

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

Separate financial statements  
for the six-month period ended May 31, 2024  
with the independent auditor's report

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### Independent auditor's report

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**Independent auditor's report**  
(English translation of a report originally issued in Korean)

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

We have audited the separate financial statements of ESR Kendall Square REIT Co., Ltd. (the "Company"), which comprise the separate statement of financial position as of May 31, 2024, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the six-month period then ended, and the notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2024, and its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

**Basis for opinion**

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

**Key audit matter**

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the separate financial statements of the current period. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**(1) Occurrence of Dividend Income**

***Reason why the matter was determined to be Key Audit Matter***

As described in Note 16 to the separate financial statements, the Company's operating revenues represent dividend income received from subsidiaries and associates. Accordingly, we focused on this area because we determined that there is a significant risk in relation to occurrence of dividend income.

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

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

- Assessed the reasonableness of the Company's accounting policies on revenue recognition.
- Performed a review of dividend payment notice and dividend deposits
- Performed a review of settlements of beneficiary certificates of associates.

## **Other matter**

The separate financial statements of the Company for the six-month period ended November 30, 2023 were audited by Samil PricewaterhouseCoopers, who expressed an unqualified opinion on those statements on November 30, 2023.

## **Responsibilities of management and those charged with governance for the separate financial statements**

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the separate financial statements**

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jongsun Lee.



August 13, 2024

This audit report is effective as of August 13, 2024, the independent auditor's report date. Accordingly, certain subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events or circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

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

Consolidated financial statements  
for the six-month period ended May 31, 2024

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Joo-hyun Jo  
Chief Executive Officer  
ESR Kendall Square REIT Co., Ltd.

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Statements of Financial Position**  
**AS of May 31, 2024 and November 30, 2023**

<i>(in Korean won)</i>	<b>Notes</b>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,19,20	₩ 28,657,887,458	₩ 17,927,298,942
Short-term financial instruments	4,19,20	-	10,000,000,000
Other financial assets	5,19,20	3,442,840,444	3,035,149,315
Other current assets	6	13,106,831	3,841,962
Current tax assets		499,653,550	2,919,306,860
		<u>32,613,488,283</u>	<u>33,885,597,079</u>
<b>Non-current assets</b>			
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>
<b>Total assets</b>		<u>₩ 1,202,145,636,390</u>	<u>₩ 1,173,417,745,186</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other financial liabilities	9,19,20	₩ 251,607,365	₩ 191,800,386
Other current liabilities	10	1,136,670	788,700
		<u>252,744,035</u>	<u>192,589,086</u>
<b>Non-current liabilities</b>			
Long-term borrowings	11,19,20,21	58,000,000,000	30,000,000,000
		<u>58,000,000,000</u>	<u>30,000,000,000</u>
<b>Total liabilities</b>		<u>58,252,744,035</u>	<u>30,192,589,086</u>
<b>Equity</b>			
Issued 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 (deficits)	13	30,617,260,749	29,949,524,494
<b>Total equity</b>		<u>1,143,892,892,355</u>	<u>1,143,225,156,100</u>
<b>Total liabilities and equity</b>		<u>₩ 1,202,145,636,390</u>	<u>₩ 1,173,417,745,186</u>

The accompanying notes are an integral part of the separate financial statements.

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

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Statements of Comprehensive Income**  
**for each of the six-month periods ended May 31, 2024 and November 30, 2023**

<i>(in Korean won)</i>	<b>Notes</b>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
<b>Operating revenues</b>	16	₩	31,223,997,420	₩	30,039,515,314
<b>Operating expenses</b>	17		<u>503,262,504</u>		<u>412,144,919</u>
<b>Operating income</b>			<u>30,720,734,916</u>		<u>29,627,370,395</u>
<b>Non-operating income</b>					
Financial income	18,20		285,988,753		225,047,932
Other income			<u>4</u>		<u>-</u>
			<u>285,988,757</u>		<u>225,047,932</u>
<b>Non-operating expense</b>					
Financial expenses	18,20		<u>1,145,794,418</u>		<u>521,260,271</u>
			<u>1,145,794,418</u>		<u>521,260,271</u>
<b>Profit before income tax expenses</b>			29,860,929,255		29,331,158,056
Income tax expense	14		<u>-</u>		<u>-</u>
<b>Profit for the period</b>		₩	<u>29,860,929,255</u>	₩	<u>29,331,158,056</u>
<b>Other comprehensive income</b>			<u>-</u>		<u>-</u>
<b>Total comprehensive income for the period</b>		₩	<u>29,860,929,255</u>	₩	<u>29,331,158,056</u>
<b>Earnings per share</b>					
Basic and diluted earnings per share	15	₩	140	₩	138

The accompanying notes are an integral part of the separate financial statements.

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



**ESR Kendall Square REIT Co., Ltd.**  
**Separate Statements of Changes in Equity**  
**for each of the six-month periods ended May 31, 2024 and November 30, 2023**

(in Korean won)

	Issued capital	Other paid-in-capital	Retained earnings	Total
<b>Balance as of June 1, 2023</b>	₩ 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	-	-	29,331,158,056	29,331,158,056
<b>Balance as of November 30, 2023</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 29,949,524,494</u>	<u>₩ 1,143,225,156,100</u>
<b>Balance as of December 1, 2023</b>	₩ 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	-	-	29,860,929,255	29,860,929,255
<b>Balance as of May 31, 2024</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 30,617,260,749</u>	<u>₩ 1,143,892,892,355</u>

The accompanying notes are an integral part of the separate financial statements.

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

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Statements of Cash Flows**  
**for each of the six-month periods ended May 31, 2024 and November 30, 2023**

(in Korean won)

	May 31, 2024	November 30, 2023
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 29,860,929,255	₩ 29,331,158,056
Adjustments for:		
Interest income	(285,988,753)	(225,047,932)
Dividend income	(31,223,997,420)	(30,039,515,314)
Interest expense	1,145,794,418	521,260,271
	<u>(30,364,191,755)</u>	<u>(29,743,302,975)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(9,264,869)	11,339,983
Increase (decrease) in non-trade payables	(5,082,817)	24,272,050
Increase (decrease) in withholdings	347,970	(138,220)
	<u>(13,999,716)</u>	<u>35,473,813</u>
	<u>(517,262,216)</u>	<u>(376,671,106)</u>
Interest received	374,609,989	63,870,834
Interest paid	(1,080,904,622)	(555,556,161)
Income taxes received (paid)	2,419,653,310	(2,308,273,230)
Dividends received	30,727,685,055	31,477,140,526
Net cash inflow from operating activities	<u>31,923,781,516</u>	<u>28,300,510,863</u>
<b>Cash flows from investing activities</b>		
Collection of 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	29,700,000,000
Acquisition of investments in subsidiaries	(30,000,000,000)	(10,000,000,000)
Acquisition of short-term financial instruments	-	(39,700,000,000)
Net cash inflow (outflow) from investing activities	<u>(20,000,000,000)</u>	<u>27,264,025,475</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	28,000,000,000	10,000,000,000
Repayment of long-term borrowings	-	(20,000,000,000)
Dividend paid	(29,193,193,000)	(28,767,015,000)
Net cash inflow (outflow) from financing activities	<u>(1,193,193,000)</u>	<u>(38,767,015,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	10,730,588,516	16,797,521,338
<b>Cash and cash equivalents at the beginning of period</b>	17,927,298,942	1,129,777,604
<b>Cash and cash equivalents at the end of period</b>	<u>₩ 28,657,887,458</u>	<u>₩ 17,927,298,942</u>

The accompanying notes are an integral part of the separate financial statements.

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**May 31, 2024 and November 30, 2023**

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**1. General Information**

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

The Company’s major shareholders and their respective shareholdings as of May 31, 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 Co., Inc.	1,487,438	0.70
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85
Others	136,780,605	64.19
	213,089,000	100.00

**2. Significant Accounting Policies**

**2.1 Basis of Preparation**

The Company maintains its accounting records in Korean won (presented as “Korean won” or “₩”) and prepares statutory separate financial statements in the Korean language (Hangul) - in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”), enacted by the *Act on External Audit of Stock Companies*. The accompanying 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 separate financial statements of the Company have been prepared in accordance IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

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

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

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

**2.2 Summary of material accounting policy information**

**2.2.1 Cash and cash equivalents**

Cash and cash equivalents on the statement of financial position are easy to convert into cash with a fixed amount of money held for the purpose of meeting short-term cash demand, have a minor risk of value fluctuations, and consist of ordinary deposits, small cash, and short-term deposits with a maturity of less than three months at the time of acquisition.

**2.2.2 Subsidiaries and Associates**

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

**2.2.3 Financial Assets - initial recognition and subsequent measurement**

**(1) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

# ESR Kendall Square REIT Co., Ltd.

## Notes to the Separate Financial Statements

### May 31, 2024 and November 30, 2023

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#### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments)
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- financial assets at fair value through profit or loss.

#### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's amortised cost measurement financial assets include associated loans and executive loans included in accounts receivable and other non-current financial assets

#### **Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

#### **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI.

# ESR Kendall Square REIT Co., Ltd.

## Notes to the Separate Financial Statements

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Dividends on listed equity investments are also recognized in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## **(2) Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

- financial liabilities at fair value through profit or loss

**ESR Kendall Square REIT Co., Ltd.**  
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- financial liabilities measured after amortized cost(loans and borrowings)

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Company has not designated any financial liability as of fair value through profit or loss.

**Financial liabilities measured at amortized cost(loans and borrowings)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**(3) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**2.2.4 Impairment of non-financial assets**

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

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

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

**2.2.5 Capital stock and share issuance expenses**

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

**2.2.6 Revenue**

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

**2.2.7 Financial income and financial costs**

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

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

**2.2.8 Income tax**

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

Under the Article 51-2 of Corporate Tax Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., 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 incometax to be paid, the Company has not recognized any income tax expenses.

**2.2.9 Approval of issuance of the separate financial statements**

The Company's separate financial statements as of and for the six-month period ended May 31, 2024 were approved for issue by the Board of Directors on July 11, 2024 and are to be approved at the Annual General Meeting scheduled on August 23, 2024.

**2.2.10 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 January 1, 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**(1) KIFRS 1117 Insurance Contracts**

KIFRS 1117 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few



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scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach mainly for short-duration contracts (the premium allocation approach).

The new standard had no impact on the Company's separate financial statements.

#### **(2) Definition of Accounting Estimates - Amendments to KIFRS 1008**

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's separate financial statements.

#### **(3) Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2**

The amendments to KIFRS 1001 and KIFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's separate financial statements.

#### **(4) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to KIFRS 1012**

The amendments to KIFRS 1012 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's separate financial statements.

#### **(5) International Tax Reform—Pillar Two Model Rules – Amendments to KIFRS 1012**

The amendments to KIFRS 1012 have been introduced in response to the OECD's BEPS Pillar Two Model Rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023. The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two Model Rules as its revenue is less than EUR 750 million/year.

### **2.2.11 New standards and interpretations not yet adopted by the Company**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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**(1) Amendments to IFRS 1116 Leases - Lease Liability in a Sale and Leaseback**

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

**(2) Amendments to IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current,**

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**(3) Supplier Finance Arrangements - Amendments to KIFRS 1007 and KIFRS 1107**

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are not expected to have a material impact on the separate financial statements.

**(4) Lack of Exchangeability - Amendments to KIFRS 1021 and KIFRS 1101**

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and

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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.

**3. Critical Accounting Estimates and Assumptions**

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

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

**4. Cash and Cash Equivalents**

(1) Cash and cash equivalents as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Bank deposits	₩	8,657,887	₩	17,927,299
Time deposits		20,000,000		-
		28,657,887		17,927,299

(2) The company has no Financial instruments that are restricted in use as of May 31, 2024 and November 30, 2023

**5. Other Financial Assets**

Financial instruments that are restricted in use as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Accrued income	₩	3,442,840	₩	3,035,149

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**6. Other Current Assets**

Other current assets as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		<b>November 30, 2023</b>
Prepaid expenses	₩	13,107	₩	3,842

**7. Investments in Subsidiaries**

Investments in subsidiaries as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	Location	Main business	Percentage of ownership		Book amount	
			May 31, 2024	November 30, 2023	May 31, 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
					<u>₩ 1,017,100,000</u>	<u>₩ 987,100,000</u>

Changes in investment in subsidiaries for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2024		
	Beginning balance	Acquisitions	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
	<u>₩ 987,100,000</u>	<u>₩ 30,000,000</u>	<u>₩ 1,017,100,000</u>

  

<i>(in thousands of Korean won)</i>	November 30, 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
	<u>₩ 987,100,000</u>	<u>₩ 10,000,000</u>	<u>₩ (10,000,000)</u>	<u>₩ 987,100,000</u>

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**8. Investments in Associates**

Investments in associates as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	Location	Percentage of ownership	Number of shares invested		May 31, 2024		November 30, 2023
Beneficiary certificates <sup>1</sup> :							
KendallSquare General Private Placement Real Estate Investment Fund #7 <sup>2</sup>	Korea	99.28%	41,126,694,806	₩	41,126,695	₩	41,126,695
KendallSquare General Private Placement Real Estate Investment Fund #8 <sup>2</sup>	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 <sup>2</sup>	Korea	97.78%	30,898,138,840		31,458,159		31,458,159
					₩ 152,432,148	₩	152,432,148

<sup>1</sup> 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 Market Act and trust contract.

<sup>2</sup> For the six-month period ended May 31, 2024, the name of the Investment in associate has changed.

**9. Other Financial Liabilities**

Other financial liabilities as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2024		November 30, 2023
Non-trade payables	₩	128,383	₩	133,466
Accrued expenses		123,224		58,334
	₩	251,607	₩	191,800

**10. Other Liabilities**

Other liabilities as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2024		November 30, 2023
Withholdings	₩	1,137	₩	789

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**11. Long-term Borrowings**

Details of long-term borrowings as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>Financial institution</b>	<b>Annual interest rate (%)</b>	<b>Maturity date</b>		<b>May 31, 2024</b>	<b>November 30, 2023</b>
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. Issued Capital and Other Paid-in-Capital**

Details of share capital as of May 31, 2024, are as follows:

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

Details of other paid-in-capital as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
Additional paid-in-capital	₩ 900,186,632	₩ 900,186,632

Changes in issued capital for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in shares and in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
Beginning balance	213,089,000	₩ 213,089,000	213,089,000	₩ 213,089,000
Ending balance	<u>213,089,000</u>	<u>₩ 213,089,000</u>	<u>213,089,000</u>	<u>₩ 213,089,000</u>

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**13. Retained Earnings**

Details of retained earnings as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Retained earnings	₩	30,617,261	₩	29,949,524

Changes in retained earnings for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Beginning balance	₩	29,949,524	₩	29,385,381
Dividends		(29,193,193)		(28,767,015)
Profit for the period		29,860,930		29,331,158
Ending balance	₩	<u>30,617,261</u>	₩	<u>29,949,524</u>

The appropriation of retained earnings for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Unappropriated retained earnings carried over from prior period	₩	756,331,494	₩	618,366,438
Profit for the period		<u>29,860,929,255</u>		<u>29,331,158,056</u>
Retained earnings available for appropriation		30,617,260,749		29,949,524,494
Appropriation of retained earnings				
Dividends for common shares <sup>1</sup>		<u>(29,193,193,000)</u>		<u>(29,193,193,000)</u>
Unappropriated retained earnings to be carried forward	₩	<u>1,424,067,749</u>	₩	<u>756,331,494</u>

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

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Dividends for each of the six-month periods ended May 31, 2024 and November 30, 2023, are calculated as follows:

<i>(in Korean won and in shares)</i>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
	₩	₩
A. Dividends	29,193,193,000	29,193,193,000
B. Total number of shares issued	213,089,000	213,089,000
C. Dividend per share (A/B)	₩ 137	₩ 137
D. Par value	₩ 1,000	₩ 1,000
E. Dividend rate per share (C/D)	13.70%	13.70%

**14. Income Tax Expense**

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

Under the Article 51-2 of Corporate Tax Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., 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 incometax to be paid, the Company has not recognized any income tax expenses.

**15. Earnings per Share**

Basic earnings per share for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in shares and in Korean won)</i>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
Profit for the period	₩ 29,860,929,255	₩ 29,331,158,056
Weighted average number of common shares outstanding	213,089,000 shares	213,089,000 shares
Basic earnings per share	₩ 140	₩ 138

The weighted average number of common shares outstanding for each of the six-month periods ended May 31, 2024 and November 30, 2023, is calculated as follows:

<i>(in shares)</i>	<b>May 31, 2024</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	183	38,995,287,000
Weighted average number of common shares outstanding			213,089,000



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<i>(in shares)</i>	<b>November 30, 2023</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	183	38,995,287,000
Weighted average number of common shares outstanding			<u>213,089,000</u>

*Diluted earnings per share*

For each of the six-month periods ended May 31, 2024 and November 30, 2023, the Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

**16. Operating Revenues**

Operating revenues for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
Dividend income (investments in subsidiaries) ₩	27,857,790 ₩	12,802,794
Dividend income (investments in associates) <sup>1</sup>	3,366,207	17,236,721
	<u>₩ 31,223,997</u>	<u>₩ 30,039,515</u>

<sup>1</sup> For the six-month period ended November 30, 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 each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>	<b>November 30, 2023</b>
Other fees ₩	236,011 ₩	272,018
Asset management performance fees	126,675	-
Salaries	57,000	57,000
General affairs consignment fees	68,155	66,787
Asset custody consignment fees	4,991	5,000
Insurance expenses	10,315	11,339
Taxes and due	116	-
	<u>₩ 503,263</u>	<u>₩ 412,144</u>

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**18. Finance Income and Expenses**

Financial income and expenses for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		<b>November 30, 2023</b>
Financial income				
Interest income	₩	285,989	₩	225,048
Financial expenses				
Interest expenses	₩	1,145,794	₩	521,260

**19. Financial Risk Management**

**19.1 Capital risk management**

The primary objective of the Company's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce capital expenses.

The Company adopted the debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital.

The debt-to-equity ratio as of May 31, 2024 and November 30, 2023, is as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		<b>November 30, 2023</b>
Liabilities	₩	58,252,744	₩	30,192,589
Equity		1,143,892,892		1,143,225,156
Debt-to-equity ratio		5.09%		2.64%

**19.2 Financial risk factors**

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

*(a) Market risk*

*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. The Company has no assets or liabilities exposed to interest rate risks as of May 31, 2024.

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*Foreign currency risk*

As of May 31, 2024 and November 30, 2023, 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.

*(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 of May 31, 2024 and November 30, 2023, is as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
Cash and cash equivalents	₩	28,657,887	₩	17,927,299
Short-term financial instruments		-		10,000,000
Other financial assets		3,442,840		3,035,149
	₩	<u>32,100,727</u>	₩	<u>30,962,448</u>

*(c) Liquidity risk*

The Company has established a liquidity risk management framework for the management of the Company's short- and medium-to-long-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.

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The analysis of liquidity risk as of May 31, 2024 and November 30, 2023, is as follows:

*(in thousands of  
Korean won)*

	<b>May 31, 2023</b>				
	<b>Book amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 year ~ 2 years</b>	<b>2 years ~ 5 years</b>
Non-trade payables	₩ 128,383	₩ 128,383	₩ 128,383	₩ -	₩ -
Long-term borrowings and interest	58,000,000	61,923,429	2,340,400	59,583,029	-
	<u>₩ 58,128,383</u>	<u>₩ 62,051,812</u>	<u>₩ 2,468,783</u>	<u>₩ 59,583,029</u>	<u>₩ -</u>

*(in thousands of  
Korean won)*

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

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

(a) Financial instruments by category and fair value as of May 31, 2024 and November 30, 2023, are as follows:

*(in thousands of Korean won)*

	<b>May 31, 2024</b>		<b>November 30, 2023</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	₩ 28,657,887	₩ 28,657,887	₩ 17,927,299	₩ 17,927,299
Short-term financial instruments	-	-	10,000,000	10,000,000
Other financial assets	3,442,840	3,442,840	3,035,149	3,035,149
	<u>₩ 32,100,727</u>	<u>₩ 32,100,727</u>	<u>₩ 30,962,448</u>	<u>₩ 30,962,448</u>
<b>Financial liabilities</b>				
Other financial liabilities	₩ 251,607	₩ 251,607	₩ 191,800	₩ 191,800
Long-term borrowings	58,000,000	58,000,000	30,000,000	30,000,000
	<u>₩ 58,251,607</u>	<u>₩ 58,251,607</u>	<u>₩ 30,191,800</u>	<u>₩ 30,191,800</u>

**ESR Kendall Square REIT Co., Ltd.**  
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(b) Net gains or losses on each category of financial instruments for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		<b>November 30, 2023</b>
Financial assets at amortized cost				
Interest income	₩	285,989	₩	225,048
Financial liabilities at amortized cost				
Interest expenses	₩	1,145,794	₩	521,260

**21. Cash flow**

Changes in liabilities arising from financial activities for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>May 31, 2024</b>			
	<b>Beginning balance</b>	<b>Financing cash flows</b>	<b>Changes in non-cash transactions</b>	<b>Ending balance</b>
Long-term borrowings	₩ 30,000,000	₩ 28,000,000	₩ -	₩ 58,000,000

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>			
	<b>Beginning balance</b>	<b>Financing cash flows</b>	<b>Changes in non-cash transactions</b>	<b>Ending balance</b>
Long-term borrowings	₩ 40,000,000	₩ (10,000,000)	₩ -	₩ 30,000,000

**22. Related Party Transactions**

The Company's related parties as of May 31, 2024 and November 30, 2023, are as follows:

	<b>May 31, 2024</b>	<b>November 30, 2023</b>
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 <sup>1</sup> KendallSquare General Private Placement Real Estate Investment Fund #8 <sup>1</sup> KendallSquare General Private Placement Real Estate Investment Fund #11 KendallSquare General Private Placement Real Estate Investment Fund #18 <sup>1</sup>	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	Kendall Square REIT Management Inc.	Kendall Square REIT Management Inc.

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related parties

CPP Investment Board Real Estate Holdings Inc.      CPP Investment Board Real Estate Holdings Inc.  
 ESR Kendall Square REIT Holding PTE, LTD.      ESR Kendall Square REIT Holding PTE, LTD.

<sup>1</sup> For the six-month period ended May 31, 2024, the name of the associate has changed.

Transactions with the related parties for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

(in thousands of  
Korean won)

		<b>May 31, 2024</b>	
	<b>Related party</b>	<b>Dividend income</b>	<b>Asset management performance fees</b>
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	-
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7	2,184,068	-
	KendallSquare General Private Placement Real Estate Investment Fund #8	396,846	-
	KendallSquare P General Private Placement Real Estate Investment Fund #11	198,585	-
	KendallSquare General Private Placement Real Estate Investment Fund #18	586,708	-
Other related party	Kendall Square REIT Management Inc.	-	139,343
		<u>₩ 31,223,997</u>	<u>₩ 139,343</u>

**November 30, 2023**

(in thousands of  
Korean won)

	<b>Related party</b>	<b>Dividend income</b>	
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
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6		14,366,826
	KendallSquare Professional Investment Type Real Estate Investment Fund #7		1,290,586
	KendallSquare Professional Investment Type Real Estate Investment Fund #8		396,846
	KendallSquare General Private Placement Real Estate Investment Fund #11		595,755
	KendallSquare Professional Investment Type Real Estate Investment Fund #18		586,708
		<u>₩</u>	<u>30,039,515</u>

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Outstanding balances to the related parties as of May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		<b>November 30, 2023</b>	
<b>Related party</b>		<b>Accrued income</b>		<b>Accrued income</b>	
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7 <sup>1</sup>	₩	2,184,068	₩	1,290,586
	KendallSquare General Private Placement Real Estate Investment Fund #8 <sup>1</sup>		396,846		396,846
	KendallSquare General Private Placement Real Estate Investment Fund #11		198,585		595,755
	KendallSquare General Private Placement Real Estate Investment Fund #18 <sup>1</sup>		586,708		586,708
		₩	<u>3,366,207</u>	₩	<u>2,869,895</u>

<sup>1</sup> For the six-month period ended May 31, 2024, the name of the associate has changed.

Fund transactions with the related parties for each of the six-month periods ended May 31, 2024 and November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>May 31, 2024</b>		
<b>Related party</b>		<b>Dividends received</b>	<b>Issuance of shares (outflow)</b>	<b>Dividends paid</b>
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 <sup>1</sup>	1,290,586	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #8 <sup>1</sup>	396,846	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #11	595,755	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #18 <sup>1</sup>	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
		₩ <u>30,727,685</u>	₩ <u>30,000,000</u>	₩ <u>9,472,427</u>

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(in thousands of Korean won)

		November 30, 2023					
Related party		Dividends received	Collection of principal upon termination	Dividends paid	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 <sup>1</sup>	595,655	-	-	-	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #8 <sup>1</sup>	1,091,326	-	-	-	-	
	KendallSquare General Private Placement Real Estate Investment Fund #11	992,925	-	-	-	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #18 <sup>1</sup>	635,600	-	-	-	-	
	Other related parties	Kendall Square REIT Management Inc.	-	-	200,804	-	-
		CPP Investment Board Real Estate Holdings Inc.	-	-	7,148,631	-	-
ESR Kendall Square REIT Holding PTE, LTD.		-	-	1,847,399	-	-	
		<u>₩ 31,477,141</u>	<u>₩ 37,264,025</u>	<u>₩ 9,196,834</u>	<u>₩ 10,000,000</u>	<u>₩ 10,000,000</u>	

<sup>1</sup> For the six-month period ended May 31, 2024, the name of the Investment in associate has been changed

Compensation for key management of the Company for each of the six-month periods ended May 31, 2024 and November 30, 2023, consists of:

(in thousands of Korean won)

	May 31, 2024	November 30, 2023
Short-term employee benefits	₩ 57,000	₩ 57,000



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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 Kendall Square REIT Management Inc. Details of fees as follows:

**Details**

Management fees	<p>a. Real estates:  (Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:  (The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% (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:  Purchase price X 1.0%(*)</p> <p>(* ) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:  The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding</p> <p>(* ) 0.75%, in the cases of (i) the assets for purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.</p>
Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the

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completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table

In consultation with the asset management company, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.

*(b) General affairs consignment contract*

The Company entered 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 board of directors and shareholder's meetings. ₩ 42,500 thousand of fees are paid 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 NH INVESTMENT & SECURITIES CO.,LTD. Fees are paid ₩ 5,000 thousand per every fiscal year.

*(d) Loan agreement*

Details of the loan agreement as of May 31, 2024, are as follows:

<i>(in thousands of Korean won)</i>	<b>Contract amount</b>	<b>Loan amount</b>
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	-