

Our commitment We will promote the fair procurement based on the Wood Procurement Guidelines and Chemical Substances Guidelines and work with suppliers to encourage greater adoption of "FairWood" procurement and other initiatives.

Cooperating with suppliers on sustainable wood usage

Every year, 13 million hectares of forest are lost to illegal logging and slash-and-burn agriculture worldwide, escalating the destruction of natural ecosystems that are the foundation for human life.

To enable the sustainable use of forests, Sekisui House promotes socially acceptable "FairWood" procurement.

We are working with suppliers and nongovernmental organizations (NGOs) to improve wood procurement.

* "FairWood" is advocated by the Global Environmental Forum and FoE Japan, an international environmental NGO.

New flooring material specifications to improve procurement

In April 2007, Sekisui House announced its Wood Procurement Guidelines that take into account a wide array of perspectives, ranging from legalities to biodiversity and the livelihoods of people living in logging areas. In following the guidelines, scores are determined for compliance with Ten principles and totaled to determine a wood procurement ranking of S, A, B, or C. The purpose of promoting "FairWood" procurement is to decrease the procurement of low C-ranked wood and increase the procurement of high S-ranked wood.

In fiscal 2007, we performed an examination aimed at elevating the procurement of flooring material, about 70% of which is comprised of wood at a low procurement level. In fiscal 2008, we began using our findings to switch tree species and use wood from certified forests* for approximately 70% of the flooring material we use.

We have also considered changing the species of tree used for stair steps with low procurement rankings, adopting plywood made of Japanese conifers for a portion of our needs, and examined possibilities for obtaining forest certifications for our wood-frame houses. Based on our findings, we have taken actions like changing tree species beginning in fiscal 2009. We will continue to take such actions to shift to higher procurement levels.

In fiscal 2007, we purchased 374,000 m³ of wood products, slightly less than 60% of which consisted of products with S- and A-level procurement rankings.

* Wood harvested from forests certified by a third party as being managed in a sustainable way.



Sustainability in Action

Wood Procurement Guidelines having a positive impact

Haruyuki Iwata
Head of Purchasing Department

Sekisui House's Wood Procurement Guidelines formulated in 2007 are expected by many inside and outside the Company to have a significant impact. Since these principles were formulated, we have held various briefings; made and implemented specific measures; and, together with the relevant internal departments and with suppliers, have steadily produced good results.

Now, the Japanese government is looking more closely at "FairWood Procurement," and many are paying attention to Sekisui House's actions regarding wood procurement.

Looking ahead, we intend to improve transparency and fairness in procurement, fulfill social responsibilities through procurement, and move forward with additional environmental initiatives.

Wood Procurement Guidelines: Ten principles

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.

Procurement Levels: Determining procurement rankings

Total Points (maximum of 43 points)	Procurement Ranking	
34 or more	S	Using total procurement guideline points, classify the subject products as S, A, B, or C level, with S being the highest. Establish a separate borderline for guidelines 1 and 4, which are particularly important.
26 or higher but less than 34	A	
17 or higher but less than 26	B	
Less than 17	C	

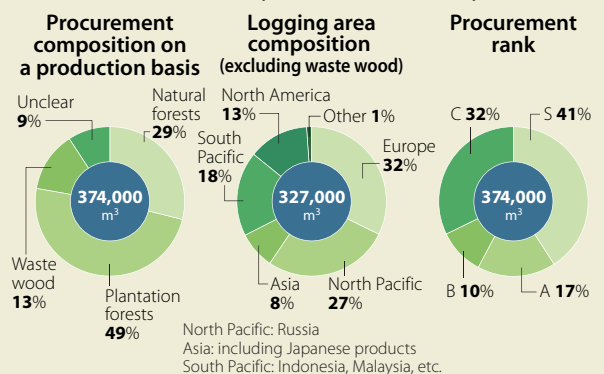
Letter of gratitude about "Logging Promotion" from Director General of the Forestry Agency

In December 2008, Sekisui House's efforts to promote the fair procurement of "FairWood" were recognized by the Council for Tackling Illegal Logging Issue in its "Logging Promotion Awards." The Company received a letter of thanks from the director general of the Forestry Agency in "the Logging Usage Category."



Sustainable Action in Numbers

Wood Procurement Data (Feb. 2007 – Jan. 2008)





As part of our “FairWood” procurement education activities, we have produced a picture book, which addresses forest-related problems. We distribute these books at display homes and other facilities throughout Japan.



Briefings with Suppliers on Wood Procurement Guidelines

Housing is an assembly industry that puts together a multitude of parts and members. In this industry, promoting environmental initiatives requires cooperation from numerous suppliers, and so communicating procurement policies is important.

In May 2008, we conducted a survey of primary suppliers of wood materials, asking them for information like the types of



Wood Procurement Guidelines briefing

trees used in their products, geographic origins, volumes shipped, and documentation certifying legal harvesting. Afterwards, we held a briefing on our Wood Procurement Guidelines for approximately 100 representatives from 61 suppliers.

At this briefing, FoE Japan, an international environmental NGO, assisted with explanations of the social circumstances for suppliers regarding the procurement of wood products, and our Wood Procurement Guidelines. Suppliers were also asked for their cooperation in future initiatives. This briefing helped to strengthen ties with suppliers and has resulted in an increase in suppliers’ subjective proposals regarding wood products.

Chemical Substances Guidelines

We developed our Chemical Substances Guidelines in fiscal 2007.

In fiscal 2008, we focused on toluene, xylene, and hexavalent chrome and, with the ultimate goal of reducing the usage of these chemicals, interviewed suppliers to gather information on matters like technical issues and cost impacts. We are using the results of these interviews to pursue specific initiatives in fiscal 2009.



Mr. Kenichi Nakazawa
Director, FoE Japan /
Forest Program
International environmental NGO

Actively applying a global network to address the problems of climate change and forest destruction, as well as development assistance for developing countries.

Third-party comment

The keywords are “regional diversity”

I think the year was one of steady progress in promoting application of the Wood Procurement Guidelines. Progress was achieved not only internally. I realized through the briefings for suppliers and other communication initiatives that Sekisui House has again asserted its tremendous influence as the housing industry leader.

At present, the Company is advancing guideline initiatives focusing on avoiding risks on forest environments, so I expect it will eliminate purchases of low-procurement level, C-rank wood products in the near future. I also expect for the Company to do more in the way of purchasing wood products from domestic forests and products from certified forests and move one step higher in “FairWood” procurement. Furthermore, I want to see the “FairWood” concept promoted through its communications aimed at informing their customers of the Company’s actions.

We benefit in many direct and indirect ways from forests. I, therefore, want people to go beyond seeing wood products as only industrial products and make the effort to understand the different forest conditions and local social conditions encountered by its places of origin. It is important to vary procurement based on regional circumstances. I want housing to be functional and based on outstanding designs that appreciate diversity.