

Sekisui House, Ltd.

Summary of the Q&A Session FY2025 First Quarter Financial Results Briefing

Date	:	Thursday, June 5, 2025, 4:00 p.m. to 5:00 p.m. (JST)
Participants	:	Toru Fujita (presenter) Managing Officer, In Charge of Division of Finance
		Toru Ishii Director of the Board, Senior Managing Officer
		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 outlook for the amortization of goodwill and trademark, which was generated from the acquisition of MDC, in the U.S. homebuilding business for the fiscal year?**
- **What is the level of rate buy-down and future outlook for the U.S. homebuilding business?**
- **What is the recording timing of future sales in Australia?**

Answer

- Amortization of goodwill and trademark related to MDC (amortized for ten years) depends on the exchange rate, but it is expected to be about ¥17.0 billion each year. Calculation of the inventory costs is about ¥4.6 billion for the first quarter and about ¥26.0 billion for the previous fiscal year. We paid out about half the total amount in the previous year and are planning for ¥15.0 billion to ¥16.0 billion for the current fiscal year.
- MDC has implemented rate buy-downs for around 70% of the properties in the first quarter, resulting in a decline in gross profit margin of slightly less than 3%. Latent demand for newly built detached houses is strong, but an uncertain outlook is leading to a continued wait-and-see attitude. The situation is different by area, but we aim to increase the profit margin rather than focusing on the number of housing units, and improve the efficiency of profitability.
- In Australia, we plan to mainly capture demand during the second and third quarters of this fiscal year. Progress is moving according to the plan as we have already secured over 90% of the contracts planned to be delivered this fiscal year.

Question

- **What is the current state of orders for the U.S. homebuilding business? In addition, what is the future outlook of orders and the stance toward achieving the 15,000 homes plan?**
- **What is the current progress of property sales in the U.S. multifamily business?**

Answer

- Based on the plan of 15,000 homes, the monthly orders of 1,200 homes are a guideline. However, orders in March were about 1,000 homes for MDC and about 1,500 homes overall. The pace slightly slowed down in April, and the total of four companies was slightly above 1,200 homes, and the preliminary report for May was at about 1,000 homes. This was due to the impact of revising the incentives to strike a balance between the number of orders and the profit margin of MDC. The number of orders is important, but we believe increasing the profit margin is also important. As we have built up a sufficient volume of stock, we believe the second half is the time to make the move. In addition, we believe cost reductions, such as reducing the cycle time, are possible. As such, we will observe the market and consider how much incentive to offer and other sales strategies.
- For the U.S. multifamily business, we plan to deliver a property in June (completed delivery on June 6). Furthermore, we have a plan to sell a large-scale property in the fourth quarter, and the negotiation is progressing smoothly. The fact that the sales to Sekisui House Reit, Inc., is actualizing is a major factor in increasing the assurance of property sales due to diversifying the exit strategy.

Question

- **What is the status of amortization of goodwill and trademark, recording cost of inventory assets, and PMI costs of the U.S. homebuilding business for the first quarter?**
- **What is the status of the discussion and approach to selling additional properties in the Urban Redevelopment Businesses in Japan, sales of cross-shareholdings, and other complementary measures, considering the current state of the U.S. homebuilding business?**

Answer

- Amount of impact, including the amortization of goodwill, etc., in the U.S. homebuilding business, which includes MDC, Chesmar, and other companies, is about ¥11.2 billion. There was a significant amount of temporary expenses related to acquisitions in the previous fiscal year, but we do not expect the same level as the previous fiscal year, despite expecting PMI fees as consultation fees this fiscal year, including costs related to integrating operations.
- We believe that the U.S. homebuilding business will recover in the latter half of the fiscal year. Although it may not be necessary if property sales progress steadily for the U.S. multifamily business, we are considering sales of a few properties other than the properties that are planned to be sold based on the plan at the start of this fiscal year for the properties for urban redevelopment in Japan.

Question

- **In regard to the U.S. homebuilding business, many other companies are seeing a decline in either home volume or profit margin. What is the current cause of the decline in the number of homes and profit margin, and what is the outlook for future success?**
- **What is the current progress against the plan and future outlook for the U.S. master-planned community business and the multifamily business?**

Answer

- The decline in the number of homes delivered is due to early deliveries and adjustments to the number of orders received in last December in preparation for the sales season in the spring. This has caused the order backlog at the start of the fiscal year to be extremely low, which is a situation unique to MDC. In regard to profits, MDC has built a completed housing stock for the sales in the spring, but consumer demand was not as high as expected, causing the need to offer incentives and leading to a decline in profits. Going forward, we will strike a balance between orders and profit margin, as well as ensure profits by promoting the reduction of cycle time and other cost reductions.
- Both the U.S. master-planned community business and the multifamily business are progressing steadily according to the plan. For the property sales in the U.S. multifamily business, we expect two large-scale properties to make significant contributions to the profit, with one of them to be delivered in June (completed delivery on June 6). Negotiations for the other properties, including the remaining large-scale property, are underway.

Question

- **What is the analysis of factors that differentiate the rate of decline in the profit margin compared to other companies in the U.S. homebuilding business?**
- **What is its future outlook for the performance in general?**

Answer

- We believe that the decline in the order backlog at the end of the previous fiscal year and the decline in volume due to the slow start from January to February are the major factors. In addition, there were many first-time home buyers in the states of Arizona, Colorado, and Florida, which led to a decline in revenue in these areas.
- During the first quarter, differences in the scale of properties for sales in the urban redevelopment businesses resulted in a decline in profit, but progress is according to the plan or exceeding it, mainly for businesses in Japan.

Question

- **Was there any miscommunication with local builders regarding the revenue plan of the U.S. homebuilding business?**
- **What is the level for the future profit margin of the U.S. homebuilding business under the policy of focusing on the profit margin?**

Answer

- This was our first full-year plan that we formulated after the acquisition of MDC, but we do not believe there were any miscommunications with the local builders. PMI is steadily making progress, and we believe the accuracy will further improve going forward as our initiative toward a united one company through operational integration makes progress.
- It is currently difficult to set clear targets, but we will work on it while striking a balance between the number of orders and profit margin. However, the spec-home strategy that MDC has employed up to now heavily relies on contracts and deliveries during the fiscal year and has room for improvement. Furthermore, we are working on reducing the cycle time and costs with the aim of increasing the profit rate while also selling stock in the latter half of the year. This has a high level of uncertainties involved, and as such, we have already begun concrete considerations on several properties in the urban redevelopment businesses in Japan to prepare for any risks.

Question

- **What types of properties are considered for sale in Japan in the future?**

Answer

- We have abundant assets of close to ¥300 billion that can be liquidated. We have begun considering the sale of some properties with high profitability.