

ESR Kendall Square REIT Co., Ltd. and Subsidiaries

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

ESR Kendall Square REIT Co., Ltd. and Subsidiaries

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Emphasis of Matter

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

Other Matters

We have audited the consolidated statement of financial position of the Group as at May 31, 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated August 13, 2021. The consolidated statement of financial position as at May 31, 2021, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at May 31, 2021.

Seoul, Korea

October 15, 2021

This report is effective as of October 15, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Interim Statements of Financial Position
August 31 and May 31, 2021

<i>(in Korean won)</i>	Notes	August 31, 2021 (Unaudited)		May 31, 2021
Assets				
Current assets				
Cash and cash equivalents	4,22,23	₩	29,600,181,629	₩ 26,893,775,417
Other financial assets	6,22,23		870,032,414	5,201,481,632
Other assets	7		1,096,067,245	569,298,752
Current tax assets			426,991,070	6,957,770
			<u>31,993,272,358</u>	<u>32,671,513,571</u>
Non-current assets				
Long-term financial assets	5,22,23		25,678,881,751	21,373,453,740
Investments in associates and joint ventures	8		183,729,168,636	156,560,646,070
Investment properties	9		1,140,633,889,317	975,741,830,154
Intangible assets	10		4,058,026	4,058,026
Other non-current assets	6,22,23		1,983,868,380	1,269,836,220
			<u>1,352,029,866,110</u>	<u>1,154,949,824,210</u>
Total assets		₩	<u>1,384,023,138,468</u>	₩ <u>1,187,621,337,781</u>
Liabilities				
Current liabilities				
Other financial liabilities	11,22,23	₩	27,751,731,829	₩ 6,920,386,381
Other current liabilities	12		4,517,956,988	3,833,019,222
			<u>32,269,688,817</u>	<u>10,753,405,603</u>
Non-current liabilities				
Long-term borrowings	13,22,23		633,980,243,597	446,569,500,855
Other non-current financial liabilities	11,22,23		23,764,004,012	19,616,040,912
			<u>657,744,247,609</u>	<u>466,185,541,767</u>
Total liabilities			<u>690,013,936,426</u>	<u>476,938,947,370</u>
Equity				
Share capital	14		143,259,000,000	143,259,000,000
Other paid-in-capital	14		541,150,342,670	541,850,342,670
Retained earnings	15		9,599,859,372	25,573,047,741
Equity attributable to equity holders of the Parent Company			<u>694,009,202,042</u>	<u>710,682,390,411</u>
Non-controlling interests			-	-
Total equity			<u>694,009,202,042</u>	<u>710,682,390,411</u>
Total liabilities and equity		₩	<u>1,384,023,138,468</u>	₩ <u>1,187,621,337,781</u>

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

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

<i>(in Korean won)</i>	Notes	August 31, 2021 (Unaudited)	February 28, 2021 (Unaudited)
Operating revenues	18	₩ 15,016,495,650	₩ 10,976,258,799
Operating expenses	19	<u>8,927,437,031</u>	<u>10,220,420,827</u>
Operating profit		<u>6,089,058,619</u>	<u>755,837,972</u>
Non-operating income			
Financial income	20	50,834,467	730,091,866
Other income	21	1,523,115	43
Gains on valuation using equity method		<u>1,995,147,228</u>	<u>17,540,784</u>
		<u>2,047,504,810</u>	<u>747,632,693</u>
Non-operating expense			
Financial expenses	20	4,519,590,998	3,004,425,289
Other expenses	21	-	11
Losses on valuation using equity method		<u>1,026,624,662</u>	<u>-</u>
		<u>5,546,215,660</u>	<u>3,004,425,300</u>
Profit (loss) before income tax expenses		2,590,347,769	(1,500,954,635)
Income tax expenses	16	-	-
Profit (loss) for the period		<u>₩ 2,590,347,769</u>	<u>₩ (1,500,954,635)</u>
Owners of the Parent Company		2,590,347,769	(1,500,954,635)
Non-controlling interests		-	-
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		<u>₩ 2,590,347,769</u>	<u>₩ (1,500,954,635)</u>
Owners of the Parent Company		2,590,347,769	(1,500,954,635)
Non-controlling interests		-	-
Earnings (losses) per share			
Basic earnings (losses) per share	17	₩ 18	₩ (11)
Diluted earnings (losses) per share	17	₩ 18	₩ (16)

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

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

(in Korean won)

	Equity attributable to equity holders of the Parent Company			Non-controlling interests	Total
	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)		
Balance at December 1, 2020	₩ 48,200,000,000	₩ 192,541,961,760	₩ (1,494,204,114)	₩ -	₩ 239,247,757,646
Increase in issued capital	71,459,000,000	277,064,431,350	-	-	348,523,431,350
Conversion of convertible bonds	23,600,000,000	93,901,949,560	-	-	117,501,949,560
Integrity of deficit	-	(21,658,000,000)	21,658,000,000	-	-
Loss for the period	-	-	(1,500,954,635)	-	(1,500,954,635)
Balance at February 28, 2021 (Unaudited)	₩ 143,259,000,000	₩ 541,850,342,670	₩ 18,662,841,251	₩ -	₩ 703,772,183,921
Balance at June 1, 2021	₩ 143,259,000,000	₩ 541,850,342,670	₩ 25,573,047,741	₩ -	₩ 710,682,390,411
Transfer of other paid-in-capital to retained earnings	-	(700,000,000)	700,000,000	-	-
Dividends	-	-	(19,263,536,138)	-	(19,263,536,138)
Profit for the period	-	-	2,590,347,769	-	2,590,347,769
Balance at August 31, 2021 (Unaudited)	₩ 143,259,000,000	₩ 541,150,342,670	₩ 9,599,859,372	₩ -	₩ 694,009,202,042

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

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

<i>(in Korean won)</i>	August 31, 2021 (Unaudited)	February 28, 2021 (Unaudited)
Cash flows from operating activities		
Profit (loss) for the period	₩ 2,590,347,769	₩ (1,500,954,635)
Adjustments for:		
Depreciation	3,861,145,222	2,691,163,403
Interest expense	4,519,590,998	3,004,425,289
Interest income	(50,834,467)	(69,763,866)
Dividend income	-	(112,876)
Other income	(151,995,132)	(104,376,426)
Gains on valuation of financial liabilities at fair value through profit or loss	-	(660,328,000)
Losses on valuation using equity method	1,026,624,662	-
Gains on valuation using equity method	(1,995,147,228)	(17,540,784)
	<u>7,209,384,055</u>	<u>4,843,466,740</u>
Changes in operating assets and liabilities:		
Decrease (increase) in account receivables	10,728,402	(2,933,013,692)
Increase in accrued income	(713,528,426)	(250,614,488)
Increase in prepaid expenses	(526,650,493)	(673,049,224)
Increase in prepaid value added tax	(118,000)	-
Increase in trade payables	2,176,299,038	755,787,106
Increase in withholdings	370,028,346	3,260,796
Increase in value added tax withheld	-	313,504,121
	<u>1,316,758,867</u>	<u>(2,784,125,381)</u>
	<u>11,116,490,691</u>	<u>558,386,724</u>
Interest received	63,992,596	45,045,558
Income taxes paid	(420,033,300)	(6,953,950)
Interest paid	(6,324,736,332)	(2,227,927,932)
Dividends received	4,307,058,953	112,876
Net cash inflow (outflow) from operating activities	<u>8,742,772,608</u>	<u>(1,631,336,724)</u>
Cash flows from investing activities		
Decrease in long-term financial assets	5,358,096,103	-
Increase in long-term financial assets	(9,663,524,114)	(21,373,453,740)
Acquisition of investments in associates	(26,200,000,000)	(158,238,014,736)
Acquisition of investment properties (Land)	(40,660,182,565)	(343,796,871,884)
Acquisition of investment properties (Building)	(128,093,021,820)	(637,840,677,303)
Increase in other deposits	-	(643,300,000)
Net cash outflow from investing activities	<u>(199,258,632,396)</u>	<u>(1,161,892,317,663)</u>
Cash flows from financing activities		
Increase in issued capital	-	348,523,431,350
Increase in short-term borrowings	12,300,000,000	-
Increase in long-term borrowings	188,700,000,000	511,400,000,000
Increase in advances	217,308,000	-
Increase in leasehold deposits received	4,304,958,000	23,134,744,950
Repayment in short-term borrowings	(12,300,000,000)	-
Repayment for current portion of long-term borrowings	-	(60,900,000,000)
Conversion of convertible bonds	-	(498,050,440)
Net cash inflow from financing activities	<u>193,222,266,000</u>	<u>821,660,125,860</u>
Net increase (decrease) in cash and cash equivalents	2,706,406,212	(341,863,528,527)
Cash and cash equivalents at the beginning of period	26,893,775,417	358,278,355,762
Cash and cash equivalents at the end of period	<u>₩ 29,600,181,629</u>	<u>₩ 16,414,827,235</u>

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

ESR Kendall Square REIT Co., Ltd. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

August 31 and February 28, 2021 (Unaudited) and May 31, 2021

1. Reporting Entity

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

1.1 Controlling Company

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

The Group’s major shareholders and their respective shareholdings as at August 31, 2021, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	9,200,000	6.42%
ESR Kendall Square Co., Ltd.	4,000,000	2.79%
Kendall Square REIT Management, Inc.	1,000,000	0.70%
CPP Investment Board Real Estate Holdings Inc.	35,600,000	24.85%
Others	93,459,000	62.24%
	<u>143,259,000</u>	<u>100.00%</u>

1.2 Subsidiaries

Details of subsidiaries as at August 31 and May 31, 2021, are as follows:

	Country of domicile	Business type	Percentage of ownership	
			August 31, 2021	May 31, 2021
ESR Kendall Square Asset No.1 Reit Co., LTD.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No.2 Reit Co., LTD. ¹	Korea	Real estate	100%	-

¹ Newly established during the three-month period ended August 31, 2021.

ESR Kendall Square REIT Co., Ltd. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
August 31 and February 28, 2021 (Unaudited) and May 31, 2021

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

<i>(in thousands of Korean won)</i>	August 31, 2021			Three-month period ended August 31, 2021		
	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the period	Total comprehensive income (loss)
ESR Kendall Square Asset No.1 Reit Co., LTD.	₩ 1,178,812,205	₩ 649,861,171	₩ 528,951,034	₩ 15,016,496	₩ 2,651,022	₩ 2,651,022
ESR Kendall Square Asset No.2 Reit Co., LTD.	300,118	3,079	297,039	-	(30)	(30)
<i>(in thousands of Korean won)</i>	May 31, 2021			Three-month period ended February 28, 2021		
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No.1 Reit Co., LTD.	₩ 1,018,448,615	₩ 476,868,401	₩ 541,580,214	₩ 10,976,146	₩ 3,444,163	₩ 3,444,163

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated interim financial statements.

The Group's condensed consolidated interim financial statements for the three-month period ended August 31, 2021, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at August 31, 2021.

ESR Kendall Square REIT Co., Ltd. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

August 31 and February 28, 2021 (Unaudited) and May 31, 2021

2.1.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing June 1, 2021.

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

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

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

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

2.1.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for August 31, 2021 reporting periods and have not been early adopted by the Group.

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

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

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

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

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

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

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

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

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

(e) Korean IFRS 1117 Insurance Contract

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

(f) Annual improvements to Korean IFRS 2018-2020

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

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

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended May 31, 2021, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended May 31, 2021, except for the estimates used to determine income tax expense.

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

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group’s business, financial position and financial performance cannot presently be determined.

4. Cash and Cash Equivalents

Cash and cash equivalents as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Bank deposits	₩ 29,600,182	₩ 26,893,775

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5. Financial Instruments Restricted in Use

Financial instruments that are restricted in use as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021		May 31, 2021	
Long-term financial assets ¹	₩	25,678,882	₩	21,373,453

¹ Consist of bank deposit and time deposit and are pledged on the leasehold deposits.

6. Other Financial Assets

Other financial assets as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021		May 31, 2021	
Current assets				
Accounts receivables	₩	826,633	₩	837,362
Accrued income		43,399		4,364,120
	₩	<u>870,032</u>	₩	<u>5,201,482</u>
Non-current assets				
Other leasehold deposits	₩	643,300	₩	643,300
Accrued income		1,340,568		626,536
	₩	<u>1,983,868</u>	₩	<u>1,269,836</u>

7. Other Assets

Other assets as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021		May 31, 2021	
Prepaid expenses	₩	1,095,949	₩	569,299
Prepaid value added tax		118		-
	₩	<u>1,096,067</u>	₩	<u>569,299</u>

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8. Investment in Associates

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

(in thousands of Korean won)

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

(in thousands of Korean won)

				February 28, 2021			
	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions	Share of profit or loss	Ending balance
Beneficiary certificates:							
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	98.84%	37,264,025,475	-	₩ 37,264,026	₩ 181,103	₩ 37,445,129
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.06%	41,126,694,806	-	41,126,695	203,577	41,330,272
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	98.84%	37,743,009,474	-	37,743,009	(65,672)	37,677,337
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.13%	42,104,284,981	-	42,104,285	(301,467)	41,802,818
				₩ -	₩ 158,238,015	₩ 17,541	₩ 158,255,556

Although percentage of ownership of the above beneficiary certificates exceed 50%, the beneficiary certificates are classified as associates because they are trust type beneficiary certificates that are determined to have no de facto control in accordance with the Capital Market Act and trust contract.

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9. Investment Properties

Investment properties as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021			May 31, 2021		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 384,467,915	₩ -	₩ 384,467,915	₩ 343,807,732	₩ -	₩ 343,807,732
Buildings	765,933,699	(9,767,725)	756,165,974	637,840,677	(5,906,579)	631,934,098
	<u>₩ 1,150,401,614</u>	<u>₩ (9,767,725)</u>	<u>₩ 1,140,633,889</u>	<u>₩ 981,648,410</u>	<u>₩ (5,906,579)</u>	<u>₩ 975,741,830</u>

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

<i>(in thousands of Korean won)</i>	August 31, 2021			February 28, 2021		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 343,807,732	₩ 631,934,098	₩ 975,741,830	₩ -	₩ -	₩ -
Acquisitions/transfers	40,660,183	128,093,021	168,753,204	343,796,872	637,840,677	981,637,549
Depreciation	-	(3,861,145)	(3,861,145)	-	(2,691,163)	(2,691,163)
Ending balance	<u>₩ 384,467,915</u>	<u>₩ 756,165,974</u>	<u>₩ 1,140,633,889</u>	<u>₩ 343,796,872</u>	<u>₩ 635,149,514</u>	<u>₩ 978,946,386</u>

Details of acquisition for the three-month period ended August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Purchase price¹	Seller
Anseong logistics park	₩ 160,000,000	Juksan PFV, Inc.

¹ The amount excludes the additional cost related to purchase.

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

<i>(in thousands of Korean won)</i>	August 31, 2021	February 28, 2021
Operating revenues ¹	₩ 14,864,501	₩ 10,865,365
Operating expenses ²	5,812,641	4,083,333

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of depreciation expense, asset management consignment fees, asset custody consignment fees, general affairs consignment fees, real estate consignment management fees and facility maintenance & administrative expenses.

Fair value of investment properties as at August 31, 2021 has no significant difference with the book amount.

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

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and details are as follows:

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral	Contract amount & Loan amount	Maximum amount of bonds (120%)
Tranche A	₩ 471,192,350	₩ 255,000,000	₩ 306,000,000
Tranche B&C	669,441,539	364,200,000	437,040,000

The Group subscribes to the property all risks insurance (insured amount: ₩ 498,559 million) in relation to investment property.

10. Intangible Assets

Intangible assets as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Goodwill	₩ 4,058	₩ 4,058

11. Other Financial Liabilities

Other financial liabilities as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Current liabilities		
Trade payables	₩ 24,134,185	₩ 4,437,576
Accrued expense	3,368,751	2,283,100
Leasehold deposits	249,710	199,710
Discount account on present value	(914)	-
	<u>₩ 27,751,732</u>	<u>₩ 6,920,386</u>
Non-current liabilities		
Advances	₩ 217,308	-
Leasehold deposits	27,189,993	22,935,035
Discount account on present value	(3,643,297)	(3,318,994)
	<u>₩ 23,764,004</u>	<u>₩ 19,616,041</u>

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12. Other Liabilities

Other liabilities as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021		May 31, 2021	
Withholdings	₩	315	₩	789
Value added tax withholdings		901,920		531,418
Unearned revenue		3,615,722		3,300,812
	₩	<u>4,517,957</u>	₩	<u>3,833,019</u>

13. Borrowings

Details of long-term borrowings as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate at August 31, 2021	Maturity date	August 31, 2021		May 31, 2021	
Tranche A ¹	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩ 50,000,000	₩	50,000,000	
	Bank of China	2.22%	December 14, 2023	50,000,000		50,000,000	
	Shinhan Bank	2.22%	December 14, 2023	50,000,000		50,000,000	
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000		105,000,000	
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		-	
Tranche C ¹	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000		-	
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000		-	
	TONGYANG LIFE INSURANCE CO.,LTD.	2.50%	December 14, 2025	50,000,000		-	
Tranche D	Industrial Bank of Korea	3.80%	December 14, 2025	20,000,000		-	
				<u>639,200,000</u>		<u>450,500,000</u>	
	Less: discount account on present value			<u>(5,219,756)</u>		<u>(3,930,499)</u>	
				<u>₩ 633,980,244</u>	₩	<u>446,569,501</u>	

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

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14. Share Capital and Other Paid-in-Capital

Details of share capital as at August 31, 2021, are as follows:

<i>(in Korean won)</i>	Total number of authorized shares	Total number of issued shares	Par value per share	Share capital
Common shares	2,000,000,000 shares	143,259,000 shares	₩ 1,000	₩ 143,259,000,000

Details of other paid-in-capital as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Additional paid-in-capital	₩ 541,150,343	₩ 541,850,343

15. Retained Earnings

Details of retained earnings as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Retained earnings	₩ 9,599,859	₩ 25,573,048

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

<i>(in thousands of Korean won)</i>	August 31, 2021	February 28, 2021
Beginning balance	₩ 25,573,048	₩ (1,494,204)
Integrity of deficit	-	21,658,000
Transfer of other paid-in-capital to retained earnings	700,000	-
Dividends	(19,263,536)	-
Profit (loss) for the period	2,590,348	(1,500,955)
Ending balance	<u>₩ 9,599,859</u>	<u>₩ 18,662,841</u>

Dividends per share and total dividends for the fiscal year ended May 31, 2021 are ₩134.47 and ₩19,263,536,000, respectively, and were proposed and resolved at the shareholder's meeting on August 31, 2021. The financial statements at August 31, 2021 include the unpaid dividends.

16. Income Tax Expense

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

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Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group pay-outs 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no corporate tax to be paid, the Group has not recognized any income tax expenses.

17. Earnings (Losses) per Share

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

<i>(in Korean won)</i>	August 31, 2021	February 28, 2021
Profit (loss) for the period attributable to owners of the Parent Company	₩ 2,590,347,769	₩ (1,500,954,635)
Weighted average number of common shares outstanding	143,259,000 shares	133,490,878 shares
Basic earnings (losses) per share	₩ 18	₩ (11)

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

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

<i>(in shares)</i>	February 28, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	48,200,000	9	433,800,000
Increase in issued capital	119,659,000	1	119,659,000
Conversion of convertible bonds	143,259,000	80	11,460,720,000
Weighted average number of common shares outstanding			<u>133,490,878</u>

Diluted earnings (losses) per share

(a) For the three-month period ended August 31, 2021

The Group did not issue any potential ordinary shares, therefore, diluted earnings (losses) per share are identical to basic earnings (losses) per share for the three-month period ended August 31, 2021.

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(b) For the three-month period ended February 28, 2021

Diluted earnings (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares: convertible bonds and share options and the convertible bond was converted to common shares for the three-month period ended February 28, 2021. Diluted earnings (losses) per share for the three-month period ended February 28, 2021 is as follows:

<i>(in Korean won)</i>	February 28, 2021	
Loss for the period attributable to owners of the Parent Company	₩	(1,500,954,635)
Profit and loss on convertible bond (net of tax)		660,328,000
Loss used to determine diluted earnings per share		(2,161,282,635)
Weighted average number of ordinary shares for diluted earnings per share		136,312,617
Diluted losses per share:	₩	<u>(16)</u>

18. Operating Revenues

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

<i>(in thousands of Korean won)</i>	August 31, 2021		February 28, 2021	
Rental income	₩	14,587,661	₩	10,608,562
Management income		276,840		256,803
Other income		151,995		110,781
Dividend income		-		113
	₩	<u>15,016,496</u>	₩	<u>10,976,259</u>

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19. Operating Expenses

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

<i>(in thousands of Korean won)</i>	August 31, 2021		February 28, 2021	
Depreciation	₩	3,861,145	₩	2,691,163
Asset management consignment fees		2,038,676		3,565,209
Taxes and due		1,580,106		3,730
Real estate management consignment fees		465,227		324,015
Other fees		323,795		3,315,209
Insurance expenses		300,564		162,295
Rental brokerage fees		250,626		60,734
Salaries		39,000		39,000
General affairs consignment fees		38,287		32,581
Asset custody consignment fees		22,623		21,204
Deemed rent		4,380		2,874
Utilities expenses		3,007		2,408
	₩	8,927,436	₩	10,220,422

20. Finance Income and Expenses

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

<i>(in thousands of Korean won)</i>	August 31, 2021		February 28, 2021	
Financial income				
Interest income	₩	50,834	₩	69,764
Gains on valuation of financial liabilities at fair value through profit or loss		-		660,328
	₩	50,834	₩	730,092
Financial expenses				
Interest expenses	₩	4,519,591	₩	3,004,425

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21. Other Income and Expenses

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

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

22. Financial Risk Management

22.1 Capital risk management

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

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

Debt-to-equity ratio as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	August 31, 2021	May 31, 2021
Liabilities	₩ 690,013,936	₩ 476,938,947
Equity	692,498,782	710,682,390
Debt-to-equity ratio	99.64%	67.11%

22.2 Financial risk factors

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

(a) Market risk

The Group has no assets or liabilities that are exposed to changes in foreign currency exchange rates or risk of interest rate fluctuations.

(b) Credit risk

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

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- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		August 31, 2021		May 31, 2021
Cash and cash equivalents	₩	29,600,182	₩	26,893,775
Long-term financial instruments		25,678,882		21,373,454
Other financial assets		2,853,901		6,471,318

(c) Liquidity risk

The Group has established a liquidity risk management framework for the management of The Group's short- and medium-term financial assets and liabilities and continuously monitors forecasts and actual cash flows to respond to the maturity profiles of these financial assets and liabilities. Management assesses that financial liabilities can be repaid through cash flows from operating activities and cash inflows from financial assets.

Analysis of liquidity risk as at August 31 and May 31, 2021, are as follows:

(in thousands of Korean won)

	August 31, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	₩ 24,134,185	₩ 24,134,185	₩ 24,134,185	₩ -	₩ -	₩ -
Accrued expenses	3,368,751	3,368,751	3,368,751	-	-	-
Long-term borrowings	633,980,244	694,448,384	15,526,000	15,526,000	663,396,384	-
Advances	217,308	217,308	-	-	217,308	-
Leasehold deposits	23,795,492	27,439,703	249,710	1,263,829	10,627,501	15,298,663
	<u>₩ 685,495,980</u>	<u>₩ 749,608,331</u>	<u>₩ 43,278,646</u>	<u>₩ 16,789,829</u>	<u>₩ 674,241,193</u>	<u>₩ 15,298,663</u>

(in thousands of Korean won)

	May 31, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	₩ 4,437,576	₩ 4,437,576	₩ 4,437,576	₩ -	₩ -	₩ -
Accrued expenses	2,283,100	2,283,100	2,283,100	-	-	-
Long-term borrowings	446,569,501	487,065,300	10,548,500	10,548,500	465,968,300	-
Leasehold deposits	19,815,751	23,134,745	199,710	1,163,829	6,161,859	15,609,347
	<u>₩ 473,105,928</u>	<u>₩ 516,920,721</u>	<u>₩ 17,468,886</u>	<u>₩ 11,712,329</u>	<u>₩ 472,130,159</u>	<u>₩ 15,609,347</u>

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23. Financial Instruments by Category and Fair Value

Financial instruments by category and fair value as at August 31 and May 31, 2021, are as follows:

(in thousands of Korean won)

	August 31, 2021		May 31, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 29,600,182	₩ 29,600,182	₩ 26,893,775	₩ 26,893,775
Long-term financial instruments	25,678,882	25,678,882	21,373,454	21,373,454
Other financial assets	2,853,901	2,853,901	6,471,318	6,471,318
	<u>₩ 58,132,965</u>	<u>₩ 58,132,965</u>	<u>₩ 54,738,547</u>	<u>₩ 54,738,547</u>
Financial liabilities				
Long-term borrowings	₩ 633,980,244	₩ 633,980,244	₩ 446,569,501	₩ 446,569,501
Other financial liabilities	51,515,736	51,515,736	26,536,427	26,536,427
	<u>₩ 685,495,980</u>	<u>₩ 685,495,980</u>	<u>₩ 26,536,427</u>	<u>₩ 26,536,427</u>

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

(in thousands of Korean won)

	August 31, 2021	February 28, 2021
Financial assets at amortized cost		
Interest income	₩ 50,834	₩ 69,764
Financial liabilities at amortized cost		
Interest expenses	4,519,591	3,004,425
Financial liabilities at fair value through profit or loss		
Gains on valuation of financial liabilities at fair value through profit or loss	-	660,328

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24. Cash flow

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

<i>(in thousands of Korean won)</i>	August 31, 2021	February 28, 2021
Deficit set-off	₩ -	₩ 21,658,000
Conversion of convertible bonds	-	118,000,000
Reclassification to current portion of long-term borrowings	-	60,900,000
Transfer of other paid-in-capital to retained earnings	700,000	-
Dividends	19,263,536	-
Transfer of trade payables into discount account on present value	1,687,000	4,755,000
Transfer of unearned revenue into discount account on present value	466,905	3,529,898

Changes in liabilities arising from financial activities for the three-month period ended August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions	Ending balance
Borrowings	₩ 446,569,501	₩ 188,700,000	₩ (1,289,257)	₩ 633,980,244
Unpaid dividends	-	-	19,263,536	19,263,536
Advances	-	217,308	-	217,308
Leasehold deposits	19,815,751	4,304,958	(325,217)	23,795,492

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25. Related Party Transactions

Related parties as at August 31 and May 31, 2021, are as follows:

	August 31, 2021	May 31, 2021
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 KendallSquare Professional Investment Type Real Estate Investment Fund #18	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 -
Other related party ¹	Kendall Square REIT Management, Inc. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management, Inc. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

¹ The Group grants the right to appoint a director to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties (3 persons in total) with the largest amount of share capital under the shareholders agreement as at August 31, 2021.

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

<i>(in thousands of Korean won)</i>	Related party	August 31, 2021
		Asset management consignment fees¹
Other related party	Kendall Square REIT Management, Inc.	₩ 3,297,561

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

<i>(in thousands of Korean won)</i>	Related party	February 28, 2021
		Asset management consignment fees
Other related party	Kendall Square REIT Management, Inc.	₩ 3,565,209

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Outstanding balances to related parties as at August 31 and May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>		Related party	August 31, 2021		May 31, 2021	
			Trade payables	Unpaid dividends	Accrued income	Trade payables
Associates		KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ 1,021,774	₩ -
		KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-	1,350,151	-
		KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	1,309,591	-
		KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-	625,543	-
	Other related party	Kendall Square REIT Management, Inc.	4,597,403	134,466	-	2,272,583
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC.	-	4,787,007	-	-	
	ESR KENDALL SQUARE REIT HOLDING PTE, LTD.	-	1,237,092	-	-	
		<u>₩ 4,597,403</u>	<u>₩ 6,158,565</u>	<u>₩ 4,307,059</u>	<u>₩ 2,272,583</u>	

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

<i>(in thousands of Korean won)</i>		Related party	August 31, 2021		February 28, 2021
			Contributions in cash	Dividends received	Contributions in cash
Associates		KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ 1,021,774	₩ 11,700,000
		KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	1,350,151	9,600,000
		KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	1,309,591	12,100,000
		KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	625,543	7,800,000
		KendallSquare Professional Investment Type Real Estate Investment Fund #18	26,200,000	-	-
			<u>₩ 26,200,000</u>	<u>₩ 4,307,059</u>	<u>₩ 41,200,000</u>

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

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

26. Operating Segments

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

27. Commitments

(a) Contract for the asset management services

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

	Details
Management fees	<p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% X consigner's ratio of shareholding</p>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year + the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</p>
Purchase fee	<p>a. Real estates:</p> <p>Purchase price X 1.0%</p> <p>(*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset</p>

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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.

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 purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table

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

(b) General affairs consignment contract

The Group entered a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholder's meetings. Fees are paid ₩ 75 million per every fiscal year.

(c) Asset custody consignment contract

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

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(d) *Loan agreement*

Details of the loan agreement as at August 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount		Loan amount	
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	₩	255,000,000	₩	255,000,000
Tranche B&C (Industrial Bank of Korea, etc.)		364,200,000		364,200,000
Tranche D (Industrial Bank of Korea)		20,000,000		20,000,000
Tranche E-2 (Hanwha General Insurance Co., Ltd.) ¹		12,300,000		-
	₩	651,500,000	₩	639,200,000

¹ Tranche E-2 loan agreement was executed and repaid for the three-month period ended August 31, 2021.

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	Buchon cold logistics park and 4 others	₩ 471,192,350	₩ 306,000,000	Tranche A	Industrial Bank of Korea, etc.
	Goyang logistics park	501,336,064	437,040,000	Tranche B&C	Industrial Bank of Korea, etc.
	Anseong logistics park	168,105,475			
		₩ 1,140,633,889	₩ 743,040,000		

Among the Tranche A, the leasehold deposits of ₩ 310,684 thousand and ₩ 809,607 thousand are reserved as leasehold rights and senior collateral, respectively.

28.Events After the Reporting Period

The Group received approval on changes in business of ESR Kendall Square Asset No.2 Reit Co., LTD. from the Ministry of Land, Infrastructure and Transport on September 29, 2021.