



Sekisui House, Ltd. Overseas Business Briefing

2024.1.18

Good evening, this is Yoshihiro Nakai, the President of Sekisui House.

As we announced today, we are pleased to announce we will acquire M.D.C. Holdings, Inc, a U.S. listed homebuilder.

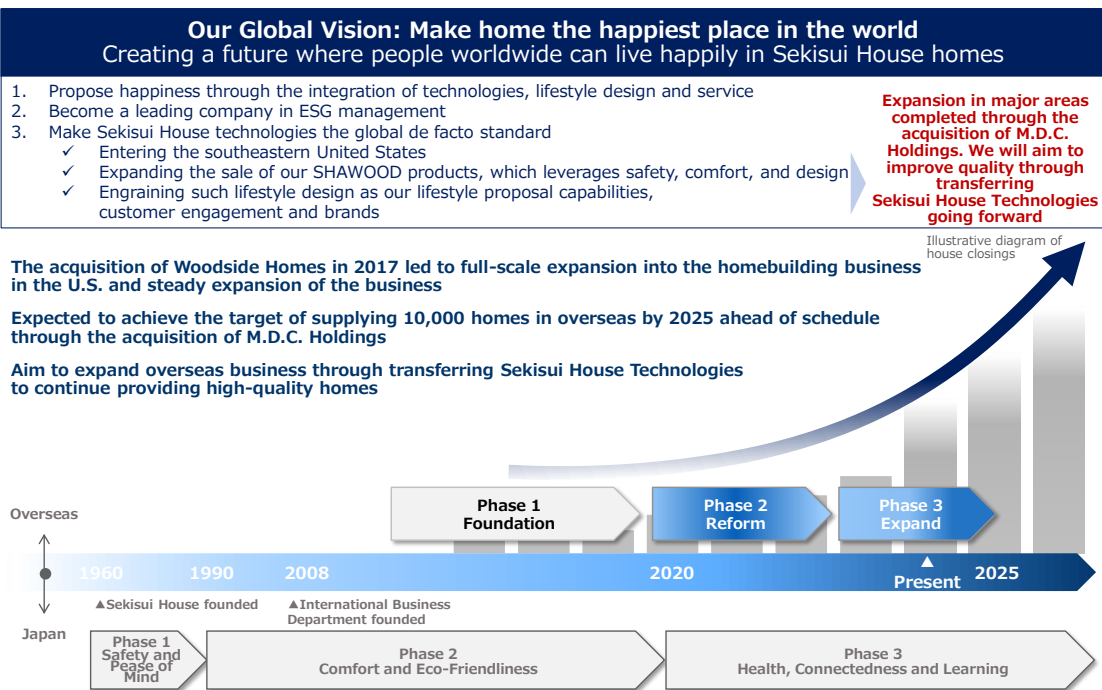
This is a very important transaction for us as it will greatly contribute to achieving our mid-term management plan and vision. Moreover, we look forward to working with MDC, an established company with great history and proven track record.

We will explain the details in accordance with the material.

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1. U.S. Homebuilding Business Growth Strategy



Firstly, we will go through our global vision and history of overseas homebuilding business.

Sekisui House is working to become a global company under the global vision of “making home the happiest place in the world” in a manner that aligns with our Group-wide strategy of making Sekisui House technologies the de facto standard.

We significantly strengthened our U.S. homebuilding business through the acquisition of Woodside Homes in 2017 and we have set a target of supplying 10,000 homes in overseas by 2025 after having consolidated our base in the business’s foundation and reform phases.

We have decided to acquire MDC as we embark on proactive growth in the overseas business as part of our sixth mid-term management plan.

Steps of the U.S. Homebuilding Business's Expansion

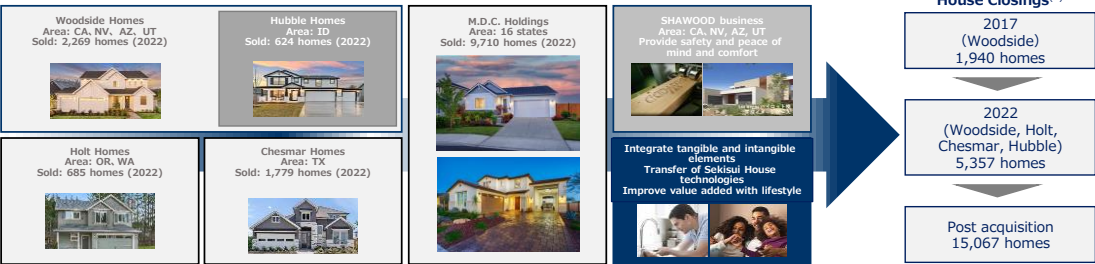


Three steps to expand the homebuilding business



Overall strategy and outlook for house closings

U.S. homebuilding business: Acquisition of M.D.C. Holdings expands business scale to the equivalent of 5th in the U.S., based on number of house closings
Create new value in happiness encompassing tangible and intangible elements while aiming to transfer Sekisui House Technologies



Note:
1. The number of house closing for 2022 is the sum of house closing of Woodside Homes, Holt Homes, Chesmar Homes and Hubble Homes.
House closings for post acquisition is the sum of Woodside Homes, Holt Homes, Chesmar Homes, Hubble Homes and M.D.C. Holdings for FY2022

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As previously explained, we are expanding the U.S. homebuilding business in three steps.

In Step 1, working with Woodside Homes, we successfully established a foundation of the business.

Step 2 involves the expansion to promising markets in line with our area strategy. We have made additional strategic investments in addition to Woodside Homes and we will complete the expansion into promising markets with the acquisition of MDC.

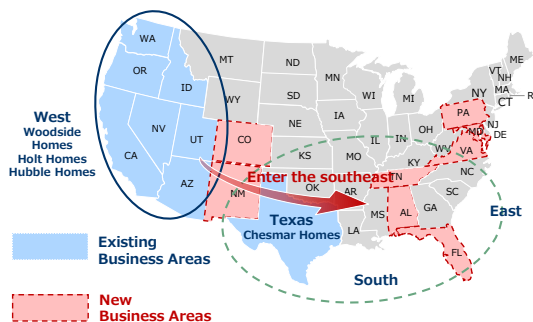
In Step 3, which is already being advanced, we are working to roll out SHAWOOD, which best embodies Sekisui House technologies and achieve differentiation from competitors, in addition to incorporating Sekisui House technologies into 2x4 construction. We believe the enhanced platform by the acquisition will further accelerate Step 3.

U.S. M&A Strategy

Alignment with Business Area Expansion Strategy

Acquisition of Woodside/Holt/Chesmar/Hubble provided a foundation in the western and southern United States

Acquisition of M.D.C. Holdings contributes to the expansion of business in southeastern United States



× Transfer of Sekisui House Technologies

Group Builder Selection Policy and M.D.C. Holdings' Corporate Characteristics

① **Strong resonance to our group vision "Make Home the happiest place in the world" and corporate philosophy**

② **Wealth of experience and expertise in the area**

✚ **in addition to previous policy**

③ **Solid platform to transfer the technology**

• Built a close relationship with each builder company including Woodside, through integrating philosophies

• In addition to these initiatives, the addition of M.D.C. Holdings' solid platform with high governance standards as a listed company, is an excellent opportunity to further boost our U.S. homebuilding business to a higher standard

Accelerating Growth with the Acquisition of M.D.C. Holdings

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We would like to go over our U.S. M&A strategy once again. We will continue to seek strategic M&A opportunities based on our group builder selection policy, focusing on strong resonance to our global vision and our corporate philosophy including our "customer first" principle and technology we have cultivated from build-to-suit business we have developed over the last 60 years, wealth of experience and expertise in the area.

MDC not only satisfied these two criteria but we also valued their solid platform to transfer Sekisui House technologies. Solid platform is showcased by MDC's strong governance cultivated through 50 years of history as a public company. Functions such as human resources, legal, IT, accounting and real estate management have been established at MDC's headquarters. We have spent time with our group builders we have acquired through M&A including Woodside Homes, Chesmar Homes and Holt Homes to transfer Sekisui House technologies and promote customer-first sales principle and the addition of a solid platform is profoundly meaningful for us.

We have decided to proceed with the acquisition of MDC as we believe the transaction will greatly contribute to the expansion of our U.S. homebuilding business considering the aforementioned reasons.

2. Overview of M.D.C. Holdings

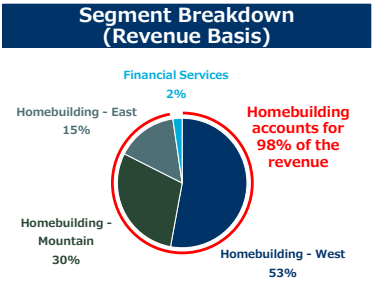
Company Overview of M.D.C. Holdings



- M.D.C. Holdings was founded in 1972. Ranks as the 11th largest U.S. homebuilder based on house closings in FY2022 and is headquartered in Denver, Colorado
- M.D.C. Holdings operates in 34 metro areas, 16 states and have supplied over 240,000 quality homes since inception

Overview	
Company	M.D.C. Holdings, Inc.
Main Business	Homebuilding business in the U.S.
Key Executives	Larry A. Mizel (Executive Chairman) David D. Mandarich (President, CEO and Director)
Address	4350 South Monaco Street, Suite 500, Denver, CO 80237
Founded	1972
Employees	1,643 (as of FY2022)
Stock Exchange	NYSE (Ticker Symbol: MDC)

Data Source: Disclosure Material of M.D.C. Holdings



Recent Financial Highlights (FY2022)	
Net Assets:	US\$ 3,092 million
Total Assets:	US\$ 5,363 million
Revenue:	US\$ 5,718 million
Operating Income:	US\$ 774 million
Net Income Attributable to Owners of Parent:	US\$ 562 million

Highlight		
Over 240,000 Homes	11th	BBB- / Ba1
Number of House closings Since its Inception	One of the major homebuilders in the U.S. (Based on house closings in FY2022)	Credit rating S&P / Moody's

As for MDC’s overview, MDC was founded in 1972 and is a listed homebuilder headquartered in Colorado, Denver. With regards to its business overview, the homebuilding segment accounted for most of the revenue. MDC’s revenue stands at approximately US\$ 5.7 billion, which converts to approximately JPY800 billion at a JPY:USD conversion rate of 140:1.

- Business strengths such as strong positioning in western and southeastern U.S. as well as diverse product mix tailored to customer demands
- Financial strength showcased by strong balance sheet

<div>①</div> <div>Method</div>	<div>Solid Platform to Support Expansion in the U.S.</div> <div><ul style="list-style-type: none">• Business process/systems developed by experienced management over 50 years since its founding• Achieved uniform, high operational standard across 34 metro areas and 16 states</div>
<div>②</div> <div>Value Proposition</div>	<div>Attractive Product Line-up Balancing Customer Satisfaction and Fair Price</div> <div><ul style="list-style-type: none">• Product development balancing efficiency and design based on customer needs• Achieved both quality and fair price through value-engineering• Efficient design and construction which can be implemented in a wide range of area</div>
<div>③</div> <div>ESG</div>	<div>Advanced ESG Initiatives Among U.S. Homebuilders</div> <div><ul style="list-style-type: none">• Achieved industry-leading environmental performance• Actively promoted diversity• High governance standard cultivated as a public company</div>

This slide describes our understanding of MDC’s strengths.

Firstly, solid platform to support the expansion across the U.S. ranging from the west coast to the east coast.

Secondly, attractive product line-up balancing customer satisfaction and fair price to accommodate evolving customer needs

Thirdly, advanced ESG initiatives among U.S. homebuilders

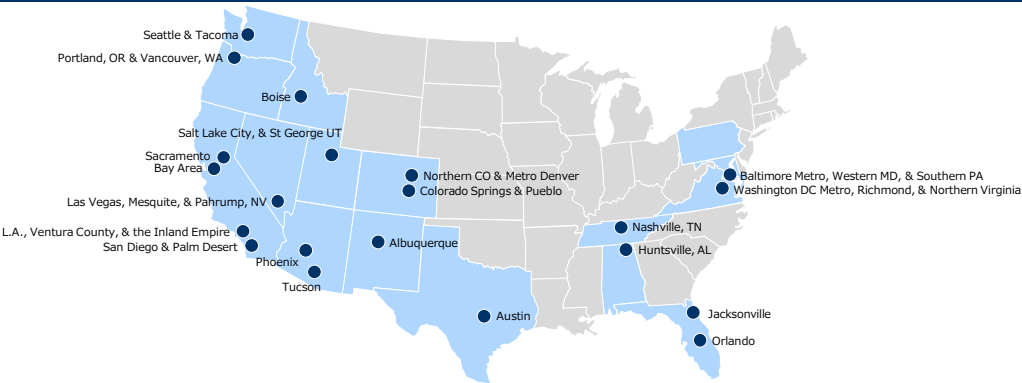
We will explain the details in later slides.

Business Area of M.D.C. Holdings



■ M.D.C. Holdings operates in 34 metro areas and 16 states in the U.S.

Business Area



House Closings in Major States

As of Sep.30, 2023	AZ	NM	CA	NV	OR	WA	CO	UT	ID	FL	Mid-Atl	TEN	TEX	Total
LTM Deliveries	1,908	17	1,660	754	70	257	1,791	391	41	990	402	35	66	8,382
% of total	22.8%	0.2%	19.8%	9.0%	0.8%	3.1%	21.4%	4.7%	0.5%	11.8%	4.8%	0.4%	0.8%	
LTM ASP ('000s)	\$458	\$394	\$658	\$515	\$645	\$667	\$654	\$592	\$515	\$425	\$584	\$466	\$383	\$560

Data Source: Disclosure Materials of M.D.C. Holdings

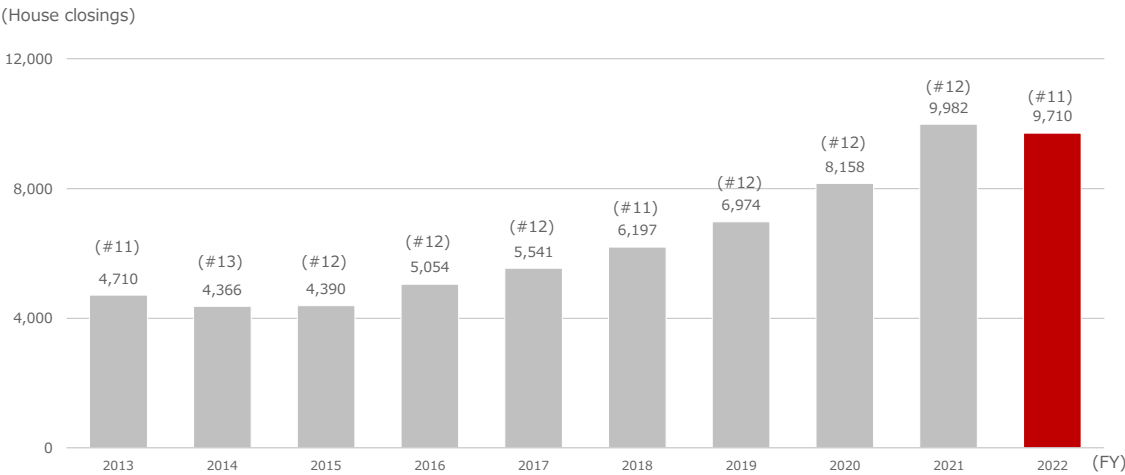
MDC operates business in 16 states and 34 metro areas highlighted in blue. In particular, MDC has a strong business in Denver where its headquarters are based.

M.D.C. Holdings’ Positioning in the U.S.



- M.D.C. Holdings ranks 11th in number of house closings in the U.S. in FY2022 and has maintained stable positioning in the past decade, ranking between 11th to 13th

M.D.C. Holdings’ Number of House Closings in the last 10 Years ⁽¹⁾



Data Source: Builder Online

Note:

1. The numbers in parentheses represent the builder rank based on number of house closings

MDC is the eleventh largest homebuilder in the U.S., with 9,710 house closings in FY2022. This graph shows MDC’s number of house closings in the last 10 years, and as you can see, MDC has continued to show growth and constantly maintained its positioning between eleventh to thirteenth largest homebuilder.

M.D.C. Holdings' Product Line-up and Competitive Edge



- M.D.C. Holdings operates business with focus on SEASONS to capture diverse customer demands
- Competitive and appealing product balancing quality and fair price
- Supplied more than 240,000 quality homes since inception



Data Source: Disclosure Material of M.D.C. Holdings

Competitive Edge 1

Product development balancing design and efficiency in consideration of customer needs and supported by multiple generations for its diverse product line-up and lifestyle design proposal, accommodating wide range of lifestyle and budget (Baby Boomer and Millennials in particular)

Competitive Edge 2

Ability to value-engineer to reduce costs while maintaining product quality and offer products balancing quality and fair price

Competitive Edge 3

Manage design and construction at the headquarters to efficiently achieve consistent quality in various areas

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MDC offers product line-ups to accommodate diverse lifestyles and budgets to capture wide range of demands. In particular, SEASONS, which is MDC's main product is highly valued by customers seeking more affordable homes with various options. MDC offers competitive and attractive products which balance quality and fair price. Additionally, MDC places efforts into maintaining and improving quality, which we believe is consistent with our culture.

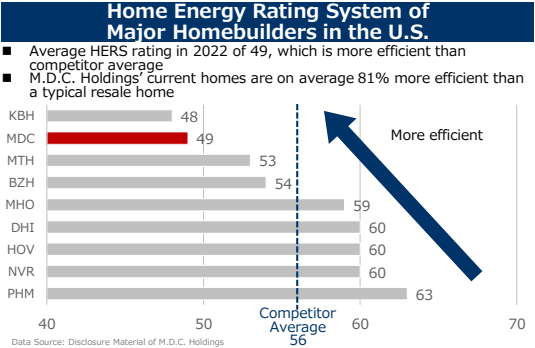
Advanced ESG Initiatives



- M.D.C. Holdings is a homebuilder with advanced ESG initiatives, including the standard installation of energy efficient features that help reduce energy consumption in all homes provided by Richmond American Homes

ESG Highlights	
Environmental Initiatives	<ul style="list-style-type: none">▪ Every home comes standard with energy efficient features that help cut down on energy usage.▪ Achieved the goal of decreasing average HERS rating to 50 or less by 2025.▪ Implemented a new goal of decreasing average HERS rating to 45 or less by fiscal year 2027.▪ Completed 2021 GHG inventory to enable M.D.C. Holdings to better understand M.D.C. Holdings' corporate carbon footprint.
	<ul style="list-style-type: none">▪ Committed to fostering and promoting a diverse and inclusive work environment.▪ Continued to promote a gender and ethnically diverse employee base; employee base as of 12/31/2022 comprised 47% female employees; female employees comprised 41% of employees in a position of manager and above.▪ M.D.C. Holdings has donated over \$17 million to the MDC/Richmond American Homes Foundation in the last five years, including \$5.7 million in 2022.
Social Initiatives	
Governance Initiatives	<ul style="list-style-type: none">▪ Engaged and experienced Board of Directors actively participated in 12 regular meetings per year. M.D.C. Holdings' non-management directors have an average tenure of 12.0 years.▪ Code of Conduct training conducted for all employees at the time of hire and reinforced for all employees and directors on an annual basis.▪ Prioritized a diverse management team and Board that fosters a foundation of integrity and ethical company culture, highlighted by M.D.C. Holdings' third and fourth consecutive appointments of a diverse candidate to Board.

Data Source: Disclosure Material of M.D.C. Holdings



Introduction of Solar Power System

- Initially launched in California in 2012 and now available nationwide in 2022. A total of 8,870 solar panels were delivered by 2022
- 141,304 tons of carbon dioxide emissions were reduced by installing solar power systems by 2022
- M.D.C. Holdings' HERS decreased by 26 points on average through the installation of solar power system

Data Source: Disclosure Material of M.D.C. Holdings

With regards to ESG, MDC is a homebuilder with advanced ESG initiatives. Left hand side of the slide shows MDC's ESG initiative highlights. In particular, with regards to Environmental initiatives, MDC has more efficient home energy rating system in comparison to its competitors, as shown in the top right of the home energy rating system score for major homebuilders in the U.S. and MDC's current homes are on average 81% more efficient than a typical resale home. Additionally, MDC continues to promote environmental initiative having delivered a total of 8,870 solar panels in 2022.

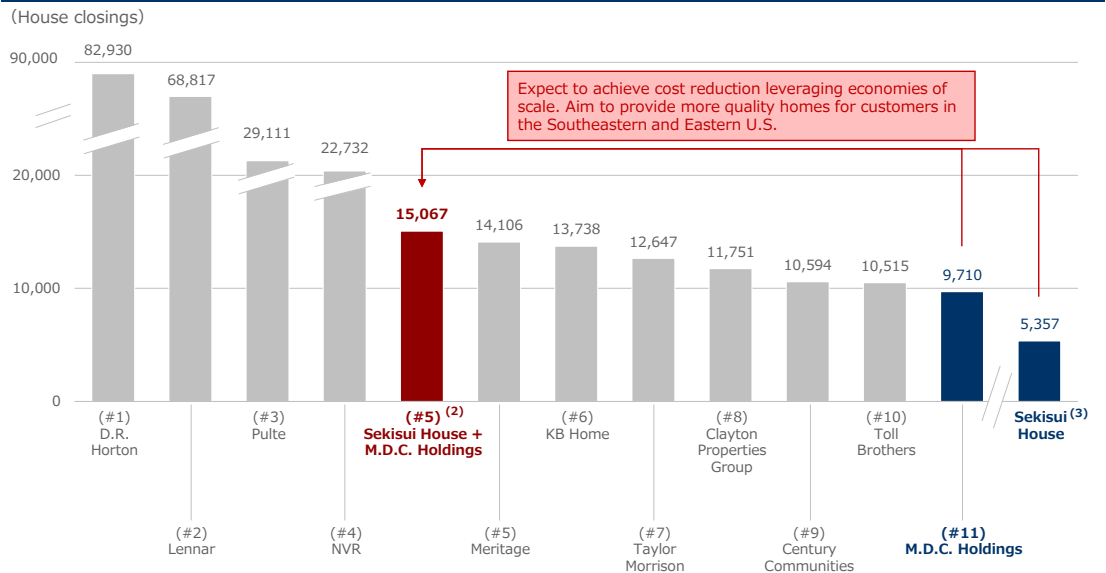
3. Expected Impact of M.D.C. Holdings Acquisition

Further Strengthening of the U.S. Homebuilding Business Platform & Presence (1)



- Through the acquisition of M.D.C. Holdings, we are expected to become a homebuilder supplying 15,067 homes in FY2022, achieving the target of supplying 10,000 homes overseas and ranking as the 5th largest homebuilder in the U.S. on number of house closings basis. Aim for further growth of homebuilding business through the expansion of business area, increased recognition and economies of scale

Number of House Closings Ranking in U.S. (FY2022)⁽¹⁾



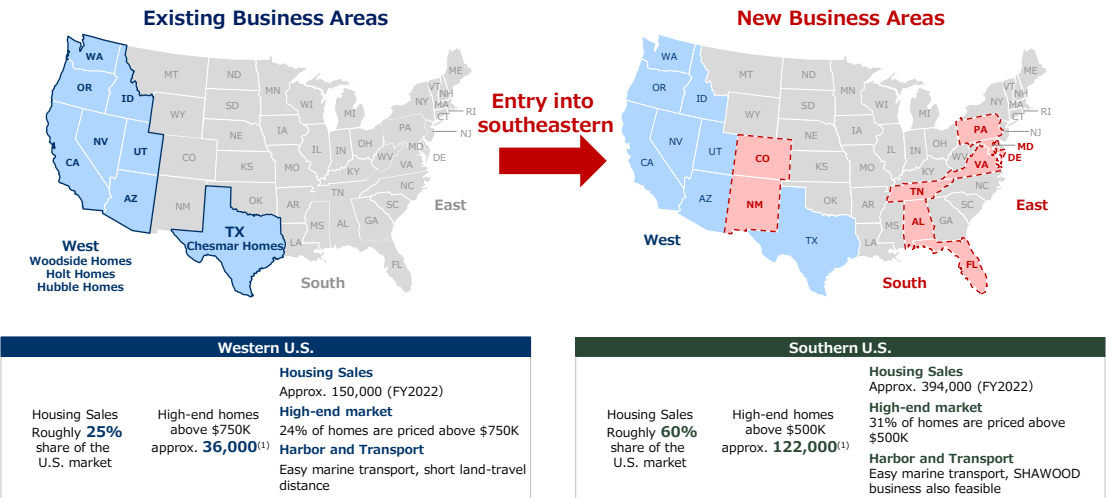
Data Source: Builder Online
Notes:
1. Numbers in bracket represent ranking based on number of house closings in FY2022
2. Pro-forma ranking post acquisition
3. Sum of Woodside Homes, Holt Homes, Chesmar Homes, Hubble Homes

We will now explain the expected impact from the acquisition of MDC. Through the acquisition of MDC, we will become a homebuilder supplying 15,067 homes in FY2022 and achieve our target of supplying 10,000 homes overseas in 2025 ahead of schedule. Our positioning is expected to improve, ranking the combined company as the 5th largest homebuilder in the U.S. We aim to provide more quality homes with Sekisui House technologies for customers in the Southeastern and Eastern U.S.

- Expanding footprint in 16 states with improved presence in the West and entry into the Southeast
- Achieve business area expansion whilst improving positioning in existing areas

~Further Improved Presence in the Western and Entry into Southeastern U.S. ~

Achieve entry into southeastern U.S. through M&A



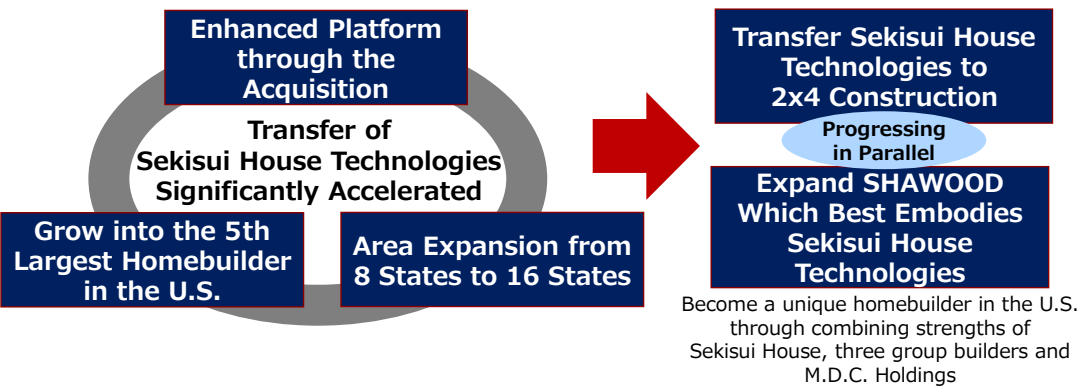
From the business area perspective, our footprint will expand to 16 states from 8 states. We will strengthen our presence in western U.S. and newly enter southeastern U.S. while achieving the target of strengthening our presence across a wide swatch extending from the Northwest and sweeping down and across to the Southeast.

Further Strengthening of the U.S. Homebuilding Business Platform & Presence (3)



- Accelerate transfer of Sekisui House Technologies through utilizing enhanced platform together with expanded area and scale
- Aim to achieve transfer of Sekisui House Technologies to 2x4 construction and expansion of SHAWOOD simultaneously

Business Policy Comprehensively promote the transfer of technologies including product and lifestyle proposals through the solid platform



Significant Progress Towards Achieving Global Vision

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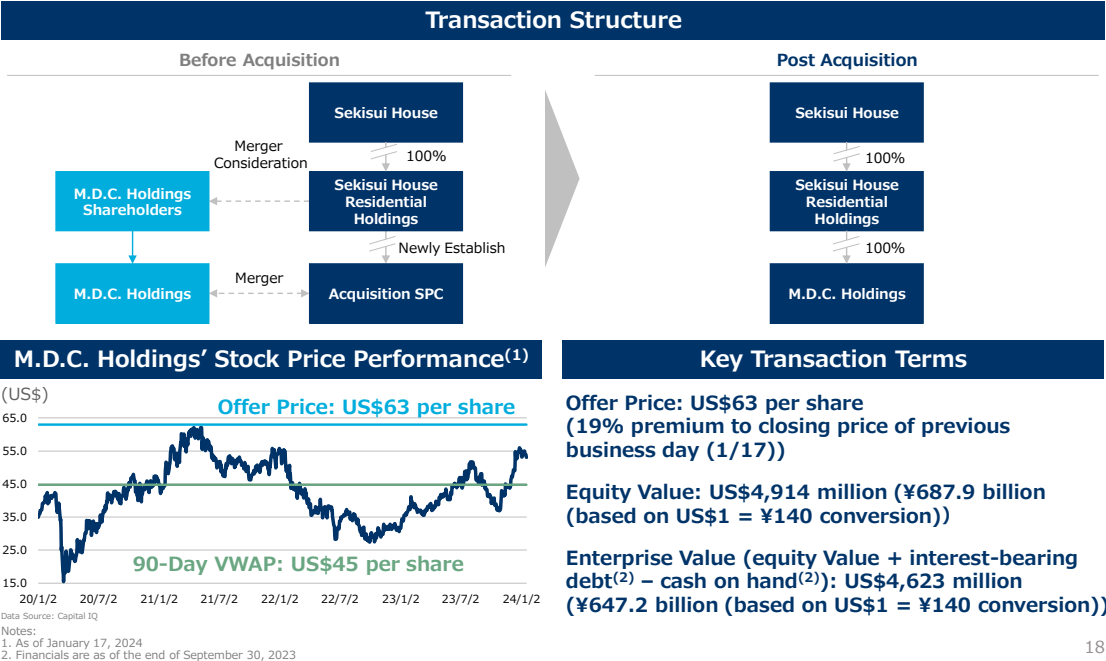
We believe we will be better positioned to significantly accelerate the transfer of Sekisui House Technologies through utilizing the enhanced platform together with expanded area and scale. We will aim to achieve transfer of Sekisui House technologies to traditional 2x4 construction method as well as expansion of SHAWOOD, which best embodies Sekisui House technologies simultaneously. Having spent some time on the PMI of our existing group builders, we believe we will be able to establish a unique position in the U.S. homebuilder sector through combining strengths of Sekisui House, existing group builders and MDC. Through this acquisition, we believe we will make significant progress towards achieving our global vision.

4. Transaction Overview, Operation Structure and Financing Plan

Transaction Overview and Structure



- Acquisition of M.D.C. Holdings with US\$63 per share (all cash consideration)
- Reverse triangular merger to make M.D.C. Holdings a wholly owned subsidiary

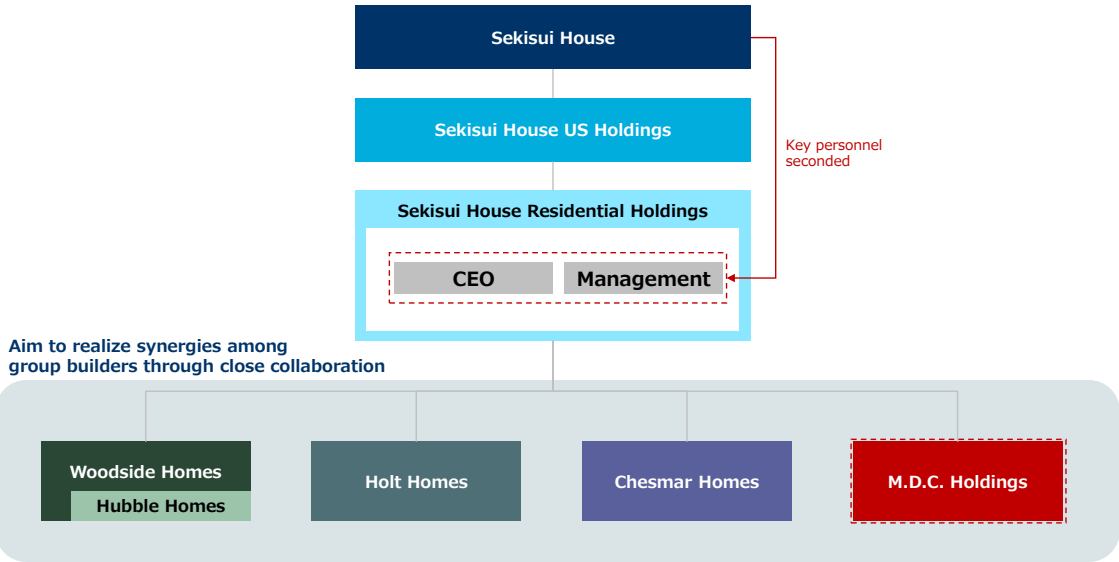


This slide outlines the transaction overview and structure. Regarding the structure, as this will be a friendly transaction, the transaction will be implemented by way of reverse triangular merger which is a standard structure in U.S., in which, a wholly owned company to be established by SHRH for the acquisition, will be merged with MDC. As for key transaction terms, the offer price will be US\$63 per share with all cash consideration, which represents 19% premium to closing price of previous business day (1/17) and 41% premium to 90-day volume-weighted average trading price. The transaction value is expected to be approximately US\$4.9 billion.

U.S. Homebuilding Business Operation Structure and Governance



- Similar to existing group builders, M.D.C. Holdings shares will be held through Sekisui House Residential Holdings (“SHRH”)
- Aim to realize synergies and manage governance by overseeing group builders at SHRH and leveraging M.D.C. Holdings’ platform



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With regards to operational structure, similar to existing group builders, MDC will be held and managed through SHRH. We aim to realize synergies and manage governance by overseeing group builders at SHRH.

As we explained earlier, we believe the utilization of MDC’s platform will greatly benefit existing group builders.

We believe we have successfully developed a framework for U.S. homebuilding business through the acquisition of MDC and we plan to form a committee consisting with the executives of the four companies of SHRH to initiate discussions on topics such as optimal organizational structure, IT and product development to further strengthen the organization.

Financing Plan for the Transaction



- Utilize borrowings from financial institutions to fund the acquisition
- Plan to formulate an appropriate financing strategy considering financial soundness when executing permanent financing plans

Financing

- Utilize borrowings from financial institutions as bridge financing (Secured commitment letters from Japanese banks)
- Plan to execute permanent financing plans within 1 year after transaction closing

Financial Impact

- Debt is expected to increase in the short term. However, we will consider procuring financial instruments such as hybrid bond, etc. after transaction closing

Shareholder Return Policy

- No changes made to current shareholder return policy (Average medium-term dividend payout ratio 40% or more, minimum of ¥110 for annual dividends per share, flexible implementation of share repurchase)

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We will now explain the details of the financing plan for the acquisition.

We will aim to appropriately manage our financials, considering this is a very large acquisition. In terms of financing plan for the transaction, we plan to utilize borrowings from financial institutions as a bridge loan. We plan to execute permanent financing plans within 1 year after transaction closing and plan to develop an appropriate financing strategy considering financial soundness. While we currently plan to maintain our current shareholder return policy, we plan to suspend share buyback in the next fiscal period, considering the size of this transaction.

Financial Outlook



- While various financial indicators are temporarily deteriorated to below the mid-term plan target, we aim to restore financial soundness by accelerating the growth of U.S. homebuilding business

Impact on Financials

Impact on BS

	SEKISUI HOUSE 2023/1	MDC HOLDINGS, INC. 2022/12 ⁽¹⁾	Post Transaction
Interest-bearing debt	¥607.1 billion	¥208.9 billion	We expect an increase of approximately US\$6 billion (approximately ¥840bn) with M.D.C. Holdings' existing interest-bearing debt and borrowing related to fund the acquisitions combined
D/E Ratio	0.37x	0.48x ⁽²⁾	0.9x level ⁽³⁾
Net Debt/ EBITDA	0.93x	0.25x ⁽²⁾	3x level ⁽³⁾

Notes:

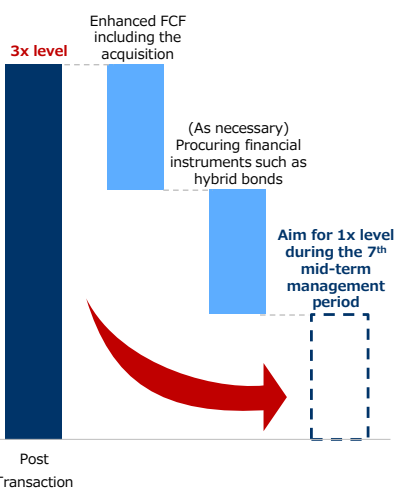
1. Financials for M.D.C. Holdings is calculated 1 USD = JPY140

2. M.D.C. Holdings' interest-bearing debt includes senior notes, net and Revolving credit facility, net debt is calculated by senior notes, net + revolving credit facility- cash and cash equivalents - marketable securities

3. 2025/1 figures are based on our estimate

Financial Strategy Post Transaction

Net Debt/EBITDA



Regarding the impact on financials, D/E ratio will deteriorate to 0.9x level and Net Debt/EBITDA will deteriorate to 3.0x level, which is below our mid-term management plan target, as interest-bearing debt will increase by approximately US\$ 6 billion, including MDC's existing interest-bearing debt and borrowing related to fund the acquisition. On the other hand, we aim to achieve Net Debt/EBITDA of 1x level during the seventh mid-term management period with enhanced free cash flow through accelerating the growth of U.S. homebuilding business and procurement of financial instruments such as hybrid bonds.

We believe the acquisition will greatly contribute to the enhancement of our corporate value through realizing both growth strategy and financial strategy.

Latest Business Results



- Results for the most recent fiscal year for both companies are as follows
- Impact on the consolidated financial results are currently under review, as goodwill, financing cost and other costs associated with the acquisition is expected to arise
- As the transaction closing is expected in the first half of 2024, the profit contribution in FY2024 will be limited and full-scale profit contribution is expected to be from FY2025 onwards

	<div> </div> 2023/1	<div> </div> 2022/12⁽¹⁾	(Reference) Aggregate of Actual Financials
<div> </div> House closings in U.S.	5,357 homes	9,710 homes	15,067 homes (the 5th largest)
<div> </div> Revenue	¥ 2.9 trillion	¥ 800.5 billion	¥ 3.7 trillion
<div> </div> Op. Profit	¥ 261.4 billion	¥ 108.3 billion	¥ 369.7 billion
<div> </div> Net Income	¥ 184.5 billion	¥ 78.6 billion	¥ 263.2 billion
<div> </div> ROE	11.9%	19.8%	—

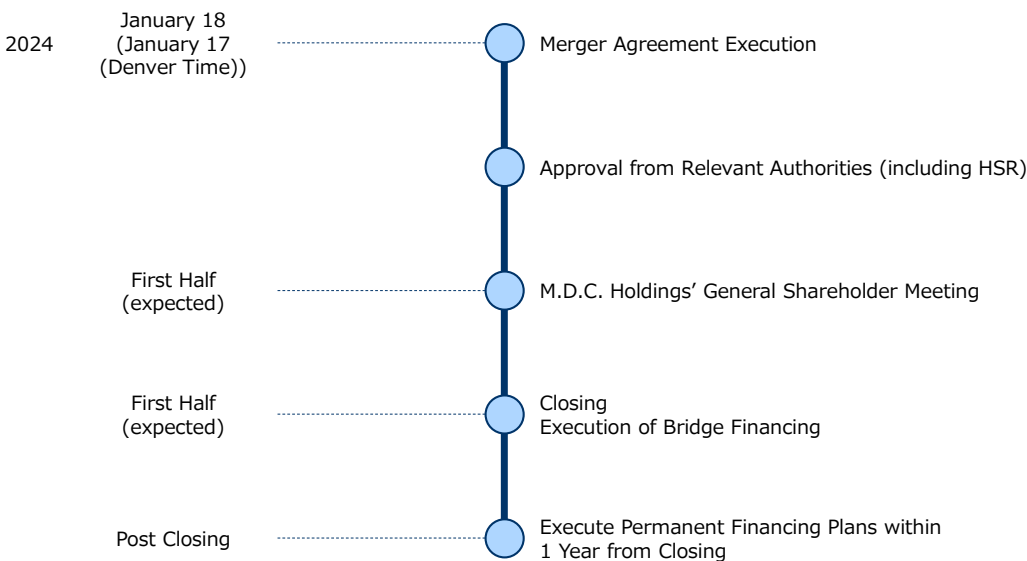
Notes:
1. Calculated 1 USD = JPY140

The latest financials of Sekisui House and MDC are shown on the slide. As we will recognize amortization of goodwill and transaction cost, we are currently examining the impact on our financials. We aim to appropriately disclose the impact in accordance with the progress of the acquisition.

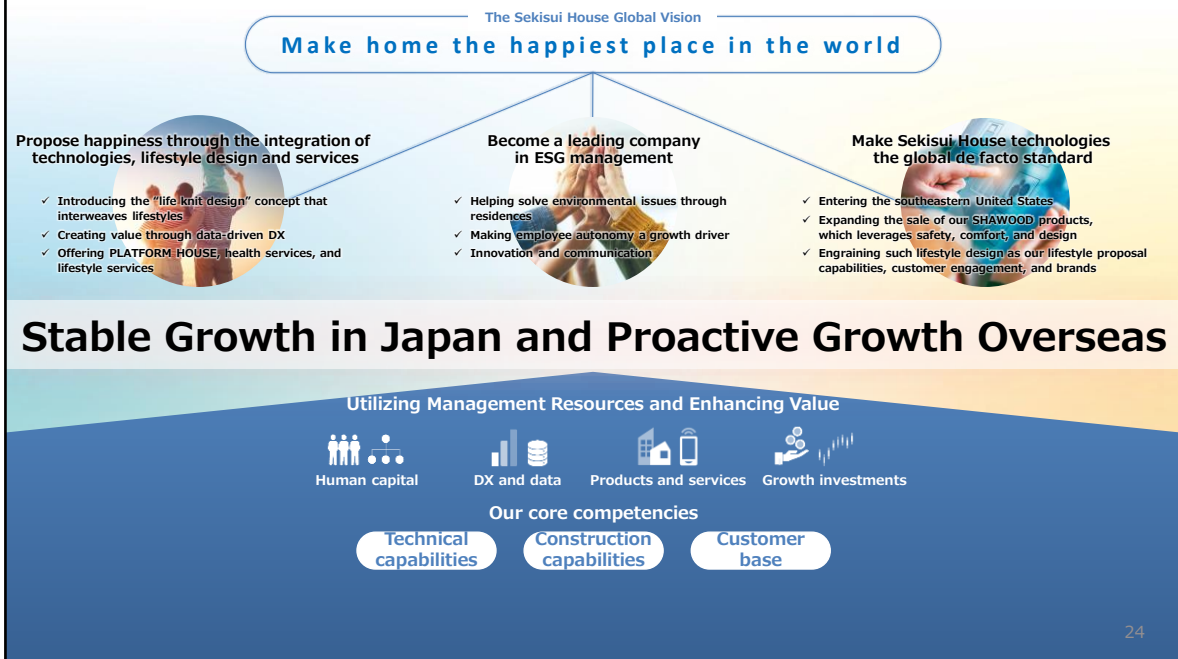
Key Transaction Milestones



■ Key transaction milestones are as follows



This slide outlines key transaction milestones. MDC’s shareholder meeting is expected to be held in first half of 2024 and transaction completion is subject to obtaining the approval of holders of a majority of the outstanding shares of MDC common stock entitled to vote at the shareholder’s meeting. We currently expect the closing of transaction to be in first half of 2024. We will utilize bridge financing to initially fund the acquisition and plan to execute our permanent financing plans within 1 year from transaction closing.



This is the end of the presentation. We would like to once again extend our gratitude to Woodside Homes, Holt Homes, Chesmar Homes and Hubble Homes, for cherishing our global vision and customer first principle, as well as to MDC for choosing to be a part of our group and sharing our vision.

Thank you for listening.

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.