

ESR Kendall Square REIT Co., Ltd.

Separate Financial Statements

May 31, 2022 and November 30, 2021

ESR Kendall Square REIT Co., Ltd.

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying separate financial statements of ESR Kendall Square REIT Co., Ltd. (the Company), which comprise the separate statements of financial position as at May 31, 2022 and November 30, 2021, and the separate statements of comprehensive income, separate statement of changes in equity and separate statements of cash flows for the six-month periods then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of ESR Kendall Square REIT Co., Ltd. as at May 31, 2022 and November 30, 2021, and its separate financial performance and its separate 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 separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Occurrence of Dividend Income

Why we determined this matter as key audit matter

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

How our audit addressed the key audit matter

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

- Assessed reasonableness of the Company's accounting policies relevant to revenue recognition
- Confirmed dividend payment notice and dividend deposit details for individual dividend income
- Performed external confirmation procedure over dividend income received from associates

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 separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters

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

The engagement partner on the audit resulting in this independent auditor's report is Heung-Su Lee, Certified Public Accountant.

Seoul, Korea
August 10, 2022

This report is effective as of August 10, 2022, 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 separate 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.

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Financial Position
May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	Notes	May 31, 2022		November 30, 2021	
Assets					
Current assets					
Cash and cash equivalents	4,20,21	₩	6,748,145,309	₩	1,706,287,357
Other financial assets	5,20,21		4,306,519,933		1,058,636,957
Other current assets	6		13,238,726		-
Current tax assets			<u>163,029,750</u>		<u>925,631,630</u>
			<u>11,230,933,718</u>		<u>3,690,555,944</u>
Non-current assets					
Investments in subsidiaries	7		942,100,000,000		536,549,000,000
Investments in associates	8		<u>189,696,173,582</u>		<u>185,085,755,449</u>
			<u>1,131,796,173,582</u>		<u>721,634,755,449</u>
Total assets		₩	<u>1,143,027,107,300</u>	₩	<u>725,325,311,393</u>
Liabilities					
Current liabilities					
Other financial liabilities	9,20,21	₩	138,048,750	₩	921,583,109
Other current liabilities	10		<u>767,230</u>		<u>788,700</u>
			<u>138,815,980</u>		<u>922,371,809</u>
Non-current liabilities					
Long-term borrowings	11,20,21		<u>-</u>		<u>20,000,000,000</u>
			<u>-</u>		<u>20,000,000,000</u>
Total liabilities			<u>138,815,980</u>		<u>20,922,371,809</u>
Equity					
Share capital	12		213,089,000,000		143,259,000,000
Other paid-in-capital	12		900,186,631,606		541,103,130,210
Retained earnings	13		<u>29,612,659,714</u>		<u>20,040,809,374</u>
Total equity			<u>1,142,888,291,320</u>		<u>704,402,939,584</u>
Total liabilities and equity		₩	<u>1,143,027,107,300</u>	₩	<u>725,325,311,393</u>

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Comprehensive Income
Six-Month Periods Ended May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	Notes	May 31, 2022		November 30, 2021	
Operating revenues	16	₩	19,527,561,283	₩	19,680,322,901
Operating expenses	17		<u>535,443,344</u>		<u>430,840,192</u>
Operating profit			<u>18,992,117,939</u>		<u>19,249,482,709</u>
Non-operating income					
Financial income	18,21		9,150,729		2,006,419
Other income	19		<u>-</u>		<u>13,684</u>
			<u>9,150,729</u>		<u>2,020,103</u>
Non-operating expense					
Financial expenses	18,21		<u>68,712,328</u>		<u>362,301,369</u>
			<u>68,712,328</u>		<u>362,301,369</u>
Profit before income tax expenses			18,932,556,340		18,889,201,443
Income tax expenses	14		<u>-</u>		<u>-</u>
Profit for the period		₩	<u>18,932,556,340</u>	₩	<u>18,889,201,443</u>
Other comprehensive income			<u>-</u>		<u>-</u>
Total comprehensive income for the period		₩	<u>18,932,556,340</u>	₩	<u>18,889,201,443</u>
Earnings per share					
Basic and diluted earnings per share	15	₩	91	₩	132

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Changes in Equity
Six- Month Periods Ended May 31, 2022 and November 30, 2021

(in Korean won)

	Share capital	Other paid-in-capital	Retained earnings	Total
Balance at June 1, 2021	₩ 143,259,000,000	₩ 541,850,342,670	₩ 19,715,144,069	₩ 704,824,486,739
Transfer of other paid-in-capital to retained earnings	-	(700,000,000)	700,000,000	-
Stock issuance fee	-	(47,212,460)	-	(47,212,460)
Dividends	-	-	(19,263,536,138)	(19,263,536,138)
Profit for the period	-	-	18,889,201,443	18,889,201,443
Balance at November 30, 2021	₩ 143,259,000,000	₩ 541,103,130,210	₩ 20,040,809,374	₩ 704,402,939,584
Balance at December 1, 2021	₩ 143,259,000,000	₩ 541,103,130,210	₩ 20,040,809,374	₩ 704,402,939,584
Increase in issued capital	69,830,000,000	372,193,900,000	-	442,023,900,000
Transfer of other paid-in-capital to retained earnings	-	(9,836,000,000)	9,836,000,000	-
Stock issuance fee	-	(3,274,398,604)	-	(3,274,398,604)
Dividends	-	-	(19,196,706,000)	(19,196,706,000)
Profit for the period	-	-	18,932,556,340	18,932,556,340
Balance at May 31, 2022	₩ 213,089,000,000	₩ 900,186,631,606	₩ 29,612,659,714	₩ 1,142,888,291,320

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

ESR Kendall Square REIT Co., Ltd.
Separate Statements of Cash Flows
Six-Month Periods Ended May 31, 2022 and November 30, 2021

<i>(in Korean won)</i>	May 31, 2022	November 30, 2021
Cash flows from operating activities		
Profit for the period	₩ 18,932,556,340	₩ 18,889,201,443
Adjustments for:		
Interest income	(9,150,729)	(2,006,419)
Dividend income	(19,527,561,283)	(19,680,322,901)
Interest expense	68,712,328	362,301,369
	<u>(19,467,999,684)</u>	<u>(19,320,027,951)</u>
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(13,238,726)	-
Increase in non-trade payables	34,946,080	33,344,670
Decrease in withholdings	(21,470)	-
	<u>21,685,884</u>	<u>33,344,670</u>
	<u>(513,757,460)</u>	<u>(397,481,838)</u>
Interest received	2,531,923	4,616,242
Interest paid	(239,452,054)	(191,561,643)
Income taxes received (paid)	762,601,880	(918,696,640)
Dividends received	16,286,297,113	22,930,247,568
Net cash inflow from operating activities	<u>16,298,221,402</u>	<u>21,427,123,689</u>
Cash flows from investing activities		
Acquisition of investments in subsidiaries	(405,551,000,000)	(2,500,000,000)
Acquisition of investments in associates	(5,258,158,846)	(26,200,000,000)
Net cash outflow from investing activities	<u>(410,809,158,846)</u>	<u>(28,700,000,000)</u>
Cash flows from financing activities		
Increase in long-term borrowings	-	20,000,000,000
Increase in issued capital	442,023,900,000	-
Repayment of long-term borrowings	(20,000,000,000)	-
Stock issuance fee	(3,274,398,604)	(47,212,460)
Dividend paid	(19,196,706,000)	(19,263,536,138)
Net cash inflow from financing activities	<u>399,552,795,396</u>	<u>689,251,402</u>
Net increase (decrease) in cash and cash equivalents	5,041,857,952	(6,583,624,909)
Cash and cash equivalents at the beginning of period	<u>1,706,287,357</u>	<u>8,289,912,266</u>
Cash and cash equivalents at the end of period	<u>₩ 6,748,145,309</u>	<u>₩ 1,706,287,357</u>

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

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Notes to the Separate Financial Statements
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1. General Information

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

The Company's major shareholders and their respective shareholdings as at May 31, 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.	5,949,755	2.79%
Kendall Square REIT Management Co., Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	139,014,548	65.24%
	213,089,000	100.00%

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate 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 Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company 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 (including derivative instruments), certain classes of

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- property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

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

(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 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 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 financial statements.

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(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 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 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 Company

The following new accounting standards and interpretations have been published that are not mandatory for May 31, 2022 reporting period and have not been early adopted by the Company.

(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, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the 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 Company is in review for the impact of these amendments on the financial statements.

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(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 Company does not expect that these amendments have a significant impact on the 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 Company does not expect that these amendments have a significant impact on the 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 Company does not expect that these amendments have a significant impact on the financial statements

2.3 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 Company 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.

2.4 Subsidiaries and Associates

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

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2.5 Financial Assets

The Company 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, and
- 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 Company 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 Company 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 Company 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 Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- 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.

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- 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 separate statements of comprehensive income within 'financial income or financial expenses' in the period in which it arises.

(c) Impairment

The Company 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 Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

- Trade receivables

The Company applies the simplified approach for trade receivables which requires the 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.

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(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 Company 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 Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as "borrowings" in the separate statements of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the separate 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 Company or the counterparty.

2.6 Impairment of non-financial assets

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

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

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 Company 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 separate statements of financial position.

(b) Derecognition

Financial liabilities are removed from the separate statement of financial position when they are

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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.

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 Company 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 Company's documented risk management or investment strategy, and information about the Companying 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 Company that are designated by

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the Company as at FVTPL are recognized in profit or loss.

2.9 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.

2.10 Revenue

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

2.11 Financial income and financial costs

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

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

2.12 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, etc., if the Company payouts 90% or more of its profit available for dividends as dividends, the Company shall be entitled to deduct such amount from its taxable income for the fiscal year.

2.13 Approval of issuance of the separate financial statements

The Company's separate financial statements as at and for the period ended May 31, 2022 were approved for issue by the Board of Directors on July 13, 2022 and are to be approved at the Annual General Meeting scheduled on August 26, 2022.

3. Critical Accounting Estimates and Assumptions

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

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

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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 Company.

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

4. Cash and Cash Equivalents

Cash and cash equivalents as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Bank deposits	₩	6,748,145	₩	1,706,287

5. Other Financial Assets

Financial instruments that are restricted in use as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Accrued income	₩	4,306,520	₩	1,058,637

6. Other Current Assets

Other current assets as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Prepaid expenses	₩	13,239	₩	-

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7. Investment in Subsidiaries

Investment in subsidiaries as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Country of domicile	Main business	Percentage of ownership		Book amount	
			May 31, 2022	November 30, 2021	May 31, 2022	November 30, 2021
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%	₩ 534,049,000	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd. ¹	Korea	Real estate	100%	86.38%	408,051,000	2,500,000
					<u>₩ 942,100,000</u>	<u>₩ 536,549,000</u>

¹ It was newly established during prior period and although percentage of ownership of ESR Kendall Square Asset No. 2 REIT Co., Ltd. was 86.38%, as the class shares held by non-controlling shareholders are non-voting stock, the percentage of voting rights of ESR Kendall Square Asset No. 2 REIT Co., Ltd. is 100%. All the non-voting stocks of ESR Kendall Square Asset No. 2 REIT Co., Ltd. have been reduced with considerations during the period ended May 31, 2022.

Changes in investment in subsidiaries for the periods ended May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,500,000	405,551,000	408,051,000
	<u>₩ 536,549,000</u>	<u>₩ 405,551,000</u>	<u>₩ 942,100,000</u>

(in thousands of Korean won)

	November 30, 2021		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	-	2,500,000	2,500,000
	<u>₩ 534,049,000</u>	<u>₩ 2,500,000</u>	<u>₩ 536,549,000</u>

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8. Investment in Associates

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

<i>(in thousands of Korean won)</i>	Country of domicile	Percentage of ownership	Number of shares invested	Beginning balance	Acquisitions	Ending balance
Beneficiary certificates:						
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 37,264,026	₩ -	₩ 37,264,026
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,126,695	-	41,126,695
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,743,009	-	37,743,009
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	42,104,285	-	42,104,285
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	26,847,741	4,610,418	31,458,159
				₩ 185,085,756	₩ 4,610,418	₩ 189,696,174

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.

9. Other Financial Liabilities

Other financial liabilities as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Current liabilities		
Non-trade payables	₩ 138,049	₩ 750,843
Accrued expense	-	170,740
	₩ 138,049	₩ 921,583

10. Other Liabilities

Other liabilities as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Withholdings	₩ 767	₩ 789

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11. Long-term Borrowings

Details of long-term borrowings as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	May 31, 2022	November 30, 2021
Tranche D	Industrial Bank of Korea	-	-	₩ -	₩ 20,000,000

12. Share Capital and Other Paid-in-Capital

Details of share capital as at May 31, 2022, are as follows:

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

Details of other paid-in-capital as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Additional paid-in-capital	₩ 900,186,632	₩ 541,103,130

Changes in share capital for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in shares and in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	143,259,000	₩ 143,259,000	143,259,000	₩ 143,259,000
Increase in issued capital	69,830,000	69,830,000	-	-
Ending balance	213,089,000	₩ 213,089,000	143,259,000	₩ 143,259,000

13. Retained Earnings

Details of retained earnings as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Retained earnings	₩ 29,612,660	₩ 20,040,809

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Changes in retained earnings for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022		November 30, 2021	
Beginning balance	₩	20,040,809	₩	19,715,144
Transfer of other paid-in-capital to retained earnings		9,836,000		700,000
Dividends		(19,196,706)		(19,263,536)
Profit for the period		18,932,556		18,889,201
Ending balance	₩	<u>29,612,659</u>	₩	<u>20,040,809</u>

The appropriation of retained earnings for the periods ended May 31, 2022 and November 30, 2021, is as follows:

<i>(in Korean won)</i>	May 31, 2022		November 30, 2021	
Unappropriated retained earnings carried over from prior year	₩	10,680,103,374	₩	1,151,607,931
Profit for the period		<u>18,932,556,340</u>		<u>18,889,201,443</u>
Retained earnings available for appropriation		29,612,659,714		20,040,809,374
Transfers from other paid-in-capital				
Transfers from share premium		-		9,836,000,000
Appropriation of retained earnings				
Dividends for common shares ¹		<u>28,553,926,000</u>		<u>19,196,706,000</u>
Unappropriated retained earnings to be carried forward	₩	<u>1,058,733,714</u>	₩	<u>10,680,103,374</u>

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

Dividends for the period ended May 31, 2022, are calculated as follows:

<i>(in Korean won)</i>	Common shares	
1. Dividends	₩	28,553,926,000
2. Total number of shares issued		213,089,000
3. Dividend per share (1./2.)	₩	134
4. Par value	₩	1,000
5. Dividend rate per share (3./4.)		13.40%

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14. Income Tax Expense

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

15. Earnings per Share

Basic earnings per share for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in shares and in Korean won)</i>	May 31, 2022	November 30, 2021
Profit for the period	₩ 18,932,556,340	₩ 18,889,201,443
Weighted average number of common shares outstanding	206,950,099 shares	143,259,000 shares
Basic earnings per share	₩ 91	₩ 132

Weighted average number of common shares outstanding for the periods ended May 31, 2022 and November 30, 2021, are calculated as follows:

<i>(in shares)</i>	May 31, 2022		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
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

<i>(in shares)</i>	November 30, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	143,259,000	183	26,216,397,000
Weighted average number of common shares outstanding			143,259,000

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Diluted earnings per share

For the periods ended May 31, 2022 and November 30, 2021, the Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

16. Operating Revenues

Operating revenues for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Dividend income	₩	19,527,561	₩	19,680,323

17. Operating Expenses

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

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Other fees	₩	306,029	₩	226,110
Advertising expenses		99,000		99,000
Salaries		57,000		57,000
General affairs consignment fees		61,863		43,730
Asset custody consignment fees		5,000		5,000
Insurance expenses		6,484		-
Taxes and due		68		-
	₩	<u>535,444</u>	₩	<u>430,840</u>

18. Finance Income and Expenses

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

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021
Financial income				
Interest income	₩	9,151	₩	2,006
Financial expenses				
Interest expenses		68,712		362,301

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19. Other Income

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

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Miscellaneous income	₩	- ₩ 14

20. Financial Risk Management

20.1 Capital risk management

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

The Company adopted 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 May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Liabilities	₩ 138,816	₩ 20,922,372
Equity	1,142,888,291	704,402,940
Debt-to-equity ratio	0.01%	2.97%

20.2 Financial risk factors

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

(a) Market risk

The Company 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 May 31, 2022 and November 30, 2021, are as follows:

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<i>(in thousands of Korean won)</i>		May 31, 2022	November 30, 2021
Cash and cash equivalents	₩	6,748,145 ₩	1,706,287
Other financial assets		4,306,520	1,058,637

(c) Liquidity risk

The Company has established a liquidity risk management framework for the management of the Company'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 May 31, 2022 and November 30, 2021, are as follows:

*(in thousands of
Korean won)*

	May 31, 2022				
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years
Non-trade payables	₩ 138,049	₩ 138,049	₩ 138,049	₩ -	₩ -

*(in thousands of
Korean won)*

	November 30, 2021				
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years
Non-trade payables	₩ 750,843	₩ 750,843	₩ 750,843	₩ -	₩ -
Accrued expenses	170,740	170,740	170,740	-	-
Long-term borrowings	20,000,000	23,069,151	760,000	760,000	21,549,151
	<u>₩ 20,921,583</u>	<u>₩ 23,990,734</u>	<u>₩ 1,681,583</u>	<u>₩ 760,000</u>	<u>₩ 21,549,151</u>

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21. Financial Instruments by Category and Fair Value

(a) Financial instruments by category and fair value as at May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022		November 30, 2021	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 6,748,145	₩ 6,748,145	₩ 1,706,287	₩ 1,706,287
Other financial assets	4,306,520	4,306,520	1,058,637	1,058,637
	<u>₩ 11,054,665</u>	<u>₩ 11,054,665</u>	<u>₩ 2,764,924</u>	<u>₩ 2,764,924</u>
Financial liabilities				
Other financial liabilities	₩ 138,049	138,049	₩ 921,583	₩ 921,583
Long-term borrowings	-	-	20,000,000	20,000,000
	<u>₩ 138,049</u>	<u>138,049</u>	<u>₩ 20,921,583</u>	<u>₩ 20,921,583</u>

(b) Net gains or losses on each category of financial instruments for the periods ended May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)

	May 31, 2022	November 30, 2021
Financial assets at amortized cost		
Interest income	₩ 9,151	₩ 2,006
Interest expenses	68,712	362,301

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22. Cash flow

The significant non-cash transactions for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2022	November 30, 2021
Transfer of other paid-in-capital to retained earnings	₩ 9,836,000	₩ 700,000
Transfer of non-trade payables to investments in associates	-	647,741

Changes in liabilities arising from financial activities for the period ended May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions	Ending balance
Long-term borrowings	₩ 20,000,000	₩ (20,000,000)	-	-

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23. Related Party Transactions

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

	May 31, 2022	November 30, 2021
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.
Associates	KendallSquare 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. ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

¹ Rights to appoint a director based on shareholders' agreement of the Company which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties (3 persons in total) with the largest amount of share capital, are terminated due to termination of the agreement, and the appointed directors as at May 31, 2022 are those who have been appointed by the parties within the term of the agreement.

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Transactions with related parties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022	
		Asset management consignment fees	Dividend income
	Related party		
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ 15,229,163
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	-	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	793,611
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	1,389,862
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	347,240
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	1,141,864
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	625,822
	Other related party	Kendall Square REIT Management Co., Ltd. ¹	110,418
		<u>₩ 110,418</u>	<u>₩ 19,527,562</u>

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. are included in the acquisition cost of investment in associates.

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<i>(in thousands of Korean won)</i>		November 30, 2021	
		Asset management consignment fees, other fees	Dividend income
	Related party		
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	₩ 15,280,202
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.		-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6		962,253
	KendallSquare Professional Investment Type Real Estate Investment Fund #7		1,111,889
	KendallSquare Professional Investment Type Real Estate Investment Fund #8		843,297
	KendallSquare Professional Investment Type Real Estate Investment Fund #11		973,067
	KendallSquare Professional Investment Type Real Estate Investment Fund #18		509,614
	Kendall Square REIT Management Co., Ltd. ¹	647,741	-
Other related party		₩ 647,741	₩ 19,680,322

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. are included in the acquisition cost of investment in associates.

Outstanding balances to related parties as at May 31, 2022 and November 30, 2021, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2022		November 30, 2021	
		Accrued income	Accrued income	Non-trade payables	
	Related party				
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	625,822	342,528		-

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Other related party	Investment Fund #18							
	Kendall Square REIT Management Co., Ltd.			-	-			647,741
		₩	4,298,399	₩	1,057,135	₩		647,741

Fund transactions with related parties for the periods ended May 31, 2022 and November 30, 2021, are as follows:

(in thousands of Korean won)	Related party	May 31, 2022				November 30, 2021			
		Contributions in cash / Acquisition of shares	Increase in capital	Dividends received	Dividends paid	Contributions in cash / Acquisition of shares	Dividends received	Dividends paid	
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ -	₩ 15,229,163	₩ -	₩ -	₩ 15,280,202	₩ -	
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	405,551,000	-	-	-	2,500,000	-	-	
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-	-	267,844	-	-	1,716,184	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-	317,683	-	-	2,144,358	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	-	-	-	2,152,888	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-	129,080	-	-	1,469,529	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	-	342,528	-	1,500,000	167,087	-	
Other related parties ¹	Kendall Square REIT Management	-	3,085,483	-	134,000	-	-	134,466	

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Co., Ltd.							
CPP							
Investment							
Board Real							
Estate							
Holdings Inc.	-	109,843,363	-	4,770,400	-	-	4,787,007
ESR Kendall							
Square REIT							
Holding PTE,							
LTD.	-	28,386,486	-	1,232,800	-	-	1,237,092
	<u>₩ 405,551,000</u>	<u>₩ 141,315,332</u>	<u>₩ 16,286,298</u>	<u>₩ 6,137,200</u>	<u>₩ 4,000,000</u>	<u>₩ 22,930,248</u>	<u>₩ 6,158,565</u>

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 ₩ 164,049,217 thousand, then dividends of ₩ 7,124,512 thousand (November 30, 2021: ₩ 6,830,898 thousand) were paid to them during the period ended May 31, 2022.

Compensation for key management of the Company for the periods ended May 31, 2022 and November 30, 2021, consists of:

<i>(in thousands of Korean won)</i>		May 31, 2022	November 30, 2021
Short-term employee benefits	₩	57,000	₩ 57,000

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24. Commitments

(a) Contract for the asset management services

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

Details

Management fees	<p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% X consigner's ratio of shareholding</p>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year + the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</p>
Purchase fee	<p>a. Real estates:</p> <p>Purchase price X 1.0%</p> <p>(*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding</p> <p>(*) 0.75%, in the cases of (i) the assets for purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.</p>

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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 Company 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 Company, and the board of directors and shareholder's meetings. Fees are paid ₩ 42,500 thousand per every fiscal year. In addition, for the assets that the Company additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(c) Asset custody consignment contract

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

(d) Loan agreement

Details of the loan agreement as at May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche D (Industrial Bank of Korea)	₩ 20,000,000	₩ -
Tranche D (Kookmin Bank)	30,000,000	-