

To the Shareholders of Fukuda Corporation

FUKUDA REPORT



Fukuda Corporation

Annual Report for the 94th Term

January 1, 2020 – December 31, 2020



Stock code: 1899

Introduction

We strive first and foremost to satisfy our multiple stakeholders.

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

We would also like to express our deepest condolences to those who have lost their lives due to coronavirus disease (COVID-19) and to the families they have left behind, and we pray for the earliest recovery of those still affected.

In addition, we would like to extend our sincere gratitude to all of the government agencies and the medical professionals who are fighting on the frontline to prevent the spread of infection.

We hereby present our business results for the 94th term ended on December 31, 2020.

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.



Katsuyuki Fukuda

Chairman &
Representative Director

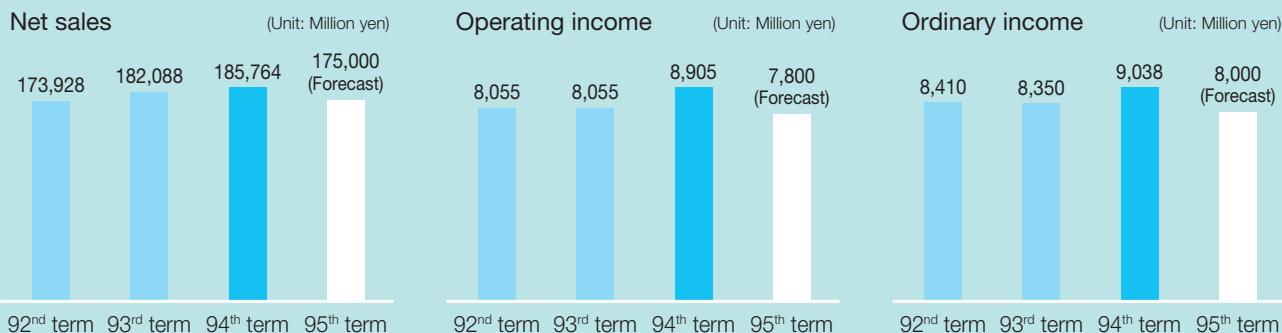


Masanori Araaki

President &
Representative Director

March 2021

Financial Highlights



Business environment for the fiscal year under review

The Japanese economy continued to face a difficult situation due to the global spread of COVID-19. Although exports and corporate earnings of some companies in specific industries showed signs of recovery, other industries suffered a deterioration in corporate earnings due to voluntary restraints on economic activities, resulting in a greater degree of turmoil in the economy. Meanwhile, recovery in personal consumption also came to a standstill amid the persisting COVID-19 pandemic.

In the construction industry, demand is increasing for disaster prevention measures and maintenance and renewal works on aging facilities for public investments. Meanwhile, the amount of investment in construction by the private sector is declining amid a corporate trend to curb capital investment under the impact of COVID-19.

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 by 2.0% year on year to more than ¥185.7 billion, mainly because major construction projects were completed and construction works progressed steadily without anticipated work interruptions and delays due to the COVID-19 pandemic.

In terms of profit, gross profit increased by 5.5% year on year to more than ¥19.0 billion thanks to a significant contribution from an increase in gross profit margins mainly due to the completion of highly profitable construction properties and there being no losses caused by the COVID-19 pandemic. Operating income increased 10.6% year on year to more than ¥8.9 billion, despite an increase in selling, general and administrative expenses such as labor costs.

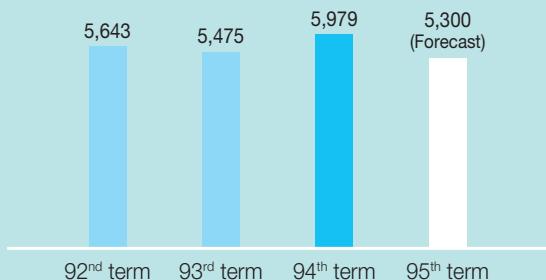
In terms of non-operating income and expenses, ordinary income increased by 8.2% year on year to ¥9.0 billion without any major fluctuations, and net income attributable to owners of the parent increased by 9.2% year on year to more than ¥5.9 billion as income taxes remained at the same level as the previous fiscal year, despite the recording of a loss on valuation of investment securities.

Outlook for the next fiscal year

Going forward, in the construction industry, although the budget for national resilience has been secured, general investment in public works construction is expected to decline as authorities are obliged to allocate a large budget for COVID-19 measures. In addition, new capital investment is predicted to remain at a low level in the meantime due to a sharp decline in both investment in construction by the private sector and construction of accommodation facilities, as office buildings undergo changes in workplaces and workstyles.

The Company is working diligently to achieve the targets in the Medium-Term Business Plan, entering its final year in 2021. However, we have decided to revise the initial plan for 2021, because orders decreased in 2020 as the result of an unexpected business environment and due to concerns over a decline in the progress of construction works from 2021.

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

Adjust the respective weights of the construction, civil engineering and paving businesses according to social needs (transition from new construction to maintenance and renewal, from low productivity properties to high-productivity properties and business areas)

Narrow down new revenue bases for Group companies

Develop new businesses utilizing knowhow from construction and real estate businesses

Secure and diversify talent

Hire and educate diverse talent for the accumulation of intellectual capital
Enhance work-life balance to secure talent
Engage in talent exchange between Group companies

Create worksites to provide safe, high-quality services

Work together with partner businesses to provide customers and local communities with high-quality services
Enhance Group brand strength through providing a high level of additional value

Be trusted as Fukuda Group

Enhance sensitivity to legal and regulatory compliance
Make a suitable contribution to local communities (through taxes, employment, local contributions, tackling environmental issues, etc.)

Main projects completed in the fiscal year under review

Construction



JA Niigata Kouseiren
JA Niigata Kouseiren Murakami General Hospital Relocation Project
(Niigata Prefecture)



Mizuho Marubeni Leasing Corporation
Tentative name: Toyocho Project Construction Project (Tokyo)



INOAC CORPORATION
INOAC Yana Plant No. 2 Construction Project (Aichi Prefecture)



AEON RETAIL CO., LTD.
Tentative name: AEON STYLE Ebie Construction Project (Osaka Prefecture)



Akita Real Estate Service Co., Ltd.
Akita Continuing Care Retirement Community (CCRC) Base Development Project
(Nakadori 2-chome District Excellent Building Development Project)
Facility Construction Project (Akita Prefecture)



Kashii Teriha Project Consortium
Tentative name: Kashii Teriha Project
(Urban Palace Teriha Construction Project) (Fukuoka Prefecture)

Civil Engineering



Ministry of Land, Infrastructure, Transport and Tourism Hokuriku Regional Development Bureau
Kuraoka Low Water Revetment Project (Niigata Prefecture)



Ministry of Land, Infrastructure, Transport and Tourism Hokuriku Regional Development Bureau
Shimazaki River Sluice and Drainage Pumping Station Reconstruction Project Part 1 (Niigata Prefecture)



Niigata Prefecture
Prefectural Irrigation and Drainage Project (General (Cultivation)) Shinanogawa River Right Bank (Phase 1) District 10th Construction Project (Niigata Prefecture)



Niigata Prefecture
Niigata Port (Nishi Ko-ku) Waste Landfill Revetment Management Dredging Soil and Sand Basin Embankment Construction Project Part 4 (Niigata Prefecture)



Iwate Prefecture
National Route 455 Horono Ohashi Bridge Seismic Reinforcement and Repair (Substructure) Project (Iwate Prefecture)



Kanagawa Prefecture
2019 Kanagawa Prefecture Environmental Improvement Center Water Leak-resistance Facility Maintenance Project (Kanagawa Prefecture)

Main orders and completed projects for the fiscal year under review

Orders

- DAIWA HOUSE INDUSTRY CO., LTD.
Tentative name: Kasugai Shopping Center Construction Project
- AEON TOWN Co., Ltd.
Tentative name: AEON MALL Noshiro Construction Project
- Hitachi Power Solutions Co., Ltd.
SGET Shin-Shirakawa Photovoltaic Power Plant Construction Project and SGET Shin-Shirakawa Photovoltaic Power Plant Self-owned Line Construction Project
- Funabashi City
Kaminagatsugawa Trunk River No. 1 Culvert Construction Project

Completed projects

- AEON TOWN Co., Ltd.
Tentative name: AEON TOWN Fujimino Construction Project
- JA Niigata Kouseiren
JA Niigata Kouseiren Murakami General Hospital Relocation Project
- Miyagi Prefecture
Okawa Outer River Disaster Recovery Construction Project (No. 2)
- Koga City Genboen Land Division Readjustment Association
Tentative name: Koga City Genboen Land Division Readjustment Project

TOPICS
1

Certified for 8 years running
Certified 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 2020 from the Hokuriku Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. This is the eighth 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

Contributing to the Spread of ICT Construction
Certified as a “Company with Excellent Record of Construction Projects Utilizing ICT”



The Company received certification and an award as a Company with Excellent Record of Construction Projects Utilizing ICT for Fiscal 2020 from the Hokuriku Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. This is the second time since fiscal 2017 that the Company has received this certification. We are proactively working on information and communication technology (ICT) construction as part of workstyle reforms, including productivity improvements.

TOPICS
3

Practicing Health and Productivity Management
Registered and Certified as the Prefecture’s “Niigata Health and Productivity Management Promotion Company” and the City’s “Health and Productivity Management Certified Business”



▲ Promoting the introduction of “KenCoM,” a website for the exclusive use of the insured established by the All Japan Civil Engineering and Construction National Health Insurance Association to support the health management of employees

Based on the idea that “giving consideration to the health of its employees will also bring significant management benefits,” the Company is working on health and productivity management that considers and strategically implements health care from a management perspective. Following our registration as a “Niigata Health and Productivity Management Promotion Company” by Niigata Prefecture in 2019, we were certified as a “Health and Productivity Management Certified Business” (Gold Class) by Niigata City in April 2020. Specifically, we will support the health care of employees from various angles, including promoting participation in “Minna de Arukatsu,” a walking event sponsored by the health insurance association the Company is affiliated to, providing support for employees who return to work after taking leave, and establishing a leave system and rehabilitation attendance system for employees requiring hospital visits.

Consolidated Financial Statements

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

	94 th term (as of December 31, 2020)	93 rd term (as of December 31, 2019)
Assets		
Current assets	102,288	104,203
Non-current assets	35,273	35,343
Total assets	137,562	139,546
Liabilities		
Current liabilities	58,717	62,880
Non-current liabilities	7,508	8,531
Total liabilities	66,226	71,412
Net assets		
Shareholders' equity	70,170	66,697
Accumulated other comprehensive income	550	840
Valuation difference on available-for-sale securities	655	853
Revaluation reserve for land	△87	△75
Remeasurements of defined benefit plans	△17	63
Non-controlling interests	615	596
Total net assets	71,335	68,134
Total liabilities and net assets	137,562	139,546

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

	94 th term (as of December 31, 2020)	93 rd term (January 1, 2019 - December 31, 2019)
Net sales	185,764	182,088
Cost of sales	166,692	164,018
Gross profit	19,071	18,069
Selling, general and administrative expenses	10,165	10,014
Operating income	8,905	8,055
Non-operating income	337	413
Non-operating expenses	205	117
Ordinary income	9,038	8,350
Extraordinary income	151	176
Extraordinary losses	365	240
Income before income taxes and minority interests	8,824	8,286
Income taxes – current	2,718	2,825
Income taxes – deferred	80	△57
Net income	6,026	5,519
Net income attributable to non-controlling interests	47	43
Net income attributable to owners of the parent	5,979	5,475

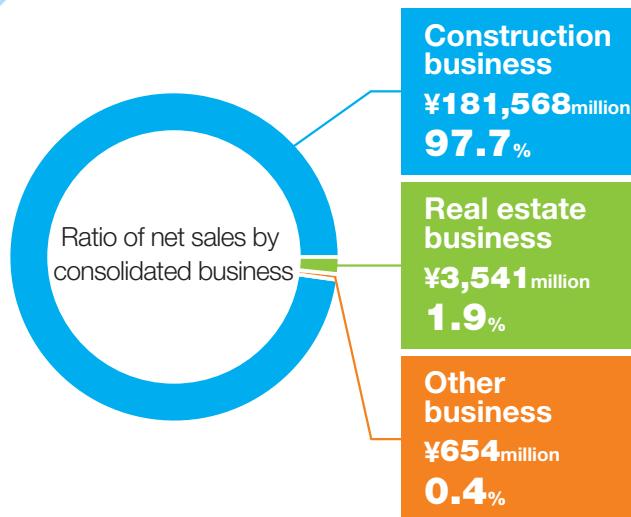
● Consolidated Statement of Cash Flows (Unit: Million yen, rounded down to the nearest million yen)

	94 th term (as of December 31, 2020)	93 rd term (January 1, 2019 - December 31, 2019)
Cash flows from operating activities	6,909	△1,151
Cash flows from investing activities	△2,193	△1,849
Cash flows from financing activities	△4,680	3,314
Net increase (decrease) in cash and cash equivalents	35	313
Cash and cash equivalents at beginning of period	23,171	22,858
Cash and cash equivalents at end of period	23,116	23,171

● Consolidated Statement of Changes in Equity (January 1, 2020 – December 31, 2020) (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, 2020	5,158	6,162	56,118	△741	66,697	853	△75	63	840	596	68,134
Changes of items during the period											
Dividends of surplus			△980		△980						△980
Net income attributable to owners of the parent			5,979		5,979						5,979
Purchase of treasury shares				△1,688	△1,688						△1,688
Disposal of treasury shares		6		137	144						144
Change of scope of consolidation			5		5						5
Reversal of revaluation reserve for land			11		11						11
Net changes of items during the period other than shareholders' equity						△198	△11	△80	△290	19	△271
Total changes of items during the period	—	6	5,015	△1,550	3,472	△198	△11	△80	△290	19	3,200
Balance as of December 31, 2020	5,158	6,169	61,133	△2,291	70,170	655	△87	△17	550	615	71,335

Business Overview/Subsidiaries



In addition to the construction orders and projects undertaken by the Company, FUKUDA ROAD CONSTRUCTION CO., LTD. and 21 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.

Okumikawa Co., Ltd.

Okumikawa Co., Ltd. is located near the border of Aichi Prefecture, which is surrounded by Gifu, Nagano and Shizuoka Prefectures. Although it is a region experiencing depopulation, the Shitara Dam construction project, a national policy, is underway targeting completion by 2026, and there are more people working on the dam construction project than the town population of Shitara itself.

Living up to our corporate philosophy of “Cheerfully, Seriously, and With Utmost Effort,” every employee is strenuously working every day for the sake of their families, the local community, and for the company. We will continue to push ahead with a spirit of sincerity 100 years from now.

- Representative Toshiya Sawaki, Representative Director
- Address 5-2 Kiyosaki Azamizuguchi, Shitara-cho, Kita Shitara-gun, Aichi Prefecture
- Establishment January 1978
- Capital ¥20 million
- Website <https://www.okumikawaweb.com/>
- Business Company specializing in road paving with a focus on asphalt paving



Corporate Data

Company Profile (as of December 31, 2020)

Established: January 1902

Founded: December 1927

Capital: 5,158,408,496 yen

Employees: 913

Consolidated subsidiaries: 16 (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 25, 2021)

Chairman & Representative Director Chairman of the Board	Katsuyuki Fukuda	Executive Officer	Hiroyuki Oiki
		Executive Officer	Mikio Yamamoto
President & Representative Director President of the Board	Masanori Araaki	Executive Officer	Hiroshi Shimizu
		Executive Officer	Satoshi Yugami
Vice President & Representative Director Vice President of the Board	Wataru Ishikawa	Executive Officer	Tsuyoshi Tamiya
		Executive Officer	Kazunori Konno
Director & Executive Officer	Hideaki Saito	Executive Officer	Shuichi Sunada
Director & Executive Officer	Shinichi Otsuka	Executive Officer	Toshio Omi
Director & Executive Officer	Yutaka Yamaga	Full-Time Audit & Supervisory Board Member	Shoichi Takakuwa
Director & Executive Officer	Katsuhiko Iwasaki	Full-Time Audit & Supervisory Board Member	Takeshi Yamamoto
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	Audit & Supervisory Board Member	
Executive Officer	Koichi Yakuwa		
Executive Officer	Kiyomi Ozaki		

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, 2020)

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

Total Number of Shares Outstanding (excluding treasury shares): 8,607,762 shares

Number of Shareholders: 5,811

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Shareholding ratio (%)
(Public Interest Incorporated Foundation) Fukuda Ikuikai	688	8.0
Naomi Fukuda	431	5.0
THE DAISHI BANK, LTD.	419	4.9
Kazuko Ozawa	321	3.7
Fukudasekizai Co., Ltd.	286	3.3

Note 1. 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).

2. THE DAISHI BANK, LTD. merged with The Hokuetsu Bank, Ltd. on January 1, 2021 and was renamed Daishi Hokuetsu Bank, Ltd.

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

Notes:

- Please contact the securities company where you have your account regarding procedures for matters such as change of address of shareholders and requests for purchase of shares. These procedures are not handled by the Stock Transfer Agent (Mitsubishi UFJ Trust and Banking Corporation). Unclaimed dividends are payable at the main office/branches of 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



FUKUDA Corporation Search

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



FUKUDA

Head office: 3-10 Ichibanboridoricho,
Chuo-ku, Niigata
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