

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

**Separate Financial Statements**

**November 30, 2023 and May 31, 2023**

# ESR Kendall Square REIT Co., Ltd.

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November 30, 2023 and May 31, 2023

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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 November 30, 2023 and May 31, 2023, 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 material accounting policy information.

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 November 30, 2023 and May 31, 2023, 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**

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

As described in Note 16 to the separate financial statements, the Company's operating revenues represent dividend income received from subsidiaries and associates. 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 of 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 Joon-Woo Lee, Certified Public Accountant.

Seoul, Korea

February 16, 2024

This report is effective as of February 16, 2024, 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**  
**November 30, 2023 and May 31, 2023**

<i>(in Korean won)</i>	<b>Notes</b>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4,19,20	₩	17,927,298,942	₩	1,129,777,604
Short-term financial instruments	4,19,20		10,000,000,000		-
Other financial assets	5,19,20		3,035,149,315		4,311,597,429
Other current assets	6		3,841,962		15,181,945
Current tax assets			<u>2,919,306,860</u>		<u>611,033,630</u>
			<u>33,885,597,079</u>		<u>6,067,590,608</u>
<b>Non-current assets</b>					
Investments in subsidiaries	7		987,100,000,000		987,100,000,000
Investments in associates	8		<u>152,432,148,107</u>		<u>189,696,173,582</u>
			<u>1,139,532,148,107</u>		<u>1,176,796,173,582</u>
<b>Total assets</b>		<b>₩</b>	<b><u>1,173,417,745,186</u></b>	<b>₩</b>	<b><u>1,182,863,764,190</u></b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Other financial liabilities	9,19,20	₩	191,800,386	₩	201,824,226
Other current liabilities	10		<u>788,700</u>		<u>926,920</u>
			<u>192,589,086</u>		<u>202,751,146</u>
<b>Non-current liabilities</b>					
Long-term borrowings	11,19,20,21		<u>30,000,000,000</u>		<u>40,000,000,000</u>
			<u>30,000,000,000</u>		<u>40,000,000,000</u>
<b>Total liabilities</b>			<u>30,192,589,086</u>		<u>40,202,751,146</u>
<b>Equity</b>					
Issued capital	12		213,089,000,000		213,089,000,000
Other paid-in-capital	12		900,186,631,606		900,186,631,606
Retained earnings	13		<u>29,949,524,494</u>		<u>29,385,381,438</u>
<b>Total equity</b>			<u>1,143,225,156,100</u>		<u>1,142,661,013,044</u>
<b>Total liabilities and equity</b>		<b>₩</b>	<b><u>1,173,417,745,186</u></b>	<b>₩</b>	<b><u>1,182,863,764,190</u></b>

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 November 30, 2023 and May 31, 2023**

<i>(in Korean won)</i>	Notes	November 30, 2023		May 31, 2023	
<b>Operating revenues</b>	16	₩	30,039,515,314	₩	28,922,479,512
<b>Operating expenses</b>	17		<u>412,144,919</u>		<u>505,525,733</u>
<b>Operating income</b>			<u>29,627,370,395</u>		<u>28,416,953,779</u>
<b>Non-operating income</b>					
Financial income	18,20		<u>225,047,932</u>		<u>6,703,539</u>
			<u>225,047,932</u>		<u>6,703,539</u>
<b>Non-operating expense</b>					
Financial expenses	18,20		<u>521,260,271</u>		<u>92,630,136</u>
			<u>521,260,271</u>		<u>92,630,136</u>
<b>Profit before income tax expenses</b>			29,331,158,056		28,331,027,182
Income tax expense	14		-		-
<b>Profit for the period</b>		₩	<u>29,331,158,056</u>	₩	<u>28,331,027,182</u>
<b>Other comprehensive income</b>			-		-
<b>Total comprehensive income for the period</b>		₩	<u>29,331,158,056</u>	₩	<u>28,331,027,182</u>
<b>Earnings per share</b>					
Basic and diluted earnings per share	15	₩	138	₩	133

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 November 30, 2023 and May 31, 2023**

*(in Korean won)*

	Issued capital	Other paid-in-capital	Retained earnings	Total
<b>Balance at December 1, 2022</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 30,034,458,256	₩ 1,143,310,089,862
Dividends	-	-	(28,980,104,000)	(28,980,104,000)
Profit for the period	-	-	28,331,027,182	28,331,027,182
<b>Balance at May 31, 2023</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 29,385,381,438</u>	<u>₩ 1,142,661,013,044</u>
<b>Balance at June 1, 2023</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 29,385,381,438	₩ 1,142,661,013,044
Dividends	-	-	(28,767,015,000)	(28,767,015,000)
Profit for the period	-	-	29,331,158,056	29,331,158,056
<b>Balance at November 30, 2023</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 29,949,524,494</u>	<u>₩ 1,143,225,156,100</u>

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 November 30, 2023 and May 31, 2023**

<i>(in Korean won)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 29,331,158,056	₩ 28,331,027,182
Adjustments for:		
Interest income	(225,047,932)	(6,703,539)
Dividend income	(30,039,515,314)	(28,922,479,512)
Interest expense	521,260,271	92,630,136
	<u>(29,743,302,975)</u>	<u>(28,836,552,915)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	11,339,983	(11,831,737)
Increase (decrease) in non-trade payables	24,272,050	(24,443,320)
Increase (decrease) in withholdings	(138,220)	604,860
	<u>35,473,813</u>	<u>(35,670,197)</u>
	<u>(376,671,106)</u>	<u>(541,195,930)</u>
Interest received	63,870,834	5,199,574
Interest paid	(555,556,161)	-
Income taxes received (paid)	(2,308,273,230)	52,329,530
Dividends received	31,477,140,526	28,577,511,883
Net cash inflow from operating activities	<u>28,300,510,863</u>	<u>28,093,845,057</u>
<b>Cash flows from investing activities</b>		
Collection of investments in associates	37,264,025,475	-
Disposal of investments in subsidiaries	10,000,000,000	-
Disposal of short-term financial instruments	29,700,000,000	-
Acquisition of investments in subsidiaries	(10,000,000,000)	(45,000,000,000)
Acquisition of short-term financial instruments	(39,700,000,000)	-
Net cash inflow (outflow) from investing activities	<u>27,264,025,475</u>	<u>(45,000,000,000)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	10,000,000,000	40,000,000,000
Repayment of long-term borrowings	(20,000,000,000)	-
Dividend paid	(28,767,015,000)	(28,980,104,000)
Net cash inflow (outflow) from financing activities	<u>(38,767,015,000)</u>	<u>11,019,896,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	16,797,521,338	(5,886,258,943)
<b>Cash and cash equivalents at the beginning of period</b>	1,129,777,604	7,016,036,547
<b>Cash and cash equivalents at the end of period</b>	<u>₩ 17,927,298,942</u>	<u>₩ 1,129,777,604</u>

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

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

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**1. General Information**

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

The Company's major shareholders and their respective shareholdings as at November 30, 2023, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42
ESR Kendall Square Co., Ltd.	8,183,698	3.84
Kendall Square REIT Management Co., Inc.	1,487,438	0.70
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85
Others	136,780,605	64.19
	213,089,000	100.00

**2. Significant Accounting Policies**

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 (Hangul) 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:

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- Certain financial assets and liabilities (including derivative instruments), 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

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 June 1, 2023.

#### *(a) 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 policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the financial statements.

#### *(b) 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 do not have a significant impact on the 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 do not 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 do not have a significant impact on the financial statements.

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*(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 does not have a significant impact on the financial statements.

*(f) Korean IFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules*

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. This standard does not have a significant impact on the financial statements.

*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 November 30, 2023 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, Non-current Liabilities with Covenants*

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 Company is in review for the impact of these amendments on the financial statements.

*(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements*

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, 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) Amendments to Korean IFRS 1116 Leases - Lease Liability in a Sale and Leaseback*

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

*(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets*

The amendments require for an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not 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.

**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 and Measurement*

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

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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.

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:

A) 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.

B) 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'.

C) 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

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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.

*(b) 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.

- Other financial assets measured at amortized cost

Other 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.

*(c) 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.

*(d) 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.



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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 significantly exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

## **2.7 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 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;

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- 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 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.

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**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 a business combination, or items recognized in other comprehensive income or directly in equity.

Under the Article 51-2 of Corporate Tax Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., if the Company distributes 90% or more of its profit available for dividends as dividends, the Company shall be entitled to deduct such amount from its taxable income for the relevant business year. Since there was no corporate tax to be paid, the Company has not recognized any income tax expenses.

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

The Company's separate financial statements as at and for the period ended November 30, 2023 were approved for issue by the Board of Directors on January 17, 2024 and are to be approved at the Annual General Meeting scheduled on February 29, 2024.

**3. Critical Accounting Estimates and Assumptions**

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

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

**4. Cash and Cash Equivalents**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
Bank deposits	₩ 17,927,299	₩ 1,129,778

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

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**5. Other Financial Assets**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Accrued income	₩	3,035,149	₩	4,311,597

**6. Other Current Assets**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Prepaid expenses	₩	3,842	₩	15,182

**7. Investments in Subsidiaries**

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

<i>(in thousands of Korean won)</i>	<b>Location</b>	<b>Main business</b>	<b>Percentage of ownership</b>		<b>Book amount</b>	
			<b>November 30, 2023</b>	<b>May 31, 2023</b>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%	₩ 544,049,000	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%	443,051,000	453,051,000
					<u>₩ 987,100,000</u>	<u>₩ 987,100,000</u>

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Changes in investment in subsidiaries for the periods ended November 30, 2023 and May 31, 2023, are as follows:

(in thousands of Korean won)

	<b>November 30, 2023</b>			
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Disposal</b>	<b>Ending balance</b>
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ 10,000,000	₩ -	₩ 544,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	453,051,000	-	(10,000,000)	443,051,000
	<u>₩ 987,100,000</u>	<u>₩ 10,000,000</u>	<u>₩ (10,000,000)</u>	<u>₩ 987,100,000</u>

(in thousands of Korean won)

	<b>May 31, 2023</b>		
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Ending balance</b>
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	408,051,000	45,000,000	453,051,000
	<u>₩ 942,100,000</u>	<u>₩ 45,000,000</u>	<u>₩ 987,100,000</u>

**8. Investments in Associates**

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

(in thousands of Korean won)

	<b>Location</b>	<b>Percentage of ownership</b>	<b>Number of shares invested</b>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
Beneficiary certificates <sup>1</sup> :					
KendallSquare Professional Investment Type Real Estate Investment Fund #6 <sup>2</sup>	Korea	-	-	₩ -	₩ 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 General Private Placement Real Estate Investment Fund #11 <sup>3</sup>	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	31,458,159	31,458,159
				<u>₩ 152,432,148</u>	<u>₩ 189,696,174</u>

<sup>1</sup> Although percentage of ownership of the above beneficiary certificates exceed 50%, the beneficiary certificates are classified as associates because they are trust type beneficiary certificates that are determined to have no de facto control in accordance with the Financial Investment Services and Capital Market Act and trust contract.

<sup>2</sup> For the period ended November 30, 2023, the Company has received a request for consent to terminate the trust contract from the collective investment business operator due to the disposition of trust real estate, and accordingly it was excluded from the investments in associates.

<sup>3</sup> For the period ended November 30, 2023, the name of the Investment in associate has changed.

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**9. Other Financial Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Non-trade payables	₩	133,466	₩	109,194
Accrued expenses		58,334		92,630
	₩	<u>191,800</u>	₩	<u>201,824</u>

**10. Other Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Withholdings	₩	789	₩	927

**11. Long-term Borrowings**

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

<i>(in thousands of Korean won)</i>	<b>Financial institution</b>	<b>Annual interest rate (%)</b>	<b>Maturity date</b>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Tranche D (Line of credit)	Industrial Bank of Korea	3.80	2025-12-14	₩	20,000,000	₩	20,000,000
	Kookmin Bank	-	-		-		20,000,000
Facility loan	NongHyup Bank	5.08	2025-09-22		10,000,000		-
				₩	<u>30,000,000</u>	₩	<u>40,000,000</u>

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**12. Issued Capital and Other Paid-in-Capital**

Details of share capital as at November 30, 2023, are as follows:

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

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

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

Changes in issued capital for the periods ended November 30, 2023 and May 31, 2023, are as follows:

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

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**13. Retained Earnings**

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

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Retained earnings	₩	29,949,524	₩	29,385,381

Changes in retained earnings for the periods ended November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Beginning balance	₩	29,385,381	₩	30,034,458
Dividends		(28,767,015)		(28,980,104)
Profit for the period		29,331,158		28,331,027
Ending balance	₩	<u>29,949,524</u>	₩	<u>29,385,381</u>

The appropriation of retained earnings for the period ended November 30, 2023, is expected to be appropriated at the shareholders' meeting on February 29, 2024. The appropriation date for the period ended May 31, 2023, was August 25, 2023.

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

<i>(in Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Unappropriated retained earnings carried over from prior period	₩	618,366,438	₩	1,054,354,256
Profit for the period		<u>29,331,158,056</u>		<u>28,331,027,182</u>
Retained earnings available for appropriation		29,949,524,494		29,385,381,438
Appropriation of retained earnings				
Dividends for common shares <sup>1</sup>		<u>(29,193,193,000)</u>		<u>(28,767,015,000)</u>
Unappropriated retained earnings to be carried forward	₩	<u>756,331,494</u>	₩	<u>618,366,438</u>

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



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Dividends for the periods ended November 30, 2023 and May 31, 2023, are calculated as follows:

<i>(in Korean won and in shares)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
A. Dividends	₩ 29,193,193,000	₩ 28,767,015,000
B. Total number of shares issued	213,089,000	213,089,000
C. Dividend per share (A/B)	₩ 137	₩ 135
D. Par value	₩ 1,000	₩ 1,000
E. Dividend rate per share (C/D)	13.70%	13.50%

**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 Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., if the Company distributes 90% or more of its profit available for dividends as dividends, the Company shall be entitled to deduct such amount from its taxable income for the relevant business year. Since there was no 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 November 30, 2023 and May 31, 2023, are as follows:

<i>(in shares and in Korean won)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
Profit for the period	₩ 29,331,158,056	₩ 28,331,027,182
Weighted average number of common shares outstanding	213,089,000 shares	213,089,000 shares
Basic earnings per share	₩ 138	₩ 133

Weighted average number of common shares outstanding for the periods ended November 30, 2023 and May 31, 2023, are calculated as follows:

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

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<i>(in shares)</i>	<b>May 31, 2023</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	182	38,782,198,000
Weighted average number of common shares outstanding			<u>213,089,000</u>

*Diluted earnings per share*

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

**16. Operating Revenues**

Operating revenues for the periods ended November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Dividend income (investments in subsidiaries)	₩	12,802,794	₩	24,614,960
Dividend income (investments in associates) <sup>1</sup>		17,236,721		4,307,520
	₩	<u>30,039,515</u>	₩	<u>28,922,480</u>

<sup>1</sup> For the period ended November 30, 2023, it includes the residual property distributions received upon termination of the trust contract in Kendall Square Professional Investment Type Real Estate Investment Fund #6, excluding the principal investment.

**17. Operating Expenses**

Operating expenses for the periods ended November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Other fees	₩	272,018	₩	287,427
Asset management performance fees		-		80,523
Salaries		57,000		57,000
General affairs consignment fees		66,787		64,722
Asset custody consignment fees		5,000		5,000
Insurance expenses		11,339		10,786
Taxes and due		-		68
	₩	<u>412,144</u>	₩	<u>505,526</u>

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**18. Finance Income and Expenses**

Financial income and expenses for the periods ended November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Financial income				
Interest income	₩	225,048	₩	6,704
Financial expenses				
Interest expenses	₩	521,260	₩	92,630

**19. Financial Risk Management**

**19.1 Capital risk management**

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

The Company adopted 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, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Liabilities	₩	30,192,589	₩	40,202,751
Equity		1,143,225,156		1,142,661,013
Debt-to-equity ratio		2.64%		3.52%

**19.2 Financial risk factors**

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

*(a) Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Company periodically reviews the status of interest rates. As at November 30, 2023 and May 31, 2023, when all other variables are constant and the interest rate changes by 1%, the impact on the Company's profit before tax is as follows:

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<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
1% increase	₩	- ₩ (12,603)
1% decrease		- 12,603

*Foreign currency risk*

As at November 30, 2023 and May 31, 2023, the Company has no assets or liabilities exposed to changes in foreign exchange rates

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. In the case of the Company, other price risk is limited.

*(b) Credit risk*

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

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>	<b>May 31, 2023</b>
Cash and cash equivalents	₩ 17,927,299	₩ 1,129,778
Short-term financial instruments	10,000,000	-
Other financial assets	3,035,149	4,311,597
	<u>₩ 30,962,448</u>	<u>₩ 5,441,375</u>

*(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.

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Analysis of liquidity risk as at November 30, 2023 and May 31, 2023, are as follows:

*(in thousands of  
Korean won)*

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

*(in thousands of  
Korean won)*

	<b>May 31, 2023</b>				
	<b>Book amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 year ~ 2 years</b>	<b>2 years ~ 5 years</b>
Non-trade payables	₩ 109,194	₩ 109,194	₩ 109,194	₩ -	₩ -
Long-term borrowings and interest	40,000,000	43,078,520	1,474,027	21,178,493	20,426,000
	<u>₩ 40,109,194</u>	<u>₩ 43,187,714</u>	<u>₩ 1,583,221</u>	<u>₩ 21,178,493</u>	<u>₩ 20,426,000</u>

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

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

*(in thousands of Korean won)*

	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	₩ 17,927,299	₩ 17,927,299	₩ 1,129,778	₩ 1,129,778
Short-term financial instruments	10,000,000	10,000,000	-	-
Other financial assets	3,035,149	3,035,149	4,311,597	4,311,597
	<u>₩ 30,962,448</u>	<u>₩ 30,962,448</u>	<u>₩ 5,441,375</u>	<u>₩ 5,441,375</u>
<b>Financial liabilities</b>				
Other financial liabilities	₩ 191,800	₩ 191,800	₩ 201,824	₩ 201,824
Long-term borrowings	30,000,000	30,000,000	40,000,000	40,000,000
	<u>₩ 30,191,800</u>	<u>₩ 30,191,800</u>	<u>₩ 40,201,824</u>	<u>₩ 40,201,824</u>

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(b) Net gains or losses on each category of financial instruments for the periods ended November 30, 2023 and May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>November 30, 2023</b>		<b>May 31, 2023</b>	
Financial assets at amortized cost				
Interest income	₩	225,048	₩	6,704
Financial liabilities at amortized cost				
Interest expenses	₩	521,260	₩	92,630

**21. Cash flow**

Changes in liabilities arising from financial activities for the periods ended November 30, 2023 and May 31, 2023, are as follows:

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

<i>(in thousands of Korean won)</i>	<b>May 31, 2023</b>			
	<b>Beginning balance</b>	<b>Financing cash flows</b>	<b>Changes in non-cash transactions</b>	<b>Ending balance</b>
Long-term borrowings	₩ -	₩ 40,000,000	₩ -	₩ 40,000,000

**22. Related Party Transactions**

Related parties as at November 30, 2023 and May 31, 2023, are as follows:

	<b>November 30, 2023</b>	<b>May 31, 2023</b>
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.
Associates	- <sup>1</sup> KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 Kendall Square General Private Placement Real Estate Investment Trust #11 <sup>2</sup> 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	Kendall Square REIT Management Inc.	Kendall Square REIT Management Inc.

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related parties

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

<sup>1</sup> For the period ended November 30, 2023, the Company has received a request for consent to terminate the trust contract from the collective investment business operator due to the disposition of trust real estate, and accordingly it was excluded from the investments in associates.

<sup>2</sup> For the period ended November 30, 2023, the name of the Investment in associate has changed.

Transactions with related parties for the periods ended November 30, 2023 and May 31, 2023, are as follows:

		<u>November 30, 2023</u>	
<i>(in thousands of Korean won)</i>	Related party		Dividend income
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	10,155,561
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.		2,647,233
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6		14,366,826
	KendallSquare Professional Investment Type Real Estate Investment Fund #7		1,290,586
	KendallSquare Professional Investment Type Real Estate Investment Fund #8		396,846
	Kendall Square General Private Placement Real Estate Investment Trust #11		595,755
	KendallSquare Professional Investment Type Real Estate Investment Fund #18		586,708
		₩	<u>30,039,515</u>

		<u>May 31, 2023</u>		
<i>(in thousands of Korean won)</i>	Related party		Dividend income	Asset management performance fees
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩	15,151,958	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.		9,463,002	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6		992,014	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7		595,655	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8		1,091,326	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11		992,925	-

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	KendallSquare Professional Investment Type Real Estate Investment Fund #18	635,600	-
Other related party	Kendall Square REIT Management Co., Ltd.	-	88,575
		<u>₩ 28,922,480</u>	<u>₩ 88,575</u>

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

(in thousands of Korean won)

	Related party	November 30, 2023 Accrued income	May 31, 2023 Accrued income
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ 992,014
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,290,586	595,655
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	396,846	1,091,326
	Kendall Square General Private Placement Real Estate Investment Trust #11	595,755	992,925
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	586,708	635,600
		<u>₩ 2,869,895</u>	<u>₩ 4,307,520</u>

Fund transactions with related parties for the periods ended November 30, 2023 and May 31, 2023, are as follows:

(in thousands of Korean won)

	Related party	November 30, 2023				
		Dividends received	Collection of principal upon termination	Dividends paid	Issuance of shares (outflow)	Capital reduction (inflow)
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 10,155,561	₩ -	₩ -	₩ 10,000,000	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,647,233	-	-	-	10,000,000
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	15,358,841	37,264,025	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	595,655	-	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	1,091,326	-	-	-	-
	Kendall Square General Private Placement Real Estate Investment Trust #11	992,925	-	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	635,600	-	-	-	-



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Other related parties	Kendall Square REIT Management Co., Ltd.	-	-	200,804	-	-
	CPP Investment Board Real Estate Holdings Inc.	-	-	7,148,631	-	-
	ESR Kendall Square REIT Holding PTE, LTD.	-	-	1,847,399	-	-
		₩ 31,477,141	₩ 37,264,025	₩ 9,196,834	₩ 10,000,000	₩ 10,000,000

(in thousands of Korean won)

		May 31, 2023		
Related party		Dividends received	Dividends paid	Contributions in cash / Acquisition of shares
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 15,151,958	₩ -	-
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	9,463,002	-	45,000,000
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	793,611	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	893,482	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	892,903	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	893,633	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	488,923	-	-
Other related parties	Kendall Square REIT Management Co., Ltd.	-	202,292	-
	CPP Investment Board Real Estate Holdings Inc.	-	7,201,584	-
	ESR Kendall Square REIT Holding PTE, LTD.	-	1,861,083	-
		₩ 28,577,512	₩ 9,264,959	₩ 45,000,000

Compensation for key management of the Company for the periods ended November 30, 2023 and May 31, 2023, consists of:

(in thousands of Korean won)

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

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**23. Commitments**

*(a) Contract for the asset management services*

The Company entered into a contract of the asset management services such as acquisition, management, development, improvement and disposal of real estate, lease, and sales of securities with Kendall Square REIT Management 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% (Annual Percentage Rate) X consigner's ratio of shareholding</p>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year - the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</p>
Purchase fee	<p>a. Real estates:</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>
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

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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 Fund Partners for affairs related to the issuance of shares, the operation, accounting and disclosure of the Company, and the board of directors and shareholder's meetings. 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 November 30, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>Contract amount</b>		<b>Loan amount</b>	
Tranche D (Industrial Bank of Korea)	₩	20,000,000	₩	20,000,000
Tranche D (Kookmin Bank)		30,000,000		-
Facility loan (NongHyup Bank)		10,000,000		10,000,000
Operating loan (Korea Development Bank)		5,000,000		-

**24. Events After the Reporting Period**

(a) On December 4, 2023, the Company executed ₩ 28 billion of the ₩ 30 billion Tranche D (Kookmin Bank) loan commitment.

(b) Acquisition of subsidiary's shares

On December 5, 2023, the Company acquired the equity securities (total purchase amount of ₩ 30 billion) of ESR Kendall Square Asset No.1 REIT Co., Ltd.