

Sekisui House Entered into Merger Agreement to Acquire U.S. Homebuilder—JCR Will Confirm Direction of Performance & Finances to be Reflected in the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Sekisui House, Ltd. (security code: 1928)'s acquisition of M.D.C. Holdings, Inc. (MDC).

- (1) On January 18, Sekisui House, Ltd. (the "Company") announced that it had resolved to acquire all of the shares of MDC, a major U.S. homebuilder, through a subsidiary of the Company's U.S. headquarters, Sekisui House US Holdings, LLC and that it had entered into a merger agreement regarding this acquisition. The acquisition is expected to be completed in the first half of 2024, subject to approval by the shareholders and the relevant authorities in the U.S. The acquisition price is expected to be approximately US\$4.9 billion (approximately 687.9 billion yen at the conversion rate of 140 yen for US\$1.00), and the Company has indicated that it intends to finance the acquisition primarily through borrowings from its main banks for the time being.
- (2) If the acquisition is completed, deterioration of various financial indicators is inevitable and will put downward pressure on the Company's creditworthiness. On the other hand, MDC boasts sales of about 10,000 homes a year and has built a strong business base in the western and southeastern regions of the U.S. The acquisition of MDC will expand the Company's U.S. operations and improve the Group's earnings power and ability to generate cash flow. In addition, the Company will consider the use of capital instruments such as hybrid bonds when making the funds for the acquisition permanent. JCR believes that these measures will be one of the factors supporting the creditworthiness of the Company. JCR will confirm the outcome of the acquisition and the future direction of the Company's business performance and finances to be reflected in the rating.

Takeshi Rikawa, Takahiko Yamaguchi

<Reference>

Issuer: Sekisui House, Ltd.

Long-term Issuer Rating: AA Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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