

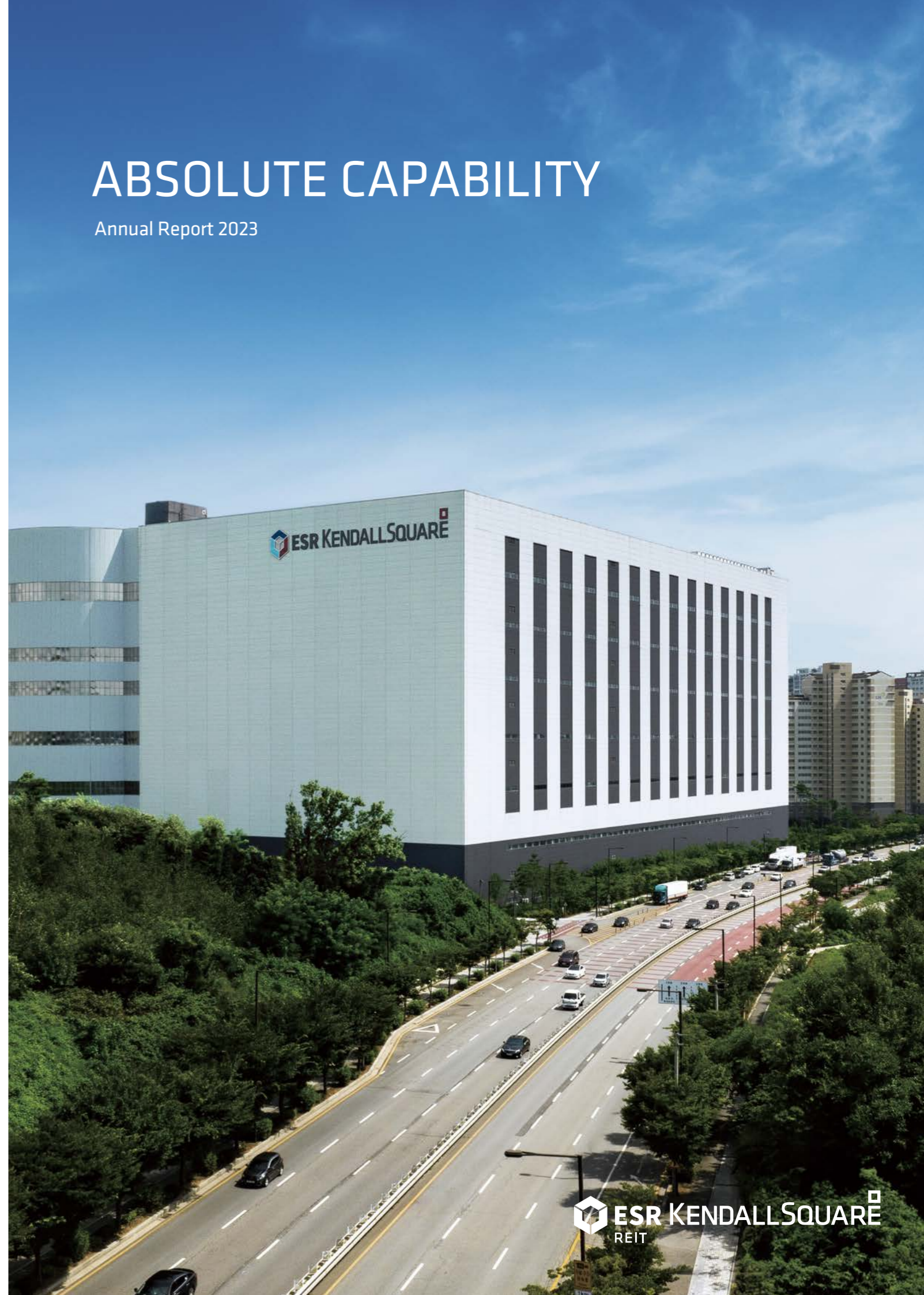
ABSOLUTE CAPABILITY

Annual Report 2023

ESR KendallSquare REIT

ABSOLUTE CAPABILITY

Annual Report 2023



Business registration number: 382-81-01986

ESR KendallSquare REIT
35F, 10, Gukjegeumyung-ro (Three IFC, Yeouido-dong),
Yeongdeungpo-gu, Seoul, Republic of Korea
Tel. +82-2-6205-0517

www.esrks-reit.com



Korea's No. 1 Logistics REIT with Absolute Capability

ESR KendallSquare REIT is the largest logistics-focused REIT in Korea. Listed on the Korea Exchange in December 2020, the company is renowned for its vast experience and expertise in logistics center development, investment and operation. Backed by strong performance and steady growth, ESR KendallSquare REIT has emerged not only as the leading logistics REIT in Korea but also stands at the forefront of the nation's overall REITs sector. Sustained occupancy rate of 100% and operating income growth combined with the successful sale of Icheon Logistics Park LP 1 and the acquisition of Icheon LP 6 and LP 7 further cemented the company's footing in 2023. Going forward, ESR KendallSquare REIT will step up efforts to maintain quantitative growth while upholding its commitment to sustainable management practices.

This report has been prepared by ESR KendallSquare REIT Co., Ltd. (hereinafter referred to as the "Company") solely for informational purposes. The information contained in this report has not been independently reviewed, verified or validated. The data and information herein and related contents, either in writing or verbal, are provided without any guarantees of fairness, accuracy, reliability, and completeness and without any warranties of any kind whatsoever, direct or indirect, express or implied. The Company assumes no liability for any consequences arising from the use of or reliance on such data, information and contents.

The information contained in this report involves known and unknown risks and uncertainties and is subject to change depending on various factors. The information herein is provided on an "as is" basis and thus should be interpreted according to the circumstances and conditions at the time of writing. If such circumstances and conditions change in the future, the information may also change significantly. The Company assumes no responsibility to update this report to reflect such changes that may occur after the report has been made available. Neither the Company nor any of its affiliates, directors and employees shall in any way be liable for any matter, negligent or otherwise, related to this report. This report is intended for use by a qualified investment professional who is a person into whose possession this report may be lawfully delivered (hereinafter collectively referred to as "the persons concerned").

The Company may be subject to U.S. regulations. In consideration of such possibility, this report shall be made available only to the persons concerned or their representatives who satisfy either of the following two requirements: (1) qualified institutional buyer (as defined under Rule 144A under the U.S. Securities Act of 1993 (hereinafter referred to as the "U.S. Securities Act")); or (2) a non-U.S. person residing outside the U.S. who is not purchasing for the account or benefit of a U.S. person (as defined under Regulation S of the U.S. Securities Act).

This report shall be made available only to the persons concerned and, therefore, shall not be used illegally or arbitrarily by any third party. You are solely responsible for your own assessment of potential business outcomes, the market status of ESR KendallSquare REIT and its REIT portfolio. Nothing contained in this report shall be construed as financial, legal, tax or other advice of any kind.

Under no circumstances should this report be considered or intended as an advice, recommendation or solicitation of an offer of any kind to buy the securities issued by the Company in accordance with the Financial Investment Services and Capital Markets Act. Any solicitation of an offer to buy the securities to be issued by the Company in the future shall be as per investment prospectus, preliminary prospectus or profile prospectus. Securities issued by the Company have not been and will not be registered under the U.S. Securities Act. Unless either registered in accordance with the requirements under the U.S. Securities Act or exempt from such registration, the securities shall not be offered, sold or transferred in the U.S. The information contained in this report shall not be made available in return for payment of cash, securities or other consideration. If such is offered to the Company in exchange for the information contained herein, the Company shall not accept any of the aforementioned.

This report may contain projections and forward-looking statements that reflect the current views and judgements of the Company. These forward-looking statements are based on assumptions with respect to future events which may be beyond the Company's control. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. The Company assumes no responsibility to update any forward-looking statements to reflect any changes that may occur after the report is made available. The information contained herein shall not be construed as an assurance or guarantee of the past, present and future of the Company and shall not be interpreted as such.

The information made available in this report shall be kept strictly confidential and shall not be used, published or otherwise disclosed without permission, in whole or in part. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. By viewing all or part of this report, you are agreeing to be bound by the foregoing limitations and restrictions.

Contents

INTRODUCTION

- 10 Key Highlights
- 14 Financial Highlights
- 15 Stock Information
- 16 Overview of ESR Group
- 18 About Our Sponsor
- 20 Message from the CEO
- 24 History

PERFORMANCE

- 27 Operation Review
- 28 Investment Structure
- 30 Portfolio Detail
- 42 Market Overview

SUSTAINABILITY MANAGEMENT

- 46 Board of Directors
- 48 Risk Management
- 50 ESG Performance

FINANCIALS REVIEW

- 56 Independent Auditor's Report
- 59 Consolidated Statements of Financial Position
- 60 Consolidated Statements of Comprehensive Income
- 61 Consolidated Statements of Changes in Equity
- 62 Consolidated Statements of Cash Flows
- 64 Notes to the Consolidated Financial Statements
- 99 Corporate Information

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



Boasting an elite portfolio of 18 Grade A assets across Seoul & Busan

LARGEST LOGISTICS-FOCUSED REIT IN KOREA

Spearheaded by a team of seasoned professionals specialized in the development and management of logistics properties, ESR KendallSquare REIT has demonstrated unwavering resilience and sustained growth since its 2020 IPO. In 2023, despite economic challenges, we achieved significant growth in Net Operating Income (NOI), reaffirming our commitment to enhancing shareholder value.




Delivering unparalleled logistics solutions

THE PARAMOUNT PARTNER IN KOREA'S THRIVING LOGISTICS INDUSTRY

Our exceptional asset management capabilities are the cornerstone of our success, with superior locations and facilities securing stable leases and a diverse tenant portfolio. This strategic approach has not only achieved but also sustained a 100% occupancy rate, serving as a definitive proof of our unparalleled leadership in the market.



 **ESR KENDALL SQUARE**



Highest (5-star) rating in GRESB assessment for two consecutive years

SUSTAINABLE MANAGEMENT IN LINE WITH GLOBAL STANDARDS

As the first REIT in Korea to publish an ESG report, we are setting the industry benchmark for environmental stewardship and sustainable management.



Key Highlights

AUM*

KRW **2.33** trillion

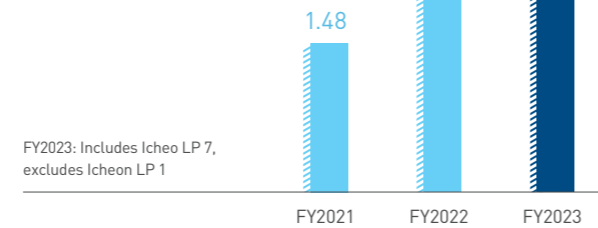
As of November 30, 2023

- 18 logistics centers boasting prime locations and state-of-the-art facilities
- Sale of logistics asset in first half of 2023
- Plans for steady reinvestment to grow AUM

The Icheon Logistics Park (LP) 1, which was acquired at KRW 66.0 billion, was successfully sold at a price of KRW 81.0 billion, resulting in a gross return of approximately 30%. ESR KendallSquare REIT has an asset portfolio that comprises 18 logistics centers in prime locations providing excellent access to metropolitan areas, which is the largest in the logistics REITs sector.

AUM

(Unit: KRW trillion)



FY2023: Includes Icheo LP 7, excludes Icheon LP 1



*AUM is the total value of assets and investments managed by a fund or asset management company, and reflects the purchase price and ownership stake. It may differ from the total assets reported in the financial statements.

DPS

KRW **272**

Total DPS for the fiscal periods ended May 31, 2023, and November 30, 2023

Dividend Yield

7.85%

As of November 30, 2023



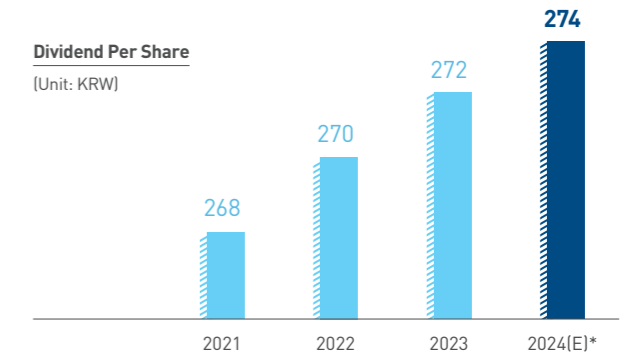
*Past performance is no guarantee of future returns, and future financial conditions and operating results may differ from historical figures. The estimated increase in DPS is the annual DPS based on the current number of outstanding shares (213,089,000 shares). It may differ from the actual figure due to reasons such as an increase in shares resulting from a rights offering and increase in borrowing rates, and it should not be taken as a guarantee or assurance.

- Rising shareholder value on steady growth in managed assets
- Increases in total dividends, DPS and dividend yield
- DPS increase also likely in 2024

ESR KendallSquare REIT has demonstrated its prominence as the leader of the Korean REITs sector with increases in dividend per share (DPS) every year since its listing. As of the end of November 2023, the dividend yield stands at 7.85%, which is higher than the benchmark interest rate of 3.5% (as of November 30, 2023) posted by the Bank of Korea.

Dividend Per Share

(Unit: KRW)



NOI*

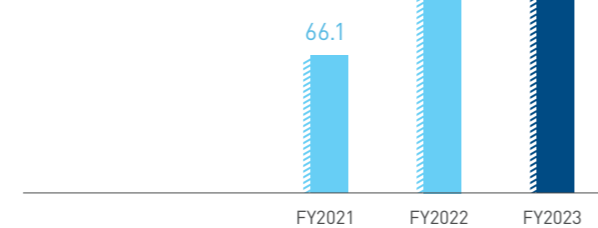
KRW **105.9** billion

- Profitability remains high on superior asset management capabilities
- Improving returns by reining in operating expenses
- Higher rental fees upon lease renewal boosts operating income

Drawing on our expertise in logistics center investment and operation, we are enhancing the net operating income margin with our capital recycling strategy. Recognized for its high investment value, ESR KendallSquare REIT is sustaining growth momentum with the acquisition of high-quality logistics assets (Icheon LP 6 and LP 7) even in the face of wild swings in the business environment. We will continue to bolster profit margins by keeping expenses in check while growing income.

NOI (Net Operating Income)

(Unit: KRW billion)



*NOI (net operating income) is based on business plans as at the end of November 2023. It is a non-GAAP financial measure that includes the total income and expenses of investment properties held by REITs (reflects ownership stake in the case of real estate funds). It may differ from figures reported in the financial statements.

Occupancy Rate

100%

As of November 30, 2023



- Occupancy rate remains at 100% since listing
- 18% increase in rental fees upon lease renewal in 2023
- Avg. WALE 3.3 years, stable lease structures and high-caliber tenant network

We have maintained the occupancy rate at 100% regardless of uncertain macro-economic variables. ESR KendallSquare REIT has a property portfolio that is highly recognized for its market value, with all assets situated in major logistics hubs in Korea. Our expertise across the entire asset life cycle, from site selection to design, construction, leasing and maintenance, enables us to deliver high levels of satisfaction to our customers.



Key Highlights

Credit Rating

A-
Stable

October 27, 2023
Korea Investors Service(Moody's)

- Received A- (stable) rating for two consecutive years from KIS
- Best-in-class asset quality and stable operation
- Strong debt servicing capability and steady cash flow generation

ESR KendallSquare REIT received a credit rating of A- for two years in a row from Korea Investors Service(Moody's). Our sound debt servicing capability, in addition to stable debt ratio and resilience to fluctuations in the business environment, is attributable to a portfolio of high-quality assets in prime locations and vacancy rate below 1%. Our external credibility has remained high since we received our first credit rating in August 2022.

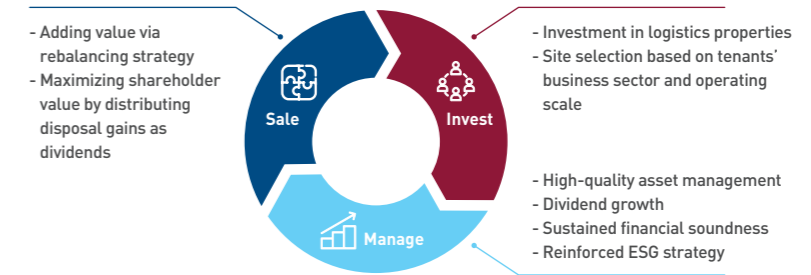


Capital Recycling

Perpetual REIT Virtuous Cycle

- Gain of KRW 15.0 billion on successful asset disposal
- First Korean listed REIT to realize acquisition-sale-reinvestment cycle
- Capital recycling demonstrates long-term growth potential

Harnessing its specialized asset portfolio and exceptional asset management capabilities, ESR KendallSquare REIT has adopted a 'high cap-rate acquisition & low cap-rate disposition' strategy. We are reinforcing our financing ability amid high market interest rates to reduce dependence on rights issues and borrowings. That, combined with timely exits, are aimed at enhancing shareholder value. In 2023, we acquired the Icheon LP 6 and LP 7 which boast excellent locations and cutting-edge facilities. With the addition of new assets having high property value, we will achieve a virtuous cycle spanning asset acquisition and disposal and reinvestment.



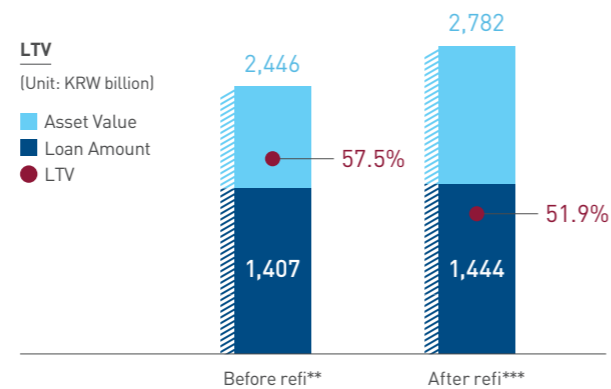
LTV

57.5 → **51.9%**

As of the end of December 2023

- Debt ratio holds steady on improving profitability despite high interest rates
- Growing asset value lowers LTV ratio to 52%
- A- credit rating signifies sound debt servicing ability and stable debt ratio

An appraisal of our logistics center assets for refinancing purposes revealed an average 21% increase in value compared to the acquisition value at the time of listing.* The rise in value had the effect of lowering the loan-to-value (LTV) ratio to 52%. Accordingly, ESR KendallSquare REIT has secured refinancing at lower interest rates as of the end of December 2023.



* Refer to note on fair value of investment properties in Notes to the Consolidated Financial Statements on page 79.
** Asset value before refinancing: Based on acquisition value of the 18 assets currently held
*** Asset value after refinancing: Based on fair value of the 18 assets

ESG

Sustainable Management

- First Korean listed REIT to receive GRESB 5-star rating two years in a row
- First to publish ESG report among listed REITs in Korea
- Leading the domestic REITs sector in sustainable management

In 2022, ESR KendallSquare REIT became Korea's first listed company to receive the top 5-star rating from the global real estate ESG evaluation agency, GRESB. The rating was awarded to all seven assets under REIT No.1 (representing 46% of gross floor area of our asset portfolio in 2022). We were awarded the 5-star rating once again in 2023 in recognition of ongoing ESG initiatives that are in line with global environmentally-friendly standards. Another notable feat was the release of our 2022 Sustainability Report, the first such move by a listed Korean REITs. Our ESG Committee and incorporation of ESG factors in lease agreements also attest to our commitment to sustainable business practices.



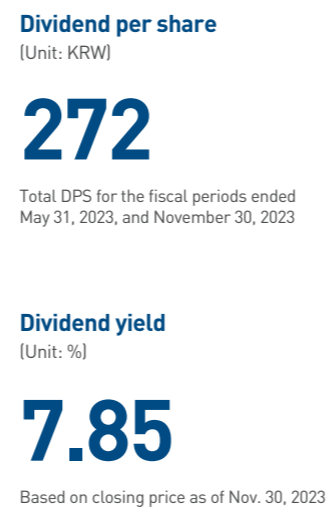
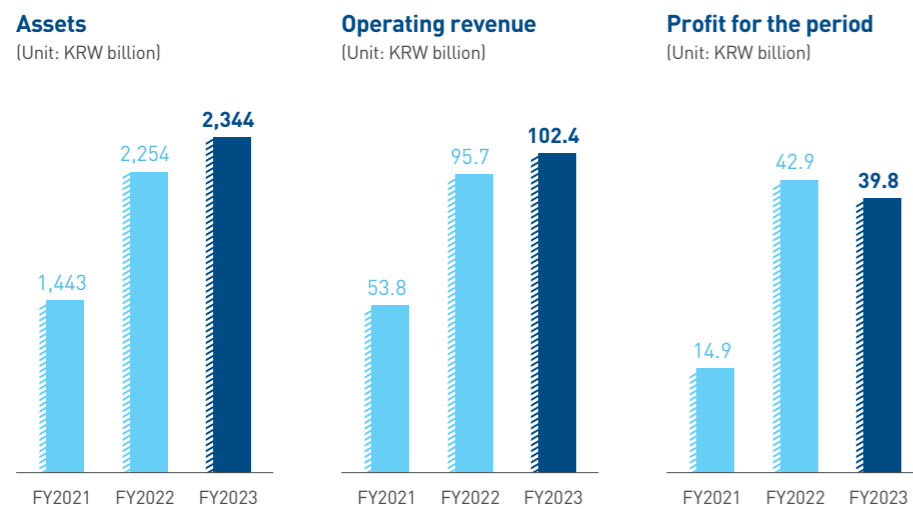
Financial Highlights

ESR KendallSquare REIT has posted consistent growth in total assets since its initial public offering in 2020. While rising fees and expenses relating to property acquisition weighed on net income in 2023, we will strengthen our fundamentals and continue with efforts to raise value for our shareholders in the year ahead.

(Unit: KRW billion)

	FY2022	FY2023
Assets	2,254	2,344
Liabilities	1,119	1,227
Equity	1,135	1,117
Operating revenue	95.7	102.4
Operating expenses	49.4	52.1
Net operating income (NOI)	46.3	50.2
Non-operating income	28.0	24.3
Non-operating expenses	31.4	34.8
Profit for the period	42.9	39.8
Dividend per share (KRW)	27.0	27.2

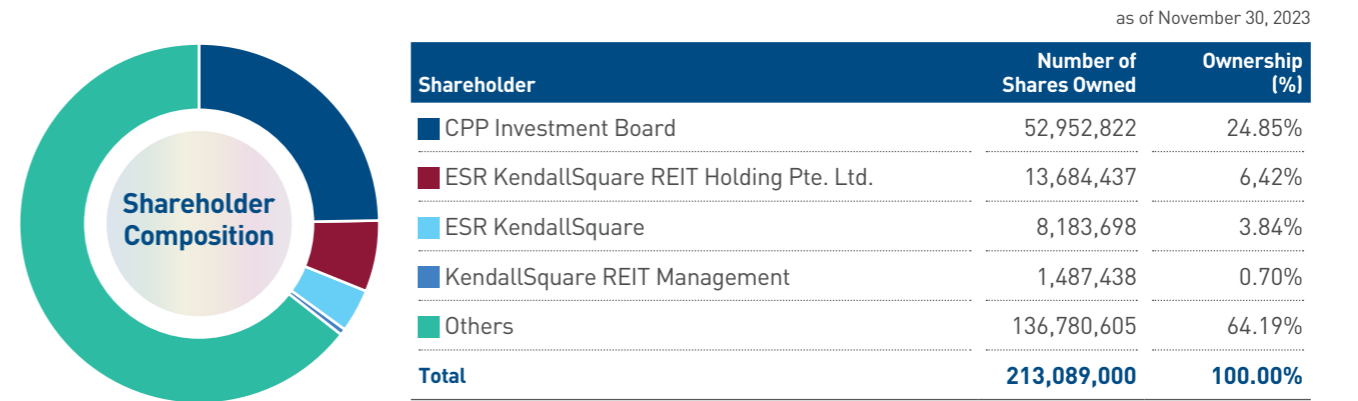
* Figures are based on consolidated financial statements for the 12-month periods ending on Nov. 30, 2022, and Nov. 30, 2023.



Stock Information

Shareholders

Our largest shareholder is the Canada Pension Plan Investment Board (CPPIB) with a stake of 24.85% as of the end of November 2023. The stake held by ESR KendallSquare REIT Holding Pte. Ltd. remains unchanged at 6.42%. Notably, we are the only listed REIT in Korea in which the National Pension Service holds a stake exceeding 5% (as of the start of October 2023). At present, we also have the highest foreign ownership among domestic listed REITs.



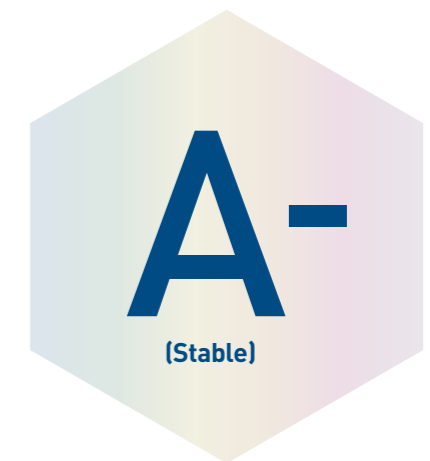
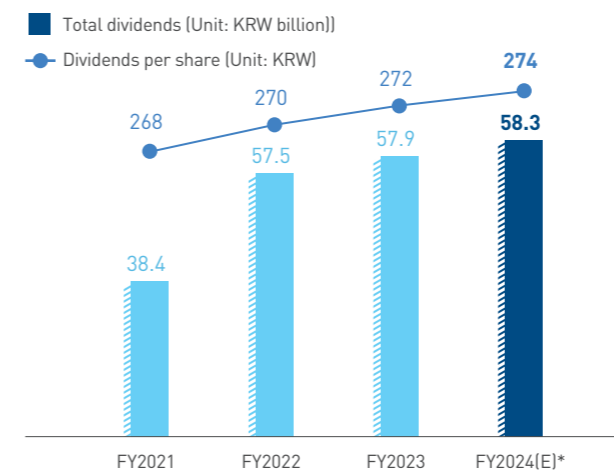
Dividends

ESR KendallSquare REIT declares dividends twice a year, with six-month reporting periods ending on the last days of May and November. We paid out dividends of KRW 135 per share for the period ending on May 31, 2023, and plan to distribute KRW 137 per share for the period ending November 30, 2023, in March 2024, pending approval by the general shareholders' meeting. The steady increase in dividends, regardless of challenges posed by economic conditions, shows our commitment to delivering market-leading returns for investors and our emphasis on enhancing shareholder value as the primary strategic goal.

Credit Rating

ESR KendallSquare REIT has received an A- credit rating from Korea Investors Service(Moody's) for two consecutive years in recognition of its financial soundness. Following objective assessment of our business and financial conditions, we were recognized for the high quality of our asset portfolio as a logistics-focused REIT, healthy income structure and low vacancy rate, and stable financial footing based on equity offerings and asset holdings. The credit rating agency also gave us a stable outlook, considering factors such as asset composition, LTV level and cash flows.

Increases in Dividend Per Share



October 27, 2023
Korea Investors Service(Moody's)

*Past performance is no guarantee of future returns, and future financial conditions and operating results may differ from historical figures. The estimated increase in DPS is the annual DPS based on the current number of outstanding shares (213,089,000 shares). It may differ from the actual figure due to reasons such as an increase in shares resulting from a rights offering and increase in borrowing rates, and it should not be taken as a guarantee or assurance.

Overview of ESR Group

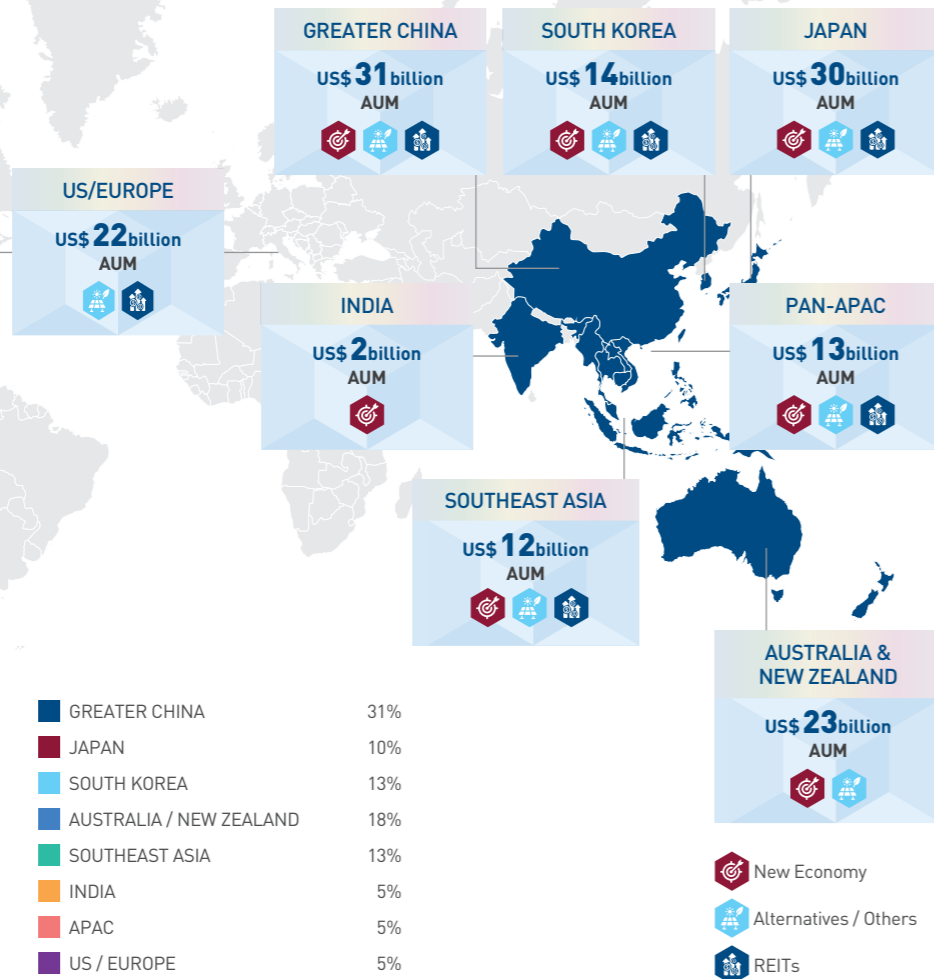
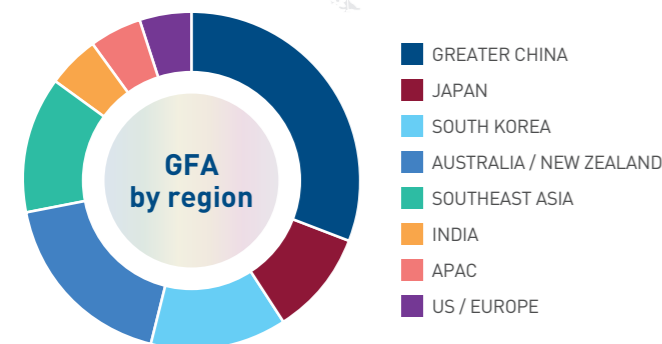
ABOUT ESR GROUP

ESR Group (1821 HK) is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With approximately US\$ 150 billion^{1,2} in total AUM, our fully integrated development and investment management platform extends across key APAC markets, including Greater China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP⁵ in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which

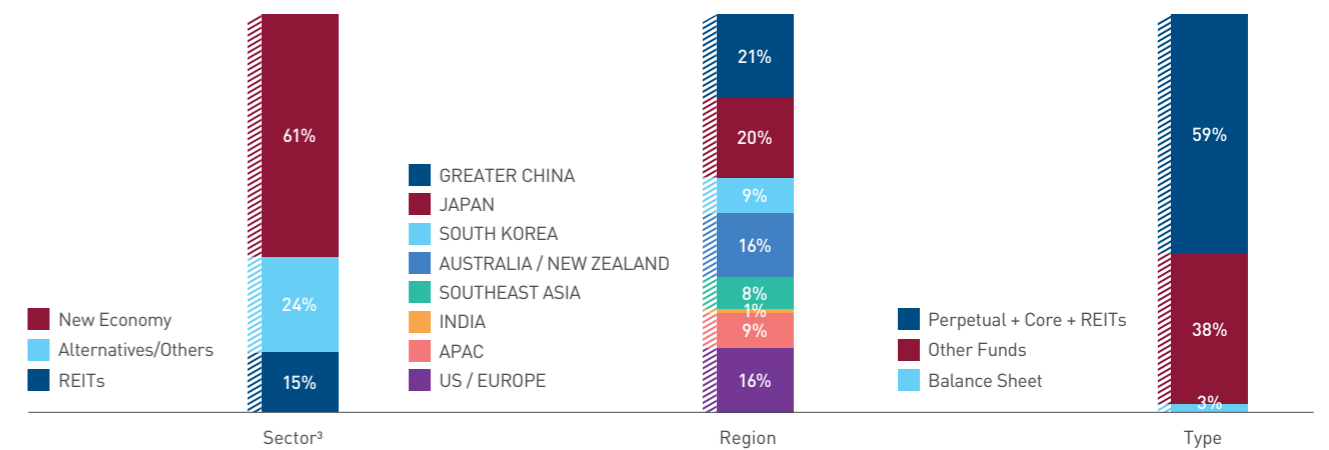
allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with an AUM of US\$ 45 billion^{1,2}. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. Visit www.esr.com.

Total AUM^{1,2}
US\$ **147** billion

GFA³
47 million sqm



TOTAL AUM^{1,2} Composition



APAC'S Leading Real Asset Manager Powered by the New Economy

ESR Group's Robust Scale, Vastly Expanded Capabilities and Deeper Breath of Offerings will Define the Future of APAC Real Estate

LEADING REAL ASSET MANAGER IN APAC

3rd Largest
Listed Real Estate Investment Manager Globally

12 of Top 20
Global LP Relationships

POWERED BY THE NEW ECONOMY

US\$ 69 billion
New Economy AUM^{1,2}

US\$ 13 billion
Development WIP

WITH A FULL SUITE OF INVESTMENT SOLUTIONS

US\$ 45 billion
Public REITs^{1,2}

59%
REITs + Core Capital⁴

AND A GLOBAL FOOTPRINT WITH LEADING APAC PRESENCE

>95%
GDP in APAC Covered⁵

28
Countries;
~85% of AUM allocated in APAC

1. Based on FX rates as at 30 June 2023
 2. Included the reported AUM of the Associates and assumed the value of the uncalled capital commitments in the private funds and investment vehicles on a levered basis
 3. Excludes Associates
 4. Core Capital refers to Pan-Asia funds bearing Core/Core plus mandates which target returns derived from more defensive, lower risk, income producing real estate and infrastructure. REITs and Core Capital funds comprise 62% of total fee-related AUM
 5. Based on 2020 Nominal GDP per Euromonitor

*Information as of 30 June 2023

About Our Sponsor

ESR KendallSquare, No.1 logistics real-estate platform in Korea



ESR KendallSquare is a leading player in the development and management of logistics real estate in Korea, with a differentiated competitiveness and strong future growth momentum based on a rich development pipeline of 4.5 million sqm. It operates as a fully integrated platform combining local logistics market expertise with ESR Group's global infrastructure to provide global and domestic tenants with state-of-the-art logistics warehouse solutions, and to provide the world's largest institutional investors with unprecedented investment opportunities in Korea's fastest-growing logistics real estate. ESR KendallSquare also owns, operates, and develops a total of 6.5 million sqm of real estate in Korea.

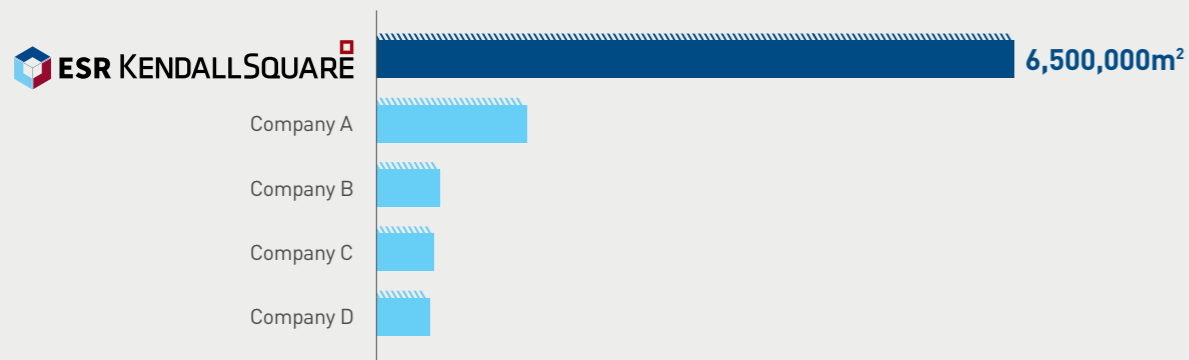


ESR KendallSquare has expertise throughout the logistics real estate value chain and an extensive tenant network.

Value Chain



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



※ based on GFA (m²)

TENANT NETWORK



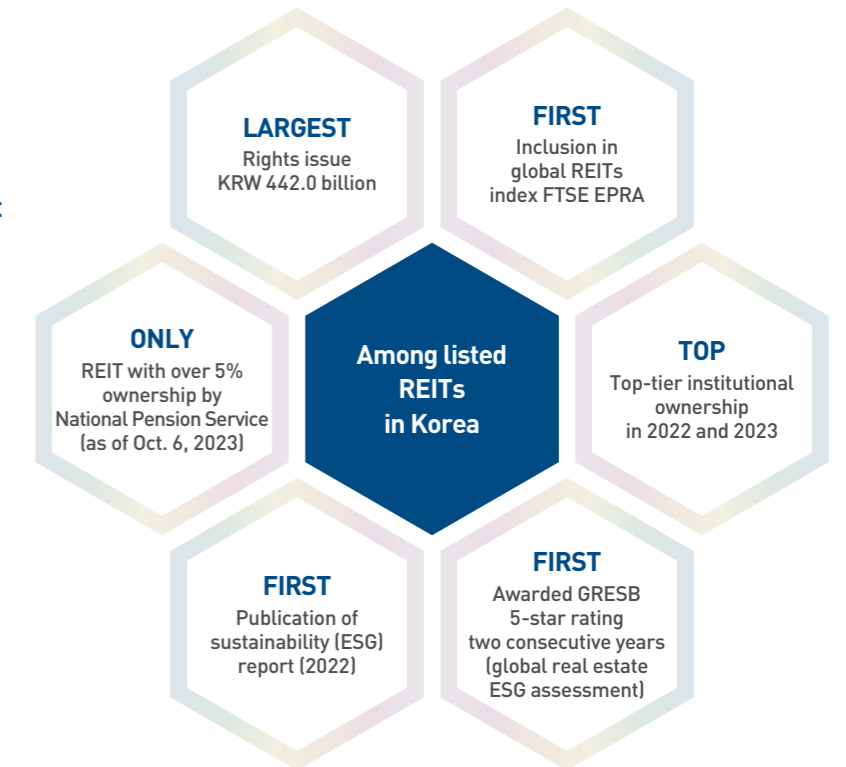
Source: ESR KendallSquare Introduction 2023



Sanghwoi Bae
CEO, KendallSquare REIT Management

Message from the CEO

ESR KendallSquare REIT remains the unparalleled REITs leader in Korea with continued generation of solid results based on a strong asset portfolio. We will maintain strategic asset management while exploring new growth drivers to further enhance shareholder value in 2024.



Dear esteemed customers and shareholders,

I am pleased to share with you the achievements and progress made by ESR KendallSquare REIT in 2023, a year of marked changes in the macro-economic environment. I would like to begin by expressing my appreciation and respect to our customers and shareholders for the steadfast trust and encouragement you have shown us. While we had to overcome numerous hurdles posed by fast changing business conditions, we produced solid results for the year. Based on effective asset management, we strengthened our asset portfolio and enhanced shareholder value. With our robust growth and future-oriented values, we also reinforced our leadership position in the Korean logistics REITs market. We will continue to advance on our growth trajectory as we move forward in 2024.

Capital recycling - strategic asset sale and acquisition

ESR KendallSquare REIT is the first listed REIT to dispose of a large-scale asset. Through the sale and acquisition of new logistics centers, we not only improved returns but also expanded assets under management (AUM). Last year, we sold the Icheon Logistics Park (LP) 1, which was acquired for KRW 66.0 billion, at a price of KRW 81.0 billion, and newly

acquired two logistics centers that are fully operational. With these moves, we successfully completed a capital recycling program of a perpetual REIT. Given the new assets' locations in a regional transport hub in the Greater Seoul Area, we anticipate reliable demand and potential benefits from rental rate increases. Our in-house team of high-caliber experts oversee all processes across the entire lifecycle of a logistics asset, from site selection to design, construction, leasing, maintenance and disposal. Defying the rise in average vacancy rates in the Korean logistics real estate market last year, we posted a 100% renewal rate for 20% of our total leased area. Moreover, the leases were renewed with rental hikes of approximately 18%. Our high-quality tenant network, comprising prominent names such as Coupang as well as major clothing and third-party logistics (3PL) companies in Korea, gives us a competitive edge and supports asset value.

As a testament to enhanced asset value and market credibility, ESR KendallSquare REIT secured refinancing at lower interest rates. Sustained improvement in profitability amid high interest rates allowed us to refinance debt at rates in the mid-to-upper 4% range. The refinancing, together with the afore-mentioned capital recycling, should bolster long-term corporate value and shareholder return.

First Korean listed REIT to publish sustainability (ESG) report

ESR KendallSquare REIT achieved an industry milestone with the release of the 2022 Sustainability (ESG) Report, prepared in accordance with GRI (Global Reporting Initiative) Standards. We are pursuing various initiatives to promote environmentally-friendly business practices. One such endeavor is installing solar panels on the roofs of logistics centers, which promotes clean energy and generates new revenue streams. Our commitment to ESG was reaffirmed as we received the highest (5-star) rating from the global real estate ESG evaluation agency GRESB for the second consecutive year. We first received the honor in the 2022 GRESB real estate assessment, which made us the first listed REIT in Korea to achieve the feat. Our sustainable management endeavors contribute to increasing shareholder value and advancing the Korean logistics real estate market.

Received A- credit rating for second consecutive year

We solidified our status as Korea's foremost logistics REIT with another year of solid business results. With our portfolio of 18 logistics assets, we generated revenue of KRW 124.4 billion and net operating income of KRW 105.9 billion, and declared annual dividends of KRW 272 per share. Boasting favorable locations mainly in the Greater Seoul Area and a 100% occupancy rate, our asset portfolio is also a key factor in maintaining market credibility. For the second straight year, ESR KendallSquare REIT received a credit rating of A- from Korea Investors Service(Moody's). The A- rating is reflective of our sound debt servicing capability, stable debt ratio, and resilience to changes in the business environment. Guided by our corporate vision and values, we will continue to power ahead and shape a brighter future for our customers and shareholders as well as the overall logistics real estate industry.

A large portion of our customer network is represented by proven e-commerce majors such as Coupang and prominent third-party logistics (3PL) providers. Coupang has secured a firm footing, having captured the largest share of Korean e-commerce based on transaction amount in 2022. 3PL providers, a key link in the logistics value chain, are stepping up their presence with a wide range of services, from receiving online orders to deliveries and customer service. To keep in step with market expansion and customers' growth, ESR KendallSquare REIT is constantly honing its expertise. Leveraging industry-leading knowhow, we will aim higher and make greater strides in 2024 to meet the

expectations of our customers and shareholders. To this end, we will implement six distinctive growth strategies which are outlined below.

ESR KendallSquare REIT's six distinctive growth strategies

1. Portfolio expansion to enhance profitability

We plan to concentrate new investments on cutting-edge logistics facilities with the goal of building an asset portfolio that consistently improves profitability over the mid- to long-term horizon. Holding and operating high-quality assets will enable us to secure stable returns and maximize investment value while helping to advance the overall logistics industry in Korea.

2. Stable management of high-quality assets

We will strive to maximize asset value by harnessing our unrivaled expertise in operating logistics real estate properties. We will take full advantage of ESR Group's accumulated knowhow concerning the development, operation and leasing of state-of-the-art logistics facilities. We will also draw on the Group's pool of managed assets and management capabilities. In doing so, we expect to build strong relationships with our customers and a wide range of logistics companies.

3. Maintaining financial soundness

We will secure competitive borrowing rates even in times of an interest rate upcycle on the back of healthy financials. Propelled by steady AUM expansion and inclusion in FTSE global indices, we aim to build a global presence as a logistics-focused REIT.

4. Maximizing asset value

We will expand our pool of assets in prime locations, extend our tenant network largely comprising prominent e-commerce and 3PL companies, and alleviate risks associated with lease renewals. In addition to bolstering operating value, we will actively explore future growth drivers such as data centers that offer high growth potential. Our goal is to boost income generation and maximize asset value.

5. Focus on increasing dividends

In addition to pursuing sustained growth, we are maintaining a high dividend yield relative to major global logistics REITs. As the logistics platform leader in Korea, we will work to promote investment in the logistics sector and increase the value of investment assets to drive the future of the local REITs market.



6. Reinforcing ESG strategy

We will strengthen qualitative growth by focusing on both quantitative growth and ESG management. We will implement rigorous ESG standards for matters such as safety in managing portfolio assets. Operating state-of-the-art facilities that minimize environmental impact (e.g., reduced water usage, lower power consumption) is another key ESG objective. By placing priority on our ESG vision of 'Responsible and Sustainable Asset Life Cycle,' we seek to realize a sustainable future together with our stakeholders.

out new paths. The business environment in 2024 remains clouded by numerous uncertainties and risks including high interest rates, inflation and foreign exchange fluctuations. Guided by our commitment to sustainable management and optimizing shareholder value, we will continue to spearhead advances in the Korean REITs industry.

By employing advanced investment and asset management strategies, we have built a highly competitive business portfolio capable of delivering robust performance. All of us at ESR KendallSquare REIT will spare no effort to uphold our reputation as Korea's foremost logistics REIT. We humbly ask for continued support from our valued customers and shareholders as we move forward with confidence in the year ahead.

Dear esteemed customers and shareholders,

Our position as the frontrunner in the Korean REITs sector has instilled in us a strong sense of pride and duty. This is reflected in our transparent corporate governance structure led by an independent board of directors. Befitting our leadership status, we will set higher standards and carve

Thank you.

February 2024

History

- Aug. 24** • Real Estate Investment Trust (REIT) license granted by the Ministry of Land, Infrastructure and Transport
- Sep. 24** • Purchase of issued shares (100,000 common shares) of ESR KendallSquare Asset No. 1 REIT Co., Ltd. (subsidiary REIT No. 1)
- Oct. 27** • 1st convertible bond (CB) issuance of KRW 118.0 billion (bondholders: CPPIB)
 - 2nd paid-in capital increase (private equity): 47,300,000 common shares, KRW 48.2 billion
- Dec. 11** • Incorporation of four logistics centers (REF)
 - Icheon LP 1, Icheon LP 4, Yongin LP 2, Pyeongtaek LP
 - 3rd paid-in capital increase: 71,459,000 common shares / KRW 357.3 billion
 - 4th paid-in capital increase: 23,600,000 common shares / CB conversion
- Dec. 14** • Incorporation of six logistics centers (subsidiary REIT No. 1)
 - Bucheon LP (Cold), Goyang LP, Yongin LP 1, Icheon LP 2, Icheon LP 3, Gimhae LP 1
- Dec. 23** • **Listed on Korea Stock Exchange (365550 KOSPI)**



- Jun. 01** • Incorporation of Anseong LP 1 (subsidiary REIT No. 1)
- Jun. 10** • Acquisition of equity in Yongin LP 3 (REF)
- Jul. 16** • Establishment of ESR KendallSquare Asset No. 2 REIT Co., Ltd. (subsidiary REIT No. 2; 300,000 common shares)
- Sep. 02** • LEED certification (global green building rating system) (Goyang LP held by subsidiary REIT No. 1)
- Nov. 25** • Additional investment in subsidiary REIT No. 2 (440,000 common shares)
- Nov. 30** • Incorporation of Anseong LP 4 (subsidiary REIT No. 2)
- Dec. 17** • Additional investment in subsidiary REIT No. 2 (79,110,200 common shares)
 - 5th paid-in capital increase: 69,830,000 common shares / KRW 442 billion
 - Acquisition of additional stake (14.2%) in Yongin LP 3 (REF)
- Dec. 20** • Incorporation of four logistics centers (subsidiary REIT No. 2)
 - Gimhae LP 2, Anseong LP 2, Anseong LP 3, Icheon LP 5.
- Dec. 21** • **Completed rights offering worth KRW 442.0 billion**

2021

Rights offering of KRW 442.0 billion, the largest among listed REITs

2020

First pure play logistics REIT listed in KOSPI market

2022

First Korean listed REIT to be included in global REITs index

Mar. 21 • First listed REIT in Korea included in FTSE EPRA Nareit Developed Index and FTSE EPRA Nareit Developed Asia Index



May. 30 • Signing of pre-purchase agreement for Icheon LP 7 (subsidiary REIT No. 2)

- Additional investment in subsidiary REIT No. 2 (2,000,000 common shares)

Aug. 29 • Received A- (stable) rating from Korea Investors Service(Moody's)

Oct. 02 • First Korean listed company to obtain the top grade of 5 stars in GRESB (Global Real Estate Sustainability Benchmark) survey (seven logistics centers of subsidiary REIT No. 1)

2023

AUM reaches KRW 2.5 trillion (18 logistics centers)

May. 09 • Additional investment in subsidiary REIT No. 2 (9,000,000 common shares)

May. 10 • **Acquisition of Icheon LP 7 (completed in April 2023, equipped with cutting-edge facilities)**

Jun. 12 • Sale of Icheon LP 1

Jun. 20 • First to publish sustainability (ESG) report among Korean listed REITs

Jun. 29 • Additional investment in subsidiary REIT No. 1 (200,000 common shares)

Oct. 04 • **First Korean listed company to obtain GRESB 5-star rating for two consecutive years**



GRESB ★★★★★ 2022



GRESB ★★★★★ 2023

Oct. 27 • Received A- (stable) rating from Korea Investors Service(Moody's) (two consecutive years)

Dec. 05 • Additional investment in subsidiary REIT No. 1 (600,000 common shares)

Dec. 14 • **Acquisition of Icheon LP 6 (completed in Jan. 2023, state-of-the-art dry logistics center)**



PERFORMANCE

27	Operation Review
28	Investment Structure
30	Portfolio Detail
42	Market Overview

Operation Review

Growing external recognition, successful capital recycling, expertise in asset management, and a firm commitment to ESG all reflect the unrivaled prowess of ESR KendallSquare REIT as Korea's leading logistics REIT.

Stable income generation from capital recycling

- As a specialist in logistics assets (KendallSquare Asset), we increased returns by fully utilizing our asset management knowhow to successfully dispose of Icheon LP 1 (real estate fund) at a price of KRW 81.0 billion. This was 23% higher than the acquisition value of KRW 66.0 billion at the time of listing.
- Icheon Logistics Park (LP) 6 acquired at the end of 2023 has a land area of 48,290 sqm and gross floor area (GFA) of 62,195 sqm. Given its proximity to Seoul and access to excellent transportation infrastructure, it is well positioned to serve as a logistics hub of the Greater Seoul Area as well as the central part of Korea.
- As of the end of December 2023, our portfolio comprises 18 logistics assets boasting top-notch, cutting-edge facilities with a combined GFA of 1,158,026 sqm.

From asset purchase to strategic disposal and well-planned reinvestment, ESR KendallSquare REIT has achieved the capital recycling structure of a perpetual REIT. Additionally, we secured stable income streams from the outset with three-plus-two-years lease agreements. We also anticipate increases in future rental income in step with changes in inflation.

Refinancing at lower rates on increased asset value

- A key strength at ESR KendallSquare REIT is the in-house team of high-caliber experts who oversee the entire process of operating logistics assets. With their expertise, we achieved a 100% renewal rate for 20% of our total leased area. Moreover, the leases were renewed with a roughly 18% increase in rental fees.
- Key tenants include the e-commerce major Coupang as well as Korea's leading clothing companies and third-party logistics (3PL) firms. Our high-quality tenant network has contributed to keeping the occupancy rate at 100%, which props up operating income and asset value.

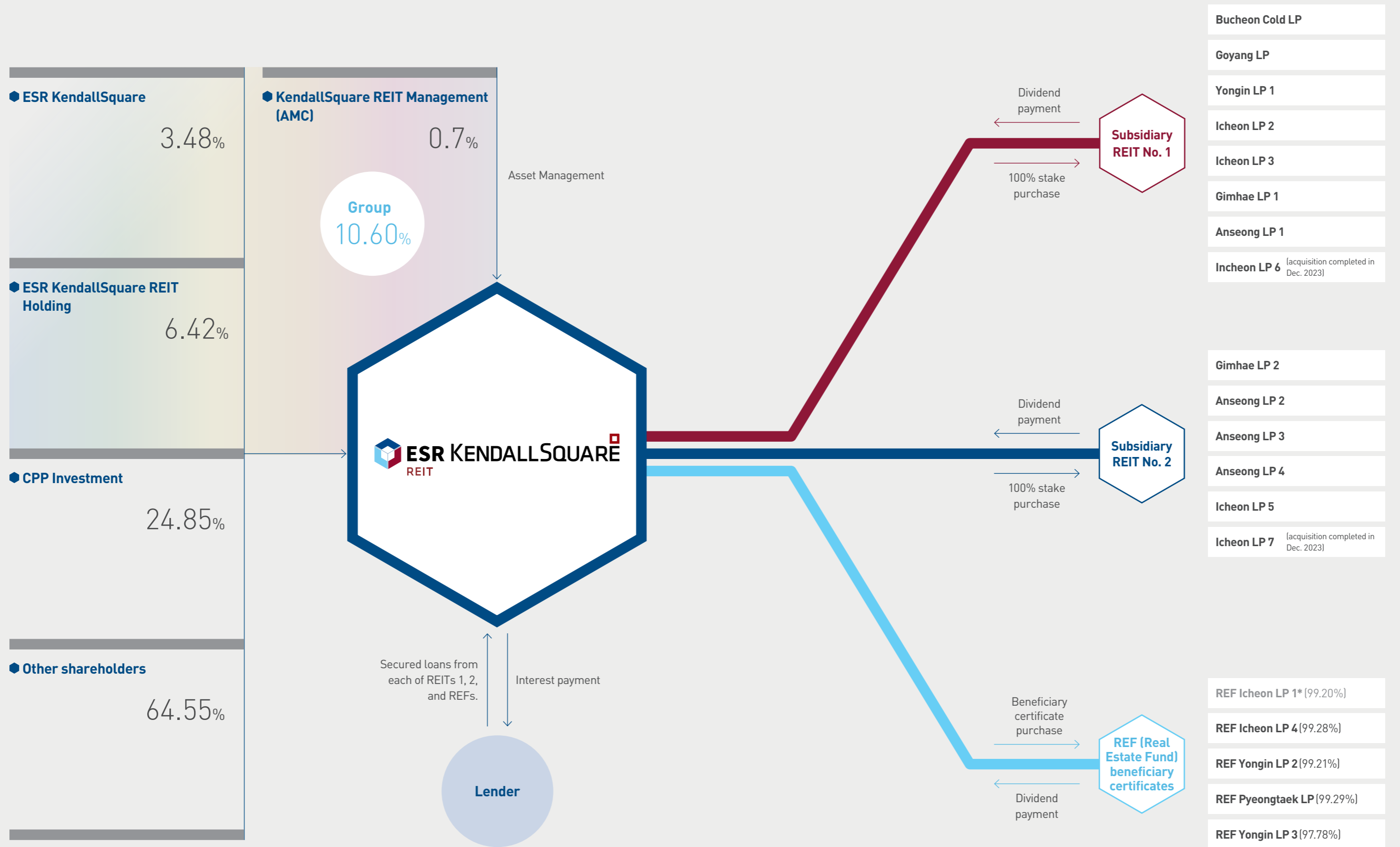
On the back of rising asset value and external credibility, we secured refinancing at interest rates at the 4% level despite high market rates. Competitive borrowing rates facilitate timely acquisition of quality assets such as Icheon LP 6 and Icheon LP 7. This, in turn, contributes to enhancing long-term corporate and shareholder values.

Reaffirming our leadership with ESG commitment

- The publication of our 2022 Sustainability (ESG) Report, prepared in accordance with GRI Standards, marked the first such release by a listed Korean REIT. We incorporate environmental factors in the design, construction and operation of logistics assets. These factors are also reflected in asset purchase decisions (e.g., properties with LEED certification).
- In 2022, ESR KendallSquare REIT became Korea's first listed REIT to receive the top 5-star rating from the global real estate ESG evaluation agencyGRESB. We were awarded the 5-star rating once again in 2023.
- We are the only listed REIT in Korea in which the National Pension Service holds a stake exceeding 5% (as of the start of October 2023). We also had the highest foreign ownership among Korea's listed REITs in 2022 and 2023.

Our emphasis on ESG and sustainable management will sharpen our competitive edge and increase shareholder value while garnering external recognition. As the frontrunner in the Korean logistics real estate market, we plan to take measures to address climate change (e.g., adopt renewable energy). In terms of dividends, we declared KRW 272 per share for FY2023, representing an increase over the previous year. Also noteworthy, we received an A- credit rating from Korea Investors Service(Moody's) for the second year in a row. With another year of meaningful achievements, ESR KendallSquare REIT reinforced its standing as the foremost logistics-focused REIT in Korea.

Investment Structure

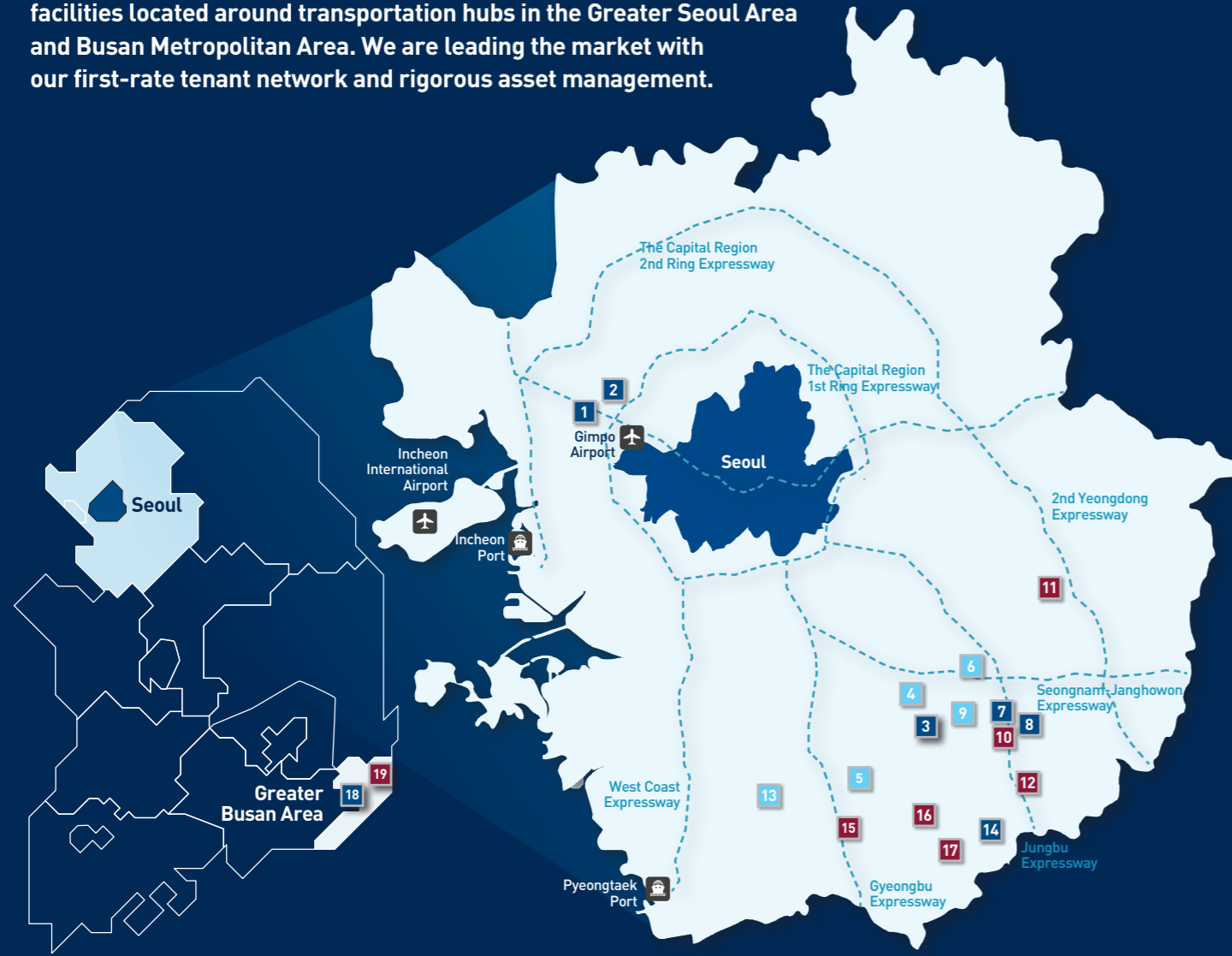


As of November 30, 2023

*Sale of Icheon LP 1 (REF) completed in June 2023

Portfolio Detail

ESR KendallSquare REIT is the sole pure play logistics REIT in Korea. Our asset portfolio is composed of top-notch, state-of-the-art logistics facilities located around transportation hubs in the Greater Seoul Area and Busan Metropolitan Area. We are leading the market with our first-rate tenant network and rigorous asset management.



1	Bucheon Cold Logistics Park	2	Goyang Logistics Park	3	Yongin Logistics Park 1	4	Yongin Logistics Park 2	5	Yongin Logistics Park 3	6	Icheon Logistics Park 1*	7	Icheon Logistics Park 2
8	Yongin Logistics Park 3	9	Icheon Logistics Park 4	10	Icheon Logistics Park 5	11	Icheon Logistics Park 6	12	Icheon Logistics Park 7	13	Pyeongtaek Logistics Park	14	Anseong Logistics Park 1
15	Anseong Logistics Park 2	16	Anseong Logistics Park 3	17	Anseong Logistics Park 4	18	Gimhae Logistics Park 1	19	Gimhae Logistics Park 2				

■ Subsidiary REIT No. 1
■ Subsidiary REIT No. 2
■ REF beneficiary certificates
 *Disposal of Icheon LP 1 in 2023

Region	No.	Portfolio Asset	GFA (sqm)	Completion Date
Infill Market				
	1	Bucheon Logistics Park (Cold)	58,264	July 2019
	2	Goyang Logistics Park	199,678	Jan. 2019
Greater Seoul Area				
	3	Yongin Logistics Park 1	70,028	Nov. 2017
	4	Yongin Logistics Park 2	43,176	Jan. 2017
	5	Yongin Logistics Park 3 (BRIC)	43,045	June 2020
	6	Icheon Logistics Park 1*	47,653	Feb. 2017
	7	Icheon Logistics Park 2	33,365	Apr. 2018
	8	Icheon Logistics Park 3	18,421	Dec. 2018
	9	Icheon Logistics Park 4	49,616	June 2018
	10	Icheon Logistics Park 5	84,545	Feb. 2020
	11	Icheon Logistics Park 6*	62,195	Jan. 2023
	12	Icheon Logistics Park 7*	46,041	Apr. 2023
	13	Pyeongtaek Logistics Park	43,212	May 2017
	14	Anseong Logistics Park 1	95,265	Feb. 2020
	15	Anseong Logistics Park 2	154,990	June 2020
	16	Anseong Logistics Park 3	63,676	Apr. 2021
	17	Anseong Logistics Park 4	27,040	Nov. 2021
Greater Busan Area				
	18	Gimhae Logistics Park 1	25,733	Dec. 2000
	19	Gimhae Logistics Park 2	39,941	Dec. 2019

Total **1,157,821** (excluding Icheon LP 1, total GFA of 18 LPs)

*Icheon LP 1 sold in 2023
 *Icheon LP 6 and Icheon LP 7 acquired in 2023



BUCHEON COLD

The Bucheon Cold Logistics Park, located within the Bucheon Ojeong district, is a 7-story, 58,264 sqm facility that was completed in July 2019. It is located within the Bucheon Ojeong Logistics Complex, which is a traffic hub in the western part of the greater metropolitan area. The center also has good accessibility to major cities in the metropolitan area such as Seoul, Incheon, Bucheon, Goyang and Gimpo due to its proximity to the Capital Region 1st Ring Expressway, the Gangbyunbuk-ro, the Gyeongin Expressway, and the Incheon International Airport Expressway.

Address 112, Sinheung-ro 511beon-gil (801, Ojeong-dong), Bucheon, Gyeonggi-do
Land Area/GFA 16,659 sqm / 58,264 sqm
Occupancy/WALE* 100% / 3.2 years
Completion Date July 2019

GOYANG

The Goyang Logistics Park, located within the Goyang Wonheung district, is a 7-story, 199,678 sqm modern logistics center that was completed in January 2019. It is the largest urban logistics center in the Gangbuk region and able to handle large-scale logistics demand in the Greater Seoul Area, especially in the northwest and northern regions. The center also has excellent accessibility to major cities in the metropolitan area such as Seoul, Incheon, and Bucheon, thanks to its proximity to the Capital Region 1st Ring Expressway, the Gangbyunbuk-ro, and the Incheon International Airport Expressway. Its location is ideal for logistics companies with high volume of delivery and distribution.

Address 570, Gwonyul-daero, Deogyanggu (701, Wonheung-dong), Goyang, Gyeonggi-do
Land Area/GFA 56,281.1 sqm / 199,678 sqm
Occupancy/WALE 100% / 5.7 years **Completion Date** Jan. 2019



* Occupancy/WALE on pages 32-41 are as of December 2023



YONGIN 1

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

Address 120, Deokpyeong-ro (434, Gachang-ri), Baegam-myeon, Cheoin-gu, Yongin, Gyeonggi-do
Land Area/GFA 69,963 sqm / 70,028 sqm
Occupancy/WALE 100% / 4.4 years **Completion Date** Nov. 2017

YONGIN 2

The Yongin Logistics Park 2, located in the city of Yongin, Gyeonggi-do, is a modern, 43,176 sqm dry logistics center that was completed in January 2017. The center is very close to the Yeongdong Expressway Yangji IC, which gives it distinctive visibility and easy access from suburban areas. It has secured a long-term lease agreement with a logistics service company specializing in inspection and delivery of garments and product management.

Address 271, Yangji-ro (90-7, Yangji-ri), Yangjimyeon, Cheoin-gu, Yongin, Gyeonggi-do
Land Area/GFA 40,122 sqm / 43,176 sqm
Occupancy/WALE 100% / 2.0 years
Completion Date Jan. 2017





YONGIN 3

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

Address 439, Wonam-ro, Namsa-eup, Cheoin-gu, Yongin, Gyeonggi-do
Land Area/GFA 27,883 sqm / 43,045 sqm
Occupancy/WALE 100% / 2.38 years
Completion Date June 2020

YONGIN LOGISTICS PARK 3

ICHEON 1 (Sale completed in 2023)

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

Address 140-27, Eogmali-ro (452, Heoeok-ri), Majang-myeon, Icheon, Gyeonggi-do
Land Area/GFA 29,012 sqm / 47,653 sqm
Completion Date Feb. 2017



ICHEON LOGISTICS PARK 1



ICHEON LOGISTICS PARK 2

ICHEON 2

The Icheon Logistics Park 2 is situated in Icheon, Gyeonggi-do, and is a 33,365 sqm modern dry logistics center that was completed in June 2018. It is located in the core region of the logistics market in the eastern outskirts. It offers convenient access, being 6km away from the Yeongdong Expressway and the Jungbu Expressway.

Address 472-96, Deokpyeong-ro (580-1, Maegok-ri), Hobeop-myeon, Icheon, Gyeonggi-do
Land Area/GFA 26,560 sqm / 33,365 sqm
Occupancy/WALE 100% / 1.1 years **Completion Date** Apr. 2018



ICHEON LOGISTICS PARK 3

ICHEON 3

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

Address 472-67, Deokpyeong-ro (567-46, Maegok-ri), Hobeop-myeon, Icheon, Gyeonggi-do
Land Area/GFA 16,196 sqm / 18,421 sqm
Occupancy/WALE 100% / 4.3 years
Completion Date Dec. 2018



ICHEON 4

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

Address 257-34, Deokpyeong-ro (976, Maegok-ri), Hobeop-myeon, Icheon, Gyeonggi-do
Land Area/GFA 32,273 sqm / 49,616 sqm
Occupancy/WALE 100% / 4.6 years
Completion Date 2018. 06

ICHEON 5

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

Address 423, Haewol-ri, Majang-myeon, Icheon, Gyeonggi-do **Land Area/GFA** 73,255 sqm / 84,545sqm
Occupancy/WALE 100% / 3.2 years **Completion Date** Feb. 2020



ICHEON 6

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

Address 250, Joeup-ri, Baeksa-myeon, Icheon, Gyeonggi-do **Land Area/GFA** 48,290sqm / 62,195sqm
Occupancy/WALE 100% / 3.0 years **Completion Date** Jan. 2023

ICHEON 7

Completed in April 2023, Icheon Logistics Park 7 boasts state-of-art facilities. Providing excellent accessibility to major expressways and the metropolitan area, its location allows for easy delivery to all regions of the country, which makes it a preferred area for investors and tenants. The property is located near Yeongdong Expressway Icheon IC (7km, 11 minutes), Jungbu Expressway Hobub JC (14km, 16 minutes), Jungbu Inner-city Expressway Yeoju JC (17km, 18 minutes), Pangyo (52km, 47 minutes), and GBD (62km, 68 minutes). All floors can be accessed via ramps, and there is a wide dock and unloading space. Icheon LP 7 secured a 5-year master lease with a logistics company at the time of completion, and stable rental income is expected. (Lease agreement certificate issued.)

Address 309, Bupil-ri, Daewol-myeon, Icheon, Gyeonggi-do
Land Area/GFA 29,994 sqm / 46,041 sqm
Occupancy/WALE 100% / 4.36 years
Completion Date Apr. 2023





ANSEONG LOGISTICS PARK 1

ANSEONG 1

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

Address 35, Nokbae-gil (35-4, Jangneung-ri), Juksan-myeon, Anseong, Gyeonggi-do
Land Area/GFA 87,383 sqm / 95,265 sqm
Occupancy/WALE 100% / 1.8 years
Completion Date Feb. 2020

ANSEONG 2

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

Address 915, Chilgok-ri, Wongok-myeon, Anseong, Gyeonggi-do
Land Area/GFA 90,582 sqm / 154,990sqm
Occupancy/WALE 100% / 2.1 years
Completion Date June 2020



ANSEONG LOGISTICS PARK 2



ANSEONG LOGISTICS PARK 4

ANSEONG 4

Anseong Logistics Park 4, located in Samjokmyeon, Anseong, is a 6-story building with a GFA of 27,040 sqm that was completed in November 2021. It is located in a region that is easily accessible via Iljuk IC of the Jungbu Expressway. It has entered into a long-term lease agreement with Samsung Electronics Logitech, which handles smartphones and household appliances, meaning stable cash flow generation.

Address Yongwol-ri, Samjuk-myeon, Anseong, Gyeonggi-do
Land Area/GFA 25,302 sqm / 27,040 sqm
Occupancy/WALE 100% / 3.1 years
Completion Date Nov. 2021



ANSEONG LOGISTICS PARK 3

ANSEONG 3

Anseong logistics Park 3, located in Anseong, Iljuk-myeon, has six floors and a GFA of 63,676 sqm, and was completed in April 2021. It is situated in an easily accessible area near the Iljuk IC of the Jungbu Expressway. It has a long-term lease contract with Coupang and is expected to maintain stable cash flows.

Address 23-10, Neunggukri, Iljuk-myeon, Anseong, Gyeonggi-do
Land Area/GFA 49,543 sqm / 63,676 sqm
Occupancy/WALE 100% / 3.0 years
Completion Date Apr. 2021



GIMHAE 1

The Gimhae Logistics Park 1, located in Sangdong-myeon, Gimhae, is a medium-sized modern logistics center with a total of four floors and an area of 25,733 sqm. It is located in Gimhae, a city in the southeastern part of Korea where logistics functions are being strengthened. With its location, it can accommodate logistics demand from large cities in the region such as Busan, Changwon, Ulsan and Yangsan. Located near the Sangdong IC of the Central Expressway, it meets the needs of warehouse demand from companies in Gyeongsangnam-do and Busan areas.

Address 680-77, Sangdong-ro (5, Daegam-ri), Sangdongmyeon, Gimhae, Gyeongsangnam-do
Land Area/GFA 65,775 sqm / 25,733 sqm
Occupancy/WALE 100% / 2.5 years
Completion Date Dec. 2000

GIMHAE LOGISTICS PARK 1

PYEONGTAEK

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

Address 1198-5, Baran-ro (2021, Suworam-ri), Seotan-myeon, Pyeongtaek, Gyeonggi-do
Land Area/GFA 70,158 sqm / 43,212 sqm
Occupancy/WALE 100% / 2.7 years
Completion Date Aug. 2012 / May 2017



PYEONGTAEK LOGISTICS PARK



GIMHAE LOGISTICS PARK 2

GIMHAE 2

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

Address 5-8, Daegam-ri, Sangdong-myeon, Gimhae, Gyeongsangnam-do
Land Area/GFA 27,068 sqm / 39,941 sqm
Occupancy/WALE 100% / 2.7 years
Completion Date Dec. 2019

Market Overview

Rapid changes shake up the Korean e-commerce market Upward trend in online shopping transaction value

E-commerce companies have seen their growth lose steam from 2023, but the e-commerce market has already grown to a considerable size. According to the Ministry of Trade, Industry and Energy and the Samjong KPMG Economic Research Institute (ERI), the online and offline revenues of major Korean retailers showed the widest gap in 2020. However, the difference between the two segments had almost vanished in the first half of last year. Even so, data from Statistics Korea show that online shopping transaction value remains on a steady rise, implying that e-commerce has become a sizable market.

Against this backdrop, Coupang and Naver maintained growth and firmly established themselves as the top two players last year. Coupang, a major customer of ESR KendallSquare REIT, maintained 20% plus growth as its quarterly sales climbed to new highs throughout the year. Singapore-based Qoo10 is posing a strong challenge to the existing players. Qoo10 acquired TMON in 2022, and Interpark Commerce and WeMakePrice in 2023. It still has high interest in acquiring domestic firms, and additional takeover attempts are likely including a renewed bid for 11Street. China's AliExpress and Temu are also stepping up their local presence with proactive marketing. In short, Korea has emerged as a fierce battleground for both local and overseas e-commerce companies. This suggests further expansion for the logistics industry and increased demand for ESR KendallSquare REIT.

Steady growth of 3PL providers such as CJ Logistics Largest demand base for logistics centers in metropolitan area

E-commerce in Korea has been driven by online companies such as Coupang, TMON and WeMakePrice, and there has been a distinction between social commerce and open market players. However, the situation has changed recently. According to Samjong KPMG ERI, the boundaries are blurring between the different e-commerce segments and market positioning. This 'big blur' phenomenon is expected to gain pace. As an example, traditional retail giants Shinsegae and Lotte are strengthening their influence in the e-commerce market with the expansion of their online business.

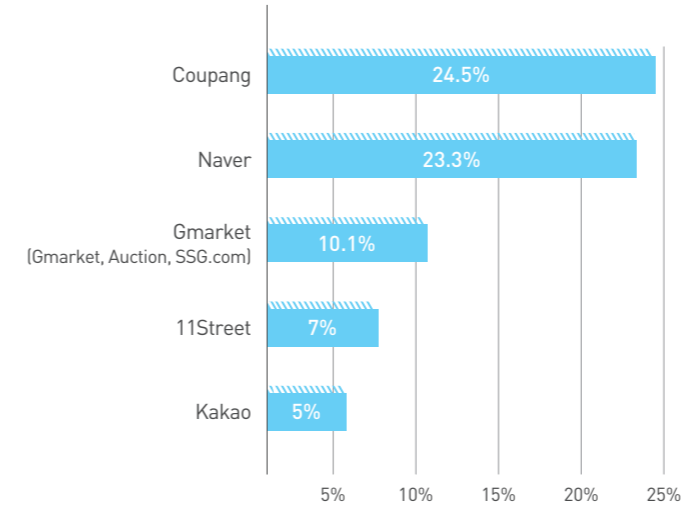
The major portals Kakao and Naver are growing their commerce business on the back on their vast user base and platform. On another front, makers of goods such as

food products, fashion and cosmetics are adopting the D2C (Direct-to-Customer) model by setting up their own online malls. Also gaining traction are vertical commerce platforms, which focus on a specific product category such as fashion, interior decoration and meat products. E-commerce has become an essential business, implying continued growth in logistics demand. Accordingly, a competitive edge in logistics – ideal location, fast and efficient logistics system, optimized management – translates into a competitive edge in e-commerce.

Alongside proven e-commerce companies like Coupang, third-party logistics (3PL) providers represent a significant portion of ESR KendallSquare REIT's customer base. Thanks to their wide range of offerings that extend to customer service, 3PL companies form a vital link in the logistics value chain. Based on data from the National Logistics Information Center, the major 3PL providers (e.g., CJ Logistics, Hanjin, Lotte Global Logistics) have posted annual revenue growth from their parcel delivery business since 2019. This trend bodes well for ESR KendallSquare REIT.

High interest rates and the global economic downturn have burdened REITs companies in Korea since 2022. The difficulties present the first major test for listed Korean REITs, given their short history relative to international peers. How they weather the storm will reveal their capabilities in addressing risk and asset management. REITs companies are focusing on ensuring financial stability, dispersing risk, and diversifying asset management strategies. As interest rates are expected to remain high for the time-being, stability holds the key. REITs with a healthy financial structure and stable tenant network are noteworthy, as well as those that can turn crisis into opportunity by newly acquiring quality assets and selling assets with increased value. There are growing expectations for monetary easing and interest rate cuts by the Federal Reserve in 2024. In a webinar titled '2024 Korea Real Estate Market Outlook,' the commercial real estate services firm CBRE Korea mentioned the risk of economic slowdown and recession in 2024, but also noted the possibility of interest rate cuts around the world and prospects for recovery of the real estate investment market.

Korean E-commerce Market Share in 2022



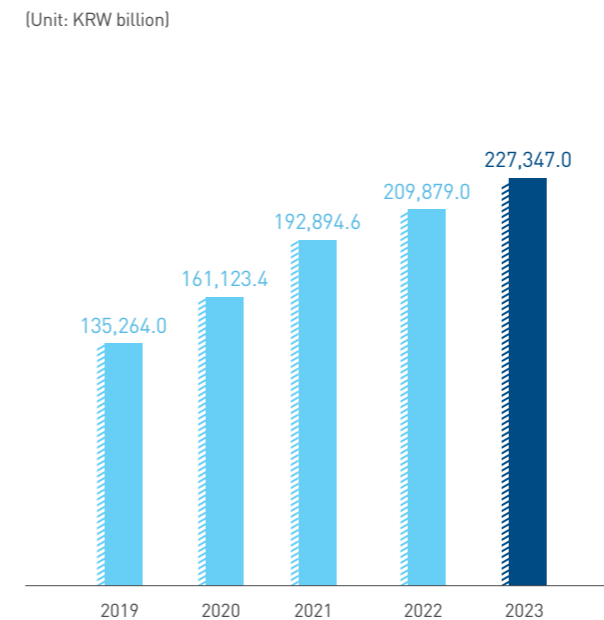
*Based on 2022 transaction value released by the Fair Trade Commission

New Entrants to E-commerce Market

Category	Company	Key Updates
Domestic	Daiso	• End of 2023, expansion of product lineup after renewal of online app • Nationwide next-day delivery service
	Olive Young	• Online revenues reach KRW 1 trillion in 2023 • Plans for additional micro fulfillment centers (MFC) in 2024
Overseas	AliExpress	• Expansion of local food & beverage and household goods brands • Possible launch of local logistics center for next-day delivery service
	Temu	• Official entry into Korean market in July 2023 • Domestic users tripled one month after app launch
	Shein	• China-based fashion platform offering fast fashion for women with growing presence in Korea

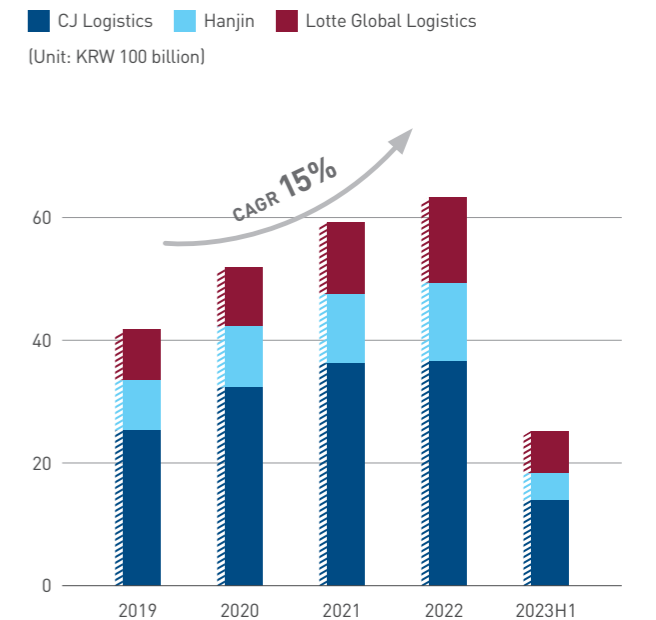
Source: Wise App, various media, November 2023

5-Year Online Shopping Transaction Value



Source: Statistics Korea

Major 3PL Providers' Parcel Delivery Revenues



Source: National Logistics Information Center, Financial Supervisory Service

Logistics center construction starts were limited in 2023
Expansion of Korean logistics industry

Even in the midst of economic weakness, logistics markets are displaying growth. The World Bank expects the global logistics industry to post revenues of US\$ 13.2 trillion in 2024, an increase of 4.7% over the US\$ 12.6 trillion recorded in 2022. Likewise, continued growth is seen for the logistics sector in Korea, which ranks fifth in the world in terms of trade volume. Putting aside COVID-19, online shopping has become a part of everyday life, as indicated by the growth in online shopping transaction value revealed by Statistics Korea.

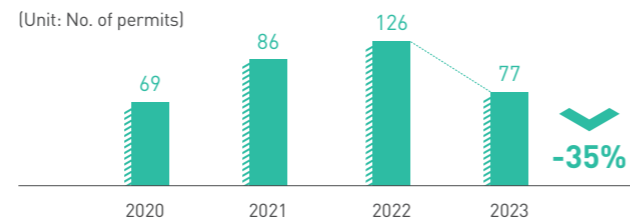
According to figures compiled by Korea Integrated Logistics Association (KILA), parcel delivery volume in the country has posted an annual growth rate exceeding 10% since 2015. Consumer demand for convenient delivery should remain firm. In step with the shifting trends, e-commerce players are vying to stay ahead of the competition with larger and automated facilities.

There was heightened attention on logistics centers during the COVID-19 pandemic. In 2023, however, work began on only a few of the 16 planned logistics center construction projects in the metropolitan area due to shrinking liquidity in global financial markets and a spike in construction costs. CBRE says there are concerns of saturation of the domestic real estate development and logistics markets, but a decline

in new permits should alleviate worries of oversupply in the mid-to-long run.

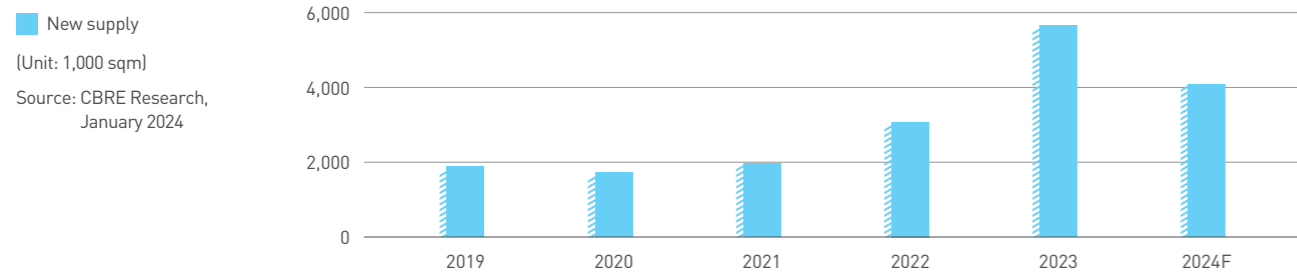
Vacancy rates are rising in the western parts of the metropolitan area due to oversupply of logistics centers. But in the southeastern parts, a focal point of logistics in Korea, supply growth was limited to 17% as of the end of 2023. This is positive for ESR KendallSquare REIT whose asset portfolio is concentrated in the southeastern cities of Yongin, Icheon and Anseong. Along with Korea's prominence in e-commerce, the company's stable revenue generation and holdings of state-of-the-art dry logistics centers should lead to stronger fundamentals for ESR KendallSquare REIT in 2024.

Permits for Metropolitan Area Grade 'A' Logistics Centers

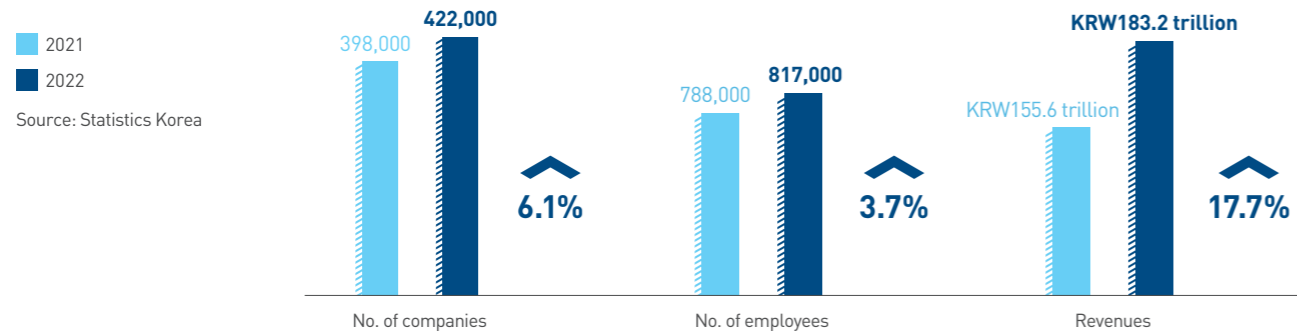


* Includes centers that are completed, under construction, unstarted, and cancelled permits.
 Source: CBRE Research, January 2024

Metropolitan Area Grade 'A' Logistics Facility Supply



Korean Logistics Industry Overview



SUSTAINABILITY MANAGEMENT

- 46 Board of Directors
- 48 Risk Management
- 50 ESG Performance



Board of Directors

The Board of Directors of ESR KendallSquare REIT is dedicated to realizing a company that is highly recognized and respected by shareholders, customers, employees, and the community at large. The Board works to ensure a proactive response to rapid changes in the global markets with preemptive measures aimed at raising corporate value. With faithful execution of its duties and active communication with stakeholders, the Board is committed to promoting transparency and sustainable growth and upholding industry-leading financial soundness and credit rating at ESR KendallSquare REIT.

Business Management



SANGHWOI BAE Chief Executive Officer

DONGJIN LEE Head of IR & Capital Markets

“We will build a high-quality asset portfolio as Korea’s foremost logistics-focused REITs company.”

- Global CEO leading growth of the Korean REITs sector
- Appointed CEO of KendallSquare REIT Management in December 2020
- Responsible for overseeing the IPO and investment activities of ESR KendallSquare REIT
- Responsible for overseeing investments of ESR KendallSquare Logistics Real Estate Income JV in 2019
- Abundant real estate investment knowhow gained from 20-plus years of experience working in financial institutions such as LaSalle Asset Management and Hana Financial Group
- B.A. in International Relations, Boston University

“With our priority on maximizing corporate and shareholder value, we will carry out proactive and transparent IR activities.”

- Responsible for overseeing overall capital market response tasks, including devising IR strategies
- Played a key role in the rights issue in December 2021 (raised KRW 442 billion, the largest among listed REITs in Korea)
- Joined KendallSquare REIT Management in 2021
- Capital market expert with over 15 years of experience working at financial institutions such as ABN Amro, Samsung Securities, Standard Chartered Securities, and HSBC Securities
- B.A. in Business Administration, Yonsei University

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

Board of Directors

Representative Director (CEO)	Juhyun Cho	Tenure Aug. 26, 2022–Aug. 26, 2025	Honorary Professor, Dept. of Real Estate, Konkuk University
Non-Executive Director	Chunwoong Choi	Tenure Feb. 25, 2022–Feb. 25, 2025	Professor, Dept. of Architecture, College of Engineering, Seoul National University
Non-Executive Director	Junwoo Cho	Tenure Aug. 25, 2023–Aug. 25, 2026	Lawyer, Lee & Ko Law Firm
Non-Executive Director	Minjoo Cho	Tenure Aug. 26, 2022–Aug. 26, 2025	CEO, NISTech Co., Ltd.
Non-Executive Director	Sunho Hwang	Tenure Aug. 25, 2023–Aug. 25, 2026	Korea Teachers’ Pension
Auditor	Taeheon Kim	Tenure Aug. 25, 2023–Aug. 25, 2026	Daekyo Accounting Corp., (formerly with Samjung Accounting Firm)



JAEHYUN KIM Head of Management Planning

MIAE PARK Head of Compliance

JINKOOK LEE Head of Investment

“We strive to grow AUM and increase asset value to secure stable income streams with the goal of maximizing investment value.”

- Received the Minister of Land, Infrastructure and Transport Award in 2020 (for contribution to advancing logistics REIT-related transport industry)
- Played a key role in the establishment and IPO in 2020
- Joined ESR KendallSquare as finance team leader in 2017
- Accounting expert with experience in external audit and corporate consulting at firms such as Samjong KPMG Accounting Corp.
- B.A. in Accounting, Kyung Hee University / CPA

“We are driving stable growth based on rigorous compliance standards and meticulous risk management.”

- Expert in compliance and risk management
- Established compliance and risk management systems required of asset management companies
- Joined KendallSquare REIT Management in 2021
- Over two decades of experience working in financial institutions including BOS Securities and QUAD Investment Management
- B.A. in Economics, Sungkyunkwan University

“We will continue expanding our portfolio, concentrating investment in state-of-the-art logistics facilities.”

- Led the successful launch of ESR KendallSquare REIT with the selection of optimal logistics assets
- Joined KendallSquare REIT Management in 2020
- Expertise in real estate investment, acquisition consulting and asset management gained from working at companies such as Korea Investment & Securities, KT Estate, and EY Hanyoung Korea
- B.A. in International Trade, Hankuk University of Foreign Studies / CPA

Risk Management

Risk Management Regulations

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



Risk Management Methodology by Type of Risk



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

Management Methodology

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



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

Management Methodology

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



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

Management Methodology

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



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

Management Methodology

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



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

Management Methodology

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

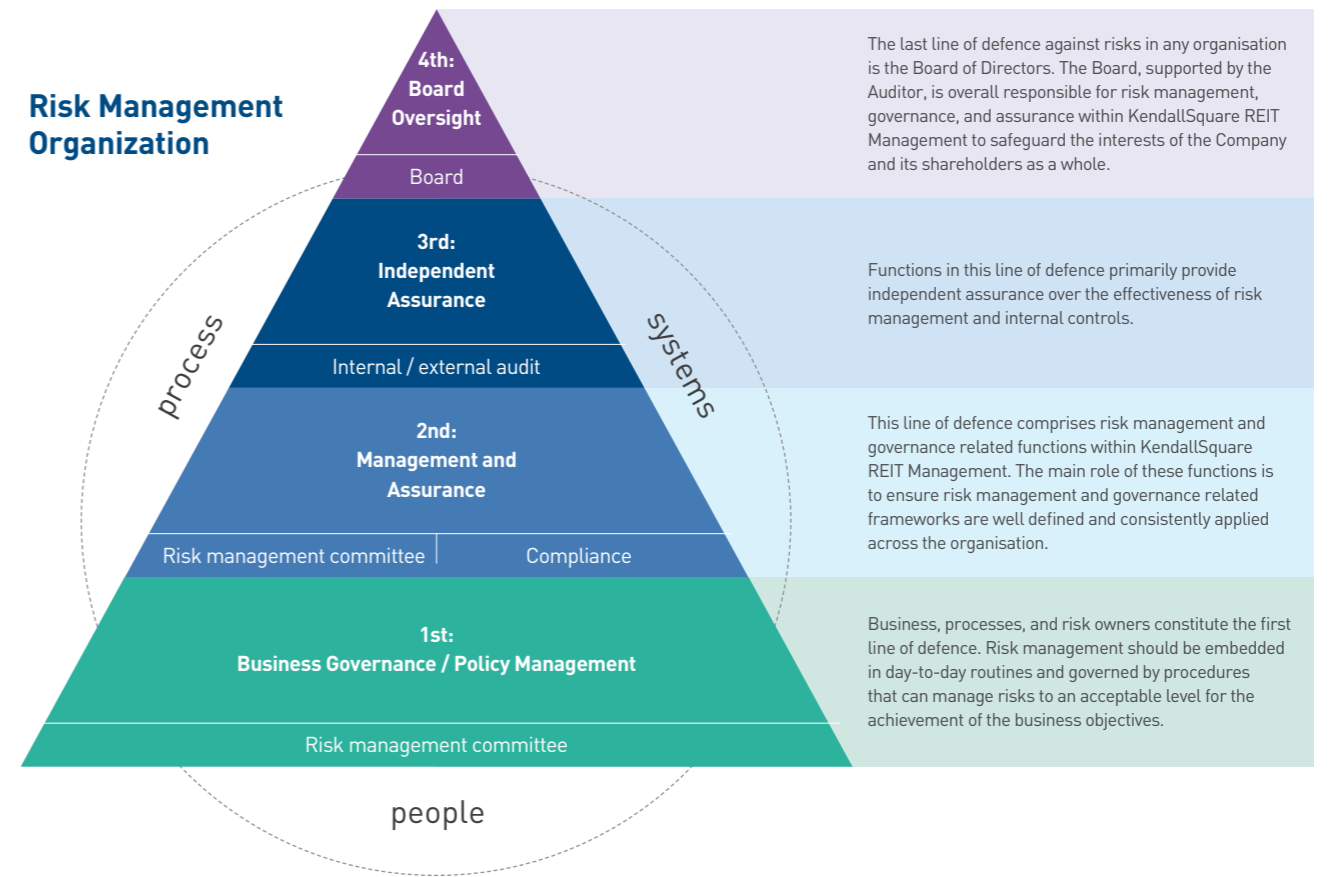


Risks that may occur when the REIT suffers unexpected losses due to change in value of target investment assets when the REIT makes investments in excess of its own assets by leveraging such assets, change in value of pledged assets, currency fluctuations, and other change in the economic/ financial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

Management Methodology

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

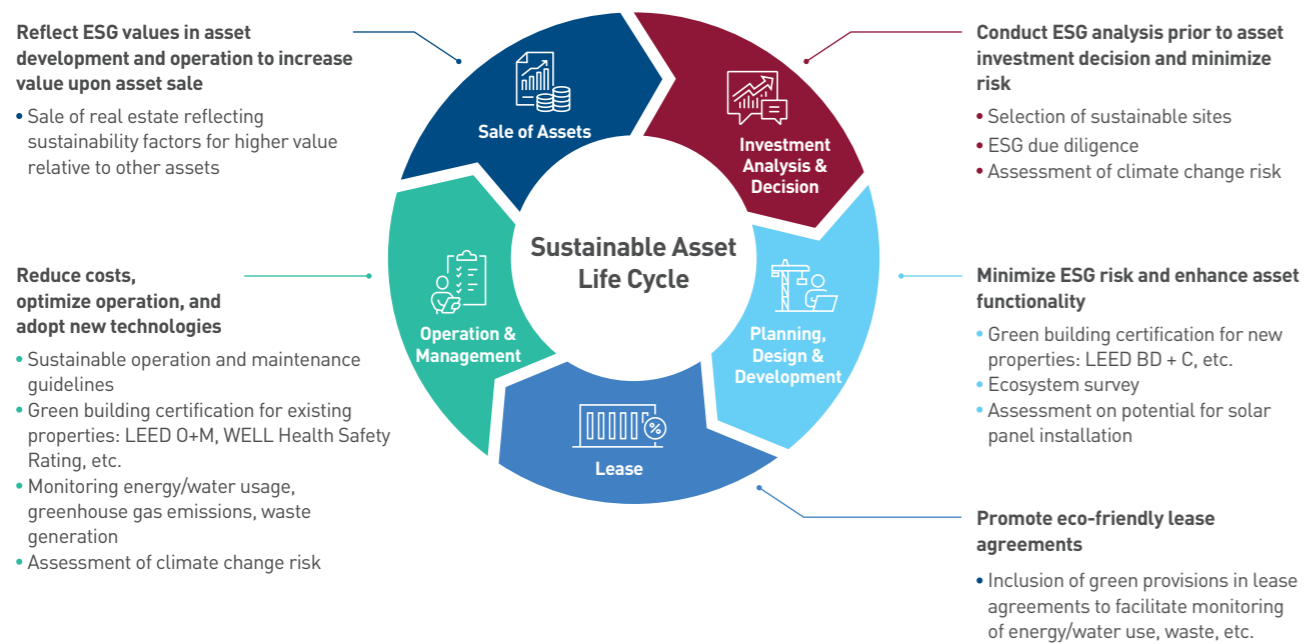
Risk Management Organization



ESG Performance

ESG Vision Sustainable Life Cycle of Logistics Assets

ESR KendallSquare REIT pursues sustainable management by actively reflecting ESG factors in the entire asset life cycle from development, including the site selection, design and construction of logistics centers, to operation. In addition, we reflect environmental values in pursuing our business activities to effectively address ESG risks. Our ESG objective is to have a positive impact on the environment and promote long-term benefits for all stakeholders as a world-leading logistics-focused REIT.



ESG Strategy

<p>Environmental</p> <p>Sustainable Portfolio</p> <p>We are focusing our capabilities on developing and operating eco-friendly assets to create a sustainable future and environment.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> Sustainable & Efficient Operations Sustainable Building Certifications Climate Change Resilience Biodiversity and Habitat Protection Flexible & Adaptable Properties Strategic Locations 	<p>Social</p> <p>Human Centric</p> <p>Based on trust, we hope to coexist and prosper with tenants, local communities, employees, and all other stakeholders.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> Stakeholder Engagement Safety, Health & Well-being Managing & Fostering Talent Diversity, Equity & Inclusion (DEI) Community Investment 	<p>Governance</p> <p>Corporate Governance</p> <p>We are boosting corporate and shareholder value based on transparent governance and responsible management.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> Corporate Governance Risk Management Responsible Investing Disclosure & Reporting Supply Chain Management
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

First Korean Listed REIT to Achieve GRESB 5-Star Rating for Two Consecutive Years

In 2022, ESR KendallSquare REIT became the first Korean listed company to participate in the GRESB Real Estate Assessment, the world's most authoritative ESG evaluation on real estate assets and management companies. We received the highest rating of '5 stars' for seven logistics assets included in the subsidiary REIT No.1 (representing 46% of total gross floor area in our asset portfolio in 2022). We were awarded the 5-star rating once again in 2023 for ongoing commitment to ESG initiatives that are in line with global environmental standards. The impressive feat reaffirmed our status as the leading REITs in Korea.

ESR KendallSquare REIT (365550 KS) Subsidiary REIT No.1
GRESB Five-Star in the Asia Industrial Real Estate Sector

GRESB 5 Stars 2022 **GRESB 5 Stars 2023**

*GRESB is the world's most authoritative ESG evaluation that comprehensively evaluates real estate assets and management companies for their impact on the environment and relationships with stakeholders. The GRESB rating system ranges from one (low) to five (high) stars.

E NVIRONMENT

Eco-Friendly Asset Design, Construction and Operation

ESG management is a global trend that is having an impact across all industries. Logistics is no exception, and preference is growing for eco-friendly logistics centers. In line with this trend, ESR KendallSquare REIT strives to develop and operate logistics assets that incorporate ESG philosophy. We seek to acquire properties that minimize environmental impact, while the environment is a key factor in real estate development across the entire process, from design to construction. With respect to logistics center operation, we take steps to promote responsible water use, resource recycling, adoption of renewable energy, and less power consumption. In doing so, we hope to minimize carbon emissions and environmental footprint.

Global green building certification

Our efforts to secure a portfolio of environmentally-friendly logistics centers have resulted in external recognition such as LEED certification, which helps us realize our ESG values in addition to boosting asset value. Devised by the US Green Building Council, LEED (Leadership in Energy and Environmental Design) certification is the world's most widely used green building rating system. ESR KendallSquare REIT pursues properties certified for LEED BD+C (LEED for Building Design and Construction) when acquiring assets, and works to achieve LEED O+M (LEED for Operations and Maintenance) and WELL Health-Safety Rating (HSR) certifications for existing properties. As a result, 15 assets in our portfolio including Goyang Logistics Park have been environmentally certified as of 2023. To enhance asset functionality and minimize environmental risk, we will expand our portfolio of eco-friendly assets that adhere to global standards.

LEED BD+C
(LEED Building Design and Construction)

Green certification that addresses design and construction activities of new buildings (evaluates performance in site management, energy, building materials, etc.)



Gold



Certified

LEED O+M
(LEED Operation and Maintenance)

Green certification for existing buildings (evaluates performance in heating/cooling, energy/water use, cleaning, maintenance, etc.)



Gold

WELL HSR
(WELL Health-Safety Rating)

Rating system developed by the International WELL Building Institute (IWBI) that evaluates ability to address health and safety issues



Adoption of green energy such as solar power

We will promote adoption of renewable energy with the installation of solar panels on the roofs of logistics centers and solar lighting. Last year, a proposal to lease logistics center roofs was approved at the extraordinary general meetings of the subsidiary REIT No. 1 and subsidiary REIT No. 2. For 2024, solar panel installations are planned at seven logistics centers including those in Yongin, Icheon and Anseong. With the adoption of solar power, a major source of green energy, we will step up our sustainable management drive, and ultimately contribute to carbon neutrality and help stop climate change.



ESG-Conscious Facilities at Goyang Logistics Park

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



S OCIAL

Human-Centric Management

We emphasize close communication with all stakeholders, from tenants, employees and shareholders to partner firms, local communities and government authorities, in order to have a positive impact and provide benefits for the entire society. We also support the Ten Principles of UN Global Compact Network (UNGC) in the areas of human rights, labor, environment and anti-corruption. We are strongly committed to shaping a culture that promotes the protection of stakeholders' rights. Based on the concept of diversity, equity and inclusion (DEI), we will fulfill our corporate social responsibilities as a good corporate citizen.

Engaging with local communities

'Happiness Box' delivery and plogging at Yeouido Park

We have participated in the 'Happiness Box' program, a social contribution project initiated by SK Group to address the issue of malnourished children since 2021. Every year we send out 'happiness boxes' containing nutritious snacks and other goods to 600 underprivileged children nationwide at risk of malnutrition, together with the social contribution coalition Happiness Alliance. Employees of KendallSquare REIT Management also joined in from 2022. Another way in which we promote ESG values and a healthy society is 'plogging' which combines jogging and picking up trash. We have carried out plogging in the Yeouido Park area in Seoul since 2022. We will steadily expand our social contribution activities to protect our planet and foster the wellbeing of local communities.



Communicating with stakeholders

Evaluating tenant satisfaction, addressing stakeholder grievances

Our tenants' opinions are actively reflected in the operation of logistics centers to create pleasant working conditions. Various communication channels have been set up to collect their views. We continue to improve the working environment in our logistics centers based on third-party surveys on tenant satisfaction. We plan to conduct the surveys on an annual basis. We also make diverse efforts to address issues raised by our stakeholders. We have in place personnel and processes dedicated to handling their grievances. Stakeholders can file complaints through our website. We will respond accordingly depending on the severity of the issue and take appropriate steps to resolve the situation.

Creating a happy corporate culture with employees

Employee satisfaction and DEI

Recruiting top talent and fostering career development form a crucial part of human resources management at KendallSquare REIT Management. We are shaping a healthy organizational culture with various measures including employee satisfaction surveys, team building programs and worker representative system. In step with the global DEI movement, we promote diversity and equal gender representation. We prohibit discrimination based on gender, age, regional and school background, and religion in the recruiting process. Additionally, we are nurturing the next generation of women leaders with greater female representation in supervisory roles as well as career development support and equal opportunity for advancement.

We abide by international standards and regulations including the Universal Declaration of Human Rights (UDHR) and the International Labor Organization's (ILO) fundamental conventions. We are committed to protecting and respecting the rights of employees and all other stakeholders. We organize annual training programs for all employees on harassment in the workplace, disability awareness and sexual harassment so that our entire workforce is fully aware of the importance of human rights.

GOVERNANCE

Sound Corporate Governance

Good corporate governance is vital for proper decision-making and building trust with shareholders and other stakeholders. ESR KendallSquare REIT maintains a board of directors with expertise in their respective fields to ensure transparent and responsible management. Moreover, various committees have been set up at KendallSquare REIT Management to sustain growth and enhance corporate value. In particular, the ESG Committee was created in 2021 to incorporate ESG strategy, including related guidelines and responsible investing policy, across all business activities. Chaired by CEO Sanghwoi Bae, the ESG Committee oversees the overall ESG direction. Committee members include the head of the asset management & business planning division, leader of the asset management team, and head of the investment management division. To gather objective opinions from an outsider’s perspective, we receive advice from external ESG experts. These efforts provide us with a sturdy framework for implementing ESG policy and promoting good understanding of ESG among employees.

Corporate governance policy

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

Governance structure

ESR KendallSquare REIT has established the general meeting of shareholders and board of directors in accordance with the Commercial Act and the Real Estate Investment Trust Act. Their roles and authorities are specified in the Real Estate Investment Trust Act and the company’s articles of incorporation. Through decision-making and monitoring by the general meeting of shareholders and the board of directors, we plan to ensure transparency in management, enhance investment returns and protect investors. According to Article 31, Paragraph 1 of the articles of incorporation, ESR KendallSquare REIT must have three or more directors and one or more auditors. In accordance with Article 49, Paragraph 1 of the Real Estate Investment Trust Act, the company does not appoint outside directors as stipulated in Article 542-8 of the Commercial Act, which requires the appointment of outside directors for listed companies. Also, there are no separate committees under the board of directors. Comprising six experts (including the auditor) in the field of logistics REITs, the board of directors oversees and decides on important business matters. As noted, the company is not required to appoint outside directors, according to the Real Estate Investment Trust Act.

Thus, the board is composed of only executive and non-executive directors. Female representation on the board increased in 2022 compared to 2021. The board members do not fall under any of the reasons for disqualification stipulated in Article 14, Paragraph 2 of the Real Estate Investment Trust Act. The auditor is an internal auditor who is a certified public accountant under the Certified Public Accountants Act and does not fall under any of the reasons for disqualification stipulated in Article 14-2, Paragraph 2 of the aforementioned law.

ESG policy and action

ESR KendallSquare REIT’s ESG strategy and policy are established by the ESG Committee. Subsequently, detailed action plans are drawn up by ESG-related personnel and relayed to the various business departments. Diverse efforts are made so that all employees are aware of the ESG strategy and policy. We conduct ESG training for all employees every year to raise their understanding of ESG. We also introduced the annual ‘ESG Champion’ scheme, under which awards are given for outstanding performance in terms of sustainability, to spread ESG values throughout the company.

- E**
 - Minimize impact of business development and operation
 - Maintain resilience to climate change risk
 - Reduce energy consumption, water use, waste, and carbon emission
 - Promote purchase and use of eco-friendly materials
 - Improve indoor environment quality
- S**
 - Protect labor and human rights, create a safe and healthy environment
 - Enhance diversity and inclusion in the workplace
 - Foster employee engagement
 - Provide employees with incentive and opportunity for career development
 - Provide community engagement
- G**
 - Conduct business activities in a moral and ethical manner
 - Promote responsible checks and balances across the entire business cycle
 - Respect shareholder rights and firmly establish fiduciary duty
 - Raise awareness of the importance of ESG principles



FINANCIALS REVIEW

- 56 Independent Auditor’s Report
- 59 Consolidated Statements of Financial Position
- 60 Consolidated Statements of Comprehensive Income
- 61 Consolidated Statements of Changes in Equity
- 62 Consolidated Statements of Cash Flows
- 64 Notes to the Consolidated Financial Statements

Independent Auditor's Report

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



OPINION

We have audited the accompanying consolidated financial statements of ESR Kendall Square REIT Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at November 30, 2023 and May 31, 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2023 and May 31, 2023, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Occurrence of Rental Income

Reason why the matter was determined to be a Key Audit Matter

As described in Note 17 to the consolidated financial statements, rental income, which accounts for 95% of the Group's operating revenues, is recognized according to the contracts and terms and conditions of the transaction with customers. As a result, we focused on this area because we determined that there is a significant risk in relation to occurrence of rental income.

How our audit addressed the Key Audit Matter

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

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

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

OTHER MATTER

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Samuel PricewaterhouseCoopers

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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

November 30, 2023 and May 31, 2023

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

	Notes	November 30, 2023	May 31, 2023
(in Korean won)			
Assets			
Current assets			
Cash and cash equivalents	4,21,22	50,608,114,769	25,521,971,901
Short-term financial instruments	5,21,22	12,662,078,672	5,209,708,399
Other financial assets	6,21,22	10,692,949,903	9,802,054,264
Other assets	7	2,374,938,254	10,736,793,279
Current tax assets		2,932,321,656	734,302,515
		79,270,403,254	52,004,830,358
Non-current assets			
Long-term financial instruments	5,21,22	41,705,552,581	39,157,641,894
Investments in associates	8	169,377,773,529	218,315,497,768
Investment properties	9	2,052,482,738,721	2,067,222,685,591
Property and equipment		66,341,917	76,569,862
Intangible assets		4,058,026	4,058,026
Other non-current financial assets	6,21,22	150,000,000	150,000,000
Other non-current assets	7	861,469,353	721,974,953
		2,264,647,934,127	2,325,648,428,094
Total assets		2,343,918,337,381	2,377,653,258,452
Liabilities			
Current liabilities			
Other financial liabilities	10,21,22	12,731,550,720	24,814,142,151
Other current liabilities	11	2,419,442,598	2,393,277,752
Current portion of long-term borrowings	12,21,22	254,969,726,027	254,543,561,644
		270,120,719,345	281,750,981,547
Non-current liabilities			
Long-term borrowings	12,21,22	912,070,325,107	919,986,095,093
Other non-current financial liabilities	10,21,22	41,636,753,916	38,546,702,984
Other non-current liabilities	11	3,177,948,812	3,542,346,382
		956,885,027,835	962,075,144,459
Total liabilities		1,227,005,747,180	1,243,826,126,006
Equity			
Issued capital	13	213,089,000,000	213,089,000,000
Other paid-in-capital	13	900,186,631,606	900,186,631,606
Retained earnings	14	3,636,958,595	20,551,500,840
Equity attributable to equity holders of the Parent Company		1,116,912,590,201	1,133,827,132,446
Total equity		1,116,912,590,201	1,133,827,132,446
Total liabilities and equity		2,343,918,337,381	2,377,653,258,452

Consolidated Statements of Comprehensive Income

Six-Month Periods Ended November 30, 2023 and May 31, 2023

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

	Notes	[in Korean won]	
		November 30, 2023	May 31, 2023
Operating revenues	17	52,957,789,556	49,482,601,960
Operating expenses	18	28,762,922,908	23,403,461,991
Operating income		24,194,866,648	26,079,139,969
Non-operating income			
Financial income	19,22	900,148,755	1,002,369,799
Other income	20	1,805,154	7,703,969
Profits of associates accounted for using equity method	8	5,563,022,248	16,853,346,484
		6,464,976,157	17,863,420,252
Non-operating expense			
Financial expenses	19,22	18,807,352,058	15,928,791,765
Other expenses	20	17,992	-
		18,807,370,050	15,928,791,765
Profit before income tax expenses		11,852,472,755	28,013,768,456
Income tax expenses	15	-	-
Profit for the period		11,852,472,755	28,013,768,456
Owners of the Parent Company		11,852,472,755	28,013,768,456
Other comprehensive income		-	-
Total comprehensive income for the period		11,852,472,755	28,013,768,456
Owners of the Parent Company		11,852,472,755	28,013,768,456
Earnings per share			
Basic and diluted earnings per share	16	56	131

Consolidated Statements of Changes in Equity

Six-Month Periods Ended November 30, 2023 and May 31, 2023

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

	Equity attributable to equity holders of the Parent Company				[in Korean won]
	Issued Capital	Other paid-in-capital	Retained earnings	Non-controlling interests	
Balance at December 1, 2022	213,089,000,000	900,186,631,606	21,517,836,384	-	1,134,793,467,990
Dividends	-	-	(28,980,104,000)	-	(28,980,104,000)
Profit for the period	-	-	28,013,768,456	-	28,013,768,456
Balance at May 31, 2023	213,089,000,000	900,186,631,606	20,551,500,840	-	1,133,827,132,446
Balance at June 1, 2023	213,089,000,000	900,186,631,606	20,551,500,840	-	1,133,827,132,446
Dividends	-	-	(28,767,015,000)	-	(28,767,015,000)
Profit for the period	-	-	11,852,472,755	-	11,852,472,755
Balance at November 30, 2023	213,089,000,000	900,186,631,606	3,636,958,595	-	1,116,912,590,201

Consolidated Statements of Cash Flows

Six-Month Periods Ended November 30, 2023 and May 31, 2023

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

	[in Korean won]	
	November 30, 2023	May 31, 2023
Cash flows from operating activities		
Profit for the period	11,852,472,755	28,013,768,456
Adjustments for:		
Depreciation for property and equipment	10,227,945	10,172,056
Depreciation for investment properties	14,838,282,432	13,823,987,496
Interest expense	18,807,352,058	15,928,791,765
Interest income	(900,148,755)	(1,002,369,799)
Other income	(602,695,880)	(517,683,413)
Gains on valuation using equity method	(5,563,022,248)	(16,853,346,484)
	26,589,995,552	11,389,551,621
Changes in operating assets and liabilities:		
Increase in account receivables	(13,734,273)	(40,204,966)
Increase in accrued income	(1,562,998,263)	(389,722,437)
Increase in prepaid expenses	(1,199,018,415)	(264,275,563)
Decrease in prepaid value added tax	9,421,379,040	202,664,760
Decrease (increase) in unearned revenue	(614,792,638)	614,792,638
Decrease in non-trade payables	(9,236,173,948)	(1,273,922,246)
Increase (decrease) in withholdings	(138,220)	100,604,860
Increase (decrease) in value added tax withheld	518,495,250	(430,219,854)
	(2,686,981,467)	(1,480,282,808)
	35,755,486,840	37,923,037,269
Interest received	148,079,480	605,797,288
Income taxes received (paid)	(2,198,019,141)	126,577,771
Interest paid	(15,875,225,022)	(15,339,384,064)
Dividends received	18,674,346,224	3,962,552,256
Net cash inflow from operating activities	36,504,668,381	27,278,580,520

	[in Korean won]	
	November 30, 2023	May 31, 2023
Cash flows from investing activities		
Decrease in short-term financial instruments	32,465,087,400	-
Decrease in investments in associates	37,264,025,475	-
Decrease in other deposits	-	543,000,000
Decrease in short-term loans	-	15,000,000,000
Decrease in long-term financial instruments	-	27,100,379,800
Increase in long-term financial instruments	(2,765,087,400)	(24,393,726,400)
Increase in short-term financial instruments	(39,700,000,000)	(4,854,929,400)
Acquisition of investment properties (Land)	(4,335,562)	(31,966,562,231)
Acquisition of investment properties (Building)	(29,000,000)	(99,925,108,893)
Acquisition of investment properties (Construction in progress)	(65,000,000)	(72,606,929)
Increase in other deposits	-	(150,000,000)
Net cash inflow (outflow) from investing activities	27,165,689,913	(118,719,554,053)
Cash flows from financing activities		
Increase in long-term borrowings	10,000,000,000	112,600,000,000
Increase in advance received	205,600,000	-
Increase in leasehold deposits received	127,199,574	2,401,905,000
Dividends paid	(28,767,015,000)	(28,980,104,000)
Decrease in leasehold deposits received	(150,000,000)	(161,956,000)
Repayments of long-term borrowings	(20,000,000,000)	-
Net cash inflow (outflow) from financing activities	(38,584,215,426)	85,859,845,000
Net increase (decrease) in cash and cash equivalents	25,086,142,868	(5,581,128,533)
Cash and cash equivalents at the beginning of period	25,521,971,901	31,103,100,434
Cash and cash equivalents at the end of period	50,608,114,769	25,521,971,901

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

1. REPORTING ENTITY

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

1.1 Controlling Company

ESR Kendall Square REIT Co., Ltd. (the "Parent company") was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Parent company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The Parent company is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development, and trade of real estate lease securities. The Parent company's head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeu7ngpo-Gu, Seoul.

The Parent 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 Inc.	1,487,438	0.70%
CPP Investment Board	52,952,822	24.85%
Others	136,780,605	64.19%
	213,089,000	100.00%

1.2 Subsidiaries

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

	Location	Business type	Percentage of ownership	
			November 30, 2023	May 31, 2023
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%

Financial information of subsidiaries as at and for the periods ended November 30, 2023 and May 31, 2023, are as follows:

	(in thousands of Korean won)					
	November 30, 2023					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	1,169,246,787	652,468,451	516,778,336	30,366,259	6,988,533	6,988,533
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	971,404,121	544,344,707	427,059,415	22,591,531	20,747	20,747
	(in thousands of Korean won)					
	May 31, 2023					
	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	1,161,375,829	651,421,987	509,953,841	30,317,814	9,155,561	9,155,561
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	991,890,283	552,201,388	439,688,896	19,164,788	2,647,233	2,647,233

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

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

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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

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

(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 Group

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 Group.

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the 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 Group is in review for the impact of these amendments on the financial statements.

(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 Group 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 Group is in review for the impact of these amendments on the financial statements. The amendments do not have a significant impact on the financial statements.

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

2.3 Consolidated Financial Statements

(a) Subsidiaries

The subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities. When assessing control, the Group considers its potential voting rights that can be exercised or converted, to determine whether it has power. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

(b) Transactions eliminated in consolidation

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

(c) Non-controlling interests

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

(d) Changes in ownership interests in subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In this situation, the carrying amounts of the controlling and 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.

(e) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

2.4 Cash and Cash Equivalents

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

2.5 Financial Assets

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

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

(a) Classification and measurement

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. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

- Debt instruments

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

- 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.

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

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

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

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

(b) 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.

- 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 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.

(d) Offsetting of financial instruments

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

2.6 Impairment of Non-financial Assets

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

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

Where the carrying amount of an asset or cash-generating unit materially exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

2.7 Financial Liabilities

(a) Classification and measurement

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

(b) Derecognition

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

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

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

A financial liability is classified as held for trading if:

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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

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

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

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

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

Fair value is measured by the method described in Note 22.

2.9 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of the Group's property and equipment, consisting of supplies, is calculated using the straight-line method over their estimated useful lives (5 years).

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives of within 50 years using the straight-line method.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each reporting period and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Capital Stock and Share Issuance Expenses

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

2.13 Revenue Recognition

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

2.14 Financial Income and Financial Costs

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

Financial costs comprise of interest expenses. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

2.15 Income Tax

Income tax expense for the period consists of current and deferred tax and is recognized in profit or loss, except to the extent that it relates to a business combination, or 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% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no corporate tax to be paid, the Group has not recognized any income tax expenses.

2.16 Approval of issuance of the Consolidated Financial Statements

The Group's consolidated financial statements as at and for the six-month period ended November 30, 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.

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Fair Value of Investment Properties

The Group used a valuation technique with unobservable inputs in the market to estimate the fair value of investment properties.

4. CASH AND CASH EQUIVALENTS

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Bank deposits	50,608,115	25,521,972

5. FINANCIAL INSTRUMENTS RESTRICTED IN USE

Financial instruments that are restricted in use as at November 30, 2023 and November 30 2022, are as follows:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Short-term financial instruments ¹	572,237	3,119,866
Long-term financial instruments ¹	41,705,553	39,157,642
	42,277,790	42,277,508

¹ Consist of bank deposit, time deposit, and financial receivables with compound interests of small and medium-sized companies and are pledged on the leasehold deposits.

6. OTHER FINANCIAL ASSETS

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Current assets		
Account receivables	1,144,689	1,130,955
Accrued income	9,548,261	8,671,099
	10,692,950	9,802,054
Non-current assets		
Other leasehold deposits	150,000	150,000
	150,000	150,000

7. OTHER ASSETS

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Current assets		
Prepaid expenses	2,374,938	1,315,414
Prepaid value added tax	-	9,421,379
	2,374,938	10,736,793
Non-current assets		
Prepaid expenses	861,469	721,975
	861,469	721,975

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

8. INVESTMENTS IN ASSOCIATES

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

		November 30, 2023							May 31, 2023							
		Percentage of ownership	Number of shares invested	Beginning balance	Termination	Share of profit or loss	Dividends	Ending balance			Percentage of ownership	Number of shares invested	Beginning balance	Share of profit or loss	Dividends	Ending balance
Beneficiary certificates: ¹																
KendallSquare Professional Investment Type Real Estate Investment Fund No. 6 ²	Korea	-	-	51,696,981	(51,630,851)	(66,130)	-	-								
KendallSquare Professional Investment Type Real Estate Investment Fund No. 7	Korea	99.28%	41,126,694,806	43,971,493	-	1,934,014	(1,290,586)	44,614,921								
KendallSquare Professional Investment Type Real Estate Investment Fund No. 8	Korea	99.21%	37,743,009,474	45,454,812	-	1,663,897	(396,846)	46,721,863								
KendallSquare General Private Placement Real Estate Investment Trust No. 11 ³	Korea	99.29%	42,104,284,981	46,225,182	-	1,410,751	(595,755)	47,040,178								
KendallSquare Professional Investment Type Real Estate Investment Fund No. 18	Korea	97.78%	30,898,138,840	30,967,029	-	620,490	(586,708)	31,000,811								
				218,315,497	(51,630,851)	5,563,022	(2,869,895)	169,377,773								

¹ 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 Markets Act and trust contract.

² For the period ended November 30, 2023, the Group 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.

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

		May 31, 2023						
		Percentage of ownership	Number of shares invested	Beginning balance	Share of profit or loss	Dividends	Ending balance	
Beneficiary certificates:								
KendallSquare Professional Investment Type Real Estate Investment Fund No. 6	Korea	99.20%	37,264,025,475	46,420,708	6,268,287	(992,014)	51,696,981	
KendallSquare Professional Investment Type Real Estate Investment Fund No. 7	Korea	99.28%	41,126,694,806	41,601,024	2,966,124	(595,655)	43,971,493	
KendallSquare Professional Investment Type Real Estate Investment Fund No. 8	Korea	99.21%	37,743,009,474	43,522,986	3,023,152	(1,091,326)	45,454,812	
KendallSquare Professional Investment Type Real Estate Investment Fund No. 11	Korea	99.29%	42,104,284,981	43,844,065	3,374,042	(992,925)	46,225,182	
KendallSquare Professional Investment Type Real Estate Investment Fund No. 18	Korea	97.78%	30,898,138,840	30,380,887	1,221,742	(635,600)	30,967,029	
				205,769,670	16,853,347	(4,307,520)	218,315,497	

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 Markets Act and trust contract.

9. INVESTMENT PROPERTIES

Investment properties as at November 30, 2023 and May 31, 2023, are as follows:

		November 30, 2023			May 31, 2023		
		Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land		640,172,508	-	640,172,508	640,168,172	-	640,168,172
Buildings		1,471,036,157	(69,085,553)	1,401,950,604	1,471,007,157	(54,247,270)	1,416,759,887
Construction in progress		10,359,626	-	10,359,626	10,294,626	-	10,294,626
		2,121,568,291	(69,085,553)	2,052,482,738	2,121,469,955	(54,247,270)	2,067,222,685

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

(in thousands of Korean won)

	November 30, 2023			Total
	Land	Building	Construction in progress	
Beginning balance	640,168,172	1,416,759,887	10,294,626	2,067,222,685
Acquisition	4,336	29,000	65,000	98,336
Transfer	-	-	-	-
Depreciation	-	[14,838,283]	-	[14,838,283]
Ending balance	640,172,508	1,401,950,604	10,359,626	2,052,482,738

(in thousands of Korean won)

	May 31, 2023			Total
	Land	Building	Construction in progress	
Beginning balance	607,327,301	1,327,935,095	12,508,660	1,947,771,056
Acquisition	32,275,498	100,887,513	112,606	133,275,617
Transfer	565,373	1,761,267	[2,326,640]	-
Depreciation	-	[13,823,988]	-	[13,823,988]
Ending balance	640,168,172	1,416,759,887	10,294,626	2,067,222,685

Revenues and expenses related to investment properties for the periods ended November 30, 2023 and May 31, 2023, are as follows:

(in thousands of Korean won)

	November 30, 2023	May 31, 2023
Operating revenues ¹	52,355,094	48,960,699
Operating expenses ²	22,525,833	17,452,190

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of insurance expense, depreciation expense, real estate management consignment fees, facility maintenance & administrative expenses, taxes and due, utilities expenses, deemed rent, and rental brokerage fees.

The fair value of investment properties as of November 30, 2023, are as follows:

(in thousands of Korean won)

Classification	Address	Book amount	Fair value	
Goyang logistics park	Land Building	701, Wonheung-dong , Deogyanggu, Goyang-si, Gyeonggi-do	197,132,815 290,319,716 487,452,531	248,195,600 325,004,400 573,200,000
Anseong logistics park	Land Building	35-4, Jangneung-ri, Juksan-myeon, Anseong-si, Gyeonggi-do	40,658,182 121,684,861 162,343,043	41,482,000 151,488,000 192,970,000
Buchon cold logistics park	Land Building	801, Ojeong-dong, Bucheon-si, Gyeonggi-do	57,965,399 142,722,311 200,687,710	93,309,800 152,890,200 246,200,000
Gimhae logistics park	Land Building	5, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	30,398,338 17,362,319 47,760,657	36,236,800 23,363,200 59,600,000
Yongin logistics park	Land Building	434, Gachang-ri, Cheoin-gu, Yongin-si, Gyeonggi-do	39,837,801 90,982,669 130,820,470	55,829,700 95,470,300 151,300,000
Icheon logistics park 2	Land Building	580-1, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	11,375,771 38,181,618 49,557,389	19,623,600 51,476,400 71,100,000
Icheon logistics park 3	Land Building	567-46, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	7,099,609 21,767,973 28,867,582	11,329,600 27,470,400 38,800,000
Anseong logistics park 2	Land Building	915/916 Chilgok-ri, Wongok-myeon, Anseong-si, Gyeonggi-do	99,246,022 234,057,959 333,303,981	96,230,250 241,419,750 337,650,000
Anseong logistics park 3	Land Building	23-10/13/14, Neungguk-ri, Iljukmyeon, Anseong-si, Gyeonggi-do	27,156,791 102,794,724 129,951,515	28,258,250 102,891,750 131,150,000
Icheon logistics park 5	Land Building	423, Haewol-ri, Majang-myeon, Icheon-si, Gyeonggi-do	59,300,980 144,283,410 203,584,390	63,722,000 145,808,000 209,530,000
Gimhae logistics park 2	Land Building	5-8, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	18,497,330 54,542,027 73,039,357	20,963,360 54,716,640 75,680,000
Anseong logistics park 4	Land Building	409-3, Yongwol-ri , Samjuk-myeon, Anseong-si, Gyeonggi-do	18,658,263 42,199,235 60,857,498	17,820,400 41,979,600 59,800,000
Icheon logistics park 7	Land Building	309, Bupil-ri, Daewol-myeon, Icheon-si, Gyeonggi-do	32,845,207 101,051,782 133,896,989	32,845,207 101,051,782 133,896,989
			2,042,123,112	2,280,876,989

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

The investment properties held by the Group are logistics warehouses, and their marketability and profitability through integrated utility are major factors in determining their value. Therefore, the fair value of the Group's investment properties has been determined by integrating estimates from both a market approach (sales comparison approach) and an income approach.

The fair values of the five investment properties, Buchon cold logistics park, Gimhae logistics park, Yongin logistics park, Icheon logistics park 2, and Icheon logistics park 3, were appraised by Kyungil Appraisal Corporation, an external independent valuer with appropriate qualifications and experience in real estate valuation in the relevant region (the valuation date of July 25, 2023).

There have been no significant changes since then. The fair values of the seven investment properties, Goyang logistics park, Anseong logistics park, Anseong logistics park 2, Anseong logistics park 3, Icheon logistics park 5, Gimhae logistics park 2, and Anseong logistics park 4, were appraised by The First Appraisal & Consulting Co., an external independent valuer with appropriate qualifications and experience in real estate valuation in the relevant region (the valuation date of November 30, 2023). There are no material differences between the fair value of Icheon logistics park 7 at acquisition and its book amount at the end of the reporting period.

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

	(in thousands of Korean won)		
	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A&B&C	1,168,346,880	653,500,000	784,200,000
Tranche C1-1	73,039,357	41,800,000	50,160,000
Tranche C1-2	333,303,981	187,900,000	225,480,000
Tranche C1-3	129,951,515	73,800,000	88,560,000
Tranche C2	203,584,390	114,500,000	137,400,000
Secured loan of East-Icheon BRIC logistics park	133,896,989	72,600,000	87,120,000
	2,042,123,112	1,144,100,000	1,372,920,000

The Group subscribes to the property all risks insurance (insured amount: ₩ 971,717 million) in relation to investment property.

As at August 31, 2023, the amount agreed to purchase the investment property is approximately ₩ 114.3billion.

10. OTHER FINANCIAL LIABILITIES

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

	(in thousands of Korean)	
	November 30, 2023	May 31, 2023
Current liabilities		
Non-trade payables	6,196,465	15,432,639
Accrued expense	5,549,510	5,707,859
Leasehold deposits	995,730	3,693,509
Discount account on present value	(10,154)	(19,865)
	12,731,551	24,814,142
Non-current liabilities		
Leasehold deposits	45,914,886	43,239,907
Discount account on present value	(4,483,732)	(4,693,204)
Advance received	205,600	-
	41,636,754	38,546,703

11. OTHER LIABILITIES

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Current liabilities		
Withholdings	100,789	100,927
Value added tax withholdings	1,122,390	603,895
Unearned revenue	1,196,264	1,688,456
	2,419,443	2,393,278
Non-current liabilities		
Unearned revenue	3,177,949	3,542,346
	3,177,949	3,542,346

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

12. BORROWINGS

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

(in thousands of Korean won)					
Financial institution	Annual interest rate(%)	Maturity date	November 30, 2023	May 31, 2023	
Tranche A	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	50,000,000	50,000,000
	Bank of China	2.22%	December 14, 2023	50,000,000	50,000,000
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	50,000,000
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	105,000,000
				255,000,000	255,000,000
Less: discount			(30,274)	(456,438)	
			254,969,726	254,543,562	

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

(in thousands of Korean won)					
	Financial institution	Annual interest rate(%)	Maturity date	November 30, 2023	May 31, 2023
Tranche A ¹	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	50,000,000	50,000,000
	Bank of China	2.22%	December 14, 2023	50,000,000	50,000,000
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	50,000,000
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	105,000,000
	KB Insurance Co.,Ltd.	2.50%	December 2, 2023	34,300,000	34,300,000
Tranche B ¹	Industrial Bank of Korea	2.50%	December 14, 2025	155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	40,000,000
Tranche C ¹	Industrial Bank of Korea	2.50%	December 14, 2025	28,700,000	28,700,000
	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025	50,000,000	50,000,000
	NongHyup Life Insurance Co.,Ltd.	2.50%	December 14, 2025	40,000,000	40,000,000
	TONGYANG Life Insurance Co.,Ltd.	2.50%	December 14, 2025	50,000,000	50,000,000
Tranche C1-1 ¹	Kookmin Bank	2.50%	December 20, 2024	32,751,000	32,751,000
	KB Insurance Co.,Ltd.	2.50%	December 20, 2024	9,049,000	9,049,000
Tranche C1-2 ¹	Kookmin Bank	2.50%	December 20, 2024	147,225,000	147,225,000
	KB Insurance Co.,Ltd.	2.50%	December 20, 2024	40,675,000	40,675,000
Tranche C1-3 ¹	Kookmin Bank	2.50%	December 20, 2024	57,824,000	57,824,000
	KB Insurance Co.,Ltd.	2.50%	December 20, 2024	15,976,000	15,976,000
Tranche C-2 ¹	Kookmin Bank	2.70%	December 20, 2026	114,500,000	114,500,000
Tranche D (Line of credit)	Industrial Bank of Korea	3.80%	December 14, 2025	20,000,000	20,000,000
	Kookmin Bank	3.55%	-	-	20,000,000
Facility loan	NongHyup Bank	5.08%	September 22, 2025	10,000,000	-
Secured loan of East-Icheon BRIC logistics park ^{1,2}	The Kwangju Bank,Ltd.	5.43%	May 10, 2026	5,000,000	5,000,000
	Daegu Bank	5.43%	May 10, 2026	10,000,000	10,000,000
	BUSAN BANK	5.43%	May 10, 2026	5,000,000	5,000,000
	NongHyup Bank	5.43%	May 10, 2026	27,000,000	27,000,000
	Shinhan Bank	5.43%	May 10, 2026	25,600,000	25,600,000
			1,174,100,000	1,184,100,000	
Less: discount			(7,059,949)	(9,570,343)	
Less: reclassification to current portion				(254,543,562)	
			912,070,325	919,986,095	

¹ The Group provided the investment properties and leasehold deposits as collateral for the borrowings (Note 26).

² Interest rate for the Secured loan of East-Icheon BRIC logistics park is floating rate, which is CD+1.6%. The initial disclosed interest rate is 5.15%.

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

13. ISSUED CAPITAL AND OTHER PAID-IN-CAPITAL

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

	Total number of authorized ares	Total number of issued shares	Par value per share	Issued Capital
				(in Korean won)
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:

	November 30, 2023	May 31, 2023
		(in thousands of Korean won)
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:

	November 30, 2023		May 31, 2023	
	Number of shares	Amount	Number of shares	Amount
				(in shares and in thousands of Korean won)
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

14. RETAINED EARNINGS

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

	November 30, 2023	May 31, 2023
		(in thousands of Korean won)
Retained earnings	3,636,959	20,551,501

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

	November 30, 2023	May 31, 2023
		(in thousands of Korean won)
Beginning balance	20,551,501	21,517,837
Dividends	(28,767,015)	(28,980,104)
Profit for the period	11,852,473	28,013,768
Ending balance	3,636,959	20,551,501

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

	November 30, 2023	May 31, 2023
		(in shares and in Korean won)
1. Dividends	29,193,193,000	28,767,015,000
2. Total number of shares issued	213,089,000	213,089,000
3. Dividend per share (1./2.)	137	135
4. Par value	1,000	1,000
5. Dividend rate per share (3./4.)	13.70%	13.50%

15. INCOME TAX EXPENSE

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

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

16. EARNINGS PER SHARE

Basic earnings per share for the periods ended November 30, 2023 and May 31, 2023, are as follows:

	November 30, 2023	May 31, 2023
		(in shares and in Korean won)
Profit for the period attributable to owners of the Parent Company	11,852,472,755	28,013,768,456
Weighted average number of common shares outstanding	213,089,000	213,089,000
Basic earnings per share	56	131

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

	November 30, 2023		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	213,089,000	183	38,995,287,000
Weighted average number of common shares outstanding			213,089,000

(in shares)

	May 31, 2023		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	213,089,000	182	38,782,198,000
Weighted average number of common shares outstanding			213,089,000

(in shares)

Diluted earnings per share

As at November 30, 2023 and May 31, 2023, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

17. OPERATING REVENUES

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Rental income	50,515,034	47,506,726
Management income	1,840,059	1,453,973
Other income	602,696	521,903
	52,957,789	49,482,602

The future minimum lease payments expected to be received in relation to the operating lease agreement as at November 30, 2023 and May 31, 2023, are as follows:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Within one year	105,967,687	93,832,377
Between 1 and 2 years	99,425,566	88,829,717
Between 2 and 3 years	75,886,025	80,265,770
Between 3 and 4 years	50,631,360	59,797,434
Between 4 and 5 years	38,143,839	46,007,477
Later than five years	21,187,217	35,829,541
	391,241,694	404,562,316

18. OPERATING EXPENSES

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Operating expenses related to investment properties:		
Insurance expenses	1,713,799	1,667,848
Depreciation	14,838,282	13,823,987
Real estate management consignment fees	2,183,727	1,790,465
Facility maintenance & administrative expenses	4,087	95,462
Taxes and due	3,535,506	10,463
Utilities expenses	6,571	6,494
Deemed rent	49,493	41,743
Rental brokerage fees	194,368	15,728
	22,525,833	17,452,190
Other operating expenses:		
Asset management consignment fees	5,286,199	4,963,519
Asset management performance fees	-	80,523
Other fees	661,375	569,835
Agent bank fees	-	50,000
Asset custody consignment fees	60,000	60,000
General affairs consignment fees	129,287	127,222
Salaries	90,000	90,000
Depreciation	10,228	10,172
	6,237,089	5,951,271
	28,762,922	23,403,461

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

19. FINANCE INCOME AND EXPENSES

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Financial income		
Interest income	900,149	1,002,370
Financial expenses		
Interest expenses	18,807,352	15,928,792

20. OTHER INCOME AND EXPENSES

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

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Other income		
Miscellaneous income	1,805	7,704
Other expenses		
Miscellaneous expenses	18	-

21. FINANCIAL RISK MANAGEMENT

21.1 Capital risk management

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

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

Debt-to-equity ratio as at November 30, 2023 and May 31, 2023, are as follows:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Liabilities	1,227,005,747	1,243,826,126
Equity	1,116,912,590	1,133,827,132
Debt-to-equity ratio	109.86%	109.70%

21.2 Financial risk factors

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

(a) Market risk

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 Group is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Group 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:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
1% increase	(363,000)	(375,603)
1% decrease	363,000	375,603

Foreign exchange risk

As at November 30, 2023 and May 31, 2023, the Group 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 Group, 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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Cash and cash equivalents	50,608,115	25,521,972
Short-term financial instruments	12,662,079	5,209,708
Long-term financial instruments	41,705,553	39,157,642
Other financial assets	10,842,950	9,952,054
	115,818,697	79,841,376

(c) Liquidity risk

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

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

	(in thousands of Korean won)					
	November 30, 2023					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	6,196,465	6,196,465	6,196,465	-	-	-
Advance received	205,600	205,600	-	205,600	-	-
Current portion of Long-term borrowings and interest	254,969,726	255,217,134	255,217,134	-	-	-
Long-term borrowings and interest	912,070,325	968,108,140	25,855,154	365,531,099	576,721,887	-
Leasehold deposits	42,416,729	46,910,616	995,730	5,369,209	27,335,678	13,210,000
	1,215,858,845	1,276,637,956	288,264,483	371,105,908	604,057,565	13,210,000

	(in thousands of Korean won)					
	May 31, 2023					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	15,432,639	15,432,639	15,432,639	-	-	-
Current portion of Long-term borrowings and interest	254,543,562	258,055,389	258,055,389	-	-	-
Long-term borrowings and interest	919,986,095	990,393,015	25,854,427	379,563,715	584,974,872	-
Leasehold deposits	42,220,347	46,933,416	3,693,509	217,308	28,515,295	14,507,304
	1,232,182,643	1,310,814,459	303,035,964	379,781,023	613,490,167	14,507,304

22. 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)			
	November 30, 2023		May 31, 2023	
	Book amount	Fair value	Book amount	Fair value
Financial assets at amortized cost				
Cash and cash equivalents	50,608,115	50,608,115	25,521,972	25,521,972
Short-term financial instruments	12,662,079	12,662,079	5,209,708	5,209,708
Long-term financial instruments	41,705,553	41,705,553	39,157,642	39,157,642
Other financial assets	10,842,950	10,842,950	9,952,054	9,952,054
	115,818,697	115,818,697	79,841,376	79,841,376
Financial liabilities				
Current portion of long-term borrowings	254,969,726	254,969,726	254,543,562	254,543,562
Long-term borrowings	912,070,325	912,070,325	919,986,095	919,986,095
Other financial liabilities	54,368,305	54,368,305	63,360,845	63,360,845
	1,221,408,356	1,221,408,356	1,237,890,502	1,237,890,502

(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:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Financial assets at amortized cost		
Interest income	900,149	1,002,370
Financial liabilities at amortized cost		
Interest expenses	18,807,352	15,928,792

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

23. CASH FLOW

The significant non-cash transactions for the periods ended November 30, 2023 and May 31, 2023, are as follows:

	(in thousands of Korean won)	
	November 30, 2023	May 31, 2023
Reclassification to current portion of borrowings	-	254,543,562
Reclassification to current portion of leasehold deposits received	2,982,395	1,305,503
Reclassification to current portion of unearned revenues	74,290	16,304
Transfer of discount on present value of leasehold deposits to unearned revenues	360,899	819,712
Reclassification to current portion of discount on present value of leasehold deposits	9,711	44,109
Reclassification to current portion of financial instruments	217,458	354,779
Transfer of accrued income to investments in associates	2,869,895	4,307,520
Transfer of construction in progress to land	-	565,374
Transfer of construction in progress to building	-	1,761,267
Transfer of asset management fee payables to land	-	308,936
Transfer of asset management fee payables to building	-	962,404
Transfer of non-trade payables to construction in progress	-	40,000
Transfer of prepaid value added tax to nontrade payables	-	9,624,044

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

	(in thousands of Korean won)			
	November 30, 2023			
	Beginning balance	Cash flow from financing activities	Changes in noncash transactions ¹	Ending balance
Advance received	-	205,600	-	205,600
Current portion of long-term borrowings	254,543,562	-	426,164	254,969,726
Long-term borrowings	919,986,095	(10,000,000)	2,084,230	912,070,325
Leasehold deposits	42,220,347	(22,800)	219,182	42,416,729

¹ Changes in non-cash transactions include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows when paid.

(in thousands of Korean won)

	May 31, 2023			
	Beginning balance	Cash flow from financing activities	Changes in noncash transactions ¹	Ending balance
Current portion of long-term borrowings		-	254,543,562	254,543,562
Long-term borrowings	1,062,285,032	112,600,000	(254,898,937)	919,986,095
Leasehold deposits	40,298,821	2,239,949	(318,423)	42,220,347

¹ Changes in non-cash transactions include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows when paid.

24. RELATED PARTY TRANSACTIONS

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

	November 30, 2023	May 31, 2023
Associates	- ¹	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund No. 7 KendallSquare Professional Investment Type Real Estate Investment Fund No. 8 Kendall Square General Private Placement Real Estate Investment Trust No. 11 ² KendallSquare Professional Investment Type Real Estate Investment Fund No. 18
Other related parties	Kendall Square REIT Management Inc. CPP Investment Board ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management Inc. CPP Investment Board ESR Kendall Square REIT Holding PTE, LTD.

¹ For the period ended November 30, 2023, the Group 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.

² For the period ended November 30, 2023, name of the Investment in associate has been changed.

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

		(in thousands of Korean won)	
		May 31, 2023	
Related party		Asset management consignment fees	
Other related party	Kendall Square REIT Management Co., Ltd.	5,286,199	

		(in thousands of Korean won)	
		May 31, 2023	
Related party		Asset management consignment fees ¹	Asset management performance fee
Other related party	Kendall Square REIT Management Co., Ltd.	6,234,860	88,575

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee amounting to ₩1,271 million, which is included in the acquisition cost of investment properties.

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

		(in thousands of Korean won)			
		November 30, 2023		May 31, 2023	
Related party		Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund No. 6	-	-	992,014	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 7	1,290,586	-	595,655	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 8	396,846	-	1,091,326	-
	Kendall Square General Private Placement Real Estate Investment Trust No. 11	595,755	-	992,925	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 18	586,708	-	635,600	-
Other related party	Kendall Square REIT Management Co., Ltd.	-	5,814,819	-	5,459,871
		2,869,895	5,814,819	4,307,520	5,459,871

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

		(in thousands of Korean won)				
		November 30, 2023			May 31, 2023	
Related party		Dividends received	Collection of principal upon termination	Dividends paid	Dividends received	Dividends paid
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund No. 6	15,358,841	37,264,025	-	793,611	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 7	595,655	-	-	893,482	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 8	1,091,326	-	-	892,903	-
	Kendall Square General Private Placement Real Estate Investment Trust No. 11	992,925	-	-	893,633	-
	KendallSquare Professional Investment Type Real Estate Investment Fund No. 18	635,600	-	-	488,923	-
Other related parties	Kendall Square REIT Management Co., Ltd.	-	-	200,804	-	202,292
	CPP INVESTMENT BOARD	-	-	7,148,631	-	7,201,584
	ESR Kendall Square REIT Holding PTE, LTD.	-	-	1,847,399	-	1,861,083
		18,674,347	37,264,025	9,196,834	3,962,552	9,264,959

Compensation for key management of the Group 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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

25. OPERATING SEGMENTS

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

Revenues of approximately ₩ 36,995 million (May 31, 2023: ₩ 36,820 million), over 10% of the Group's revenue, are derived from a single external customer who leases Buchon cold logistics park and 6 others.

26. COMMITMENTS

(a) Contract for the asset management services

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

	Details
Management fees	<p>a. Real estates: (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: (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	(Amounts of dividends before deduction of operating performance fee per share for the current year - the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25% (However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)
Purchase fee	<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>

	Details
Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	<p>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> <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>

(b) General affairs consignment contract

The Group entered a general affairs consignment contract with SHINHAN FUND PARTNERS CO.,LTD. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholder's meetings. Fees are paid ₩ 105,000 thousand per every fiscal year. In addition, for the assets that the Group additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(c) Asset custody consignment contract

The Group entered a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 45,000 thousand per every fiscal year. The Group entered a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. Fees are paid ₩ 15,000 thousand per every fiscal year.

(d) Loan agreement

Details of the loan agreement as at November 30, 2023, are as follows:

	(in thousands of Korean won)	
	Contract amount	Loan amount
Tranche A (Hanwha General Insurance Co.,Ltd., etc. and 4 others)	289,300,000	289,300,000
Tranche B&C (Industrial Bank of Korea, etc. and 5 others)	782,200,000	782,200,000
Tranche D (Industrial Bank of Korea)	20,000,000	20,000,000
Tranche D (KB Kookmin Bank)	30,000,000	-
Operating loan (Korea Development Bank)	5,000,000	-
Facility loans (NongHyup Bank)	10,000,000	10,000,000
Secured loan of East-Icheon BRIC logistics park	72,600,000	72,600,000
	1,209,100,000	1,174,100,000

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

(in thousands of Korean won)					
	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	457,693,808	306,000,000	Tranche A	Industrial Bank of Korea, etc. and 3 others
	Goyang logistics park	487,452,531	437,040,000	Tranche B&C	Industrial Bank of Korea, etc. and KB Insurance Co.,Ltd
	Anseong logistics park	162,343,044			
	Anseong logistics park 4	60,857,497	41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park 2	73,039,357	50,160,000	Tranche C1-1	KB Insurance Co.,Ltd, Kookmin Bank
	Anseong logistics park 2	333,303,981	225,480,000	Tranche C1-2	KB Insurance Co.,Ltd, Kookmin Bank
	Anseong logistics park 3	129,951,515	88,560,000	Tranche C1-3	KB Insurance Co.,Ltd, Kookmin Bank
	Icheon logistics park 5	203,584,390	137,400,000	Tranche C-2	Kookmin Bank
Icheon logistics park 7	133,896,989	87,120,000	Secured loan of East-Icheon BRIC logistics park	The Kwangju Bank, Ltd., Daegu Bank, BUSAN BANK, NongHyupBank, Shinhan Bank	
		2,042,123,112	1,372,920,000		

Among the Tranche A, the leasehold deposits of ₩ 310,684 thousand and ₩ 353,897 thousand are reserved as leasehold rights and senior collateral, respectively.

As at November 30, 2023, the Group has been provided with a payment guarantee of ₩ 1,034,548 thousand in relation to leasehold deposits, management fee payment and permission for development activities under the lease contract from Seoul Guarantee Insurance Company.

27. EVENTS AFTER THE REPORTING PERIOD

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

On December 14, 2023, the Group completed the purchase of Icheon logistics park 6.

On December 7, 2023, the Group entered into a loan commitment of ₩ 362 billion with a group of lenders who appointed Industrial Bank of Korea as an agent financial institution, to repay existing loans and finance the purchase of assets.

On December 7, 2023, the Group entered into a value added tax loan commitment with Industrial Bank of Korea with a limit of ₩ 10 billion for purchase of new assets.

CORPORATE INFORMATION

ESR KendallSquare

35F, 10, Gukjegeumyung-ro (Three IFC, Yeouido-dong), Yeongdeungpo-gu, Seoul, Republic of Korea



www.esr-ks.com

ESR KendallSquare REIT

35F, 10, Gukjegeumyung-ro (Three IFC, Yeouido-dong), Yeongdeungpo-gu, Seoul, Republic of Korea
Tel. +82-2-6205-0517



www.esrks-reit.com

KendallSquare REIT Management

35F, 10, Gukjegeumyung-ro (Three IFC, Yeouido-dong), Yeongdeungpo-gu, Seoul, Republic of Korea
Tel. +82-2-6205-0472



www.ks-reit.com