

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

**Consolidated Interim Financial Statements  
February 28, 2022 and August 31, 2021**

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

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February 28, 2022 and August 31, 2021

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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

**Conclusion**

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

**Emphasis of Matter**

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

**Other Matters**

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

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

Seoul, Korea

April 14, 2022

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

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

| <i>(in Korean won)</i>   | Notes    | February 28, 2022<br>(Unaudited) | November 30, 2021          |
|--|----------|----------------------------------|----------------------------|
| <b>Assets</b>  |          |                                  |                            |
| <b>Current assets</b>  |          |                                  |                            |
| Cash and cash equivalents  | 4,22,23  | ₩ 53,692,278,903                 | ₩ 23,518,984,130           |
| Short-term financial assets  | 5,22,23  | 53,214,107,524                   | -                          |
| Other financial assets   | 7,22,23  | 1,132,560,887                    | 1,962,712,170              |
| Other current assets   | 8        | 2,450,511,084                    | 5,427,377,842              |
| Current tax assets   |          | 1,098,642,410                    | 934,859,080                |
|  |          | <u>111,588,100,808</u>           | <u>31,843,933,222</u>      |
| <b>Non-current assets</b>  |          |                                  |                            |
| Long-term financial assets   | 6,22,23  | 42,218,512,733                   | 26,715,879,351             |
| Investments in associates and joint ventures                       | 9        | 189,709,228,554                  | 182,609,817,527            |
| Investment properties  | 10       | 1,965,127,629,610                | 1,199,425,396,013          |
| Intangible assets  |          | 4,058,026                        | 4,058,026                  |
| Other non-current assets   | 7,22,23  | 2,944,896,478                    | 2,546,515,281              |
|  |          | <u>2,200,004,325,401</u>         | <u>1,411,301,666,198</u>   |
| <b>Total assets</b>  |          | <u>₩ 2,311,592,426,209</u>       | <u>₩ 1,443,145,599,420</u> |
| <b>Liabilities</b>   |          |                                  |                            |
| <b>Current liabilities</b>   |          |                                  |                            |
| Other financial liabilities  | 11,22,23 | ₩ 27,201,915,976                 | ₩ 12,629,407,224           |
| Other current liabilities  | 12       | 2,336,325,175                    | 1,866,350,058              |
| Short-term borrowings  | 13,22,23 | 52,771,182,957                   | 28,143,530,519             |
|  |          | <u>82,309,424,108</u>            | <u>42,639,287,801</u>      |
| <b>Non-current liabilities</b>                                     |          |                                  |                            |
| Long-term borrowings   | 13,22,23 | 1,059,279,941,238                | 668,141,585,260            |
| Other non-current financial liabilities                            | 11,22,23 | 39,711,328,374                   | 25,012,584,480             |
| Other non-current liabilities                                      | 12       | 3,844,292,145                    | 2,995,086,523              |
|  |          | <u>1,102,835,561,757</u>         | <u>696,149,256,263</u>     |
| <b>Total liabilities</b>   |          | <u>1,185,144,985,865</u>         | <u>738,788,544,064</u>     |
| <b>Equity</b>  |          |                                  |                            |
| Share capital  | 14       | 213,089,000,000                  | 143,259,000,000            |
| Other paid-in-capital  | 14       | 900,183,828,580                  | 541,103,130,210            |
| Retained earnings  | 15       | 13,174,611,764                   | 16,494,915,146             |
| <b>Equity attributable to equity holders of the Parent Company</b> |          | <u>1,126,447,440,344</u>         | <u>700,857,045,356</u>     |
| <b>Non-controlling interests</b>                                   |          | -                                | 3,500,010,000              |
| <b>Total equity</b>  |          | <u>1,126,447,440,344</u>         | <u>704,357,055,356</u>     |
| <b>Total liabilities and equity</b>                                |          | <u>₩ 2,311,592,426,209</u>       | <u>₩ 1,443,145,599,420</u> |

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

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

| <i>(in Korean won)</i>                           | Notes | February 28, 2022<br>(Unaudited) | August 31, 2021<br>(Unaudited) |
|--|-------|----------------------------------|--------------------------------|
| <b>Operating revenues</b>                        | 18    | ₩ 22,227,306,046                 | ₩ 15,016,495,650               |
| <b>Operating expenses</b>                        | 19    | <u>11,075,427,924</u>            | <u>8,927,437,031</u>           |
| <b>Operating profit</b>                          |       | <u>11,151,878,122</u>            | <u>6,089,058,619</u>           |
| <b>Non-operating income</b>                      |       |                                  |                                |
| Financial income                                 | 20    | 115,497,051                      | 50,834,467                     |
| Other income                                     | 21    | 22,732,598                       | 1,523,115                      |
| Gains on valuation using equity method           | 9     | <u>2,488,992,894</u>             | <u>1,995,147,228</u>           |
|  |       | <u>2,627,222,543</u>             | <u>2,047,504,810</u>           |
| <b>Non-operating expense</b>                     |       |                                  |                                |
| Financial costs                                  | 20    | 7,738,698,040                    | 4,519,590,998                  |
| Other expenses                                   |       | 7                                | -                              |
| Losses on valuation using equity method          |       | <u>-</u>                         | <u>1,026,624,662</u>           |
|  |       | <u>7,738,698,047</u>             | <u>5,546,215,660</u>           |
| <b>Profit before income tax</b>                  |       | 6,040,402,618                    | 2,590,347,769                  |
| Income tax expense                               | 16    | <u>-</u>                         | <u>-</u>                       |
| <b>Profit for the period</b>                     |       | <u>₩ 6,040,402,618</u>           | <u>₩ 2,590,347,769</u>         |
| Owners of the Parent Company                     |       | 6,040,402,618                    | 2,590,347,769                  |
| Non-controlling interests                        |       | -                                | -                              |
| <b>Other comprehensive income</b>                |       | -                                | -                              |
| <b>Total comprehensive income for the period</b> |       | <u>₩ 6,040,402,618</u>           | <u>₩ 2,590,347,769</u>         |
| Owners of the Parent Company                     |       | 6,040,402,618                    | 2,590,347,769                  |
| Non-controlling interests                        |       | -                                | -                              |
| <b>Earnings per share</b>                        |       |                                  |                                |
| Basic earnings per share                         | 17    | ₩ 30                             | ₩ 18                           |
| Diluted earnings per share                       | 17    | ₩ 30                             | ₩ 18                           |

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

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

(in Korean won)

|  | <u>Equity attributable to equity holders of the Parent Company</u> |                          |                         | Non-controlling interests | Total                      |
|--|--|--------------------------|-------------------------|---------------------------|----------------------------|
|  | Share capital  | Other paid-in-capital    | Retained earnings       |                           |                            |
| <b>Balance at June 1, 2021</b>                         | ₩ 143,259,000,000  | ₩ 541,850,342,670        | ₩ 25,573,047,741        | ₩ -                       | ₩ 710,682,390,411          |
| Transfer of other paid-in-capital to retained earnings | -  | (700,000,000)            | 700,000,000             | -                         | -                          |
| Dividends  | -  | -                        | (19,263,536,138)        | -                         | (19,263,536,138)           |
| Profit for the period                                  | -  | -                        | 2,590,347,769           | -                         | 2,590,347,769              |
| <b>Balance at August 31, 2021 (Unaudited)</b>          | <u>₩ 143,259,000,000</u>   | <u>₩ 541,150,342,670</u> | <u>₩ 9,599,859,372</u>  | <u>₩ -</u>                | <u>₩ 694,009,202,042</u>   |
| <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                                     | -  | (3,277,201,630)          | -                       | -                         | (3,277,201,630)            |
| Transfer of other paid-in-capital to retained earnings | -  | (9,836,000,000)          | 9,836,000,000           | -                         | -                          |
| Dividends  | -  | -                        | (19,196,706,000)        | -                         | (19,196,706,000)           |
| Profit for the period                                  | -  | -                        | 6,040,402,618           | -                         | 6,040,402,618              |
| Transaction with non-controlling interests             | -  | -                        | -                       | (3,500,010,000)           | (3,500,010,000)            |
| <b>Balance at February 28, 2022 (Unaudited)</b>        | <u>₩ 213,089,000,000</u>   | <u>₩ 900,183,828,580</u> | <u>₩ 13,174,611,764</u> | <u>₩ -</u>                | <u>₩ 1,126,447,440,344</u> |

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

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

| <i>(in Korean won)</i>  | February 28, 2022<br>(Unaudited) | August 31, 2021<br>(Unaudited) |
|---|----------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>                     |                                  |                                |
| Profit for the period   | ₩ 6,040,402,618                  | ₩ 2,590,347,769                |
| Adjustments for:  |                                  |                                |
| Depreciation  | 6,163,709,983                    | 3,861,145,222                  |
| Interest expense  | 7,738,698,040                    | 4,519,590,998                  |
| Interest income   | (115,497,051)                    | (50,834,467)                   |
| Other income  | (232,531,763)                    | (151,995,132)                  |
| Losses on valuation using equity method                         | -                                | 1,026,624,662                  |
| Gains on valuation using equity method                          | (2,488,992,894)                  | (1,995,147,228)                |
|   | <u>11,065,386,315</u>            | <u>7,209,384,055</u>           |
| Changes in operating assets and liabilities:                    |                                  |                                |
| Decrease (increase) in account receivables                      | (123,952,280)                    | 10,728,402                     |
| Increase in accrued income                                      | (498,681,197)                    | (713,528,426)                  |
| Increase in prepaid expenses                                    | (1,211,286,646)                  | (526,650,493)                  |
| Decrease (increase) in prepaid value added tax                  | 4,188,153,404                    | (118,000)                      |
| Increase in unearned revenue                                    | 1,105,063,535                    | -                              |
| Increase (decrease) in trade payables                           | (5,266,952,275)                  | 2,176,299,038                  |
| Increase in withholdings  | 112,859,498                      | 370,028,346                    |
| Increase in value added tax withheld                            | 392,639,469                      | -                              |
|   | <u>(1,302,156,492)</u>           | <u>1,316,758,867</u>           |
|   | <u>15,803,632,441</u>            | <u>11,116,490,691</u>          |
| Interest received   | 12,091,746                       | 63,992,596                     |
| Income taxes paid   | (163,783,330)                    | (420,033,300)                  |
| Interest paid   | (12,295,269,039)                 | (6,324,736,332)                |
| Dividends received  | 1,057,134,286                    | 4,307,058,953                  |
| Net cash inflow from operating activities                       | <u>4,413,806,104</u>             | <u>8,742,772,608</u>           |
| <b>Cash flows from investing activities</b>                     |                                  |                                |
| Decrease in long-term financial assets                          | -                                | 5,358,096,103                  |
| Decrease in other deposits                                      | 643,300,000                      | -                              |
| Increase in long-term financial assets                          | (15,502,258,800)                 | (9,663,524,114)                |
| Increase in short-term financial assets                         | (53,214,107,524)                 | -                              |
| Acquisition of investments in associates                        | (5,258,158,846)                  | (26,200,000,000)               |
| Acquisition of investment properties (Land)                     | (204,442,834,776)                | (40,660,182,565)               |
| Acquisition of investment properties (Building)                 | (557,759,422,816)                | (128,093,021,820)              |
| Acquisition of investment properties (Construction in progress) | (10,516,924,557)                 | -                              |
| Decrease in other deposits                                      | (543,000,000)                    | -                              |
| Net cash outflow from investing activities                      | <u>(846,593,407,319)</u>         | <u>(199,258,632,396)</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                   | 12,300,000,000                 |
| Increase in long-term borrowings                                | 418,000,000,000                  | 188,700,000,000                |
| Increase in advances  | -                                | 217,308,000                    |
| Increase in leasehold deposits received                         | 14,478,555,180                   | 4,304,958,000                  |
| Repayment in short-term borrowings                              | (28,143,530,519)                 | (12,300,000,000)               |
| Repayment for current portion of long-term borrowings           | (20,000,000,000)                 | -                              |
| Stock issuance fee  | (3,277,201,630)                  | -                              |
| Decrease in non-controlling interests                           | (3,500,010,000)                  | -                              |
| Net cash inflow from financing activities                       | <u>872,352,895,988</u>           | <u>193,222,266,000</u>         |
| <b>Net increase in cash and cash equivalents</b>                | 30,173,294,773                   | 2,706,406,212                  |
| <b>Cash and cash equivalents at the beginning of period</b>     | 23,518,984,130                   | 26,893,775,417                 |
| <b>Cash and cash equivalents at the end of period</b>           | <u>₩ 53,692,278,903</u>          | <u>₩ 29,600,181,629</u>        |

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



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

## Notes to the Consolidated Interim Financial Statements

### February 28, 2022 and August 31, 2021 (Unaudited) and November 30, 2021

#### 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 “Company”) was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Group obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The Group is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development, and trade of real estate lease securities. The Group’s head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Group’s major shareholders and their respective shareholdings as at February 28, 2022, are as follows:

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

##### 1.2 Subsidiaries

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

|  | Country of domicile | Business type | Percentage of ownership |                   |
|--|---------------------|---------------|-------------------------|-------------------|
|  |                     |               | February 28, 2022       | November 30, 2021 |
| 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 Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**February 28, 2022 and August 31, 2021 (Unaudited) and November 30, 2021**

Financial information of subsidiaries as at February 28, 2022 and November 30, 2021 and for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

| (in thousands of Korean won)                 | February 28, 2022 |               |               | Three-month period ended February 28, 2022 |                              |                                   |
|--|-------------------|---------------|---------------|--|------------------------------|-----------------------------------|
|  | Assets            | Liabilities   | Equity        | Operating revenues                         | Profit (loss) for the period | Total comprehensive income (loss) |
| ESR Kendall Square Asset No.1 Reit Co., LTD. | ₩ 1,169,802,171   | ₩ 647,328,515 | ₩ 522,473,656 | ₩ 15,045,916                               | ₩ 4,663,965                  | ₩ 4,663,965                       |
| ESR Kendall Square Asset No.2 Reit Co., LTD. | 915,803,838       | 518,536,857   | 397,266,982   | 7,544,915                                  | (302,860)                    | (302,860)                         |
|  |                   |               |               |  |                              |                                   |
| (in thousands of Korean won)                 | November 30, 2021 |               |               | Three-month period ended August 31, 2021   |                              |                                   |
|  | Assets            | Liabilities   | Equity        | Operating revenues                         | Profit (loss) for the period | Total comprehensive income (loss) |
| ESR Kendall Square Asset No.1 Reit Co., LTD. | ₩ 1,181,943,033   | ₩ 648,904,180 | ₩ 533,038,853 | ₩ 15,016,496                               | ₩ 2,651,022                  | ₩ 2,651,022                       |
| ESR Kendall Square Asset No.2 Reit Co., LTD. | 74,898,135        | 68,961,993    | 5,936,142     | -  | (30)                         | (30)                              |

## 2. Significant Accounting Policies

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

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim 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 interim financial statements.

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

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

## Notes to the Consolidated Interim Financial Statements

### February 28, 2022 and August 31, 2021 (Unaudited) and November 30, 2021

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#### 2.1.1 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 December 1, 2021.

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

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

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

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

#### 2.1.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for February 28, 2022 reporting periods and have not been early adopted by the Group.

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

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods

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

## Notes to the Consolidated Interim Financial Statements

### February 28, 2022 and August 31, 2021 (Unaudited) and November 30, 2021

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beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

#### *(e) Korean IFRS 1117 Insurance Contract*

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

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

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is

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

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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 financial statements.

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

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

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

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

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

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

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#### 2.2 Significant Accounting Policies

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

#### 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.

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on domestic and global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim 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 February 28, 2022 and November 30, 2021, are as follows:

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|--------------------------|--------------------------|
| Bank deposits                       | ₩ 53,692,279             | ₩ 23,518,984             |

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**5. Short-term Financial Assets**

Short-term financial assets as at February 28, 2022 and November 30, 2021, are as follows:

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|--------------------------|--------------------------|
| Bank deposits <sup>1</sup>          | ₩ 53,214,108             | ₩ -                      |

<sup>1</sup> The accounts for value-added tax refund are classified as short-term financial instruments.

**6. Financial Instruments Restricted in Use**

Financial instruments that are restricted in use as at February 28, 2022 and November 30, 2021, are as follows:

| <i>(in thousands of Korean won)</i>      | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|--|--------------------------|--------------------------|
| Short-term financial assets <sup>1</sup> | ₩ 53,214,108             | ₩ -                      |
| Long-term financial assets <sup>2</sup>  | 42,218,513               | 26,715,879               |

<sup>1</sup> It is the account for value-added tax refund and is pledged on borrowings.

<sup>2</sup> Consist of bank deposit and time deposit and are pledged on the leasehold deposits.

**7. Other Financial Assets**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|--------------------------|--------------------------|
| Current assets                      |                          |                          |
| Accounts receivables                | ₩ 940,699                | ₩ 816,747                |
| Accrued income                      | 191,862                  | 1,145,966                |
|                                     | <u>₩ 1,132,561</u>       | <u>₩ 1,962,713</u>       |
| Non-current assets                  |                          |                          |
| Other leasehold deposits            | ₩ 543,000                | ₩ 643,300                |
| Accrued income                      | 2,401,896                | 1,903,215                |
|                                     | <u>₩ 2,944,896</u>       | <u>₩ 2,546,515</u>       |

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**8. Other Assets**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |                  | <b>November 30, 2021</b> |                  |
|-------------------------------------|--------------------------|------------------|--------------------------|------------------|
| Prepaid expenses                    | ₩                        | 2,450,511        | ₩                        | 1,239,224        |
| Prepaid value added tax             |                          | -                |                          | 4,188,153        |
|                                     | ₩                        | <u>2,450,511</u> | ₩                        | <u>5,427,377</u> |

**9. Investment in Associates**

Investment in associates as at February 28, 2022 and August 31, 2021, are as follows:

| <i>(in thousands of Korean won)</i>  |                            |                                |                                  | <b>February 28, 2022</b> |                     |                                |                       |
|--|----------------------------|--------------------------------|----------------------------------|--------------------------|---------------------|--------------------------------|-----------------------|
|  | <b>Country of domicile</b> | <b>Percentage of ownership</b> | <b>Number of shares invested</b> | <b>Beginning balance</b> | <b>Acquisitions</b> | <b>Share of profit or loss</b> | <b>Ending balance</b> |
| Beneficiary certificates:  |                            |                                |                                  |                          |                     |                                |                       |
| KendallSquare Professional Investment Type Real Estate Investment Fund #6  | Korea                      | 99.20%                         | 37,264,025,475                   | ₩ 37,050,880             | ₩ -                 | ₩ 217,549                      | ₩ 37,268,429          |
| KendallSquare Professional Investment Type Real Estate Investment Fund #7  | Korea                      | 99.28%                         | 41,126,694,806                   | 40,866,148               | -                   | 678,226                        | 41,544,373            |
| KendallSquare Professional Investment Type Real Estate Investment Fund #8  | Korea                      | 99.21%                         | 37,743,009,474                   | 37,350,998               | -                   | 572,563                        | 37,923,561            |
| KendallSquare Professional Investment Type Real Estate Investment Fund #11 | Korea                      | 99.29%                         | 42,104,284,981                   | 41,737,311               | -                   | 670,088                        | 42,407,399            |
| KendallSquare Professional Investment Type Real Estate Investment Fund #18 | Korea                      | 97.78%                         | 30,898,138,840                   | 25,604,482               | 4,610,418           | 350,567                        | 30,565,467            |
|  |                            |                                |                                  | ₩ 182,609,819            | ₩ 4,610,418         | ₩ 2,488,993                    | ₩ 189,709,229         |



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(in thousands of Korean won)

|  | Country of domicile | Percentage of ownership | Number of shares invested | August 31, 2021   |              |                         |                |
|--|---------------------|-------------------------|---------------------------|-------------------|--------------|-------------------------|----------------|
|  |                     |                         |                           | Beginning balance | Acquisitions | Share of profit or loss | Ending balance |
| Beneficiary certificates:  |                     |                         |                           |                   |              |                         |                |
| KendallSquare Professional Investment Type Real Estate Investment Fund #6  | Korea               | 99.20%                  | 37,264,025,475            | ₩ 37,039,302      | ₩ -          | ₩ 406,572               | ₩ 37,445,874   |
| KendallSquare Professional Investment Type Real Estate Investment Fund #7  | Korea               | 99.28%                  | 41,126,694,806            | 40,716,670        | -            | 595,095                 | 41,311,765     |
| KendallSquare Professional Investment Type Real Estate Investment Fund #8  | Korea               | 99.21%                  | 37,743,009,474            | 37,096,914        | -            | 510,221                 | 37,607,135     |
| KendallSquare Professional Investment Type Real Estate Investment Fund #11 | Korea               | 99.29%                  | 42,104,284,981            | 41,707,759        | -            | 483,261                 | 42,191,020     |
| KendallSquare Professional Investment Type Real Estate Investment Fund #18 | Korea               | 83.54%                  | 26,398,138,840            | -                 | 26,200,000   | (1,026,625)             | 25,173,375     |
|  |                     |                         |                           | ₩ 156,560,645     | ₩ 26,200,000 | ₩ 968,524               | ₩ 183,729,169  |

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

(in thousands of Korean won)

|                          | February 28, 2022 |                          |                 | November 30, 2021 |                          |                 |
|--------------------------|-------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|
|                          | Acquisition cost  | Accumulated depreciation | Book amount     | Acquisition cost  | Accumulated depreciation | Book amount     |
| Land                     | ₩ 607,327,301     | ₩ -                      | ₩ 607,327,301   | ₩ 403,120,961     | ₩ -                      | ₩ 403,120,961   |
| Buildings                | 1,367,036,424     | (19,753,020)             | 1,347,283,404   | 809,893,745       | (13,589,310)             | 796,304,435     |
| Construction in progress | 10,516,925        | -                        | 10,516,925      | -                 | -                        | -               |
|                          | ₩ 1,984,880,650   | ₩ (19,753,020)           | ₩ 1,965,127,630 | ₩ 1,213,014,706   | ₩ (13,589,310)           | ₩ 1,199,425,396 |

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

*(in thousands of Korean won)*

|                        | <b>February 28, 2022</b> |                        |                                 |                        |
|------------------------|--------------------------|------------------------|---------------------------------|------------------------|
|                        | <b>Land</b>              | <b>Building</b>        | <b>Construction in progress</b> | <b>Total</b>           |
| Beginning balance      | ₩ 403,120,961            | ₩ 796,304,435          | ₩ -                             | ₩ 1,199,425,396        |
| Acquisitions/transfers | 204,206,340              | 557,142,679            | 10,516,925                      | 771,865,944            |
| Depreciation           | -                        | (6,163,710)            | -                               | (6,163,710)            |
| Ending balance         | <u>₩ 607,327,301</u>     | <u>₩ 1,347,283,404</u> | <u>₩ 10,516,925</u>             | <u>₩ 1,965,127,630</u> |

*(in thousands of Korean won)*

|                        | <b>August 31, 2021</b> |                      |                        |
|------------------------|------------------------|----------------------|------------------------|
|                        | <b>Land</b>            | <b>Building</b>      | <b>Total</b>           |
| Beginning balance      | ₩ 343,807,732          | ₩ 631,934,098        | ₩ 975,741,830          |
| Acquisitions/transfers | 40,660,183             | 128,093,021          | 168,753,204            |
| Depreciation           | -                      | (3,861,145)          | (3,861,145)            |
| Ending balance         | <u>₩ 384,467,915</u>   | <u>₩ 756,165,974</u> | <u>₩ 1,140,633,889</u> |

Details of acquisition for the three-month period ended February 28, 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 Special Investment type Private Property Investment Company               |
|                                     | <u>₩ 721,000,000</u>              |   |

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

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Revenues and expenses related to investment properties for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> | <b>August 31, 2021</b> |
|-------------------------------------|--------------------------|------------------------|
| Operating revenues <sup>1</sup>     | ₩ 21,984,022             | ₩ 14,864,501           |
| Operating expenses <sup>2</sup>     | 9,921,975                | 7,951,324              |

<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 February 28, 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<br/>assets provided as<br/>collateral</b> | <b>Contract amount<br/>&amp; Loan amount</b> | <b>Maximum amount of<br/>bonds (120%)</b> |
|-------------------------------------|--|--|---|
| Tranche A&B&C                       | ₩ 1,195,494,184  | ₩ 677,500,000                                | ₩ 813,000,000                             |
| Tranche C1-1                        | 75,029,601   | 41,800,000                                   | 50,160,000                                |
| Tranche C1-2                        | 341,565,100  | 187,900,000                                  | 225,480,000                               |
| Tranche C1-3                        | 133,702,505  | 73,800,000                                   | 88,560,000                                |
| Tranche C2                          | 208,819,315  | 114,500,000                                  | 137,400,000                               |
|                                     | <u>₩ 1,954,610,705</u>   | <u>₩ 1,095,500,000</u>                       | <u>₩ 1,314,600,000</u>                    |

The Group subscribes to the property all risks insurance (insured amount: ₩ 795,908 million) in relation to investment property.

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**11. Other Financial Liabilities**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |                   | <b>November 30, 2021</b> |                   |
|-------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| Current liabilities                 |                          |                   |                          |                   |
| Trade payables                      | ₩                        | 21,653,648        | ₩                        | 9,247,652         |
| Accrued expenses                    |                          | 5,498,268         |                          | 3,331,755         |
| Leasehold deposits                  |                          | 50,000            |                          | 50,000            |
|                                     | ₩                        | <u>27,201,916</u> | ₩                        | <u>12,629,407</u> |
| Non-current liabilities             |                          |                   |                          |                   |
| Leasehold deposits                  | ₩                        | 44,629,899        | ₩                        | 28,682,701        |
| Discount account on present value   |                          | (4,918,571)       |                          | (3,670,116)       |
|                                     | ₩                        | <u>39,711,328</u> | ₩                        | <u>25,012,585</u> |

**12. Other Liabilities**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |                  | <b>November 30, 2021</b> |                  |
|-------------------------------------|--------------------------|------------------|--------------------------|------------------|
| Current liabilities                 |                          |                  |                          |                  |
| Withholdings                        | ₩                        | 120,294          | ₩                        | 7,435            |
| Value added tax withholdings        |                          | 1,025,989        |                          | 633,350          |
| Advance payments                    |                          | 160,000          |                          | 218,850          |
| Unearned revenue                    |                          | 1,030,042        |                          | 1,006,716        |
|                                     |                          | <u>2,336,325</u> |                          | <u>1,866,351</u> |
| Non-current liabilities             |                          |                  |                          |                  |
| Unearned revenue                    |                          | 3,844,292        |                          | 2,995,087        |
|                                     | ₩                        | <u>3,844,292</u> | ₩                        | <u>2,995,087</u> |

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**13. Borrowings**

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

| <i>(in thousands of Korean won)</i> |                              | <b>Annual interest rate at February 28, 2022</b> | <b>Maturity date</b> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|------------------------------|--|----------------------|--------------------------|--------------------------|
|                                     | <b>Financial institution</b> |  |                      |                          |                          |
| Tranche B                           | KB Capital Co., Ltd          | -  | -                    | ₩ -                      | ₩ 18,000,000             |
|                                     | KB Savings Bank Co., Ltd.    | -  | -                    | -                        | 6,000,000                |
| Tranche E-1                         | KB Insurance Co., Ltd        | -  | -                    | -                        | 4,143,531                |
| Tranche E-2                         | KB Insurance Co., Ltd        | 3.50%  | March 31, 2022       | 52,771,183               | -                        |
|                                     |                              |  |                      | <u>₩ 52,771,183</u>      | <u>₩ 28,143,531</u>      |

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

| <i>(in thousands of Korean won)</i> |                                    | <b>Annual interest rate at February 28, 2022</b> | <b>Maturity date</b> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|------------------------------------|--|----------------------|--------------------------|--------------------------|
|                                     | <b>Financial institution</b>       |  |                      |                          |                          |
| Tranche A <sup>1</sup>              | Hanwha General Insurance Co., Ltd. | 2.22%  | December 14, 2023    | ₩ 50,000,000             | ₩ 50,000,000             |
|                                     | Bank of China                      | 2.22%  | December 14, 2023    | 50,000,000               | 50,000,000               |
|                                     | Shinhan Bank                       | 2.22%  | December 14, 2023    | 50,000,000               | 50,000,000               |
|                                     | Industrial Bank of Korea           | 2.22%  | December 14, 2023    | 105,000,000              | 105,000,000              |
|                                     | KB Insurance Co., Ltd              | 2.50%  | November 30, 2024    | 34,300,000               | 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               | -                        |
|                                     | KB Insurance Co., Ltd              | 2.50%  | December 20, 2024    | 9,049,000                | -                        |
| Tranche C1-2 <sup>1</sup>           | Kookmin Bank                       | 2.50%  | December 20, 2024    | 147,225,000              | -                        |

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| <i>(in thousands of Korean won)</i> | <b>Financial institution</b>            | <b>Annual interest rate at February 28, 2022</b> | <b>Maturity date</b> | <b>February 28, 2022</b> | <b>November 30, 2021</b> |
|-------------------------------------|---|--|----------------------|--------------------------|--------------------------|
|                                     | KB Insurance Co., Ltd                   | 2.50%  | December 20, 2024    | 40,675,000               | -                        |
|                                     | Kookmin Bank                            | 2.50%  | December 20, 2024    | 57,824,000               | -                        |
| Tranche C1-3 <sup>1</sup>           | KB Insurance Co., Ltd                   | 2.50%  | December 20, 2024    | 15,976,000               | -                        |
| Tranche C-2 <sup>1</sup>            | Kookmin Bank                            | 2,70%  | December 20, 2026    | 114,500,000              | -                        |
| Tranche D                           | Industrial Bank of Korea                | 3.80%  | December 14, 2025    | -                        | 20,000,000               |
|                                     |   |  |                      | <u>1,071,500,000</u>     | <u>673,500,000</u>       |
|                                     | Less: discount account on present value |  |                      | <u>(12,220,059)</u>      | <u>(5,358,415)</u>       |
|                                     |   |  |                      | <u>₩ 1,059,279,941</u>   | <u>₩ 668,141,585</u>     |

<sup>1</sup> The Group provided the investment properties and leasehold deposits as collateral for the borrowing (Note 27).

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

Details of share capital as at February 28, 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 February 28, 2022 and November 30, 2021, are as follows:

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

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**15. Retained Earnings**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |            | <b>November 30, 2021</b> |            |
|-------------------------------------|--------------------------|------------|--------------------------|------------|
| Retained earnings                   | ₩                        | 13,174,612 | ₩                        | 16,494,915 |

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

| <i>(in thousands of Korean won)</i>                    | <b>February 28, 2022</b> |                   | <b>August 31, 2021</b> |                  |
|--|--------------------------|-------------------|------------------------|------------------|
| Beginning balance                                      | ₩                        | 16,494,915        | ₩                      | 25,573,048       |
| Transfer of other paid-in-capital to retained earnings |                          | 9,836,000         |                        | 700,000          |
| Dividends  |                          | (19,196,706)      |                        | (19,263,536)     |
| Profit (loss) for the period                           |                          | 6,040,403         |                        | 2,590,348        |
| Ending balance   | ₩                        | <u>13,174,612</u> | ₩                      | <u>9,599,859</u> |

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

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

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**17. Earnings per Share**

Basic earnings per share for the three-month periods ended February 28, 2022 and August 31, 2021, are as follows:

| <i>(in Korean won)</i>   | <b>February 28, 2022</b> | <b>August 31, 2021</b> |
|--|--------------------------|------------------------|
| Profit for the period attributable to owners of the Parent Company | ₩ 6,040,402,618          | ₩ 2,590,347,769        |
| Weighted average number of common shares outstanding               | 200,674,778 shares       | 143,259,000 shares     |
| Basic earnings per share   | ₩ 30                     | ₩ 18                   |

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

| <i>(in shares)</i>                                   | <b>February 28, 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  |
| Increased in issued capital                          | 213,089,000              | 74                                | 15,768,586,000   |
| Weighted average number of common shares outstanding |                          |                                   | <u>200,674,778</u>                                     |

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

Diluted earnings per share

*(a) For the three-month period ended February 28, 2022*

The Group did not issue any potential ordinary shares, therefore, diluted earnings per share are identical to basic earnings per share for the three-month period ended February 28, 2022.



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**18. Operating Revenues**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |                   | <b>August 31, 2021</b> |                   |
|-------------------------------------|--------------------------|-------------------|------------------------|-------------------|
| Rental income                       | ₩                        | 21,358,054        | ₩                      | 14,587,661        |
| Management income                   |                          | 625,968           |                        | 276,840           |
| Other income                        |                          | 243,284           |                        | 151,995           |
|                                     | ₩                        | <u>22,227,306</u> | ₩                      | <u>15,016,496</u> |

The future minimum lease payments expected to be received in relation to the operating lease agreement as at February 28, 2022, are as follows:

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |                    | <b>August 31, 2021</b> |                    |
|-------------------------------------|--------------------------|--------------------|------------------------|--------------------|
| Within one year                     | ₩                        | 93,884,892         | ₩                      | 57,474,554         |
| Between 1 and 2 years               |                          | 91,562,533         |                        | 57,311,236         |
| Between 2 and 3 years               |                          | 82,591,233         |                        | 55,871,796         |
| Between 3 and 4 years               |                          | 67,329,280         |                        | 44,841,671         |
| Between 4 and 5 years               |                          | 43,539,448         |                        | 31,808,836         |
| Later than five years               |                          | 79,688,135         |                        | 91,670,574         |
|                                     | ₩                        | <u>458,595,521</u> | ₩                      | <u>338,978,667</u> |

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**19. Operating Expenses**

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

| <i>(in thousands of Korean won)</i>            | <b>February 28, 2022</b> |                   | <b>August 31, 2021</b> |                  |
|--|--------------------------|-------------------|------------------------|------------------|
| Depreciation                                   | ₩                        | 6,163,710         | ₩                      | 3,861,145        |
| Asset management consignment fees              |                          | 2,235,929         |                        | 2,038,676        |
| Other fees                                     |                          | 975,858           |                        | 323,795          |
| Insurance expenses                             |                          | 767,889           |                        | 300,564          |
| Real estate management consignment fees        |                          | 678,746           |                        | 465,227          |
| Utilities expenses                             |                          | 3,805             |                        | 3,007            |
| Advertising expenses                           |                          | 99,000            |                        | -                |
| General affairs consignment fees               |                          | 60,449            |                        | 38,287           |
| Salaries                                       |                          | 45,000            |                        | 39,000           |
| Asset custody consignment fees                 |                          | 29,670            |                        | 22,623           |
| Deemed rent                                    |                          | 8,349             |                        | 4,380            |
| Taxes and due                                  |                          | 4,171             |                        | 1,580,106        |
| Facility maintenance & administrative expenses |                          | 2,852             |                        | -                |
| Rental brokerage fee                           |                          | -                 |                        | 250,626          |
|  | ₩                        | <u>11,075,428</u> | ₩                      | <u>8,927,436</u> |

**20. Finance Income and Costs**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |           | <b>August 31, 2021</b> |           |
|-------------------------------------|--------------------------|-----------|------------------------|-----------|
| Financial income                    |                          |           |                        |           |
| Interest income                     | ₩                        | 115,497   | ₩                      | 50,834    |
| Financial costs                     |                          |           |                        |           |
| Interest costs                      | ₩                        | 7,738,698 | ₩                      | 4,519,591 |

**21. Other Income and Expenses**

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |        | <b>August 31, 2021</b> |       |
|-------------------------------------|--------------------------|--------|------------------------|-------|
| Other income                        |                          |        |                        |       |
| Miscellaneous income                | ₩                        | 22,733 | ₩                      | 1,523 |

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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |               | <b>November 30, 2021</b> |             |
|-------------------------------------|--------------------------|---------------|--------------------------|-------------|
| Liabilities                         | ₩                        | 1,185,144,986 | ₩                        | 738,788,544 |
| Equity                              |                          | 1,126,447,440 |                          | 704,357,055 |
| Debt-to-equity ratio                |                          | 105.21%       |                          | 104.89%     |

**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*

Credit risk refers to the risk that the customer or the counterparty will suffer financial losses due to failure to fulfil their contractual obligations in our ordinary transactions and investment activities.

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at February 28, 2022 and November 30, 2021, are as follows:

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> |             | <b>November 30, 2021</b> |            |
|-------------------------------------|--------------------------|-------------|--------------------------|------------|
| Cash and cash equivalents           | ₩                        | 106,906,386 | ₩                        | 23,518,984 |
| Short-term financial instruments    |                          | 15,502,259  |                          | -          |
| Long-term financial instruments     |                          | 26,716,254  |                          | 26,715,879 |
| Other financial assets              |                          | 4,077,457   |                          | 4,509,227  |

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

(in thousands of Korean won)

|                       | February 28, 2022      |                        |                      |                      |                      |                     |
|-----------------------|------------------------|------------------------|----------------------|----------------------|----------------------|---------------------|
|                       | Book amount            | Contractual cash flows | Within 1 year        | 1 year ~ 2 years     | 2 years ~ 5 years    | Over 5 years        |
| Trade payables        | ₩ 21,653,648           | ₩ 21,653,648           | ₩ 21,653,648         | ₩ -                  | ₩ -                  | ₩ -                 |
| Accrued expenses      | 5,498,268              | 5,498,268              | 5,498,268            | -                    | -                    | -                   |
| Short-term borrowings | 52,771,183             | 52,928,051             | 52,928,051           | -                    | -                    | -                   |
| Long-term borrowings  | 1,059,279,941          | 1,154,700,470          | 26,302,500           | 280,123,771          | 848,274,199          | -                   |
| Leasehold deposits    | 39,761,328             | 44,679,899             | 50,000               | 5,580,908            | 22,453,024           | 16,595,967          |
|                       | <u>₩ 1,178,964,368</u> | <u>₩ 1,279,460,336</u> | <u>₩ 106,432,467</u> | <u>₩ 285,704,679</u> | <u>₩ 870,727,223</u> | <u>₩ 16,595,967</u> |

(in thousands of Korean won)

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

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

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

*(in thousands of Korean won)*

|                                  | February 28, 2022      |                        | November 30, 2021    |                      |
|----------------------------------|------------------------|------------------------|----------------------|----------------------|
|                                  | Book amount            | Fair value             | Book amount          | Fair value           |
| <b>Financial assets</b>          |                        |                        |                      |                      |
| Cash and cash equivalents        | ₩ 106,906,386          | ₩ 106,906,386          | ₩ 23,518,984         | ₩ 23,518,984         |
| Short-term financial instruments | 15,502,259             | 15,502,259             | -                    | -                    |
| Long-term financial instruments  | 26,716,254             | 26,716,254             | 26,715,879           | 26,715,879           |
| Other financial assets           | 4,077,457              | 4,077,457              | 4,509,227            | 4,509,227            |
|                                  | <u>₩ 153,202,356</u>   | <u>₩ 153,202,356</u>   | <u>₩ 54,744,090</u>  | <u>₩ 54,744,090</u>  |
| <b>Financial liabilities</b>     |                        |                        |                      |                      |
| Short-term borrowings            | ₩ 52,771,183           | ₩ 52,771,183           | ₩ 28,143,531         | ₩ 28,143,531         |
| Long-term borrowings             | 1,059,279,941          | 1,059,279,941          | 668,141,585          | 668,141,585          |
| Other financial liabilities      | 66,913,244             | 66,913,244             | 37,641,992           | 37,641,992           |
|                                  | <u>₩ 1,178,964,368</u> | <u>₩ 1,178,964,368</u> | <u>₩ 733,927,108</u> | <u>₩ 733,927,108</u> |

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

*(in thousands of Korean won)*

|  | February 28, 2022 | August 31, 2021 |
|--|-------------------|-----------------|
| <b>Financial assets at amortized cost</b>      |                   |                 |
| Interest income                                | ₩ 115,497         | ₩ 50,834        |
| <b>Financial liabilities at amortized cost</b> |                   |                 |
| Interest expenses                              | 7,738,698         | 4,519,591       |

**24. Cash flow**

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

*(in thousands of Korean won)*

|   | February 28, 2022 | August 31, 2021 |
|---|-------------------|-----------------|
| Transfer of other paid-in-capital to retained earnings              | ₩ 9,836,000       | ₩ 700,000       |
| Dividends   | 19,196,706        | 19,263,536      |
| Transfer of unearned revenue to current                             | 998,778           | -               |
| Transfer of trade payables into discount account on present value   | -                 | 1,687,000       |
| Transfer of unearned revenue into discount account on present value | -                 | 466,905         |

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

| <i>(in thousands of Korean won)</i> | <b>Beginning balance</b> | <b>Cash flow from financial activities</b> | <b>Changes in non-cash transactions<sup>1</sup></b> | <b>Ending balance</b> |
|-------------------------------------|--------------------------|--|---|-----------------------|
| Short-term borrowings               | ₩ 28,143,531             | ₩ 24,627,652                               | ₩ -   | ₩ 52,771,183          |
| Unpaid dividends                    | -                        | -  | 19,196,706  | 19,196,706            |
| Long-term borrowings                | 668,141,585              | 398,000,000                                | (6,861,644)   | 1,059,279,941         |
| Leasehold deposits                  | 25,062,584               | 14,478,555                                 | 220,189   | 39,761,328            |

<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.

**25. Related Party Transactions**

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

|                                  | <b>February 28, 2022</b>  | <b>November 30, 2021</b>  |
|----------------------------------|---|---|
| Associates                       | KendallSquare Professional Investment Type Real Estate Investment Fund #6<br>KendallSquare Professional Investment Type Real Estate Investment Fund #7<br>KendallSquare Professional Investment Type Real Estate Investment Fund #8<br>KendallSquare Professional Investment Type Real Estate Investment Fund #11<br>KendallSquare Professional Investment Type Real Estate Investment Fund #18 | KendallSquare Professional Investment Type Real Estate Investment Fund #6<br>KendallSquare Professional Investment Type Real Estate Investment Fund #7<br>KendallSquare Professional Investment Type Real Estate Investment Fund #8<br>KendallSquare Professional Investment Type Real Estate Investment Fund #11<br>KendallSquare Professional Investment Type Real Estate Investment Fund #18 |
| Other related party <sup>1</sup> | Kendall Square REIT Management, Inc.<br>CPP Investment Board Real Estate Holdings Inc.<br>ESR Kendall Square REIT Holding PTE, LTD.   | Kendall Square REIT Management, Inc.<br>CPP Investment Board Real Estate Holdings Inc.<br>ESR Kendall Square REIT Holding PTE, LTD.   |

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

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

| <i>(in thousands of Korean won)</i> |                                      | <b>Related party</b> | <b>February 28, 2022</b>                             |           |
|-------------------------------------|--------------------------------------|----------------------|--|-----------|
|                                     |                                      |                      | <b>Asset management consignment fees<sup>1</sup></b> |           |
| Other related party                 | Kendall Square REIT Management, Inc. |                      | ₩  | 7,763,885 |

<sup>1</sup> Asset management consignment fees for Kendall Square REIT Management, Inc. includes asset purchase fee amounting to ₩ 110 million, which is included in the acquisition cost of investments in associates, and asset purchase fee amounting to ₩ 5,552 million, which is included in the acquisition cost of investment properties .

| <i>(in thousands of Korean won)</i> |                                      | <b>Related party</b> | <b>August 31, 2021</b>                               |           |
|-------------------------------------|--------------------------------------|----------------------|--|-----------|
|                                     |                                      |                      | <b>Asset management consignment fees<sup>1</sup></b> |           |
| Other related party                 | Kendall Square REIT Management, Inc. |                      | ₩  | 3,297,561 |

<sup>1</sup> Asset management consignment fees for Kendall Square REIT Management, Inc. includes asset purchase fee ₩ 1,200 million, which is included in the acquisition cost of investment properties.

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

| <i>(in thousands of Korean won)</i> |  | <b>Related party</b> | <b>February 28, 2022</b> |                         | <b>November 30, 2021</b> |                       |   |           |   |
|-------------------------------------|--|----------------------|--------------------------|-------------------------|--------------------------|-----------------------|---|-----------|---|
|                                     |  |                      | <b>Trade payables</b>    | <b>Unpaid dividends</b> | <b>Accrued income</b>    | <b>Trade payables</b> |   |           |   |
| Associates                          | KendallSquare Professional Investment Type Real Estate Investment Fund #6  | ₩                    | -                        | ₩                       | -                        | ₩ 267,844             | ₩ | -         |   |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #7  |                      | -                        | -                       | 317,683                  |                       | - |           |   |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #11 |                      | -                        | -                       | 129,080                  |                       | - |           |   |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #18 |                      | -                        | -                       | 342,528                  |                       | - |           |   |
| Other related party                 | Kendall Square REIT Management, Inc.                                       |                      | 2,235,929                | 134,000                 | -                        |                       |   | 4,469,957 |   |
|                                     | CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC.                             |                      | -                        | 4,770,400               | -                        |                       |   | -         |   |
|                                     | ESR KENDALL SQUARE REIT HOLDING PTE, LTD.                                  |                      | -                        | 1,232,800               | -                        |                       |   | -         |   |
|                                     |  |                      | ₩                        | 2,235,929               | ₩                        | 6,137,200             | ₩ | 1,057,135 | ₩ |

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

| <i>(in thousands of Korean won)</i> |  | Related party                        | February 28, 2022     |                    |  |                                   |           |   |         |
|-------------------------------------|--|--------------------------------------|-----------------------|--------------------|--|-----------------------------------|-----------|---|---------|
|                                     |  |                                      | Acquisition of shares | Dividends received | Capital decrease (Acquisition of non-controlling interest) | Asset management consignment fees |           |   |         |
| Associates                          | KendallSquare Professional Investment Type Real Estate Investment Fund #6  | ₩                                    | -                     | ₩ 267,844          | ₩  | -                                 | ₩         | - |         |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #7  |                                      | -                     | 317,683            |  | -                                 |           | - |         |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #8  |                                      | -                     | -                  |  | -                                 |           | - |         |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #11 |                                      | -                     | 129,080            |  | -                                 |           | - |         |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #18 |                                      | 4,610,418             | 342,528            |  | -                                 |           | - |         |
|                                     | Other related party  | Kendall Square REIT Management, Inc. |                       | -                  | -  |                                   | 3,500,010 |   | 768,197 |
|                                     |  |                                      | ₩                     | 4,610,418          | ₩ 1,057,135  | ₩                                 | 3,500,010 | ₩ | 768,197 |

| <i>(in thousands of Korean won)</i> |  | Related party                        | August 31, 2021      |                    |             |
|-------------------------------------|--|--------------------------------------|----------------------|--------------------|-------------|
|                                     |  |                                      | Contribution in cash | Dividends received |             |
| Associates                          | KendallSquare Professional Investment Type Real Estate Investment Fund #6  | ₩                                    | -                    | ₩ 1,021,774        |             |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #7  |                                      | -                    | 1,350,151          |             |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #8  |                                      | -                    | 1,309,591          |             |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #11 |                                      | -                    | 625,543            |             |
|                                     | KendallSquare Professional Investment Type Real Estate Investment Fund #18 |                                      | 26,200,000           | -                  |             |
|                                     | Other related party  | Kendall Square REIT Management, Inc. |                      | -                  | -           |
|                                     |  |                                      | ₩                    | 26,200,000         | ₩ 4,307,059 |



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

| <i>(in thousands of Korean won)</i> | <b>February 28, 2022</b> | <b>August 31, 2021</b> |
|-------------------------------------|--------------------------|------------------------|
| Short-term employee benefits        | ₩ 31,500 ₩               | 39,000                 |

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

Revenues of approximately ₩ 16,162 million (August 31, 2021: ₩ 11,112 million), over 10% of the Group's revenue, are derived from a single external customer. These revenues are attributed to Buchon cold logistics park and 6 others.

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

|                            | <b>Details</b>  |
|----------------------------|---|
| Management fees            | <p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% 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> |

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|                        | <b>Details</b>   |
|------------------------|--|
| Purchase fee           | <p>a. Real estates:</p> <p>Purchase price X 1.0%</p> <p>(*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding</p> <p>(*) 0.75%, in the cases of (i) the assets for purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.</p> |
| Basic sales commission | 0.5% of the sales amount calculated when each asset is sold  |
| Development fee        | <p>5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table</p> <p>In consultation with the asset management company, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.</p>  |

*(b) General affairs consignment contract*

The Group entered a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholder's meetings. Fees are paid ₩ 105 million per every fiscal year. In addition, for the assets that the Group additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

*(c) Asset custody consignment contract*

The Group entered a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 45 million per every fiscal year. The Group entered a consignment contract for custody and management of securities, cash and

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

*(d) Loan agreement*

Details of the loan agreement as at February 28, 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. and 4 others) | ₩                      | 289,300,000          | ₩                  | 289,300,000          |
| Tranche B&C (Industrial Bank of Korea, etc. and 5 others)         |                        | 782,200,000          |                    | 782,200,000          |
| Tranche E (KB Insurance Co., Ltd)                                 |                        | 60,100,000           |                    | 52,771,183           |
| Tranche D (Industrial Bank of Korea)                              |                        | 20,000,000           |                    | -                    |
| Tranche D (Kookmin Bank)  |                        | 30,000,000           |                    | -                    |
|   | ₩                      | <u>1,181,600,000</u> | ₩                  | <u>1,124,271,183</u> |

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>                  |
|-------------------------------------|---|------------------------|------------------------|---------------------------|--|
|                                     | Buchon cold logistics park and 4 others | ₩ 467,984,739          | ₩ 306,000,000          | Tranche A                 | Industrial Bank of Korea, etc. and 3 others    |
|                                     | Goyang logistics park                   | 498,275,261            | 437,040,000            | Tranche B&C               | Industrial Bank of Korea, etc. and 3 others    |
|                                     | Anseong logistics park                  | 166,835,073            | 41,160,000             | Tranche A                 | KB Insurance Co., Ltd                          |
| Investment properties               | Anseong logistics park 4                | 62,399,111             | 28,800,000             | Tranche B                 | KB Capital Co., Ltd, KB Savings Bank Co., Ltd. |
|                                     | Gimhae logistics park 2                 | 75,029,601             | 50,160,000             | Tranche C1-1              | KB Insurance Co., Ltd, Kookmin Bank            |
|                                     | Anseong logistics park 2                | 341,565,100            | 225,480,000            | Tranche C1-2              | KB Insurance Co., Ltd, Kookmin Bank            |
|                                     | Anseong logistics park 3                | 133,702,505            | 88,560,000             | Tranche C1-3              | KB Insurance Co., Ltd, Kookmin Bank            |
|                                     | Icheon logistics park 5                 | 208,819,315            | 137,400,000            | Tranche C-2               | Kookmin Bank                                   |
|                                     |   | ₩ <u>1,954,610,705</u> | ₩ <u>1,314,600,000</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.