399)	₩ 204,689,464

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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.

**10. Investment Properties**

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

(in thousands of  
Korean won)

	November 30, 2022			May 31, 2022		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 607,327,301	₩ -	₩ 607,327,301	₩ 607,327,301	₩ -	₩ 607,327,301
Buildings	1,368,358,377	(40,423,283)	1,327,935,094	1,368,081,316	(26,655,978)	1,341,425,339
Construction in progress	12,508,660	-	12,508,660	12,224,870	-	12,224,870
	<u>₩ 1,988,194,338</u>	<u>₩ (40,423,283)</u>	<u>₩ 1,947,771,055</u>	<u>₩ 1,987,633,487</u>	<u>₩ (26,655,978)</u>	<u>₩ 1,960,977,510</u>

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

(in thousands of  
Korean won)

	November 30, 2022			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 607,327,301	₩ 1,341,425,339	₩ 12,224,870	₩ 1,960,977,510
Acquisitions/transfers	-	277,060	283,790	560,850
Depreciation	-	(13,767,305)	-	(13,767,305)
Ending balance	<u>₩ 607,327,301</u>	<u>₩ 1,327,935,094</u>	<u>₩ 12,508,660</u>	<u>₩ 1,947,771,055</u>

(in thousands of  
Korean won)

	May 31, 2022			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 403,120,961	₩ 796,304,435	₩ -	₩ 1,199,425,396
Acquisitions/transfers	204,206,340	558,187,572	12,224,870	774,618,782
Depreciation	-	(13,066,668)	-	(13,066,668)
Ending balance	<u>₩ 607,327,301</u>	<u>₩ 1,341,425,339</u>	<u>₩ 12,224,870</u>	<u>₩ 1,960,977,510</u>

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

<i>(in thousands of Korean won)</i>	<b>Purchase price<sup>1</sup></b>	<b>Seller</b>
Gimhae logistics park 2	₩ 71,200,000	Kendal Square Gimhae Professional Investment Type Real Estate Investment Fund
Anseong logistics park 2	324,500,000	Kendal Square LP Anseong Professional Investment Type Real Estate Investment Fund
Anseong logistics park 3	127,000,000	Kendall Square LP iljuk Professional-invested Private Equity Real Estate Investment Company
Icheon logistics park 5	198,300,000	Kendall Square LP Majang Special Investment type Private Property Investment Company
	<u>₩ 721,000,000</u>	

<sup>1</sup> The amount excludes the additional cost related to purchase.

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Operating revenues <sup>1</sup>	₩ 48,490,594	₩ 46,241,447
Operating expenses <sup>2</sup>	20,699,031	16,554,387

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

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

Fair value of investment properties as at November 30, 2022 has no significant difference with the book amount.

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:

<i>(in thousands of Korean won)</i>	<b>Book value of the assets provided as collateral</b>	<b>Contract amount</b>	<b>Maximum amount of bonds (120%)</b>
Tranche A&B&C	₩ 1,184,264,894	₩ 653,500,000	₩ 784,200,000
Tranche C1-1	74,174,418	41,800,000	50,160,000
Tranche C1-2	338,174,832	187,900,000	225,480,000
Tranche C1-3	132,090,752	73,800,000	88,560,000
Tranche C2	206,557,499	114,500,000	137,400,000
	<u>₩ 1,935,262,395</u>	<u>₩ 1,071,500,000</u>	<u>₩ 1,285,800,000</u>

The Group subscribes to the property all risks insurance (insured amount: ₩ 783,961 million) in

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relation to investment property.

**11. Other Financial Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Current liabilities				
Non-trade payables	₩	5,771,177	₩	5,573,176
Accrued expense		5,264,366		5,336,878
Leasehold deposits		5,160,968		2,245,881
Discount account on present value		(63,974)		(48,747)
	₩	<u>16,132,537</u>	₩	<u>13,107,188</u>
Non-current liabilities				
Leasehold deposits	₩	39,532,499	₩	42,447,586
Discount account on present value		(4,330,672)		(4,837,592)
	₩	<u>35,201,827</u>	₩	<u>37,609,994</u>

**12. Other Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Current liabilities				
Withholdings	₩	322	₩	120,767
Value added tax withholdings		1,034,115		978,311
Unearned revenue		1,080,871		1,549,227
	₩	<u>2,115,308</u>	₩	<u>2,648,305</u>
Non-current liabilities				
Unearned revenue	₩	3,353,834	₩	3,807,743
	₩	<u>3,353,834</u>	₩	<u>3,807,743</u>

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**13. Long-term Borrowings**

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

<i>(in thousands of Korean won)</i>	<b>Financial institution</b>	<b>Annual interest rate</b>	<b>Maturity date</b>		<b>November 30, 2022</b>		<b>May 31, 2022</b>
	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
Tranche A <sup>1</sup>	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		34,300,000
Tranche B <sup>1</sup>	Industrial Bank of Korea	2.50%	December 14, 2025		155,500,000		155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025		40,000,000		40,000,000
	Industrial Bank of Korea	2.50%	December 14, 2025		28,700,000		28,700,000
Tranche C <sup>1</sup>	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025		50,000,000		50,000,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025		40,000,000		40,000,000
	TONGYANG Life Insurance Co., Ltd.	2.50%	December 14, 2025		50,000,000		50,000,000
Tranche C1-1 <sup>1</sup>	Kookmin Bank	2.50%	December 20, 2024		32,751,000		32,751,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		9,049,000		9,049,000
Tranche C1-2 <sup>1</sup>	Kookmin Bank	2.50%	December 20, 2024		147,225,000		147,225,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		40,675,000		40,675,000
Tranche C1-3 <sup>1</sup>	Kookmin Bank	2.50%	December 20, 2024		57,824,000		57,824,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		15,976,000		15,976,000
Tranche C-2 <sup>1</sup>	Kookmin Bank	2.70%	December 20, 2026		114,500,000		114,500,000
					<u>1,071,500,000</u>		<u>1,071,500,000</u>
	Less: discount account on present value				(9,214,968)		(11,214,719)
					<u>₩ 1,062,285,032</u>		<u>₩ 1,060,285,281</u>

<sup>1</sup> The Group provided the investment properties and leasehold deposits as collateral for the

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borrowings (Note 27).

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

Details of share capital as at November 30, 2022, are as follows:

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

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Additional paid-in-capital	₩ 900,186,632	₩ 900,186,632

Changes in share capital for the periods ended November 30, 2022 and May 31, 2022, are as follows:

<i>(in shares and in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
Beginning balance	213,089,000	₩ 213,089,000	143,259,000	₩ 143,259,000
Increase in issued capital	-	-	69,830,000	69,830,000
Ending balance	213,089,000	₩ 213,089,000	213,089,000	₩ 213,089,000

**15. Retained Earnings**

Details of retained earnings as at November 30, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Retained earnings	₩ 21,517,837	₩ 37,309,481

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Changes in retained earnings for the periods ended November 30, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Beginning balance	₩	37,309,481	₩	16,494,915
Transfer of other paid-in capital to retained earnings		-		9,836,000
Dividends paid		(28,553,926)		(19,196,706)
Profit for the period		12,762,282		30,175,271
Ending balance	₩	<u>21,517,837</u>	₩	<u>37,309,481</u>

Dividends for the periods ended November 30, 2022 and May 31, 2022, are calculated as follows:

<i>(in Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
1. Dividends	₩	28,980,104,000	₩	28,553,926,000
2. Total number of shares issued		213,089,000		213,089,000
3. Dividend per share (1./2.)	₩	136	₩	134
4. Par value	₩	1,000	₩	1,000
5. Dividend rate per share (3./4.)		13.60%		13.40%

**16. 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% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no corporate tax to be paid, the Group has not recognized any income tax expenses.

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**17. Earnings per Share**

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

<i>(in shares and in Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Profit for the period attributable to owners of the Parent Company	₩	12,762,281,756	₩	30,175,271,482
Weighted average number of common shares outstanding		213,089,000		206,950,099
Basic earnings per share	₩	60	₩	146

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

<i>(in shares)</i>	<b>November 30, 2022</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	183	38,995,287,000
Weighted average number of common shares outstanding			213,089,000

<i>(in shares)</i>	<b>May 31, 2022</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	143,259,000	16	2,292,144,000
Increase in issued capital	213,089,000	166	35,372,774,000
Weighted average number of common shares outstanding			206,950,099

*Diluted earnings per share*

As at November 30, 2022 and May 31, 2022, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

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**18. Operating Revenues**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Rental income	₩	47,088,468	₩	44,919,349
Management income		1,402,126		1,322,098
Other income		515,548		501,850
	₩	<u>49,006,142</u>	₩	<u>46,743,297</u>

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Within one year	₩	88,256,119	₩	93,018,907
Between 1 and 2 years		81,824,712		83,290,004
Between 2 and 3 years		75,821,528		76,438,161
Between 3 and 4 years		55,296,310		67,329,303
Between 4 and 5 years		38,709,222		48,887,306
Later than five years		53,536,797		71,038,094
	₩	<u>393,444,688</u>	₩	<u>440,001,775</u>

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**19. Operating Expenses**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Operating expenses related to investment properties:				
Insurance expenses	₩	1,738,827	₩	1,720,414
Depreciation		13,767,305		13,066,668
Real estate management consignment fees		1,610,221		1,525,549
Facility maintenance & administrative expenses		63,287		193,491
Taxes and due		3,496,482		4,527
Utilities expenses		3,817		5,784
Deemed rent		19,092		17,950
Rental brokerage fees		-		20,004
		<u>20,699,031</u>		<u>16,554,387</u>
Other operating expenses:				
Asset management consignment fees		4,949,282		4,724,093
Other fees		521,313		1,246,823
Advertising expenses		-		99,000
Agent bank fees		-		50,000
Asset custody consignment fees		60,000		60,000
General affairs consignment fees		126,943		124,363
Salaries		90,000		90,000
Depreciation		10,228		5,030
		<u>5,757,766</u>		<u>6,399,309</u>
	₩	<u>26,456,797</u>	₩	<u>22,953,696</u>

**20. Finance Income and Expenses**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Financial income				
Interest income	₩	628,242	₩	241,706
Financial expenses				
Interest expenses	₩	15,648,942	₩	15,696,395

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**21. Other Income and Expenses**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Other income				
Gains from assets contributed	₩	277,061	₩	-
Miscellaneous income		449		72,733
	₩	277,510	₩	72,733
Other expenses				
Miscellaneous expenses	₩	86,633	₩	-

**22. Financial Risk Management**

**22.1 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, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Liabilities	₩	1,119,088,537	₩	1,117,458,512
Equity		1,134,793,468		1,150,585,112
Debt-to-equity ratio		98.62%		97.12%

**22.2 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*

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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, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
Cash and cash equivalents	₩	31,103,100	₩	33,920,833
Short-term financial instruments		-		63,409
Long-term financial instruments		42,218,793		42,218,513
Other financial assets		24,294,591		24,021,523

*(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, 2022 and May 31, 2022, are as follows:

*(in thousands of Korean won)*

	<b>November 30, 2022</b>					
	<b>Book amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 year ~ 2 years</b>	<b>2 years ~ 5 years</b>	<b>Over 5 years</b>
Non-trade payables	₩ 5,771,177	₩ 5,771,177	₩ 5,771,177	₩ -	₩ -	₩ -
Accrued expenses	5,264,366	5,264,366	5,264,366	-	-	-
Long-term borrowings	1,062,285,032	1,134,883,518	26,302,500	310,158,634	798,422,384	-
Leasehold deposits	40,298,821	44,693,467	5,160,968	995,730	21,940,802	16,595,967
	<u>₩ 1,113,619,396</u>	<u>₩ 1,190,612,528</u>	<u>₩ 42,499,011</u>	<u>₩ 311,154,364</u>	<u>₩ 820,363,186</u>	<u>₩ 16,595,967</u>

*(in thousands of Korean won)*

	<b>May 31, 2022</b>					
	<b>Book amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 year ~ 2 years</b>	<b>2 years ~ 5 years</b>	<b>Over 5 years</b>
Non-trade payables	₩ 5,573,176	₩ 5,573,176	₩ 5,573,176	₩ -	₩ -	₩ -
Accrued expenses	5,336,878	5,336,878	5,336,878	-	-	-
Long-term borrowings	1,060,285,281	1,148,070,799	26,302,500	278,696,889	843,071,410	-
Leasehold deposits	39,807,128	44,693,467	2,245,881	3,693,509	22,158,110	16,595,967
	<u>₩ 1,111,002,463</u>	<u>₩ 1,203,674,320</u>	<u>₩ 39,458,435</u>	<u>₩ 282,390,398</u>	<u>₩ 865,229,520</u>	<u>₩ 16,595,967</u>

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

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

*(in thousands of Korean won)*

	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
Financial assets at amortized cost				
Cash and cash equivalents	₩ 31,103,100	₩ 31,103,100	₩ 33,920,833	₩ 33,920,833
Short-term financial instruments	-	-	63,409	63,409
Long-term financial instruments	42,218,793	42,218,793	42,218,513	42,218,513
Other financial assets	24,294,591	24,294,591	24,021,523	24,021,523
	<u>₩ 97,616,484</u>	<u>₩ 97,616,484</u>	<u>₩ 100,224,278</u>	<u>₩ 100,224,278</u>
Financial liabilities at amortized cost				
Long-term borrowings	₩ 1,062,285,032	₩ 1,062,285,032	₩ 1,060,285,281	₩ 1,060,285,281
Other financial liabilities	51,334,364	51,334,364	50,717,182	50,717,182
	<u>₩ 1,113,619,396</u>	<u>₩ 1,113,619,396</u>	<u>₩ 1,111,002,463</u>	<u>₩ 1,111,002,463</u>

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

*(in thousands of Korean won)*

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Financial assets at amortized cost		
Interest income	₩ 628,242	₩ 241,706
Financial liabilities at amortized cost		
Interest expenses	15,648,942	15,696,395

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**24. Cash flow**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Transfer of other paid-in capital to retained earnings	₩ -	₩ 9,836,000
Reclassification to current portion of leasehold deposits received	2,915,087	2,245,881
Reclassification to current portion of unearned revenues	453,909	900,265
Transfer of advance received to non-trade payables	-	110,000
Transfer of discount on present value of leasehold deposits to unearned revenues	-	215,669
Reclassification to current portion of discount on present value of leasehold deposits	15,227	48,747
Transfer of accrued income to investments in associates	3,962,552	4,298,398
Reclassification to current portion of accrued income	2,800,418	-

Changes in liabilities arising from financial activities for the period ended November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Changes in non-cash transactions<sup>1</sup></b>	<b>Ending balance</b>
Long-term borrowings	₩ 1,060,285,280	₩ 1,999,751	₩ 1,062,285,032
Leasehold deposits	39,807,128	491,693	40,298,821

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

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**25. Related Party Transactions**

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

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
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 KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related parties <sup>1</sup>	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. <sup>1</sup> ESR Kendall Square REIT Holding PTE, LTD. <sup>1</sup>	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. <sup>1</sup> ESR Kendall Square REIT Holding PTE, LTD. <sup>1</sup>

<sup>1</sup> Rights to appoint a director based on shareholders' agreement of the Group which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD. and CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC., are terminated due to termination of the agreement, and the appointed directors as at November 30, 2022 are those who have been appointed by the parties within the term of the agreement.

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

(in thousands of Korean won)

	Related party	<b>November 30, 2022</b>	
		<b>Asset management consignment fees</b>	<b>Consignment service fees</b>
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 4,949,282	₩ 10,681

(in thousands of Korean won)

	Related party	<b>May 31, 2022</b>
		<b>Asset management consignment fees<sup>1</sup></b>
Other related party	Kendall Square REIT Management Co., Ltd.	₩ 10,242,011

<sup>1</sup> Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee amounting to ₩ 110 million, which is included in the acquisition cost of investments in associates and ₩ 5,408 million, which is included in the acquisition cost of investment properties.

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

(in thousands of Korean won)

	Related party	November 30, 2022		May 31, 2022	
		Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 793,611	₩ -	₩ 793,611	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	893,482	-	1,389,862	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	892,903	-	347,240	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	893,633	-	1,141,864	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	488,923	-	625,822	-
	Other related party	Kendall Square REIT Management Co., Ltd.	-	5,444,210	-
		₩ 3,962,552	₩ 5,444,210	₩ 4,298,399	₩ 5,196,502

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

*(in thousands of Korean won)*

		<b>November 30, 2022</b>	
		<b>Dividends received</b>	<b>Dividends paid</b>
	<b>Related party</b>		
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 793,611	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,389,862	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	347,240	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	1,141,864	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	625,822	-
Other related parties	Kendall Square REIT Management Co., Ltd.	-	199,317
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC <sup>1</sup>	-	7,095,678
	ESR Kendall Square REIT Holding PTE, LTD. <sup>1</sup>	-	1,833,715
		<u>₩ 4,298,399</u>	<u>₩ 9,128,710</u>

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(in thousands of Korean won)

		May 31, 2022			
Related party	Increase in capital <sup>1</sup>	Dividends received	Dividends paid <sup>1</sup>	Decrease in class shares (Disposal of non-controlling interests)	
Associates					
KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ 267,844	₩ -	-	
KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	317,683	-	-	
KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	-	-	
KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	129,080	-	-	
KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	342,528	-	-	
Other related parties					
Kendall Square REIT Management Co., Ltd.	3,085,483	-	134,000	3,500,010	
CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC <sup>1</sup>	109,843,363	-	4,770,400	-	
ESR Kendall Square REIT Holding PTE, LTD. <sup>1</sup>	28,386,486	-	1,232,800	-	
	<u>₩ 141,315,332</u>	<u>₩ 1,057,135</u>	<u>₩ 6,137,200</u>	<u>₩ 3,500,010</u>	

<sup>1</sup> ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties with the largest amount of share capital who appointed directors as at May 31, 2022 according to the right to appoint a director granted under the shareholders agreement participated in capital increase of ₩ 164,049,217 thousand, then dividends of ₩ 7,124,512 thousand were paid to them during the period ended May 31, 2022.

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

(in thousands of Korean won)	November 30, 2022	May 31, 2022
Short-term employee benefits	₩ 57,000	₩ 57,000

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**26. 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 ₩ 37,236 million (May 31, 2021: ₩ 34,245 million), over 10% of the Group's revenue, are derived from a single external customer who leases Buchon cold logistics park and 6 others.

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**27. Commitments**

*(a) Contract for the asset management services*

The Group entered into a contract of the asset management services such as acquisition, management, development, improvement and disposal of real estate, lease, and sales of securities with Kendall Square REIT Management 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>

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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 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 ₩ 105,000 thousand 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 ₩ 45,000 thousand 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 ₩ 15,000 thousand 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 there is no amount of the trust fee for current period. (Trust fee of previous period: ₩ 200,000 thousand)

*(d) Loan agreement*

Details of the loan agreement as at November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Contract amount</b>	<b>Loan amount</b>
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	₩ 289,300,000	₩ 289,300,000
Tranche B&C (Industrial Bank of Korea, etc.)	782,200,000	782,200,000
Tranche D (Industrial Bank of Korea)	20,000,000	-
Tranche D (Kookmin Bank)	30,000,000	-
	<u>₩ 1,121,500,000</u>	<u>₩ 1,071,500,000</u>

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

<i>(in thousands of Korean won)</i>	<b>Collateral</b>	<b>Book value</b>	<b>Secured amount</b>	<b>Related borrowings</b>	<b>Financial institutions</b>	
Investment properties	Buchon cold logistics park and 4 others	₩ 463,998,422	₩ 306,000,000	Tranche A	Industrial Bank of Korea, etc.	
	Goyang logistics park	493,624,869	437,040,000	Tranche B&C	Industrial Bank of Korea, etc.	
	Anseong logistics park	164,904,904				
	Anseong logistics park 4	61,736,699	41,160,000	Tranche A	KB Insurance Co., Ltd	
	Gimhae logistics park 2	74,174,418	50,160,000	Tranche C1-1	KB Insurance Co., Ltd, Kookmin Bank	
	Anseong logistics park 2	338,174,832	225,480,000	Tranche C1-2	KB Insurance Co., Ltd, Kookmin Bank	
	Anseong logistics park 3	132,090,752	88,560,000	Tranche C1-3	KB Insurance Co., Ltd, Kookmin Bank	
	Icheon logistics park 5	206,557,499	137,400,000	Tranche C-2	Kookmin Bank	
			<u>₩ 1,935,262,395</u>	<u>₩ 1,285,800,000</u>		

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

As at November 30, 2022, the Group has been provided a performance guarantee of ₩ 450 million in relation to the payment of electricity bills and a consent guarantee of ₩ 9.6 million in relation to a permission for development activities from Seoul Guarantee Insurance Company.

As at November 30, 2022, the Group has entered into sales contract for the acquisition of Icheon logistics park and others and the total purchase amount excluding incidental fees is ₩ 252.4 billion and unpaid amount was ₩ 240.4 billion. The Group recognized the costs paid for the acquisition of logistics park as construction in progress.