

To whom it may concern:

Name of 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)
Name of Company: Kyushu-Shinwa Holdings Inc.
Representative: Takashige Araki, President
Head Office: 10-12, Shimanose-cho, Sasebo, Nagasaki
(Code No. 8340 TSE First Section, FSE)

Memorandum of Understanding on Management Support for Shinwa Bank

Fukuoka Financial Group Inc. (hereinafter “FFG”) and The Bank of Fukuoka, Ltd. (hereinafter “Fukuoka Bank”), and Kyushu Shinwa Holdings, Inc. (hereinafter “KSHD”) and The Shinwa Bank, Ltd. (hereinafter “Shinwa Bank”) decided, at their respective board meetings held today, to sign the “Memorandum of Understanding on Management Support”, undertaking to provide management rehabilitation and capital support to Shinwa Bank through management integration under which Shinwa Bank will become a wholly-owned subsidiary of FFG (hereinafter the “Management Integration”) on the condition that shareholders and the authorities concerned will approve the Management Integration.

FFG, Fukuoka Bank, KSHD and Shinwa Bank will set up the Integration Preparatory Committee, which will consist of management members as well as non-management members, to the end that the Management Integration will be implemented on or after October 1, 2007.

Details of the terms and other matters related to the Management Integration are scheduled to be provided in an agreement on the Management Integration by early July 2007, following discussions and consultations among the parties concerned, and will be publicly announced.

1. Purpose of management support

- (1) To maintain and improve going concern value of Shinwa Bank to protect the customers of Shinwa Bank and to stabilize the regional financial system.
- (2) To support the management of Shinwa Bank and rehabilitate Shinwa Bank through the Management Integration and through capital support provided to Shinwa Bank, to establish its position as one of the major regional financial institutions by deploying the combined power of the group, and, to contribute, as such an institution, to the stability of the regional financial system and the revitalization of the regional economy.

2. Content of Memorandum of Understanding

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|---|---|
| (1) Feature of the Management Integration | Shinwa Bank will be a wholly owned subsidiary of FFG. |
| (2) Method of the Management Integration | All of the Shinwa Bank shares and all of the Shinwa DC Card Ltd. (hereinafter “Shinwa DC”) shares owned by KSHD will be transferred to FFG (See also “[Ref. Shares to be transferred currently owned by KSHD] below” for shares to be transferred). |

However, this does not prevent the parties concerned from adopting, through consultation, any methods other than the transfer of shares if the Management Integration through the share transfer is made difficult for legal or any other reasons.

- (3) Signing the agreement on the Management Integration FFG and KSHD and Shinwa Bank will sign the agreement on the Management Integration on or around July 6, 2007.
- (4) Effective date of the Management Integration The Management Integration will be implemented on or after October 1, 2007.
- (5) Share transfer price The maximum amount of share transfer price to be paid to KSHD by FFG in consideration of the Management Integration is 76 billion yen, and the amount to be paid will be finally determined by taking into consideration the result of the due diligence scheduled to be conducted by FFG by the end June 2007.
- The maximum share transfer price was determined based on the "Income Approach" (DCF Method), under which the value of the Shinwa bank shares is calculated by estimating the potential revenue of Shinwa Bank, and through consultation from various viewpoints such as the current conditions of its assets. The share transfer price will be finally determined through further verification of a reasonable price by taking into consideration financial views of third parties to protect the interests of shareholders of both companies as well as the results of the due diligence.
- (6) Capital support FFG will help Shinwa Bank reinforce its capital strength so that Shinwa Bank can achieve a sufficient level of capital adequacy ratio if the preconditions for the Management Integration are fully satisfied.

KSHD will be dissolved upon shareholders' approval and will go through the liquidation process without delay after Shinwa Bank becomes a wholly owned subsidiary of FFG through the Management Integration.

[Ref. Shares to be transferred currently owned by Kyushu-Shinwa HD] As of march 31, 2007

Company	No. of Shares		Ratio to all shares outstanding
Shinwa Bank, Ltd.	Common stock	560,671,954	100 %
	First preferred stock	30,000,000	100 %
Shinwa DC Card Ltd.	Common stock	510	85 %

3. Exchanges of human resources for the Management Integration

Fukuoka Bank and Shinwa bank have engaged in exchanges of human resources under the "Basic Agreement on Business and Capital Partnership for Joint Business Revitalization" executed on October 13, 2006, under which Fukuoka Bank is dispatching 5 employees to Shinwa Bank while Shinwa Bank is dispatching a total of 26 employees and trainees to Fukuoka Bank and its group companies.

The board meeting of Fukuoka Bank have also decided to dispatch, upon signing of the "Memorandum

of Understanding on Management Support”, an additional 5 employees to Shinwa Bank’s departments of corporate planning, credit examination and business administration to ensure that smooth and stable preparations for the Management Integration be made.

4. Future schedules (schedules as of now)

May 24, 2007 (today)	Signing of the Memorandum of Understanding on Management Support
By June-end, 2007	Annual General Meeting of Shareholders (KSHD)
By July 6, 2007	Signing of the agreement on the Management Integration
By September 7, 2007	Extraordinary General Meeting of Shareholders KSHD agenda: (1) Transferring all the shares of its subsidiaries, and (2) dissolution of KSHD FFG agenda : (1) Purchasing Shinwa Bank shares
On or after October 1, 2007	The Management Integration

However, any of the above schedules is subject to change for unavoidable procedural reasons through consultation among the parties concerned.

5. General information about the 2 companies

(1) FFG (Non-consolidated)

Trade name	Fukuoka Financial Group, Inc.		
Date of incorporation	April 2007		
Address	13-1, Tenjin 2-chome, Chuo-ku, Fukuoka-city		
Representative	Masaaki Tani, Chairman and President		
Capital	10 billion yen		* 1
Number of shares outstanding	Common stock	755,916,290	
	Tier 1 preferred stock	18,742,000	* 1
	Tier 2 preferred stock	40,000,000	
Net assets	-		* 2
Total assets	-		* 2
Accounting term	March 31		
Number of employees	188		* 1
Business description	Management of banks and subsidiaries allowed under the Banking Law of Japan and the other incidental businesses		
Major shareholders and shareholding ratio	Master Trust Bank of Japan, Ltd. (trust account)	4.46%	
	Japan Trustee Services Bank, Ltd. (trust account)	3.73 %	
	Kyushu Electric Power Company	2.55%	* 1
	Nippon Life Insurance Company	2.35%	
	Meiji Yasuda Life Insurance Company	2.34%	

* 1 As of April 2, 2007

* 2 FFG does not submit financial statements as it was founded on April 2, 2007 through the joint stock transfer of Fukuoka Bank and The Kumamoto Family Bank Ltd.

(2) Fukuoka Bank (Non-consolidated)

Trade name	The Bank of Fukuoka, Ltd.			
Date of incorporation	March 1945			
Address	13-1, Tenjin 2-chome, Chuo-ku, Fukuoka-city			
Representative	Masaaki Tani, President			
Capital	79.9 billion yen		* 3	
Number of shares outstanding	Common stock 729,113,264		* 3	
Net assets	44.72 billion yen		* 3	
Total assets	798.40 billion yen		* 3	
Accounting term	March 31			
Number of employees	3,537		* 3	
Major shareholders and shareholding ratio	Fukuoka Financial Group, Inc. 100%		* 4	
Performance for the most recent fiscal years	(Unit: Million yen)			
		Year ending March 31, 2005	Year ending March 31, 2006	March 2007
	Ordinary income	160,409	166,269	177,829
	Net business profits	59,142	62,676	62,111
	Ordinary profit	51,652	54,268	56,347
	Net income	27,074	30,218	32,984

* 3 As of March 31, 2007

* 4 As of April 2, 2007

(Note) Number of employees above does not include those dispatched, on part time and hired abroad.

(3) The Kumamoto Family Bank (Non-consolidated)

Trade name	Kumamoto Family Bank, Ltd.			
Date of incorporation	January 1929			
Address	29-20, Suizenji 6-chome, Kumamoto-city			
Representative	Kazutoshi Nakamura, President			
Capital	34.3 billion yen * 5			
Number of shares outstanding	Common stock	123,516,250		
	First tier 1 preferred stock	18,742,000	* 5	
	First tier 2 preferred stock	40,000,000		
Net assets	9.8 billion yen * 5			
Total assets	1,316.5 billion yen * 5			
Accounting term	March 31			
Number of employees	1,074 * 5			
Major shareholders and shareholding ratio	Fukuoka Financial Group, Inc. 100% * 6			
Performance for the most recent fiscal years	(Unit: Million yen)			
		Year ending March 31, 2005	Year ending March 31, 2006	March 2007
	Ordinary income	37,720	41,789	35,093
	Net business profits	15,794	13,309	2,618
	Ordinary profit	5,099	5,329	? 61,797
Net income	4,991	4,682	? 57,034	

* 5 As of March 31, 2007

* 6 As of April 2, 2007

(Note) Number of employees above does not include those dispatched, on part time and hired abroad.

(4)Kyushu-Shinwa HD (Non-consolidated)

Trade name	Kyushu Shinwa Holdings, Inc.		
Date of incorporation	April 2002		
Address	10-12, Shimanose-cho, Sasebo, Nagasaki		
Representative	Takashige Araki, President		
Capital	59.3 billion yen		* 7
Number of shares outstanding	Common stock	458,715,531	
	First preferred stock	30,000,000	* 7
	Third preferred stock	23,000,000	
Net assets	48.4 billion yen		* 7
Total assets	48.5 billion yen		* 7
Accounting term	March 31		
Number of employees	43		* 7
Business description	Management of subsidiaries and the other incidental businesses		
Major shareholders and shareholding ratio	(1) Common stock		
	Bank of Fukuoka, Ltd.	11.39%	
	Japan Trustee Services Bank, Ltd. (trust account)	4.79%	
	Morgan Stanley and Company, Inc.	4.24%	
	Japan Trustee Services Bank, Ltd. (trust account 4)	3.12%	* 7
	Master Trust Bank of Japan, Ltd. (trust account)	1.64%	
	(2)First preferred stock		
	The Resolution and Collection Corporation	100.00%	
	(3)Third preferred stock		
KSFG Partners, LLC	100.00%		

* 7 As of March 31, 2007

(5)Shinwa Bank (Non-consolidated)

Trade name	The Shinwa Bank, Ltd.			
Date of incorporation	September 1939			
Address	10-12, Shimanose-cho, Sasebo, Nagasaki			
Representative	Takashige Araki, President			
Capital	45.2 billion yen		* 8	
Number of shares outstanding	Common stock	560,671,954	* 8	
	Preferred stock	30,000,000		
Net assets	62.9 billion yen		* 8	
Total assets	2,371.5 billion yen		* 8	
Accounting term	March 31			
Number of employees	1,774		* 8	
Major shareholders and shareholding ratio	Kyushu-Shinwa Holdings, Inc. 100%			
Performance for the most recent fiscal years	(Unit: Million yen)			
		Year ending March 31, 2005	Year ending March 31, 2006	Year ending March 31, 2007
	Ordinary income	73,147	85,445	72,891
	Net business profits	22,826	31,717	31,828
	Ordinary profit	? 17,870	12,236	? 57,508
	Net income	? 20,522	5,095	? 67,664

* 8 As of March 31, 2007

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