

Dear Shareholders and Bondholders:

April 4, 2007

Name of Listed Company: Fukuoka Financial Group, Inc.

Representative: Masaaki Tani, Chairman of the Board &
President

Head Office: 13-1 Tenjin 2 chome, Chuo-ku, Fukuoka

(Code No. 8354 TSE First Section, OSE First Section, FSE)

Arrangement of the Second Series of Unsecured Subordinated Convertible Bonds of the Bank of Fukuoka, Ltd. and Execution of the Basic Agreement concerning Summary Share-to-share Exchange to Make the Bank of Fukuoka, Ltd. a Wholly Owned Subsidiary

As we stated in the “Report on Arrangement of the Second Series of Unsecured Subordinated Convertible Bonds of the Bank of Fukuoka, Ltd.” on April 2, 2007, we would like to announce, with respect to the Second Series of Unsecured Subordinated Convertible Bonds of the Bank of Fukuoka, Ltd. (hereinafter referred to as the “Convertible Bonds”) to be handled upon the joint share transfer at the time of incorporation of the Company (hereinafter referred to as the “Share Transfer”), that it has been concluded that the Convertible Bonds will not be succeeded to by the Company through the Share Transfer. Accordingly, the bondholders will continue to hold the Convertible Bonds, which are to be converted to common stock of the Bank of Fukuoka, Ltd. (hereinafter referred to as the “Fukuoka Bank”).

Although there remains conversion request period for about a six months , the Convertible Bonds have been delisted as of March 26, 2007, and common stock of Fukuoka Bank to be acquired upon conversion of the Convertible Bonds has been delisted as of March 27, 2007. These factors make it difficult for holders of the Convertible Bonds to achieve a return on their investments. Taking these circumstances and the interests of the holders of Convertible Bonds into consideration, we would also like to announce that we have decided to carry out a summary share-to-share exchange with common stock of the Company, which is in the form of listed shares.

With respect to common stock of Fukuoka Bank acquired by the holders of Convertible Bonds upon request for conversion during the conversion request period, we will, as stated below, conduct a summary share-to-share exchange with the same conditions as those applying to the Share Transfer after the conversion request period for the Convertible Bonds expires. As far as the

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share-to-share exchange is concerned, the respective Board of Directors' meetings of the Company and Fukuoka Bank, both held on April 4, 2007, resolved to obtain a third-party written opinion on the share exchange ratio by the end of this month, and to execute a share-to-share exchange agreement to make Fukuoka Bank a wholly owned subsidiary, effective September 28, 2007, after deciding the share exchange ratio, and the Basic Agreement providing these matters has been executed.

The Convertible Bonds are currently handled by the Japan Securities Depository Center, Inc. (hereinafter referred to as the "JASDEC"). JASDEC has notified us that it will handle the Convertible Bonds until September 28, 2007, which is the redemption date for the Convertible Bonds unless any of event which leads termination of handling occurs. During this period, a request for transfer and conversion (by a method specified by JASDEC) for Convertible Bonds deposited with JASDEC is available. However, deliveries of the actual face-amount certificates are expected to be made on and after April 12, 2007. Additional deposit of Convertible Bonds to JASDEC is not available.

We are now considering measures to provide opportunities for sale, etc. for those bondholders who are eager to realize an early return on their investments and we will announce implementation of these measures as soon as we have determined.

We would like to express our sincere apologies to all bondholders for the failure to succeed the Convertible Bonds as originally planned, and for the time taken to establish the related rights.

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1. Purpose of Share-to-share Exchange

The Company was incorporated through the joint share transfer, effective on April 2, 2007, by Fukuoka Bank and Kumamoto Family Bank. However, as the Convertible Bonds are not to be succeeded to by the Company, we will carry out the subject share-to-share exchange for the purpose of exchanging all common stock of Fukuoka Bank provided upon conversion of the Convertible Bonds by the expiry of the conversion request period for common stock of the Company, thereby making Fukuoka Bank a wholly owned subsidiary.

2. Conditions for Share-to-share Exchange

(1) Scheduled Dates of Share-to-share Exchange

- April 4, 2007 Board of Directors' Meeting for approval of Basic Agreement for the Share-to-share Exchange (respective companies)
- April 4, 2007 Execution of Basic Agreement for the Share-to-share Exchange
- Within April 2007 (scheduled) Board of Directors' Meeting for approval of Share-to-share Exchange Agreement (respective companies)
- Within April 2007 (scheduled) Execution of Share-to-share Exchange Agreement
- September 28, 2007 (scheduled) Effective Date of Share-to-share Exchange

In accordance with Article 796, Paragraph 3 (Summary Share-to-share Exchange) of the Corporate Law as to the Company, and Article 784, Paragraph 1 (Short-form Share-to-share Exchange) of the Corporate Law as to Fukuoka Bank, respectively, the Company and Fukuoka Bank will not adopt resolutions for approval at general meetings of shareholders of the respective companies with respect to the share-to-share exchange.

(2) Share Exchange Ratio (tentatively planned)

| | The Company (wholly controlling company) | Fukuoka Bank (wholly owned subsidiary) |
|----------------------|---|---|
| Share Exchange Ratio | 1 | 1 |

(Note)

1. Share Exchange Ratio

For each share of common stock of Fukuoka Bank, one share of common stock of the Company is scheduled to be allocated and delivered. However, the exchange ratio will be reviewed and determined after obtaining a written opinion from a third party.

Common stock of Fukuoka Bank held by the Company will not be subject to the above allocation and delivery.

2. Calculation Basis for the Share Exchange Ratio (tentatively planned)

The above share exchange ratio (tentatively planned) is the same ratio as the share transfer ratio between the common stock of Fukuoka Bank and the common stock of the Company at the time of the joint share transfer made by Fukuoka Bank and Kumamoto Family Bank, effective April 2, 2007. However, we will further review and determine the subject share exchange ratio after obtaining a written opinion from a third party.

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(3) Number of New Shares Delivered by Share-to-share Exchange

Upper limit of 11,240,534 shares of common stock.

(4) Share-to-share Exchange Subsidy

No share-to-share exchange subsidy will be paid.

(5) Arrangement of Stock Acquisition Rights and Bonds with Stock Acquisition Rights of Fukuoka Bank

Fukuoka Bank does not issue stock acquisition rights and bonds with stock acquisition rights other than the Convertible Bonds.

(6) Outline of Accounting

Categorization of accounting for corporate consolidation

Under transactions conducted by group management, the accounting method for trades with minority shareholders will be adopted.

Impact on Profit and Loss

Impact on profit and loss is expected to be minor.

3. Outline of Respective Parties to the Share-to-share Exchange:

| | Wholly-controlling parent company (the Company) | Wholly-owned subsidiary (Fukuoka Bank) |
|------------------------------------|--|---|
| Trade name | Fukuoka Financial Group, Inc. | Bank of Fukuoka, Ltd. |
| Business activity | Bank holding company | Banking business |
| Date of incorporation | April 2007 | March 1945 |
| Location of principal office | 13-1 Tenjin 2-chome, Chuo-ku, Fukuoka | 13-1 Tenjin 2-chome, Chuo-ku, Fukuoka |
| Representative | Masaaki Tani Chairman of the Board & President | Masaaki Tani Director & President |
| Capital | ¥100,000,000,000 (*1) | ¥73,200,000,000 (*2) |
| Total number of outstanding shares | 755,916,290 shares (Common Stock) 18,742,000 shares (Class 1 Preferred Stock) 40,000,000 shares (Class 2 Preferred Stock) (*1) | 699,458,499 shares (Common Stock) (*2) |

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| | | |
|---|--|--|
| Net assets | (*3) | ¥416,500,000,000 (*2) |
| Total assets | (*3) | ¥7,769,700,000,000 (*2) |
| Accounting term | March 31 | March 31 |
| Number of employees | 188 (*1) | 3,611 (*2) |
| Major shareholders and shareholding ratio | <p>Japan Trustee Services Bank, Ltd. (trust account) 4.97%</p> <p>Master Trust Bank of Japan, Ltd. (trust account) 3.97%</p> <p>Meiji Yasuda Life Insurance Company 2.85%</p> <p>Kyushu Electric Power Co., Inc. 2.65%</p> <p>Dai-ichi Mutual Life Insurance Co. 2.38%</p> <p>(as of September 30, 2006, ordinary shareholders) (*4)</p> | The Company 100% (as of April 4, 2007) |
| Relationships of respective parties | Capital relationship | The Company directly holds one hundred percent of the total number of issued and outstanding shares of Fukuoka Bank as of April 4, 2007. Through the share-to-share exchange, the Company aims to acquire, before the effective date of the share-to-share exchange, shares of common stock of Fukuoka Bank which are acquired before the effective date of the share-to-share exchange and held as of September 28, 2007 by persons other than the Company. |
| | Personal relationship | Two Representative Directors of the Company assume office concurrently as Representative Directors of Fukuoka Bank, and six other Directors of the Company assume office concurrently as Directors of Fukuoka Bank. |
| | Business relationship | The Company is a holding company of Fukuoka Bank. The Company has executed a management agreement with Fukuoka Bank, under which the Company provides Fukuoka Bank with management advice, services and other benefits necessary to appropriately utilize management resources and enhance management efficiency among Group companies. |

*1 as of April 2, 2007

*2 as of September 30, 2006

*3 The Company was incorporated on April 2, 2007 through a joint share transfer made by Fukuoka Bank and Kumamoto Family Bank and therefore has not prepared financial statements. Respective amounts of net assets and total assets of Fukuoka Bank and Kumamoto Family Bank as of September 30, 2006 are as follows:

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| | Fukuoka Bank | Kumamoto Family Bank |
|------------------------|---------------------|----------------------|
| Amount of Net Assets | ¥ 416,500,000,000 | ¥ 18,900,000,000 |
| Amount of Total Assets | ¥ 7,769,700,000,000 | ¥ 1,317,000,000,000 |

*4 The Company was incorporated through a joint share transfer made by Fukuoka Bank and Kumamoto Family Bank on April 2, 2007, and therefore has prepared this number in consideration of the share allocation ratio at the time of the joint share transfer, based on the Shareholders' Registry of Fukuoka Bank and Kumamoto Family Bank as of September 30, 2006.

| Performance for the immediately preceding three accounting terms | Fiscal Year | Wholly controlling parent company (the Company) | | | Wholly owned subsidiary (Fukuoka Bank) | | |
|--|---|--|----------------------------|----------------------------|---|----------------------------|----------------------------|
| | | Year ending March 31, 2004 | Year ending March 31, 2005 | Year ending March 31, 2006 | Year ending March 31, 2004 | Year ending March 31, 2005 | Year ending March 31, 2006 |
| | Ordinary (operating) income (million yen) | There are no corresponding data. | | | 157,132 | 160,409 | 166,269 |
| | Ordinary profit (million yen) | | | | 41,170 | 51,652 | 54,268 |
| | Net income (million yen) | | | | 19,661 | 27,074 | 30,218 |
| | Net income per share (yen) | | | | 30.93 | 42.61 | 46.83 |
| | Annual dividend per share (yen) | | | | 5.00 | 7.00 | 8.00 |
| | Shareholders' equity per share (yen) | | | | 535.59 | 577.47 | 595.08 |

(Note) The Company was incorporated on April 2, 2007 and therefore has no business results for the past three fiscal years.

4. Status after the Share-to-share Exchange

(1) Trade name, business content, location of principal office and representative

There will be no change in the trade name, business content, location of principal office and representative.

(2) Capital

The capital of the Company will not increase as a result of the subject share-to-share exchange.

(3) Impact on Business Performance

Impact of the subject share-to-share exchange on the Company's business performance on a consolidated basis is expected to be minor.

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