

## Sustainability-based procurement guidelines

We have established Sekisui House guidelines aimed at achieving sustainable wood procurement, and in collaboration with our trading partners are pursuing FairWood purchasing.

Illegal logging destroys the local infrastructure of people who have traditionally used forest resources. As a result of this kind of activity, we are faced with serious, ongoing destruction of eco-systems. In order to prevent the harvesting and procurement of environmentally unfriendly timber, Sekisui House has established an independent guideline for the procurement of socially just FairWood®, and together with our suppliers we are pursuing guideline-based wood procurement.

### Ten principles aimed at achieving diverse, sustainable wood supply

Achieving proper wood procurement practices requires consideration of a variety of issues, including potential loss of natural eco-systems due to illegal logging and the decline of the domestic forestry business. Sekisui House has established ten principles that encompass not only the legality of timber supplies, but also the eco-system and impact on the lives of local communities. Under these principles we can assess wood procurement on a multi-lateral basis, while also dealing flexibly with changes in supply.

#### ● Wood Procurement Guidelines: Ten principles

Sekisui House evaluates and awards ranking points to guide the procurement of wood products, with the aim of identifying and prioritizing:

1. Wood products that are sourced from areas where there is low risk of illegal logging.
2. Wood products that are sourced from areas that do not form part of ecosystems recognized as having outstanding value.
3. Wood products that are not sourced from ecosystems that are severely damaged or areas where large-scale logging of natural forests has occurred.
4. Wood products that are not sourced from endangered species.
5. Wood products that are sourced from areas close to where they will be used.
6. Wood products that are not sourced from areas subject to conflict or hostility with regard to wood production.
7. Wood products that are not sourced from areas where the amount of logging does not exceed the recovery rate of the forest.
8. Wood products that are sourced from domestic forests in Japan.
9. Wood products that are sourced from plantation forests that are managed according to methods that encourage the preservation and generation of a natural ecosystem.
10. Wood products that are made from previously used wood.

### Guidelines created in cooperation with environmental NGOs

In order to bring objectivity to our company guideline, we sought input from FoE Japan, the international environmental NGO. Using survey data from a variety of environmental organizations as our criteria, we were able to establish a fair guideline with the cooperation of external third parties. As we continue with our program, we intend to retain this objectivity by maintaining ties with environmental NGOs.

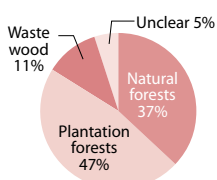
### Improving procurement standards through dialogue with suppliers

Based on these assessments, and in order to improve procurement standards, Sekisui House is engaged in efforts to change the types of trees and purchasing routes. We convey guideline criteria to suppliers, and suppliers consider and make proposals that include the quality and cost of wood procurement that can clear our conditions. In 2007 we reviewed our floor materials, as a result of which in 2008 we are making changes to the types of wood we purchase.

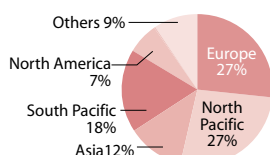
#### ● Data from a total of 387,997 m<sup>3</sup> of wood

(February 2006 – January 2007)

■ Procurement composition on a production basis



■ Logging area composition



NB: North Pacific: Russia Asia: Includes domestic timber South Pacific: Indonesia, Malaysia, Papua New Guinea, etc.

#### Sustainability in action

To ensure the highest possible quality of our housing, we assess housing materials based on a range of factors, including local conditions and how a home will be used. Meeting our performance targets while using FairWood Procurement is a challenge, but we view this as a priority issue and are actively engaged in day-to-day developments.

Masayoshi Ishii

General Manager  
Exterior & Interior System Development Department

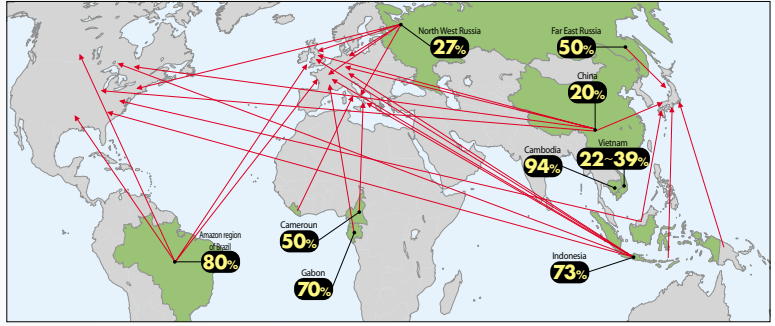


Using FairWood Procurement to achieve sustainable timber harvesting in the fight against illegal logging and other forestry problems

Illegal logging destroys precious eco-systems and impacts the lives of people who depend on forest resources. Along with global warming, this is a priority environmental issue. Data suggests that approximately 20% of the timber imported into Japan is illegally logged, and given the large amount of timber imported this means that Japan's efforts are particularly important. As a company that uses a significant quality of resources to provide society with housing, we are moving ahead with sustainable wood procurement.

\* FairWood refers to eco-friendly, socially just timber, as proposed by the Global Environment Forum and the international environmental organization FoE Japan.

▼ Estimated ratios of G8 nation imports of illegally logged timber and illegal logging in the producing nations (Estimates from 2004)



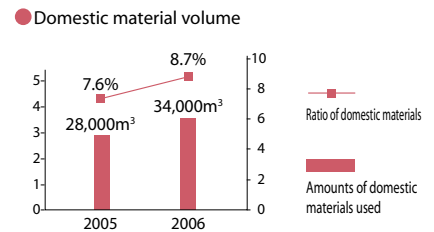
Source: "Scale of illegal logging around the world: currently available estimates," WWF European Forest Programme, April 2004  
 "G8 imports of illegal timber during 2004," Global Timber, 2004  
 Prepared by Sekisui House based on the aforementioned sources



FoE Japan conducting site survey

Promoting the use of domestic resources

The Japanese self-sufficiency ratio in wood has declined to approximately 20%. If we do not revive the cycle of forestry → tree thinning → final cutting, Japan will be left with only poor quality tree stock. Sekisui homes use domestic materials in the interlining portion of plywood, and we are actively considering further use of these materials.



Third-party comment

Sekisui House should steadily expand its FairWood purchasing

I imagine there were a number of challenges relating to product development and procurement in the first year of FairWood purchasing, but it is wonderful to have witnessed Sekisui House change its flooring materials, for which there is a high risk of illegal logging, and retroactively confirm the legality of its supply chain. FairWood purchasing practices are beginning to permeate down to suppliers, demonstrating once again the influence of Sekisui House as a major housing maker. By steadily continuing and promoting these activities, I would expect to see a positive influence exerted on the forests of the producing nations.



**Kenichi Nakazawa**  
 Director and Forest Program Manager  
 International Environmental NGO FoE Japan

FoE uses its global network to actively engage in the issues of climate change, forest destruction and aid for developing nations.

Guidelines for chemical substances

Sekisui House is implementing a variety of measures relating to chemical materials, including introducing exterior wall paint that does not use toluene or xylene, and shifting to non-chromium plating of screws and other fittings. In order to disseminate efforts based on these guidelines, we are engaged with our suppliers in the establishment of proper management systems, including investigating management formats for chemical material contents reports, and development flow auditing systems.

Chemical substances guideline categories

