

To the Shareholders of Fukuda Corporation

FUKUDA REPORT



Celebrating 120 years of founding



Annual Report for the 95th Term

January 1, 2021 – December 31, 2021



Fukuda Corporation

Stock code: 1899

Introduction

We will plant our roots in the local region and build strong bonds with our multiple stakeholders that go beyond the region.

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 95th term ended on December 31, 2021.

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, in order to build strong bonds with 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.



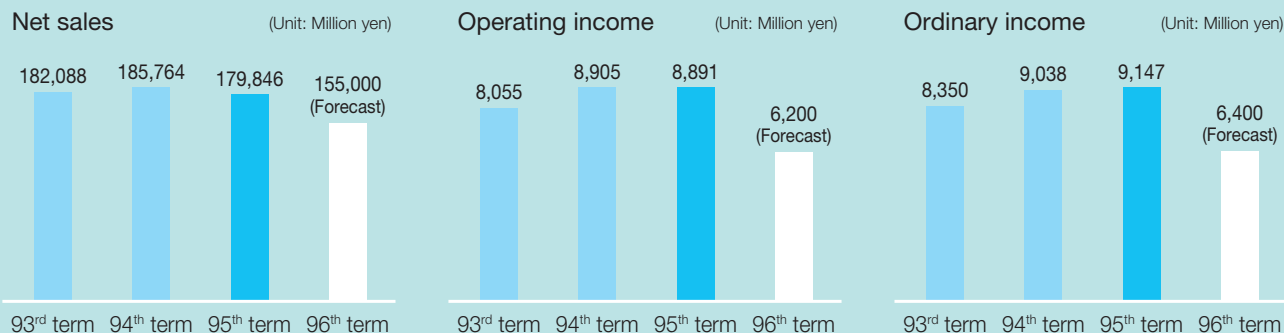
Katsuyuki Fukuda
Chairman &
Representative Director



Masanori Araaki
President &
Representative Director

March 2022

Financial Highlights



Business environment for the fiscal year under review

Although the spread of COVID-19 led to restrictions and stagnation in economic activity, the Japanese economy gradually started to recover owing to the progress of vaccination and the effects of various infection prevention measures. However, since the beginning of this year, COVID-19 variants have spread rapidly, and the economy constantly fluctuated between upturns and downturns. In terms of corporate earnings, while some industries experienced favorable business conditions, lifestyle-related service industries such as the accommodation business and store retailing business continued to face a harsh business environment. Regarding personal consumption, although recovery was seen towards the end of last year due to a decrease in the number of infections, consumption seems to have reverted to a downward trend as a result of the issuance of semi-state of emergency measures due to the spread of COVID-19 variants.

In the construction industry, for public investment in construction, demand was robust for disaster prevention measures and maintenance and renewal works on aging facilities. Meanwhile, in anticipation of a post-COVID society, investment in construction by the private sector is gradually recovering. However, the recovery brought about by such sentiments falls far below pre-COVID levels, and the order receiving environment remains severe.

Consolidated business performance for the fiscal year under review

The consolidated business results for the fiscal year under review were as follows. Net sales decreased by 3.2% year on year to slightly more than ¥179.8 billion, due to a year-on-year decrease in orders received for the construction business, although the construction of projects on hand progressed smoothly without being affected by the spread of COVID-19, and sales in the real estate business increased.

In terms of profit, gross profit decreased by 1.7% year on year to slightly more than ¥18.7 billion due to the decrease in net sales, in spite of a contribution from an increase in gross profit margins mainly due to the completion of highly profitable construction properties, and the fact that potential losses attributable to the COVID-19 pandemic, which we had feared, did not materialize. Operating income decreased 0.2% year on year to slightly more than ¥8.8 billion, due to a decrease in selling, general and administrative expenses resulting mainly from the conclusion of “amortization of goodwill,” which was recorded until the previous fiscal year.

Mainly owing to an increase in dividend income and a decrease in provision of allowance for doubtful accounts, non-operating income and expenses contributed to revenue, and ordinary income increased by 1.2% year on year to slightly more than ¥9.1 billion. However, net income attributable to owners of the parent decreased by 1.9% year on year to slightly more than ¥5.8 billion, mainly due to the recording of loss on valuation of shares of subsidiaries and associates, and an increase in impairment losses.

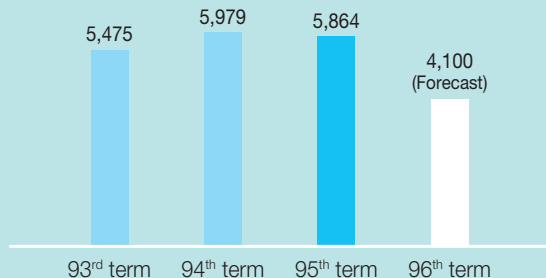
Outlook for the next fiscal year

Going forward, in the construction industry, although the budget for national resilience has been secured, investment in public works construction in local regions is expected to decline as authorities are obliged to allocate a large budget for infectious disease 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.

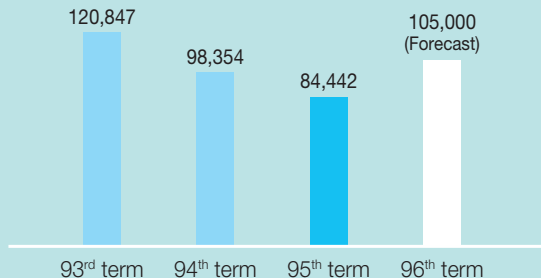
Nonetheless, even under such circumstances, we are striving to obtain orders in booming fields such as the logistics facilities field, for which demand is expected to grow owing to robust e-commerce transactions, and the renewable energy-related facilities field aimed at the realization of a decarbonized society.

In response to such an environment, we have formulated the new “Medium-Term Business Plan 2025,” with 2022 as the first fiscal year of the plan. Precisely because we face a rapidly changing society, we will plant our roots in the local region and further strengthen our relationships with multiple stakeholders through conducting balanced business activities that go beyond the region.

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



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



Planting our roots in the local region and building strong bonds with our multiple stakeholders that go beyond the region

This year, as the Group enters the final phase of its long-term vision for the next decade, the Medium-Term Business Plan 2025 has been established.



The Group's Future Ideal

Previous Medium-Term Business Plan 2021

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

New Medium-Term Business Plan 2025

Aiming to enhance the “quality” of the Group so as to achieve sustained growth over the next 100 years

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

Basic Policies

Evolution and deeper development of mainstay businesses (construction and real estate)

- Conducting more strengthening efforts and pursuing possibilities -

Establishment of the sincere brand image of the Fukuda Group

- Strengthening our sales capabilities through trust -

Strengthening and ensuring safety and quality

Enrichment and growth of human resources

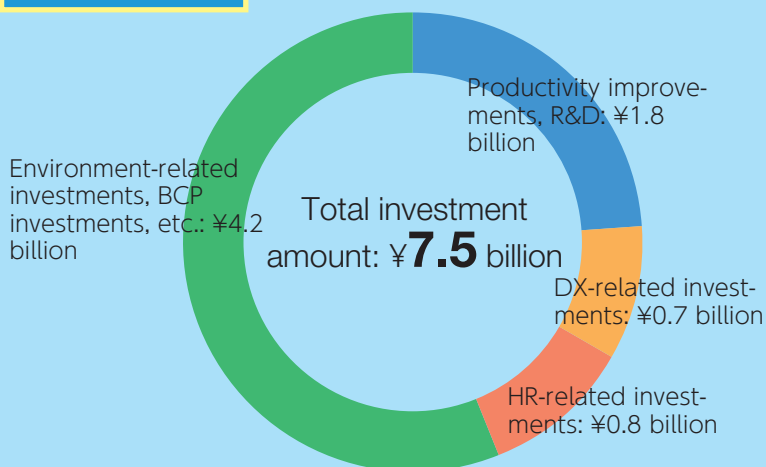
- Development of diverse foundations that will support the organization -

ESG management for the enhancement of corporate value

Performance Targets/Targets for Financial Indicators

- Net sales.....¥**185.0** billion
- Operating income... ¥**8.4** billion
- Ratio of operating income to net sales...**4.5%**
- Capital adequacy ratio.....**50.0%**
- ROE..... Around **8.0%**
- Dividend payout ratio... **20.0%** or more

Investment Plan



Main projects completed in the fiscal year under review

Construction



Niigata City
Katahigashi Elementary School Relocation Reconstruction Project
(Niigata Prefecture)



Urawa-misono Specified Purpose Company
Tentative name: DPL Urawa-misono Construction Project (Saitama Prefecture)



DAIWA HOUSE INDUSTRY CO., LTD.
Tentative name: Kasugai Shopping Center Construction Project
(Aichi Prefecture)



kyoritsu Estate Co., Ltd
Tentative name: Onyado Nono Yodoyabashi Construction Project
(Osaka Prefecture)



Tamahime Group Aomori
Tentative name: Grande Vierge Shin-Aomori Project (Aomori Prefecture)



ANABUKI KOSAN INC.
Tentative name: Alpha States Sumiyoshi II Construction Project
(Nagasaki Prefecture)

Civil Engineering



Ministry of Land, Infrastructure, Transport and Tourism Hokuriku Regional Development Bureau
Shinanogawa River Downstream East Niigata District River Channel Excavating and Shinko-cho Yasuragi Embankment Exterior Construction Project Part 9 (Niigata Prefecture)



Niigata Prefecture
Niigata Port (Nishi Ko-ku) Waste Landfill Revetment Management Dredging Soil and Sand Basin Embankment Construction Project Part 8 (Niigata Prefecture)



Nagaoka City
Nagaoka City New Non-industrial Waste Final Disposal Site (tentative name) Construction Project (Niigata Prefecture)



Chiba Prefecture
Comprehensive Social Capital Grant Construction
(Tentative name: Tsuchiyabashi Main Line P10, P11 Bridge Footing)
(Chiba Prefecture)



Hitachi, Ltd.
SGET Hiroshima Mega Solar Power Plant Construction Project
(Hiroshima Prefecture)



MM BRIDGE CO., LTD.
Dai-ichi Shirakawa Bridge Restoration Project (Part 2-1)
(Kumamoto Prefecture)

Main orders and completed projects for the fiscal year under review

Orders

- Toshiba Energy Systems & Solutions Corporation
Nasu Mega Solar Power Plant Construction Project
- DAIWA HOUSE INDUSTRY CO., LTD.
Tentative name: Nagareyama Otakanomori B35 Block Commercial Facility Construction Project
- Shinmachi-Machizukuri Co., Ltd.
Building Construction Project in line with Aomori Shinmachi 1-chome District Excellent Building Development Project
- Asahi Kasei Realty & Residence Corporation
Tentative name: Pearl Fukuoka Rebuilding Plan Construction Project

Completed projects

- Urawa-misono Specified Purpose Company
Tentative name: DPL Urawa-misono Construction Project
- DAIWA HOUSE INDUSTRY CO., LTD.
Tentative name: Kasugai Shopping Center Construction Project
- AEON TOWN Co., Ltd.
Tentative name: AEON MALL Noshiro Construction Project
- Miyagi Prefecture
Oritategawa Outer River Disaster Recovery Construction Project

TOPICS
1

Contributing to Society through Collaborations with Local Communities

Letter of Appreciation from the “Niigata University Supporter Club”



The Company has received a letter of appreciation from Niigata University for its donation to the “Niigata University Supporter Club,” for which the Company acts as the managing company. Donations are used to support students, to improve the quality of education and research, and to enhance social contribution activities.

TOPICS
2

Building a Sustainable Future with Our Business Partners

Announcement of “Partnership Formation Declaration”

In addition to our efforts to improve added value throughout the entire supply chain, which includes our business partners, we have announced the “Partnership Formation Declaration” with the aim of creating coexistence and co-prosperity with our business partners, through collaborations that transcend existing business relationships and the size of companies.



TOPICS
3

Contributing to the Creation of Social Infrastructure with Solid Technological Capabilities

Certified as a “Company with Excellent Record of Construction Projects” and a “Company with Excellent Record of Construction Projects Utilizing ICT”



The Company received certification and awards as a Company with Excellent Record of Construction Projects and a Company with Excellent Record of Construction Projects Utilizing ICT for Fiscal 2021 from the Hokuriku Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. This is the ninth consecutive year that the Company has received certification as a Company with Excellent Record of Construction Projects, and the third time it has received certification as a Company with Excellent Record of Construction Projects Utilizing ICT, following the certification in 2020. The certifications show that the technical and proposal capabilities of the Company, in regard to construction management, quality control and such, have been highly acclaimed. We will continue to strive to further improve our technologies in construction and quality control.

Consolidated Financial Statements

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

| | 95 th term (as of December 31, 2021) | 94 th term (as of December 31, 2020) |
|---|--|--|
| Assets | | |
| Current assets | 95,462 | 102,288 |
| Non-current assets | 35,292 | 35,273 |
| Total assets | 130,755 | 137,562 |
| Liabilities | | |
| Current liabilities | 47,024 | 58,717 |
| Non-current liabilities | 7,318 | 7,508 |
| Total liabilities | 54,342 | 66,226 |
| Net assets | | |
| Shareholders' equity | 75,131 | 70,170 |
| Accumulated other comprehensive income | 636 | 550 |
| Valuation difference on available-for-sale securities | 677 | 655 |
| Revaluation reserve for land | △112 | △87 |
| Remeasurements of defined benefit plans | 72 | △17 |
| Non-controlling interests | 643 | 615 |
| Total net assets | 76,412 | 71,335 |
| Total liabilities and net assets | 130,755 | 137,562 |

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

| | 95 th term (as of December 31, 2021) | 94 th term (January 1, 2020 - December 31, 2020) |
|--|--|--|
| Net sales | 179,846 | 185,764 |
| Cost of sales | 161,102 | 166,692 |
| Gross profit | 18,744 | 19,071 |
| Selling, general and administrative expenses | 9,852 | 10,165 |
| Operating income | 8,891 | 8,905 |
| Non-operating income | 397 | 337 |
| Non-operating expenses | 141 | 205 |
| Ordinary income | 9,147 | 9,038 |
| Extraordinary income | 64 | 151 |
| Extraordinary losses | 413 | 365 |
| Income before income taxes and minority interests | 8,799 | 8,824 |
| Income taxes – current | 2,748 | 2,718 |
| Income taxes – deferred | 138 | 80 |
| Net income | 5,911 | 6,026 |
| Net income attributable to non-controlling interests | 47 | 47 |
| Net income attributable to owners of the parent | 5,864 | 5,979 |

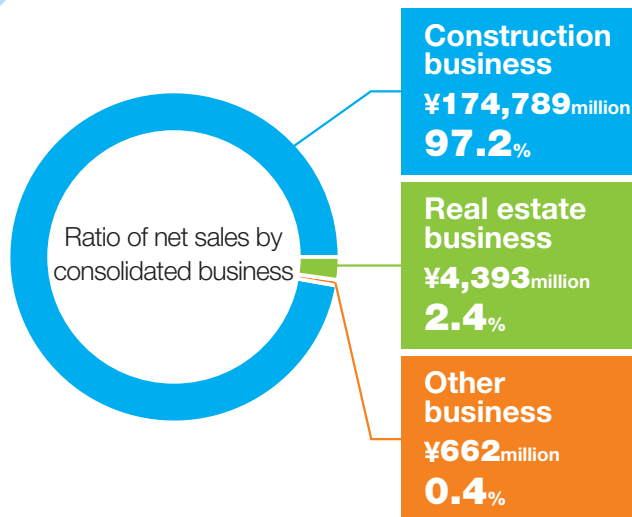
● Consolidated Statement of Cash Flows (Unit: Million yen, rounded down to the nearest million yen)

| | 95 th term (as of December 31, 2021) | 94 th term (January 1, 2020 - December 31, 2020) |
|---|--|--|
| Cash flows from operating activities | 7,802 | 6,909 |
| Cash flows from investing activities | △1,505 | △2,193 |
| Cash flows from financing activities | △6,128 | △4,680 |
| Net increase (decrease) in cash and cash equivalents | 168 | 35 |
| Cash and cash equivalents at beginning of period | 23,116 | 23,171 |
| Cash and cash equivalents at end of period | 23,285 | 23,116 |

● Consolidated Statement of Changes in Equity (January 1, 2021 – December 31, 2021) (Unit: Million yen, rounded down to the nearest million yen)

| | Shareholders' equity | | | | Total shareholders' equity | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|---|------------------------------|---|--|---------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | | 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, 2021 | 5,158 | 6,169 | 61,133 | △2,291 | 70,170 | 655 | △87 | △17 | 550 | 615 | 71,335 |
| Changes of items during the period | | | | | | | | | | | |
| Dividends of surplus | | | △946 | | △946 | | | | | | △946 |
| Net income attributable to owners of the parent | | | 5,864 | | 5,864 | | | | | | 5,864 |
| Purchase of treasury shares | | | | △39 | △39 | | | | | | △39 |
| Disposal of treasury shares | | 0 | | 60 | 60 | | | | | | 60 |
| Change of scope of consolidation | | | | | — | | | | | | — |
| Reversal of revaluation reserve for land | | | 25 | | 25 | | | | | | 25 |
| Net changes of items during the period other than shareholders' equity | | | | | | 22 | △25 | 90 | 86 | 28 | 114 |
| Total changes of items during the period | — | 0 | 4,941 | 20 | 4,961 | 22 | △25 | 90 | 86 | 28 | 5,076 |
| Balance as of December 31, 2021 | 5,158 | 6,169 | 66,075 | △2,271 | 75,131 | 677 | △112 | 72 | 636 | 643 | 76,412 |

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.

Pabig Aizu Co., Ltd.

Pabig Aizu Co., Ltd. was established in November 2002, and this year marks its 20th anniversary. In fact, its heritage stretches even further back. Since the establishment of its predecessor, the Wakamatsu Construction Office of Fukuda Road Co., Ltd. in May 1980, Pabig Aizu has succeeded its business, which focuses on operations in the paving construction business, with great support from customers in the Aizu region.

Pabig Aizu's management philosophy is: "To continue being a company that is trusted by all customers and the local community, where employees feel proud and find work rewarding." Under this philosophy, it will continue striving to develop its business by leveraging the high level of technological capabilities it has accumulated and mutual collaborations with Group companies as its key advantages.

| | |
|------------------|---|
| ■ Representative | Koji Ikeda, Representative Director |
| ■ Address | 374-1 Aza Ishiyama, Hata, Kawahigashi-machi, Aizuwakamatsu City, Fukushima Prefecture |
| ■ Establishment | November 2002 |
| ■ Capital | ¥10 million |
| ■ Employees | 17 |
| ■ Website | https://www.pabig-aizu.co.jp/ |
| ■ Business | General paving construction business with a focus on asphalt paving |



Corporate Data

Company Profile (as of December 31, 2021)

Established: January 1902

Founded: December 1927

Capital: 5,158,408,496 yen

Employees: 897

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 29, 2022)

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

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, 2021)

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

Total Number of Shares Outstanding (excluding treasury shares): 8,615,409 shares

Number of Shareholders: 6,044

Major Shareholders

| Name of shareholder | Number of shares held (thousands) | Shareholding ratio (%) |
|---|-----------------------------------|------------------------|
| (Public Interest Incorporated Foundation) Fukuda Ikuieikai | 688 | 8.0 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 623 | 7.2 |
| Naomi Fukuda | 431 | 5.0 |
| Daishi Hokuetsu Bank, Ltd. | 419 | 4.9 |
| Kazuko Ozawa | 321 | 3.7 |

Note. Shareholding ratio is calculated after deducting the number of treasury shares (372,702 shares). The number of treasury shares does not include the shares of the Company (92,200 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: <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/>



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