

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

**Consolidated Financial Statements
November 30, 2023 and May 31, 2023**

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

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying 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.
- 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.

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.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Financial Position
November 30, 2023 and May 31, 2023

<i>(in Korean won)</i>	Notes	November 30, 2023		May 31, 2023	
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			<u>2,932,321,656</u>		<u>734,302,515</u>
			<u>79,270,403,254</u>		<u>52,004,830,358</u>
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		<u>861,469,353</u>		<u>721,974,953</u>
			<u>2,264,647,934,127</u>		<u>2,325,648,428,094</u>
Total assets		₩	<u>2,343,918,337,381</u>	₩	<u>2,377,653,258,452</u>
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		<u>254,969,726,027</u>		<u>254,543,561,644</u>
			<u>270,120,719,345</u>		<u>281,750,981,547</u>
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		<u>3,177,948,812</u>		<u>3,542,346,382</u>
			<u>956,885,027,835</u>		<u>962,075,144,459</u>
Total liabilities			<u>1,227,005,747,180</u>		<u>1,243,826,126,006</u>
Equity					
Issue 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		<u>3,636,958,595</u>		<u>20,551,500,840</u>
Equity attributable to equity holders of the Parent Company			<u>1,116,912,590,201</u>		<u>1,133,827,132,446</u>
Total equity			<u>1,116,912,590,201</u>		<u>1,133,827,132,446</u>
Total liabilities and equity		₩	<u>2,343,918,337,381</u>	₩	<u>2,377,653,258,452</u>

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

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
Six-Month Periods Ended November 30, 2023 and May 31, 2023

<i>(in Korean won)</i>	Notes	November 30, 2023		May 31, 2023	
Operating revenues	17	₩	52,957,789,556	₩	49,482,601,960
Operating expenses	18		<u>28,762,922,908</u>		<u>23,403,461,991</u>
Operating income			<u>24,194,866,648</u>		<u>26,079,139,969</u>
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		<u>5,563,022,248</u>		<u>16,853,346,484</u>
			<u>6,464,976,157</u>		<u>17,863,420,252</u>
Non-operating expense					
Financial expenses	19,22		18,807,352,058		15,928,791,765
Other expenses	20		<u>17,992</u>		<u>-</u>
			<u>18,807,370,050</u>		<u>15,928,791,765</u>
Profit before income tax expenses			11,852,472,755		28,013,768,456
Income tax expenses	15		<u>-</u>		<u>-</u>
Profit for the period		₩	<u>11,852,472,755</u>	₩	<u>28,013,768,456</u>
Owners of the Parent Company			11,852,472,755		28,013,768,456
Other comprehensive income			<u>-</u>		<u>-</u>
Total comprehensive income for the period		₩	<u>11,852,472,755</u>	₩	<u>28,013,768,456</u>
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

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

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
Six-Month Periods Ended November 30, 2023 and May 31, 2023

(in Korean won)

	Equity attributable to equity holders of the Parent Company			Non-controlling interests	Total
	Issued Capital	Other paid-in-capital	Retained earnings		
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	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 20,551,500,840</u>	<u>₩ -</u>	<u>₩ 1,133,827,132,446</u>
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	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 3,636,958,595</u>	<u>₩ -</u>	<u>₩ 1,116,912,590,201</u>

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

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flows
Six-Month Periods Ended November 30, 2023 and May 31, 2023

<i>(in Korean won)</i>	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)
	<u>26,589,995,552</u>	<u>11,389,551,621</u>
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)
	<u>(2,686,981,467)</u>	<u>(1,480,282,808)</u>
	<u>35,755,486,840</u>	<u>37,923,037,269</u>
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	<u>36,504,668,381</u>	<u>27,278,580,520</u>
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	<u>27,165,689,913</u>	<u>(118,719,554,053)</u>
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	<u>(38,584,215,426)</u>	<u>85,859,845,000</u>
Net increase (decrease) in cash and cash equivalents	<u>25,086,142,868</u>	<u>(5,581,128,533)</u>
Cash and cash equivalents at the beginning of period	<u>25,521,971,901</u>	<u>31,103,100,434</u>
Cash and cash equivalents at the end of period	<u>₩ 50,608,114,769</u>	<u>₩ 25,521,971,901</u>

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

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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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 Real Estate Holdings Inc.	52,952,822	24.85
Others	136,780,605	64.19
	<u>213,089,000</u>	<u>100.00</u>

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%

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

Notes to the Consolidated Financial Statements

November 30, 2023 and May 31, 2023

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

<i>(in thousands of Korean won)</i>	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

<i>(in thousands of Korean won)</i>	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:

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Notes to the Consolidated Financial Statements

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- 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

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

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November 30, 2023 and May 31, 2023

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

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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.

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.

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(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.

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For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The 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.

- 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

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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.

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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.

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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.

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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

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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.

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:

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

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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:

<i>(in thousands of Korean won)</i>	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
	₩	<u>42,277,790</u>	₩	<u>42,277,508</u>

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:

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

7. Other Assets

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

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

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8. Investments in Associates

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

(in thousands of Korean won)

		November 30, 2023						
	Location	Percentage of ownership	Number of shares invested	Beginning balance	Termination	Share of profit or loss	Dividends	Ending balance
Beneficiary certificates: ¹								
KendallSquare Professional Investment Type Real Estate Investment Fund #6 ²	Korea	-	-	₩ 51,696,981	₩ (51,630,851)	₩ (66,130)	₩ -	₩ -
KendallSquare Professional Investment Type Real Estate Investment Fund #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 #8	Korea	99.21%	37,743,009,474	45,454,812	-	1,663,897	(396,846)	46,721,863
Kendall Square General Private Placement Real Estate Investment Trust #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 #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.

(in thousands of Korean won)

		May 31, 2023					
	Location	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 #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 #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 #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 #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 #18	Korea	97.78%	30,898,138,840	30,380,887	1,221,742	(635,600)	30,967,029

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₩ 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:

(in thousands of
Korean won)

	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
	<u>₩ 2,121,568,291</u>	<u>₩ (69,085,553)</u>	<u>₩ 2,052,482,738</u>	<u>₩ 2,121,469,955</u>	<u>₩ (54,247,270)</u>	<u>₩ 2,067,222,685</u>

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			
	Land	Building	Construction in progress	Total
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	<u>₩ 640,172,508</u>	<u>₩ 1,401,950,604</u>	<u>₩ 10,359,626</u>	<u>₩ 2,052,482,738</u>

(in thousands of
Korean won)

	May 31, 2023			
	Land	Building	Construction in progress	Total
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	<u>₩ 640,168,172</u>	<u>₩ 1,416,759,887</u>	<u>₩ 10,294,626</u>	<u>₩ 2,067,222,685</u>

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

<i>(in thousands of Korean won)</i>	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:

<i>(in thousands of Korean won)</i>				
Classification	Address	Book amount	Fair value	
Goyang logistics park	Land	701, Wonheung-dong , Deogyang-gu, Goyang-si, Gyeonggi-do	₩ 197,132,815	₩ 248,195,600
	Building		290,319,716	325,004,400
			<u>487,452,531</u>	<u>573,200,000</u>
Anseong logistics park	Land	35-4, Jangneung-ri, Juksan-myeon, Anseong-si, Gyeonggi-do	40,658,182	41,482,000
	Building		121,684,861	151,488,000
			<u>162,343,043</u>	<u>192,970,000</u>
Buchon cold logistics park	Land	801, Ojeong-dong, Bucheon-si, Gyeonggi-do	57,965,399	93,309,800
	Building		142,722,311	152,890,200
			<u>200,687,710</u>	<u>246,200,000</u>
Gimhae logistics park	Land	5, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	30,398,338	36,236,800
	Building		17,362,319	23,363,200
			<u>47,760,657</u>	<u>59,600,000</u>
Yongin logistics park	Land	434, Gachang-ri, Cheoin-gu, Yongin-si, Gyeonggi-do	39,837,801	55,829,700
	Building		90,982,669	95,470,300
			<u>130,820,470</u>	<u>151,300,000</u>
Icheon logistics park 2	Land	580-1, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	11,375,771	19,623,600
	Building		38,181,618	51,476,400
			<u>49,557,389</u>	<u>71,100,000</u>
Icheon logistics park 3	Land	567-46, Maegok-ri, Hobeop-myeon, Icheon-si, Gyeonggi-do	7,099,609	11,329,600
	Building		21,767,973	27,470,400
			<u>28,867,582</u>	<u>38,800,000</u>
Anseong logistics park 2	Land	915/916 Chilgok-ri, Wongok-myeon, Anseong-si, Gyeonggi-do	99,246,022	96,230,250
	Building		234,057,959	241,419,750
			<u>333,303,981</u>	<u>337,650,000</u>
Anseong logistics park 3	Land	23-10/13/14, Neungguk-ri, Iljuk-myeon, Anseong-si, Gyeonggi-do	27,156,791	28,258,250
	Building		102,794,724	102,891,750
			<u>129,951,515</u>	<u>131,150,000</u>

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Classification		Address	Book amount	Fair value
Icheon logistics park 5	Land	423, Haewol-ri, Majang-myeon, Icheon-si, Gyeonggi-do	59,300,980	63,722,000
	Building		144,283,410	145,808,000
			<u>203,584,390</u>	<u>209,530,000</u>
Gimhae logistics park 2	Land	5-8, Daegam-ri, Sangdong-myeon, Gimhae-si, Gyeongsangnam-do	18,497,330	20,963,360
	Building		54,542,027	54,716,640
			<u>73,039,357</u>	<u>75,680,000</u>
Anseong logistics park 4	Land	409-3, Yongwol-ri, Samjuk-myeon, Anseong-si, Gyeonggi-do	18,658,263	17,820,400
	Building		42,199,235	41,979,600
			<u>60,857,498</u>	<u>59,800,000</u>
Icheon logistics park 7	Land	309, Bupil-ri, Daewol-myeon, Icheon-si, Gyeonggi-do	32,845,207	32,845,207
	Building		101,051,782	101,051,782
			<u>133,896,989</u>	<u>133,896,989</u>
			<u>₩ 2,042,123,112</u>	<u>₩ 2,280,876,989</u>

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.

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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:

<i>(in thousands of Korean won)</i>	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
	<u>₩ 2,042,123,112</u>	<u>₩ 1,144,100,000</u>	<u>₩ 1,372,920,000</u>

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

As at November 30, 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:

<i>(in thousands of Korean won)</i>	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)
	<u>₩ 12,731,551</u>	<u>₩ 24,814,142</u>
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	-
	<u>₩ 41,636,754</u>	<u>₩ 38,546,703</u>

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11. Other Liabilities

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

<i>(in thousands of Korean won)</i>	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
	₩	<u>2,419,443</u>	₩	<u>2,393,278</u>
Non-current liabilities				
Unearned revenue	₩	3,177,949	₩	3,542,346
	₩	<u>3,177,949</u>	₩	<u>3,542,346</u>

12. Borrowings

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

<i>(in thousands of Korean won)</i>	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
						<u>255,000,000</u>	
	Less: discount				(30,274)		(456,438)
				₩	<u>254,969,726</u>	₩	<u>254,543,562</u>

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

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate(%)	Maturity date		November 30, 2023	May 31, 2023
	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
Tranche A ¹	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, 2024		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
	Industrial Bank of Korea	2.50	December 14, 2025		28,700,000	28,700,000
Tranche C ¹	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	The Kwangju Bank, Ltd.	5.43	May 10, 2026		5,000,000	5,000,000

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<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate(%)	Maturity date	November 30, 2023	May 31, 2023
BRIC logistics park ^{1,2}	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
				<u>1,174,100,000</u>	<u>1,184,100,000</u>
	Less: discount			(7,059,949)	(9,570,343)
	Less: reclassification to current portion			(254,969,726)	(254,543,562)
				<u>₩ 912,070,325</u>	<u>₩ 919,986,095</u>

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%.

13. Issued Capital and Other Paid-in-Capital

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

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

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

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

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

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

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14. Retained Earnings

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

<i>(in thousands of Korean won)</i>	November 30, 2023		May 31, 2023	
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:

<i>(in thousands of Korean won)</i>	November 30, 2023		May 31, 2023	
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	₩	<u>3,636,959</u>	₩	<u>20,551,501</u>

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

<i>(in Korean won)</i>	November 30, 2023		May 31, 2023	
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.

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16. Earnings per Share

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

<i>(in shares and in Korean won)</i>	November 30, 2023		May 31, 2023	
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

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

<i>(in shares)</i>	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

<i>(in shares)</i>	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

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.

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17. Operating Revenues

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

<i>(in thousands of Korean won)</i>	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
	₩	<u>52,957,789</u>	₩	<u>49,482,602</u>

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:

<i>(in thousands of Korean won)</i>	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
	₩	<u>391,241,694</u>	₩	<u>404,562,316</u>

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18. Operating Expenses

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

<i>(in thousands of Korean won)</i>	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

19. Finance Income and Expenses

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

<i>(in thousands of Korean won)</i>	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

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20. Other Income and Expenses

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

<i>(in thousands of Korean won)</i>	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:

<i>(in thousands of Korean won)</i>	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.

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(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:

<i>(in thousands of Korean won)</i>		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

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

<i>(in thousands of Korean won)</i>		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
		<u>115,818,697</u>		<u>79,841,376</u>

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(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	46,910,617	995,730	5,369,209	27,335,678	13,210,000
	<u>₩ 1,215,858,845</u>	<u>₩ 1,276,637,956</u>	<u>₩ 288,264,483</u>	<u>₩ 371,105,908</u>	<u>₩ 604,057,565</u>	<u>₩ 13,210,000</u>

(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
	<u>₩ 1,232,182,643</u>	<u>₩ 1,310,814,459</u>	<u>₩ 303,035,964</u>	<u>₩ 379,781,023</u>	<u>₩ 613,490,167</u>	<u>₩ 14,507,304</u>

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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
	<u>₩ 115,818,697</u>	<u>₩ 115,818,697</u>	<u>₩ 79,841,376</u>	<u>₩ 79,841,376</u>
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
	<u>₩ 1,221,408,356</u>	<u>₩ 1,221,408,356</u>	<u>₩ 1,237,890,502</u>	<u>₩ 1,237,890,502</u>

(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

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23. Cash flow

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

<i>(in thousands of Korean won)</i>	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 non-trade payables	-	9,624,044

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

(in thousands of Korean won)

	November 30, 2023			
	Beginning balance	Cash flow from financing activities	Changes in non-cash transactions¹	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 non-cash transactions¹	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 #7	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 #8
	Kendall Square General Private Placement Real Estate Investment Trust #11 ²	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 #18
Other related parties	Kendall Square REIT Management Inc.	Kendall Square REIT Management Inc.
	CPP Investment Board Real Estate Holdings Inc.	CPP Investment Board Real Estate Holdings Inc.
	ESR Kendall Square REIT Holding PTE, LTD.	ESR Kendall Square REIT Holding PTE, LTD.

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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.

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

(in thousands of Korean won)

	Related party		November 30, 2023	
			Asset management consignment fees	
Other related party	Kendall Square REIT Management Inc.	₩		5,286,199

(in thousands of Korean won)

	Related party		May 31, 2023	
			Asset management consignment fees¹	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)

	Related party	November 30, 2023		May 31, 2023	
		Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ -	₩ -	₩ 992,014	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,290,586	-	595,655	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	396,846	-	1,091,326	-
	Kendall Square General Private Placement Real Estate Investment Trust #11	595,755	-	992,925	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	586,708	-	635,600	-

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Other related Kendall Square REIT party Management Co., Ltd.	-	5,814,819	-	5,459,871
	<u>₩ 2,869,895</u>	<u>₩ 5,814,819</u>	<u>₩ 4,307,520</u>	<u>₩ 5,459,871</u>

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

<i>(in thousands of Korean won)</i>		November 30, 2023			May 31, 2023		
		Dividends received	Collection of principal upon termination	Dividends paid	Dividends received	Dividends paid	
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 15,358,841	₩ 37,264,025	₩ -	₩ 793,611	₩ -	
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	595,655	-	-	893,482	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	1,091,326	-	-	892,903	-	
	Kendall Square General Private Placement Real Estate Investment Trust #11	992,925	-	-	893,633	-	
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	635,600	-	-	488,923	-	
	Other related parties	Kendall Square REIT Management Co., Ltd.	-	-	200,804	-	202,292
		CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC	-	-	7,148,631	-	7,201,584
	ESR Kendall Square REIT Holding PTE, LTD.	-	-	1,847,399	-	1,861,083	
		<u>₩ 18,674,347</u>	<u>₩ 37,264,025</u>	<u>₩ 9,196,834</u>	<u>₩ 3,962,552</u>	<u>₩ 9,264,959</u>	

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

<i>(in thousands of Korean won)</i>	November 30, 2023	May 31, 2023
Short-term employee benefits	₩ 57,000	₩ 57,000

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

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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.

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 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.

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(d) *Loan agreement*

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

<i>(in thousands of Korean won)</i>	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

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

<i>(in thousands of Korean won)</i>	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 3 others
	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, NongHyup Bank, 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.

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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.