

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

Consolidated financial statements

As of and for the periods ended November 30, 2020 and May 31, 2020  
with the independent auditors' report

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

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

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**As of and for the periods ended November 30, 2020, and May 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on December 15, 2020.

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

### Audit Opinion

We have audited the consolidated financial statements of ESR Kendall Square REIT Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of November 30, 2020, and May 31, 2020, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the six months ended November 30, 2020 and the period from February 20, 2020 to May 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of November 30, 2020, and May 31, 2020, respectively, and its financial performance and its cash flows for the six months ended November 30, 2020 and the period from February 20, 2020 to May 31, 2020 in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

# Deloitte.

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.

*Deloitte Idnjin LLC*

December 15, 2020.

## Notice to Readers

This report is effective as of December 15, 2020, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditors' report.

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

## Consolidated financial statements

As of for the periods ended November 30, 2020, and May 31, 2020

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

Rae-Ik Park  
Chief Executive Officer  
ESR Kendall Square REIT Co., Ltd.

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ESR Kendall Square REIT Co., Ltd. and its subsidiaries  
Consolidated statements of financial position  
As of November 30, 2020, and May 31, 2020

<i>(In Korean won)</i>	<u>Notes</u>	<u>November 30, 2020</u>	<u>May 31, 2020</u>
<b>Assets</b>			
<b>I. Current assets</b>			
Cash and cash equivalents	4,15,16	₩ 358,278,355,762	4,354,097,597
Other financial assets	5,15,16	501,205	-
Other assets	6	-	12,894,400
Current tax assets		916,710	163,270
<b>II. Non Current assets</b>			
Intangible assets	7	4,058,026	-
<b>Total assets</b>		₩ <u>358,283,831,703</u>	<u>4,367,155,267</u>
<b>Liabilities</b>			
Other financial liabilities	8,15,16	₩ 375,594,757	-
Financial liabilities measured at FVTPL	9,15,16	118,660,328,000	-
Other liabilities	10	151,300	-
<b>Total liabilities</b>		<u>119,036,074,057</u>	-
<b>Equity</b>			
Capital stock	11	48,200,000,000	900,000,000
Other paid-in capital	11	192,541,961,760	3,592,289,000
Accumulated deficit	12	(1,494,204,114)	(125,133,733)
		<u>239,247,757,646</u>	<u>4,367,155,267</u>
Non-controlling interests		-	-
<b>Total equity</b>		<u>239,247,757,646</u>	<u>4,367,155,267</u>
<b>Total equity and liabilities</b>		₩ <u>358,283,831,703</u>	<u>4,367,155,267</u>

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

ESR Kendall Square REIT Co., Ltd. and its subsidiaries  
Consolidated statements of comprehensive income, continued  
For the periods ended November 30, 2020, and May 31, 2020

<i>(In Korean won)</i>	<u>Notes</u>	<u>November 30, 2020</u>	<u>May 31, 2020</u>
<b>Operating revenues</b>		₩ -	-
<b>Operating expenses</b>	17	713,932,977	126,194,000
<b>Operating loss</b>		<u>(713,932,977)</u>	<u>(126,194,000)</u>
<b>Non-operating income</b>			
Financial income	18	6,429,216	1,060,267
Other income	19	10,300	-
		<u>6,439,516</u>	<u>1,060,267</u>
<b>Non-operation expense</b>			
Financial expenses	18	660,328,000	-
Other expenses	19	1,248,920	-
		<u>661,576,920</u>	<u>-</u>
<b>Losses before income tax expenses</b>		<u>(1,369,070,381)</u>	<u>(125,133,733)</u>
Income tax expenses	13	-	-
<b>Losses for the period</b>		₩ <u>(1,369,070,381)</u>	<u>(125,133,733)</u>
Owners of the parent company		(1,369,070,381)	(125,133,733)
Non-controlling interests		-	-
<b>Other comprehensive losses</b>		-	-
<b>Total comprehensive losses for the period</b>		₩ <u>(1,369,070,381)</u>	<u>(125,133,733)</u>
Controlling interests		(1,369,070,381)	(125,133,733)
Non-controlling interests		-	-
<b>Earnings per share</b>			
Basic and diluted earnings per share	14	₩ <u>(138)</u>	<u>(139)</u>

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



ESR Kendall Square REIT Co., Ltd. and its subsidiaries  
 Consolidated statements of changes in equity  
 For the periods ended November 30, 2020, and May 31, 2020

	Equity attributable to equity holders of the parent company			Non- controlling interests	Total Equity
	Capital stock	Other paid-in capital	Retained earnings		
<i>(In Korean won)</i>					
<b>Balance at February 20, 2020</b>	₩	-	-	-	-
Issuance of common shares		900,000,000	3,592,289,000	-	4,492,289,000
Loss for the period		-	(125,133,733)	-	(125,133,733)
<b>Balance at May 31, 2020</b>	₩	900,000,000	3,592,289,000	-	4,367,155,267
<b>Balance at June 1, 2020</b>	₩	900,000,000	3,592,289,000	-	4,367,155,267
Increase in issued capital		47,300,000,000	188,949,672,760	-	236,249,672,760
Losses for the period		-	(1,369,070,381)	-	(1,369,070,381)
<b>Balance at November 30, 2020</b>	₩	48,200,000,000	192,541,961,760	-	239,247,757,646

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

ESR Kendall Square REIT Co., Ltd. and its subsidiaries  
Consolidated statements of cash flows  
For the periods ended November 30, 2020, and May 31, 2020

<i>(In Korean won)</i>	<b>Notes</b>	<b>November 30, 2020</b>	<b>May 31, 2020</b>
<b>Cash flows from operating activities:</b>			
1. Cash flows from operating activities	₩	(326,405,740)	(139,088,400)
Net losses		(1,369,070,381)	(125,133,733)
Adjustments for:		653,898,784	(1,060,267)
Interest income		(6,429,216)	(1,060,267)
Loss on valuation of financial liabilities measured at FVTPL		660,328,000	-
Changes in operating assets and liabilities:		388,765,857	(12,894,400)
Decrease (Increase) in prepaid value added tax		13,019,800	(12,894,400)
Increase in trade payables		375,594,757	-
Increase in withholdings		151,300	-
2. Interest received		5,928,011	1,060,267
3. Income taxes paid		(747,760)	(163,270)
<b>Net cash used in operating activities</b>		<u>(321,225,489)</u>	<u>(138,191,403)</u>
<b>Cash flows from investing activities:</b>			
1. Cash inflows from investing activities	₩	-	-
2. Cash outflows from investing activities		(4,189,106)	-
Acquisition of investments in associates		(4,189,106)	-
<b>Net cash used in investing activities</b>		<u>(4,189,106)</u>	<u>-</u>
<b>Cash flows from financing activities:</b>			
1. Cash inflows from financing activities	₩	354,249,672,760	4,492,289,000
Issuance of common shares		236,249,672,760	4,492,289,000
Issuance of financial liabilities measured at FVTPL		118,000,000,000	-
2. Cash outflows from financing activities		-	-
<b>Net cash provided by financing activities</b>		<u>354,249,672,760</u>	<u>4,492,289,000</u>
<b>Net decrease in cash and cash equivalents</b>	₩	353,924,258,165	4,354,097,597
Cash and cash equivalents at the beginning of the period		4,354,097,597	-
<b>Cash and cash equivalents at the end of the period</b>	₩	<u>358,278,355,762</u>	<u>4,354,097,597</u>

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

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**As of for the periods ended November 30, 2020, and May 31, 2020**

**1. Reporting entity**

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

**(1) Controlling Company**

ESR Kendall Square REIT Co., Ltd. (the “Company”) was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020, and has obtained a change to the authorization as at October 19, 2020. The Company is mainly engaged in providing its shareholders 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 Group’s major shareholders and their respective shareholdings as of November 30, 2020, are as follows:

Shareholders	Number of shares	Ownership (%)
CPP Investment Board Real Estate Holdings Inc.	12,000,000	24.90
ESR Kendall Square REIT Holding Pte. Ltd.	9,200,000	19.09
Igis REITs Portfolio 1st Co., Ltd.	6,000,000	12.45
ESR Kendall Square Inc.		
Kendall Square Logistic Properties Inc. (formerly)	4,000,000	8.30
The Military Mutual Aid Association	4,000,000	8.30
Koramco IPO scheduled Reits 13th Co., Ltd.	4,000,000	8.30
Korean Reinsurance Company	4,000,000	8.30
IBK (INDUSTRIAL BANK OF KOREA)	3,000,000	6.22
Kendall Square REIT Management Inc.	1,000,000	2.07
Fine Value IPO Plus 1st Co., Ltd.	1,000,000	2.07
	48,200,000	100.00

The ordinary fiscal year of the Group is a six-month basis for every year from June 1 to November 30 of the same year, and from December 1 to May 31 of the following year.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**As of for the periods ended November 30, 2020, and May 31, 2020**

**1. Reporting entity, continued**

**(2) Subsidiaries**

**1) Details of subsidiaries**

Details of subsidiaries during the periods ended November 30, 2020 and May 31, 2020 are as follows:

	County of domicile	Business Type	Ownership (%)	
			November 30, 2020	May 31, 2020
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real Estate	100	-

(\*1) The Group acquired 100% of the equity interest in ESR Kendall Square Asset No.1 REIT Co., Ltd. for the period ended November 30, 2020.

**2) Financial information of subsidiaries**

(a) Financial information of subsidiaries as of and for the period ended November 30, 2020 is as follows:

*(In thousands of Korean won)*

Company	Assets	Liabilities	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
ESR Kendall Square Asset No.1 REIT Co., Ltd.	₩ 479,327	30,963	448,364	-	(47,578)	(47,578)

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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

## 2. Basis of preparation

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Korean International Financial Reporting Standards (“KIFRS”). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

### 2.2 Measurement of consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis, except for the material items as noted in Note 3.

### 2.3 Functional and Presentation currency

The consolidated financial statements of the Group are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the functional currency and the currency of the primary economic environment in which the Group operates.

### 2.4 Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with KIFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods prospectively.

#### ① Uncertainty of assumptions and estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 13: Income tax expense

#### ② Measurement of fair value

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities, and the Group has established control framework of fair value evaluation policies and procedures with respect to the measurement of fair values. These policies and procedures include the operation of a fair value evaluation department responsible for reviewing all significant fair value measurements, including fair values classified as Level 3 in the fair value hierarchy.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of KIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

## 2. Basis of preparation, continued

### 2.4 Significant accounting judgments and estimates, continued

#### ③ Measurement of fair value, continued

When measuring the fair value of an asset or a liability, the Group uses market observable data as much as possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in the active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest). The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## 3. Summary of significant accounting policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements in accordance with KIFRS are included below.

### 3.1 Consolidated financial statements

#### ① Subsidiaries

The subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

When assessing control, the Group considers its potential voting rights that can be exercised or converted, to determine whether it has power. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

#### ② Transactions eliminated in consolidation

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

#### ③ Non-controlling interests

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

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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

#### 3. Summary of significant accounting policies, continued

##### 3.1 Consolidated financial statements, continued

###### ④ Changes in ownership interests in subsidiaries

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

##### 3.2 Cash and cash equivalents

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

##### 3.3 Financial Assets

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

- Those to be measured at fair value through profit or loss.
- Those to be measured at fair value through other comprehensive income, and
- Those to be measured at amortized cost

###### ① Classification

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Group has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

###### ② Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

#### 3. Summary of significant accounting policies, continued

##### 3.3 Financial Assets, continued

###### - Debt instruments

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

###### - Financial assets measured at Amortized cost

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

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

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

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

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

##### ③ Impairment

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

###### - Trade receivables

The Group 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.



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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

#### 3. Summary of significant accounting policies, continued

##### 3.3 Financial Assets, continued

###### - 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.

##### ④ Recognition and Derecognition

Purchases or sales of financial assets in an active market are recognized or derecognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

##### ⑤ Offsetting of financial instruments

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

##### 3.4 Impairment of non-financial assets

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

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

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

### Notes to the consolidated financial statements

As of for the periods ended November 30, 2020 and May 31, 2020

#### 3. Summary of significant accounting policies, continued

##### 3.5 Financial liabilities

###### ① Classification and measurement

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

###### ② Derecognition

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

##### 3.6 Financial liabilities measured at Fair value through profit and loss (FVTPL)

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-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 (see Note 18).

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.

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

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#### 3. Summary of significant accounting policies, continued

##### 3.6 Financial liabilities measured at Fair value through profit and loss (FVTPL), continued

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

Fair value is determined in the manner described in Note 16.

##### 3.7 Capital stock and share issuance expenses

Proceeds from issuance of common shares are classified as capital stock in equity. Incremental costs directly attributable to the issuance of common shares are deducted against capital stock net of tax.

##### 3.8 Stock-based compensation

For transactions in which equity instruments are issued in exchange for goods or services, an increase in the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received.

##### 3.9 Revenue recognition

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

##### 3.10 Financial income and financial costs

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

##### 3.11 Income tax

Income tax expense for the period consists of current and deferred tax and is recognized in profit or loss, except to the extent that it relates to 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 Group payouts 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

##### 3.12 Approval of Issuance of the consolidated financial statements

The Group's consolidated financial statements as of for the period ended November 30, 2020 are to be approved at the Annual General Meeting scheduled on February 26, 2021.

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**4. Cash and due from banks**

Cash and cash equivalents as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>	
	November 30, 2020	May 31, 2020
Bank Deposits	₩ 358,278,356	4,354,098

**5. Other financial assets**

Other financial assets as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>	
	November 30, 2020	May 31, 2020
Accrued revenues	₩ 501	-

**6. Other assets**

Other assets as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>	
	November 30, 2020	May 31, 2020
Prepaid value added tax	₩ -	12,894

**7. Business combination**

Business combination for the period ended November 30, 2020, is as follows:

The Group acquired 100% of the equity interest in ESR Kendall Square Asset No.1 REIT Co., Ltd. and reclassified the investee as a subsidiary on September 24, 2020.

(1) Investee

	Details
Name of company	ESR Kendall Square Asset No.1 REIT Co., Ltd.
Address	35 Three IFC, 10 Gukjegeumyung-Ro Yeongdeungpo-Gu, Seoul
Chief Executive Officer	Dong-Joo Moon
Classification of corporation	Unlisted corporation
Relationship with the Group after acquisition	Subsidiary

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7. Business combination, continued

(2) Details of business combination

		<i>(In thousands of Korean won)</i>	
		<u>Amounts</u>	
I. Consideration transferred	₩		500,000
II. Amounts recognized as identifiable assets and liabilities			
Cash and cash equivalents acquired			495,811
Account receivable and other receivables			131
Identifiable net assets acquired			<u>495,942</u>
III. Goodwill	₩		4,058

(3) Goodwill as of November 30, 2020, and May 31, 2020, is as follows:

		<i>(In thousands of Korean won)</i>	
		<u>November 30, 2020</u>	<u>May 31, 2020</u>
Goodwill	₩	4,058	-

(4) Changes in goodwill for the period ended November 30, 2020, are as follows:

		<i>(In thousands of Korean won)</i>			
		<u>Beginning Balance</u>	<u>Business combination</u>	<u>Others</u>	<u>Ending Balance</u>
Goodwill (*1)	₩	-	4,058	-	4,058

(\*1) The Group acquired 100% of the equity interest in ESR Kendall Square Asset No.1 REIT Co., Ltd. for the period ended November 30, 2020. The consideration transferred for the business combination was ₩500 million and the difference between the consideration transferred and the fair value of the acquired assets and liabilities was recognized as goodwill.

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**8. Other financial liabilities**

Other financial liabilities as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>	
	November 30, 2020	May 31, 2020
Trade payables	₩ 375,595	-

**9. Financial liabilities measured at Fair value through profit and loss (FVTPL)**

Details of financial liabilities measured at FVTPL as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>				
	Issued Date	Maturity Date	Annual Interest Rate (%)	November 30, 2020	May 31, 2020
Convertible bond ₩	Oct. 27, 2020	Oct. 27, 2025	-	118,660,328	-

Details of issuance of convertible bonds designated as financial liabilities at FVTPL as of November 30, 2020 are as follows:

	<i>(In Korean won, except for number of shares)</i>
	Details
Name of bond	Registered convertible bond
Face value of convertible bond	118,000 million won
Issued value of convertible bond	118,000 million won
Coupon	Equal to zero
Yield	Equal to zero till maturity date
Conversion ratio	100%
Types of shares to be issued on conversion	Common stock
Conversion price	5,000 won
Number of convertible shares	23,600,000 shares
Call option	(i) In the case of unconditionally withdrawing the registration statement for Initial Public Offering or (ii) In the case of failure to complete public offering by December 31, 2020 (hereinafter "the completion of public offering"), the holder of convertible bond (hereinafter "bondholder") has the right to require the issuer to be redeemed early (hereinafter "Put option") for all of convertible bond (not allowed partially). The issuer shall redeem early on the date of early repayment with the amounts (U.S. dollar amount calculated by converting the Korean won into U.S. dollars based on the spot exchange rate) equal to 100% of the total principal amount of the convertible bond.
Conversion right	The bondholder has the right to convert convertible bonds into ordinary shares at any time with its sole discretion from the next day of the payment date for public offering to the date before maturity (hereinafter "conversion period"). "Date of payment for public offering" means the date on which the proceeds for public offering are paid. The issue price (hereinafter "conversion price") of the shares issued at which conversion takes place for these convertible bonds shall be ₩5,000 per share initially.

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**9. Financial liabilities measured at Fair value through profit and loss (FVTPL), continued**

Changes in financial liabilities measured at FVTPL for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Beginning balance	₩	-	-
Issued		118,000,000	-
Conversion and reimbursement claims		-	-
Loss on valuation		660,328	-
		-	-
Ending balance	₩	<u>118,660,328</u>	<u>-</u>

**10. Other liabilities**

Other liabilities as of November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Withholdings	₩	151	-

**11. Capital stock and Other paid in capital**

Details of capital stock as of November 30, 2020, and May 31, 2020, are as follows:

	<i>(In Korean won, except for number of shares)</i>		
	Total number of authorized shares	Par value per share	Capital stock
Common Stock	48,200,000 shares	1,000	48,200,000,000

Details of other paid in capital as of November 30, 2020 and May 31, 2020 are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Additional paid in capital	₩	192,541,962	3,592,289

**12. Deficits**

Details of deficits as of November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Deficit	₩	(1,494,204)	(125,134)

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**13. Income tax expense**

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

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if The Group pay-outs 90% and more of its profit available for dividends as dividends, The Group shall be entitled to deduct such amount from its taxable income for the fiscal year. In addition, due to uncertainties in determining future taxable income, deferred tax assets and liabilities for temporary differences that affect future periods have not been recognized as of the end of the reporting period.

**14. Earnings (losses) per share**

(1) Earnings (losses) per share for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		November 30, 2020	May 31, 2020
		<i>(In Korean won)</i>	
Net loss attributable to controlling interests	₩	(1,369,070,381)	(125,133,733)
Weighted average number of common shares outstanding (*)		9,946,448 shares	900,000 shares
Basic earnings (losses) per share	₩	(138)	(139)

(\*) Weighted average number of common shares outstanding for the periods ended November 30, 2020, and May 31, 2020, are calculated as follows:

① November 30, 2020

	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	900,000	148 days	133,200,000
Increase in issued capital	48,200,000	35 days	1,687,000,000
Weighted average number of common shares outstanding			9,946,448

② May 31, 2020

	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	900,000	102 days	91,800,000
Weighted average number of common shares outstanding			900,000

(2) Diluted earnings per share

Diluted earnings per share are calculated by applying adjusted weighted average number of common shares under the assumption that the dilutive potential common shares are converted to common shares. Because the conversion right has no dilution effect, basic earnings per share are identical to diluted earnings per share for the period ended November 30, 2020.



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**15. Financial Risk Management**

(1) Capital risk management

The primary objective of The Group's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce capital expenses. The Group adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital.

Debt-to-equity ratio as of November 30, 2020, and May 31, 2020, is as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Liabilities	₩	119,036,074	-
Equity		239,247,758	4,367,155
Debt-to-equity ratio		49.75%	-

(2) Managing financial risk

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

1) Market risk

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

2) Credit risk

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

① 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 for the periods ended November 30, 2020, and May 31, 2020, is as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Cash and cash equivalents	₩	358,278,356	4,354,098
Other financial assets		501	-

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15. Financial Risk Management, continued

(1) Capital risk management, continued

3) Liquidity risk

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

Analysis of liquidity risk for the period ended November 30, 2020, is as follows:

		<i>(In thousands of Korean won)</i>				
	Carrying amounts	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 year ~ 5 years	Over 5 years
Trade payables	₩ 375,595	375,595	375,595	-	-	-
Financial liabilities at FVTPL	<u>118,660,328</u>	<u>118,000,000</u>	<u>118,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 119,035,923</u>	<u>118,375,595</u>	<u>118,375,595</u>	<u>-</u>	<u>-</u>	<u>-</u>

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16. Financial instruments by category and fair value

(1) Financial instruments by category and fair value as of November 30, 2020, and May 31, 2020, are as follows:

*(In thousands of Korean won)*

		November 30, 2020					
		Book value			Fair value		
	Financial instruments measured at amortized cost	Financial instruments at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:							
Cash and cash equivalents	₩ 358,278,356	-	358,278,356	-	-	-	-
Other financial assets	501	-	501	-	-	-	-
	<b>₩ 358,278,857</b>	<b>-</b>	<b>358,278,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at fair value:							
Financial liabilities at FVTPL	-	118,660,328	118,660,328	-	-	118,660,328	118,660,328
Financial liabilities not measured at fair value:							
Other financial liabilities	375,595	-	375,595	-	-	-	-
	<b>₩ 375,595</b>	<b>118,660,328</b>	<b>119,035,923</b>	<b>-</b>	<b>-</b>	<b>118,660,328</b>	<b>118,660,328</b>

*(In thousands of Korean won)*

		May 31, 2020					
		Carrying amounts			Fair value		
	Financial instruments measured at amortized cost	Financial instruments at FVTPL	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:							
Cash and cash equivalents	₩ 4,354,098	-	4,354,098	-	-	-	-

The Group determines that the acquisition or amortized costs of financial assets and liabilities other than the financial assets and liabilities measured at fair value are reasonable approximation of fair value.

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16. Financial instruments by category and fair value, continued

(2) Gains (losses) on categories of financial instruments for the periods ended November 30, 2020, and May 31, 2020, are as follows:

① November 30, 2020

		<i>(In thousands of Korean won)</i> Cash and cash equivalents	<i>(In thousands of Korean won)</i> Financial liabilities measured at FVTPL
Interest income	₩	6,429	-
Loss on valuation of financial liabilities at FVTPL		-	660,328

② May 31, 2020

		<i>(In thousands of Korean won)</i> Cash and cash equivalents	<i>(In thousands of Korean won)</i> Financial liabilities measured at FVTPL
Interest income	₩	1,060	-
Loss on valuation of financial liabilities at FVTPL		-	-

(3) Valuation techniques and inputs

Valuation techniques and inputs used in measuring fair value of financial instruments classified as Level 3 as of November 30, 2020, are as follows:

	Level	Valuation techniques	Significant unobservable inputs	Range (Weighted average)
Financial liabilities at FVTPL ₩	3	Binomial model, etc.	Expected volatility Weighted average cost of capital	90 % ~ 110 % 6.55 %

(4) Sensitivity analysis

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. Financial instruments classified as Level 3 subject to sensitivity analysis are the convertible bonds whose fair value changes are recognized in profit or loss.

		<i>(In thousands of Korean won)</i>	
		Favorable change	Unfavorable change
Financial liabilities measured at FVTPL (*)			
Convertible bond	₩	(11,092,944)	11,090,112

(\*) Changes in fair value were calculated by correlation between stock price and underlying assets by ±10%.

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**16. Financial instruments by category and fair value, continued**

(5) Deferred day 1 profits or losses

Changes in deferred day 1 profits or losses for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Beginning balance	₩	-	-
New transactions		7,723,926	-
Amounts recognized in profits or losses		-	-
Ending balance	₩	<u>7,723,926</u>	<u>-</u>

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price despite the differences between the transaction price and the fair value, and the difference is deferred and not recognized in profit or loss.

**17. Operating expenses**

Operating expenses for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Salaries	₩	48,153	-
Asset custody consignment fees		12,606	-
General affairs consignment fees		30,662	-
Other fees		622,512	126,194
	₩	<u>713,933</u>	<u>126,194</u>

**18. Financial income and expenses**

Financial income and expenses for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		<i>(In thousands of Korean won)</i>	
		November 30, 2020	May 31, 2020
Financial income:			
Interest income	₩	6,429	1,060
Financial expenses:			
Gain on valuation of financial liabilities at FVTPL	₩	660,328	-

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**19. Other income and expenses**

Other income and expenses for the periods ended November 30, 2020, and May 31, 2020, are as follows:

		November 30, 2020	(In thousands of Korean won) May 31, 2020
Other income:			
Miscellaneous income	₩	10	-
Other expenses:			
Miscellaneous losses	₩	1,249	-

**20. Related Party Transactions**

(1) Related parties as of November 30, 2020 are as follows:

Relationship	Name of Entity
	CPP Investment Board Real Estate Holdings Inc.
	ESR Cayman Limited
	ESR Kendall Square Inc.
Other related parties	Kendall Square Logistics Properties Inc. (formerly)
	ESR Kendall Square REIT Holdings PTE, LTD.
	Kendall Square REIT Management Inc.
	Kendall Square Asset Management Inc.

(\* ) Due to the change in the governance structure through issuance of new shares for the periods ended November 30, 2020, the Group lost control of ESR Kendall Square Inc. (formerly Kendall Square Logistics Properties Inc.) and classified ESR Kendall Square Inc. included its top controlling company and other related parties as the other related parties.

(2) Transactions with related parties for the periods ended November 30, 2020, and May 31, 2020, are as follows:

Related party	Details	(In thousands of Korean won)	
		November 30, 2020	May 31, 2020
	Acquisitions of equity interests	₩ 60,000,000	-
CPP Investment Board Real Estate Holdings Inc.	Acquisitions of convertible bonds	118,000,000	-
ESR Kendall Square Inc.	Acquisitions of equity interests	15,500,000	4,500,000
Kendall Square Logistics Properties Inc. (formerly)	Purchase of equity investments (*)	500,000	-
ESR Kendall Square REIT Holdings PTE, LTD.	Acquisitions of equity interests	46,000,000	-
Kendall Square REIT Management Inc.	Acquisitions of equity interests	5,000,000	-

(\* ) Due to the acquisition of 100% of equity interest of ESR Kendall Square Asset No.1 REIT Co., Ltd. from ESR Kendall Square Inc. the Group classified ESR Kendall Square Asset No.1 REIT Co., Ltd. as subsidiary for the periods ended November 30, 2020.

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**20. Related Party Transactions, continued**

(3) Details of compensation to key management for the periods ended November 30, 2020, and May 31, 2020, are as follows:

	<i>(In thousands of Korean won)</i>	
	November 30, 2020	May 31, 2020
Salaries	₩ 18,516	-

**21. Operating segments**

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

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22. Commitments

(1) Contract for the asset management services

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

	Details
Management fees	<p>a. Real estates:  (Purchase price + additional cost related to purchase) X 0.5%</p> <p>b. Assets except real estate such as collective investment securities and equity securities:  (The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% X consigner's ratio of shareholding  (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>
Operation performance fees	<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:  Purchase price X 1.0% (*)  (*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:  The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding  (*) 0.75%, in the cases of (i) the assets for 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	<p>0.5% of the sales amount calculated when each asset is sold  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</p>
Development fee	<p>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.</p>



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**22. Commitments, continued**

(2) General affairs consignment contract

The Group entered into a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholders' meeting. Details of fees are as follows:

	Details
Before listing	₩52.5 million per every fiscal year
After listing	₩75 million per every fiscal year

(3) Asset custody consignment contract

The Group entered into a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank, and pays a fee with fixed amount of ₩90 million annually.

(4) Contract for the sale of beneficiary securities

The Group entered into a contract for the sale of beneficiary certificates on October 21, 2020, in which ownership of Kendall Square Professional Type Private Placement Real Estate Investment Trust No. 6 and three others (total purchase amount of ₩117 billion) will be transferred on December 11, 2020.

(5) Contract for the sale of real estate

The Group entered into a contract for the sale of real estate on October 21, 2020, in which ownership of Bucheon Cold logistics Park and five logistics Park (total purchase amount of ₩927.5 billion) will be transferred on December 14, 2020 and Anseong logistics Park (total purchase amount of ₩160 billion) will be transferred on June 1, 2021.

**ESR Kendall Square REIT Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**As of for the periods ended November 30, 2020 and May 31, 2020**

**23. Subsequent Events**

(1) Issuance of new shares

The Group issued 71,459,000 shares of common stocks with a conversion price of ₩5,000 per share and at face value of ₩1,000 on December 11, 2020 and, the amounts of issuance of new shares were fully paid on December 10, 2020.

(2) Exercising the conversion right

The conversion right issued by the Group on October 27, 2020 was exercised on December 11, 2020, and it was converted into common stocks with a conversion price of ₩5,000 per share and at face value of ₩1,000.

(3) Loan agreement

The Group entered into a loan agreement on December 4, 2020 with Industrial Bank of Korea, NH Life Insurance Co., Ltd. and Hanwha Life Insurance Co., Ltd. for the purpose of financing from the sales contract of real estate.

(4) Acquisition of beneficiary certificates

The Group acquired beneficiary certificates of Kendall Square Professional Type Private Placement Real Estate Investment Trust No. 6 and three others (amounts approximately ₩41.2 billion) on December 10, 2020, and additionally acquired these beneficiary certificates (amounts approximately ₩117 billion) on December 11, 2020. As a result, the Group held these beneficiary certificates with a total amount of ₩158.2 billion.