

ESR Kendall Square REIT Co., Ltd.

Condensed Separate Interim Financial Statements
for the three-month period ended February 29, 2024
with the independent auditor's review report

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Report on review of interim condensed separate financial statements

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Report on review of interim condensed separated financial statements

(English Translation of a Report Originally Issued in Korean)

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

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

Management’s responsibility for the interim condensed separate financial statements

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

Auditor’s responsibility

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

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

Conclusion

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

Other matters

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

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

Ernst & Young Han Young

April 15, 2024

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

ESR Kendall Square REIT Co., Ltd.
Interim separate statements of financial position
as of February 29, 2024 and November 30, 2023

<i>(in Korean won)</i>	Notes	February 29, 2024	November 30, 2023
Assets			
Current assets			
Cash and cash equivalents	4,19,20	₩ 35,610,516,545	₩ 17,927,298,942
Short-term financial instruments	19,20	20,000,000,000	10,000,000,000
Other financial assets	5,19,20	191,030,647	3,035,149,315
Other current assets	6	18,028,579	3,841,962
Current tax assets		3,387,228,220	2,919,306,860
		<u>59,206,803,991</u>	<u>33,885,597,079</u>
Non-current assets			
Investments in subsidiaries	7	1,017,100,000,000	987,100,000,000
Investments in associates	8	152,432,148,107	152,432,148,107
		<u>1,169,532,148,107</u>	<u>1,139,532,148,107</u>
Total assets		<u>₩ 1,228,738,952,098</u>	<u>₩ 1,173,417,745,186</u>
Liabilities			
Current liabilities			
Other financial liabilities	9,19,20	₩ 29,546,650,791	₩ 191,800,386
Other current liabilities	10	663,450	788,700
		<u>29,547,314,241</u>	<u>192,589,086</u>
Non-current liabilities			
Long-term borrowings	11,19,20	₩ 58,000,000,000	₩ 30,000,000,000
		<u>58,000,000,000</u>	<u>30,000,000,000</u>
Total liabilities		<u>87,547,314,241</u>	<u>30,192,589,086</u>
Equity			
Share capital	12	213,089,000,000	213,089,000,000
Other paid-in-capital	12	900,186,631,606	900,186,631,606
Retained earnings	13	27,916,006,251	29,949,524,494
Total equity		<u>1,141,191,637,857</u>	<u>1,143,225,156,100</u>
Total liabilities and equity		<u>₩ 1,228,738,952,098</u>	<u>₩ 1,173,417,745,186</u>

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

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

ESR Kendall Square REIT Co., Ltd.
Interim separate statements of comprehensive income
for the three-month periods ended February 29, 2024 and August 31, 2023

<i>(in Korean won)</i>	Notes	February 29, 2024	August 31, 2023
Operating revenues	16	₩ 27,857,790,382	₩ 27,169,620,641
Operating expenses	17	<u>318,816,665</u>	<u>235,292,701</u>
Operating profit		<u>27,538,973,717</u>	<u>26,934,327,940</u>
Non-operating income			
Financial income	18,20	194,332,615	67,172,469
Other income		<u>4</u>	<u>-</u>
		<u>194,332,619</u>	<u>67,172,469</u>
Non-operating expense			
Financial expenses	18,20	<u>573,631,579</u>	<u>232,273,972</u>
		<u>573,631,579</u>	<u>232,273,972</u>
Profit before income tax expense		27,159,674,757	26,769,226,437
Income tax expense	14	<u>-</u>	<u>-</u>
Profit for the period	13	<u>₩ 27,159,674,757</u>	<u>₩ 26,769,226,437</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>₩ 27,159,674,757</u>	<u>₩ 26,769,226,437</u>
Earnings per share			
Basic and diluted earnings per share	15	₩ 127	₩ 126

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

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

ESR Kendall Square REIT Co., Ltd.

Interim separate statements of changes in equity

for the three-month periods ended February 29, 2024 and August 31, 2023

(in Korean won)

	Share capital	Other paid-in-capital	Retained earnings	Total
Balance as of June 1, 2023	₩ 213,089,000,000	₩ 900,186,631,606	₩ 29,385,381,438	₩ 1,142,661,013,044
Dividends	-	-	(28,767,015,000)	(28,767,015,000)
Profit for the period	-	-	26,769,226,437	26,769,226,437
Balance as of August 31, 2023	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 27,387,592,875</u>	<u>₩ 1,140,663,224,481</u>
Balance as of December 1, 2023	₩ 213,089,000,000	₩ 900,186,631,606	₩ 29,949,524,494	₩ 1,143,225,156,100
Dividends	-	-	(29,193,193,000)	(29,193,193,000)
Profit for the period	-	-	27,159,674,757	27,159,674,757
Balance as of February 29, 2024	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 27,916,006,251</u>	<u>₩ 1,141,191,637,857</u>

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

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

ESR Kendall Square REIT Co., Ltd.
Interim separate statements of cash flows
for the three-month periods ended February 29, 2024 and August 31, 2023

(in Korean won)

	February 29, 2024	August 31, 2023
Cash flows from operating activities		
Profit for the period	₩ 27,159,674,757	₩ 26,769,226,437
Adjustments for:		
Interest income	(194,332,615)	(67,172,469)
Dividend income	(27,857,790,382)	(27,169,620,641)
Interest expense	573,631,579	232,273,972
	(27,478,491,418)	(27,004,519,138)
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(14,186,617)	5,700,975
Increase (decrease) in non-trade payables	103,750,122	(15,780,344)
Increase (decrease) in withholdings	(125,250)	(611,440)
	89,438,255	(10,690,809)
	(229,378,406)	(245,983,510)
Interest received	168,556,610	4,612,673
Interest paid	(515,724,296)	(279,095,889)
Income taxes paid	(467,921,360)	(2,910,181,120)
Dividends received	30,727,685,055	31,477,140,526
Net cash inflow from operating activities	29,683,217,603	28,046,492,680
Cash flows from investing activities		
Decrease in investments in associates	-	37,264,025,475
Disposal of investments in subsidiaries	-	10,000,000,000
Disposal of short-term financial instruments	10,000,000,000	-
	10,000,000,000	47,264,025,475
Acquisition of short-term financial instruments	(20,000,000,000)	(10,000,000,000)
Acquisition of investments in subsidiaries	(30,000,000,000)	(10,000,000,000)
	(50,000,000,000)	(20,000,000,000)
Net cash inflows from investing activities	(40,000,000,000)	27,264,025,475
Cash flows from financing activities		
Increase in long-term borrowings	28,000,000,000	-
Repayments of long-term borrowings	-	(20,000,000,000)
Net cash outflows from financing activities	28,000,000,000	(20,000,000,000)
Net increase in cash and cash equivalents	17,683,217,603	35,310,518,155
Cash and cash equivalents at the beginning of period	17,927,298,942	1,129,777,604
Cash and cash equivalents at the end of period	₩ 35,610,516,545	₩ 36,440,295,759

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

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

ESR Kendall Square REIT Co., Ltd.

Notes to the interim condensed separate interim financial statements

February 29, 2024 and August 31, 2023

1. General Information

ESR Kendall Square REIT Co., Ltd. (the “Company”) was established on February 20, 2020 under the *Real Estate Investment Group Act* of the Republic of Korea. The Company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The business purpose of the Company is to distribute its profits to its stockholders, which are generated from the revenue earned from acquisition, development, management, refurbishment and disposition of real estates and other properties.

Its head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Company’s major shareholders and their respective shareholdings as of February 29, 2024 are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	8,183,698	3.84%
Kendall Square REIT Management Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	136,780,605	64.19%
	<u>213,089,000</u>	<u>100.00%</u>

2. Material Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 Company maintains its accounting records in Korean won (presented as “Korean won” or “₩”). The accompanying interim condensed separate financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The Company’s interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as of November 30, 2023.

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

2.1.1 New and amended standards and interpretations

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

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

The amendments to KIFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments had no material impact on the Company's separated financial statements.

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

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

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

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

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments had no material impact on the Company's separated financial statements.

(e) KIFRS 1117 Insurance Contract

KIFRS 1117 *Insurance Contracts* replaces KIFRS 1104 *Insurance Contracts*. These amendments estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The Company recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. The amendments had no material impact on the Company's separated financial statements.

ESR Kendall Square REIT Co., Ltd.
Notes to the interim condensed separate interim financial statements
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(f) KIFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules

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

2.1.2 Standards issued but not effective

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

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

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

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

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

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

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

ESR Kendall Square REIT Co., Ltd.
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(d) Amendments to KIFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets

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

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

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

2.2 Accounting Policies

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

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

3. Material Accounting Estimates and Assumptions

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

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

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

4. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Bank deposits	₩	35,610,517	₩	17,927,299

(2) The Company has no financial instruments that are restricted in use as of February 29, 2024 and November 30, 2023.

5. Other Financial Assets

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Accrued income	₩	191,031	₩	3,035,149

6. Other Current Assets

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Prepaid expenses	₩	18,029	₩	3,842

7. Investments in Subsidiaries

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

<i>(in thousands of Korean won)</i>			Percentage of ownership		Book amount	
			February 29, 2024	November 30, 2023	February 29, 2024	November 30, 2023
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%	₩ 574,049,000	₩ 544,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%	443,051,000	443,051,000
					₩ 1,017,100,000	₩ 987,100,000

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

ESR Kendall Square REIT Co., Ltd.

Notes to the interim condensed separate interim financial statements

February 29, 2024 and August 31, 2023

(in thousands of
Korean won)

	February 29, 2024			
	Beginning balance	Acquisitions	Disposal	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 544,049,000	₩ 30,000,000	₩ -	₩ 574,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	443,051,000	-	-	443,051,000
	₩ 987,100,000	₩ 30,000,000	₩ -	₩ 1,017,100,000

(in thousands of
Korean won)

	August 31, 2023			
	Beginning balance	Acquisitions	Disposal	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ 10,000,000	₩ -	₩ 544,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	453,051,000	-	(10,000,000)	443,051,000
	₩ 987,100,000	₩ 10,000,000	₩ (10,000,000)	₩ 987,100,000

ESR Kendall Square REIT Co., Ltd.
Notes to the interim condensed separate interim financial statements
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8. Investments in Associates

Investments in associates as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	Location	Percentage of ownership	Number of shares invested	February 29, 2024	November 30, 2023
Beneficiary certificates: ¹					
KendallSquare General Private Placement Real Estate Investment Fund #7 ²	Korea	99.28%	41,126,694,806	₩ 41,126,695	₩ 41,126,695
KendallSquare General Private Placement Real Estate Investment Fund #8 ²	Korea	99.21%	37,743,009,474	37,743,009	37,743,009
KendallSquare General Private Placement Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	42,104,285	42,104,285
KendallSquare General Private Placement Real Estate Investment Fund #18 ²	Korea	97.78%	30,898,138,840	31,458,159	31,458,159
				₩ 152,432,148	₩ 152,432,148

¹ 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 *Financial Investment Services and Capital Markets Act* and trust contract.

² For the three-month period ended February 29, 2024, the name of the Investment in associate has changed.

9. Other Financial Liabilities

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

<i>(in thousands of Korean won)</i>	February 29, 2024	November 30, 2023
Non-trade payables	₩ 29,430,409	₩ 133,466
Accrued expenses	116,242	58,334
	₩ 29,546,651	₩ 191,800

ESR Kendall Square REIT Co., Ltd.

Notes to the interim condensed separate interim financial statements February 29, 2024 and August 31, 2023

10. Other Liabilities

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Withholdings	₩	663	₩	789

11. Long-term Borrowings

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate (%)	Maturity date		February 29, 2024		November 30, 2023
Tranche D (Line of credit)	Industrial Bank of Korea	3.80	2025-12-14	₩	20,000,000	₩	20,000,000
	Kookmin Bank	3.83	2026-05-09		28,000,000		-
Facility loan	NongHyup Bank	5.08	2025-09-22		10,000,000		10,000,000
				₩	<u>58,000,000</u>	₩	<u>30,000,000</u>

12. Share Capital and Other Paid-in-Capital

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

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

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

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

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

13. Retained Earnings

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Retained earnings	₩	27,916,006	₩	29,949,524

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

<i>(in thousands of Korean won)</i>		February 29, 2024		August 31, 2023
Beginning balance	₩	29,949,524	₩	29,385,381
Dividends		(29,193,193)		(28,767,015)
Profit for the period		27,159,675		26,769,227
Ending balance	₩	<u>27,916,006</u>	₩	<u>27,387,593</u>

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

14. Income Tax Expense

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

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

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15. Earnings per Share

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

<i>(in Korean won)</i>	February 29, 2024	August 31, 2023
Profit for the period	₩ 27,159,674,757	₩ 26,769,226,437
Weighted average number of common shares outstanding	213,089,000 shares	213,089,000 shares
Basic earnings per share	<u>₩ 127</u>	<u>₩ 126</u>

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

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

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

Diluted earnings per share

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

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16. Operating Revenues

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

<i>(in thousands of Korean won)</i>	February 29, 2024	August 31, 2023
Dividend income (investments in subsidiaries)	₩ 27,857,790	₩ 12,802,794
Dividend income (investments in associates) ¹	-	14,366,826
	<u>₩ 27,857,790</u>	<u>₩ 27,169,620</u>

¹ For the three-month period ended August 31, 2023, it includes the residual property distributions received upon termination of the trust contract in Kendall Square Professional Investment Type Real Estate Investment Fund #6, excluding the principal investment.

17. Operating Expenses

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

<i>(in thousands of Korean won)</i>	February 29, 2024	August 31, 2023
Other fees	₩ 121,820	₩ 164,959
Asset management performance fees	126,675	-
Salaries	28,500	28,500
General affairs consignment fees	33,875	33,620
Asset custody consignment fees	2,486	2,514
Taxes and due	68	-
Insurance expenses	5,393	5,700
	<u>₩ 318,817</u>	<u>₩ 235,293</u>

18. Finance Income and Costs

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

<i>(in thousands of Korean won)</i>	February 29, 2024	August 31, 2023
Finance income		
Interest income	₩ 194,333	₩ 67,172
Finance expenses		
Interest expenses	₩ 573,632	₩ 232,274

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19. Financial Risk Management

19.1 Capital risk management

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

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

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

<i>(in thousands of Korean won)</i>	February 29, 2024	November 30, 2023
Liabilities	₩ 87,547,314	₩ 30,192,589
Equity	1,141,191,638	1,143,225,156
Debt-to-equity ratio	7.67%	2.64%

19.2 Financial risk factors

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

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Company periodically reviews the status of interest rates. As of February 29, 2024, the Company has no assets or liabilities that are exposed to the risk of interest rate fluctuations.

Foreign Currency risk

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

Other price risk

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

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(b) Credit risk

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

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of the Company's exposure to credit risk as of February 29, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023
Cash and cash equivalents	₩	35,610,517	₩	17,927,299
Short-term financial instruments		20,000,000		10,000,000
Other financial assets		191,031		3,035,149

(c) Liquidity risk

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

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

*(in thousands of
Korean won)*

		February 29, 2024								
		Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years				
Non-trade payables	₩	29,430,409	₩	29,430,409	₩	29,430,409	₩	-	₩	-
Long-term borrowings		58,000,000		62,513,338		2,340,400		31,964,334		28,208,604
	₩	87,430,409	₩	91,943,747	₩	31,770,809	₩	31,964,334	₩	28,208,604

*(in thousands of
Korean won)*

Korean won)		November 30, 2023								
		Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years				
Non-trade payables	₩	133,466	₩	133,466	₩	133,466	₩	-	₩	-
Long-term borrowings		30,000,000		32,516,318		1,271,474		11,171,967		20,072,877
	₩	30,133,466	₩	32,649,784	₩	1,404,940	₩	11,171,967	₩	20,072,877

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20. Financial Instruments by Category and Fair Value

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

<i>(in thousands of Korean won)</i>	February 29, 2024		November 30, 2023	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 35,610,517	₩ 35,610,517	₩ 17,927,299	₩ 17,927,299
Short-term financial instruments	20,000,000	20,000,000	10,000,000	10,000,000
Other financial assets	191,031	191,031	3,035,149	3,035,149
	<u>₩ 55,801,548</u>	<u>₩ 55,801,548</u>	<u>₩ 30,962,448</u>	<u>₩ 30,962,448</u>
Financial liabilities				
Other financial liabilities	₩ 29,546,651	₩ 29,546,651	₩ 191,800	₩ 191,800
Long-term borrowings	58,000,000	58,000,000	30,000,000	30,000,000
	<u>₩ 87,546,651</u>	<u>₩ 87,546,651</u>	<u>₩ 30,191,800</u>	<u>₩ 30,191,800</u>

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

<i>(in thousands of Korean won)</i>	February 29, 2024	August 31, 2023
Financial assets at amortized cost		
Interest income	₩ 194,333	₩ 67,172
Financial liabilities at amortized cost		
Interest expenses	₩ 573,632	₩ 232,274

21. Cash flow information

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

<i>(in thousands of Korean won)</i>	February 29, 2024	August 31, 2023
Dividends	₩ 29,193,193	₩ 28,767,015

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

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financing activities	Changes in non-cash transactions	Ending balance
Long-term borrowings	₩ 30,000,000	₩ 28,000,000	₩ -	₩ 58,000,000
Unpaid dividends	-	-	29,193,193	29,193,193

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22. Related Party Transactions

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

	February 29, 2024	November 30, 2023
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7 ¹ KendallSquare General Private Placement Real Estate Investment Fund #8 ¹ KendallSquare General Private Placement Real Estate Investment Fund #11 KendallSquare General Private Placement Real Estate Investment Fund #18 ¹	KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare General Private Placement Real Estate Investment Fund #11 KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related parties	Kendall Square REIT Management Inc. CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. ESR KENDALL SQUARE REIT HOLDING PTE, LTD.	Kendall Square REIT Management Inc. CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. ESR KENDALL SQUARE REIT HOLDING PTE, LTD.

¹ For the three-month period ended February 29, 2024, the name of the Investment in associate has changed.

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

<i>(in thousands of Korean won)</i>		February 29, 2024	
	Related party	Dividend income	Asset operation performance fees
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 18,572,281	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	9,285,509	-
Other related party	Kendall Square REIT Management Inc.	-	139,393
		<u>₩ 27,857,790</u>	<u>₩ 139,393</u>

<i>(in thousands of Korean won)</i>		August 31, 2023	
	Related party	Dividend income	
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	10,155,561
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.		2,647,233
Associate	KendallSquare Professional Investment Type Real Estate Investment Fund #6		14,366,826
		<u>₩</u>	<u>27,169,620</u>

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

<i>(in thousands of Korean won)</i>		February 29, 2024		November 30, 2023	
	Related party	Non-trade payables		Accrued income	
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7	₩	-	₩	1,290,586
	KendallSquare General Private Placement Real Estate Investment Fund #8		-		396,846
	KendallSquare General Private Placement Real Estate Investment Fund #11		-		595,755
	KendallSquare General Private Placement Real Estate Investment Fund #18		-		586,708
Other related parties	Kendall Square REIT Management Inc.		343,122		-
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC.		7,254,537		-
	ESR KENDALL SQUARE REIT HOLDING PTE, LTD.		1,874,768		-
		₩	9,472,427	₩	2,869,895

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

(in thousands of
Korean won)

		February 29, 2024	
	Related party	Dividends received	Issuance of shares (outflow)
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 18,572,281	₩ 30,000,000
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	9,285,509	-
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7	1,290,586	-
	KendallSquare General Private Placement Real Estate Investment Fund #8	396,846	-
	KendallSquare General Private Placement Real Estate Investment Fund #11	595,755	-
	KendallSquare General Private Placement Real Estate Investment Fund #18	586,708	-
		₩ 30,727,685	₩ 30,000,000

(in thousands of
Korean won)

		August 31, 2023			
	Related party	Dividends received	Collection of principal upon termination	Issuance of shares (outflow)	Capital reduction (inflow)
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 10,155,561	₩ -	₩ 10,000,000	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,647,233	-	-	10,000,000
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	15,358,841	37,264,025	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	595,655	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	1,091,326	-	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #11	992,925	-	-	-
	KendallSquare Professional Investment Type Real Estate	635,600	-	-	-

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(in thousands of
Korean won)

Related party	August 31, 2023			
	Dividends received	Collection of principal upon termination	Issuance of shares (outflow)	Capital reduction (inflow)
Investment Fund #18				
	₩ 31,477,141	₩ 37,264,025	₩ 10,000,000	₩ 10,000,000

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

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

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23. Commitments

(a) Contract for the asset management services

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

Details

Management fees	<p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5%(Annual Percentage Rate) X consigner's ratio of shareholding</p>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year + the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</p>
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 Group is a collective investment business operator that is a collective investment scheme or a project finance investment Group that is an asset management Group 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 Group under the <i>Real Estate Investment Group Act</i> and the asset manager or an affiliate of the asset manager is an asset management Group of the relevant real estate investment Group, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated Group is a collective investment business operator that is a collective investment scheme.</p>

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Details

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table
	In consultation with the asset management Group, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.

(b) General affairs consignment contract

The Company entered into a general affairs consignment contract with SHINHAN FUND PARTNERS for affairs related to the issuance of shares, the operation, accounting and disclosure of the Company, and the management of board of directors and shareholder's meetings. Fees are paid ₩ 42,500 thousand per every fiscal year. In addition, for the assets that the Company additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(c) Asset custody consignment contract

The Company entered into a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 5,000 thousand per every fiscal year.

(d) Loan agreement

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

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche D (Industrial Bank of Korea)	₩ 20,000,000	₩ 20,000,000
Tranche D (Kookmin Bank)	30,000,000	28,000,000
Facility loan (NongHyup Bank)	10,000,000	10,000,000
Operating loan (Korea Development Bank)	5,000,000	-

24. Events After the Reporting Period

The Company received approval from the general shareholders' meeting on February 29, 2024 and entered into a new asset custody consignment contract as of March 13, 2024. The new asset custodian is NH Investment & Securities Co., Ltd., and the fees are paid ₩ 5,000 thousand for every fiscal year.