

**Machine Tools**

The Machine Tools segment includes all businesses of G-net Corporation and Gifu Shoji Co., Ltd. The major businesses consist of the Industrial Tools business, the Machines business and the FA System business. The Industrial Tools business offers small and medium-sized machines, equipments, tools, parts and consumable supplies as a wholesaler. The Machines business provides mainly machine tools by wholesale, while the FA System business retails primarily machine tools and industrial robots. Net sales of these three businesses account for a great part of overall segment sales. Gifu Shoji, the new business field, directly offers the automotive industry machine tools and industrial tools. Besides, the Housing Equipments business offers system kitchens, toilets, and unit baths to dealers. The Overseas Sales business develops and imports new supplies. The Other field includes sale of shop-lifting prevention security systems and security-related products.

< Basic strategy >

■ Industrial Tools business-Establishing stable profit base by setting up core businesses

In the Industrial Tools business, “Metal working tools field”, a category of tools used for machining process by the machine tools, is positioned as one of the core fields. The subcore field is “Industrial built-in equipment field” including machine elements such as motors and reduction gears built-in machines and equipments. We increase our recognition among customers by expanding product diversity in each product category and reinforcing business relationships with the major manufacturers. Furthermore, we develop the problem-solving sales methods to analyze and solve users’ current and potential problems and offer dealers the methods with our know-how, which enables us to differentiate from competitors. Eventually, we aim to establish stable profit base by strengthening the core businesses.

■ Machines and FAS businesses-Increasing in market share of domestic machine tool orders

In the Machines business, selling machine tools as a wholesaler, we aim to attain 5% of the domestic machine tool orders. Regarding the machine tools sales, the broad selection offered by various manufacturers is crucial. Especially, we deal with the major brands of machine tools in main categories such as CNC turning center and machining center. Moreover, we sell machines for specialty use and distinctive machines and import and sell general machine tools that Japanese manufacturers nearly stop producing.

Meanwhile, the FAS business strives to develop sales routes utilizing this advantage in the product line.

■ Gifu Shoji – Expanding fully into the automotive industry

In October 2007, Furusato consolidated Gifu Shoji Co., Ltd., a trading company that directly purchases supplies from the manufacturers and offers them to the automotive industry, based in Tokai area. One of the major purposes of this consolidation was to secure a marketing channel to the industry. Even though G-net targets at the manufacturing sector in Furusato Group, it is hard for wholesalers like G-net to fully enter into the automotive industry that plays a critical role in the manufacturing sector. As a result of the consolidation of Gifu Shoji, we gained a toehold in the automotive industry including the knowledge and methods accumulated by Gifu Shoji, which enables us to expand the machines and industrial tools business. As one of the measures, Nagoya FA System division of G-net was transferred to Gifu Shoji in October 2009. Consequently, it enables Gifu Shoji to propose factory automation-related facilities such as labor-saving production systems using industrial robots by utilizing the strength of the FA System division.

■ Housing Equipments-Establishing stable profit structure by developing remodeling market.

In the Housing Equipments business, we strive to develop new dealers and expand our product line toward growing remodeling market. Accordingly, we will establish stable profit structure, which makes it more capable of resisting the influence from the weak demand for new housing.

<Major product line>

■ Industrial Tools

- Metal working tools (core field): cutting tools, toolings, vises and chucks
- Industrial built-in equipments (subcore field): motors, reduction gear, pneumatic and oil-hydraulic devices, industrial robots
- Other: Environmental equipments, facility equipments, general tools, measuring equipments, material handling

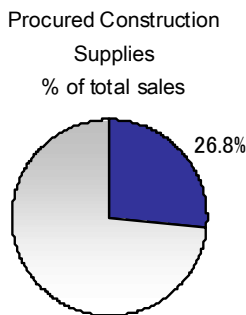
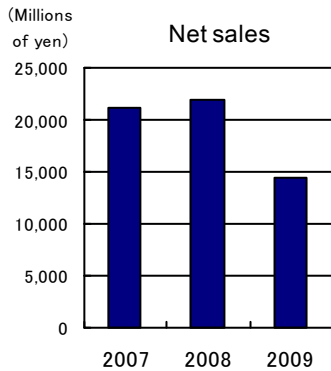
■ Machines

- Machine tools, large machines

■ Other businesses

- System kitchen, sanitary equipments, shop-lifting prevention security systems, monitoring camera





**Procured Construction Supplies**

In the Procured Construction Supplies segment, a part of businesses of Furusato Industries, we purchase items from suppliers and retail them to customers. Originally, we set steel fabricators as our target customers. To be exact, we purchase supplies used by the steel fabricators from manufacturers and sell them directly to the steel fabricators.

Recently, we launched a new business, Plumbing business, retailing supplies to plumbing engineers to newly build or maintain plumbing facilities to transport a wide variety of fluids including liquid and gas at plants, etc.

<Basic strategy>

■ Procured Construction Supplies segment-Responding to “immediate needs”

We purchase all items used by the steel fabricators from over 500 domestic and overseas suppliers. The framework to provide anything our customers need contributes to improving convenience for them.

Regarding the delivery system, we have a community-based sales system with the sales offices nationwide to carry sufficient inventory. Therefore, we can respond to the immediate needs, the specialty needs that the steel fabricators face at construction sites.

■ Plumbing business-Developing a new business at a low cost

A business strategy of the Plumbing business is based on the same concept of the Procured Construction Supplies segment. We established the business in a short period of time at a low cost through gradual business expansion by leveraging existing sales and distribution systems based on existing nationwide sales offices.

In the initial stage, all sales staff members in the steel frame building business develop the plumbing engineers in their own business area. When they achieve their target sales, we assign a sales staff member exclusively engaged in the Plumbing business in order to develop the market further in each sales office.

Finally, as a result of a further increase in the sales, the Plumbing division is established. However, the division uses the existing infrastructures so that the capital investment is not necessary.

<Product line for steel frame building industry>

High strength bolts, fastening products, welding supplies, coating materials, tools



<Product line of Plumbing business>

Pipe & fittings, valve, flange, pipe, fastening products, welding supplies, tools



**In-house Construction Supplies**

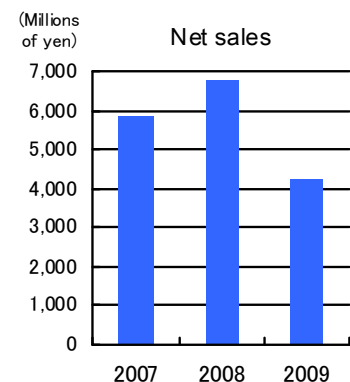
In the In-house Construction Supplies segment, another part of businesses of Furusato Industries, we sell the in-house manufacturing products to steel fabricators nationwide. Major products are Furu-Brace, braces for quake-resistant structure used in steel frame buildings, and foundation bolts used in building foundations.

<Basic strategy>

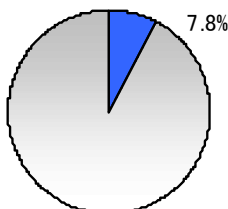
■ Basic strategy 1-Manufacturing close to customers

In order to deliver our products to the customers as quickly as possible, we put our priority on a community-based manufacturing system with 12 factories from Hokkaido to Kyusyu including three major plants, Shiga Plant, Saitama Plant and Utsunomiya Plant. We manufacture primarily the Furu-Brace in each region. Besides, new standard JSS (Japanese Society of Steel Construction Standards) foundation bolts for building structure are manufactured at our five factories nationwide.

Each plant also functions as a base point of the logistics network for in-house products, which contributes to reduction in lead-time and logistic costs. Therefore, the customers appreciate for our immediate responses to their requirements.



In-house Construction Supplies % of total sales



■ Basic strategy 2-Providing high-quality JIS (Japanese Industrial Standards) brace from all plants

The capability of a turnbuckle brace for quake-resistant structure with the elasticity to the buildings in order to prevent buildings from collapsing is defined in the “JIS A 5540 Turnbuckle for building”.

Furusato attained JIS mark certifications ahead of our competitors in the industry and established our manufacturing structure to provide the JIS braces from our 12 factories nationwide.

<Product line>

Braces, foundation bolts, other products



JIS brace for quake-resistant structure



Foundation bolts



Other products

**Other segment**

Here we mean a business of Wakaba Lease. This segment is omitted because Wakaba Lease accounts for less than 0.1% of consolidated sales and income.