

ESR Kendall Square REIT Co., Ltd. and its subsidiaries

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

Table of contents

Independent auditor's report

	Page
Consolidated financial statements	
Consolidated statements of financial position	1
Consolidated statements of comprehensive income	2
Consolidated statements of changes in equity	3
Consolidated statements of cash flows	4
Notes to the consolidated financial statements	5

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of May 31, 2024, and its consolidated financial performance and its consolidated 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 consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

(1) Occurrence of Rental Income

Reason why the matter was determined to be Key Audit Matter

As described in Note 17 to the consolidated financial statements, rental income, which accounts for approximately 95% of the Group's operating revenue, is recognized according to the contracts with customers and terms and conditions therein. Accordingly, we focused on this area because we determined that there is a significant risk in relation to the occurrence of rental 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 Group's accounting policies on revenue recognition.
- Performed analytical review by comparing the rental income from the previous period to that of the current period and performed a review of monthly trend analysis of rental income to verify the existence of unusual circumstances.

- Selected a sample of rental income and performed recalculation according to the terms and conditions of the contract and performed a review of the rental income in the statements of comprehensive income for the differences, if any.
- Selected a sample of rental income and performed a substantive test of established contracts for rental income transaction, calculation and confirmation of revenue amount, payments and the related accounting.

Other matter

The consolidated financial statements of the Group 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 consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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 consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



August 13, 2024

This audit report is effective as of August 13, 2024, the independent auditor's report date. Accordingly, certain material 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 and circumstances could significantly affect the consolidated financial statements and may result in modifications to this report.

ESR Kendall Square REIT Co., Ltd. and its subsidiaries

Consolidated financial statements
for each of the six-month periods ended May 31, 2024 and November
30, 2023

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

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

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Financial Position
As of May 31, 2024 and November 30, 2023

<i>(in Korean won)</i>	Notes	May 31, 2024	November 30, 2023
Assets			
Current assets			
Cash and cash equivalents	4,21,22	₩ 66,858,601,849	₩ 50,608,114,769
Short-term financial instruments	5,21,22	14,560,885,000	12,662,078,672
Other financial assets	6,21,22	11,549,761,628	10,692,949,903
Other assets	7	1,696,018,922	2,374,938,254
Current tax assets		604,435,606	2,932,321,656
		<u>95,269,703,005</u>	<u>79,270,403,254</u>
Non-current assets			
Long-term financial instruments	5,21,22	44,662,012,974	41,705,552,581
Investments in associates	8	184,162,033,243	169,377,773,529
Investment properties	9	2,147,901,830,210	2,052,482,738,721
Property and equipment		56,137,183	66,341,917
Intangible assets		4,058,026	4,058,026
Other non-current financial assets	6,21,22	150,000,000	150,000,000
Other non-current assets	7	1,091,731,767	861,469,353
		<u>2,378,027,803,403</u>	<u>2,264,647,934,127</u>
Total assets		<u>₩ 2,473,297,506,408</u>	<u>₩ 2,343,918,337,381</u>
Liabilities			
Current liabilities			
Other financial liabilities	10,21,22	₩ 15,221,100,039	₩ 12,731,550,720
Other current liabilities	11	2,678,820,398	2,419,442,598
Current portion of long-term borrowings	12,21,22	336,812,036,038	254,969,726,027
		<u>354,711,956,475</u>	<u>270,120,719,345</u>
Non-current liabilities			
Long-term borrowings	12,21,22	960,116,117,607	912,070,325,107
Other non-current financial liabilities	10,21,22	45,361,914,618	41,636,753,916
Other non-current liabilities	11	2,854,059,757	3,177,948,812
		<u>1,008,332,091,982</u>	<u>956,885,027,835</u>
Total liabilities		<u>1,363,044,048,457</u>	<u>1,227,005,747,180</u>
Equity			
Issue capital	13	213,089,000,000	213,089,000,000
Other paid-in-capital	13	900,186,631,606	900,186,631,606
Retained earnings (deficits)	14	(3,022,173,655)	3,636,958,595
Equity attributable to equity holders of the Parent Company		<u>1,110,253,457,951</u>	<u>1,116,912,590,201</u>
Total equity		<u>1,110,253,457,951</u>	<u>1,116,912,590,201</u>
Total liabilities and equity		<u>₩ 2,473,297,506,408</u>	<u>₩ 2,343,918,337,381</u>

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

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

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

<i>(in Korean won)</i>	Notes	May 31, 2024		November 30, 2023	
Operating revenues	17	₩	55,878,154,102	₩	52,957,789,556
Operating expenses	18		<u>27,070,998,024</u>		<u>28,762,922,908</u>
Operating income			<u>28,807,156,078</u>		<u>24,194,866,648</u>
Non-operating income					
Financial income	19,22		1,176,080,518		900,148,755
Other income	20		16,906,932		1,805,154
Profits of associates accounted for using equity method	8		<u>18,150,466,752</u>		<u>5,563,022,248</u>
			<u>19,343,454,202</u>		<u>6,464,976,157</u>
Non-operating expense					
Financial expenses	19,22		25,607,408,454		18,807,352,058
Other expenses	20		<u>9,141,076</u>		<u>17,992</u>
			<u>25,616,549,530</u>		<u>18,807,370,050</u>
Profit before income tax expenses			22,534,060,750		11,852,472,755
Income tax expenses	15		-		-
Profit for the period		₩	<u>22,534,060,750</u>	₩	<u>11,852,472,755</u>
Owners of the Parent Company			22,534,060,750		11,852,472,755
Other comprehensive income			-		-
Total comprehensive income for the period		₩	<u>22,534,060,750</u>	₩	<u>11,852,472,755</u>
Owners of the Parent Company			22,534,060,750		11,852,472,755
Earnings per share					
Basic and diluted earnings per share	16	₩	106	₩	56

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

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

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

(in Korean won)

	Equity attributable to equity holders of the Parent Company				Non-controlling interests	Total
	Issued Capital	Other paid-in-capital	Retained earnings (Deficits)			
Balance as of June 1, 2023	₩ 213,089,000,000	₩ 900,186,631,606	₩ 20,551,500,840	₩ -	₩ 1,133,827,132,446	
Dividends	-	-	(28,767,015,000)	-	(28,767,015,000)	
Profit for the period	-	-	11,852,472,755	-	11,852,472,755	
Balance as of November 30, 2023	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 3,636,958,595</u>	<u>₩ -</u>	<u>₩ 1,116,912,590,201</u>	
Balance as of December 1, 2023	₩ 213,089,000,000	₩ 900,186,631,606	₩ 3,636,958,595	₩ -	₩ 1,116,912,590,201	
Dividends	-	-	(29,193,193,000)	-	(29,193,193,000)	
Profit for the period	-	-	22,534,060,750	-	22,534,060,750	
Balance as of May 31, 2024	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ (3,022,173,655)</u>	<u>₩ -</u>	<u>₩ 1,110,253,457,951</u>	

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

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

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

(in Korean won)

	May 31, 2024	November 30, 2023
Cash flows from operating activities		
Profit for the period	₩ 22,534,060,750	₩ 11,852,472,755
Adjustments for:		
Depreciation for property and equipment	10,204,734	10,227,945
Depreciation for investment properties	15,595,427,375	14,838,282,432
Interest expense	25,607,408,454	18,807,352,058
Interest income	(1,176,080,518)	(900,148,755)
Other income	(701,519,616)	(602,695,880)
Gains on valuation using equity method	(18,150,466,752)	(5,563,022,248)
	<u>21,184,973,677</u>	<u>26,589,995,552</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(214,880,354)	(13,734,273)
Increase in accrued income	(24,039,502)	(1,562,998,263)
Decrease (increase) in prepaid expenses	656,356,918	(1,199,018,415)
Decrease in prepaid value added tax	-	9,421,379,040
Increase (decrease) in unearned revenue	85,049,537	(614,792,638)
Increase(decrease) in non-trade payables	408,451,438	(9,236,173,948)
Increase (decrease) in withholdings	347,970	(138,220)
Increase in value added tax withheld	24,051,521	518,495,250
	<u>935,337,528</u>	<u>(2,686,981,467)</u>
	<u>44,654,371,955</u>	<u>35,755,486,840</u>
Interest received	1,054,212,629	148,079,480
Income taxes received (paid)	2,327,886,050	(2,198,019,141)
Interest paid	(27,473,749,477)	(15,875,225,022)
Dividends received	2,869,894,673	18,674,346,224
Net cash flows provided by operating activities	<u>23,432,615,830</u>	<u>36,504,668,381</u>
Cash flows from investing activities		
Decrease in short-term financial instruments	12,444,924,301	32,465,087,400
Decrease in investments in associates	-	37,264,025,475
Decrease in long-term financial instruments	12,370,759,434	-
Increase in long-term financial instruments	(15,327,085,071)	(2,765,087,400)
Increase in short-term financial instruments	(14,343,577,000)	(39,700,000,000)
Acquisition of investment properties (Land)	(35,976,882,047)	(4,335,562)
Acquisition of investment properties (Building)	(75,037,636,817)	(29,000,000)
Acquisition of investment properties (Construction in progress)	-	(65,000,000)
Increase in advanced payments	(207,700,000)	-
Net cash flows provided by (used in) investing activities	<u>(116,077,197,200)</u>	<u>27,165,689,913</u>
Cash flows from financing activities		
Increase in long-term borrowings	390,000,000,000	10,000,000,000
Increase in advance received	82,573,050	205,600,000
Increase in leasehold deposits received	3,104,968,000	127,199,574
Dividends paid	(29,193,193,000)	(28,767,015,000)
Decrease in leasehold deposits received	(99,279,600)	(150,000,000)
Repayments of current portion of long-term borrowings	(255,000,000,000)	-
Repayments of long-term borrowings	-	(20,000,000,000)
Net cash flows provided by (used in) financing activities	<u>108,895,068,450</u>	<u>(38,584,215,426)</u>
Net increase in cash and cash equivalents	<u>16,250,487,080</u>	<u>25,086,142,868</u>
Cash and cash equivalents at the beginning of period	<u>50,608,114,769</u>	<u>25,521,971,901</u>
Cash and cash equivalents at the end of period	<u>₩ 66,858,601,849</u>	<u>₩ 50,608,114,769</u>

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

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

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

1. Reporting Entity

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

1.1 Controlling Company

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

The Parent company's major shareholders and their respective shareholdings as 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 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>

1.2 Subsidiaries

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

	Location	Business type	Percentage of ownership	
			May 31, 2024	November 30, 2023
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

The financial information of subsidiaries as of and for each of the six-month periods ended May 31, 2024 and November 30, 2023 is as follows:

(in thousands of Korean won)	May 31, 2024					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,291,119,651	₩ 758,761,687	₩ 532,357,964	₩ 33,359,767	₩ 4,173,159	₩ 4,173,159
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	965,398,276	546,029,617	419,368,659	22,518,387	1,594,753	1,594,753

(in thousands of Korean won)	November 30, 2023					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,169,246,787	₩ 652,468,451	₩ 516,778,336	₩ 30,366,259	₩ 6,988,533	₩ 6,988,533
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	971,404,121	544,344,707	427,059,415	22,591,531	20,747	20,747

2. Material Accounting Policies

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won (presented as “Korean won” or “₩”) and prepares statutory consolidated 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 consolidated 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 consolidated financial statements of the Group have been prepared in accordance with KIFRS. 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 derivatives), 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. Management also needs to exercise judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

2.2 Summary of material accounting policy information

2.2.1 Consolidated Financial Statements

(a) Subsidiaries

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

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

(b) Transactions eliminated in consolidation

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

(c) Non-controlling interests

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

(d) Changes in ownership interests in subsidiaries

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

(e) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective indication of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

2.2.2 Cash and Cash Equivalents

Cash and cash equivalents on the consolidated 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.

2.2.3 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group 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 Group'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 Group commits to purchase or sell the asset.

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

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

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

Upon initial recognition, the Group 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 Group 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 Group 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 Group had not irrevocably elected to classify at fair value through OCI.

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 group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

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

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

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

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

Where the carrying amount of an asset or cash-generating unit materially 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 Property and Equipment

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

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

2.2.6 Investment Property

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

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

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

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

2.2.7 Borrowing Costs

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

2.2.8 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.

2.2.9 Revenue Recognition

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

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

2.2.10 Financial Income and Financial Costs

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

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

2.2.11 Income Tax

Income tax expense for the period consists of current and deferred tax and is recognized in profit or loss, except to the extent that it relates to 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 Deduction for Special Purpose Companies, etc., if the Group payouts 90% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no income tax to be paid, the Group has not recognized any income tax expenses.

2.2.12 Approval of issuance of the Consolidated Financial Statements

The Group's consolidated 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 14, 2024 and are to be approved at the Annual General Meeting scheduled on August 23, 2024.

2.2.13 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Group 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 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 Group's consolidated 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 Group's consolidated 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

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

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 Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated 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 Group's consolidated 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 Group's consolidated financial statements as the Group is not in scope of the Pillar Two Model Rules as its revenue is less than EUR 750 million/year.

2.2.14 New standards and interpretations not yet adopted by the Group

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

(1) *Amendments to KIFRS 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 recognise 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 Group's financial statements.

(2) *Amendments to KIFRS 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.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group 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 consolidated 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 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 Group's consolidated financial statements.

3. Critical Accounting Estimates and Assumptions

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

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

Fair Value of Investment Properties

The Group used a valuation technique with unobservable inputs in the market to estimate the fair value of investment properties.

4. Cash and Cash Equivalents

Cash and cash equivalents 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
Bank deposits	₩ 36,858,602	₩ 50,608,115
Time deposits	30,000,000	-
	<u>₩ 66,858,602</u>	<u>₩ 50,608,115</u>

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

5. Financial Instruments Restricted in Use

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>	May 31, 2024	November 30, 2023
Short-term financial instruments ¹	₩ 217,308	₩ 572,237
Long-term financial instruments ¹	44,662,013	41,705,553
	<u>₩ 44,879,321</u>	<u>₩ 42,277,790</u>

¹ Consist of bank deposit, time deposit, and financial receivables with compound interests of small and medium-sized companies and are pledged on the leasehold deposits.

6. Other Financial Assets

Other financial assets 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
Current assets		
Account receivables	₩ 1,359,569	₩ 1,144,689
Accrued income	10,190,192	9,548,261
	<u>₩ 11,549,761</u>	<u>₩ 10,692,950</u>
Non-current assets		
Other leasehold deposits	₩ 150,000	₩ 150,000
	<u>₩ 150,000</u>	<u>₩ 150,000</u>

7. Other Assets

Other assets 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
Current assets		
Prepaid expenses	₩ 1,696,019	₩ 2,374,938
	<u>₩ 1,696,019</u>	<u>₩ 2,374,938</u>
Non-current assets		
Prepaid expenses	₩ 884,032	₩ 861,469
Advance payments	207,700	-
	<u>₩ 1,091,732</u>	<u>₩ 861,469</u>

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

Notes to the Consolidated Financial Statements

May 31, 2024 and November 30, 2023

8. Investments in Associates

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

(in thousands of Korean won)

		May 31, 2024					
	Location	Percentage of ownership	Number of shares invested	Beginning balance	Share of profit or loss	Dividends	Ending balance
Beneficiary certificates: ¹							
KendallSquare General Private Placement Real Estate Investment Fund #7 ²	Korea	99.28%	41,126,694,806	44,614,921	13,464,765	(2,184,068)	55,895,618
KendallSquare General Private Placement Real Estate Investment Fund #8 ²	Korea	99.21%	37,743,009,474	46,721,863	1,504,866	(396,846)	47,829,883
KendallSquare General Private Placement Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	47,040,178	2,005,207	(198,585)	48,846,800
KendallSquare General Private Placement Real Estate Investment Fund #18 ²	Korea	97.78%	30,898,138,840	31,000,811	1,175,629	(586,708)	31,589,732
				₩ 169,377,773	₩ 18,150,467	₩ (3,366,207)	₩ 184,162,033

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 six-month period ended May 31, 2024, the name of the associate has changed.

(in thousands of Korean won)

		November 30, 2023						
	Location	Percentage of ownership	Number of shares invested	Beginning balance	Termination	Share of profit or loss	Dividends	Ending balance
Beneficiary certificates: ¹								
KendallSquare Professional Investment Type Real Estate Investment Fund #6 ²	Korea	-	-	₩ 51,696,981	₩ (51,630,851)	₩ (66,130)	₩ -	₩ -
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	43,971,493	-	1,934,014	(1,290,586)	44,614,921
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	45,454,812	-	1,663,897	(396,846)	46,721,863
Kendall Square General Private Placement Real Estate Investment Fund #11 ³	Korea	99.29%	42,104,284,981	46,225,182	-	1,410,751	(595,755)	47,040,178
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,967,029	-	620,490	(586,708)	31,000,811
				₩ 218,315,497	₩ (51,630,851)	₩ 5,563,022	₩ (2,869,895)	₩ 169,377,773

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 six-month period ended November 30, 2023, the Group has received a request for consent to terminate the trust contract from the collective investment business operator due to the disposition of trust real estate, and accordingly it was excluded from the investments in associates.

³ For the six-month period ended November 30, 2023, the name of the associate has changed.

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

9. Investment Properties

Investment properties as of May 31, 2024 and November 30, 2023 are as follows:

(in thousands of
Korean won)

	May 31, 2024			November 30, 2023		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 679,485,607	₩ -	₩ 679,485,607	₩ 640,172,508	₩ -	₩ 640,172,508
Buildings	1,553,097,203	(84,680,980)	1,468,416,223	1,471,036,157	(69,085,553)	1,401,950,604
Construction in progress	-	-	-	10,359,626	-	10,359,626
	₩ 2,232,582,810	₩ (84,680,980)	₩ 2,147,901,830	₩ 2,121,568,291	₩ (69,085,553)	₩ 2,052,482,738

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

(in thousands of
Korean won)

	May 31, 2024			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 640,172,508	₩ 1,401,950,604	₩ 10,359,626	₩ 2,052,482,738
Acquisition	35,976,882	75,037,637	-	111,014,519
Transfer	3,336,217	7,023,409	(10,359,626)	-
Depreciation	-	(15,595,427)	-	(15,595,427)
Ending balance	₩ 679,485,607	₩ 1,468,416,223	₩ -	₩ 2,147,901,830

	November 30, 2023			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 640,168,172	₩ 1,416,759,887	₩ 10,294,626	₩ 2,067,222,685
Acquisition	4,336	29,000	65,000	98,336
Transfer	-	-	-	-
Depreciation	-	(14,838,283)	-	(14,838,283)
Ending balance	₩ 640,172,508	₩ 1,401,950,604	₩ 10,359,626	₩ 2,052,482,738

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

Revenues and expenses related to investment properties 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	November 30, 2023
Operating revenues ¹	₩ 55,170,014	₩ 52,355,094
Operating expenses ²	19,998,511	22,525,833

¹ Operating revenues consist of rental income and management income.

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

The fair values of investment properties as of May 31, 2024 are as follows:

(in thousands of Korean won)

Classification	Address	Book amount	Fair value
Goyang logistics park	Land	₩ 197,132,815	₩ 248,195,600
	Building	287,225,092	325,004,400
		<u>484,357,907</u>	<u>573,200,000</u>
Anseong logistics park	Land	40,658,182	41,482,000
	Building	120,458,904	151,488,000
		<u>161,117,086</u>	<u>192,970,000</u>
Bucheon cold logistics park	Land	57,965,397	93,309,800
	Building	141,122,437	152,890,200
		<u>199,087,834</u>	<u>246,200,000</u>
Gimhae logistics park	Land	30,398,338	36,236,800
	Building	17,171,978	23,363,200
		<u>47,570,316</u>	<u>59,600,000</u>
Yongin logistics park	Land	39,837,801	55,829,700
	Building	90,012,852	95,470,300
		<u>129,850,653</u>	<u>151,300,000</u>
Icheon logistics park 2	Land	11,375,771	19,623,600
	Building	37,768,999	51,476,400
		<u>49,144,770</u>	<u>71,100,000</u>
Icheon logistics park 3	Land	7,099,609	11,329,600
	Building	21,535,940	27,470,400
		<u>28,635,549</u>	<u>38,800,000</u>
Icheon logistics park 6	Land	39,313,099	39,313,099
	Building	81,232,247	81,232,247
		<u>120,545,346</u>	<u>120,545,346</u>
Anseong logistics park 2	Land	99,246,022	99,944,400
	Building	231,621,403	237,705,600
		<u>330,867,425</u>	<u>337,650,000</u>
Anseong logistics park 3	Land	27,156,790	28,258,250
	Building	101,724,610	102,891,750
		<u>128,881,400</u>	<u>131,150,000</u>

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

(in thousands of Korean won)

Classification		Address	Book amount	Fair value
Icheon logistics park 5	Land	423, Haewol-ri, Majang-myeon, Icheon-si, Gyeonggi-do	59,300,980	63,722,000
	Building		142,778,789	145,808,000
			<u>202,079,769</u>	<u>209,530,000</u>
Gimhae logistics park 2	Land	5-8, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	18,497,330	20,963,360
	Building		53,974,233	54,716,640
			<u>72,471,563</u>	<u>75,680,000</u>
Anseong logistics park 4	Land	409-3, Yongwol-ri, Samjuk-myeon, Anseong-si, Gyeonggi-do	18,658,264	17,820,400
	Building		41,759,430	41,979,600
			<u>60,417,694</u>	<u>59,800,000</u>
Icheon logistics park 7	Land	309, Bupil-ri, Daewol-myeon, Icheon-si, Gyeonggi-do	32,845,207	32,845,207
	Building		100,029,311	100,029,311
			<u>132,874,518</u>	<u>132,874,518</u>
			<u>₩ 2,147,901,830</u>	<u>₩ 2,400,399,864</u>

The investment properties held by the Group are logistics warehouses, and their marketability and profitability through integrated utility are major factors in determining their value. Therefore, the fair value of the Group's investment properties has been determined by integrating estimates from both a market approach (sales comparison approach) and an income approach.

The fair values of the five investment properties, Bucheon cold logistics park, Gimhae logistics park, Yongin logistics park, Icheon logistics park 2, and Icheon logistics park 3, were appraised by Kyungil Appraisal Corporation, an external independent valuer with appropriate qualifications and experience in real estate valuation in the relevant region (the valuation date of July 25, 2023). There have been no significant changes since then. The fair values of the seven investment properties, Goyang logistics park, Anseong logistics park, Anseong logistics park 2, Anseong logistics park 3, Icheon logistics park 5, Gimhae logistics park 2, and Anseong logistics park 4, were appraised by The First Appraisal & Consulting Co., an external independent valuer with appropriate qualifications and experience in real estate valuation in the relevant region (the valuation date of November 30, 2023). There are no material differences between the fair value of Icheon logistics park 6, Icheon logistics park 7 at acquisition and its book amount at the end of the reporting period.

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

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

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A&B&C	₩ 1,280,727,156	₩ 760,500,000	₩ 912,600,000
Tranche C1-1	72,471,563	41,800,000	50,160,000
Tranche C1-2	330,867,425	187,900,000	225,480,000
Tranche C1-3	128,881,400	73,800,000	88,560,000
Tranche C2	202,079,769	114,500,000	137,400,000
Secured loan of East-Icheon BRIC logistics park	132,874,517	72,600,000	87,120,000
	<u>₩ 2,147,901,830</u>	<u>₩ 1,251,100,000</u>	<u>₩ 1,501,320,000</u>

The Group subscribes to the property all risks insurance (insured amount: ₩ 1,051,382 million) in relation to investment property.

10. 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
Current liabilities		
Non-trade payables	₩ 6,604,916	₩ 6,196,465
Accrued expense	8,111,532	5,549,510
Leasehold deposits	505,876	995,730
Discount account on present value	(1,224)	(10,154)
	<u>₩ 15,221,100</u>	<u>₩ 12,731,551</u>
Non-current liabilities		
Leasehold deposits	₩ 49,616,028	₩ 45,914,886
Discount account on present value	(4,336,686)	(4,483,732)
Advance received	82,573	205,600
	<u>₩ 45,361,915</u>	<u>₩ 41,636,754</u>

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

11. 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	
Current liabilities				
Withholdings	₩	101,137	₩	100,789
Value added tax withholdings		1,146,441		1,122,390
Unearned revenue		1,431,242		1,196,264
	₩	<u>2,678,820</u>	₩	<u>2,419,443</u>
Non-current liabilities				
Unearned revenue	₩	2,854,060	₩	3,177,949
	₩	<u>2,854,060</u>	₩	<u>3,177,949</u>

12. Borrowings

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate(%)	Maturity date	May 31, 2024	November 30, 2023
Tranche A	Hanwha General Insurance Co., Ltd.	-	-	₩ -	₩ 50,000,000
	Bank of China	-	-	-	50,000,000
	Shinhan Bank	-	-	-	50,000,000
	Industrial Bank of Korea	-	-	-	105,000,000
Tranche C1-1	KB Insurance Co., Ltd.	2.50	December 2, 2024	34,300,000	-
	Kookmin Bank	2.50	December 20, 2024	32,751,000	-
Tranche C1-2	KB Insurance Co., Ltd.	2.50	December 20, 2024	9,049,000	-
	Kookmin Bank	2.50	December 20, 2024	147,225,000	-
Tranche C1-3	KB Insurance Co., Ltd.	2.50	December 20, 2024	40,675,000	-
	Kookmin Bank	2.50	December 20, 2024	57,824,000	-
	KB Insurance Co., Ltd.	2.50	December 20, 2024	15,976,000	-
				<u>337,800,000</u>	<u>255,000,000</u>
	Less: discount			(987,964)	(30,274)
				₩ <u>336,812,036</u>	₩ <u>254,969,726</u>

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

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate(%)	Maturity date	May 31, 2024	November 30, 2023
	Hanwha General Insurance Co., Ltd.	-	-	₩	₩ 50,000,000
	Bank of China	-	-	-	50,000,000
	Shinhan Bank	-	-	-	50,000,000
	Industrial Bank of Korea	-	-	-	105,000,000
	KB Insurance Co., Ltd.	2.50	December 2, 2024	34,300,000	34,300,000
Tranche A ¹	Korea Development Bank ³	4.46	December 14, 2026	100,000,000	-
	NongHyup Bank ³	4.46	December 14, 2026	60,000,000	-
	NongHyup Life Insurance Co.,Ltd. ³	4.46	December 14, 2026	40,000,000	-
	Industrial Bank of Korea ³	4.81	December 14, 2026	77,000,000	-
	Shinhan Bank ³	5.11	December 14, 2026	45,000,000	-
	Bank of China ³	5.11	December 14, 2026	40,000,000	-
Tranche B ¹	Industrial Bank of Korea	2.50	December 14, 2025	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50	December 14, 2025	40,000,000	40,000,000
	Industrial Bank of Korea	2.50	December 14, 2025	28,700,000	28,700,000
Tranche C ¹	Hanwha General Insurance Co., Ltd.	2.50	December 14, 2025	50,000,000	50,000,000
	NongHyup Life Insurance Co.,Ltd.	2.50	December 14, 2025	40,000,000	40,000,000
	TONGYANG Life Insurance Co.,Ltd.	2.50	December 14, 2025	50,000,000	50,000,000
Tranche C1-1 ¹	Kookmin Bank	2.50	December 20, 2024	32,751,000	32,751,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	9,049,000	9,049,000
Tranche C1-2 ¹	Kookmin Bank	2.50	December 20, 2024	147,225,000	147,225,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	40,675,000	40,675,000
Tranche C1-3 ¹	Kookmin Bank	2.50	December 20, 2024	57,824,000	57,824,000
	KB Insurance Co., Ltd.	2.50	December 20, 2024	15,976,000	15,976,000

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate(%)	Maturity date	May 31, 2024	November 30, 2023
Tranche C-2 ¹	Kookmin Bank	2.70	December 20, 2026	114,500,000	114,500,000
Tranche D	Industrial Bank of Korea	3.80	December 14, 2025	20,000,000	20,000,000
	Kookmin Bank	3.83	May 9, 2026	28,000,000	-
Facility loan	NongHyup Bank	5.08	September 22, 2025	10,000,000	10,000,000
	The Kwangju Bank, Ltd.	5.18	May 10, 2026	5,000,000	5,000,000
Secured loan of East-Icheon	IM Bank	5.18	May 10, 2026	10,000,000	10,000,000
	BUSAN BANK	5.18	May 10, 2026	5,000,000	5,000,000
BRIC logistics park ^{1,2}	NongHyup Bank	5.18	May 10, 2026	27,000,000	27,000,000
	Shinhan Bank	5.18	May 10, 2026	25,600,000	25,600,000
				1,309,100,000	1,174,100,000
	Less: discount			(12,171,846)	(7,059,949)
	Less: reclassification to current portion			(336,812,036)	(254,969,726)
				₩ 960,116,118	₩ 912,070,325

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

² Interest rate for the Secured loan of East-Icheon BRIC logistics park is floating rate, which is CD+1.6%. The initial disclosed interest rate is 5.15%.

³ Interest rate for the secured loan is floating rate, which is CD+1.03% (weighted average). The CD interest rate on the initial withdrawal date is 3.84%.

13. Issued Capital and Other Paid-in-Capital

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

<i>(in Korean won)</i>	Total number of authorized shares	Total number of issued shares	Par value per share	Issued 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 May 31, 2024 and November 30, 2023 are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2024	November 30, 2023
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:

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

(in shares and in thousands of
Korean won)

	May 31, 2024		November 30, 2023	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	213,089,000	₩ 213,089,000	213,089,000	₩ 213,089,000
Ending balance	213,089,000	₩ 213,089,000	213,089,000	₩ 213,089,000

14. Retained Earnings (Deficits)

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

(in thousands of Korean won)	May 31, 2024	November 30, 2023
Retained earnings (deficits)	₩ (3,022,174)	₩ 3,636,959

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

(in thousands of Korean won)	May 31, 2024	November 30, 2023
Beginning balance	₩ 3,636,959	₩ 20,551,501
Dividends	(29,193,193)	(28,767,015)
Profit for the period	22,534,060	11,852,473
Ending balance	₩ (3,022,174)	₩ 3,636,959

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

(in Korean won)	May 31, 2024	November 30, 2023
1. Dividends	₩ 29,193,193,000	₩ 29,193,193,000
2. Total number of shares issued	213,089,000	213,089,000
3. Dividend per share (1./2.)	₩ 137	₩ 137
4. Par value	₩ 1,000	₩ 1,000
5. Dividend rate per share (3./4.)	13.70%	13.70%

15. Income Tax Expense

Income tax expense is the sum of income tax calculated at the amount expected to be paid to the taxation authorities under the *Corporate Tax 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 Deduction for Special Purpose Companies, etc., if the Group pay-outs 90% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no income tax to be paid, the Group has not recognized any income tax expenses.

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

16. 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>	May 31, 2024	November 30, 2023
Profit for the period attributable to owners of the Parent Company	₩ 22,534,060,750	₩ 11,852,472,755
Weighted average number of common shares outstanding	213,089,000	213,089,000
Basic earnings per share	<u>₩ 106</u>	<u>₩ 56</u>

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

<i>(in shares)</i>	November 30, 2023		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
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

As of May 31, 2024 and November 30, 2023, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share are identical to diluted earnings per share.

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

17. 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>	May 31, 2024	November 30, 2023
Rental income	₩ 53,277,285	₩ 50,515,034
Management income	1,892,729	1,840,059
Other income	708,140	602,696
	<u>₩ 55,878,154</u>	<u>₩ 52,957,789</u>

The future minimum lease payments expected to be received in relation to the operating lease agreement 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
Within one year	₩ 103,395,221	₩ 105,967,687
Between 1 and 2 years	93,051,661	99,425,566
Between 2 and 3 years	69,318,833	75,886,025
Between 3 and 4 years	54,295,087	50,631,360
Between 4 and 5 years	32,104,434	38,143,839
Later than five years	6,867,652	21,187,217
	<u>₩ 359,032,888</u>	<u>₩ 391,241,694</u>

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

18. 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>	May 31, 2024	November 30, 2023
Operating expenses related to investment properties:		
Insurance expenses	₩ 1,736,641	₩ 1,713,799
Depreciation	15,595,427	14,838,282
Real estate management consignment fees	2,355,808	2,183,727
Facility maintenance & administrative expenses	2,675	4,087
Taxes and due	14,883	3,535,506
Utilities expenses	6,107	6,571
Deemed rent	62,755	49,493
Rental brokerage fees	224,215	194,368
	<u>19,998,511</u>	<u>22,525,833</u>
Other operating expenses:		
Asset management consignment fees	5,564,402	5,286,199
Asset management performance fees	126,675	-
Other fees	1,011,678	661,375
Agent bank fees	50,000	-
Asset custody consignment fees	83,563	60,000
General affairs consignment fees	135,964	129,287
Salaries	90,000	90,000
Depreciation	10,205	10,228
	<u>7,072,487</u>	<u>6,237,089</u>
	<u>₩ 27,070,998</u>	<u>₩ 28,762,922</u>

19. 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>	May 31, 2024	November 30, 2023
Financial income		
Interest income	₩ 1,176,081	₩ 900,149
Financial expenses		
Interest expenses	₩ 25,607,408	₩ 18,807,352

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

20. Other Income and Expenses

Other 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>		May 31, 2024		November 30, 2023
Other income				
Miscellaneous income	₩	16,907	₩	1,805
Other expenses				
Miscellaneous expenses	₩	9,141	₩	18

21. Financial Risk Management

21.1 Capital risk management

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

The Group adopted 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>		May 31, 2024		November 30, 2023
Liabilities	₩	1,363,044,048	₩	1,227,005,747
Equity		1,110,253,458		1,116,912,590
Debt-to-equity ratio		122.77%		109.86%

21.2 Financial risk factors

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

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

(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 Group is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Group periodically reviews the status of interest rates. As of May 31, 2024 and November 30, 2023, when all other variables are constant and the interest rate changes by 1%, the impact on the Company's profit before tax is as follows:

<i>(in thousands of Korean won)</i>		May 31, 2024		November 30, 2023
1% increase	₩	(2,173,000)	₩	(363,000)
1% decrease		2,173,000		363,000

Foreign exchange risk

As of May 31, 2024 and November 30, 2023, the Group 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 Group, 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>		May 31, 2024		November 30, 2023
Cash and cash equivalents	₩	66,858,602	₩	50,608,115
Short-term financial instruments		14,560,885		12,662,079
Long-term financial instruments		44,662,013		41,705,553
Other financial assets		11,699,762		10,842,950
		<u>137,781,262</u>		<u>115,818,697</u>

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

(c) Liquidity risk

The Group has established a liquidity risk management framework for the management of the Group'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.

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

(in thousands of Korean won)

	May 31, 2024					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 6,604,916	₩ 6,604,916	₩ 6,604,916	₩ -	₩ -	₩ -
Advance received	82,573	82,573	-	-	82,573	-
Current portion of long-term borrowings and interest	336,812,036	342,454,521	342,454,521	-	-	-
Long-term borrowings and interest	960,116,118	1,047,542,049	35,264,780	524,900,247	487,377,022	-
Leasehold deposits	45,783,993	50,121,903	505,876	13,295,961	23,360,066	12,960,000
	<u>₩ 1,349,399,636</u>	<u>₩ 1,446,805,962</u>	<u>₩ 384,830,093</u>	<u>₩ 538,196,208</u>	<u>₩ 510,819,661</u>	<u>₩ 12,960,000</u>

(in thousands of Korean won)

	November 30, 2023					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 6,196,465	₩ 6,196,465	₩ 6,196,465	₩ -	₩ -	₩ -
Advance received	205,600	205,600	-	205,600	-	-
Current portion of long-term borrowings and interest	254,969,726	255,217,134	255,217,134	-	-	-
Long-term borrowings and interest	912,070,325	968,108,140	25,855,154	365,531,099	576,721,887	-
Leasehold deposits	42,416,729	46,910,617	995,730	5,369,209	27,335,678	13,210,000
	<u>₩ 1,215,858,845</u>	<u>₩ 1,276,637,956</u>	<u>₩ 288,264,483</u>	<u>₩ 371,105,908</u>	<u>₩ 604,057,565</u>	<u>₩ 13,210,000</u>

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

22. 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)

	May 31, 2024		November 30, 2023	
	Book amount	Fair value	Book amount	Fair value
Financial assets at amortized cost				
Cash and cash equivalents	₩ 66,858,602	₩ 66,858,602	₩ 50,608,115	₩ 50,608,115
Short-term financial instruments	14,560,885	14,560,885	12,662,079	12,662,079
Long-term financial instruments	44,662,013	44,662,013	41,705,553	41,705,553
Other financial assets	11,699,762	11,699,762	10,842,950	10,842,950
	<u>₩ 137,781,262</u>	<u>₩ 137,781,262</u>	<u>₩ 115,818,697</u>	<u>₩ 115,818,697</u>
Financial liabilities				
Current portion of long-term borrowings	₩ 336,812,036	₩ 336,812,036	₩ 254,969,726	₩ 254,969,726
Long-term borrowings	960,116,118	960,116,118	912,070,325	912,070,325
Other financial liabilities	60,583,015	60,583,015	54,368,305	54,368,305
	<u>₩ 1,357,511,169</u>	<u>₩ 1,357,511,169</u>	<u>₩ 1,221,408,356</u>	<u>₩ 1,221,408,356</u>

(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:

(in thousands of Korean won)

	May 31, 2024	November 30, 2023
Financial assets at amortized cost		
Interest income	₩ 1,176,081	₩ 900,149
Financial liabilities at amortized cost		
Interest expenses	25,607,408	18,807,352

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

23. Cash flow

The significant non-cash transactions 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	November 30, 2023
Reclassification to leasehold deposits received of advance received	₩ 205,600	₩ -
Reclassification to current portion of leasehold deposits received	390,574	2,982,395
Transfer of discount on present value of leasehold deposits to unearned revenues	527,559	360,899
Reclassification to current portion of discount on present value of leasehold deposits	8,930	9,711
Reclassification to current portion of financial instruments	-	217,458
Transfer of accrued income to investments in associates	3,366,207	2,869,895
Reclassification to land of construction in progress	3,336,217	-
Reclassification to building of construction in progress	7,023,409	-
Reclassification to current portion of unearned revenue	767,966	-
Reclassification to current portion of prepaid expenses	15,497	-
Reclassification to current portion of long-term borrowings	337,800,000	-
Reclassification to current portion of discount on present value of long-term borrowings	1,472,597	-

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

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:

(in thousands of Korean won)

	May 31, 2024			
	Beginning balance	Cash flow from financing activities	Changes in non-cash transactions¹	Ending balance
Advance received	₩ 205,600	₩ 82,573	₩ (205,600)	₩ 82,573
Current portion of long-term borrowings	254,969,726	(255,000,000)	336,842,310	336,812,036
Long-term borrowings	912,070,325	390,000,000	(341,954,207)	960,116,118
Leasehold deposits	42,416,729	3,005,688	361,576	45,783,993

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

(in thousands of Korean won)

	November 30, 2023			
	Beginning balance	Cash flow from financing activities	Changes in non-cash transactions¹	Ending balance
Advance received	₩ -	₩ 205,600	₩ -	₩ 205,600
Current portion of long-term borrowings	254,543,562	-	426,164	254,969,726
Long-term borrowings	919,986,095	(10,000,000)	2,084,230	912,070,325
Leasehold deposits	42,220,347	(22,800)	219,182	42,416,729

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

24. Related Party Transactions

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

	May 31, 2024	November 30, 2023
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7 ¹	KendallSquare Professional Investment Type Real Estate Investment Fund #7
	KendallSquare General Private Placement Real Estate Investment Fund #8 ¹	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 #11
	KendallSquare General Private Placement Real Estate Investment Fund #18 ¹	KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related parties	Kendall Square REIT Management Inc.	Kendall Square REIT Management Inc.
	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.

¹ For the six-month period ended May 31, 2024, the name of the associate has been changed.

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

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)

	Related party	May 31, 2024	
		Asset management consignment fees ¹	Asset management performance fee
Other related party	Kendall Square REIT Management Inc..	₩ 5,564,402	₩ 139,343

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee amounting to ₩1,143 million, which is included in the acquisition cost of investment properties.

(in thousands of Korean won)

	Related party	November 30, 2023	
		Asset management consignment fees	
Other related party	Kendall Square REIT Management Inc.	₩	5,286,199

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

(in thousands of Korean won)

	Related party	May 31, 2024		November 30, 2023	
		Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare General Private Placement Real Estate Investment Fund #7 ¹	₩ 2,184,068	₩ -	₩ 1,290,586	₩ -
	KendallSquare General Private Placement Real Estate Investment Fund #8 ¹	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 ¹	586,708	-	586,708	-
Other related party	Kendall Square REIT Management Inc..	-	6,120,842	-	5,814,819
		₩ 3,366,207	₩ 6,120,842	₩ 2,869,895	₩ 5,814,819

¹ For the six-month period ended May 31, 2024, the name of the associate has been 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:

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

(in thousands of Korean won)

		May 31, 2024		November 30, 2023		
		Dividends received	Dividends paid	Dividends received	Collection of principal upon termination	Dividends paid
Associates	Related party					
	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ 15,358,841	₩ 37,264,025	₩ -
	KendallSquare General Private Placement Real Estate Investment Fund #7 ¹	1,290,586	-	595,655	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #8 ¹	396,846	-	1,091,326	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #11	595,755	-	992,925	-	-
	KendallSquare General Private Placement Real Estate Investment Fund #18 ¹	586,708	-	635,600	-	-
Other related parties	Kendall Square REIT Management Inc.	-	343,122	-	-	200,804
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC	-	7,254,537	-	-	7,148,631
	ESR Kendall Square REIT Holding PTE, LTD.	-	1,874,768	-	-	1,847,399
		<u>₩ 2,869,895</u>	<u>₩ 9,472,427</u>	<u>₩ 18,674,347</u>	<u>₩ 37,264,025</u>	<u>₩ 9,196,834</u>

¹ 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 Group 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

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

25. Operating Segments

The Group operates as a single reporting segment, considering the nature of the services that generate operating profits. Therefore, disclosure of operating income, net income before income tax expense, and total assets and liabilities by reporting sector was omitted in these reports.

Revenues of approximately ₩ 37,028 million (November 30, 2023: ₩ 36,995 million), accounting for over 10% of the Group's revenue, are derived from a single external customer who leases Bucheon cold logistics park and 6 others.

26. Commitments

(a) Contract for the asset management services

The Group entered into a contract of the asset management services such as acquisition, management, development, improvement and disposal of real estate, lease, and sales of securities with 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% (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% (*) 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 (*) 0.75%, in the cases of (i) the assets for purchase 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 purchase 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

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

Details

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

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

(b) General affairs consignment contract

The Group entered into a general affairs consignment contract with SHINHAN FUND PARTNERS CO.,LTD. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholder's meetings. ₩105,000 thousand of fees are paid per every fiscal year. In addition, for the assets that the Group additionally purchases, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(c) Asset custody consignment contract

The Group entered into a consignment contract for custody and management of assets such as real estate, securities, and cash with NH INVESTMENT & SECURITIES CO.,LTD. ₩5,000 thousand of fees are paid per every fiscal year. The Group entered into a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. ₩40,000 thousand of fees are paid per every fiscal year. The Group entered into a consignment contract with KB Real Estate Trust Co., Ltd. for real estate storage and management and ₩37,500 thousand of fees are paid per every fiscal year.

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

(d) Loan agreement

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

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche A (Industrial Bank of Korea, etc. and 6 others)	₩ 396,300,000	₩ 396,300,000
Tranche B&C (Industrial Bank of Korea, etc. and 5 others)	782,200,000	782,200,000
Tranche D (Industrial Bank of Korea)	20,000,000	20,000,000
Tranche D (Kookmin Bank)	30,000,000	28,000,000
Operating loan (Korea Development Bank)	5,000,000	-
Facility loans (NongHyup Bank)	10,000,000	10,000,000
Secured loan of East-Icheon BRIC logistics park	72,600,000	72,600,000
	<u>₩ 1,316,100,000</u>	<u>₩ 1,309,100,000</u>

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

<i>(in thousands of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Bucheon cold logistics park and 4 others	₩ 574,834,469	₩ 434,400,000	Tranche A	Industrial Bank of Korea, etc. and 5 others
	Goyang logistics park	484,357,907	437,040,000	Tranche B&C	Industrial Bank of Korea, etc. and 3 others
	Anseong logistics park	161,117,086			
	Anseong logistics park 4	60,417,694	41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park 2	72,471,563	50,160,000	Tranche C1-1	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 2	330,867,425	225,480,000	Tranche C1-2	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 3	128,881,400	88,560,000	Tranche C1-3	KB Insurance Co., Ltd, Kookmin Bank
	Icheon logistics park 5	202,079,765	137,400,000	Tranche C-2	Kookmin Bank
	Icheon logistics park 7	132,874,517	87,120,000	Secured loan of East-Icheon BRIC logistics park	The Kwangju Bank, Ltd., iM Bank, BUSAN BANK, NongHyup Bank, Shinhan Bank
		<u>₩ 2,147,901,830</u>	<u>₩ 1,501,320,000</u>		

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

Among the Tranche A, in relation to the leasehold deposits of ₩310,684 thousand, the right of registered lease on deposit basis and pledge of ₩353,897 thousand are established as senior collateral.

As of May 31, 2024, the Group has been provided with a payment guarantee of ₩ 1,064,548 thousand in relation to leasehold deposits, management fee payment and permission for development activities under the lease contract, restoration cost according to permission for use of agricultural production infrastructure from Seoul Guarantee Insurance Company.