



Special Feature

# With our aspirations, we cross the ocean to become a game changer in the U.S. homebuilding industry

Make home the happiest place in the world- Transferring Sekisui House technologies from Japan to expand our homebuilding business in the U.S.

SEKISUI HOUSE, LTD.

The 74th Interim Report

February 1, 2024 to July 31, 2024

# BUSINESS REPORT



Securities code: 1928

# TOP MESSAGE

## Top Message

### Yoshihiro Nakai

Representative Director of the Board  
President, Executive Officer, CEO



**Dialogue across borders will lead to solutions that have never been seen before. We have established a foundation and structure for new growth.**

It is now the second year of the Sixth Mid-Term Management plan, which is based on the fundamental policy “Stable growth in Japan and proactive growth overseas.”

To realize our global vision to “make home the happiest place in the world,” I would like to first of all report to our shareholders that the Sekisui House Group is moving forward in business as planned both in Japan and overseas, and is continuing to grow and make breakthroughs with solid business results.

In our Overseas Business, which aims for proactive growth, we completed the acquisition of M.D.C. Holdings, Inc. (“MDC”), a home building company headquartered in Denver, Colorado, as a wholly-owned subsidiary in April.

Accordingly, our full-year consolidated earnings forecast for the fiscal year ending January 31, 2025 has been revised upward.

We plan to pay a dividend of 129 yen per share for the period, an increase of 6 yen from the previous fiscal year.

Aiming for further profit growth, the Sekisui House Group is advancing toward a new stage.

**The Built-to-Order Business is experiencing a favorable trend in orders despite adverse market conditions.  
High value-added proposals have been a success.**

The entire domestic housing market is facing headwinds, partly due to the effects of rising raw material and labor costs. However, Sekisui House, which mainly focuses on mid- to high-end products, has been steadily receiving orders thanks to making high-value-added housing proposals that further enhance homeowner value, such as the Family Suite large living room and PLATFORM HOUSE touch, a smartphone app which allows users to check the condition of their home and remotely control various devices and systems located within the home.

“life knit design,” a new design proposal system that provides home designs that match the sensibilities of customers, is also popular. It is a new design approach aimed at having customers continue living in their homes for a long time as they possess a sense of attachment for their homes and carefully maintain them in the era of the 100-year lifespan.

If we deliver valuable products in the forms and methods that people want, there will always be customers who will find and appreciate their quality. While the number of new construction starts for detached houses in Japan is declining, we are increasingly confident that our three-brand strategy, through which we implement strategies and measures according to three price ranges, will lead to success.

From April 2025, all new houses will be required to conform to energy-saving standards due to the revision of the Building Energy Efficiency Act. The housing properties that we provide serve as assets of communities and social capital, and are important assets owned by our

customers. Our mission is to provide valuable homes that meet the demands of society and our customers. We will contribute to the creation of high-quality housing stock throughout Japan by focusing on our skeleton and infill (SI) business, a joint construction business through which we are building networks with excellent partner companies in each region to enhance the earthquake resistance of wooden-frame houses.

Sha Maison rental housing, which is developed mainly in urban areas, is also experiencing favorable sales as a result of the implementation of Sekisui House’s unique, comprehensive area strategies. Sha Maison rental housing properties serve as assets that create new value for the valuable land of property owners. We will work to enhance the value of the Sha Maison brand by focusing on stable earnings, which should result from the expected long-term occupancy demand, and enhancing our price leader strategy designed to achieve proposals with a view to passing on properties to the next generation, high occupancy rates, and rent levels.

**We are implementing the full-fledged transfer of Sekisui House technologies overseas.  
The Company is implementing an unparalleled two-brand strategy**

In regard to our Overseas Business, the integration of MDC into the Sekisui House Group has solidified our foothold for proactive growth.

This addition has expanded our presence in the U.S. homebuilding market from eight to 16 states. An organizational foundation similar to that in Japan has been created with strong corporate functions uniting each area. Based on that foundation, we are implementing the



life knit design proposes comfortable home designs that incorporate the sensitivities of customers

full-fledged transfer of Sekisui House technologies overseas in order to “Make Sekisui House technologies the global de facto standard.”

Specifically, we will accelerate the transfer of Sekisui House technologies to Group homebuilders in the U.S., including MDC, for use in 2x4 construction. Sekisui House has accumulated unparalleled technology and superior housing-related know-how cultivated over a history of more than 60 years. The potential created from a multifaceted approach making use of both technologies and lifestyle design is immeasurable.

Additionally, we are focusing on popularizing and expanding the sales of SHAWOOD wooden-frame houses, which we have begun selling in California and have been well received. These homes are constructed the same way that they would be in Japan using the same materials.

With an unparalleled two-brand strategy that creates unique value, we will supply housing that boasts Sekisui House quality and aim to become a game changer in the U.S. homebuilding industry. Beyond that, I strongly

believe that the future possibilities for the growth of the Sekisui House Group as a pioneer in the U.S. homebuilding market and a unique homebuilder are expanding.

Through this acquisition of MDC, we are confident that we will achieve our mid-term goal of supplying 10,000 detached houses per year to the overseas market by 2025 on the same scale as in Japan ahead of schedule. Furthermore, we have set a target of supplying 20,000 detached houses per year by 2031.

In addition to meticulous planning, the concept of planned happenstance is also important for expansion in the United States. Planned happenstance is the concept of autonomously responding to unexpected situations and changes, taking advantage of chance events and encounters, and linking them to growth.

What kind of value do we create in the U.S. homebuilding market? Marketing carried out to determine the direction in which to proceed consists of a series of exciting discoveries. I would also like to emphasize that we have a corporate philosophy and common values that constitute our *raison d'être* that serve as major premises for taking on such challenges overseas.

**Inheriting Sekisui House Group DNA leads to continuous change.**

**The Sekisui House Group promises a happy future.**

"Love of humanity," which is the fundamental philosophy of our corporate philosophy, is at the root of all the business activities of the Sekisui House Group, both in Japan and abroad. In 2020, the year in which we

celebrated our 60th anniversary, we formulated our global vision, which covers a 30-year period until 2050. In order to realize this vision, all employees across the Group share corporate values that indicate the sources of our strengths and how we want to be viewed as a company.

This time, we have established "SEKISUI HOUSE\_SHIP" (Sekisui House International Platform) to redefine the Sekisui House Group's Identity and the direction that we are headed. The five initiatives behind SHIP embody our strong desire to be a group of people that transcends national borders and races to make the future happy.

Innovation and communication are constantly evolving to create new values for a new era, considering the true happiness that comes after a mature and aging society is established. The foundation to this is dialogue. We bring out and enhance each other's goodness by sharpening our skills and sensibilities and deepening dialogue, not only in Japan and overseas. As a result, we are confident that we will find solutions that have never been seen before which will support and drive further growth.

Sekisui House Innovation & Communication Co., Ltd. was established in February of this year to further promote open innovation and develop human resources by utilizing Sekisui House Group's technology, customer base, data, and human resources. In September, InnoCom Square, an open innovation facility, was opened as a place for value creation where industry, government, academia, and other industries gather.

I have high expectations for this initiative where we will be highly observant and intentionally/systematically make discoveries by chance which will lead to the creation of previously unknown value and innovation.

Long-term activities that contribute to the realization of a society in harmony with nature also lead to the creation

#### Sekisui House Group's Identity

## SEKISUI HOUSE-SHIP

**Creating new value through innovation.**

**Fostering ideas through effective communication and collaboration.**

**Taking proactive and independent action.**

**Continually refining our technology and sense of beauty.**

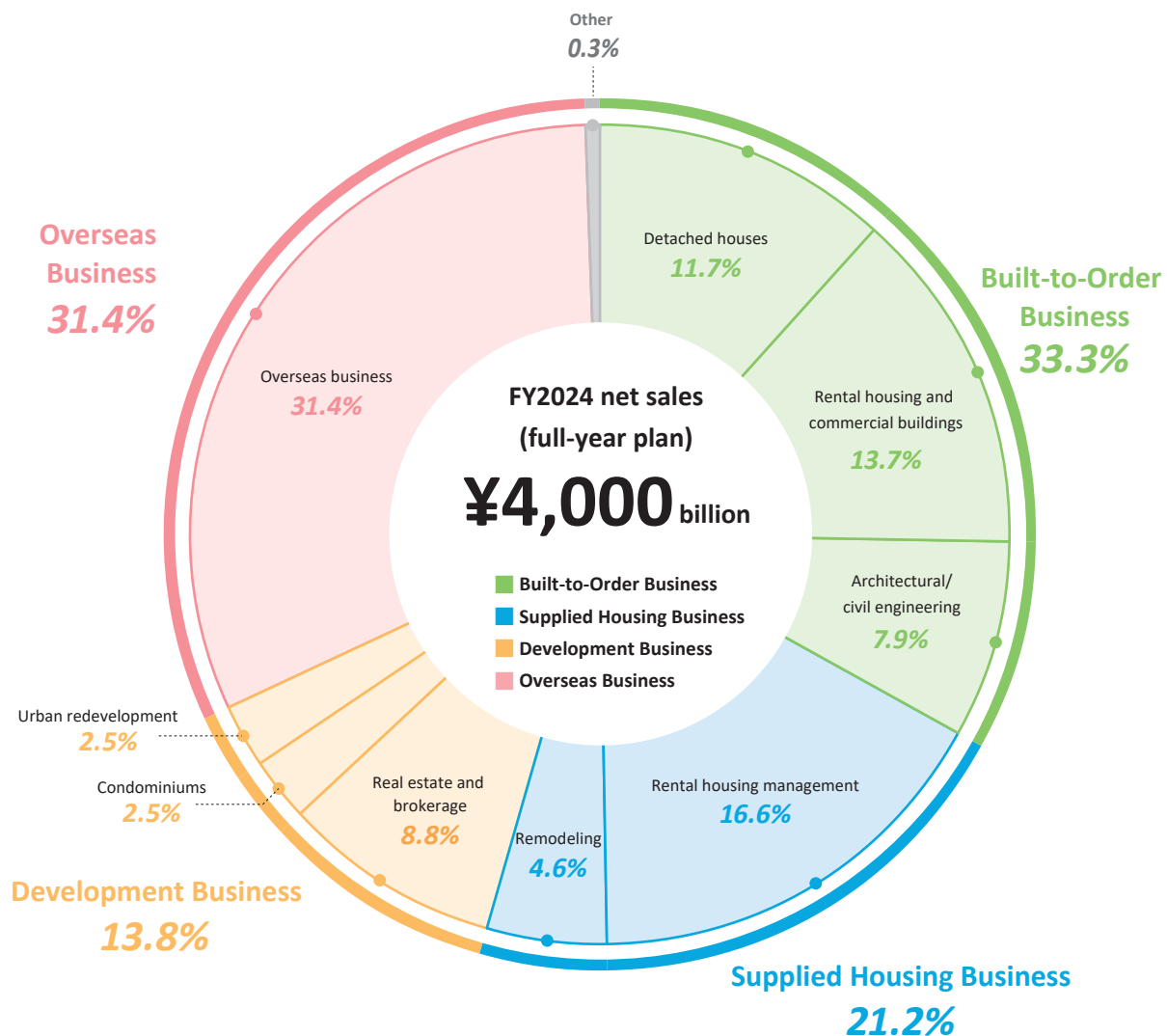
**Committing as professionals to making home the happiest place in the world.**

of new social value. Through joint research with the University of Tokyo, it has been scientifically confirmed that the results of the Gohon no Ki Project, through which as many as 20 million trees have been planted since 2001, will contribute to the improvement of the well-being of residents with the idea of planting three out of every five trees for birds and two for butterflies taking the native tree species of the region into account. These seeds of new value are sown everywhere.

Each employee in Japan and overseas works autonomously toward the common goal of to "make home the happiest place in the world." These employees aim at achieving our global vision as they inherit the Sekisui House Group's DNA. As the Group still continues to change in order to further enhance its corporate value, we look forward to your continued support.

## Sekisui House Group Business Portfolio

FY2024 net sales (full-year plan) and sales composition ratio



Overview of each business, second quarter net sales, and rate of progress against the full-year sales plan



### Built-to-Order Business

We provide high value-added housing and commercial buildings on land held by the customer. We contribute to the formation of high-quality social capital.

Second quarter of FY2024

Net sales **¥647.9 billion** Rate of progress **48.2%**



### Supplied Housing Business

We plan to maintain and grow asset values through high-quality management of rental housing and through remodeling houses, and we will promote construction of a recycling-oriented society.

Second quarter of FY2024

Net sales **¥435.7 billion** Rate of progress **50.8%**

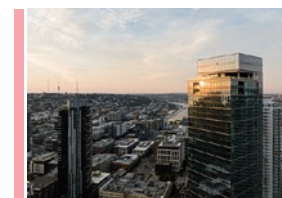


### Development Business

We contribute to building high-quality towns by developing residential land, high-quality condominiums, office buildings, etc. in attractive areas.

Second quarter of FY2024

Net sales **¥302.6 billion** Rate of progress **54.2%**



### Overseas Business

With the top quality and leading-edge technology which we have cultivated in Japan, we will explore overseas housing needs. We will spread the Sekisui House brand by adapting to the real estate circumstances in each country.

Second quarter of FY2024

Net sales **¥484.6 billion** Rate of progress **38.3%**

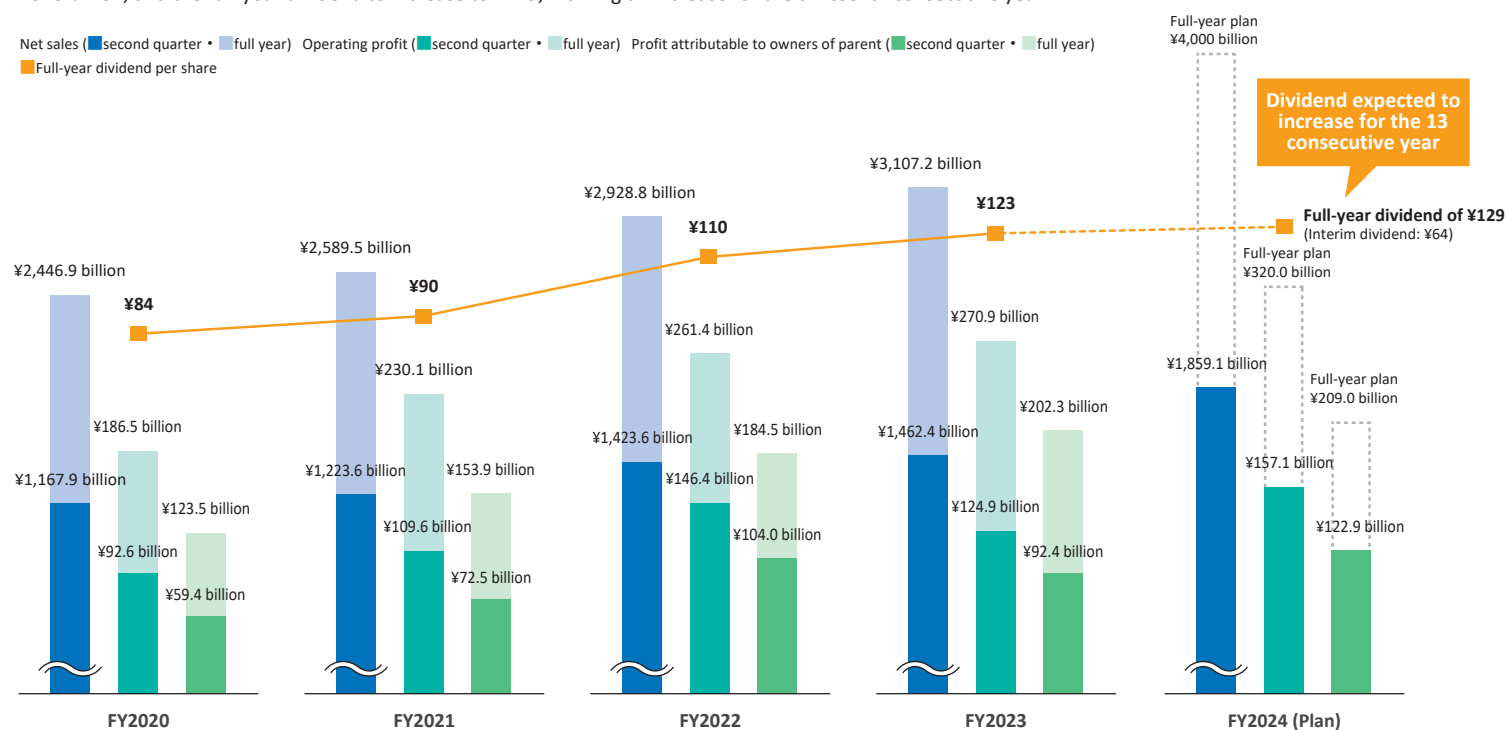
## Performance Report

### Consolidated Financial Results Highlights

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Cumulative number of dwellings built (Japan)	Cumulative number of dwellings built (Overseas)
YoY +27.1%	YoY +25.8%	YoY +17.5%	YoY +33.0%	Increased +15,233 units from the end of the previous fiscal year	Increased +5,012 units from the end of the previous fiscal year
<b>¥1,859.1 billion</b>	<b>¥157.1 billion</b>	<b>¥147.1 billion</b>	<b>¥122.9 billion</b>	<b>2,633,370 units</b>	<b>49,058 units</b>

During the second quarter of FY2024, as geopolitical risks and similar issues continued to be closely monitored, the domestic economy recovered moderately due in part to improved employment and income conditions despite the weak yen and rising prices affecting personal consumption. Under these conditions, with the aim of achieving our global vision to “make home the happiest place in the world” and the fundamental policy “Stable growth in Japan and proactive growth overseas,” we achieved business growth by aggressively promoting high-value-added proposals and the acquisition of MDC as a wholly owned subsidiary. As a result, net sales and operating profit reached record highs during the second quarter, placing the Company on track to achieve a record-high profit during the current fiscal year. Under the full-year plan, we expect net sales to reach ¥4,000 billion, operating profit to reach ¥320 billion, and the full-year dividend to increase to ¥129, marking an increase for the thirteenth consecutive year.

Net sales (■ second quarter • full year) Operating profit (■ second quarter • full year) Profit attributable to owners of parent (■ second quarter • full year)  
 ■ Full-year dividend per share



### Balance Sheet

	As of January 31, 2024	End of the second quarter of FY2024
Current assets	2,496.9	3,598.7
Non-current assets	855.8	1,121.5
<b>Total assets</b>	<b>3,352.7</b>	<b>4,720.3</b>
Current liabilities	1,138.0	1,864.8
Non-current liabilities	420.7	857.8
Total liabilities	1,558.7	2,722.7
Net assets	1,794.0	1,997.5
<b>Total liabilities and net assets</b>	<b>3,352.7</b>	<b>4,720.3</b>

### Cash Flows

	Second quarter of FY2023	Second quarter of FY2024
Cash and cash equivalents at beginning of period	332.7	292.9
Cash flows from operating activities	(49.8)	23.3
Cash flows from investing activities	(37.7)	(580.9)
Cash flows from financing activities	52.6	678.6
Effect of exchange rate changes on cash and cash equivalents	6.6	17.6
Cash and cash equivalents at the end of the year	304.4	431.5

## Performance Report by Segment

### Built-to-Order Business

(Billions of yen)

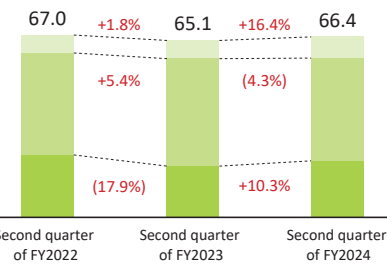
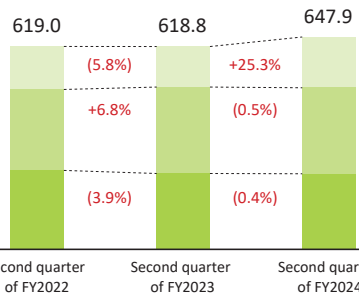
#### Net sales

Orders in the detached houses segment were strong despite a decline in sales. Orders were strong in the rental housing and commercial buildings segment, especially for Sha Maison ZEH and commercial buildings, despite a decline in sales. Sales increased in the architectural/civil engineering segment and orders were strong.

#### Operating profit

In the detached houses segment, profit margin improved and operating profit increased due to the promotion of high value-added proposals. Operating profit decreased in the rental housing and commercial buildings segment. In the architectural/civil engineering segment, operating profit increased due to the steady progress of large-scale construction projects.

■ Detached houses ■ Rental housing and commercial buildings  
■ Architectural/civil engineering



Note: Because some of the segments of consolidated subsidiaries that had been recorded as "Other businesses" were recategorized into the urban redevelopment business following a partial revision of the Group's business management segments, the figures in the same periods of previous years have been updated to reflect the changes.

### Development Business

(Billions of yen)

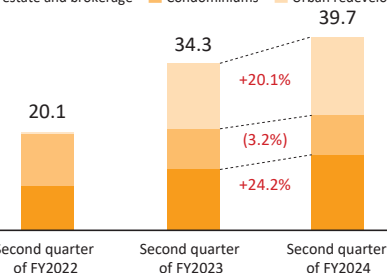
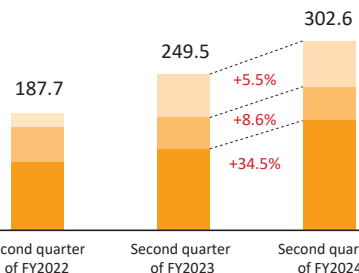
#### Net sales

Sales in the real estate and brokerage segment significantly increased due to the contribution of real estate sales through the active acquisition of prime land and sales expansion. In the condominium segment, sales and deliveries also showed favorable trends. In urban redevelopment, sales increased due to progress in property sales.

#### Operating profit

In the real estate and brokerage segment, operating profit increased due to residential land sales growth. In the condominiums segment, condominium deliveries progressed as planned. In urban redevelopment, sales increased due to an increase in property sales.

■ Real estate and brokerage ■ Condominiums ■ Urban redevelopment



### Supplied Housing Business

(Billions of yen)

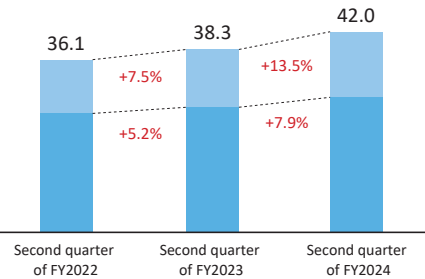
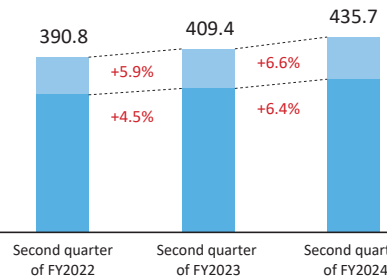
#### Net sales

The rental housing management and remodeling segments continued to experience stable growth. There was a steady increase in the number of units under management, leading to increased sales in the rental housing management segment. In the remodeling segment, sales increased due to an increase in large-scale remodeling projects.

#### Operating profit

In the rental housing management segment, operating profit increased due to higher sales and a high occupancy rate. Operating profit increased in the remodeling segment due to the continued promotion of asset value-enhancing renovation of rental properties whenever tenants are replaced.

■ Rental housing management ■ Remodeling



### Overseas Business

(Billions of yen)

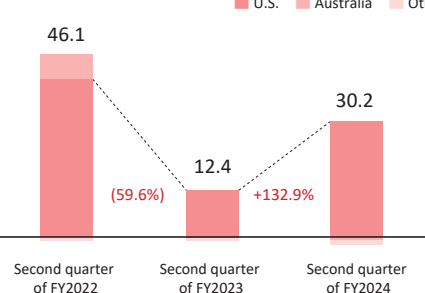
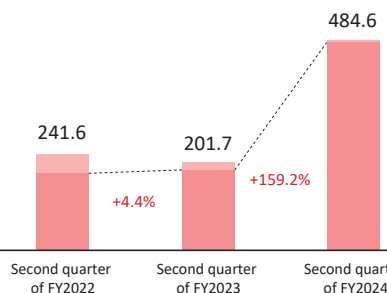
#### Net sales

In the U.S., sales of detached houses significantly increased due to the acquisition of MDC, and the multifamily business experienced growth in property sales. Sales in our Australian businesses progressed as planned.

#### Operating profit

In the U.S., the growth of existing builders contributed to an increase in profits. In Australia, profits dropped since the period was the off-peak condominium deliveries.

■ U.S. ■ Australia ■ Other





Special Feature

# With our aspirations, we cross the ocean to become a game changer in the U.S. homebuilding industry

Make home the happiest place in the world—Transferring Sekisui House technologies from Japan to expand our homebuilding business in the U.S.

Our Overseas Business is steadily expanding our homebuilding business mainly in the U.S. where demand for detached housing is solid due to population growth, the country's demographic structure, and other factors. Through the acquisition of local builders, the Company has expanded its business from the western part of the U.S. to the southeast, and continues to grow aggressively. In this special feature, we will introduce the purpose behind and background on our efforts to expand our business to the U.S., as well as our strategy and vision for future growth through the transfer of Sekisui House technologies.



SHAWOOD model home located in a new home community in California



Section I Initiatives in the homebuilding business in the U.S.

## Expanding our business from the western U.S. to the southeastern U.S. by integrating local homebuilders into the Group

In Japan, the number of new housing starts is decreasing year by year due to the decrease in population and the number of households. On the other hand, when we look overseas, some countries do not have an adequate supply of housing. One of these countries is the U.S., which has a population that continues to grow, exceeding 335 million in 2023. The demographic structure of the population, including the Millennial and Generation Z segments, which consist of people in the right age groups for home acquisition, also provides housing demand support, meaning that solid demand can be expected. In the U.S., there is a large demand for pre-owned homes, and 2x4 construction<sup>\*1</sup> is the conventional method used for building new homes. We believe that we can respond to the latent needs of our customers, such as supplying high-quality new housing and proposing lifestyles, as they have to change their residences due to life stage changes or maintain their asset values through DIY remodeling and maintenance.

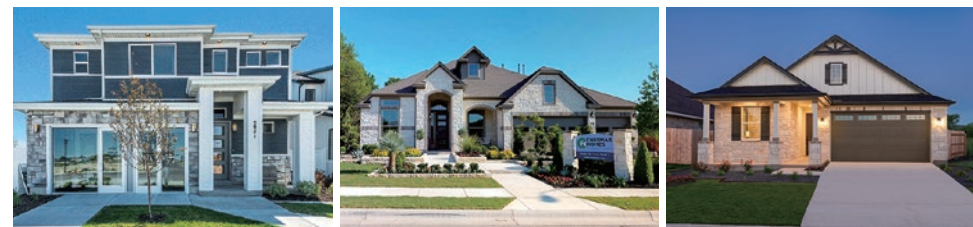
In the U.S., we have been pursuing an aggressive growth strategy in the homebuilding business and acquiring local builders, aiming to create a two-pillar business portfolio consisting of both the development business and the homebuilding business. Starting with Woodside Homes in

2017, we had acquired a total of four consolidated subsidiaries by 2023. While steadily expanding the Group, we have sought to shift from a traditional price-centered approach to lifestyle proposals and value-oriented homebuilding that leads to the happiness of customers. In April 2024, M.D.C. Holdings, Inc. (MDC), which was one of the largest publicly-traded homebuilders<sup>\*2</sup> in the U.S., was acquired by the Group.

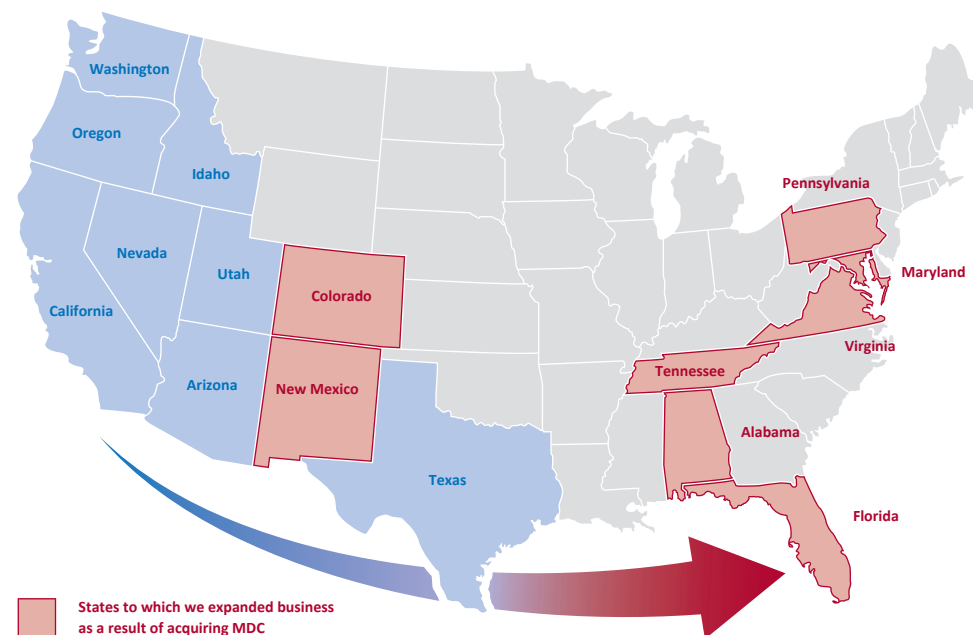
As a result, the area covered by our homebuilding business in the U.S. has been greatly expanded from eight to 16 states, leading to steady progress toward the creation of a foundation for the transfer of Sekisui House technologies to the U.S. market. We are striving for the proactive growth of our Overseas Business.

\*1 A standard construction method for wooden-frame houses in Europe and the U.S.  
 \*2 Acquired all shares of MDC through SH Residential Holdings, LLC, a subsidiary of Sekisui House US Holdings, LLC, its U.S. operations headquarters. MDC was delisted from the New York Stock Exchange (NYSE) effective April 19, 2024.

The history of M&A



Market expansion through the acquisition of U.S. homebuilders



**Section II** The large-scale acquisition of MDC will lead to a sharp increase in the number of supplied houses

## Demonstrating synergies from the acquisition of a strong platform toward our goal of supplying 20,000 houses per year, consisting of New 2×4 and SHAWOOD houses

In executing M&As, Sekisui House has focused not only on increasing earnings and the number of houses sold by each company but also on whether or not they can resonate with our corporate philosophy, global vision, and ideas about housing. The acquisition of MDC is valued at approximately \$5 billion (approximately ¥750 billion based on an exchange rate of 1 USD = 150 JPY), marking the largest investment in our history. However, this acquisition provided us with a solid platform for transferring Sekisui House technologies to the U.S.

As we aim to expand into the southeastern U.S., MDC's strength lies in its solid business foundation in the region and attractive product lineup tailored to customer needs. Additionally, MDC's new detached homes come standard with energy-saving features that help reduce energy consumption. The company also has a high-level governance structure that takes a progressive approach to ESG management. With this acquisition, the Sekisui House Group is expected to rank among the top 10 housing companies in the U.S. for number of detached houses delivered, indicating its significant progress in the homebuilding business in the U.S. In

addition to synergies among group builders, Sekisui House will transfer its technologies to existing group builders to make a leap forward in becoming a leading presence in the U.S. detached house industry.

Our previous plan had been to supply 10,000 detached houses overseas per year by 2025. However, with the acquisition of MDC, we expect to achieve this goal one year ahead of schedule. The next goal is to supply 20,000 detached homes annually in the U.S. by 2031, the final year of the Eighth Mid-Term Management Plan. Breaking this number down, 17,000 of those houses will be "New 2×4 by Sekisui House" houses, built as a result of the transfer of our technologies to support conventional 2×4 construction, and 3,000 SHAWOOD houses, one of our original brands. By bringing these two products to the U.S. homebuilding market, we aim to achieve our goals.

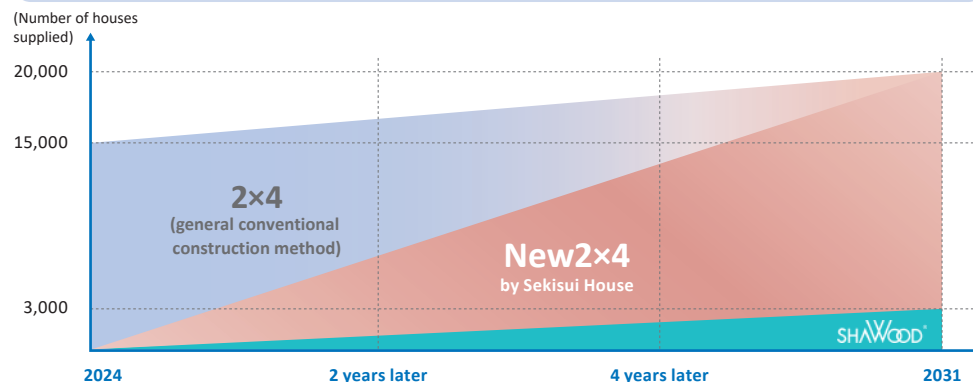
M.D.C. Holdings, Inc. Company Information

Year of establishment	1972
Net sales	Approx. \$4.6 billion (Approx. ¥700 billion in FY2023 (based on an exchange rate of 1 USD = 150 JPY))
Business area	Active in 16 states
Number of houses supplied annually	Over 8,000
Number of houses supplied since MDC was founded	More than 240,000
Ranking among homebuilders in the U.S.	Consistently ranked 11th to 13th at various times during past 10 years



After the acquisition, a meeting was held with representatives from Sekisui House's Overseas Business Headquarters, existing builders, and executives from MDC. We shared mid- to long-term goals and our future visions as employees listened together.

Projected increase in the number of New 2×4 and SHAWOOD detached houses in the U.S. as a result of transferring our technologies



### Section III Make Sekisui House technologies the global de facto standard

## The Company aims to become a game changer in the U.S. homebuilding business by utilizing 60 years of accumulated technology from Japan in the U.S.

SHAWOOD, our original wooden-frame house brand which pursues safety, security, and comfort, and can be proposed using free ideas by integrating hardware, software, and services, such as advanced housing technology cultivated in Japan and lifestyle proposals, is our product that best embodies Sekisui House technologies. Supplying strong, high value-added housing that responds to diverse lifestyles and family changes through flexible design and dynamic spaces that leverage the strengths of the S-MJ construction method\* will provide us with the ability to compete with companies offering 2×4 construction-based products and place us at a different level. In order to expand our SHAWOOD business, sales of SHAWOOD houses have started in Sommers Bend, (Temecula, California). Many people have visited the model house, and the pace of sales has exceeded the annual sales plan.

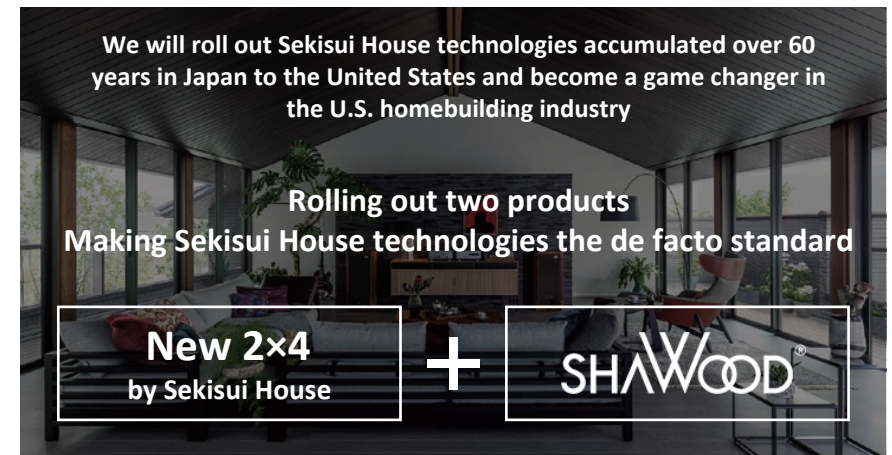
Along with the full-scale deployment of SHAWOOD, we are also introducing our Sekisui House technology to the mainstream 2×4 homes in the U.S. through our “New 2×4 by Sekisui House” initiative. There are three types of tangible technologies that we are considering transferring. The first is our high-durability technologies for exterior walls, roofing materials, and painting for safety and security. The second is our environmental technologies represented by technologies that provide thermal insulation and airtightness to maintain comfort, link together

energy conservation, energy production, and energy storage, and SMART-ECS (Next-Generation Indoor Environment System) for indoor air environment management. The third is technologies that reduce costs by shortening construction times and reducing the amount of construction waste generated. As for intangible technologies, we will promote the introduction of Lifestyle Solution (LSS), the name for lifestyle proposals that respond the latent needs of our customers related to storage, children, pets, and kitchens.

The basic policy of the Sixth Mid-Term Management Plan is “Stable growth in Japan and proactive growth overseas.” Assuming that the homebuilding business continues to grow steadily in the U.S., the overseas sales ratio is expected to grow significantly from 16% in FY2023 to around 45% by FY2031. Through the wide-scale distribution of high-quality homes featuring Sekisui House technologies that has been accumulated over more than 60 years in Japan, we aim to become a Game Changer that transforms the “norms” of the U.S. homebuilding industry.

\* S-MJ construction method: Sekisui House's original construction method that incorporates technologies for the first time in wooden-frame houses, such as the strongest shear walls in the industry, to realize large open spaces.

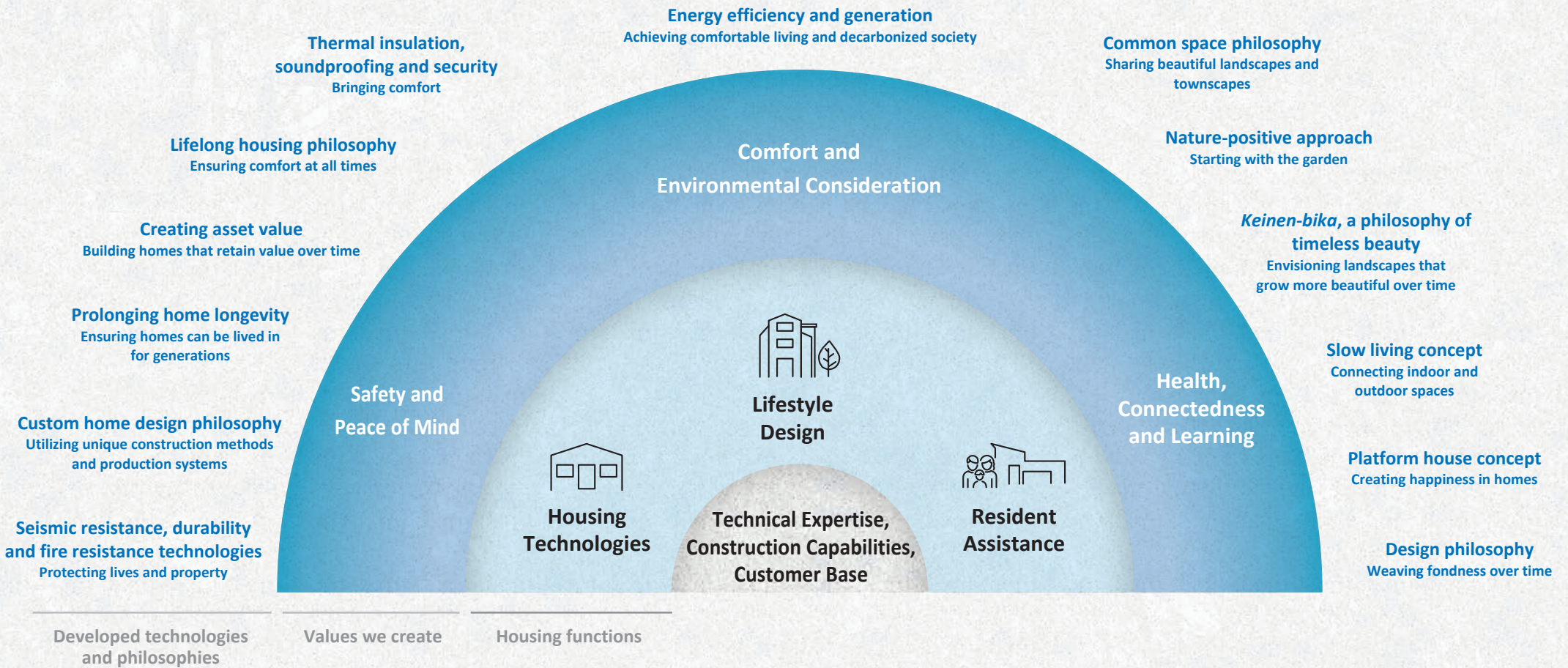
### Vision in the U.S. homebuilding business



Sommers Bend, the first SHAWOOD community in the U.S., won Grand Awards in two categories and Merit Awards in four categories at the PCBC Gold Nugget Awards 2024 during PCBC's trade show and exhibition for the homebuilding and community development industry in the U.S. The PCBC Gold Nugget Awards is one of the oldest and most prestigious housing design award events in the U.S. This confirms that SHAWOOD is highly regarded in the U.S. homebuilding industry.

# Various concepts and technologies developed by Sekisui House over its 60- year history

Since its founding, Sekisui House has been working to create value that leads to the happiness of homeowners while developing various ideas and technologies for housing creation. Sekisui House will actively utilize its technologies, which have helped the Company establish a strong position in the Japanese housing market, in the U.S. and other global markets.



PICK UP 01



Timelessly beautiful original ceramic exterior walls exclusive to SHAWOOD

## Bellburn

Bellburn ceramic exterior wall tiles uses a ceramic material similar to that used to make pottery that have been loved by the Japanese since ancient times. Its charm does not fade away semi-permanently, but rather deepens with each passing year. The environmentally-friendly exterior wall tiles are made using natural materials that do not contain harmful substances. In addition, firing the tiles at a high temperature of about 1,100°C produces fire-resistant properties similar to those found in pottery. The tiles feature high fire resistance and excellent heat resistance, withstand heat and ultraviolet rays, do not deteriorate, and are easy to maintain since they do not require painting. Bellburn ceramic exterior wall tiles are also being used for SHAWOOD in the U.S. and are gaining attention.



SHAWOOD wooden-frame house with Bellburn ceramic exterior wall tiles

PICK UP 02



Creating the path to children's creativity and futures

## Homes that nurture the happiness of children

Children grow into adults while developing their senses, physical bodies, intelligence, and social skills. It is important to develop each of them at the right time. In addition to sunken living rooms, we propose a variety of living spaces. We will also continue to pursue new homes furnished with charming interiors and art that foster family memories, nurturing "happiness of the heart" and "rich sensibilities" in everyday life. For the past 18 consecutive years, we have received the Kids Design Award for 121 creations, the most awards received among companies in the housing and construction industry that have competed in the event.



HUE Komazawa model house features a design, proposing to parents raising children



**SEKISUI HOUSE**