

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

**Separate Interim Financial Statements**

**August 31, 2022 and February 28, 2022**

# ESR Kendall Square REIT Co., Ltd.

## Index

August 31, 2022 and February 28, 2022

---

	Page(s)
<b>Report on Review of Interim Financial Statements</b> .....	1 - 2
 <b>Separate Interim Financial Statements</b>	
Separate Interim Statements of Financial Position .....	3
Separate Interim Statements of Comprehensive Income .....	4
Separate Interim Statements of Changes in Equity .....	5
Separate Interim Statements of Cash Flows .....	6
Notes to the Separate Interim Financial Statements .....	7 - 23



## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying separate interim financial statements of ESR Kendall Square REIT Co., Ltd. (the Company). These financial statements consist of the separate interim statement of financial position of the Company as at August 31, 2022, and the related separate interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended August 31, 2022 and February 28, 2022, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to issue a report on these separate interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe the accompanying separate interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

**Other Matters**

We have audited the separate statement of financial position of the Company as at May 31, 2022, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated August 10, 2022. The separate statement of financial position as at May 31, 2022, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at May 31, 2022.

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

Seoul, Korea

October 14, 2022

<p>This report is effective as of October 14, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
---

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Interim Statements of Financial Position**  
**August 31, 2022 and May 31, 2022**

<i>(in Korean won)</i>	Notes	August 31, 2022 (Unaudited)	May 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,19,20	₩ 35,517,954,706	₩ 6,748,145,309
Other financial assets	5,19,20	1,957,083	4,306,519,933
Other current assets	6	8,267,449	13,238,726
Current tax assets		<u>826,392,910</u>	<u>163,029,750</u>
		<u>36,354,572,148</u>	<u>11,230,933,718</u>
<b>Non-current assets</b>			
Investments in subsidiaries	7	942,100,000,000	942,100,000,000
Investments in associates	8	<u>189,696,173,582</u>	<u>189,696,173,582</u>
		<u>1,131,796,173,582</u>	<u>1,131,796,173,582</u>
<b>Total assets</b>		<u>₩ 1,168,150,745,730</u>	<u>₩ 1,143,027,107,300</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other financial liabilities	9,19,20	₩ 28,645,845,446	₩ 138,048,750
Other current liabilities	10	<u>315,480</u>	<u>767,230</u>
		<u>28,646,160,926</u>	<u>138,815,980</u>
<b>Total liabilities</b>		<u>28,646,160,926</u>	<u>138,815,980</u>
<b>Equity</b>			
Share capital	11	213,089,000,000	213,089,000,000
Other paid-in-capital	11	900,186,631,606	900,186,631,606
Retained earnings	12	<u>26,228,953,198</u>	<u>29,612,659,714</u>
<b>Total equity</b>		<u>1,139,504,584,804</u>	<u>1,142,888,291,320</u>
<b>Total liabilities and equity</b>		<u>₩ 1,168,150,745,730</u>	<u>₩ 1,143,027,107,300</u>

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

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Interim Statements of Comprehensive Income**  
**Three-Month Periods Ended August 31, 2022 and February 28, 2022**

<i>(in Korean won)</i>	Notes	August 31, 2022 (Unaudited)	February 28, 2022 (Unaudited)
<b>Operating revenues</b>	15	₩ 25,311,951,937	₩ 15,229,162,827
<b>Operating expenses</b>	16	<u>145,394,633</u>	<u>327,444,409</u>
<b>Operating profit</b>		<u>25,166,557,304</u>	<u>14,901,718,418</u>
<b>Non-operating income</b>			
Financial income	17	3,655,660	3,751,778
Other income	18	<u>6,520</u>	<u>-</u>
		<u>3,662,180</u>	<u>3,751,778</u>
<b>Non-operating expense</b>			
Financial costs	17	<u>-</u>	<u>68,712,328</u>
		<u>-</u>	<u>68,712,328</u>
<b>Profit before income tax</b>		25,170,219,484	14,836,757,868
Income tax expense	13	<u>-</u>	<u>-</u>
<b>Profit for the period</b>		<u>₩ 25,170,219,484</u>	<u>₩ 14,836,757,868</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>₩ 25,170,219,484</u>	<u>₩ 14,836,757,868</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share	14	₩ 118	₩ 74

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

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Interim Statements of Changes in Equity**  
**Three-Month Periods Ended August 31, 2022 and February 28, 2022**

(in Korean won)

	Share capital	Other paid-in-capital	Retained earnings	Total
<b>Balance at December 1, 2021</b>	₩ 143,259,000,000	₩ 541,103,130,210	₩ 20,040,809,374	₩ 704,402,939,584
Increase in issued capital	69,830,000,000	372,193,900,000	-	442,023,900,000
Transfer of other paid-in-capital to retained earnings	-	(9,836,000,000)	9,836,000,000	-
Stock issuance fee	-	(3,277,201,630)	-	(3,277,201,630)
Dividends	-	-	(19,196,706,000)	(19,196,706,000)
Profit for the period	-	-	14,836,757,868	14,836,757,868
<b>Balance at February 28, 2022 (Unaudited)</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,183,828,580</u>	<u>₩ 25,516,861,242</u>	<u>₩ 1,138,789,689,822</u>
<b>Balance at June 1, 2022</b>	₩ 213,089,000,000	₩ 900,186,631,606	₩ 29,612,659,714	₩ 1,142,888,291,320
Dividends	-	-	(28,553,926,000)	(28,553,926,000)
Profit for the period	-	-	25,170,219,484	25,170,219,484
<b>Balance at August 31, 2022 (Unaudited)</b>	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 26,228,953,198</u>	<u>₩ 1,139,504,584,804</u>

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

**ESR Kendall Square REIT Co., Ltd.**  
**Separate Interim Statements of Cash Flows**  
**Three-Month Periods Ended August 31, 2022 and February 28, 2022**

<i>(in Korean won)</i>	August 31, 2022 (Unaudited)	February 28, 2022 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 25,170,219,484	₩ 14,836,757,868
Adjustments for:		
Interest income	(3,655,660)	(3,751,778)
Dividend income	(25,311,951,937)	(15,229,162,827)
Interest expense	-	68,712,328
	<u>(25,315,607,597)</u>	<u>(15,164,202,277)</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(466,640)	-
Decrease (increase) in prepaid expenses	4,971,277	(18,210,003)
Decrease in non-trade payables	(46,129,304)	(20,488,858)
Decrease in withholdings	(451,750)	(494,690)
	<u>(42,076,417)</u>	<u>(39,193,551)</u>
	<u>(187,464,530)</u>	<u>(366,637,960)</u>
Interest received	10,286,695	1,059,569
Interest paid	-	(239,452,054)
Income taxes paid	(663,363,160)	(161,557,410)
Dividends received	29,610,350,392	16,286,297,113
Net cash inflow from operating activities	<u>28,769,809,397</u>	<u>15,519,709,258</u>
<b>Cash flows from investing activities</b>		
Acquisition of investments in subsidiaries	-	(395,551,000,000)
Acquisition of investments in associates	-	(5,258,158,846)
Net cash outflow from investing activities	<u>-</u>	<u>(400,809,158,846)</u>
<b>Cash flows from financing activities</b>		
Increase in issued capital	-	442,023,900,000
Repayment of long-term borrowings	-	(20,000,000,000)
Stock issuance fee	-	(3,277,201,630)
Net cash inflow from financing activities	<u>-</u>	<u>418,746,698,370</u>
<b>Net increase in cash and cash equivalents</b>	28,769,809,397	33,457,248,782
<b>Cash and cash equivalents at the beginning of period</b>	6,748,145,309	1,706,287,357
<b>Cash and cash equivalents at the end of period</b>	<u>₩ 35,517,954,706</u>	<u>₩ 35,163,536,139</u>

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



**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**1. General Information**

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

The Company's major shareholders and their respective shareholdings as at August 31, 2022, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	5,949,755	2.79%
Kendall Square REIT Management, Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	139,014,548	65.24%
	213,089,000	100.00%

**2. Significant Accounting Policies**

**2.1 Basis of Preparation**

The Company's condensed interim financial statements for the three-month period ended August 31, 2022, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed separate interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at August 31, 2022.

**2.1.1 New and amended standards adopted by the Company**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing June 1, 2022.

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

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

*(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

*(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

*(e) Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the financial statements.

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**2.1.2 New standards and interpretations not yet adopted by the Company**

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

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

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

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

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

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

*(e) New Standard: Korean IFRS 1117 Insurance Contract*

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

## **2.2 Significant Accounting Policies**

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate financial statements for the period ended May 31, 2022, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1.

## **3. Critical Accounting Estimates and Assumptions**

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

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

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

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

**4. Cash and Cash Equivalents**

Cash and cash equivalents as at August 31, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>		<b>May 31, 2022</b>	
Bank deposits	₩	35,517,955	₩	6,748,145

**5. Other Financial Assets**

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

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>		<b>May 31, 2022</b>	
Accrued income	₩	1,490	₩	4,306,520
Account receivables		467		-
	₩	<u>1,957</u>	₩	<u>4,306,520</u>

**6. Other Current Assets**

Other current assets as at August 31, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>		<b>May 31, 2022</b>	
Prepaid expenses	₩	8,267	₩	13,239

**7. Investments in Subsidiaries**

Investments in subsidiaries as at August 31, 2022 and May 31, 2022, are as follows:

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

Changes in investment in subsidiaries for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

(in thousands of Korean won)

	August 31, 2022		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	408,051,000	-	408,051,000
	₩ 942,100,000	₩ -	₩ 942,100,000

(in thousands of Korean won)

	February 28, 2022		
	Beginning balance	Acquisitions	Ending balance
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 534,049,000	₩ -	₩ 534,049,000
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	2,500,000	395,551,000	398,051,000
	₩ 536,549,000	₩ 395,551,000	₩ 932,100,000

**8. Investment in Associates**

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

(in thousands of Korean won)

	Country of domicile	Percentage of ownership	Number of shares invested	August 31, 2022		
				Beginning balance	Acquisitions	Ending balance
Beneficiary certificates:						
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 37,264,026	₩ -	₩ 37,264,026
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,126,695	-	41,126,695
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	37,743,009	-	37,743,009
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	42,104,285	-	42,104,285
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	31,458,159	-	31,458,159
				₩ 189,696,174	₩ -	₩ 189,696,174

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

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**9. Other Financial Liabilities**

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

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
Non-trade payables	₩	28,645,845	₩	138,049

**10. Other Liabilities**

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

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
Withholdings	₩	315	₩	767

**11. Share Capital and Other Paid-in-Capital**

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

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

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

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
Additional paid-in-capital	₩	900,186,632	₩	900,186,632

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**12.Retained Earnings**

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

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>		<b>May 31, 2022</b>	
Retained earnings	₩	26,228,953	₩	29,612,660

Changes in retained earnings for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>		<b>February 28, 2022</b>	
Beginning balance	₩	29,612,660	₩	20,040,809
Transfer of other paid-in-capital to retained earnings		-		9,836,000
Dividends		(28,553,926)		(19,196,706)
Profit for the period		25,170,219		14,836,758
Ending balance	₩	<u>26,228,953</u>	₩	<u>25,516,861</u>

Dividends per share and total dividends for the fiscal year ended May 31, 2022 are ₩134 and ₩28,553,926 thousand, respectively, and were proposed and resolved at the shareholder's meeting on August 26, 2022. The financial statements at August 31, 2022 include the unpaid dividends.

**13.Income Tax Expense**

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

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



**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

**14. Earnings per Share**

Basic earnings per share for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in Korean won)</i>	<b>August 31, 2022</b>	<b>February 28, 2022</b>
Profit for the period	₩ 25,170,219,484	₩ 14,836,757,868
Weighted average number of common shares outstanding	213,089,000 shares	200,674,778 shares
Basic earnings per share	<u>₩ 118</u>	<u>₩ 74</u>

Weighted average number of common shares outstanding for the three-month periods ended August 31, 2022 and February 28, 2022, are calculated as follows:

<i>(in shares)</i>	<b>August 31, 2022</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	213,089,000	91	<u>19,391,099,000</u>
Weighted average number of common shares outstanding			<u>213,089,000</u>

<i>(in shares)</i>	<b>February 28, 2022</b>		
	<b>Number of shares</b>	<b>Accumulated number of days</b>	<b>Accumulated number of common shares outstanding</b>
Beginning	143,259,000	16	2,292,144,000
Increase in issued capital	213,089,000	74	<u>15,768,586,000</u>
Weighted average number of common shares outstanding			<u>200,674,778</u>

Diluted earnings per share

The Company did not issue any potential ordinary shares, therefore, diluted earnings per share are identical to basic earnings per share for the three-month periods ended August 31, 2022 and February 28, 2022.

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

**15. Operating Revenues**

Operating revenues for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>February 28, 2022</b>
Dividend income	₩	25,311,952	₩	15,229,163

**16. Operating Expenses**

Operating expenses for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>February 28, 2022</b>
Other fees	₩	77,009	₩	166,349
Salaries		28,500		28,500
General affairs consignment fees		32,400		29,542
Asset custody consignment fees		2,514		2,473
Taxes and due		-		68
Advertising costs		-		99,000
Insurance expenses		4,971		1,513
	₩	<u>145,394</u>	₩	<u>327,445</u>

**17. Finance Income and Costs**

Financial income and expenses for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>February 28, 2022</b>
Financial income				
Interest income	₩	3,656	₩	3,752
Financial costs				
Interest costs	₩	-	₩	68,712

**18. Other Income**

Other income and expenses for the three-month periods August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>February 28, 2022</b>
Miscellaneous income	₩	7	₩	-

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**19. Financial Risk Management**

**19.1 Capital risk management**

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

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

Debt-to-equity ratio as at August 31, 2022 and May 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
Liabilities	₩	28,646,161	₩	138,816
Equity		1,139,504,585		1,142,888,291
Debt-to-equity ratio		2.51%		0.01%

**19.2 Financial risk factors**

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

*(a) Market risk*

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

*(b) Credit risk*

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

- Level of exposure to credit risk

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

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
Cash and cash equivalents	₩	35,517,955	₩	6,748,145
Other financial assets		1,957		4,306,520

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

(c) *Liquidity risk*

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

Analysis of liquidity risk as at August 31, 2022 and May 31, 2022, are as follows:

(in thousands of Korean won)

	August 31, 2022				
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years
Non-Trade payables	₩ 28,645,845	₩ 28,645,845	₩ 28,645,845	₩ -	₩ -

(in thousands of Korean won)

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

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

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

(in thousands of Korean won)

	August 31, 2022		May 31, 2022	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 35,517,955	₩ 35,517,955	₩ 6,748,145	₩ 6,748,145
Other financial assets	1,957	1,957	4,306,520	4,306,520
	₩ 35,519,912	₩ 35,519,912	₩ 11,054,665	₩ 11,054,665
Financial liabilities				
Other financial liabilities	₩ 28,645,845	₩ 28,645,845	₩ 138,049	₩ 138,049

(b) Net gains or losses on each category of financial instruments for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

(in thousands of Korean won)

	August 31, 2022	February 28, 2022
Financial assets at amortized cost		
Interest income	₩ 3,656	₩ 3,752
Interest expenses	-	68,712

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

**21. Cash flow**

The significant non-cash transactions for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>August 31, 2022</b>	<b>February 28, 2022</b>
Transfer of other paid-in-capital to retained earnings	₩ -	₩ 9,836,000
Dividends	28,553,926	19,196,706

Changes in liabilities arising from financial activities for the three-month period ended August 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Cash flow from financial activities</b>	<b>Changes in non-cash transactions</b>	<b>Ending balance</b>
Unpaid dividends	₩ -	₩ -	₩ 28,553,926	₩ 28,553,926

**22. Related Party Transactions**

Related parties as at August 31, 2022 and May 31, 2022, are as follows:

	<b>August 31, 2022</b>	<b>May 31, 2022</b>
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.	ESR Kendall Square Asset No. 1 REIT Co., Ltd. ESR Kendall Square Asset No. 2 REIT Co., Ltd.
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 KendallSquare Professional Investment Type Real Estate Investment Fund #18	KendallSquare Professional Investment Type Real Estate Investment Fund #6 KendallSquare Professional Investment Type Real Estate Investment Fund #7 KendallSquare Professional Investment Type Real Estate Investment Fund #8 KendallSquare Professional Investment Type Real Estate Investment Fund #11 KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related party <sup>1</sup>	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.	Kendall Square REIT Management Co., Ltd. CPP Investment Board Real Estate Holdings Inc. ESR Kendall Square REIT Holding PTE, LTD.

<sup>1</sup> Rights to appoint a director based on shareholders' agreement of the Company which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. are terminated due to termination of the agreement, and the appointed directors as at August 31, 2022 are those who have been appointed by the parties

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

within the term of the agreement.

Transactions with related parties for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>
	<b>Related party</b>	<b>Dividend income</b>
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 17,224,692
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	8,087,260
		₩ 25,311,952

<i>(in thousands of Korean won)</i>		<b>February 28, 2022</b>	
	<b>Related party</b>	<b>Asset management consignment fees</b>	<b>Dividend income</b>
Subsidiary	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ -	₩ 15,229,163
	Kendall Square REIT Management Co., Ltd.	120,456	-
		₩ 120,456	₩ 15,229,163

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

<i>(in thousands of Korean won)</i>		<b>August 31, 2022</b>		<b>May 31, 2022</b>
	<b>Related party</b>	<b>Accrued income</b>	<b>Non-Trade payables</b>	<b>Accrued income</b>
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ 793,611
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-	-	1,389,862
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-	-	347,240
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-	-	1,141,864
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	-	-	625,822
	Other related party	Kendall Square REIT Management Co., Ltd.	-	199,317
	CPP Investment Board Real Estate Holdings Inc.	-	7,095,678	-
	ESR Kendall Square REIT Holding PTE, LTD.	-	1,833,715	-
		₩ -	₩ 9,128,710	₩ 4,298,399

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

Fund transactions with related parties for the three-month periods ended August 31, 2022 and February 28, 2022, are as follows:

(in thousands of Korean won)	Related party	August 31, 2022		February 28, 2022		
		Dividends received	Increase in issued capital	Acquisition of shares	Dividends received	Asset management consignment fees
Subsidiaries	ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 17,224,692	₩ -	₩ -	₩ 15,229,163	₩ -
	ESR Kendall Square Asset No. 2 REIT Co., Ltd.	8,087,260	395,551,000	-	-	-
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	793,611	-	-	267,844	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,389,862	-	-	317,683	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	347,240	-	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	1,141,864	-	-	129,080	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	625,822	-	4,610,418	342,528	-
Other related parties	Kendall Square REIT Management Co., Ltd.	-	-	-	-	768,197

Compensation for key management of the Company for the three-month periods ended August 31, 2022, and February 28, 2022, are as follows:

(in thousands of Korean won)	August 31, 2022	February 28, 2022
Short-term employee benefits	₩ 28,500	₩ 28,500

**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**23. Commitments**

*(a) Contract for the asset management services*

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

**Details**

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



**ESR Kendall Square REIT Co., Ltd.**  
**Notes to the Separate Interim Financial Statements**  
**August 31, 2022 and February 28, 2022(Unaudited) and March 31, 2022**

---

**Details**

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table

In consultation with the asset management company, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.

*(b) General affairs consignment contract*

The Company entered a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Company, and the board of directors and shareholder's meetings. Fees are paid ₩ 42,500 thousand per every fiscal year. In addition, for the assets that the Company additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

*(c) Asset custody consignment contract*

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

*(d) Loan agreement*

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

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