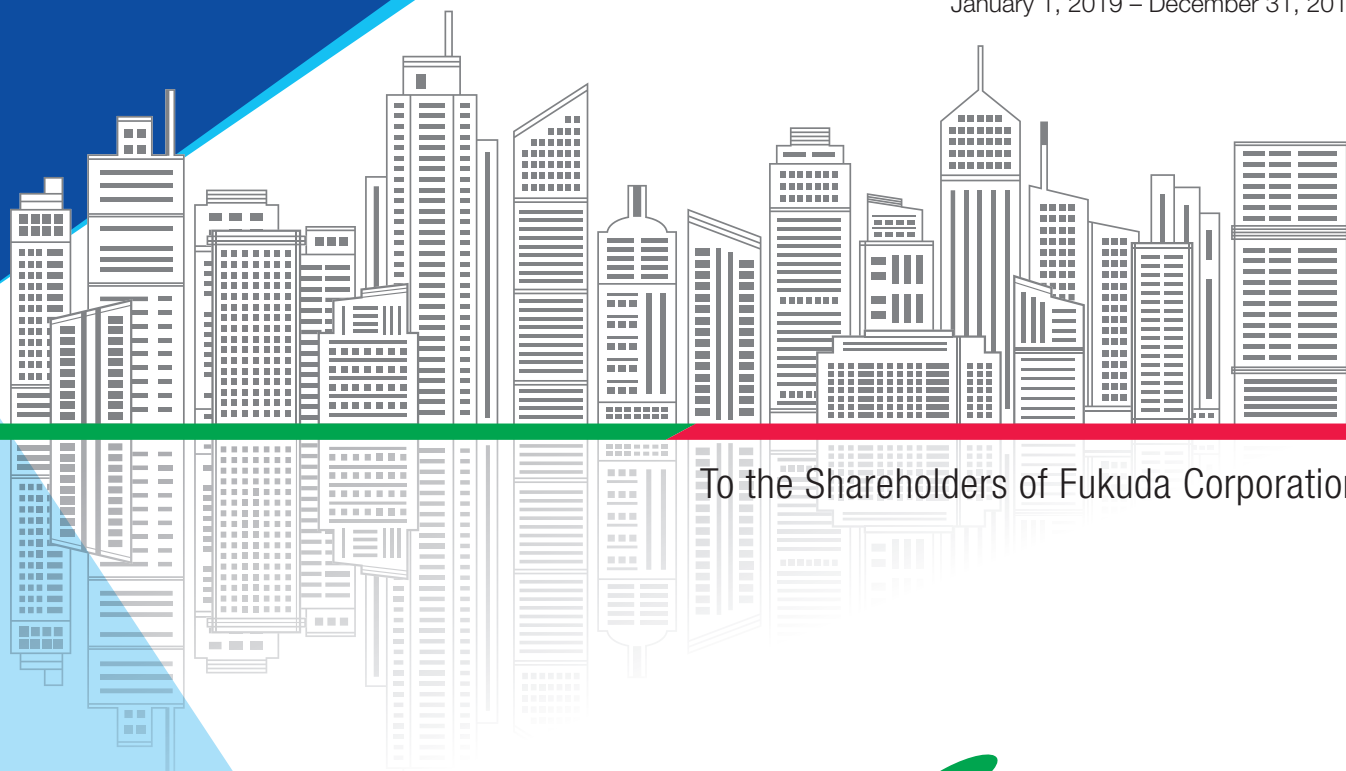


FUKUDA REPORT

Annual Report for the **93rd** Term

January 1, 2019 – December 31, 2019



To the Shareholders of Fukuda Corporation



Fukuda Corporation

Stock code: 1899

We strive first and foremost to satisfy our multiple stakeholders.



Katsuyuki Fukuda
Chairman &
Representative Director



Masanori Araaki
President &
Representative Director

We would like to extend our greetings to all of our shareholders, and take this opportunity to express our sincere gratitude for your continuing support.

We hereby present our business results for the 93rd term ended on December 31, 2019.

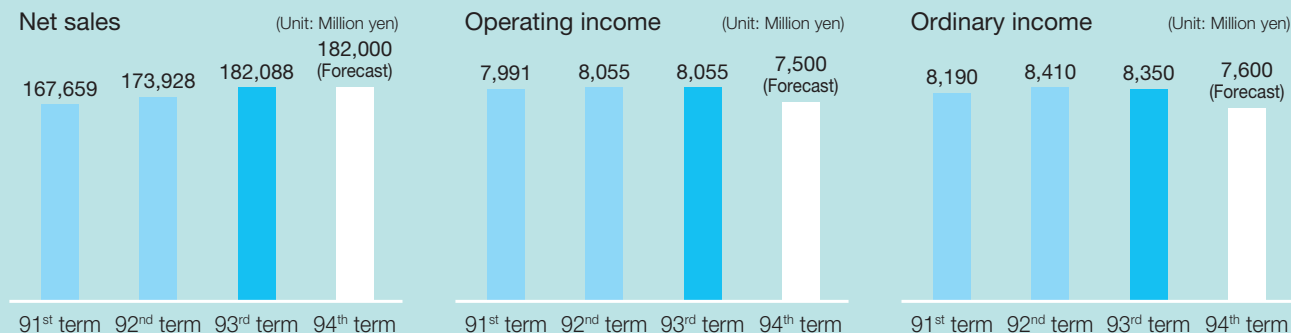
By upholding the basic principle of “Creating an environment where people, nature and society can coexist” and adhering to the Fukuda Group Spirit of “Always sincere from now until the next century and beyond,” the Fukuda Group draws on its comprehensive strengths and sincerity to form strong bonds with those that we love and cherish, in order to protect their lives and livelihoods. The Company’s management philosophy is: “To value people and the environment, and aim to create inspirational value based on a corporate structure designed to face challenges.” To this end, the entire company is working together as one, with our highest priority being the satisfaction of all of our stakeholders, including our customers, shareholders, business partners, local community and employees.

The Company’s business results for the fiscal year under review are shown below. While today’s increasingly global society is fraught with unexpected risks, we will aim to enhance our corporate value and maintain the Group’s management base as a united corporate group so that we may further continue to meet the expectations of our shareholders.

We sincerely hope you will grant us your continued support and guidance going forward.

March 2020

Financial Highlights



Business environment for the fiscal year under review

The Japanese economy continued to make a moderate recovery thanks to sustained high levels of corporate earnings as a result of cost-cutting efforts, despite a continued downturn in exports caused by weakness in overseas economies. Meanwhile, personal consumption is also experiencing a moderate upturn, despite a temporary slump due to factors such as a lull following the rush in demand that preceded the consumption tax hike.

In the construction industry, capital investment continued to increase, driven primarily by demand for maintenance and renewal works on aging facilities, investment in building renovations and redevelopment in major metropolitan areas, as well as rationalization and labor-saving investment in response to labor shortages. There was also robust investment in the construction of accommodation and other facilities for accepting visitors to Japan.

Consolidated business results for the fiscal year under review

The consolidated business results for the fiscal year under review were as follows. Net sales increased 4.7% year on year to more than ¥182.0 billion, due to an increase in construction business brought forward from the previous fiscal year, despite a decrease in new orders received.

In terms of profit, gross profit increased by 1.7% year on year to more than ¥18.0 billion, growing at a slower rate than net sales due to the effect of a decrease in construction project gross profit margins amid an increasingly competitive business environment. Operating income remained at over ¥8.0 billion, the same level as the previous fiscal year, due to an increase in selling, general and administrative expenses such as labor costs.

Net income attributable to owners of the parent decreased by 3.0% year on year to over ¥5.4 billion, as non-operating income and extraordinary income fell due to a decrease in the Group's share of profit of entities accounted for using equity method and the absence of the compensation for expropriation that was recorded in the previous fiscal year.

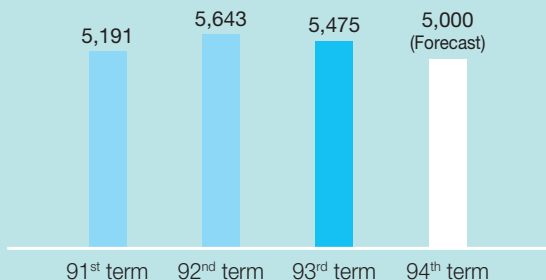
However, the Group steadily implemented measures in the Medium-Term Business Plan, of which the year under review was the initial year, and generally succeeded in achieving the planned performance.

Outlook for the next fiscal year

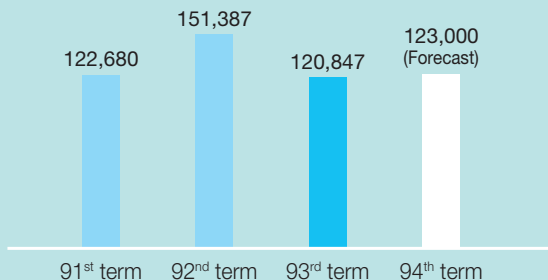
Going forward, in the construction industry, investment in public works construction, primarily maintenance and renewal, is predicted to continue to increase, while stable demand is also expected to continue in the order environment for private sector investment. However, an increasingly harsh order environment is expected in regional areas, where a tight supply-demand balance caused by labor shortages, as well as a trend towards the concentration of construction in urban areas, have led to a steep increase in construction costs.

In response to these conditions, as construction companies adapted to meet the needs of society and customers, the Group will strive to enhance productivity and work environments, maximize utilization of management resources, secure and nurture talent, increase corporate value, and thus achieve the goals of the "Medium-Term Business Plan 2021," which the Group established in 2019.

Net income attributable to owners of the parent (Unit: Million yen)



Orders (non-consolidated) (Unit: Million yen)



Aiming to be the number one company for multiple stakeholder satisfaction

~ Towards sustained corporate growth ~

The Medium-Term Business Plan 2021 has been established to realize the Group's long-term vision for the next decade.



The Group's Future Ideal

Previous Medium-Term Business Plan 2018

- Bring about a recovery in performance
- Capture incoming orders
- Strengthen financial foundations

New Medium-Term Business Plan 2021

- Transform the business portfolio
- Create new revenue bases
- Secure and diversify talent

Long-term Vision 2025

**A century of history and tradition;
New challenges for the next 100 years**

- Develop nation-wide through strong consolidated management, to be more than just a regional construction company
- Create customer satisfaction through quality and safety
- Be a corporate group with advanced technical and proposal capabilities
- Secure superior talent and develop an environment where they can flourish
- Establish win-win relationships with all stakeholders

5 Measures

Transform the portfolio of existing businesses

Narrow down new revenue bases for Group companies

Secure and diversify talent

Create worksites to provide safe, high-quality services

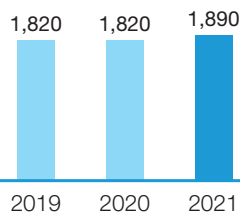
Be trusted as Fukuda Group

Numerical Targets

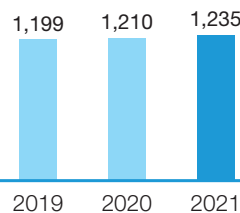
- Net sales... **¥189.0** billion / Fukuda Corporation non-consolidated... **¥123.5** billion
- Operating income... **¥7.9** billion / Fukuda Corporation non-consolidated... **¥5.8** billion

Net sales (hundred million yen)

Consolidated

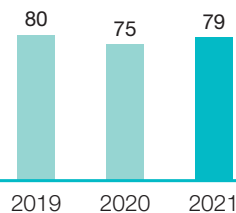


Non-consolidated

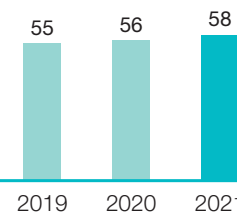


Operating income (hundred million yen)

Consolidated



Non-consolidated



Equity ratio
50.0%

Interest-bearing liabilities
¥2.0billion

Dividend payout ratio
20.0%

ROE
8.0%

Dividend on equity ratio (DOE)
1.6%

Main projects completed in the fiscal year under review

Construction



Joetsu City
Tentative name: Joetsu City Gymnastics Arena Construction Project
(Niigata Prefecture)



JX Nippon Real Estate Corporation and Daiwa Lease Co., Ltd.
Tentative name: Frespo Hibarigaoka Construction Project (Tokyo)



Anabuki Kosan Inc.
Tentative name: Alphastates Narukozaka Construction Project
(Shizuoka Prefecture)



Otemon Gakuin Educational Foundation
Otemon Gakuin Elementary School New East Wing Construction Project
and Associated Works (Osaka Prefecture)



INOAC CORPORATION
Tentative name: INOAC CORPORATION Tsukidate Plant Rigid Workshop
Construction Project (Miyagi Prefecture)



LANDIC HOLDINGS Co., LTD.
Tentative name: Nagaoka 2-chome Plan Construction Project
(Fukuoka Prefecture)

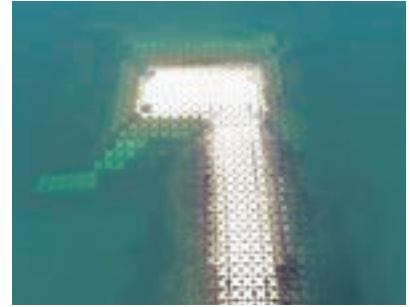
Civil Engineering



Niigata Prefecture
Niigata Port (Nishi Ko-ku)
Revetment Disaster Recovery (Waste Landfill Revetment No.2)
Construction Project (Niigata Prefecture)



Niigata Prefecture
Sado Ring Road Major Regional Road Takegahana Bypass
Tentative name: Takegahana Tunnel Construction Project
(Niigata Prefecture)



Ministry of Land, Infrastructure, Transport and
Tourism Hokuriku Regional Development Bureau
Niigata Coast Kineicho No.4 Headland 4th External Construction
Project (Niigata Prefecture)



Fukushima Prefecture
Public Disaster Recovery (Restoration) Project (Coastal)
(Fukushima Prefecture)



Ministry of Land, Information, Transport and
Tourism, Kyushu Regional Development Bureau
Tateno Area Slope Excavation and Other Works
(Kumamoto Prefecture)



Fukuoka Prefecture
Kurume, Ukiha Industrial Park Development Project (Area 2)
(Fukuoka Prefecture)

Main orders and completed projects for the fiscal year under review

Orders

- DAIWA HOUSE INDUSTRY CO., LTD.
Tentative name: DPL Urawa Misono Construction Project
- JA Niigata Kouseiren
JA Niigata Kouseiren Murakami General Hospital Relocation Project
- Ministry of Land, Infrastructure, Transport and Tourism
Hokuriku Regional Development Bureau
Ohkouzu Diversion Channel New 2nd Groundsill Reconstruction Phase I Project
- Tokyo Bureau of Sewerage
Higashi-Ogu Purification Center – Ogu Main Line for Ogu System Pump Room
Operation Construction Project

Completed projects

- Tokyo Metropolitan Government
Ariake Arena (Tentative Name) (27) Construction Project
- Fuyo General Lease Co. Ltd.
Tentative name: Koami-cho 16-ban Hotel Construction Project, Nihonbashi,
Chuo-ku
- Niigata Prefecture
Sado Ring Road Major Regional Road Takegahana Bypass (Tentative Name)
Takegahana Tunnel Construction Project
- Miyagi Prefecture
Sakanamachi Road Reconstruction Project

Consolidated Financial Statements

● Consolidated Balance Sheet (Unit: Million yen, rounded down to the nearest million yen)

	93 rd term (as of December 31, 2019)	92 nd term (as of December 31, 2018)
Assets		
Current assets	104,203	90,675
Non-current assets	35,343	35,157
Total assets	139,546	125,832
Liabilities		
Current liabilities	62,880	54,064
Non-current liabilities	8,531	8,501
Total liabilities	71,412	62,565
Net assets		
Shareholders' equity	66,697	62,098
Accumulated other comprehensive income	840	576
Valuation difference on available-for-sale securities	853	792
Revaluation reserve for land	△75	9
Remeasurements of defined benefit plans	63	△225
Non-controlling interests	596	591
Total net assets	68,134	63,266
Total liabilities and net assets	139,546	125,832

● Consolidated Statement of Income (Unit: Million yen, rounded down to the nearest million yen)

	93 rd term (January 1, 2019 - December 31, 2019)	92 nd term (January 1, 2018 - December 31, 2018)
Net sales	182,088	173,928
Cost of sales	164,018	156,165
Gross profit	18,069	17,762
Selling, general and administrative expenses	10,014	9,707
Operating income	8,055	8,055
Non-operating income	413	545
Non-operating expenses	117	191
Ordinary income	8,350	8,410
Extraordinary income	176	220
Extraordinary losses	240	180
Income before income taxes and minority interests	8,286	8,451
Income taxes – current	2,825	2,506
Income taxes – deferred	△57	270
Net income	5,519	5,673
Net income attributable to non-controlling interests	43	29
Net income attributable to owners of the parent	5,475	5,643

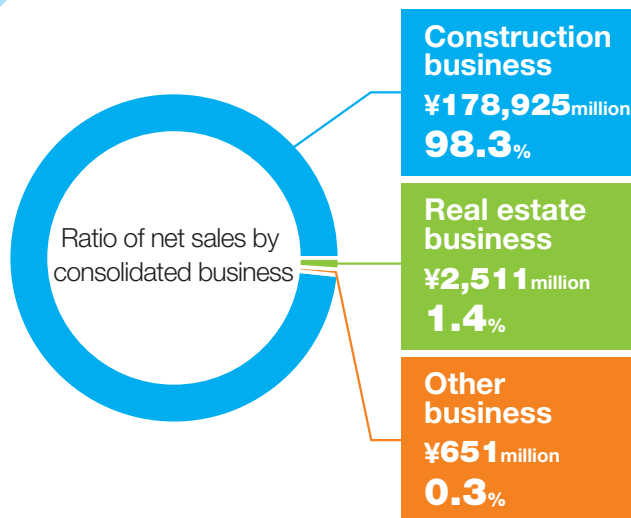
● Consolidated Statement of Cash Flows (Unit: Million yen, rounded down to the nearest million yen)

	93 rd term (January 1, 2019 - December 31, 2019)	92 nd term (January 1, 2018 - December 31, 2018)
Cash flows from operating activities	△1,151	△3,300
Cash flows from investing activities	△1,849	△3,119
Cash flows from financing activities	3,314	△1,023
Net increase (decrease) in cash and cash equivalents	313	△7,443
Cash and cash equivalents at beginning of period	22,858	30,301
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries		
Cash and cash equivalents at end of period	23,171	22,858

● Consolidated Statement of Changes in Equity (January 1, 2019 – December 31, 2019) (Unit: Million yen, rounded down to the nearest million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance as of January 1, 2019	5,158	6,165	51,535	△761	62,098	792	9	△225	576	591	63,266
Changes of items during the period											
Dividends of surplus			△978		△978						△978
Net income attributable to owners of the parent			5,475		5,475						5,475
Purchase of treasury shares				△57	△57						△57
Disposal of treasury shares		△3		78	74						74
Reversal of revaluation reserve for land			85		85						85
Net changes of items during the period other than shareholders' equity						61	△85	288	264	4	268
Total changes of items during the period	—	△3	4,582	20	4,599	61	△85	288	264	4	4,868
Balance as of December 31, 2019	5,158	6,162	56,118	△741	66,697	853	△75	63	840	596	68,134

Business Overview/Subsidiaries



In addition to the construction orders and projects undertaken by the Company, FUKUDA ROAD CONSTRUCTION CO., LTD. and 22 other subsidiaries, and TAKAKEN CO., LTD. and four other affiliates are also engaged in construction orders and projects, as well as the rental and manufacturing/sales of construction-related materials and equipment, some of which are ordered by the Company.

In addition to the business undertaken by the Company in real estate sales, leasing and development, FUKUDA ASSET & SERVICE CO., LTD. and three other subsidiaries, as well as an affiliate, TAKAKEN CO., LTD., and another affiliate are also engaged in the real estate business.

FUKUDA ROAD CONSTRUCTION CO., LTD. and four other subsidiaries are engaged in the lease, manufacture and sale of products other than those related to construction projects. Another subsidiary, Design Workshop Co., Ltd., is engaged in the management of welfare facilities.

IT Support Inc.

IT Support Inc. was established in January, 2003, as the Fukuda Group's shared IT division.

With the management philosophy of "aiming for genuine end-user support for IT environments," the company offers meticulous support throughout the IT life-cycle from installation to disposal, renting out PCs and servers mainly for use by employees of the Group. It also provides support for the construction of network environments and the installation of various types of software, and assists companies in various ways such as the installation of multi-function printers and other peripheral devices, to ensure good working environments.

IT Support Inc. also offers these services to customers outside the Group, and will continue to strive daily to increase the number of customers using its services.

(The main office of IT Support Inc. was relocated from Kawagishicho, Chuo-ku to Shichikuyama, Chuo-ku in November 2019.)



■ Representative	President & Representative Director Kinichi Uchiyama
■ Address	7-12-2 Shichikuyama, Chuo-ku, Niigata
■ Date of Establishment	January 2003
■ Capital	¥20 million
■ Homepage	https://www.itsupport-inc.com/
■ Nature of Business	PC rental and support Server and network construction Software installation support

TOPICS 1

Certified as "Company with Excellent Record of Construction Projects" for 7 years running
Certified by the Ministry of Land, Infrastructure, Transport and Tourism
 as a "Company with Excellent Record of Construction Projects"



The Company received certification and an award as a Company with Excellent Record of Construction Projects for Fiscal 2019 from the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. This is the seventh consecutive year that the Company has received this certification, attesting to the continuity and stability of its technical capabilities in regard to construction and quality control.

TOPICS 2

IR Information Session for Individual Investors
Held an IR Information Session in Osaka

The Company hosted an IR information session for around 40 individual investors in Osaka City, Osaka Prefecture. Sessions such as these are being held around Japan.



TOPICS 3

Developed Productivity Tools in Collaboration with an IT Company

Developed "Te-S Assistant" Utilizing SfM Technology for Work Progress Control



The Company, in collaboration with an IT company, developed "Te-S Assistant," a tool aimed at enhancing the efficiency of mountain tunnel construction work management. The "Te-S Assistant" provides visualization and guidance for the state of completion of tunnel excavation, through photogrammetry utilizing SfM (Structure from Motion) technology. Until now, employees had to judge by sight whether excavation was being carried out in a suitable form to ensure appropriate conformity with the cross-section design. There was thus the risk that the planned tunnel cross-section would not be achieved due to insufficient excavation, or conversely, that too much excavation would lead to losses through the need for additional work and concrete lining. Moreover, there was the physical danger of rock face collapse. The "Te-S Assistant" was developed to provide a method of ensuring efficient and safe tunnel form excavation.

Corporate Data

Company Profile (as of December 31, 2019)

Established: January 1902

Founded: December 1927

Capital: 5,158,408,496 yen

Employees: 898

Consolidated subsidiaries: 17 (including FUKUDA ROAD CONSTRUCTION CO., LTD.)

Main offices: ● Head office

3-10 Ichibanboridoricho, Chuo-ku, Niigata
Tel: 025-266-9111 (Main line)

● Main Branch & Branches

Niigata Main Branch (Chuo-ku, Niigata),
Tokyo Main Branch (Chiyoda-ku, Tokyo),
Tohoku Branch (Aoba-ku, Sendai),
Nagoya Branch (Naka-ku, Nagoya),
Osaka Branch (Kita-ku, Osaka),
Kyushu Branch (Hakata-ku, Fukuoka),
Chuetsu Branch (Nagaoka, Niigata Prefecture),
Hokkaido Branch (Chuo-ku, Sapporo)

● Sales Offices

Morioka, Chiba, Yokohama, Murakami,
Jouetsu, Hiroshima and six other locations

Main subsidiaries: FUKUDA ROAD CONSTRUCTION CO., LTD.

KOWA Co., Ltd.

FUKUDA HOUSING CO., LTD.

RECS CORPORATION

FUKUDA ASSET & SERVICE CO., LTD.

NigataZouen Corporation

FUKUDA RENEWAL CORPORATION

Kita Nihon Construction Material Leasing Co., Ltd.

Re Earth Corporation

Directors and Executive Officers (as of March 26, 2020)

Chairman & Representative Director Chairman of the Board	Katsuyuki Fukuda	Executive Officer	Kiyomi Ozaki
		Executive Officer	Hiroyuki Oiki
President & Representative Director President of the Board	Masanori Araaki	Executive Officer	Mikio Yamamoto
		Executive Officer	Hiroshi Shimizu
Vice President & Representative Director Vice President of the Board	Wataru Ishikawa	Executive Officer	Satoshi Yugami
		Executive Officer	Tsuyoshi Tamiya
Director & Executive Officer	Ryoichi Soma	Executive Officer	Kazunori Konno
Director & Executive Officer	Masahiro Masuko	Executive Officer	Katsuhiko Iwasaki
Director & Executive Officer	Takeshi Yamamoto	Full-Time Audit & Supervisory Board Member	Koichi Yakuwa
Director & Executive Officer	Shinichi Otsuka	Full-Time Audit & Supervisory Board Member	Shoichi Takakuwa
Director	Kenichi Yazawa	Audit & Supervisory Board Member	Tetsuya Sunada
Director	Yoshinao Nakata	Audit & Supervisory Board Member	Michiaki Miyajima
Vice President of the Board	Hideaki Fujiyama		
Executive Officer	Yutaka Yamaga		
Executive Officer	Shuichi Sunada		

Notes:

- Messrs. Kenichi Yazawa and Yoshinao Nakata are Outside Directors pursuant to Article 2, Paragraph 15 of the Companies Act.
- Messrs. Tetsuya Sunada and Michiaki Miyajima are Outside Audit & Supervisory Board Members pursuant to Article 2, Paragraph 16 of the Companies Act

Stock Information (as of December 31, 2019)

Total Number of Shares Authorized to be Issued: 20,000,000 shares

Total Number of Shares Outstanding (excluding treasury shares): 8,911,369 shares

Number of Shareholders: 5,607

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Shareholding ratio (%)
(Public Interest Incorporated Foundation) Fukuda Ikueikai	688	7.7
THE DAISHI BANK, LTD.	439	4.9
Naomi Fukuda	431	4.8
Fuji Fukuda	326	3.7
Kazuko Ozawa	321	3.6

Note: Shareholding ratio is calculated after deducting the number of treasury shares (76,742 shares). The number of treasury shares does not include the shares of the Company (70,300 shares) held by Trust & Custody Services Bank, Ltd. (trust account E) as the trust assets of the Employee Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT).

Information for Shareholders

Fiscal Year: From January 1 to December 31

Ordinary General Meeting of Shareholders: March

Record Date Ordinary General Meeting of Shareholders:
December 31
Year-End Dividend: December 31
Interim Dividend: June 30

Stock Transfer Agent / Account Management Institution for Special Accounts: Mitsubishi UFJ Trust and Banking Corporation

Contact Information
Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department
1-1 Nikkocho, Fuchu, Tokyo
Tel: 0120-232-711 (Toll-free)

Addressee
Shin-Tokyo PostOffice, Po box No.29,
Tokyo 137-8081 Japan

Number of Shares Per Unit: 100

Listed on: First Section of Tokyo Stock Exchange

Method of Public Notice: Public notices will be made electronically.
However, when electronic public notices cannot be made due to circumstances beyond our control, we will post a notice in the Nihon Keizai Shimbun.
URL for Public Notices: <http://www.fkd.co.jp/>

Notes:

- Procedures for matters such as change of address of shareholders and requests for purchase of shares are, in principle, accepted by the account management institution (securities company, etc.) where shareholders have their accounts. Please contact the securities company where you have your account. These procedures are not handled by the Stock Transfer Agent (Mitsubishi UFJ Trust and Banking Corporation).
- Procedures related to shares recorded in special accounts are handled by Mitsubishi UFJ Trust and Banking Corporation as the account management institution. Shareholders are therefore requested to contact the account management institution (Mitsubishi UFJ Trust and Banking Corporation) for the aforementioned special accounts.
The services are also provided at nationwide branches of Mitsubishi UFJ Trust and Banking Corporation.

Shareholder Benefit Program

To express our gratitude for the constant support of our shareholders and with the aim of encouraging shareholders to maintain their shareholding over a long period, the Company has introduced a Shareholder Benefit Program.

Number of shares held	Shareholder benefit	Benefit criteria
200 shares or more	A ¥2,000 QUO card	Shareholder benefit presented in accordance with the details registered or recorded in the Shareholder Registry as of December 31 each year.
200 shares or more	A ¥5,000 QUO card	Shareholder benefit presented in accordance with the details (registered or recorded three times or more in the Shareholder Registry) for shares held for one year or more.

Presentation period: Scheduled to be sent in late March each year



<http://www.fkd.co.jp/>



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Chuo-ku, Niigata
Tel: 025-266-9111 (Main line)