

Sekisui House, Ltd.

Summary of the Q&A Session Earnings for the FY2024 and Management Plan for the FY2025

Date	:	Thursday, March 6, 2025, 4:00 p.m. to 5:30 p.m. (JST)	
Participants	:	Yoshihiro Nakai	Representative Director of the Board, President, Executive Officer, CEO
		Yosuke Horiuchi	Representative Director of the Board, Vice Chairman, Executive Officer
		Toru Ishii	Director of the Board, Senior Managing Officer
		Toru Fujita	Managing Officer, In Charge of Accounting and Finance
		Hiroyuki Kawabata	Operating Officer, Head of Investor Relations Department

<Summary of Question-and-Answer Session>

Note: Details already explained in the financial statements or timely disclosure materials have been omitted.

Question

- **What is the asset type of recording valuation loss in the Multifamily business in the United States? Could this happen to other properties? The plan is to sell many properties in the current fiscal year, but how do you plan to substitute it if sales do not progress as planned?**
- **What is the future outlook and the trend of orders for the Homebuilding businesses in January and February in the United States?**

Answer

- The valuation loss in the Multifamily business in the United States is focused on the office portion of mixed development properties. The trend of returning to city centers, but it's still weak. There are currently no other similar properties. We plan to sell four to five properties during the current fiscal year. We are currently having negotiations about sales, which will make up approximately 60% of the planned operating profit for the business.
- The number of ready-for-sale inventory in the Homebuilding businesses in the United States is steadily accumulating. MDC started planned construction of ready-built housing around the autumn of last year in anticipation of the sales season during the first half of the current fiscal year. Orders started slow in January but recovered in February. There was a period when we sold about 150 units in two days. We believe we will be able to achieve the plan for the current fiscal year if the current interest rate level is maintained going forward.

Question

- **What is the future outlook for the operating profit margin of the Homebuilding business in the United States? The operating profit margin of the current fiscal year is planned to be 5.8%, but 3Q was 5.9% and 4Q was 4.7%.**

Considering that 4Q was assumed to drop due to the addition of incentives, is it plausible to think the figures will recover in the current fiscal year? In addition, what is your thought on the profit margin for the current fiscal year considering the current addition of incentives, the impact of tariffs on material costs, and immigration policies of the United States?

- **What are the expectations regarding housing purchase support and other policies for the Homebuilding business in the United States?**

Answer

- The calculation is complex due to MDC, Holt, and Chesmar having amortization of investment differences, but we expect the profit margin in the Homebuilding business in the United States to grow by about 1.3%. MDC expects an improvement due to the rebound from the previous period's impact of the PPA, but it is believed that existing builders may experience a slight decline due to factors such as buy-downs.
- We plan to carefully analyze the impact of tariffs by the United States, but we import lumber from Canada and some of the materials from Mexico. If we pass on these costs, we estimate that sales prices will be impacted by approximately 1% to 2%, but we have yet to decide on doing so.
Furthermore, MDC started the planned construction of ready-built housing in the autumn of last year. They also have about 4,800 housings in stock, with orders already placed for those units. Therefore, we believe that the impact from the tariffs will be minimal for this fiscal year.
- We are hoping for polices to support housing and lower interest rates in the United States, but there nothing has announced yet. We heard of talks on making national land available for affordable housing, but its impact is also yet to be seen. The largest impact is the interest rate level at the moment. If it is maintained around the high 6% mark, we believe that achieving the plan of 15,000 housings is within the scope of possibility. If a policy to lower the interest rates below that is put into effect, orders will further increase.

Question

- **The plan for the Homebuilding business in the United States is set to 15,000 housings. Early spring is likely the favorable season, so how would orders be received throughout the year? What is the difference between the reason MDC can increase figures and its growth potential?**
- **The Master-planned community business in the United States has a higher plan for this fiscal year. What are the background and details? Furthermore, what is the growth potential of the Master-planned community business in the United States?**

Answer

- Sales in the United States tend to progress during the spring and slow down toward the end of the year. We believe this trend will continue for the current fiscal year. Existing builders and MDC also consider early spring an important season. This is especially true for MDC, as it has conducted a planned reduction in orders received during the end of the previous year in preparation for the sales season in the spring. MDC has a different strategy from the other three existing builders as its business model is to sell as many completed houses (SPEC housing)

as possible. This means that it is crucial to stock uncontracted housings and housings that has begun construction. Stock is steadily accumulating, but we believe selling in spring (March and April) is preferable to actively.

- The Master-planned community business in the United States has been able to generate revenue from newly acquired properties during the current fiscal year, but the plan has been set conservatively as profit margins of the newly acquired properties are slightly below the existing properties. For the growth potential of the Master-planned community business in the United States, the rate of salary increase is higher than the increase in prices while the gap between the supply and demand of housing is becoming more implicit. We believe there will be strong demand from builders as financial savings of households are also increasing and their appetites are significantly heightened.

Question

- **While the rate of growth of the Real estate and brokerage business is performing favorably, it seems that the rate of growth has slowed down compared to its initial momentum. How should we interpret this?**
- **If achieving the FY2025 plan of the Overseas business is difficult, will the Urban redevelopment business be used to cover it?**

Answer

- The company's main business was brokerage at the time the Sekisui House Real Estate Holdings, Ltd. was established, but active investment focusing on land for residential use in recent years has resulted in rapid growth. It is safe to assume that we have reached a stable period. Sekisui House Real Estate, Ltd., which was established this fiscal year through a company split, will strive to build a brand as a company specializing in real estate and brokerage business with strength in land for residential use.
- We have a sufficient pipeline for the Multifamily business in the United States, but Overseas business has many uncertainties due to variables including the policies of the Trump administration. Our basic policy is to cover fluctuations in the overseas business within the business, but we will cover it with businesses in Japan when that is deemed difficult.

Question

- **What is the breakdown of profit from sales in the Urban redevelopment business in FY2025?**
- **What is the impact of the expected increase of housing loan interest rates on the Detached houses business in Japan?**

Answer

- The operating profit plan of the Urban redevelopment businesses is set at a modest ¥2.5 billion, but there are properties sales of SPCs we invest in that will be recognized as equity method profits in non-operating income. The profit of the leasing business does not contribute much to the operating profit as there are numerous properties that have just finished construction and have high depreciation costs.

- Our main target is wealthy customers who are less susceptible to the increase in interest rates. Meanwhile, we were unable to address the 1st range partly due to the liquidation of Sekisui House noie but will launch the ready-built home sales business for the 1st range through Sekisui House Real Estate, Ltd. this fiscal year. These housings will be priced at a high ¥20 million range, and there will be some impact from the increase in interest rates. The 1st range ready-built homes will have Grade 3 seismic resistance and use the direct joint construction method as a standard. We believe this will make these homes competitive in the market as they have extremely high resilience and unique structure for regular wooden housing.

Question

- **What are the factors for non-operating income/expenses in FY2025 and the future outlook?**
- **The policy is to not acquire treasury stock in consideration of the balance between investment and financial soundness in FY2025, but what are the thoughts on future acquisitions?**

Answer

- Non-operating income was approximately ¥18 billion, and non-operating expenses were ¥48 billion in FY2024. The increase in non-operating expenses was mainly due to the increase in borrowing interests related to the acquisition of MDC. This has been made permanent, but the same level is expected to continue going forward.
With the permanent finance, there is procured interest-bearing debt of U.S. dollar- and yen-dominated portions. The interest rate is about a weighted average of 2.8%, with a debt of approximately ¥650 billion at an exchange rate of one U.S. dollar to 150 yen, which results in interest costs of ¥18 billion per year. Non-operating expenses in FY2025 are expected to slightly improve due to equity method profit from property sales in developed properties in Japan being included in non-operating income.
- The basic policy of conducting treasury stock acquisition in a flexible manner is unchanged. For example, we may exert flexibility if the properties of the Multifamily business in the United States sell above expectations, but that is currently unlikely and we have decided not to acquire them in FY2025.