



Sekisui House Group

U.S. Homebuilding Business Strategy

June 6, 2024

1. Operating Results Forecast: Revisions to the Full-Year Plan for FY2024

With an upward revision to the FY2024 plan due to the acquisition of MDC, we plan to increase dividends following an increase in income.

M.D.C. Holdings, Inc. (MDC) consolidation period: April 20, 2024 - December 31, 2024

Note: We took into consideration temporary expenses related to the acquisition, amortization of goodwill and an increase in non-operating expenses, such as interest expenses, in addition to the operating results forecast of MDC.

US exchange rate forecast revised from 135 yen/US dollar to 140 yen/US dollar. There is no change in our plan for domestic businesses.

(¥ billion)

	FY2024 Initial plan	FY2024 Revised plan	Amount changed	Change
Net sales	3,342.0	3,875.0	533.0	15.9%
Gross profit	661.0	750.0	89.0	13.5%
Operating profit	280.0	300.0	20.0	7.1%
Ordinary profit	262.0	273.0	11.0	4.2%
Profit attributable to owners of parent	203.0	209.0	6.0	3.0%
EPS (yen)	313.30	322.56	9.26	3.0%
ROA	8.2%	7.7%	-	-
ROE	11.3%	11.7%	-	-
Annual dividends per share (yen)	125	129	4	3.2%
Dividends payout ratio	39.9%	40.0%	-	-

1. Operating Results Forecast: Impact of MDC consolidation on revised plan for FY2024

■ MDC's Operating Results and Plan (Full-Year)

Although operating results fell in FY2023 due in part to rising mortgage rates, we expect results to recover from FY2024 thanks to improved construction periods and a strategic shift to spec homes from built-to-order homes as high inflation eases.

(million USD)

	FY2021 (result)	FY2022 (result)	FY2023 (result)	FY2024 (plan)	
Net Sales	5,254	5,717	4,642	5,493	(¥769.0 billion)
Operating profit	770	774	435	560	(¥78.5 billion)
Operating profit margin	14.7%	13.5%	9.4%	10.2%	
Profit attributable to owners of parent	573	562	401	446	(¥62.5 billion)
Number of House Closings	9,982 homes	9,710 homes	8,228 homes	9,400 homes	

Notes: Results (FY2021 to FY2023) created by Sekisui House using MDC's publicly disclosed materials
Plan (FY2024) calculated using **¥140/US dollar**

■ Impact of the MDC acquisition on revised plan FY2024 (consolidation period: April 20, 2024 - December 31, 2024)

(¥ billion)

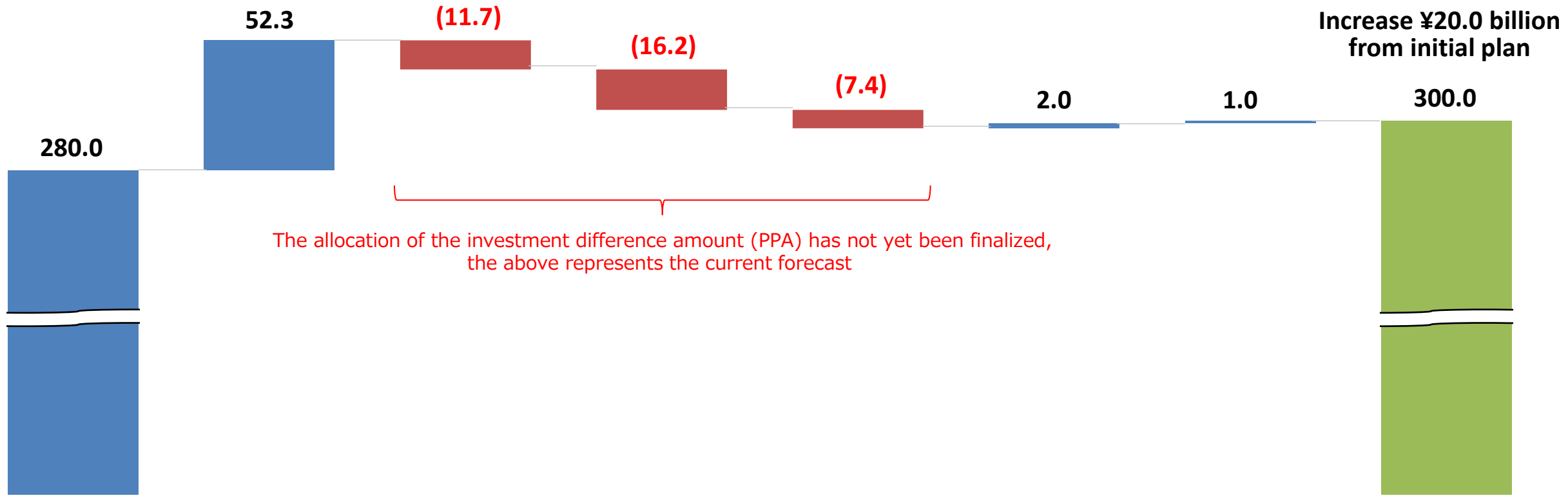
	FY2024 (consolidation period)				Impact amount
		Amortization of goodwill and trademark rights	Cost of inventory assets	Temporary expenses related to the acquisition	
Net Sales	512.6	-	-	-	512.6
Operating profit	52.3	(11.7)	(16.2)	(7.4)	17.0
Operating profit margin	10.2%	-	-	-	3.3%

1. Operating Results Forecast: Revisions to the Full-Year Plan for FY2024

FY2024 Operating Profit (Revised Plan)

(¥ billion)

Initial plan Operating profit	MDC's operating profit Before amortization of goodwill	Amortization of goodwill and trademark rights	Cost of inventory assets	Temporary expenses related to the acquisition	Exchange rate revision 135yen → 140yen	Eliminations and back office	Plan revisions
-------------------------------	--	---	--------------------------	---	---	------------------------------	----------------



1. Operating Results Forecast: Forecast for FY2025 U.S. Homebuilding Business

■ MDC's Operating Results and Forecasts (Full-Year)

(million USD)

	FY2021 (result)	FY2022 (result)	FY2023 (result)	FY2024 (plan)	Reference FY2025 (forecast)
Net Sales	5,254	5,717	4,642	5,493	6,122
Operating profit	770	774	435	560	729
Operating profit margin	14.7%	13.5%	9.4%	10.2%	11.9%
Profit attributable to owners of parent	573	562	401	446	561
Number of House Closings	9,982 homes	9,710 homes	8,228 homes	9,400 homes	About 10,000 homes

Notes: Results (FY2021 to FY2023) created by Sekisui House using MDC's publicly disclosed materials

■ Impact of the MDC acquisition on FY2025

(¥ billion)

		FY2025			Impact amount (Forecast)
		Amortization of goodwill and trademark rights	Cost of inventory assets	Temporary expenses related to the acquisition	
Net Sales	795.8	-	-	-	795.8
Operating profit	94.7	(16.2)	(22.6)	(3.0)	52.9
Operating profit margin	11.9%	-	-	-	6.6%

Notes: Forecast (FY2025) calculated using ¥130/US dollar, the same as in the Sixth Mid-Term Management Plan

1. Operating Results Forecast: Full-Year Forecast for FY2025

FY2025 Operating Profit (Forecast)

(¥ billion)



Increase ¥32.9 billion from Sixth Mid-Term Management Plan

The allocation of the investment difference amount (PPA) has not yet been finalized, the above represents the current forecast

Notes: Forecast (FY2025) calculated using ¥130/US dollar, the same as in the Sixth Mid-Term Management Plan

Sixth Mid-Term Management Plan : Fundamental Policy

The Sekisui House Global Vision

Make home the happiest place in the world

Propose happiness through the integration of technologies, lifestyle design and services

- ✓ Introducing the “life knit design” concept that interweaves lifestyles
- ✓ Creating value through data-driven DX
- ✓ Offering PLATFORM HOUSE, health services, and lifestyle services

Become a leading company in ESG management

- ✓ Helping solve environmental issues through residences
- ✓ Making employee autonomy a growth driver
- ✓ Innovation and communication

Make Sekisui House technologies the global de facto standard

- ✓ Entering the southeastern United States
- ✓ Expanding the sale of our SHAWOOD products, which leverages safety, comfort, and design
- ✓ Engraining such lifestyle design as our lifestyle proposal capabilities, customer engagement, and brands

Stable Growth in Japan and Proactive Growth Overseas

Utilizing Management Resources and Enhancing Value



Human capital



DX and data



Products and services



Growth investments

Our core competencies

Technical capabilities

Construction capabilities

Customer base

2. U.S. Homebuilding Business Strategy: Global Product Portfolio

Aim to achieve 20,000 homes in the United States by the final fiscal year of the Eighth Mid-Term Management Plan

Operating Markets	Detached houses			Rental Housing	Condominium
	1st Range	2nd Range	3rd Range		
Japan	NOIE (wooden-frame) <i>1,000 buildings</i> SI (wooden-frame) <i>2,000 buildings</i>	IS (steel-frame) SHAWOOD (wooden-flame)	<i>8,000 buildings</i>	ShaMaison Prime Maison	Grand Maison
USA	New 2×4 by Sekisui House (wooden-frame) <i>17,000 homes</i>	SHAWOOD (wooden-frame) <i>3,000 homes</i>	<i>20,000 homes</i>	multi family	
Australia		SHAWOOD(wooden-frame)			condominium
Singapore					condominium

Note: New 2 × 4 builds that extend Sekisui House technologies to conventional 2 × 4 construction common in the United States

Vision in the U.S. homebuilding business

We will roll out Sekisui House technologies accumulated over 60 years in Japan to the United States and become a game changer in the U.S. homebuilding industry

Rolling out two products

Making Sekisui House technologies the de facto standard

New 2x4
by Sekisui House

+

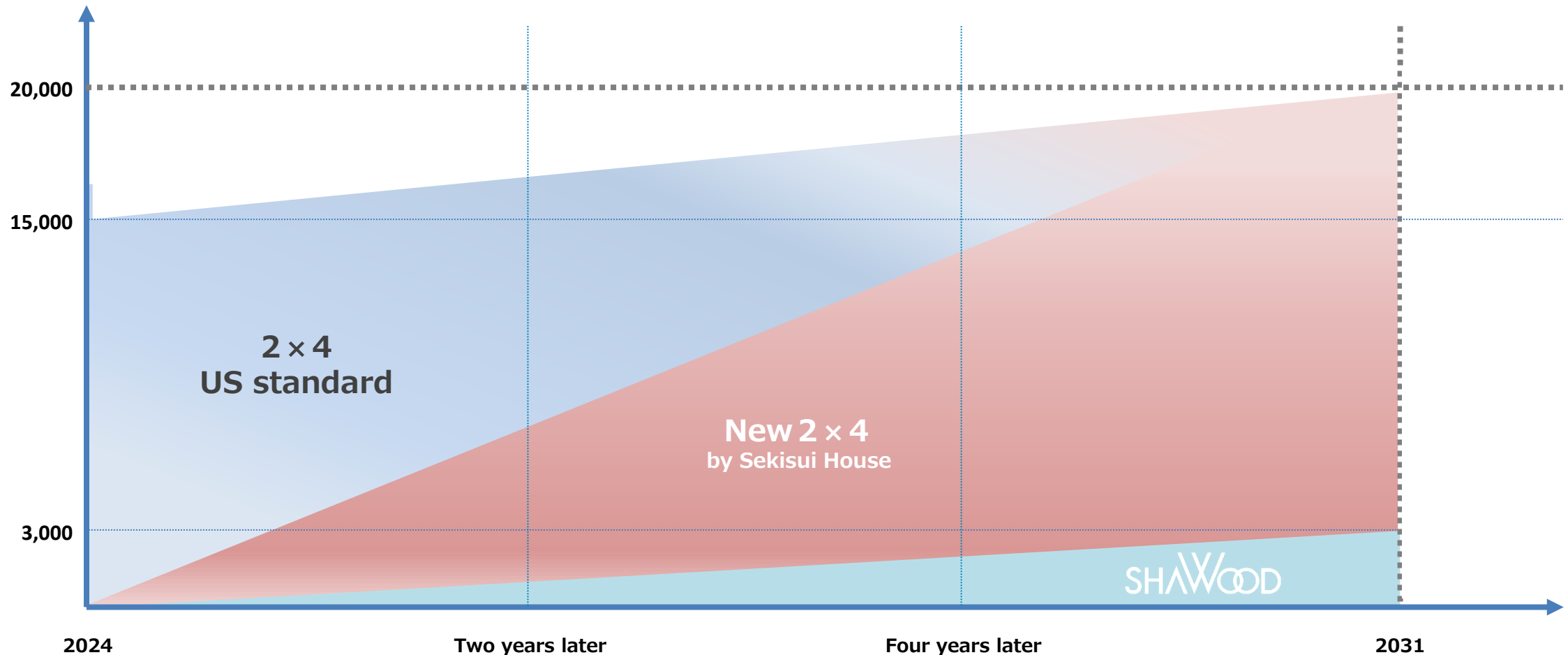
SHAWWOOD®

2. U.S. Homebuilding Business Strategy: Future Concept- Transferring Sekisui House Technologies to 2×4s

Aim to transfer Sekisui House technologies to conventionally built homes of four Group builders; convert to “New 2×4 by Sekisui House.”

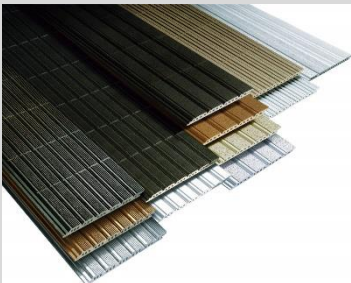
Final fiscal year of the Eighth Mid-Term Management Plan (FY2031): U.S. detached houses: 20,000 homes (including 3,000 homes SHAWOOD)

Number of homes supplied



2. U.S. Homebuilding Business Strategy: Future Concept- Transferring Sekisui House Technologies to 2x4s [Technologies]

High Durability



Bellburn ceramic exterior wall



Highly durability roof materials



Highly weather-resistant paint



Highly durability joints

Environmental Technologies



Thermal insulation and airtightness



Synchronizing batteries for energy saving, generation and storage



SMART-ECS (High-Quality Indoor Air System)



PLATFORM HOUSE touch (living environment monitoring)

Cost Reduction



Shorten construction period and reduce waste



Cost Reduction

Sekisui House's Lifestyle Proposals (Life Style Solution : LSS)

Storage

Children

種水ハウスのキッズデザイン
種水ハウスのキッズデザイン
コドモイデオロ

sumai smile
SEKISUI HOUSE

Kitchen

幸せのキッチン・ダイニング
おいしい365日

sumai smile
SEKISUI HOUSE

Pet

Dear one

積水ハウスの
ペットと一緒に暮らす
家づくり

sumai smile
SEKISUI HOUSE

Mobility Life

Homes of Adult Couples

これからの人生に大人HOUSE
a w a i

sumai smile
SEKISUI HOUSE

Smart Universal Design

心地よさ
COMFORTABLE

触れこちが良い
操作感が良い
見た目が美しい

安全・安心
SAFETY

転びにくい
姿勢を保ちやすい
クガをしにくい

使いやすさ
EASY

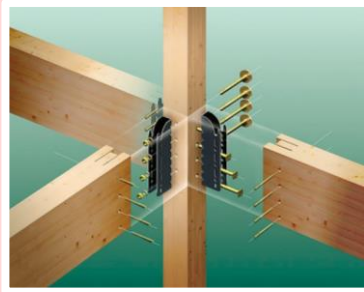
操作しやすい
スムーズに動ける
楽に作業ができる

Smart Universal Design
UD

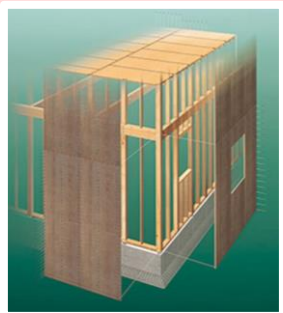
life knit design

SHAWOOD Construction System

Construction system developed by Sekisui House
S-MJ Construction Method



Metal joint system



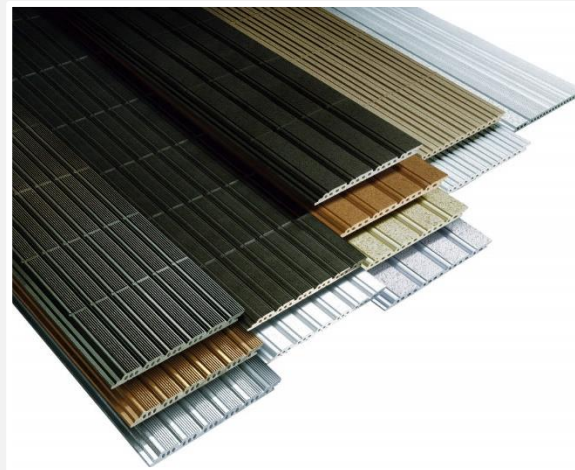
High-strength shear walls



Direct foundation joints

High Durability

Sekisui House's original
Bellburn ceramic exterior wall



Providing resilience and fire resistance unlike that of any competitor by combining craftwork with pre-engineered products

Environmental Technologies

Adoption of ZEH standards



Providing disaster resilience enabling people to continue living in peace by supplying electric power even during power outages

Lifestyle proposals unique to SHAWOOD leveraging the strengths of the S-MJ construction method

Possible to ensure highly reproducible, stable quality and flexible designs

Clearview Design



Spaces smoothly connecting interiors and exteriors and embodying comfort and peace while still being wide open

Family Suite



Large, happy spaces

KOKAGE LOUNGE



A luxurious space similar to being under the canopy of a big tree

2. U.S. Homebuilding Business Strategy: Future Concept- Realizing Sekisui House Quality in Both Products

Design Quality

Design standards



Standards Design Guidelines

Standards for realizing Sekisui House's Lifestyle Proposals (LSS)

Construction Quality

Construction standards



Formulated construction procedures and inspection guidelines

Design build system



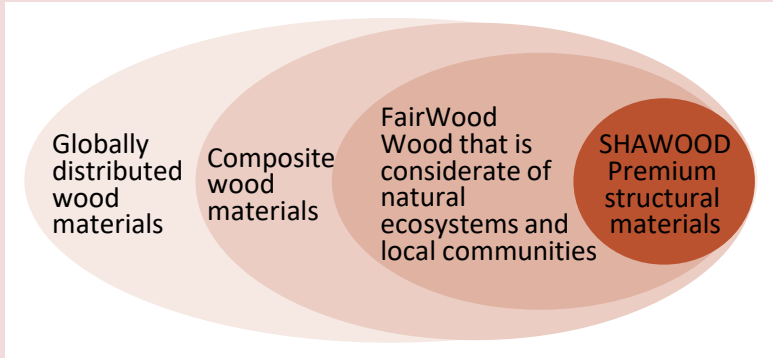
Design-build systems that unify craftspeople, technicians, and construction managers (including human resource development)

Material Quality

Material standards



Set standards for locally procuring materials



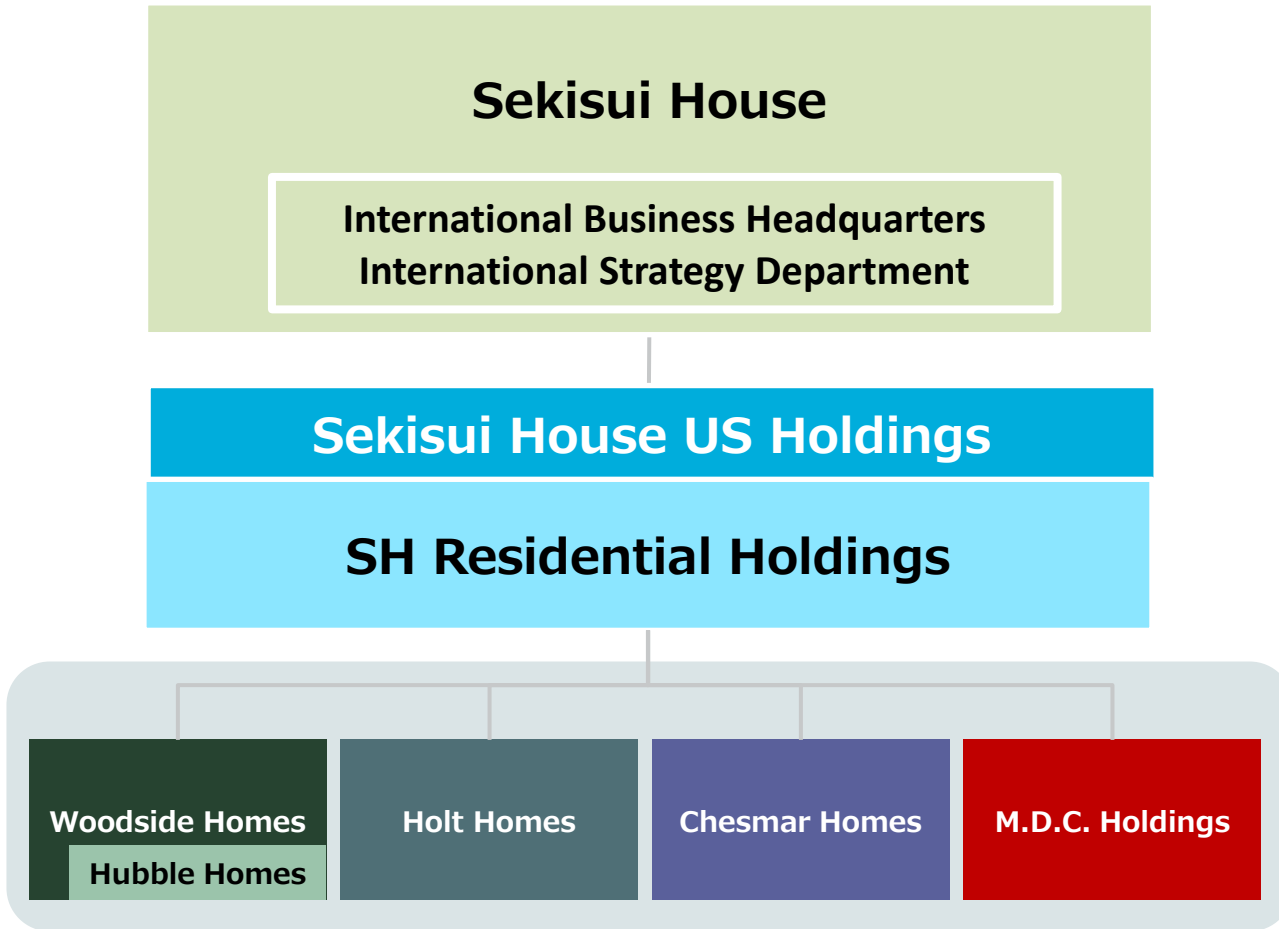
Lumber Procurement Guidelines

Maintaining high quality through research and development at the Comprehensive Housing R&D Institute, the world's largest housing research facility

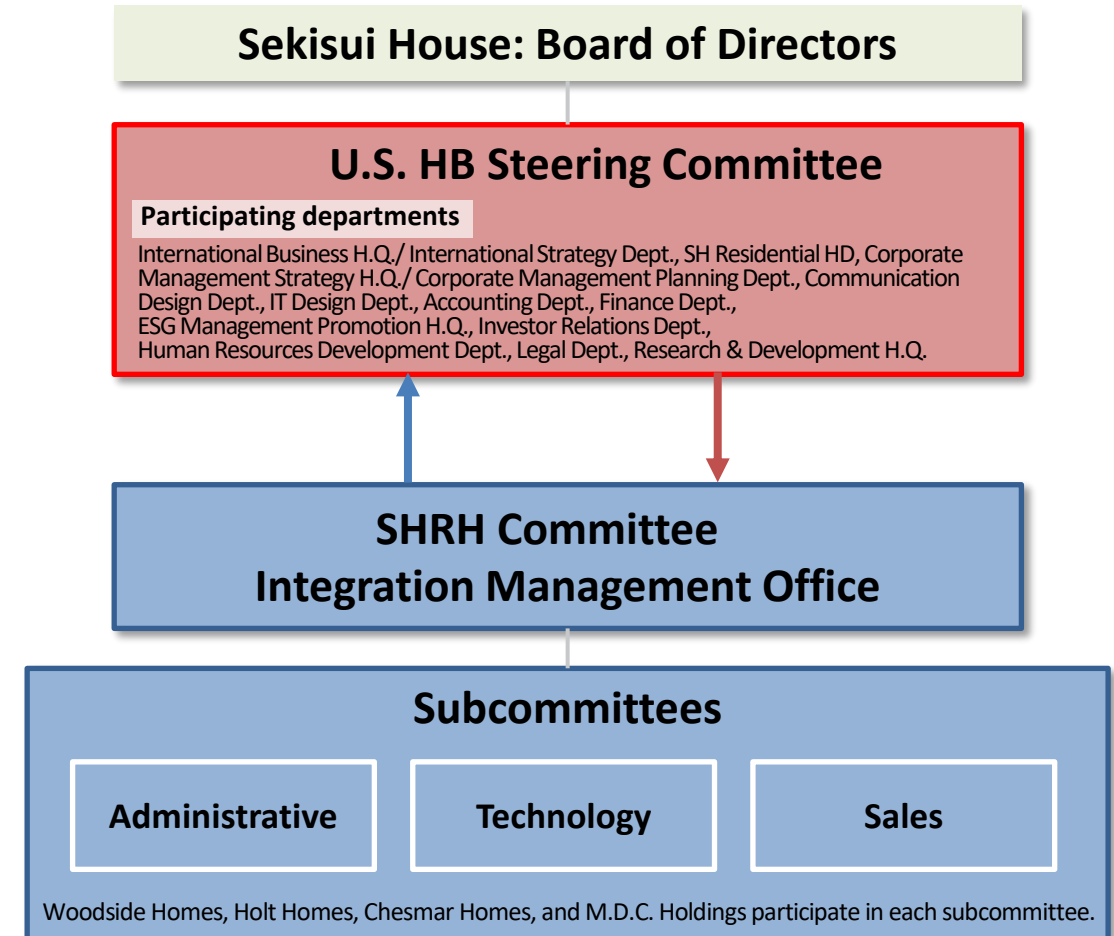
2. U.S. Homebuilding Business Strategy: PMI Promotion Structure

Overall policies and strategies by U.S. HB Steering Committee → Integration into policies and strategies by the SHRH Committee

U.S. Homebuilding Business Operating Structure



PMI Promotion Structure



2. U.S. Homebuilding Business Strategy: Investment Portfolio in the United States

Enhance capital efficiency by expanded investment in high inventory turnover homebuilding operations
(reverse HB/multi-family investment balance)

< Forecast U.S. Investment Balance Composition >

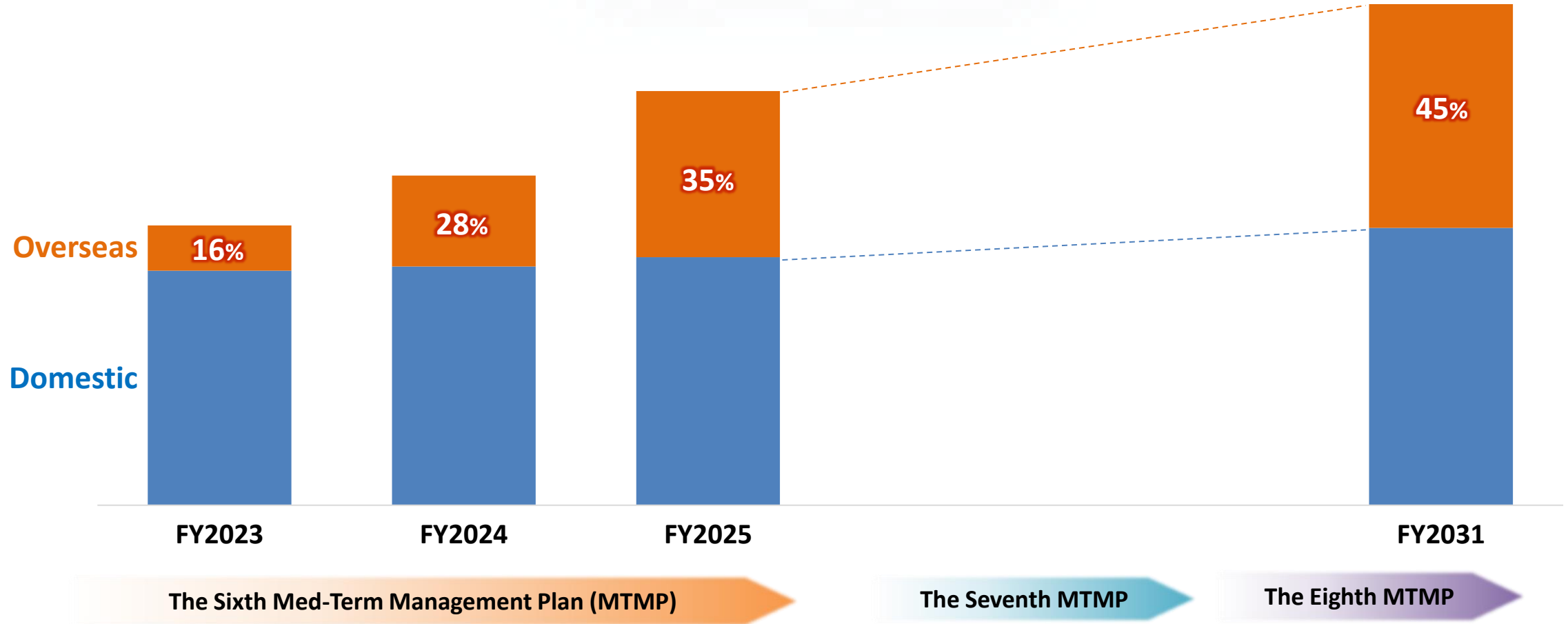


Note: MF (Multifamily business)
MPC (Master-planned community business)

3. Group-wide Net Sales (expectation) for the Final Year of the Eighth Mid-Term Management Plan (FY2031)

We expect overseas net sales to reach approximately 45% by the final fiscal year of the Eighth Mid-Term Management Plan

< Composition Net Sales (expectation) >



4. Financial Strategy: Making Bridge Finance a Permanent Policy

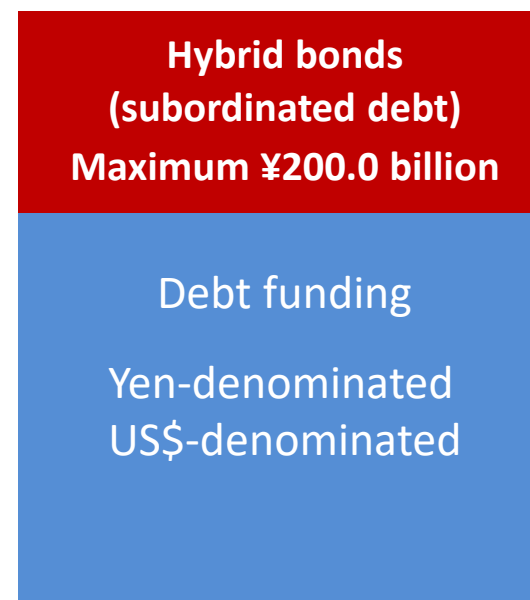
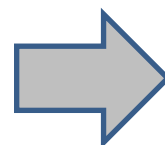
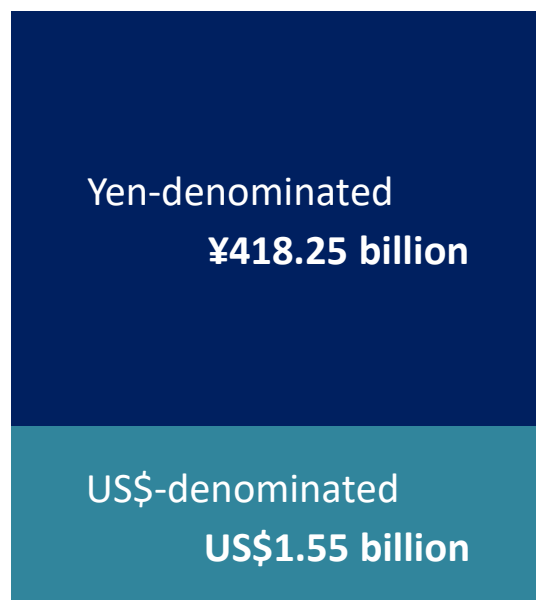
Decided to issue hybrid bonds (maximum ¥200.0 billion) as a way to support our financial soundness in consideration of effects on asset efficiency and share value. We plan to procure funding through debt for the remaining balance.

< Overview of the Bridge Loan >

Yen-denominated	¥418.25 billion
US\$-denominated	US\$1.55 billion (Around ¥240.00 billion as of Q1 end)

< Permanent Policy >

Procurement method	Overview
Hybrid bonds (subordinated debt)	Issue subordinated debt with certain equity-like properties for credit rating (max. ¥200 billion) Revised issuance record submitted to the Director-General of the Kanto Local Finance Bureau on June 6
Debt funding	Study diversifying funding methods to optimize currency matching and interest rate costs



50% of funding procured expected to be recognized as equity by credit rating agencies (Max. ¥100.0 billion)

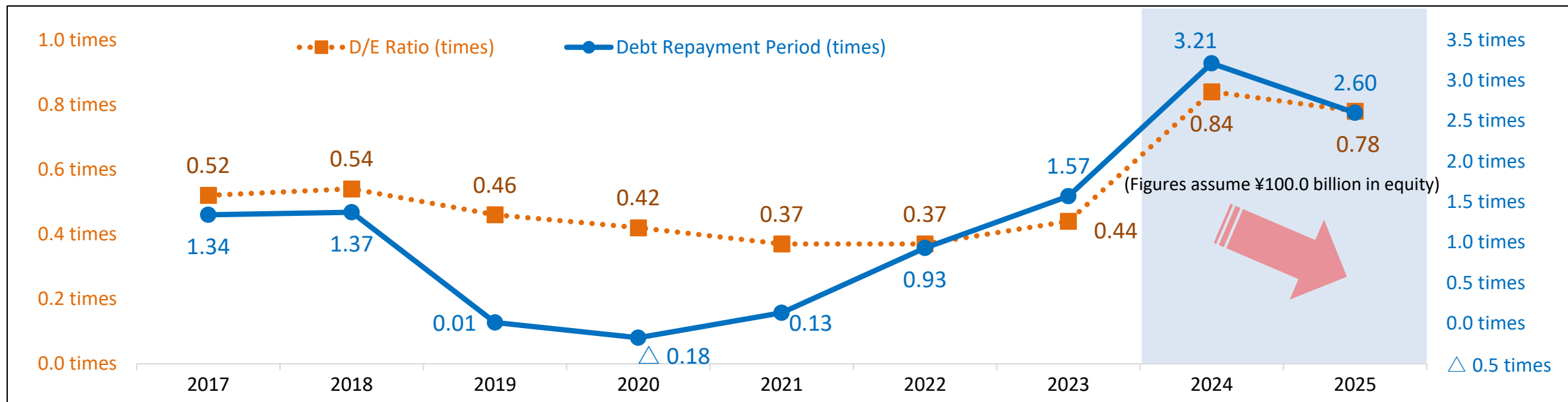
4. Financial Strategy: Aim to Improve Financial Standing

The increase in interest-bearing debt coinciding with the acquisition of MDC will temporarily lower various financial indicators. Nevertheless, this will generate cash flows following the acquisition, and we will procure capital by issuing hybrid bonds in an effort to improve our financial standing in the run up to the Seventh Mid-Term Management Plan.

< Financial Soundness Indicators > (Figures assume ¥100.0 billion in equity)

	FY2024 Forecast	FY2025 Forecast	Sixth MTMP Targets (Initial)
D/E Ratio	0.84 times	0.78 times	Around 0.5 times
Debt Repayment Period	3.21 times	2.60 times	Below 1.5 times

Regarding the debt repayment period, we aim to below 2.0 times during the Seventh Mid-Term Management Plan (FY2026–2028)



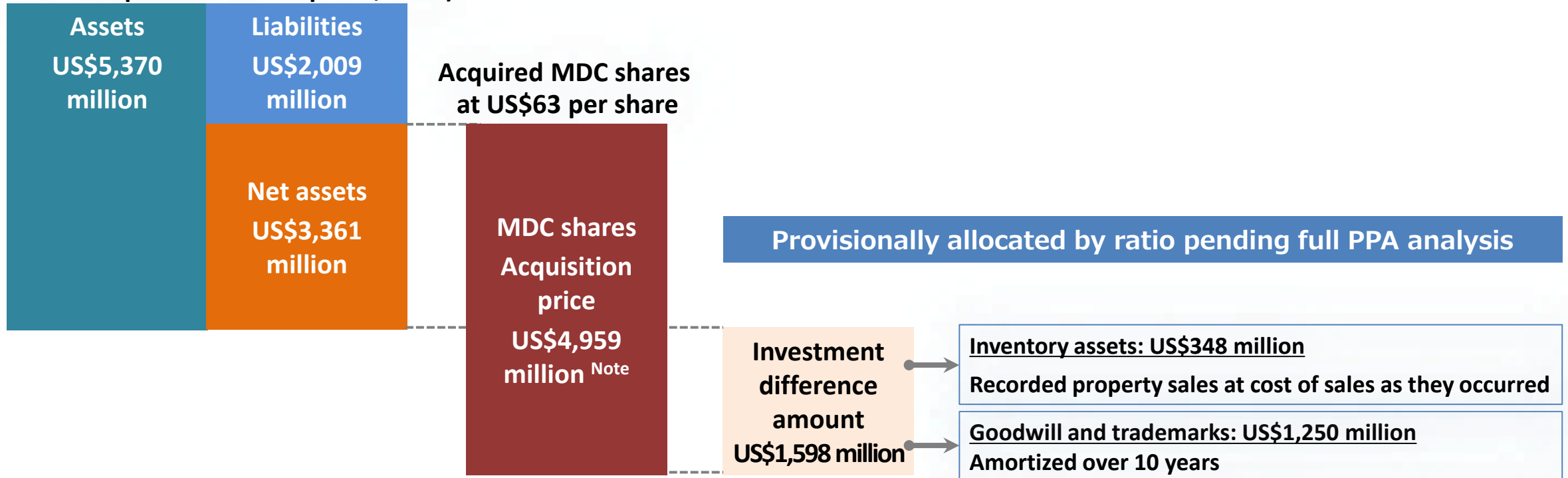


APPENDIX

Balance Sheet and Goodwill Accounting Processes as of the Acquisition Date for MDC

- ✓ Regarding the difference between the acquisition price of MDC shares and the net assets of MDC, we will determine the amount to allocate to the cost of the acquisition, including inventory assets (PPA: Purchase Price Allocation). The amount remaining after the allocation will be recorded as goodwill.
- ✓ We are currently analyzing the PPA, and the amount will be determined within one year of the acquisition. In the interim, we will allocate the amount by ratio to inventory assets, goodwill, and trademarks.
- ✓ The amount allocated to inventory assets will be expensed as cost of sales when the inventory assets are sold. Goodwill and trademarks will be amortized over 10 years.

MDC's Balance Sheet
(As of the acquisition date: Apr. 19, 2024)



Note: Excludes \$33 million in acquisition-related costs

Revised plan for U.S. Business in FY2024 (by business)

(¥ billion)

	Net sales					Operating profit				
	FY2024 Initial Plan	Revised exchange rate 135yen → 140yen	Impact of the MDC acquisition	FY2024 Revised Plan	Amount changed	FY2024 Initial Plan	Revised exchange rate 135yen → 140yen	Impact of the MDC acquisition	FY2024 Revised Plan	Amount changed
United States	550.1	570.5	512.6	1,083.1	533.0	53.3	55.3	17.0	72.3	19.0
Homebuilding business	411.9	427.2	512.6	939.8	527.9	26.2	27.2	17.0	44.2	18.0
Master-planned community business	54.7	56.7	-	56.7	2.0	10.3	10.7	-	10.7	0.4
Multifamily business	83.0	86.1	-	86.1	3.1	16.5	17.1	-	17.1	0.6

Although the document is prepared on the information believed to be credible, Sekisui House does not guarantee the accuracy or the completeness of such information. Also the information herein contains forward-looking statements regarding the company's plan, outlook, strategies and results for the future. The Company undertakes no obligation to publicly update any forward-looking statements. All the forward-looking statements are based on judgments derived from information available to the Company at the time for this release. Certain risks and uncertainties could cause the company's actual results to differ materially from any projections presented here.