



BUILT FOR STABILITY & LONG TERM GROWTH

Annual Report 2022



Business registration number : 382-81-01986

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KOREA'S FIRST PURE PLAY LOGISTICS REIT

ESR KendallSquare REIT is the first logistics-focused REIT in Korea and was listed on the Korea Exchange in December 2020, establishing its position as the leading logistics REIT in the country. Despite rapid changes in the domestic and global business environment, ESR KendallSquare REIT has sustained steady growth and has emerged as the largest logistics asset in Korea, with AUM of 2.3 trillion KRW as of the end of 2022. The company is renowned for its vast experience and expertise in logistics center development, investment, and operation, as well as its asset management capabilities, which place it at the forefront of the industry. As a result, the company has been able to maximize investor returns by not only securing a competitive advantage in continuous asset acquisition but also by actively exploring new growth opportunities.

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ESR KendallSquare REIT (365550 KS) is an externally managed REIT, and hires KendallSquare REIT Management (KSRM) as its sole day-to-day business operation manager.

KOREA'S LARGEST LOGISTICS REIT

Our impressive portfolio comprises of 17 A-grade logistics centers, with a combined GFA of over 1 million square meters, strategically located in the Greater Seoul Area. Our tenant network is built on secure lease agreements with high-quality tenants operating in the e-commerce, 3PL and retail sectors, ensuring the stability of our rental income.





STELLAR BUSINESS OPERATION & SOLID FINANCIALS

We are pleased to report that we have achieved significant growth in our operating revenue, with an increase of 78% compared to the previous year. Additionally, our dividends have increased by 49%, reflecting our commitment to delivering value to our shareholders. Our robust capital structure provides us with exceptional financial flexibility, enabling us to optimize our resources and maximize shareholder value.

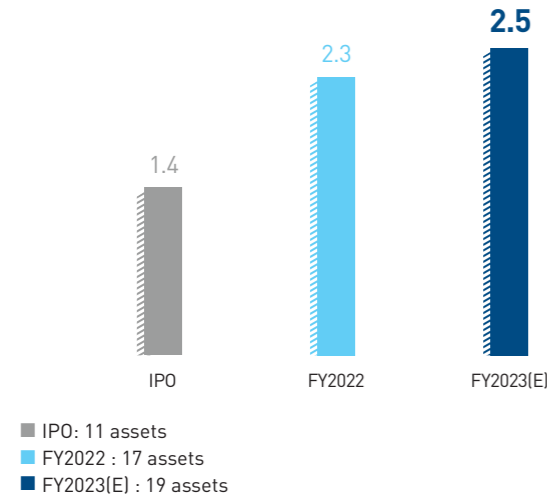


INDUSTRY ESG LEADER & FIRST IN-CLASS GLOBAL INDEX INCLUSION

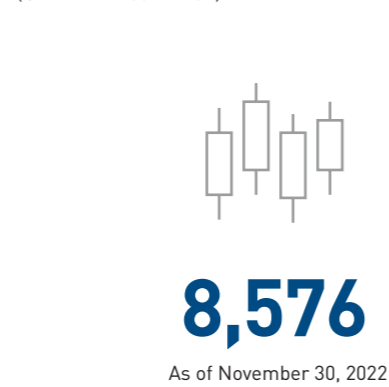
We are proud to be recognized as an ESG leader in Korea, having become the first Korean listed company to achieve GRESB 5-Stars. As a testament to our commitment to excellence, we are also the first Korean REIT to be incorporated into the most prestigious global REIT indices, including the FTSE EPRA Nareit Developed and FTSE EPRA Nareit Asia. These achievements reflect our dedication to maintaining the highest standards of sustainability, transparency, and corporate governance, ensuring that we deliver optimal value to all of our stakeholders.

Key Highlights

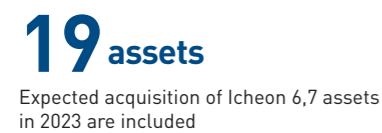
AUM (Unit: KRW trillion)



Market Capitalization (Unit: KRW 100 million)



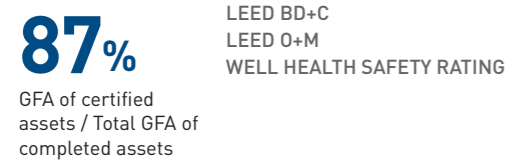
Number of Assets (As of November 30, 2022)



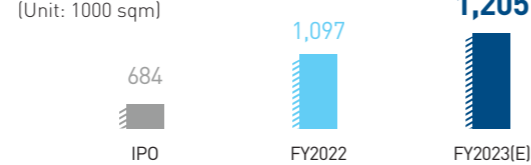
Global Index (As of March 21, 2022)

FTSE EPRA Global Nareit Developed
FTSE EPRA Global Nareit Developed Asia
First Korean listed REIT to be included in global representative REIT indices

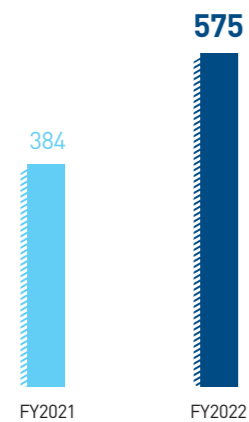
Environmentally Certified Assets



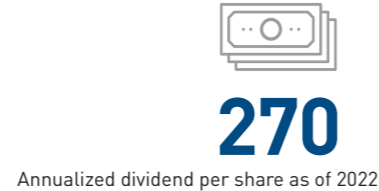
GFA (Unit: 1000 sqm)



Total Dividend Amount (Unit: KRW 100 million)



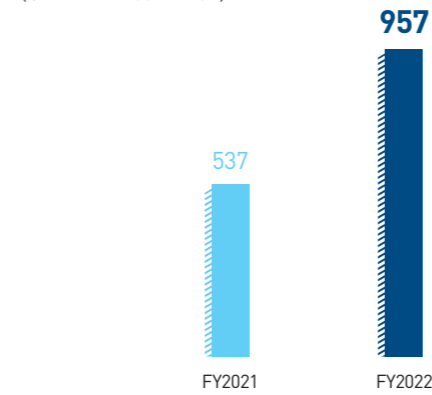
DPS (Unit: KRW)



Dividend Yield



Operating Revenue (Unit: KRW 100 million)



Operating revenue converted into annualized basis for the corresponding fiscal period financial statements

Note: Real Estate Fund(REF) has a stake of over 50% but is classified as an affiliated company and recognized as non-operating income due to being investment trust fund with no substantial control according to the Capital Market Act and the trust agreement.

Occupancy Rate



100%
As of November 30, 2022

Credit Rating

Stable cash flows generated by robust capital structure and high-quality tenants are highly appreciated

A-

Stable
August 29, 2022
Korea Investors Service(Moody's Korea)

ESG Achievement



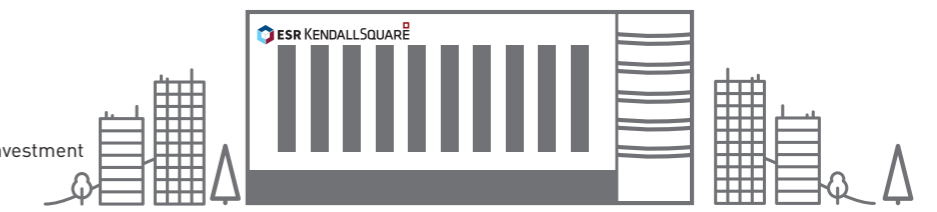
GRESB
★★★★★ 2022

First Korean listed company to achieve highest '5-star' rating in the GRESB 2022 assessment. This significant achievement highlights our commitment to ESG initiatives and reflects our exceptional management capabilities in this area. All seven assets under REIT No.1 have undergone evaluation and have been awarded the highest rating, reaffirming our dedication to sustainable and responsible business practices.

LTV (Unit: %)

54.5%

As of November 30, 2022
Long-term borrowings / Investment properties



About Our Group

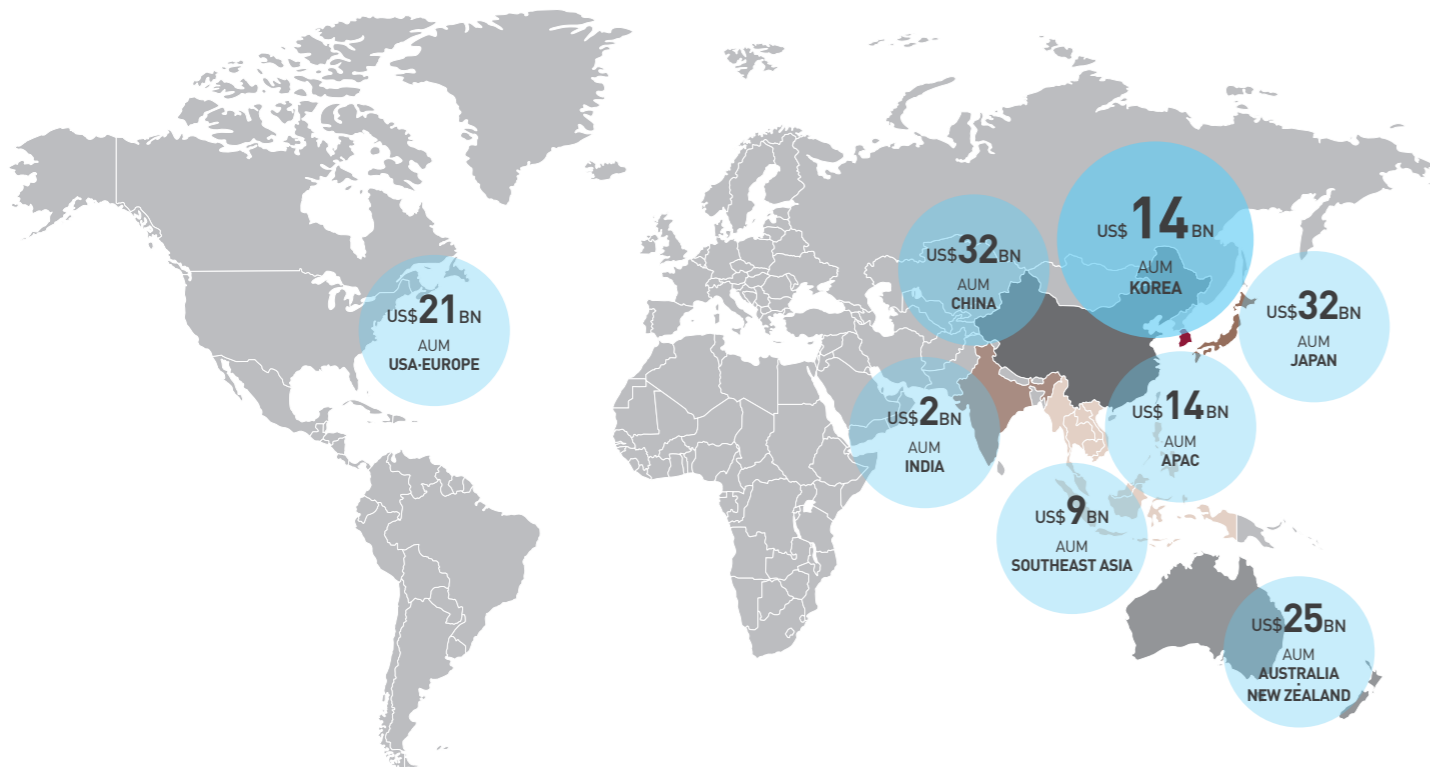
ESR GROUP

APAC's #1 real asset manager powered by the new economy

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$149 billion¹ in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real

estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC.

ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business.



MARKET CAPITALISATION
US\$ **12** BN¹

ASSETS ALLOCATED IN APAC
84%
Establishing a unique position in APAC, doing business in the global market

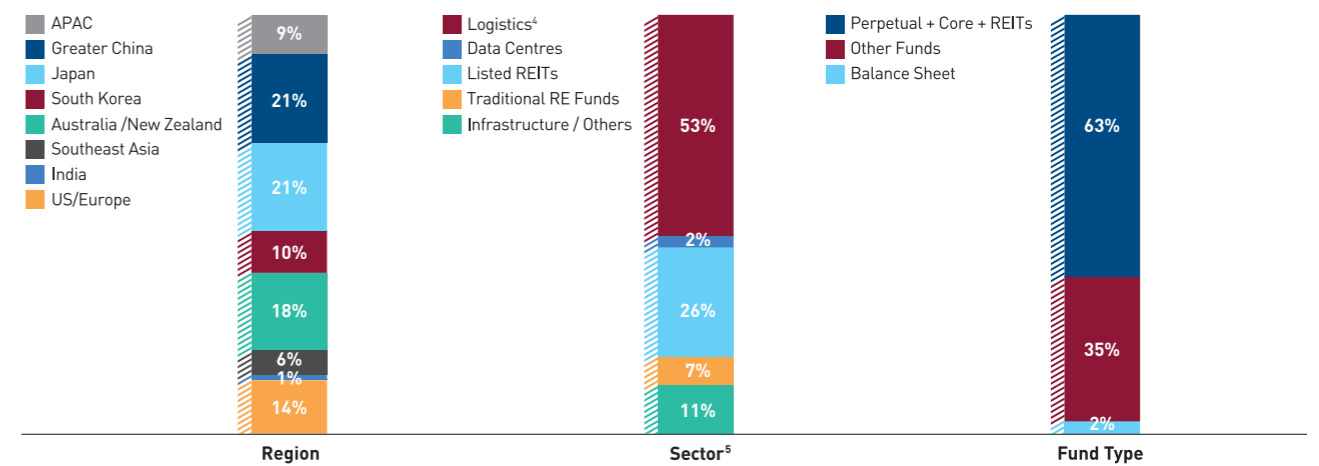
NEW ECONOMY AUM
US\$ **67** BN^{2,3}

1. As of June 30, 2022
2. Includes Data Fund 1, as of July 25, 2022
3. For comparison purposes, a fixed exchange conversion rate as of December 31, 2021 was used. When using the FX conversion rate as of June 30, 2022, the total AUM becomes US\$138 billion (FX impact of US\$11 billion), and the New Economy AUM becomes US\$63 billion (FX impact of US\$4 billion). Data Center Fund 1, disclosed in ESR's press release on July 25, 2022, is included

Source: ESR Group's interim report for 2022

ESR group's robust scale, vastly expanded capabilities and deeper breath of offerings will define the future of APAC real estate

AUM¹ Composition



#1 REAL ASSET MANAGER IN APAC	POWERED BY THE NEW ECONOMY	WITH A FULL SUITE OF INVESTMENT SOLUTIONS	AND A GLOBAL FOOTPRINT WITH A LEADING APAC PRESENCE
US\$149 BILLION³ AUM	US\$67 BILLION³ NEW ECONOMY AUM	US\$45 BILLION PUBLIC REITS	42 MILLION SQM OF GFA ⁵
12 of Top 20 GLOBAL LP RELATIONSHIPS	>1,200MW DATA CENTER PIPELINE ⁶	63% PERPETUAL + CORE CAPITAL ⁷ WITH 13 LISTED REITS	28 COUNTRIES; ~84% OF ASSETS ALLOCATED IN APAC

4. Includes ESR KendallSquare REIT and ESR-LOGOS REIT
5. Excludes assets managed by affiliates
6. As of June 30, 2022
7. Includes AUM of affiliates (Cromwell and Kennedix) as of June 30, 2022

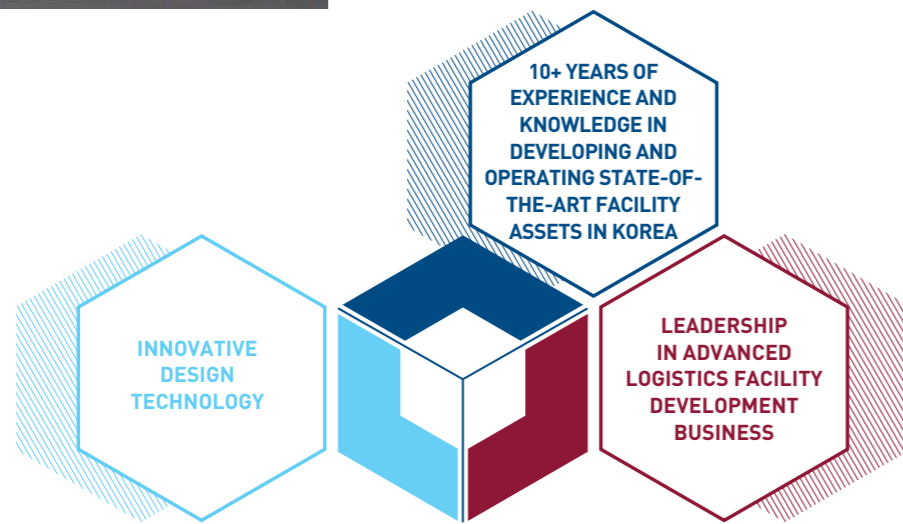
About Our Sponsor

ESR KendallSquare

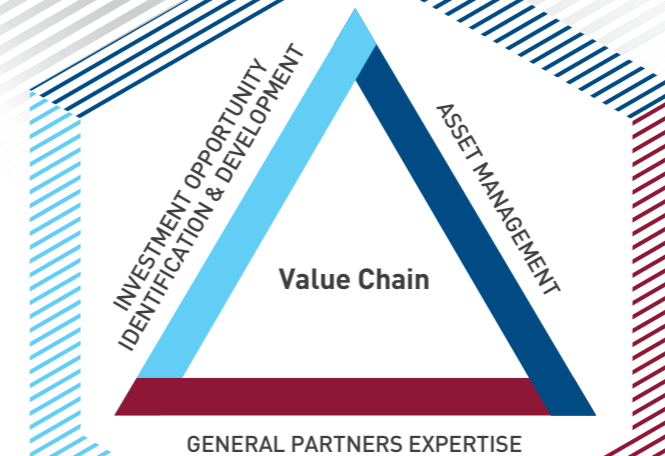
No.1 logistics real-estate platform in Korea



ESR KendallSquare is a leading player in the development and management of logistics real estate in Korea, with a differentiated competitiveness and strong future growth momentum based on a rich development pipeline of 3.9 million sqm. It operates as a fully integrated platform combining local logistics market expertise with ESR Group's global infrastructure to provide global and domestic tenants with state-of-the-art logistics warehouse solutions, and to provide the world's largest institutional investors with unprecedented investment opportunities in Korea's fastest-growing logistics real estate. ESR KendallSquare also owns, operates, and develops a total of 4.8 million sqm of real estate in Korea.



ESR KendallSquare has expertise throughout the logistics real estate value chain and an extensive tenant network.



STRONG CAPABILITIES IN THE LOGISTICS INDUSTRY

- Development pipeline : 3.9 million sqm
- Manage the overall logistics center development cycle on the back of advanced technological expertise and competence (land purchase, design, construction and lease)
- Leverage a range of strategic levers – value addition for distressed assets, advance purchase of logistics centers, and redevelopment – to generate optimal return on logistics center investment

PROVEN TRACK RECORDS IN ASSET MANAGEMENT

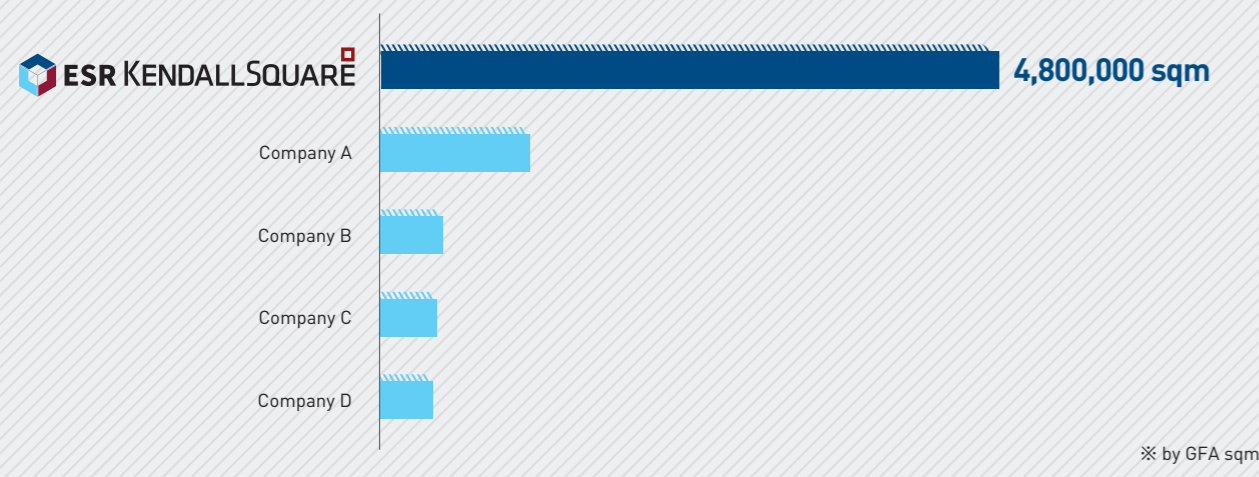
- Total AUM in GFA : 3.6 million sqm
- Total AUM in US\$: US\$ 10 billion c.KRW 13 trillion
- Diversify the lease portfolio by offering optimal solutions and services that cater to diverse tenant needs
- Management expertise: Engage in the management of overall asset operation plans, real estate assets, consignment contracts, and contractual compliance issues
- Develop long-term strategies to secure a reliable profit base for real estate and increase their value

GENERAL PARTNERS EXPERTISE

- Number of Joint Ventures under management : 3
- Invest in prime logistics centers through PFV, REF, REIT and other investment vehicles, and manage & operate the overall fund cycle
- Provide optimal fund solutions on the back of track records in raising large-scale funds from major investors, relevant expertise and relationship management

*As of the end of November 2022

Logistics assets operated and owned by ESR KendallSquare in Korea and its pipeline estimated by 2023



TENANT NETWORK



Global customers that favor ESR Asia Pacific



High quality logistics customers in Korea



ESR engaging in reliable business relationships with global customers and local partners based on trust



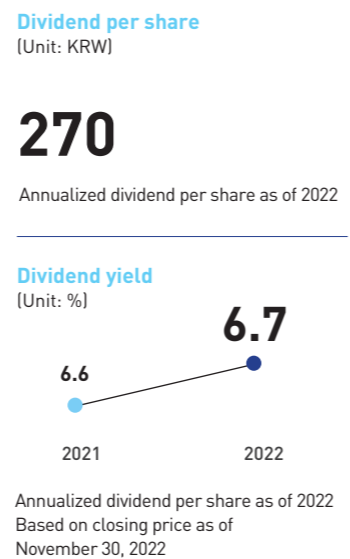
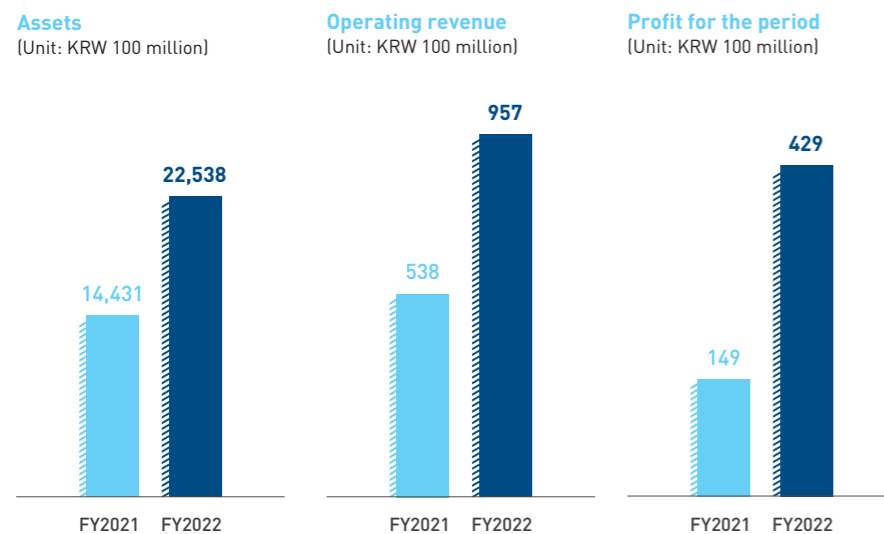
Expanding KendallSquare's influence through agreements and business relationships with a range of distributors

FY2022 Financial Highlights

ESR KendallSquare REIT has demonstrated impressive growth as of the end of November 2022, with total assets and equity increasing by approximately 56% and 61%, respectively, compared to the previous year. Moreover, the company's debt ratio has decreased to 49%, reflecting our commitment to maintaining a strong financial position. Looking ahead to 2023, our primary focus is on pursuing stable growth strategies while building the best possible asset portfolio to maximize shareholder value. We remain dedicated to leveraging our industry expertise and experience to identify and capitalize on new opportunities that will further enhance our position as a leader in Korea's logistics real estate market.

(Unit: KRW 100 million)

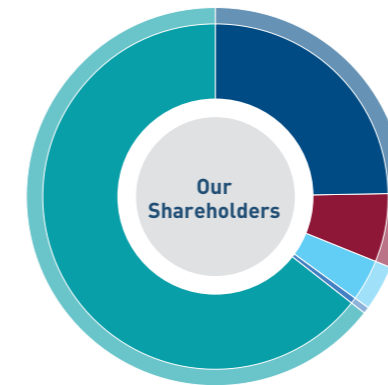
	FY2021	FY2022
Assets	14,431	22,538
Liabilities	7,388	11,190
Equity	7,044	11,347
Operating revenue	538	957
Operating expenses	309	494
Net operating income (NOI)	656	463
Non-operating income	78	280
Non-operating expenses	156	314
Profit for the period	149	429
Dividend per share (KRW)	268	270



Stock Information

Shareholders

As of the end of November 2022, CPP Investment, which manages the Canadian public pension, holds the largest stake in our company, with a 24.85% share, while BlackRock, the world's largest asset manager, is also a crucial investor, holding over 5% of our shares. Among domestic investment institutions, both IGIS Asset Management and Mirae Asset Management hold more than 5% of our shares. In addition to these stakeholders, globally renowned asset management institutions, including major pension funds such as Korea National Pension Service and Military Mutual Aid Association, have invested more than 2% of our shares, contributing to the stability of our stock price. We are proud of the strong support we have received from such esteemed investors, and we remain committed to maximizing shareholder value by delivering consistent growth and returns.



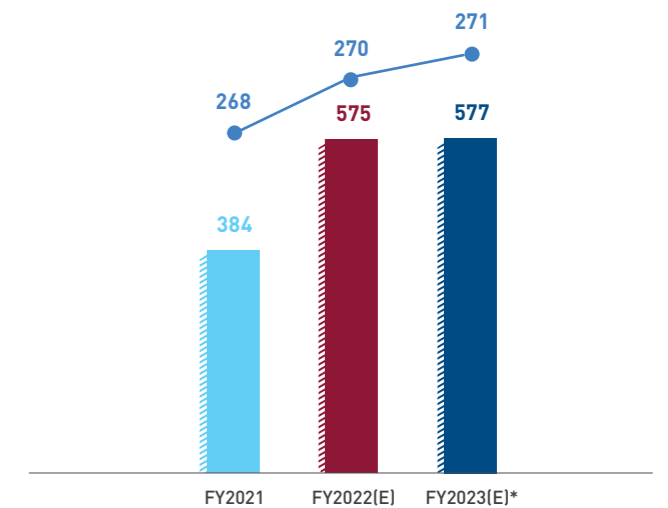
[as of November 30, 2022]

Shareholder	Number of Shares Owned	Ownership (%)
CCP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
ESR KendallSquare REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR KendallSquare	7,416,276	3.48%
KendallSquare REIT Management	1,487,438	0.70%
Others	137,548,027	64.55%
Total	213,089,000	100.00%

Dividends

ESR KendallSquare REIT's commitment to enhancing shareholder value is reflected in our regular dividend payouts, which are declared twice a year at the end of May and November to complete our fiscal year. In the first half of 2022, we paid a dividend of KRW134 per share, and in the second half, we paid KRW136 per share, totaling KRW270 per share for the full year. This amounted to a total dividend payout of KRW57.5 billion to our valued shareholders. We remain dedicated to securing market-leading profitability for our investors and will continue to prioritize enhancing shareholder value as our primary strategic goal. As we move forward into the future, we will pursue new growth opportunities and remain focused on delivering consistent returns to our shareholders.

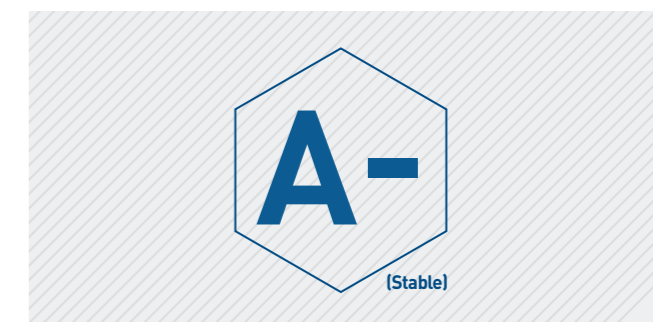
Increases in Dividend per Share



■ Total dividends (LHS, unit: KRW 100 million)
● Dividends per share (RHS, unit: KRW)

* Business plan as of November 30, 2022 dividend amount and dividend per share

Outstanding Credit Ratings



Korea Investors Service, a Moody's Investors Service company, as of August 29, 2022

A Message from the CEO

ESR KendallSquare REIT maintained a 100% occupancy rate for its portfolio of logistics assets, the largest in Korea, prioritizing asset stability amidst rapidly changing market conditions in 2022. In 2023, we will continue to collaborate closely with value-chain partners and remain committed to enhancing long-term shareholder value.

Achieving outstanding business performance in the face of rapid changes in both domestic and international environments

Dear esteemed customers and shareholders,

I would like to express my gratitude for your unwavering support and trust in ESR KendallSquare REIT throughout the past year. Despite various challenges in the business environment, we have laid a solid foundation for stable corporate management and achieved positive results through efficient asset management and innovative endeavors.

I am pleased to announce that the ESR Group, a steadfast supporter, has acquired an additional 1% stake in ESR KendallSquare REIT's shares in the market, raising its total stake to approximately 11%. This reflects the group's confidence in our long-term growth and value. The acquisition agreement for the Icheon 7 Logistics Park in May 2022 was also a noteworthy accomplishment, enabling us to operate a logistics asset portfolio of 19 logistics centers, including the largest logistics asset portfolio in Korea with a total leasing area surpassing 3.3 million square meters. This has firmly established our position as Korea's largest logistics REIT and reinforced our exceptional asset management track record by maintaining a 100% occupancy rate throughout the portfolio.

ESR KendallSquare REIT's logistics center operation and performance for preparing 2023 are exceptional, having achieved a 100% lease renewal rate with double-digit rental increases (as of the end of 2022) despite a rapidly changing market environment. This achievement directly contributes to the company's future growth and shareholder value enhancement. Furthermore, all logistics assets are operated with a stable and long-term perspective, receiving international certifications for high energy efficiency and green building to benefit tenants and local communities. Looking ahead, we will continue to prioritize sustainable

growth and strive to maximize shareholder value through sound corporate management practices.

Heightened recognition from external experts

In 2022, ESR KendallSquare REIT received significant increases in evaluations and reliability from overseas professional evaluation agencies. As the first listed REIT company in Korea to obtain the highest rating of "5 stars" in the '2022 Real Estate' evaluation from GRESB, a global real estate ESG evaluation agency, our achievement is significant in proving our exceptional management strategy that considers long-term stability for the entire listed company, not individual assets.

GRESB is a leading organization that evaluates the environmental and societal impact of real estate physical assets and their operators, as well as their reliability and growth. ESR KendallSquare REIT's achievement of obtaining the highest rating of '5 stars' among over 1,500 evaluated companies within two years of listing is impressive. Furthermore, our inclusion in the FTSE EPRA Nareit Global Developed Index and Developed Asia Index in 2022, which is a first among domestic listed REIT companies, has further elevated Korea's REIT market status. The FTSE index is a key benchmark index that global investors use when investing in listed real estate. Additionally, ESR KendallSquare REIT has received an A- stable credit rating from a domestic credit rating agency.

Achieved stable management performance

Despite the fast-changing business environment, our REIT achieved stable business results in 2022. We recorded sales of KRW 95.7 billion and operating profits of KRW 46.3 billion, and paid out an annual dividend of KRW 270 per share despite the challenging domestic and international business climate caused by the global pandemic. This reflects our commitment to our shareholders and adherence to our company's guidelines.

Sanghwoi Bae
CEO, KendallSquare REIT Management



Dear esteemed customers and shareholders,

Since our establishment in 2020, ESR KendallSquare REIT has pursued continuous investment and innovation for sustainable management and future growth, with the Canada Pension Plan Investment Board (CPPIB), a manager of Canadian public pensions, as our largest shareholder. In 2021, we added new logistics assets such as the Yongin 3 Logistics Park and successfully raised KRW 442 billion by issuing 69.8 million new shares at the end of the year. With this funding, we purchased five new logistics centers in major hub areas in Korea in 2022, bringing our total number of large-scale logistics assets to 17 within two years since our listing. We have built a logistics asset portfolio that exceeds KRW 2 trillion in assets under management (AUM) by the end of 2022.

Management policies and objectives for 2023

ESR KendallSquare REIT will strive to secure future growth through constant innovation and sustainable management in 2023. The domestic real estate market is expected to face greater challenges this year due to high interest rates, slow economic growth, and increased international market uncertainty. However, as the economy always fluctuates between booms and recessions, we cannot let ourselves become overly discouraged. Instead, we will leverage the stable management that we have demonstrated since our listing to navigate the short-term downturn. To solidify our position as Korea's top logistics REIT, we will actively utilize our group companies to increase stability and establish a balanced business portfolio. We have identified four key tasks to achieve this goal.

Firstly, we will establish a self-reinforcing structure for our assets to achieve sustainable and stable business growth. Leveraging the specialized expertise and workforce of the vertically integrated ESR Group, we will enhance our product competitiveness in the domestic REIT market.

Secondly, we will accelerate the inclusion of differentiated logistics assets that can accommodate the growing logistics demand in the steadily expanding e-commerce market since the pandemic.

Thirdly, we will take the lead in ESG management for our listed REIT. Rather than simply responding to market demands, we will strive to become a market leader in ESG management and set an example for others.

Finally, we will communicate effectively with our shareholders and the market. To achieve this, we will establish a new website, publish reports in both Korean and English, and actively participate in IR events. Our aim is to become a REIT that communicates effectively with the market and expands our contacts with market participants.

Dear esteemed customers and shareholders,

As previously mentioned, the current economic environment in 2023 may face challenges due to the ongoing global pandemic and the possibility of an economic slowdown. Despite these obstacles, ESR KendallSquare REIT remains committed to maximizing shareholder value through our team of experts, advanced investment and asset management system, and commitment to sustainable management practices.

We are dedicated to pursuing this objective with utmost diligence and effort.

Thank you.

February 2023

FY2022 Key Milestones

We are committed to achieving stable business performance and fulfilling our social responsibility as a leader in logistics REITs. Furthermore, we strive to be a company that always communicates with stakeholders.

2022.03.21

First Korean listed REIT to be included in global representative REIT indices; FTSE EPRA Global Nareit Developed FTSE EPRA Global Nareit Developed Asia

ESR Kendall Square REITs has made history as the first Korean REITs company to be listed on the prestigious FTSE EPRA Global Nareit Developed and FTSE EPRA Global Nareit Developed Asia Index. This remarkable feat is due to the company's unwavering commitment to excellence and its reputation as a global real estate and REITs leader. The FTSE EPRA Nareit Index, developed jointly by the esteemed organizations FTSE Russell, EPRA, and Nareit, is the most authoritative index for REITs worldwide. The index specializes in listing listed real estate companies and REITs, cementing ESR Kendall Square REITs' position as a leader in the field.

2022.10.02

The first Korean listed company to be evaluated for ESG by 'GRESB' Received the top 5-star rating

ESR Kendall Square REITs is the first Korean listed company to receive the top 5-star rating from GRESB, the world's most prestigious global real estate ESG evaluation agency. This achievement is the result of ESR Kendall Square REIT's efforts to actively promote ESG initiatives in line with global environmentally-friendly standards and to supply and operate logistics real estate assets that meet these standards in the market. It demonstrates the company's commitment to actively incorporating ESG factors and pursuing environmentally-friendly businesses, and is recognized externally as a reflection of their determination to incorporate ESG management elements.

2022.05.30

Acquisition of Icheon Logistics Park 7(Subsidiary REIT No. 2)-Signing of a purchase agreement

ESR Kendall Square REITs has added the Icheon Logistics Park 7 as its 18th asset. Scheduled to be completed in May 2023, the Icheon Logistics Park 7 is a newly built asset with state-of-the-art facilities. Located in the Greater Seoul Area with excellent access to major highways, it provides easy nationwide distribution, making it highly preferred by investors and tenants. The logistics center has already secured a master lease with a professional logistics company for five years, allowing for stable rental income. Additionally, it features full floor lamps for easy access and spacious dock and handling areas.

2022.11.16

Conducted plogging at Yeouido Park

As part of its ESG efforts, ESR KendallSquare REIT conducted a "plogging" activity in the Yeouido Park area, which involved light jogging and trash collection. This combined activity aims to protect the environment and promote health. Many employees of ESR KendallSquare REIT participated in this activity. In the future, the company plans to continue various ESG activities to promote environmental management practices that prioritize the well-being of the planet and its ecosystems.

2022.08.29

Received a credit rating of A- Stable from Moody's Korea

ESR Kendall Square REITs has received a stable A- credit rating from Moody's Korea, a leading global credit rating agency, recognizing its strong financial stability. Moody's Korea evaluated the company's excellent asset value, sound revenue structure with low vacancy rates, profitability and cash flow pressure resulting from maintenance costs and management fees, and stable financial structure based on equity offerings and asset holdings. The agency also rated the company's outlook as stable, considering factors such as asset composition, LTV level, and cash flow structure.

2022.11.23

Participated in the social contribution program 'Happiness Box' packaging

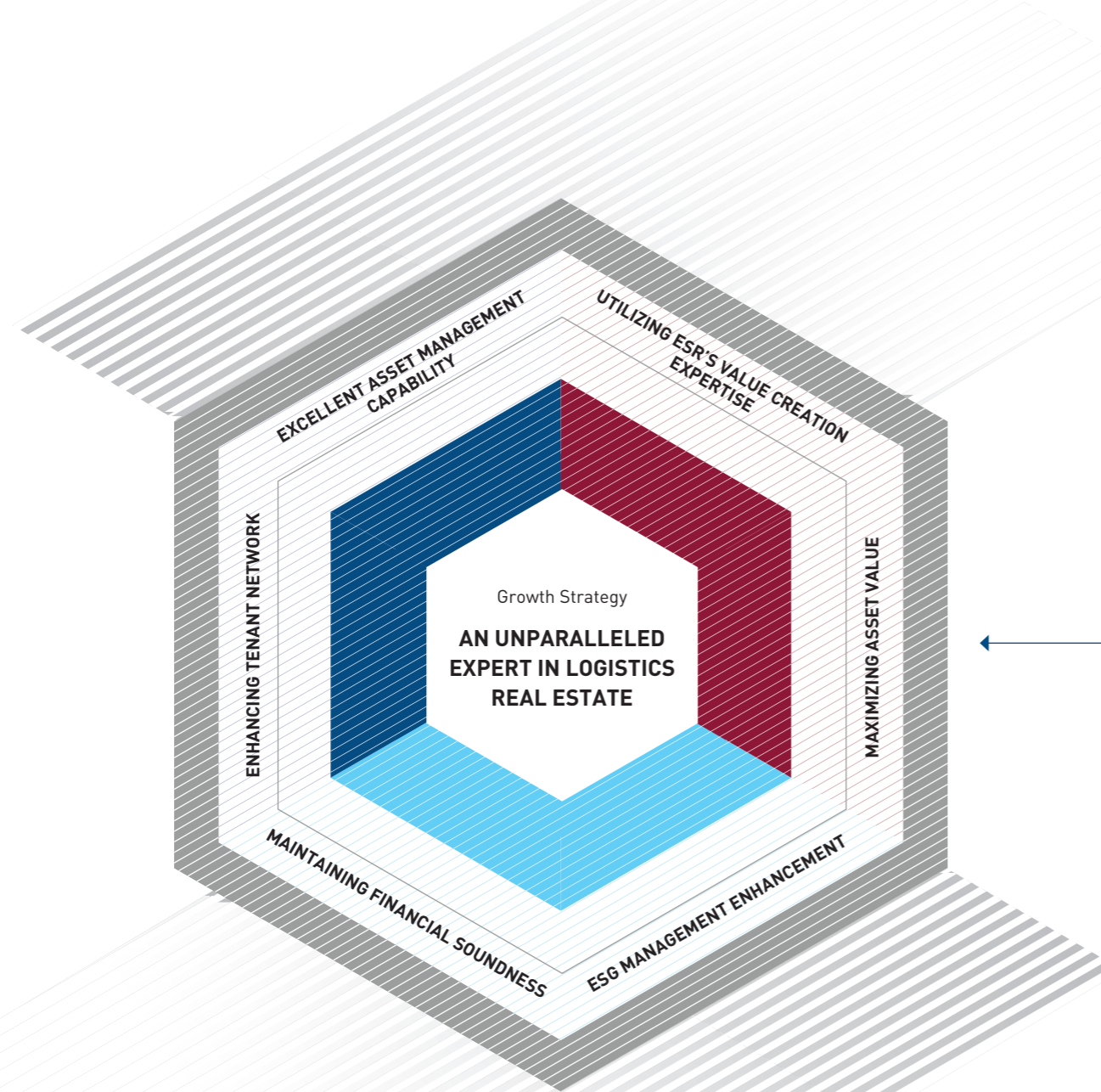
ESR KendallSquare participated in the "Happiness Box" packaging program, a social contribution program initiated by SK Group to address the issue of malnourished children. Together with the "Happiness Alliance," a social contribution coalition, the company carefully selected nutritious snacks and various products to pack in the "Happiness Boxes." Through the Happiness Alliance, ESR KendallSquare delivered these boxes to 600 underprivileged children nationwide who were at risk of malnutrition. The company plans to continue sharing warmth with marginalized neighbors in the future.



Growth Strategy

ESR KendallSquare REIT has a subsidiary relationship with ESR KendallSquare, which has the highest level of expertise in logistics real estate development and investment in Korea, and is managed by ESR Group, the largest New Economy asset manager in the APAC region. Leveraging these strong partnerships, ESR KendallSquare REIT aims to build the best-in-class business portfolio and pursue stable and sustainable growth.

We will actively provide investors with distinctive investment opportunities in the rapidly growing Korea REIT market, focusing on logistics real estate, and strive to enhance value.



Utilizing ESR's value creation expertise

We aim to enhance the uniqueness and marketability of our REIT products by utilizing ESR Group's operational capabilities and ESR KendallSquare's expertise in logistics real estate. We also strive to create value for investors by implementing diverse asset management strategies to achieve a circular asset structure.

Maximizing asset value

We aim to expand our portfolio with cutting-edge logistics assets located in prime locations and secure high-quality tenants to generate stable returns and maximize asset value. Furthermore, in the long term, we plan to diversify our revenue streams by adding new economy assets such as data centers to our portfolio, presenting a multi-dimensional revenue model.

ESG management enhancement

We aim to achieve sustainable growth in terms of quality through ESG management, rather than just quantitative portfolio growth. To that end, we intend to reinforce our commitment to strict ESG guidelines, including obtaining eco-certifications for our portfolio assets. Additionally, we are prioritizing the development of modern logistics facilities that prioritize environmental considerations, such as reducing water usage, power consumption, and other factors.

Maintaining financial soundness

We are committed to maintaining excellent financial soundness through rational debt management and competitive borrowing, leveraging our high-quality assets to contribute to shareholder value, even in adverse situations such as interest rate hikes. Additionally, we will continue to take the lead in driving shareholder value through activities such as AUM growth and striving for long-term growth.

Enhancing tenant network

We have achieved significant success in attracting prominent domestic and international tenant companies from various industries such as e-commerce, 3PL, and consumer goods in the domestic logistics real estate sector. We aim to strengthen our network with high-quality tenants to establish optimal vacancy risk management.

Excellent asset management capability

ESR KendallSquare REIT utilizes in-house professionals from various fields such as location selection, administrative procedures, construction, and finance to operate its logistics real estate in an optimized manner that meets the demands of each tenant. We aim to generate stable operating performance and build robust relationships with various tenant companies, thus creating unique value for ESR KendallSquare REIT.

History

Since its listing in 2020, ESR KendallSquare REIT has grown into a leading logistics REIT in Korea with an impressive portfolio of managed assets totaling KRW 2 trillion and covering a total area of 3.3 million square meters. With unparalleled expertise and a network of domestic and global partners in the logistics industry, we are well-positioned to continue our growth as a real estate investment trust company with unique strengths and expertise in logistics real estate investment, development, and management.



2020

- Feb. 20** · Company establishment (capital: KRW900 million)
- Jun. 12** · Asset custody agreement signed (KB Bank)
· General administrative management agreement signed (Shinhan AITAS Co., Ltd)
· Asset management agreement signed (KendallSquare REIT Management Co., Ltd)
- Aug. 24** · Real Estate Investment Trust (REIT) operation approval Ministry of Land, Infrastructure and Transport
- Sep. 24** · Purchase of shares for subsidiary REIT No. 1 issued
- Oct. 27** · First convertible bonds issued for KRW118 billion (bondholder: CPPIB)
· Second equity offering (private placement) for 47.3 million common shares/KRW48.2 billion
- Dec. 11** · Incorporation of 4 logistics parks (REF) – Icheon 1, Icheon 4, Yongin 2, Pyungtaek
· Fourth equity offering – 23.6 million common shares converted from CB
· Third equity offering for 71.459 million common shares/KRW357.3 billion
- Dec. 14** · Incorporation of 6 logistics parks (subsidiary REIT No.1) – Bucheon, Goyang, Yongin 1, Icheon 2, Icheon 3, Gimhae 1
- Dec. 23** · Listing on the Korea Exchange (365550 KOSPI)

2021

- Jun. 1** · Incorporation of Anseong Logistics Park 1 (subsidiary REIT No.1)
- Jun. 10** · Acquisition of a stake in Yongin (REF) Logistics Park 3
- Jul. 16** · Establishment of ‘subsidiary REIT No.2’
- Oct. 15** · Agreement signed to acquire the purchaser status for Icheon Logistics Park 6 (subsidiary REIT No.2)
- Oct. 18** · Submission of securities registration statement for general public offering of new shares
- Nov. 30** · Incorporation of Anseong Logistics Park 4 (subsidiary REIT No.2)
- Dec. 17** · Fifth equity offering for 69.83 million common shares/KRW442 billion
· Incorporation of the additional equity in Yongin 3 (REF) logistics assets (14.2%)
- Dec. 20** · Incorporation of 4 logistics parks (subsidiary REIT No.2) – Gimhae 2, Anseong 2, Anseong 3, Icheon 5

2022

- Mar. 21** · Incorporated into the FTSE EPRA Global Nareit Developed / Developed Asia Global REIT Index as the first REIT listed in Korea
- May. 30** · Agreement signed to acquire the purchaser status for Icheon Logistics Park 7 (subsidiary REIT No.2)
- Aug. 29** · A- Stable rating from Moody’s Korea acquired
- Oct. 2** · First ESG evaluation for Korean listed companies – “GRESB” highest rating of 5 stars acquired



Leadership

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Board of Directors

The board of directors of ESR Kendall Square REIT strives to ensure transparency in management to maintain the highest level of corporate governance and enhance corporate value. Through their activities, the board works to make strategic decisions that increase shareholder and stakeholder value and enhance external credibility. The organization prioritizes transparency, accountability, ethics, and fairness across all operations, and has recently appointed female directors to create a more diverse environment.

Juhyun Cho CEO (Representative Director)
Career background: Honorary Professor, Department of Real Estate, Konkuk University
Term of Office: August 26, 2025

Chunwoong Choi Director (Non-executive Director)
Career background: Professor, Department of Architecture, College of Engineering, Seoul National University
Term of Office: February 24, 2025

Junwoo Cho Director (Non-executive Director)
Career background: Lawyer, Lee & Ko Law Firm
Term of Office: November 5, 2023

Minjoo Cho Director (Non-executive Director)
Career background: CEO, NISTech Co., Ltd.
Term of Office: August 26, 2025

Sunho Hwang Director (Non-executive Director)
Career background: Head of Alternative Investment 2 Team, Korea Teachers' Pension
Term of Office: November 5, 2023

Taeheon Kim Internal Audit (Statutory Auditor)
Career background: Sep. 2011 ~ Aug. 2018 Samjung Accounting Firm
 Aug. 2018 ~ Present Daekyo Accounting Corporation
Term of Office: August 27, 2023

Business Management



SANGHWOI BAE Chief Executive Officer

Sanghwoi Bae, the CEO of ESR KendallSquare REIT, is responsible for overseeing the business activities of Korea's largest logistics REIT. When he joined ESR KendallSquare in 2019, he took charge of the investment management of the Logistics Real Estate Income JV. After ESR KendallSquare REIT was listed on the KOSPI in December 2020, Sanghwoi Bae was appointed as the CEO of KendallSquare REIT Management, which comprehensively manages the investment assets of ESR KendallSquare REIT. As the CEO, Bae led the growth of ESR KendallSquare REIT into the largest listed REIT in Korea with total assets of KRW 2.4 trillion through capital expansion such as rights offerings. Bae, the CEO of ESR KendallSquare REIT, has extensive experience and expertise in domestic and international real estate investment. Bae majored in international relations at Boston University and has worked in various real estate investment and private equity fund businesses at companies such as LaSalle Asset Management and Hana Financial Group. As a global CEO, Bae has led the growth and development of ESR KendallSquare REIT with exceptional business capabilities in this field.



JAEHYUN KIM Head of Management Planning

Jaehyun Kim is the Head of Management Planning at ESR KendallSquare REIT. Kim is an accounting expert who completed his accounting degree at the graduate school of Kyung Hee University and passed the Certified Public Accountant exam. He has almost a decade of experience in external auditing and corporate consulting at firms such as Samjeong KPMG Accounting Corporation. After joining ESR KendallSquare as the finance team leader in 2017, Kim played a significant role in the establishment and initial public offering in 2020. He was recognized for his contributions to the development of the logistics REIT-related transportation industry and was awarded the Minister of Land, Infrastructure and Transport Award in 2020. As the Head of Management Planning, Kim is currently responsible for overall asset management strategy planning and execution. He contributes to the management rationalization and business efficiency of ESR KendallSquare REIT with meticulous and accurate work skills and attitude.



DONGJIN LEE Head of IR & Capital Markets

Dongjin Lee, Head of IR and Capital Markets, is a seasoned asset management professional with over 15 years of experience working at financial institutions such as ABN Amro, Samsung Securities, Standard Chartered, and HSBC. He majored in Business Administration at Yonsei University. Since joining KendallSquare REIT Management in early 2021, Lee has been responsible for overseeing overall capital market response tasks, including devising IR strategies, drawing on his extensive experience and knowledge accumulated over many years in financial institutions. His exceptional insight and analytical skills in responding to changes in the internal and external business environment have led him to be proactive in promoting market response strategies, resulting in improved business performance. His contributions to enhancing the asset management efficiency of ESR KendallSquare REIT and mitigating investment risks have been significant, making a notable impact on the company's development and increasing shareholder value.



MIAE PARK Head of Compliance

Miae Park joined KendallSquare REIT in 2021 as an expert in compliance and risk management. She has contributed to mitigating investment risks and leading the stable growth of REITs by establishing strict legal compliance monitoring systems and risk management systems required by asset management companies that operate public REITs. As the compliance officer, Park has over two decades of career experience in the areas of compliance and risk management through working in industry leading financial institutions in Korea including but not limited to BOS Securities, QUAD Investment Management, and Samchully Asset Management. With her rigorous and meticulous work style, Park actively contributes to achieving ESR KendallSquare REIT's social responsibility, corporate ethics, sustainability, and future development.



JINKOOK LEE Head of Investment

Jinkook Lee, the Head of Investment, graduated from Hankuk University of Foreign Studies with a degree in International Trade and became a Certified Public Accountant. With over a decade of experience in real estate investment and consulting, asset management, and acquisition consulting, Lee worked for companies like Korea Investment & Securities, KT Estate, and EY Hanyoung Korea. Since joining KendallSquare REITs Management in 2020, Lee has been overseeing logistics real estate investment at ESR KendallSquare REITs. He played a crucial role in the success of the REIT's launch by carefully selecting and introducing Korea's best logistics assets to the market during ESR KendallSquare REITs' listing in December 2020. Thanks to his sharp market analysis and sound judgment, Lee is presently leading the way in the growth and development of KendallSquare REITs Management.

ESR KendallSquare REIT (365550 KS) is an externally managed REIT, and hires KendallSquare REIT Management (KSRM) as its sole day-to-day business operation manager.

Risk Management

Risk Management Regulations

At KendallSquare REIT Management, risk management operations follow internal control standards and REIT asset management & risk management regulations. These standards and regulations aim to ensure the sound operation of assets under management and the efficient management of relevant risks in order to promote the quality and stability of REIT assets and protect investors in so doing



Internal Control Standards
Established as comprehensive standards on risk management and internal control that are stipulated to ensure the efficient management of risk factors spanning the overall corporate operations.

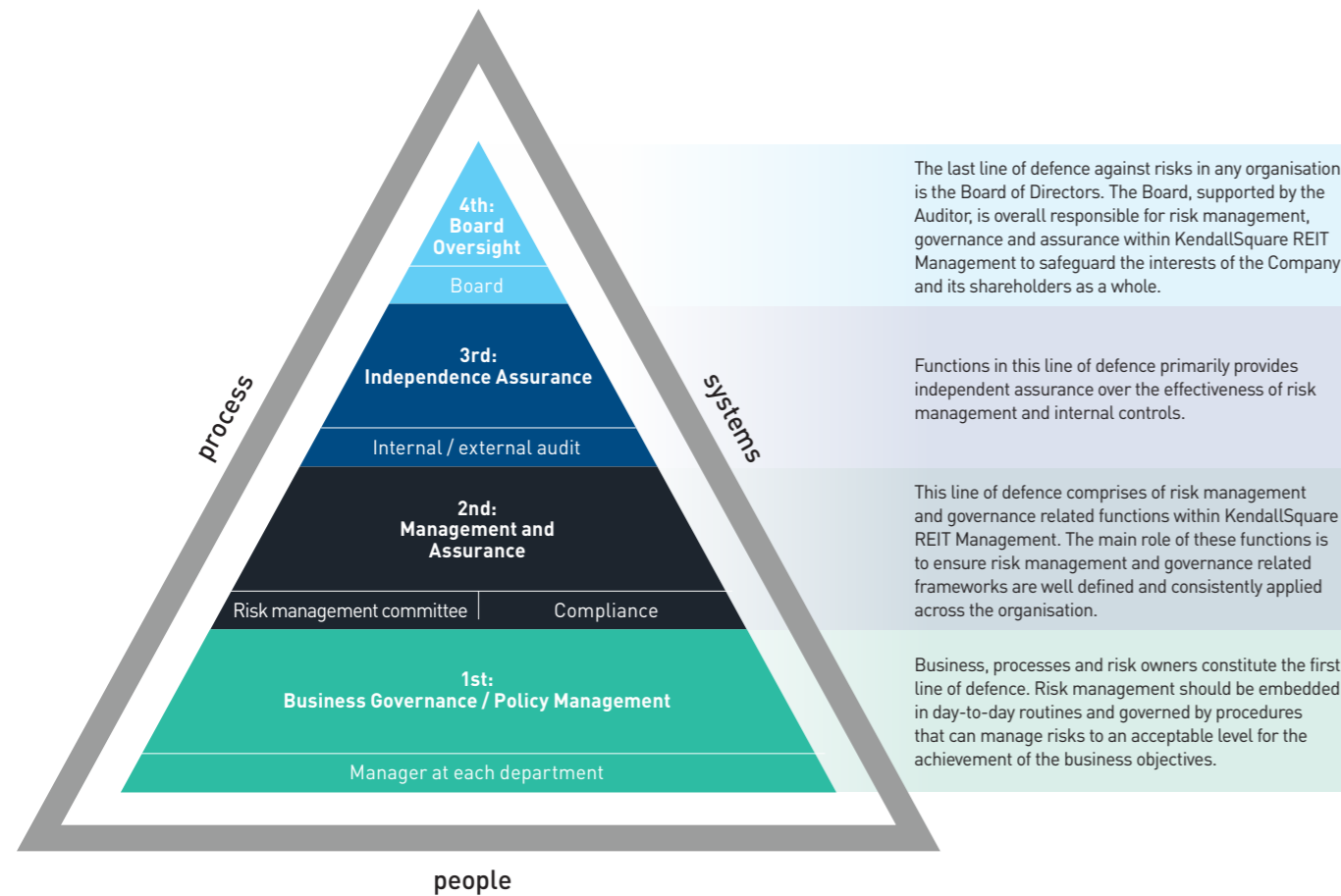


REIT Asset Management and Risk Management Regulations
Established to manage risks in terms of their type, recognition, measurement and management system in relation to REIT asset management



Risk Management Committee Regulations
Established to stipulate general matters concerning the organization and operation of the risk management committee

Risk Management Organization



Risk Management Methodology by Type of Risk



Risks that occur when investment assets suffer unexpected losses due to fluctuations in the real estate market, interest rates, and currency rates across the economic and financial landscape causing uncertainties in future value or sudden price changes

Management Methodology

1. Monitor market situations continuously
2. Create scenarios to respond to risk factors, and analyze risk factors under respective scenarios
3. Assess business results and reflect them in business planning



Risks that may occur when debtors, investment target companies or transaction parties fail to comply with their repayment or settlement obligations to the company or third parties

Management Methodology

1. Select transaction parties or tenants by considering their credit ratings or their ability to pay
2. Constantly check transaction parties for their financial conditions (decline in credit rating) or delay on lease payments



Risks that may occur due to a lack of proper response to the outflow of funds caused by mismatch in cash flow between assets and liabilities, decreased market liquidity of assets owned, and abrupt change in value of pledged assets and the resulting risk of repaying short-term debts

Management Methodology

1. Constantly check loan-to-value ratios and debt service ratios by the asset manager
2. Comply with the limit of liquidity investment specified in applicable laws and the articles of incorporation by the asset manager
3. Constantly monitor compliance with the limit of liquidity investment by the compliance department
4. Review business plans including funding plans



Risks that are attributable to errors that may occur due to a lack of internal/ external business conduct systems and/ or negligence or malpractice on the part of the company or transaction parties in relation to REIT asset management

Management Methodology

1. Select service providers through open competition
2. Analyze risk factors (numerical business data, credit rating of business partners, etc.) and explore measures of risk aversion prior to investment execution
3. Perform regular monitoring and asset management assessment by the asset manager
4. Make it mandatory to obtain prior approval from the compliance officer as to management instructions given by the asset management department or deposit/ withdrawal of funds
5. Perform external accounting audits and disclose auditor reports



Risks that occur due to the failure to promptly take appropriate measures in response to the risk of losing in any dispute or litigation that may arise due to non-compliance with applicable laws or anti-competitive transactions as well as to the amendment of applicable laws and regulations

Management Methodology

1. Consult with the compliance officer prior to entering into new contracts
2. Request the compliance officer to provide legal interpretations when it is believed that significant legal risks exist in light of applicable laws, the articles of incorporation and company regulations in conducting major business operations, and process the concerned work in consideration of the outcomes
3. Check quarterly through the use of the compliance checklist and report the outcomes to the CEO



Risks that may occur when the REIT suffers unexpected losses due to change in value of target investment assets when the REIT makes investments in excess of its own assets by leveraging such assets, change in value of pledged assets, currency fluctuations, and other change in the economic/ financial landscape

Management Methodology

- Check in advance compliance with applicable laws and regulations in relation to leveraging including lenders and maximum leverage

Performance

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Operation Review

ESR KendallSquare REIT is building a stable leasing structure by leveraging the expertise of top logistics real estate development, investment, and management professionals, a high-quality and scalable asset portfolio, and an excellent tenant network.

A company leading Korea's logistics REITs industry

ESR Kendall Square REITs, the first logistics-focused real estate investment trust in Korea, was listed on the KOSPI in December 2020, based on 11 logistics parks. They hold five logistics parks in Ichon, Yongin, and Pyeongtaek in the form of fund income securities, and hold seven logistics parks through subsidiary REIT No.1 'ESR Kendall Square Asset 1', and subsidiary REIT No.2 'ESR Kendall Square Asset 2' (five as of the end of November 2022, with two acquisitions planned). Since its listing, the number of managed assets has increased from 12 to 19, and the GFA has increased from 680,000 sqm to 1.2 million sqm. With continuous new asset additions, the total asset size as of the end of 2022 is KRW 2.5 trillion (based on acquisition cost). In addition, all portfolio assets are located in logistics hub areas close to transportation infrastructure and water traffic concentration areas. They have constructed a portfolio centered on transportation hubs (average distance from logistics parks to IC: 4km), where quality assets in the Greater Seoul Area and Busan region have been secured, and long-term asset value appreciation can be expected.

High-quality tenants and stable lease contracts

ESR Kendall Square REITs is a logistics real estate platform with high-quality tenants and a stable leasing structure. As of the end of November 2022, they hold a total of 19 assets (including two acquisitions planned for 2023) mostly located in the Greater Seoul Area, all of which are modern logistics parks with a weighted average lease term (WALE) of 3.5 years and an average completion age of less than four years. By region, the portfolio consists of two last-mile logistics parks in high-demand downtown areas, 15 logistics parks in the Greater Seoul Area (Yongin, Ichon, Pyeongtaek, Anseong, Goyang, and Bucheon), and two logistics parks in the Busan region (Gimhae). The largest of the 19 assets is the Goyang Logistics Park, with a floor area of approximately 200,000 sqm solely leased by a leading e-commerce company. By sector, e-commerce accounts for approximately 60% of the total contract area, followed by third-party logistics companies at 22% and consumer goods at 18%. Despite raising the lease prices of logistics parks currently undergoing lease renewal by 15-20% compared to previous rates, ESR Kendall Square REITs has recorded a 100% lease rate. This not only improves profitability but also alleviates the burden of debt repayment due to mature in December 2023. Organizational vertical integration, which includes development, investment, leasing, and operational management, has produced positive results in renegotiating with existing tenants. This has dispelled concerns about oversupply and devaluation in the logistics center market and is expected to enhance shareholder value by maintaining a stable dividend policy while improving profitability.

Continuous inclusion of logistics assets after listing

Korea is a core strategic market for the ESR Group, and the country's rapid e-commerce growth and limited supply of high-quality logistics assets have increased its strategic importance. ESR Kendall Square REITs has established itself as a leading logistics real estate platform in Korea, with expertise in development, investment, and operations. With Korea's growing e-commerce market and limited supply of logistics assets, the company's strategic importance has increased. It has a stable leasing structure and a network of high-quality tenants. In 2021, the company completed the largest asset acquisition among listed REITs in Korea. In March 2022, ESR Kendall Square REITs became the first Korean REIT to be included in both the FTSE EPRA Global Nareit Developed and FTSE EPRA Global Nareit Developed Asia indices, leading to improved trading volume due to the inflow of passive funds.

Stable management performance and long-term growth potential

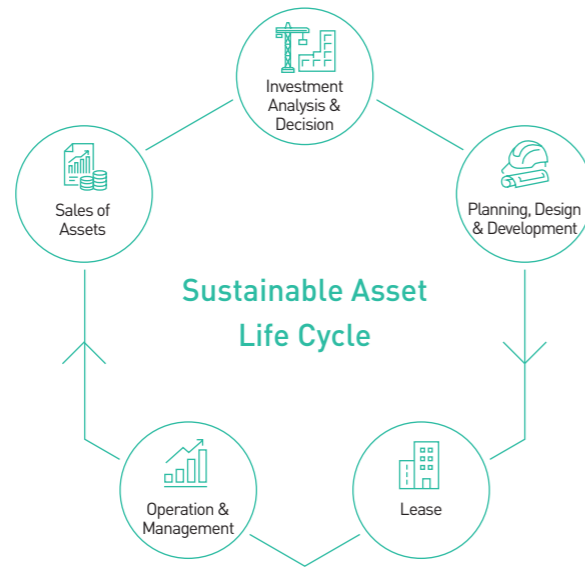
ESR Kendall Square REITs has established a foundation for stable corporate management and achieved good results, despite facing various challenging business environments. In 2022, they achieved KRW 95.7 billion in revenue and KRW 46.3 billion in net operating income, distributing a dividend of KRW 270 per share. This is a promise kept to shareholders despite the difficult domestic and international business environment, including the global pandemic. Additionally, ESR Kendall Square REITs received a '5-star' rating in the 2022 GRESB Real Estate Assessment, a global real estate ESG rating agency. This proves the company's unique management strategy as a listed company as a whole, rather than individual assets. ESR Kendall Square REITs has excellent capital adequacy, with a total debt ratio of less than 50% and a fixed interest rate of around 2.5% for long-term secured borrowings. The average maturity is 3.8 years, which is appropriately distributed structurally according to the timing of asset inclusion. In 2022, ESR Kendall Square increased its stake by acquiring additional shares, bringing the combined ownership percentage of related companies to 10.96%. The disclosure of the AMC and sponsor company's additional share purchases in the listed REIT is unique to ESR Kendall Square REITs among the 21 listed REITs in Korea. The sponsor's active share purchase efforts represent confidence in the company's fundamentals and can be expected to actively enhance shareholder value and demonstrate a commitment to responsible management. With a stable capital structure, ESR Kendall Square REITs can utilize external capital effectively and increase shareholder value through increased dividends when using external capital.

ESG Performance

ESG Management Goals

ESR KendallSquare REIT is committed to sustainable management by actively incorporating ESG elements throughout the entire life cycle of its assets. From site selection and design to construction and operation, the company places ESG values at the top of its priorities. By effectively managing ESG risks, ESR KendallSquare

REIT aims to have a positive impact on the environment and stakeholders, while also striving for long-term value growth. As a leader in logistics real estate, the company is dedicated to responsible and sustainable development, investment, and management.



ESG Management Practices

Property Portfolio	Human Centric	Corporate Governance
<p>Our vision is to develop and manage logistics facilities for the new economy. We offer our tenants modern, state-of-the-art, focused and integrated real estate platforms.</p> <p>Focus Areas:</p> <ul style="list-style-type: none"> · Sustainable & Efficient Operations · Sustainable Building Certifications · Climate Change Resilience · Biodiversity and Habitat Protection · Flexible & Adaptable Properties · Strategic Locations 	<p>Basic human needs are universal. Meeting those needs today while ensuring they can continue to be met in the future, is the cornerstone of sustainable development</p> <p>Focus Areas:</p> <ul style="list-style-type: none"> · Safety, Health & Well-being · Diversity & Inclusion · Community Investment · Managing & Developing Talent · Expansion of female talent recruitment and maintenance of a 20% female executive · Stakeholder Engagements 	<p>Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth, resulting in stable returns over the longterm.</p> <p>Focus Areas:</p> <ul style="list-style-type: none"> · Financial Performance · Investor Relations · Responsible Investing & Finance · Corporate Governance · Risk Management · Disclosure & Reporting

First Korean Listed Company To Achieve GRESB Five-Star Rating.

The GRESB (Global Real Estate Sustainability Benchmark) is the world's most authoritative ESG evaluation that comprehensively evaluates the impact on the environment and relationships with stakeholders for real estate physical assets and operators. ESR KendallSquare REIT became the first listed company in Korea to participate in the global real estate ESG evaluation by GRESB 2022 Real Estate and received the highest rating of 'Five-Star'. This achievement was earned for the first assessment of

the company's seven logistics portfolios (46% of the GFA of 1,205,679 sqm of 19 assets). This certification demonstrates the company's compliance with eco-friendly global standards and ESG initiatives, not just operational efficiency gained from operating logistics assets. Furthermore, the sponsor, ESR KendallSquare, was selected as the ESG management leader in the entire Asia industry sector by obtaining the highest rating of 'Five-Star' in the GRESB Developer Evaluation, the highest authority in global ESG evaluation criteria.

ESR KendallSquare REIT (365550 KS) Subsidiary REIT No.1

GRESB Five-Star in the Asia Industrial Real Estate Sector

Bucheon Cold Logistics Park

Goyang Logistics Park

Yongin Logistics Park 1

Icheon Logistics Park 2

Icheon Logistics Park 3

Gimhae Logistics Park 1

Anseong Logistics Park 1

ENVIRONMENT

Eco-Friendly Assets

Recently, the importance of environmental, social, and governance (ESG) factors has been increasing for companies and real estate investment trusts (REITs) related to logistics centers. Compliance with strict ESG standards, including facility stability, is becoming a crucial investment criterion for logistics REITs, not just investment returns. Additionally, environmentally friendly buildings in real estate investments can provide long-term cost savings in operations and help solve building aging issues.

ESR KendallSquare REIT is not only pursuing quantitative growth, but also enhancing qualitative growth through ESG management. The company is making various efforts to build logistics centers in an environmentally friendly manner from the development stage. For example, the Goyang Logistics Park has facilities that reduce water consumption, high-efficiency lighting, and an energy-saving waste heat recovery ventilation system. Additionally, the Anseong Logistics Park 2 and 3 are minimizing their impact on the environment by reducing water usage and electricity consumption.

ESR KendallSquare REIT's major portfolio assets are composed of state-of-the-art facilities with short completion periods and ESG designs. In response to COVID-19, the company holds various environmentally friendly ESG certifications to operate logistics centers safely and in an environmentally friendly manner. The Goyang Logistics Park has earned a gold-level certification from the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) certification system, and it is the first logistics center in Korea to obtain the "WELL Health Safety Rating" certification. The company continuously strives to have a positive impact not only on the natural environment but also on tenants and various stakeholders by operating and managing logistics warehouses in a health-friendly and positive manner.

* As of November 30, 2022, ESR KendallSquare REIT has obtained "WELL Health Safety Rating" re-certification for 13 out of 19 major assets

SOCIAL

Human Centric



Participated in the social contribution program 'Happiness Box' packaging

ESR KendallSquare participated in the "Happiness Box" packaging program, a social contribution program initiated by SK Group to address the issue of malnourished children. Together with the "Happiness Alliance," a social contribution coalition, the company carefully selected nutritious snacks and various products to pack in the "Happiness Boxes." Through the Happiness Alliance, ESR KendallSquare delivered these boxes to 600 underprivileged children nationwide who were at risk of malnutrition. The company plans to continue sharing warmth with marginalized neighbors in the future.



Conducted plogging at Yeouido Park

As part of its ESG efforts, ESR KendallSquare REIT conducted a "plogging" activity in the Yeouido Park area, which involved light jogging and trash collection. This combined activity aims to protect the environment and promote health. Many employees of ESR KendallSquare REIT participated in this activity. In the future, the company plans to continue various ESG activities to promote environmental management practices that prioritize the well-being of the planet and its ecosystems.



Certifications



WELL Health-Safety Rating



US Green Building Council LEED Gold



Green Building Certification Grade 2



Building Energy Efficiency Grade 1

ESG-Conscious Facilities at Goyang Logistics Park



- ① Water-saving facilities: Water supply facilities, shower facilities, restrooms, etc.
- ② High-efficiency LED lighting
- ③ Energy-saving ventilation system enabled by waste heat recovery
- ④ Design to improve thermal efficiency: Low-E coating windows
- ⑤ Resources and materials: Storage and collection of recyclable items
- ⑥ Zero emission of Freon gas (chlorofluorocarbon)
- ⑦ Site design with water efficiency in mind
- ⑧ Alternative eco-friendly means of transport: Bike parks, carpooling
- ⑨ Carparking and carpooling areas with reduced exhaust emissions and improved fuel efficiency

GOVERNANCE

Corporate Governance

Corporate governance policy

ESR KendallSquare REIT entrusts its asset investment and management to an asset management company, and its stock issuance and general affairs to a management outsourcing company, in accordance with Article 22-2 of the Real Estate Investment Trust Act. Matters necessary for entrusting the business of a delegated management real estate investment trust, such as an asset management company and a management outsourcing company, are specified in Article 19 of the Enforcement Decree of the Real Estate Investment Trust Act (Delegation of Business of Delegated Management Real Estate Investment Trusts). The company strives to establish a governance structure that is stable, rational, and transparent, which forms the basis of sound management. Furthermore, as a nominal company, in accordance with Article 47, Paragraph 1 of the Real Estate Investment Trust Act (Establishment of Internal Control Standards, etc.), ESR KendallSquare REIT's asset management company, Kendall Square REITs Management Co., Ltd., has established internal control standards and a code of

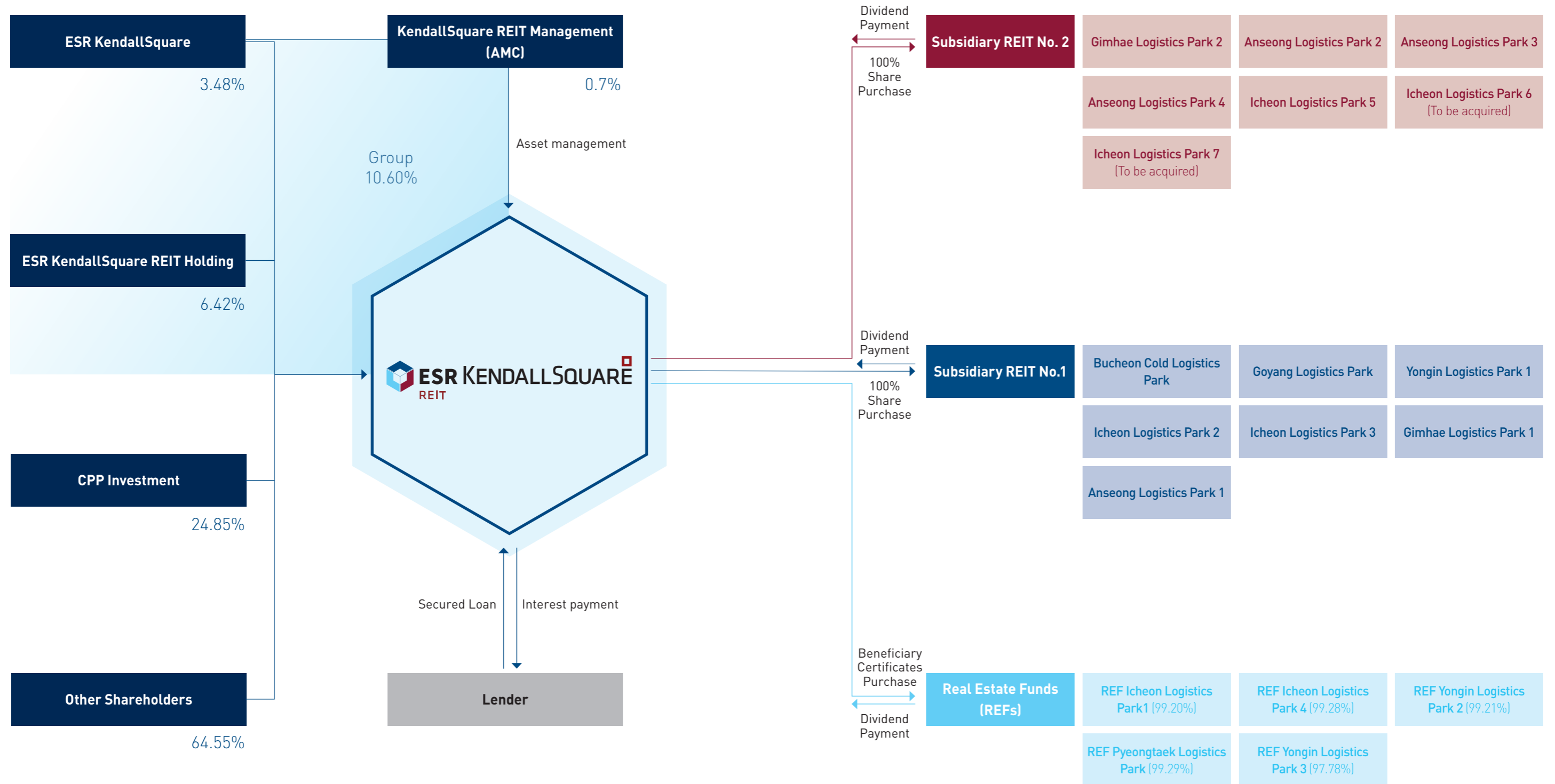
ethics with a compliance officer in place. The company also has a risk management committee and an investment review committee to analyze and review deliberation and decision-making matters, thereby operating with a legal and risk management system in place.

Unique characteristics of corporate governance

ESR KendallSquare REIT has established internal organizations such as a general meeting of shareholders and a board of directors in accordance with the Commercial Act and the Real Estate Investment Trust Act. The roles and authorities of the general meeting of shareholders and the board of directors are specified in the Real Estate Investment Trust Act and the company's articles of incorporation. Through decision-making and monitoring by the general meeting of shareholders and the board of directors, the company plans to ensure transparency in management, enhance investment returns, and protect investors. According to Article 31, Paragraph 1 of the articles of incorporation, ESR KendallSquare

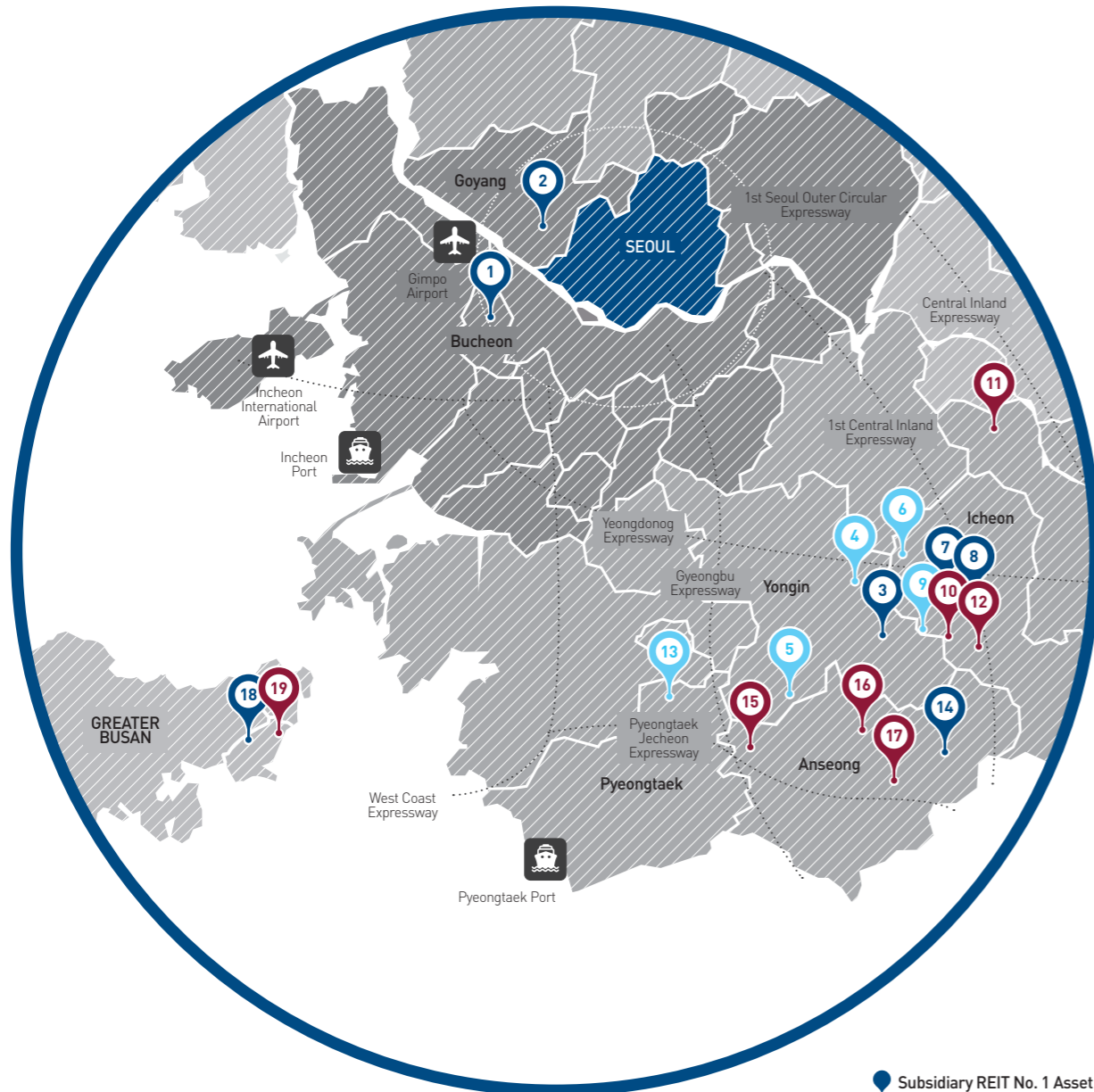
REIT must have three or more directors and one or more auditors. Additionally, the company does not appoint outside directors as stipulated in Article 542-8 of the Commercial Act, which requires the appointment of outside directors for listed companies under Article 49, Paragraph 1 of the Real Estate Investment Trust Act. The company does not have separate committees within the board of directors. Currently, the company's board of directors consists of five directors (one representative director (in-house director) and four non-executive directors), and the chairman of the board of directors is the representative director in accordance with the company's articles of incorporation. The representative director and the four non-executive directors are not subject to any of the disqualifying reasons stipulated in Article 14, Paragraph 2 of the Real Estate Investment Trust Act. The company's auditor is an internal auditor who is a certified public accountant under the Certified Public Accountants Act and is not subject to any of the disqualifying reasons stipulated in Article 14-2, Paragraph 2 of the Real Estate Investment Trust Act.

Investment Structure



Portfolio Detail

Since its listing in 2020, ESR KendallSquare REIT has been consistently acquiring assets concentrated around transportation hubs in the metropolitan area, and now owns 19 cutting-edge logistics parks (including assets to be acquired in 2023). This constitutes the country's largest logistics REIT in terms of area, equivalent to 168 soccer fields, which are currently in operation.



- Subsidiary REIT No. 1 Asset
- Subsidiary REIT No. 2 Asset
- Beneficiary Securities Assets

Area	No.	Portfolio Asset	GFA (sqm)	Completion Date
Infill Market				
	1	Bucheon Cold Logistics Park	58,264	2019.07
	2	Goyang Logistics Park	199,678	2019.01
Greater Seoul Area				
	3	Yongin Logistics Park 1	70,028	2017.11
	4	Yongin Logistics Park 2	43,176	2017.01
	5	Yongin Logistics Park 3 (BRIC)	43,045	2020.06
	6	Icheon Logistics Park 1	47,653	2017.02
	7	Icheon Logistics Park 2	33,365	2018.04
	8	Icheon Logistics Park 3	18,421	2018.12
	9	Icheon Logistics Park 4	49,616	2018.06
	10	Icheon Logistics Park 5	84,545	2020.02
	11	Icheon Logistics Park 6*	62,195	2023.01
	12	Icheon Logistics Park 7*	46,041	2023.05
	13	Pyeongtaek Logistics Park	43,212	2013.08
	14	Anseong Logistics park 1	95,265	2020.02
	15	Anseong Logistics Park 2	154,990	2020.06
	16	Anseong Logistics Park 3	63,471	2021.04
	17	Anseong Logistics Park 4	27,040	2021.11
Greater Busan Area				
	18	Gimhae Logistics Park 1	25,733	2000.12
	19	Gimhae Logistics Park 2	39,941	2019.12
Total			1,205,679	

*To be acquire in 2023



BUCHEON COLD

The Bucheon Cold Logistics Park, located within the Bucheon Ojeong district, is a 7-story, 58,264 sqm facility that was completed in July 2019. The Bucheon Cold Logistics Park is located within the Bucheon Ojeong Logistics Complex, which is a traffic hub in the western part of the greater metropolitan area. The center also has good accessibility to major cities in the metropolitan area such as Seoul, Incheon, Bucheon, Goyang and Gimpo due to its proximity to the Seoul outer ring expressway, the Gangbyunbuk-ro, the Gyeongin Expressway, and the Incheon International Airport Expressway.

Address 112, Sinheung-ro 511beon-gil (801, Ojeong-dong), Bucheon-si, Gyeonggi-do
Land Area/GFA 16,659 sqm / 58,264 sqm
Occupancy/WALE 100% / 4.2 years
Completion Date July 2019

GOYANG

The Goyang Logistics Park, located within the Goyang Wonheung district, is a 7-story, 199,678 sqm modern logistics center that was completed in January 2019. The Goyang Logistics Park is the largest urban logistics center in the Gangbuk area, which is able to handle large-scale logistics demand in the Seoul Greater area, especially in the northwest and north regions. The center also has excellent accessibility to major cities in the metropolitan area such as Seoul, Incheon, and Bucheon, thanks to its proximity to the Seoul outer ring expressway, the Gangbyunbuk-ro, and the Incheon International Airport Expressway, which makes it an ideal location for logistics companies with high volume of delivery and distribution.

Address 570, Gwonyul-daero, Deogyanggu (701, Wonheung-dong), Goyang-si, Gyeonggi-do
Land Area/GFA 56,281.1 sqm / 199,678 sqm **Occupancy/WALE** 100% / 6.8 years
Completion Date Jan 2019



YONGIN 1

The Yongin Logistics Park 1, located in Yongin-si, Gyeonggi-do, is an 70,028 sqm large-scale logistics center. The center maximizes its usage rate by using an environmentally friendly design that utilizes natural slopes, each floor is directly accessible and it is directly connected to the 17th and 325th national roads and is also easily accessible via the Central expressway and Yeongdong expressway, which makes it an optimally located logistics hub serving the entire country.

Address 120, Deokpyeong-ro (434, Gachang-ri), Baegam-myeon, Cheoin-gu, Yongin-si, Gyeonggi-do **Land Area/GFA** 69,963 sqm / 70,028 sqm
Occupancy/WALE 100% / 3.7 years **Completion Date** Nov 2017

YONGIN 2

The Yongin Logistics Park 2, located in the city of Yongin-si, Gyeonggi-do, is a modern, 43,176 sqm dry logistics center that was completed in January 2017. The center is very close to the Yeongdong expressway Yangji IC, which makes it distinctive visibility and easy access from suburban area. We have formed a long-term leasing agreement with a logistics service company specializing in inspection and delivery of garments, product management.

Address 271, Yangji-ro (90-7, Yangji-ri), Yangji-myeon, Cheoin-gu, Yongin-si, Gyeonggi-do
Land Area/GFA 40,122 sqm / 43,176 sqm
Occupancy/WALE 100% / 2.2 years
Completion Date Jan 2017





YONGIN 3

The Yongin Logistics Park 3 is located in the Cheoin district of Yongin-si, Gyeonggi-do and is an 43,045 sqm dry & cold-temperature logistics center that was completed in June 2020. It is a state-of-the-art logistics center and is able to accommodate both dry and low-temperature logistics demand, it is adjacent to the 23rd and 306th national roads and with easy access via the Gyeongbu expressway, making it an optimally located for logistics serving the Greater Seoul Area.

Address 439, Wonam-ro, Namsa-eup, Cheoin-gu, Yongin-si, Gyeonggi-do
Land Area/GFA 31,821 sqm / 43,045 sqm
Occupancy/WALE 100% / 1.8 years
Completion Date Jun 2020



ICHEON 2

The Icheon Logistics Park 2 is located in Icheon-si, Gyeonggi-do, and is an 33,365 sqm modern dry logistics center that was completed in June 2018. It is located in the core region of the logistics market in the eastern outskirts, with convenient transportation access being 6km away from the Yeongdong expressway and the central expressway, which makes it a prime location.

Address 472-96, Deokpyeong-ro (580-1, Maegok-ri), Hobeop-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 26,560 sqm / 33,365 sqm
Occupancy/WALE 100% / 2.2 years **Completion Date** Apr 2018

ICHEON 1

The Icheon Logistics Park 1 located in Icheon, Gyeonggi-do is a modern, dry logistics center with an area of 47,653 sqm and a 2F/B1 scale. Located in the eastern suburban area, it is located in a location that can efficiently deliver to major regions across the country and boasts excellent accessibility to the Yeongdong Expressway and the Jungbu Expressway, making it a preferred location for logistics-related clients.

Address 140-27, Eogmali-ro (452, Heoeok-ri), Majang-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 36,105 sqm / 47,653 sqm **Occupancy/WALE** 100% / 1.7 years **Completion Date** Feb 2017



ICHEON 3

Icheon Logistics Park 3 located in Icheon, Gyeonggi-do, is a modern, indoor logistics Park with an area of 18,421 sqm, that was completed in December 2018. It is located in the core area of the logistics market in the eastern suburbs and boasts a key transportation location that is 6km away from both the Yeongdong Expressway and the Jungbu Expressway.

Address 472-67, Deokpyeong-ro (567-46, Maegok-ri), Hobeop-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 16,265 sqm / 18,421 sqm
Occupancy/WALE 100% / 2.7 years
Completion Date Dec 2018



ICHEON 4

Icheon Logistics Park 4 located in Icheon, Gyeonggi-do, is a modern, dry logistics Park that was completed in June 2018, with an area of 49,616 sqm. It is located in the key logistics region of the Eastern suburbs, and has excellent accessibility to the Yeongdong and Jungbu Expressways. In addition, it has a stable cash flow due to a long-term lease contract with a notable apparel company in Korea.

Address 257-34, Deokpyeong-ro (976, Maegok-ri), Hobeop-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 39,345 sqm / 49,616 sqm
Occupancy/WALE 100% / 0.7 years
Completion Date Jun 2018

ICHEON 5

Icheon Logistics Park 5, located in Icheon-si, Gyeonggi-do, is a modern, dry & cold logistics Park with an area of 84,545 sqm. It was completed in February 2020. It is located in the key logistics area of Eastern Gyeonggi-do, with excellent access to the Yeongdong and Jungbu expressways. The center features both dry temperature and low-temperature storage facilities. Additionally, the center has a stable revenue stream from a long-term lease agreement with Ediya, making it a reliable asset.

Address 423, Haewol-ri, Majang-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 73,278 sqm / 84,545 sqm
Occupancy/WALE 100% / 1.0 years
Completion Date Feb 2020



ICHEON 6

Icheon Logistics Park 6, located in Icheon-si, Gyeonggi-do, is a modern, dry logistics Park with a planned acquisition date in 2023 and an area of 62,195 sqm. It is well-connected to major transportation routes such as Bundang-Seuseo-ro, Seongnam-Icheon-ro, and Jungbu Inner-region Expressway, making it an asset with excellent accessibility. Additionally, Icheon Logistics Park 6 has signed a lease agreement with Daconet at the time of completion, allowing for immediate revenue generation.

Address 250, Joeup-ri, Baeksa-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 448,290 sqm / 62,195 sqm
Occupancy/WALE 100% / 3.0(E) years
Completion Date Jan 2023

ICHEON 7

Icheon Logistics Park 7 is planned to be completed in May 2023, it will be supplied as the state of art asset. Its location is based on excellent accessibility to major expressways and the metropolitan area, making it easy for delivery to all regions of the country, making it a preferred area for investors and renters. The location of this assets is near to Icheon IC (Yeongdong Expressway) 7km (11 minutes), Hobub JC (Jungbu Expressway) 14km (16 minutes), Yeosu JC (Jungbu Inner-city Expressway) 17km (18 minutes), Pangyo 52km (47 minutes), GBD 62km (68 minutes). All floors have easy access through the ramp, and there is a wide dock and unloading space. The property is secured a master lease with a professional logistics company for five years at the time of completion, and stable rental income is expected. (Lease agreement certificate issued)

Address 310, Bupil-ri, Daewol-myeon, Icheon-si, Gyeonggi-do
Land Area/GFA 29,994 sqm / 46,041 sqm
Occupancy/WALE 100% / 5.0(E) years
Completion Date Scheduled to be completed in May 2023





ANSEONG 1

Anseong Logistics Park 1 is located in Juk-san-myeon, Anseong City. It has 3 floors and a GFA of about 95,265 sqm, completed in February 2020. It is easily accessible from Il-juk IC on the Jungbu Expressway, Yangji IC on the Yeongdong Expressway, and Bukjincheon IC on the Pyeongtaek Expressway. In addition to its convenience, the location is preferred by major domestic and foreign logistics warehouse tenants and 3rd-party logistics companies due to the lack of large-scale logistics development sites in the region.

Address 35, Nokbae-gil (35-4, Jangneung-ri), Juksan-myeon, Anseong-si, Gyeonggi-do
Land Area/GFA 87,383 sqm / 95,265 sqm
Occupancy/WALE 100% / 2.9 years
Completion Date Feb 2020

ANSEONG 2

Anseong Logistics Park 2 is located in Wonok-myeon, Ansong-si and it has 5 floors with GFA of 154,990 sqm, it was completed on February 2020. It is only 2km away from the Seoansung IC, and it has easy access to the Pyeongtaek-Jecheon Expressway and the Gyeongbu Expressway. Also, it is expected to become a landmark center as a mega logistics center of the tenant, Coupang.

Address 915, Chilgok-ri, Wongok-myeon, Anseong-si, Gyeonggi-do
Land Area/GFA 90,582 sqm / 154,191 sqm **Occupancy/WALE** 100% / 3.2 years **Completion Date** Jun 2020



ANSEONG 3

Anseong logistics Park 3, located in Anseong-si, Iljuk-myeon, has 6 floors and a GFA of 63,471 sqm, and was completed in April 2021. The logistics center 3 is located in a very accessible area near the Iljuk IC of the Jungbu Expressway. It has a long-term lease contract with Coupang and is expected to maintain stable cash flow as an asset.

Address 23-10, Neunggukri, Iljuk-myeon, Anseong-si, Gyeonggi-do
Land Area/GFA 49,543 sqm / 63,471 sqm **Occupancy/WALE** 100% / 4.1 years
Completion Date Apr 2021



ANSEONG 4

Anseong Logistics Park 4, located in Samjok-myeon, Ansong-si, is a 6-story building with a GFA of 27,040 sqm, completed in November 2021. Anseong Logistics Park 4 is located in a region that is easily accessible by the Iljuk IC of the Jungbu Expressway. Samsung Electronics' business specializing in smartphones and household appliances has entered into a long-term lease agreement, ensuring stable cash flow for the asset.

Address Yongwol-ri, Samjuk-myeon, Anseong-si, Gyeonggi-do
Land Area/GFA 25,356 sqm / 27,039 sqm
Occupancy/WALE 100% / 4.1 years
Completion Date Nov 2021



GIMHAE 1

The Gimhae Logistics Park 1, located in Sangdong-myeon, Gimhae-si, is a medium-sized modern logistics center with a total of four floors and an area of 25,733 sqm. It is located in Gimhae, which is a city where logistics functions are being strengthened in the Southeast region of South Korea, and boasts a key location that can handle logistics demand from large cities such as Busan, Changwon, Ulsan, and Yangsan in the Southeast region. Additionally, it is located near the Sangdong IC of the Central Expressway, which is expected to meet the needs of warehouse demand from companies in Gyeongsangnam-do and Busan areas.

Address 680-77, Sangdong-ro (5, Daegam-ri), Sangdong-myeon, Gimhae-si, Gyeongsangnam-do
Land Area/GFA 65,775 sqm / 25,733 sqm
Occupancy/WALE 100% / 3.5 years
Completion Date Dec 2000

PYEONGTAEK

Pyeongtaek Logistics Center located in Pyeongtaek-si, Gyeonggi-do, is a modern, dry logistics center with a total area of 43,212 sqm, which were completed in August 2012 and June 2017 respectively. The center is located close to the Osan IC of the Gyeongbu Expressway, allowing for delivery to all regions nationwide. The center is favored by vendors who sell everyday goods and goods related to the semiconductor industry nearby, known for its stable operation over the years.

Address 1198-5, Baran-ro (2021, Suworam-ri), Seotan-myeon, Pyeongtaek-si, Gyeonggi-do
Land Area/GFA 70,158 sqm / 43,212 sqm
Occupancy/WALE 100% / 1.4 years
Completion Date Aug 2012 / May 2017



GIMHAE 2

The Gimhae Logistics Park 2, located in Gimhae-si, is a modern logistics Park with a total of 5 floors and an area of 39,941 sqm. It is located near the Sangdong IC of the Central Expressway, making it a key location for satisfying the warehouse needs of companies in the Gyeongnam and Busan regions, as well as being able to fulfill demands for deliveries across the country. Additionally, it has signed a lease agreement with Coupang and is expected to establish itself as a logistics hub in the Gyeongnam area.

Address 5-8, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do
Land Area/GFA 27,068 sqm / 39,941 sqm
Occupancy/WALE 100% / 0.5 years
Completion Date Dec 2019

Market Overview

Global stagflation concerns

The ongoing global inflation and interest rate hikes have led to a slowdown in economic growth, raising concerns about stagflation. As of August 2022, the average inflation rate of 38 OECD member countries was 10.25%, marking the largest increase in 39 years since 1983 (10.5%). The United States and Korea also recorded inflation rates of 7.7% and 5.7%, respectively, indicating a continued high inflation situation. Countries are raising their benchmark interest rates to address inflation, with the US having raised rates by 3.0% for six months starting March 2022, and it is expected to maintain a trend of rate hikes for the time being. Korea has also raised its benchmark interest rates by 2.0% within the past year in line with this trend, and the Bank of Korea has announced plans for additional hikes.

High inflation and interest rate hikes are leading to a slowdown in economic growth. The OECD predicts global economic growth rates of 3.1% in 2022 and 2.2% in 2023, while Korea's economic growth rate is forecasted to be 2.7% in 2022 and 1.8% in 2023. The continuing decline in the OECD's leading indicators suggests a high possibility of a global economic downturn in the near future. The world economy still faces recession risks due to prolonged Russian-Ukrainian war, continued high inflation and interest rates, and accelerated monetary tightening in major countries.

Oversupply of low-temperature logistics warehouses and reduced trading volume

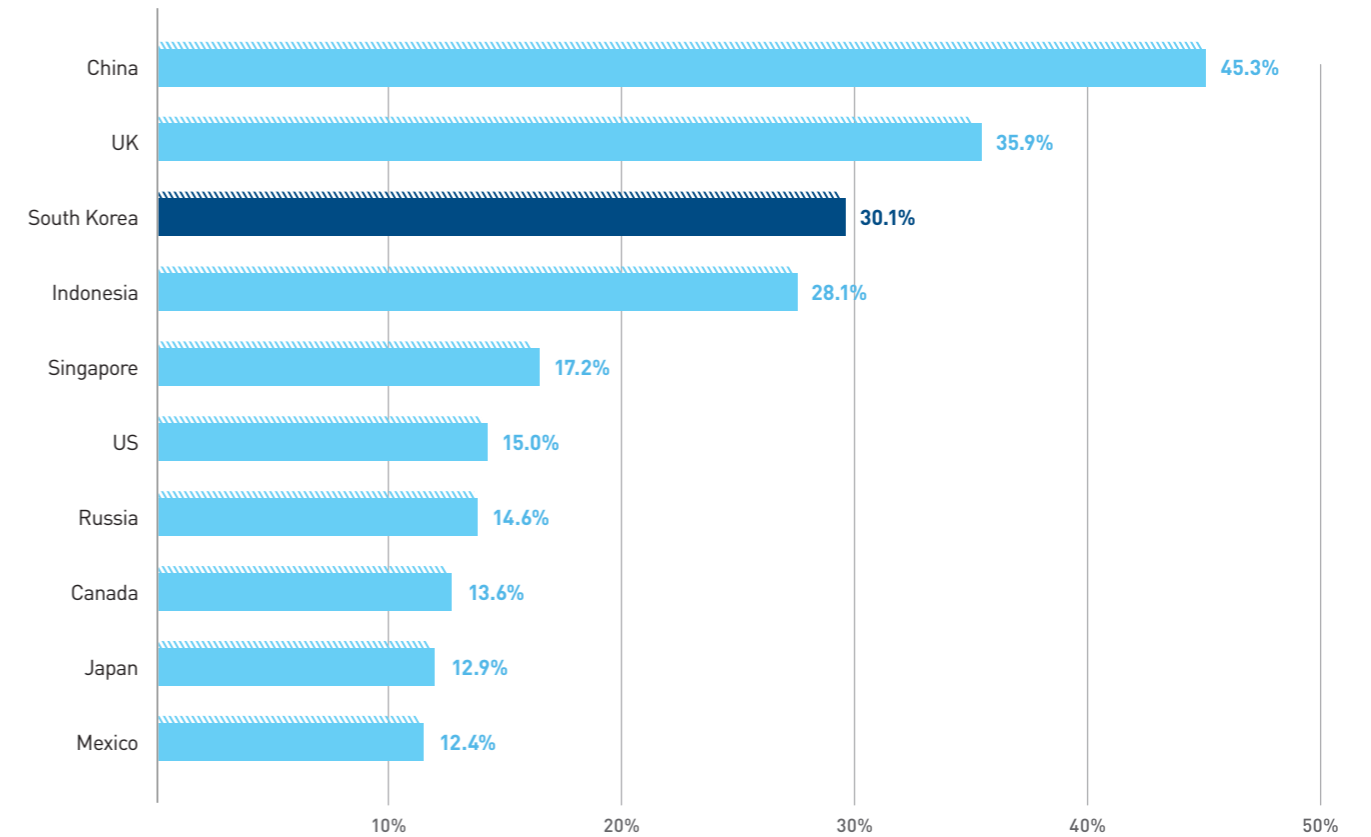
The Korean real estate market is also affected by the economic slowdown. The negative leverage situation, where the interest rate on loans has risen sharply due to the increase in the benchmark interest rate, continues as the cap rate (required yield) is lower than the interest rate. As high interest rates persist and the cap rate continues to rise, it is expected that prices will inevitably decline. The situation is causing concerns about a decrease in transaction volume due to the withdrawal of properties from the market following price declines, failed loan procurement leading to failed property purchases, and an increase in postponed sales due to REITs maturity extensions. Real estate development projects are also expected to face challenges. Rising land, labor, and material costs, combined with increasing interest rates, are causing concerns about delayed real estate development projects and declining profitability. The logistics center investment market is also expected to be affected by the over-supply of logistics centers, burden from rising interest rates, slowing e-commerce growth, and reduced lending and investment.

The logistics center investment market contracted by 32% YoY to about KRW 570 billion in 2022 due to the overall real estate market downturn and reduced online transactions since the pandemic. However, the demand for leases of competitive logistics centers remains robust, and it is expected that the demand for logistics center investment will increase in the future if the economy stabilizes. Despite the large-scale supply of logistics centers planned, actual supply is expected to be lower than planned. The original plan was to supply 1.13 million square meters (a 40% increase YoY) in 2021, 1.7 million square meters (a 51% increase YoY) in 2022, and 2.44 million square meters (a 43% increase YoY) in 2023. However, there are increasing cases of construction delays due to rising construction costs and interest rates. The actual construction rate of logistics centers with building permits has also been low. The proportion of building permits granted in 2021 but not yet completed within one year was 36%, but it increased sharply to 85% in 2022.

Improvement in profitability through successful re-contracting with top-tier lessees and rent increases

Despite the challenging circumstances, ESR Kendall Square REITs is gaining attention for successfully renewing contracts with high-quality tenants and improving profitability by increasing lease prices by 15-20% compared to previous rates. With a team of professionals specializing in logistics real estate development, investment, leasing, and management, ESR Kendall Square REITs has 19 premium logistics centers in unmatched locations (average IC distance: 4km) that give them an advantage in lease negotiations. This vertical integration effect has resulted in high tenant satisfaction, with a 100% lease renewal rate despite the rent increases and domestic and foreign third-party logistics companies, making it relatively stable. ESR Kendall Square REIT prioritizes sustainable management over opportunistic investment and takes a long-term approach to its investments, resulting in a more resilient capital structure compared to other logistics real estate investment firms. Additionally, the company's decision to build over 90% of its logistics center lease area as relatively low-risk ambient temperature storage is a notable advantage. Demand for such storage is growing, while supply is limited due to factors such as rising construction costs. Given the robust customer demand, it's possible to expect an increase in rental fees that reflects market inflation.

Share of e-Commerce in Total Retail Sales by Key Country



Reference: It includes products or services ordered using the Internet only through the device and excludes payments such as travel and event tickets, bills, taxes or remittances, regardless of payment or implementation. Source: eMarketer, June 2022

e-Commerce Logistics Sales by Key Country (past and future estimates)

Key countries	2019	2020	2025	2019-2025 CAGR	2020-2025 CAGR
	(F)				
China	107,223	128,740	226,963	20.1%	12.0%
United States	104,112	139,247	186,400	33.7%	6.0%
Japan	13,236	15,699	20,991	18.6%	6.0%
South Korea	10,413	13,198	18,724	26.7%	7.2%
Australia	3,551	4,807	6,462	35.4%	6.1%
Hong Kong	731	962	1,457	31.7%	8.6%
Singapore	362	591	959	63.4%	10.2%
Malaysia	334	501	981	49.8%	14.4%

Source: Transport Intelligence, June 2021; Unit: US\$ million;

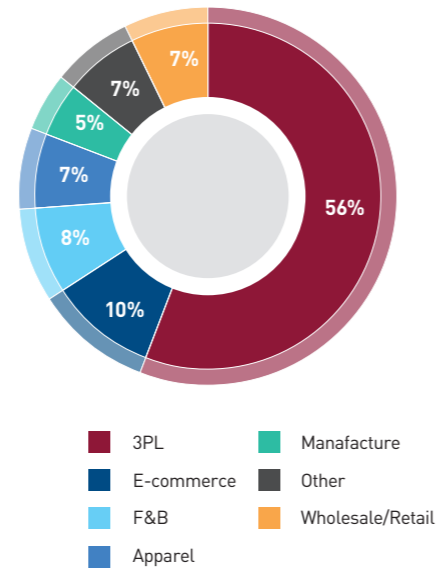
The lease expiration area in 2023 is approximately 198,347 sqm, which is about 20% of the total leasable area of the logistics centers. The tenants are mainly high-quality lessees, such as global sports apparel companies and global cosmetics companies, and the current vacancy rate is maintained at 0% level. ESR Kendall Square REITs have relatively stable lease contracts with high-quality lessees such as Coupang, the largest e-commerce platform in Korea, and domestic and foreign third-party logistics companies.

ESR Kendall Square REITs aim to pursue sustainable management rather than opportunistic investments, and invest from a long-term perspective.

They have a strong capital structure compared to other logistics real estate investment companies.

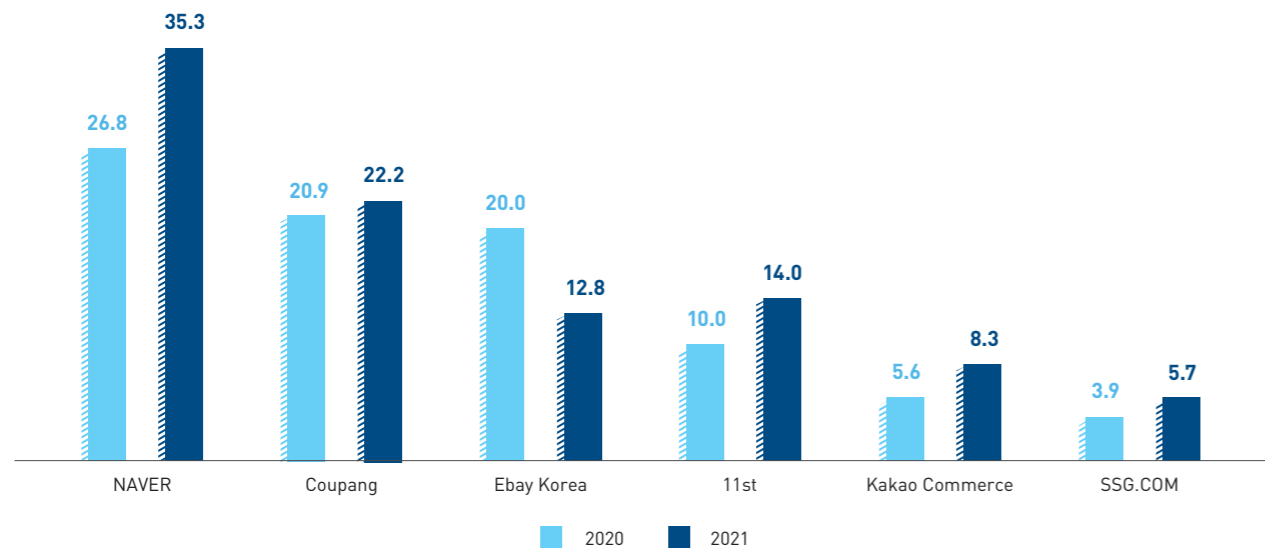
In addition, they have a strength in that more than 90% of the leased area in the logistics centers is constructed as temperature-controlled warehouses with relatively low risk. The demand for temperature-controlled warehouses is expanding, but the supply is delayed due to the increase in construction costs. As the demand from customers is strong, it is expected that the increase in lease prices reflecting market inflation can be expected.

Logistics Park Tenants by Industry Classification in the Greater Seoul Area (Q1 2021)

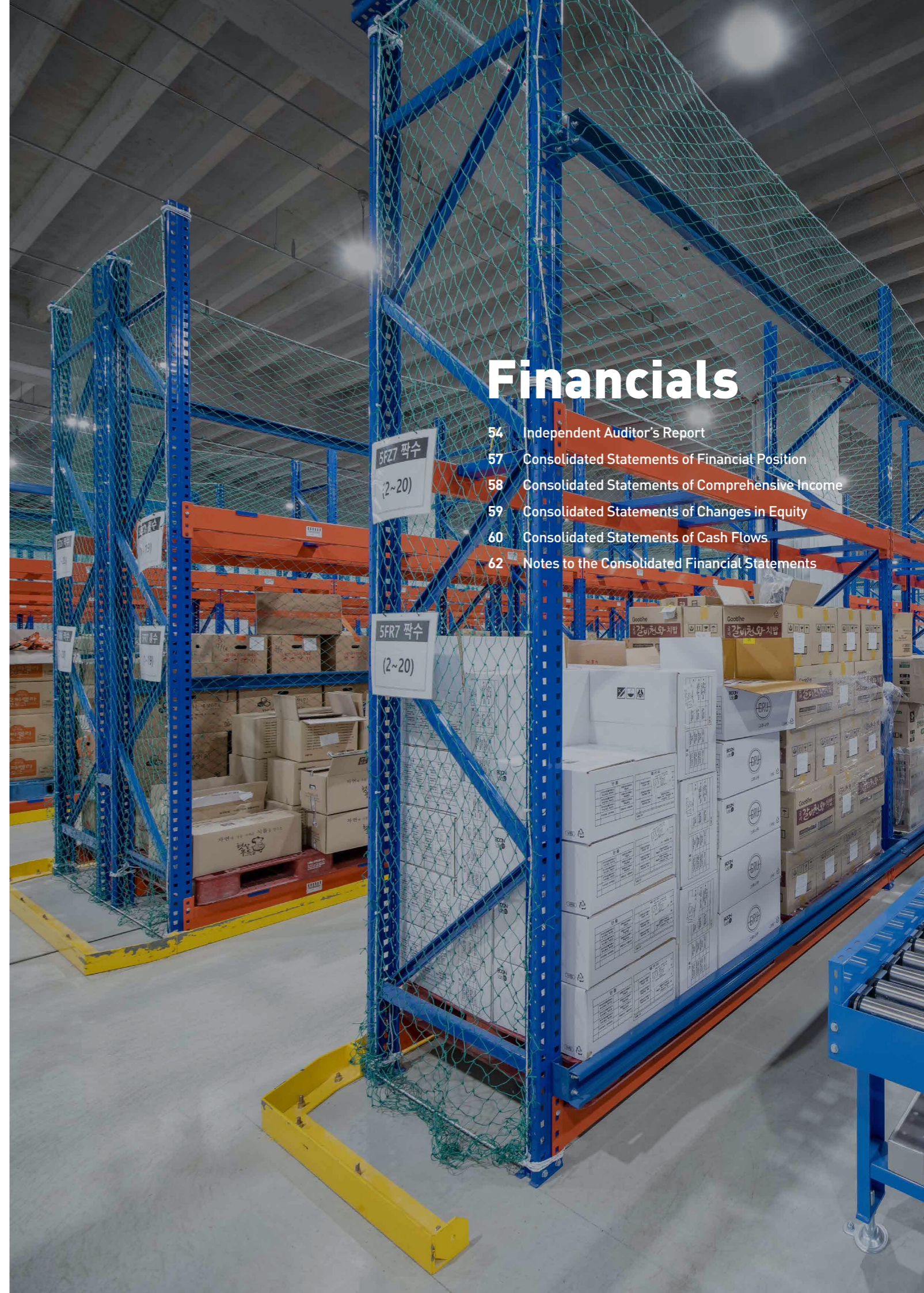


Source: JLL Research estimates based on number of tenants from a combination of information from public sources, company reports, site visits, and industry contacts, 1Q 2021. Compositions based on Grade A stock. Occupiers made up of tenants such as 3PL: CJ Logistics, Lotte Global Logistics, Pantos. E-commerce: Coupang, Gmarket, 11STREET. Retail: Emart, Homeplus, GS Retail, Costco, Daiso, Manufacturing: BMW, Adidas, Sajo Food and Ottogi.

Estimated GMV of Online Shopping Platforms (KRW 1 Trillion)



Source: eBEST Investment & Securities, SK Telecom, estimated figures for 2020 and 2021



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Independent Auditor's Report

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



OPINION

We have audited the accompanying consolidated financial statements of ESR Kendall Square REIT Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at November 30, 2022 and May 31, 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2022 and May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

BASIS FOR OPINION

We conducted our audits in accordance with Korean Standards on Auditing. 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 of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

(1) Occurrence of Rental Income

Why we determined this matter as key audit matter

As described in Note 18 of the consolidated financial statements, rental income, which accounts for 96% of the Group's operating revenues, is recognized according to the contracts and terms and conditions of the transaction with customers. As a result, we focused on this area because we determined that there is a significant risk in relation to occurrence of rental income.

How our audit addressed the key audit matter

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

- Assessed reasonableness of the Group's accounting policies relevant to revenue recognition
- Performed analytical review compared to the previous period and monthly trend analysis of rental income to verify the existence of unusual circumstances

- Performed recalculation of the amount to be recognized as rental income according to the terms and conditions of each rental contract transaction and reviewed the difference with rental income in the statements of comprehensive income on a sample basis
- Performed substantive test of each rental income transaction on the contract conclusion, determination of revenue amount, payment and accounting treatment on a sample basis

OTHER MATTER

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

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 Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of 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.

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 Korean Standards on Auditing 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 Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements 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 the override of internal control.

Independent Auditor's Report

- 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 entity'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 Joon-Woo Lee, Certified Public Accountant.

Samil PricewaterhouseCoopers

Seoul, Korea
February 13, 2023

This report is effective as of February 13, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

November 30, 2022 and May 31, 2022

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

	Notes	November 30, 2022	May 31, 2022
(in Korean won)			
Assets			
Current assets			
Cash and cash equivalents	4,22,23	31,103,100,434	33,920,832,610
Short-term financial instruments	5,6,22,23	-	63,408,806
Other financial assets	7,22,23	23,751,590,848	20,678,104,812
Other assets	8	1,773,113,629	1,885,114,620
Current tax assets		860,880,286	166,231,040
		57,488,685,197	56,713,691,888
Non-current assets			
Long-term financial instruments	6,22,23	42,218,793,453	42,218,512,733
Investments in associates	9	205,769,671,169	204,689,464,276
Investment properties	10	1,947,771,055,034	1,960,977,509,297
Property and equipment		86,741,918	96,969,863
Intangible assets		4,058,026	4,058,026
Other non-current financial assets	7,22,23	543,000,000	3,343,417,795
		2,196,393,319,600	2,211,329,931,990
Total assets		2,253,882,004,797	2,268,043,623,878
Liabilities			
Current liabilities			
Other financial liabilities	11,22,23	16,132,537,241	13,107,188,659
Other current liabilities	12	2,115,307,148	2,648,305,413
		18,247,844,389	15,755,494,072
Non-current liabilities			
Long-term borrowings	13,22,23	1,062,285,032,142	1,060,285,280,740
Other non-current financial liabilities	11,22,23	35,201,826,651	37,609,993,805
Other non-current liabilities	12	3,353,833,625	3,807,743,027
		1,100,840,692,418	1,101,703,017,572
Total liabilities		1,119,088,536,807	1,117,458,511,644
Equity			
Share capital	14	213,089,000,000	213,089,000,000
Other paid-in-capital	14	900,186,631,606	900,186,631,606
Retained earnings	15	21,517,836,384	37,309,480,628
Equity attributable to equity holders of the Parent Company		1,134,793,467,990	1,150,585,112,234
Total equity		1,134,793,467,990	1,150,585,112,234
Total liabilities and equity		2,253,882,004,797	2,268,043,623,878

Consolidated Statements of Comprehensive Income

Six-Month Periods Ended November 30, 2022 and May 31, 2022

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

	Notes	(in Korean won)	
		November 30, 2022	May 31, 2022
Operating revenues	18	49,006,142,346	46,743,296,752
Operating expenses	19	26,456,797,054	22,953,696,052
Operating profit		22,549,345,292	23,789,600,700
Non-operating income			
Financial income	20,23	628,242,226	241,706,147
Other income	21	277,510,151	72,732,652
Gains on valuation using equity method	9	5,042,759,149	21,767,627,072
		5,948,511,526	22,082,065,871
Non-operating expense			
Financial expenses	20,23	15,648,941,838	15,696,395,082
Other expenses	21	86,633,224	7
		15,735,575,062	15,696,395,089
Profit before income tax expenses		12,762,281,756	30,175,271,482
Income tax expenses	16	-	-
Profit for the period		12,762,281,756	30,175,271,482
Owners of the Parent Company		12,762,281,756	30,175,271,482
Other comprehensive income		-	-
Total comprehensive income for the period		12,762,281,756	30,175,271,482
Owners of the Parent Company		12,762,281,756	30,175,271,482
Earnings per share			
Basic and diluted earnings per share	17	60	146

Consolidated Statements of Changes in Equity

Six-Month Periods Ended November 30, 2022 and May 31, 2022

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

	Equity attributable to equity holders of the Parent Company				(in Korean won)
	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)	Non-controlling interests	Total
Balance at December 1, 2021	143,259,000,000	541,103,130,210	16,494,915,146	3,500,010,000	704,357,055,356
Increase in issued capital	69,830,000,000	372,193,900,000	-	-	442,023,900,000
Stock issuance fee	-	(3,274,398,604)	-	-	(3,274,398,604)
Transfer of other paid-in capital to retained earnings	-	(9,836,000,000)	9,836,000,000	-	-
Dividends paid	-	-	(19,196,706,000)	-	(19,196,706,000)
Profit for the period	-	-	30,175,271,482	-	30,175,271,482
Decrease in non-controlling interests	-	-	-	(3,500,010,000)	(3,500,010,000)
Balance at May 31, 2022	213,089,000,000	900,186,631,606	37,309,480,628	-	1,150,585,112,234
Balance at June 1, 2022	213,089,000,000	900,186,631,606	37,309,480,628	-	1,150,585,112,234
Dividends paid	-	-	(28,553,926,000)	-	(28,553,926,000)
Profit for the period	-	-	12,762,281,756	-	12,762,281,756
Balance at November 30, 2022	213,089,000,000	900,186,631,606	21,517,836,384	-	1,134,793,467,990

Consolidated Statements of Cash Flows

Six-Month Periods Ended November 30, 2022 and May 31, 2022

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

	(in Korean won)	
	November 30, 2022	May 31, 2022
Cash flows from operating activities		
Profit for the period	12,762,281,756	30,175,271,482
Adjustments for:		
Depreciation for property and equipment	10,227,945	5,030,137
Depreciation for investment properties	13,767,305,001	13,066,668,307
Interest expense	15,648,941,838	15,696,395,082
Miscellaneous expenses	86,527,759	-
Interest income	(628,242,226)	(241,706,147)
Other income	(513,148,104)	(491,097,340)
Gains from assets contributed	(277,061,000)	-
Miscellaneous income	-	(50,000,000)
Gains on valuation using equity method	(5,042,759,149)	(21,767,627,072)
	23,051,792,064	6,217,662,967
Changes in operating assets and liabilities:		
Increase in account receivables	(19,096,529)	(254,906,746)
Increase in accrued income	(531,380,836)	(897,202,514)
Decrease (increase) in prepaid expenses	112,000,991	(645,890,182)
Decrease in prepaid value added tax	-	4,188,153,404
Increase in unearned revenue	-	1,099,078,150
Increase (decrease) in non-trade payables	198,001,202	(2,260,717,795)
Decrease in accrued expenses	(451,000)	-
Increase (decrease) in withholdings	(120,445,170)	113,332,718
Increase in value added tax withheld	55,803,416	344,961,153
	(305,567,926)	1,686,808,188
	35,508,505,894	38,079,742,637
Interest received	71,203,134	551,950,935
Income taxes received (paid)	(694,649,246)	768,628,040
Interest paid	(13,229,559,210)	(19,162,234,074)
Dividends received	4,298,398,455	1,057,134,286
Net cash inflow from operating activities	25,953,899,027	21,295,221,824

	(in Korean won)	
	November 30, 2022	May 31, 2022
Cash flows from investing activities		
Decrease in short-term financial instruments	66,084,535	53,150,701,738
Decrease in other deposits	-	643,300,000
Increase in long-term financial instruments	-	(15,502,258,800)
Increase in short-term financial instruments	-	(53,214,110,544)
Increase in short-term loans	-	(15,000,000,000)
Acquisition of investments in associates	-	(5,258,158,846)
Acquisition of investment properties (Land)	-	(204,442,834,776)
Acquisition of investment properties (Building)	-	(558,804,315,616)
Acquisition of investment properties (Construction in progress)	(283,789,738)	(12,222,074,557)
Acquisition of property and equipment	-	(102,000,000)
Increase in other deposits	-	(543,000,000)
Net cash outflow from investing activities	(217,705,203)	(811,294,751,401)
Cash flows from financing activities		
Increase in issued capital	-	442,023,900,000
Increase in short-term borrowings	-	52,771,182,957
Increase in long-term borrowings	-	418,000,000,000
Increase in leasehold deposits received	-	16,010,766,400
Dividends paid	(28,553,926,000)	(19,196,706,000)
Repayment for short-term borrowings	-	(80,914,713,476)
Repayment for long-term borrowings	-	(20,000,000,000)
Decrease in leasehold deposits received	-	(1,518,643,220)
Stock issuance fee	-	(3,274,398,604)
Decrease in non-controlling interests	-	(3,500,010,000)
Net cash inflow (outflow) from financing activities	(28,553,926,000)	800,401,378,057
Net increase (decrease) in cash and cash equivalents	(2,817,732,176)	10,401,848,480
Cash and cash equivalents at the beginning of period	33,920,832,610	23,518,984,130
Cash and cash equivalents at the end of period	31,103,100,434	33,920,832,610

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

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

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 "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 at November 30, 2022, are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	7,416,276	3.48%
Kendall Square REIT Management Co., Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	137,548,027	64.55%
	213,089,000	100.00%

1.2 Subsidiaries

Details of subsidiaries as at November 30, 2022 and May 31, 2022, are as follows:

	Country of domicile	Business type	Percentage of ownership	
			November 30, 2022	May 31, 2022
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%

Financial information of subsidiaries as at and for the six-month periods ended November 30, 2022 and May 31, 2022, are as follows:

[in thousands of Korean won]

	November 30, 2022					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	1,166,470,369	650,520,131	515,950,238	30,276,392	6,603,232	6,603,232
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	869,990,031	468,434,447	401,555,584	18,729,750	1,424,670	1,424,670

[in thousands of Korean won]

	May 31, 2022					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	1,176,259,150	649,687,452	526,571,698	30,199,720	8,762,008	8,762,008
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	875,860,018	467,632,244	408,227,774	16,543,577	657,932	657,932

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years 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 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 financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities, certain classes of property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

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.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 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, 2022.

(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the consolidated financial statements.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the consolidated financial statements.

(c) 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 amendment does not have a significant impact on the consolidated financial statements.

(d) 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 amendment does not have a significant impact on the consolidated financial statements.

(e) 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 amendment does not have a significant impact on the consolidated financial statements.

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

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for November 30, 2022 reporting period and have not been early adopted by the Group.

(a) 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 includes 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, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The 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 consolidated financial statements.

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

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

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

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

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.3 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 evidence 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 noncontrolling 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 noncontrolling 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 evidence 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.

2.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when they have a short maturity with a specified redemption date.

2.5 Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income
- those to be measured at amortized cost

(a) Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Group has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

- Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

- Financial assets measured at Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

- Financial assets measured at Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

- Financial assets measured at Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within 'financial income or financial expenses' in the period in which it arises.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

- Financial assets measured at amortized cost

Financial assets measured at amortized costs are considered to have low credit risk if the risk of default is low and the issuer has sufficient ability to pay contractual cash flows in a short period of time. Therefore, any loss allowance is recognized as 12-month expected credit losses.

- Debt instruments measured at fair value through other comprehensive income

Debt instruments measured at fair value through other comprehensive income include government bonds, corporate bonds and trade receivables subject to discount. Loss allowances for debt instruments measured at fair value through other comprehensive income are recognized in profit or loss and reduces the amount that would have been recognized in other comprehensive income due to fair value valuation losses.

(d) Recognition and derecognition

Purchases or sales of financial assets in an active market are recognized or derecognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the consolidated statements of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 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 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 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.

2.7 Financial Liabilities

(a) Classification and measurement

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the consolidated statements of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

2.8 Financial Liabilities measured at Fair Value Through Profit and Loss (FVTPL)

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or a contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Korean IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial income and expenses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is measured by the method described in note 23.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 Korean IFRS 1116 'Leases' and is not subject to Korean IFRS 1115 'Revenue from Contracts with Customers' and there is no service identified as a performance obligation.

2.14 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.

2.15 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 items recognized in other comprehensive income or directly in equity. Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies,

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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.

2.16 Approval of issuance of the Consolidated Financial Statements

The Group's consolidated financial statements as at and for the six-month period ended November 30, 2022 were approved for issue by the Board of Directors on January 12, 2023 and are to be approved at the Annual General Meeting scheduled on February 24, 2023.

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.

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

Significant accounting estimates and assumptions applied in the preparation of the consolidated 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 November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Bank deposits	31,103,100	33,920,833

5. SHORT-TERM FINANCIAL INSTRUMENTS

Short-term financial assets as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Bank deposits ¹	-	63,409

¹ Reclassified to cash and cash equivalents as the pledge was released for the period ended November 30, 2022.

6. FINANCIAL INSTRUMENTS RESTRICTED IN USE

Financial instruments that are restricted in use as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Short-term financial instruments ¹	-	63,409
Long-term financial instruments ²	42,218,793	42,218,513
	42,218,793	42,281,922

¹ Reclassified to cash and cash equivalents as the pledge was released for the period ended November 30, 2022.

² 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.

7. OTHER FINANCIAL ASSETS

Other financial assets as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Current assets		
Account receivables	1,090,750	1,071,653
Accrued income	7,660,841	4,606,451
Short-term loans	15,000,000	15,000,000
	23,751,591	20,678,104
Non-current assets		
Other leasehold deposits	543,000	543,000
Accrued income	-	2,800,418
	543,000	3,343,418

8. OTHER ASSETS

Other assets as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Prepaid expenses	1,773,114	1,885,115

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9. INVESTMENT IN ASSOCIATES

(in thousands of Korean won)

Investment in associates as at November 30, 2022 and May 31, 2022, are as follows:

November 30, 2022							
	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Share of profit	Dividends	Ending balance
Beneficiary certificates:							
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	46,128,366	1,085,953	(793,611)	46,420,708
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,218,197	1,276,309	(893,482)	41,601,024
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	43,242,069	1,173,820	(892,903)	43,522,986
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	43,789,196	948,502	(893,633)	43,844,065
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,311,636	558,175	(488,923)	30,380,887
				204,689,464	5,042,759	(3,962,552)	205,769,670

(in thousands of Korean won)

May 31, 2022

	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions	Share of profit	Dividends	Ending balance
Beneficiary certificates:								
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	37,050,880	-	9,871,098	(793,611)	46,128,366
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	40,866,148	-	1,741,911	(1,389,862)	41,218,197
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,350,998	-	6,238,311	(347,240)	43,242,069
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	41,737,311	-	3,193,749	(1,141,864)	43,789,196
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	25,604,482	4,610,418	722,558	(625,822)	30,311,636
				182,609,819	4,610,418	21,767,627	(4,298,399)	204,689,464

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

10. INVESTMENT PROPERTIES

Investment properties as at November 30, 2022 and May 31, 2022, are as follows:

(in thousands of Korean won)

	November 30, 2022			May 31, 2022		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	607,327,301	-	607,327,301	607,327,301	-	607,327,301
Buildings	1,368,358,377	(40,423,283)	1,327,935,094	1,368,081,316	(26,655,978)	1,341,425,339
Construction in progress	12,508,660	-	12,508,660	12,224,870	-	12,224,870
	1,988,194,338	(40,423,283)	1,947,771,055	1,987,633,487	(26,655,978)	1,960,977,510

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November 30, 2022 and May 31, 2022

Changes in investment properties for the periods ended November 30, 2022 and May 31, 2022, are as follows:

(in thousands of Korean won)

	November 30, 2022			Total
	Land	Building	Construction in progress	
Beginning balance	607,327,301	1,341,425,339	12,224,870	1,960,977,510
Acquisitions/transfers	-	277,060	283,790	560,850
Depreciation	-	(13,767,305)	-	(13,767,305)
Ending balance	607,327,301	1,327,935,094	12,508,660	1,947,771,055

(in thousands of Korean won)

	May 31, 2022			Total
	Land	Building	Construction in progress	
Beginning balance	403,120,961	796,304,435	-	1,199,425,396
Acquisitions/transfers	204,206,340	558,187,572	12,224,870	774,618,782
Depreciation	-	(13,066,668)	-	(13,066,668)
Ending balance	607,327,301	1,341,425,339	12,224,870	1,960,977,510

Details of acquisition for the period ended May 31, 2022, are as follows:

(in thousands of Korean won)

	Purchase price ¹	Seller
Gimhae logistics park 2	71,200,000	Kendall Square Gimhae Professional Investment Type Real Estate Investment Fund
Anseong logistics park 2	324,500,000	Kendall Square LP Anseong Professional Investment Type Real Estate Investment Fund
Anseong logistics park 3	127,000,000	Kendall Square LP iljuk Professional-invested Private Equity Real Estate Investment Company
Icheon logistics park 5	198,300,000	Kendall Square LP Majang Special Investment type Private Property Investment Company
	<u>721,000,000</u>	

¹ The amount excludes the additional cost related to purchase.

Revenues and expenses related to investment properties for the periods ended November 30, 2022 and May 31, 2022, are as follows:

(in thousands of Korean won)

	November 30, 2022	May 31, 2022
Operating revenues ¹	48,490,594	46,241,447
Operating expenses ²	20,699,031	16,554,387

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.

Fair value of investment properties as at November 30, 2022 has no significant difference with the book amount.

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

(in thousands of Korean won)

	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A&B&C	1,184,264,894	653,500,000	784,200,000
Tranche C1-1	74,174,418	41,800,000	50,160,000
Tranche C1-2	338,174,832	187,900,000	225,480,000
Tranche C1-3	132,090,752	73,800,000	88,560,000
Tranche C2	206,557,499	114,500,000	137,400,000
	<u>1,935,262,395</u>	<u>1,071,500,000</u>	<u>1,285,800,000</u>

The Group subscribes to the property all risks insurance (insured amount: KRW783,961 million) in relation to investment property.

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November 30, 2022 and May 31, 2022

11. OTHER FINANCIAL LIABILITIES

Other financial liabilities as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Current liabilities		
Non-trade payables	5,771,177	5,573,176
Accrued expense	5,264,366	5,336,878
Leasehold deposits	5,160,968	2,245,881
Discount account on present value	(63,974)	(48,747)
	16,132,537	13,107,188
Non-current liabilities		
Leasehold deposits	39,532,499	42,447,586
Discount account on present value	(4,330,672)	(4,837,592)
	35,201,827	37,609,994

12. OTHER LIABILITIES

Other liabilities as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Current liabilities		
Withholdings	322	120,767
Value added tax withholdings	1,034,115	978,311
Unearned revenue	1,080,871	1,549,227
	2,115,308	2,648,305
Non-current liabilities		
Unearned revenue	3,353,834	3,807,743
	3,353,834	3,807,743

13. LONG-TERM BORROWINGS

Details of long-term borrowings as at November 30, 2022 and May 31, 2022, are as follows:

				(in thousands of Korean won)	
	Financial institution	Annual interest rate	Maturity date	November 30, 2022	May 31, 2022
Tranche A ¹	Hanwha General Insurance Co., Ltd.	2.22	2023-12-14	50,000,000	50,000,000
	Bank of China	2.22	2023-12-14	50,000,000	50,000,000
	Shinhan Bank	2.22	2023-12-14	50,000,000	50,000,000
	Industrial Bank of Korea	2.22	2023-12-14	105,000,000	105,000,000
	KB Insurance Co., Ltd.	2.50	2024-11-30	34,300,000	34,300,000
Tranche B ¹	Industrial Bank of Korea	2.50	2025-12-14	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50	2025-12-14	40,000,000	40,000,000
Tranche C ¹	Industrial Bank of Korea	2.50	2025-12-14	28,700,000	28,700,000
	Hanwha General Insurance Co., Ltd.	2.50	2025-12-14	50,000,000	50,000,000
	NongHyup Life Insurance Co., Ltd.	2.50	2025-12-14	40,000,000	40,000,000
	TONGYANG Life Insurance Co., Ltd.	2.50	2025-12-14	50,000,000	50,000,000
Tranche C1-1 ¹	Kookmin Bank	2.50	2024-12-20	32,751,000	32,751,000
	KB Insurance Co., Ltd.	2.50	2024-12-20	9,049,000	9,049,000
Tranche C1-2 ¹	Kookmin Bank	2.50	2024-12-20	147,225,000	147,225,000
	KB Insurance Co., Ltd.	2.50	2024-12-20	40,675,000	40,675,000
Tranche C1-3 ¹	Kookmin Bank	2.50	2024-12-20	57,824,000	57,824,000
	KB Insurance Co., Ltd.	2.50	2024-12-20	15,976,000	15,976,000
Tranche C-2 ¹	Kookmin Bank	2.70	2026-12-20	114,500,000	114,500,000
				1,071,500,000	1,071,500,000
Less: discount account on present value				(9,214,968)	(11,214,719)
				1,062,285,032	1,060,285,281

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

14. SHARE CAPITAL AND OTHER PAID-IN-CAPITAL

Details of share capital as at November 30, 2022, are as follows:

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

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Details of other paid-in-capital as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Additional paid-in-capital	900,186,632	900,186,632

Changes in share capital for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in shares and in thousands of Korean won)			
	November 30, 2022		May 31, 2022	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	213,089,000	213,089,000	143,259,000	143,259,000
Increase in issued capital	-	-	69,830,000	69,830,000
Ending balance	213,089,000	213,089,000	213,089,000	213,089,000

15. RETAINED EARNINGS

Details of retained earnings as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Retained earnings	21,517,837	37,309,481

Changes in retained earnings for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Beginning balance	37,309,481	16,494,915
Transfer of other paid-in capital to retained earnings	-	9,836,000
Dividends paid	(28,553,926)	(19,196,706)
Profit for the period	12,762,282	30,175,271
Ending balance	21,517,837	37,309,481

Dividends for the periods ended November 30, 2022 and May 31, 2022, are calculated as follows:

	(in shares and Korean won)	
	November 30, 2022	May 31, 2022
1. Dividends	28,980,104,000	28,553,926,000
2. Total number of shares issued	213,089,000	213,089,000
3. Dividend per share (1./2.)	136	134
4. Par value	1,000	1,000
5. Dividend rate per share (3./4.)	13.60%	13.40%

16. INCOME TAX EXPENSE

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group pay-outs 90% 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 corporate tax to be paid, the Group has not recognized any income tax expenses.

17. EARNINGS PER SHARE

Basic earnings per share for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in shares and in Korean won)	
	November 30, 2022	May 31, 2022
Profit for the period attributable to owners of the Parent Company	12,762,281,756	30,175,271,482
Weighted average number of common shares outstanding	213,089,000	206,950,099
Basic earnings per share	60	146

Weighted average number of common shares outstanding for the periods ended November 30, 2022 and May 31, 2022, are calculated as follows:

	(in shares)		
	November 30, 2022		
	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			213,089,000

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(in shares)

	May 31, 2022		Accumulated number of common shares outstanding
	Number of shares	Accumulated number of days	
Beginning	143,259,000	16	2,292,144,000
Increase in issued capital	213,089,000	166	35,372,774,000
Weighted average number of common shares outstanding			206,950,099

Diluted earnings per share

As at November 30, 2022 and May 31, 2022, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

18. OPERATING REVENUES

Operating revenues for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Rental income	47,088,468	44,919,349
Management income	1,402,126	1,322,098
Other income	515,548	501,850
	49,006,142	46,743,297

The future minimum lease payments expected to be received in relation to the operating lease agreement as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Within one year	88,256,119	93,018,907
Between 1 and 2 years	81,824,712	83,290,004
Between 2 and 3 years	75,821,528	76,438,161
Between 3 and 4 years	55,296,310	67,329,303
Between 4 and 5 years	38,709,222	48,887,306
Later than five years	53,536,797	71,038,094
	393,444,688	440,001,775

19. OPERATING EXPENSES

Operating expenses for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Operating expenses related to investment properties:		
Insurance expenses	1,738,827	1,720,414
Depreciation	13,767,305	13,066,668
Real estate management consignment fees	1,610,221	1,525,549
Facility maintenance & administrative expenses	63,287	193,491
Taxes and due	3,496,482	4,527
Utilities expenses	3,817	5,784
Deemed rent	19,092	17,950
Rental brokerage fees	-	20,004
	20,699,031	16,554,387
Other operating expenses:		
Asset management consignment fees	4,949,282	4,724,093
Other fees	521,313	1,246,823
Advertising expenses	-	99,000
Agent bank fees	-	50,000
Asset custody consignment fees	60,000	60,000
General affairs consignment fees	126,943	124,363
Salaries	90,000	90,000
Depreciation	10,228	5,030
	5,757,766	6,399,309
	26,456,797	22,953,696

20. FINANCE INCOME AND EXPENSES

Financial income and expenses for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Financial income		
Interest income	628,242	241,706
Financial expenses		
Interest expenses	15,648,942	15,696,395

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21. OTHER INCOME AND EXPENSES

Other income and expenses for the periods ended November 30, 2022 and May 31, 2022 and November 30, 2021, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Other income		
Gains from assets contributed	277,061	-
Miscellaneous income	449	72,733
	277,510	72,733
Other expenses		
Miscellaneous expenses	86,633	-

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 November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Liabilities	1,119,088,537	1,117,458,512
Equity	1,134,793,468	1,150,585,112
Debt-to-equity ratio	98.62%	97.12%

22.2 Financial risk factors

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

(a) Market risk

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

(b) Credit risk

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

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Cash and cash equivalents	31,103,100	33,920,833
Short-term financial instruments	-	63,409
Long-term financial instruments	42,218,793	42,218,513
Other financial assets	24,294,591	24,021,523

(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 November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)					
	November 30, 2022					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	5,771,177	5,771,177	5,771,177	-	-	-
Accrued expenses	5,264,366	5,264,366	5,264,366	-	-	-
Long-term borrowings	1,062,285,032	1,134,883,518	26,302,500	310,158,634	798,422,384	-
Leasehold deposits	40,298,821	44,693,467	5,160,968	995,730	21,940,802	16,595,967
	1,113,619,396	1,190,612,528	42,499,011	311,154,364	820,363,186	16,595,967

	(in thousands of Korean won)					
	May 31, 2022					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	5,573,176	5,573,176	5,573,176	-	-	-
Accrued expenses	5,336,878	5,336,878	5,336,878	-	-	-
Long-term borrowings	1,060,285,281	1,148,070,799	26,302,500	278,696,889	843,071,410	-
Leasehold deposits	39,807,128	44,693,467	2,245,881	3,693,509	22,158,110	16,595,967
	1,111,002,463	1,203,674,320	39,458,435	282,390,398	865,229,520	16,595,967

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November 30, 2022 and May 31, 2022

23. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE

(a) Financial instruments by category and fair value as at November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)			
	November 30, 2022		May 31, 2022	
	Book amount	Fair value	Book amount	Fair value
Financial assets at amortized cost				
Cash and cash equivalents	31,103,100	31,103,100	33,920,833	33,920,833
Short-term financial instruments	-	-	63,409	63,409
Long-term financial instruments	42,218,793	42,218,793	42,218,513	42,218,513
Other financial assets	24,294,591	24,294,591	24,021,523	24,021,523
	97,616,484	97,616,484	100,224,278	100,224,278
Financial liabilities at amortized cost				
Long-term borrowings	1,062,285,032	1,062,285,032	1,060,285,281	1,060,285,281
Other financial liabilities	51,334,364	51,334,364	50,717,182	50,717,182
	1,113,619,396	1,113,619,396	1,111,002,463	1,111,002,463

(b) Net gains or losses on each category of financial instruments for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Financial assets at amortized cost		
Interest income	628,242	241,706
Financial liabilities at amortized cost		
Interest expenses	15,648,942	15,696,395

24. Cash flow

The significant non-cash transactions for the periods ended November 30, 2022 and May 31, 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Transfer of other paid-in capital to retained earnings	-	9,836,000
Reclassification to current portion of leasehold deposits received	2,915,087	2,245,881
Reclassification to current portion of unearned revenues	453,909	900,265
Transfer of advance received to non-trade payables	-	110,000
Transfer of discount on present value of leasehold deposits to unearned revenues	-	215,669
Reclassification to current portion of discount on present value of leasehold deposits	15,227	48,747
Transfer of accrued income to investments in associates	3,962,552	4,298,399
Reclassification to current portion of accrued income	2,800,418	-

Changes in liabilities arising from financial activities for the period ended November 30, 2022, are as follows:

	(in thousands of Korean won)		
	Beginning balance	Changes in non-cash transactions ¹	Ending balance
Long-term borrowings	1,060,285,280	1,999,751	1,062,285,032
Leasehold deposits	39,807,128	491,693	40,298,821

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.

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

25. Related Party Transactions

Related parties as at November 30, 2022 and May 31, 2021, are as follows:

	November 30, 2022	May 31, 2022
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 KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related parties ¹	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ¹ ESR Kendall Square REIT Holding PTE, LTD. ¹	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ¹ ESR Kendall Square REIT Holding PTE, LTD. ¹

¹ Rights to appoint a director based on shareholders' agreement of the Group which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD. and CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC., are terminated due to termination of the agreement, and the appointed directors as at November 30, 2022 are those who have been appointed by the parties within the term of the agreement.

Transactions with related parties for the periods ended November 30, 2022 and May 31, 2022, are as follows:

		(in thousands of Korean won)	
		November 30, 2022	
	Related party	Asset management consignment fees	Consignment service fees
Other related party	Kendall Square REIT Management Co., Ltd.	4,949,282	10,681

		(in thousands of Korean won)	
		May 31, 2022	
	Related party	Asset management consignment fees ¹	
Other related party	Kendall Square REIT Management Co., Ltd.		10,242,011

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee amounting to KRW110 million, which is included in the acquisition cost of investments in associates and KRW5,408 million, which is included in the acquisition cost of investment properties.

Outstanding balances to related parties as at November 30, 2022 and May 31, 2022, are as follows:

		(in thousands of Korean won)			
		November 30, 2022		May 31, 2022	
	Related party	Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	793,611	-	793,611	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	893,482	-	1,389,862	-
	KendallSquare Professional Investment Type Real Estate	892,903	-	347,240	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	893,633	-	1,141,864	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	488,923	-	625,822	-
Other related party	Kendall Square REIT Management Co., Ltd.	-	5,444,210	-	5,196,502
		3,962,552	5,444,210	4,298,399	5,196,502

Notes to the Consolidated Financial Statements

November 30, 2022 and May 31, 2022

Fund transactions with related parties for the periods ended November 30, 2022 and May 31, 2022, are as follows:

		(in thousands of Korean won)					
		November 30, 2022		May 31, 2022			
Related party		Dividends received	Dividends paid	Increase in capital ¹	Dividends received	Dividends paid ¹	Decrease in class shares (Disposal of non-controlling interests)
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	793,611	-	-	267,844	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,389,862	-	-	317,683	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	347,240	-	-	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	1,141,864	-	-	129,080	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	625,822	-	-	342,528	-	-
Other related parties	Kendall Square REIT Management Co., Ltd.	-	199,317	3,085,483	-	134,000	3,500,010
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. ¹	-	7,095,678	109,843,363	-	4,770,400	
	ESR Kendall Square REIT Holding PTE, LTD. ¹	-	1,833,715	28,386,486	-	1,232,800	
		4,298,399	9,128,710	141,315,332	1,057,135	6,137,200	3,500,010

¹ ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties with the largest amount of share capital who appointed directors as at May 31, 2022 according to the right to appoint a director granted under the shareholders agreement participated in capital increase of KRW 164,049,217 thousand, then dividends of KRW 7,124,512 thousand were paid to them during the period ended May 31, 2022.

Compensation for key management of the Group for the periods ended November 30, 2022 and May 31, 2022, consists of:

	(in thousands of Korean won)	
	November 30, 2022	May 31, 2022
Short-term employee benefits	57,000	57,000

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.

Revenues of approximately KRW37,236 million (May 31, 2021:KRW34,245 million), over 10% of the Group's revenue, are derived from a single external customer who leases Buchon cold logistics park and 6 others.

27. Commitments

(a) Contract for the asset management services

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

Details	
Management fees	a. Real estates: (Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate) 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% X consigner's ratio of shareholding
Operation performance fees	(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.)
Purchase fee	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. 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 KRW105,000 thousand per every fiscal year. In addition, for the assets that the Group additionally purchase, the defined fee rate (0.005%-0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

Notes to the Consolidated Financial Statements

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(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 KRW45,000 thousand per every fiscal year. The Group entered a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. Fees are paid KRW15,000 thousand per every fiscal year. The company entered a consignment contract for custody and management of real estate with KB Real Estate Trust Co., Ltd. Separate fees are determined according to the "real estate collateral trust contract", and there is no amount of the trust fee for current period. (Trust fee of previous period: KRW200,000 thousand)

(d) Loan agreement

Details of the loan agreement as at November 30, 2022, are as follows:

	(in thousands of Korean won)	
	Contract amount	Loan amount
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	289,300,000	289,300,000
Tranche B&C (Industrial Bank of Korea, etc.)	782,200,000	782,200,000
Tranche D (Industrial Bank of Korea)	20,000,000	-
Tranche D (Kookmin Bank)	30,000,000	-
	1,121,500,000	1,071,500,000

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

(in thousands of Korean won)					
	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	463,998,422	306,000,000	Tranche A	Industrial Bank of Korea, etc.
	Goyang logistics park	493,624,869	437,040,000	Tranche B&C	Industrial Bank of Korea, etc.
	Anseong logistics park	164,904,904			
	Anseong logistics park 4	61,736,699	41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park 2	74,174,418	50,160,000	Tranche C1-1	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 2	338,174,832	225,480,000	Tranche C1-2	KB Insurance Co., Ltd, Kookmin Bank
	Anseong logistics park 3	132,090,752	88,560,000	Tranche C1-3	KB Insurance Co., Ltd, Kookmin Bank
	Icheon logistics park 5	206,557,499	137,400,000	Tranche C-2	Kookmin Bank
		1,935,262,395	1,285,800,000		

Among the Tranche A, the leasehold deposits of KRW310,684 thousand and KRW353,897 thousand are reserved as leasehold rights and senior collateral, respectively.

As at November 30, 2022, the Group has been provided a performance guarantee of KRW450 million in relation to the payment of electricity bills and a consent guarantee of KRW9.6 million in relation to a permission for development activities from Seoul Guarantee Insurance Company.

As at November 30, 2022, the Group has entered into sales contract for the acquisition of Icheon logistics park and others and the total purchase amount excluding incidental fees is KRW252.4 billion and unpaid amount was KRW240.4 billion. The Group recognized the costs paid for the acquisition of logistics park as construction in progress.

CORPORATE INFORMATION

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