

August 9, 2007

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)

### **Total Plan for the Revitalization of the Shinwa Bank**

Fukuoka Financial Group, Inc. (hereinafter “FFG”) and Kyushu-Shinwa Holdings Inc. (hereinafter “KSHD”) decided, at their board meetings held today, to formulate and implement, as a “total plan,” a framework of management support, centering on the management rehabilitation and capital support of The Shinwa Bank, Ltd. (hereinafter the “Shinwa Bank”).

FFG and KSHD plan to make the Shinwa Bank a wholly-owned subsidiary of FFG on October 1, 2007 (tentative date), on condition that approval is obtained from KSHD shareholders at an extraordinary general meeting being held with regard to the Shinwa Bank share transfer, and that permissions are obtained from the authorities concerned. They also plan to incorporate specific management strategies into the FFG Mid-term Management Plan currently being developed, while implementing the total plan as an immediate management support measure. By doing so, they will make the operational viability of the Shinwa Bank solid, they will achieve prompt revitalization of the Shinwa Bank as a group bank playing an important part in the sustainable growth of the corporate value of FFG, and they will contribute to the development of the regional economy.

#### **1. Basic concept underlying the management support for Shinwa Bank**

With a mission of maintaining credit and facilitating financing in the regional economy, the Shinwa Bank has been engaged in the provision of financial services as a core financial institution in Nagasaki Prefecture.

Following the collapse of the bubble economy, amid calls for an all-in-one solution for the problem of excessive corporate debt and the problem of nonperforming loans, the regional economy continued to stagnate. The Shinwa Bank, however, did its utmost to secure liquidity in the region and to support the financial strength and revitalization of its business clients that were performing poorly.

Nevertheless, the balance of its nonperforming loans remained high, and it was subjected to equity capital constraints resulting from losses on the disposal of its nonperforming loans. The nonperforming loans problem became an encumbrance, and the bank could not even begin to penetrate any positive business expansion, such as increasing its level of loans. As a result, the contraction of its revenue base could not be slowed, and it became difficult for the Shinwa Bank to continue unaided as an ongoing concern in the future.

Amid these circumstances, in order to maintain and improve the business viability of the Shinwa Bank into the future, it is imperative that radical and urgent “management rehabilitation” and adequate “capital support” be implemented: management rehabilitation in which “breaking with the problem of nonperforming loans” and “drastic measures to enhance profitability” are promoted in parallel; and adequate capital support to promptly ensure the financial integrity of the Shinwa Bank.

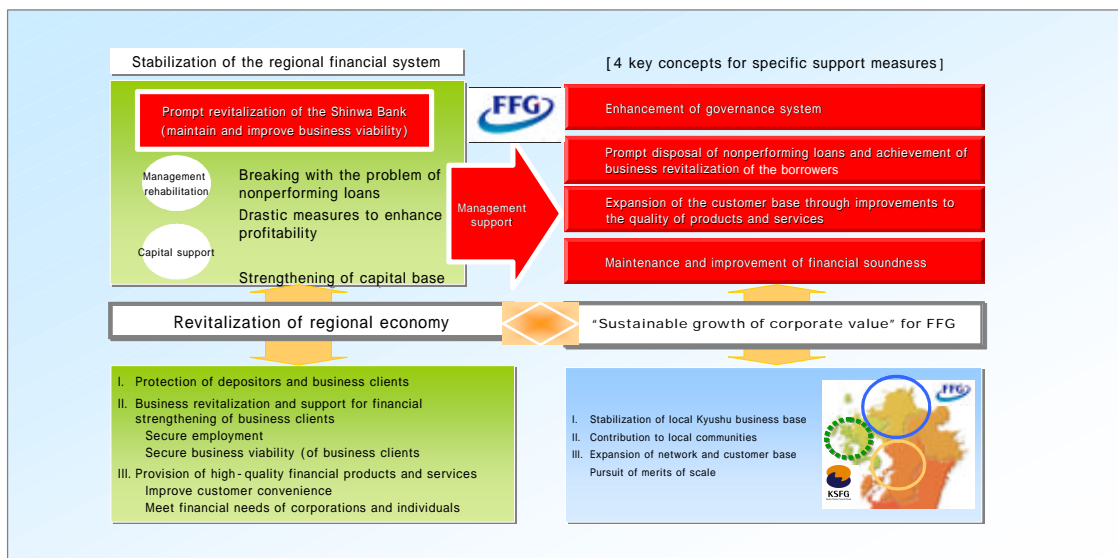
FFG will achieve the prompt revitalization of the Shinwa Bank and will ensure the stabilization of the regional financial system by integrating the Shinwa Bank as a wholly-owned subsidiary of FFG,

and by adopting the following four key concepts as a tentative framework of management support: enhancement of governance system, prompt disposal of nonperforming loans and achievement of business revitalization of the borrowers, expansion of the customer base through improvements to the quality of products and services, and maintenance and improvement of financial soundness.

The Shinwa Bank is a traditional regional bank with a history. It was founded in 1939 as the successor to The 99th National Bank, which had been founded in 1879. Based in Nagasaki Prefecture, the Shinwa Bank has a solid customer base of some 1.5 million customers. A considerable contribution to the revitalization of Nagasaki Prefecture and the broader Kyushu economy will be achieved by successfully revitalizing the Shinwa Bank, and by engaging in the protection of depositors and business clients, the business revitalization and financial strengthening of business clients, and the provision of high-quality financial services.

Furthermore, by adding the Shinwa Bank to the group banks, we will be able to achieve stabilization of the regional financial system and contributions to the regional economy, and we will be able to achieve the sustainable growth of the corporate value for FFG which aspires to be a wide-area-development type regional financial group.

[Shinwa Bank: concept of management support]



## 2. Enhancement of governance system

In order that each of the FFG subsidiary banks can maximize their respective strengths, and that the synergistic effects attributable to the integration can also be maximized, clear and unified group management strategies and effective business management functions will be necessary, based on the shared FFG management principles.

FFG will take this occasion of the Shinwa Bank becoming a wholly-owned subsidiary as an opportunity to review the management structure of FFG, and to introduce an FFG style management structure into the Shinwa Bank, thereby enhancing the system of governance.

### (1) Revision of the FFG corporate officer system

With the addition of the Shinwa Bank, in order to administer the 3-bank system in a functional and consistent manner, FFG will adopt a system of internal FFG directors comprised of six directors from the Bank of Fukuoka, three directors from the Kumamoto Family Bank, and two directors from the Shinwa Bank.

[FFG directors and corporate auditors (following appointment at the extraordinary general meeting of shareholders to be held on August 30, 2007)]

Position	Name	Date of appointment	Concurrent executive position within the Group
Chairman of the Board & President	Masaaki Tani	December 27, 2006	Director & President, Bank of Fukuoka
Director & Deputy President	Kazunori Shibuta	as above	Director & Deputy President, Bank of Fukuoka
Director	Kazuo Oniki	as above	Director & President (tentative), Shinwa Bank
as above	Osamu Obata	as above	Director & Senior Executive Officer, Bank of Fukuoka
as above	Takashige Shibato	as above	Director & Senior Executive Officer, Bank of Fukuoka
as above	Takashi Yoshikai	as above	Director & Managing Executive Officer, Bank of Fukuoka
as above	Kazutoshi Nakamura	as above	Director & President, Kumamoto Family Bank
as above	Kiyokazu Kishimoto	as above	Director & Managing Executive Officer, Kumamoto Family Bank
Director (candidate)	Nobuhisa Eto	August 30, 2007	Director & Managing Executive Officer, Bank of Fukuoka
as above	Hajime Suzuki	as above	Director & Senior Executive Officer, Kumamoto Family Bank
as above	Shunsuke Yoshizawa	as above	Director & Senior Executive Officer (tentative), Shinwa Bank
Director (external)	Ryuji Yasuda	December 27, 2006	Director (External), Bank of Fukuoka
as above	Hideaki Takahashi	as above	Director (External), Bank of Fukuoka
Permanent Corporate Auditor (full-time)	Kenji Hayashi	as above	
Corporate Auditor (external)	Hidemi Ashizuka	as above	Corporate Auditor (external), Bank of Fukuoka
as above	Tsuguo Nagao	as above	as above

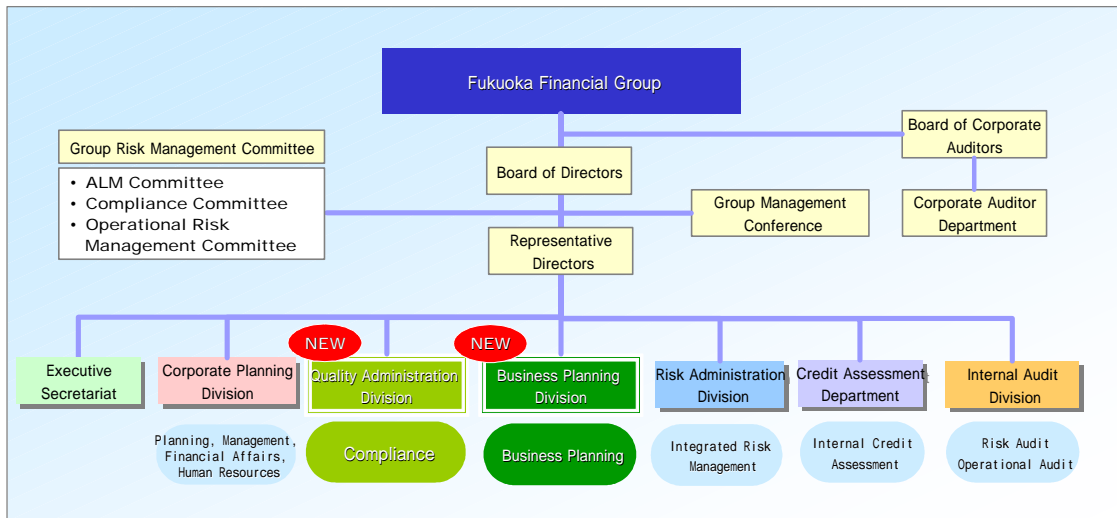
- \* The above table is subject to the current candidates for directors (Nobuhisa Eto, Hajime Suzuki and Shunsuke Yoshizawa) being appointed at the extraordinary general meeting of FFG shareholders, which is scheduled to be held on August 30, 2007.
- \* As a consequence of shifting to the new FFG management structure, Kazuyuki Kawaguchi and Masaharu Koba are expected to resign from their current positions of directors at the conclusion of the extraordinary general meeting of FFG shareholders, which is scheduled to be held on August 30, 2007.

## (2) Strengthening of the FFG business management system

In view of the management integration with the Shinwa Bank, two new divisions - the Business Planning Division and the Quality Administration Division - were established within FFG on July 2, 2007 for the purpose of further strengthening the Group's unified business strategies and compliance system as well as the system for enhancing service quality.

In developing the management strategies of the new Shinwa Bank, FFG will demonstrate leadership, and it will proceed with the efficient allocation of management resources within the Group, with strategic collaboration and role-sharing, and with effective and efficient business management.

[Organizational structure of FFG]

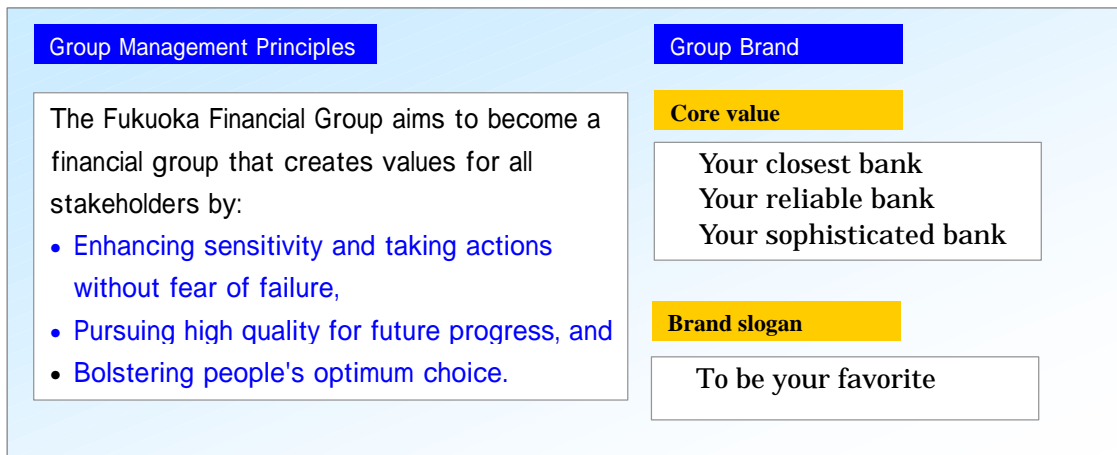


(3) Standardization of the management principles and group brand strategy

Taking this opportunity of management integration, the Shinwa Bank will standardize its management principles with those of FFG, and it will fulfill its mission as a regional financial institution. Moreover, the Shinwa Bank will play its part in a financial group providing value creation to a diverse range of stakeholders, including shareholders, the community, depositors, business clients and employees.

Furthermore, the Shinwa Bank will give shape to the management principles, and through communicating with parties both internal and external to the Group, it will proceed with standardizing a brand strategy that conveys the corporate vision and value of the Group.

[Group management principles & brand strategy]



(4) Revision of the Shinwa Bank governance system

In order to build a unified management structure for the Group, we will bring consistency between FFG and the subsidiary banks, and we will proceed with revisions of the Shinwa Bank's governance system, including directors and the Board of Directors, corporate auditors and the Board of Corporate Auditors, the organization of the various management committees, and the structure of headquarters.

Directors and Corporate Auditors

In order that adequate discussion and deliberation is conducted, and that decisions are

made in an appropriate and timely manner, revisions shall be made, including the reduction of the quota of directors from the current “twenty or less” to “ten or less.” Below is a list of the Directors and Corporate Auditors of the Shinwa Bank following the completion of the management integration, when the bank will become a wholly-owned subsidiary of FFG.

[Directors and Corporate Auditors of the Shinwa Bank (tentative)]

Position	Name	Current position
Director & President	Kazuo Oniki	Advisor, Shinwa Bank
Director & Senior Executive Officer	Jun Tanaka	Senior Executive Officer, Shinwa Bank
as above	Shunsuke Yoshizawa	Managing Executive Officer, Shinwa Bank
Director & Managing Executive Officer	Nagayoshi Nishimura	Executive Officer, Shinwa Bank
as above	Tatsuo Sakata	Executive Officer, Shinwa Bank
as above	Mitsushi Mori	Senior Executive Managing Director, Shinwa Bank
Permanent Corporate Auditor (full-time)	Akio Ikeda	Permanent Corporate Auditor (full-time), Shinwa Bank
Corporate Auditor (external)	Tsunehiro Sasanami	Corporate Auditor (external), Shinwa Bank
as above	Kejiro Murakami	as above

#### Introduction of an executive officer system

In order to respond to the revisions of the directors and the Board of Directors, and to enhance the performance of business operations, the positioning of the executive officers at the Shinwa Bank shall be shifted from the current position of highest ranked employees to a position of officers. The quota of directors shall be changed to “15 or less,” including internal directors.

#### Revision of important committees

In order that decisions be made in an appropriate and timely manner, and at the same time, that the function of supervising the performance of business operations be enhanced, the organization of the Board of Directors, the board of executive officers, the ALM Committee and other various committees of the Shinwa Bank shall be made consistent with those of FFG. Moreover, at the same time, a system will be made to function whereby appropriate and timely discussion and approval is conducted with an FFG group meeting.

#### Revision of the headquarters organizational structure

At FFG, in addition to there being a system whereby the internal auditing of subsidiary banks is done directly by FFG’s Internal Audit Division, and the credit assessment of debtors is done directly by FFG’s Credit Assessment Department, there is also a structure whereby FFG’s Risk Administration Division conducts the integrated control of the various risks of the subsidiary banks. In order to ensure the swift transfer of operations following the management integration, preparations for the swift transfer of the relevant business operation are underway between the responsible divisions at FFG and the Shinwa Bank.

Furthermore, with the establishment of the new Quality Administration Division at the Shinwa Bank on August 1, we are proceeding with the Group’s unified compliance system and service quality improvements, as well as with addressing the Financial Instruments and Exchange Law.

In addition, we are proceeding with organizational amendments and the revision of internal rules so that the organizational structure of the headquarters' administration divisions, such as the General Planning Division, the Personnel Division and the General Affairs Division, will become one which the three FFG subsidiary banks commonly share.

### **3. Prompt disposal of nonperforming loans and achievement of business revitalization of the borrowers**

The key to the management rehabilitation of the Shinwa Bank lies in the prompt disposal of nonperforming loans, which is the biggest management challenge, and in the business revitalization of business clients, as well as in ensuring the “break with the problem of nonperforming loans.”

FFG will commit to the Shinwa Bank, resources it has built up in the past, including its credit risk management and assessment system, its business revitalization know-how, and its intragroup functions and specialist personnel. In doing so, it will secure a course for the prompt disposal of nonperforming loans and the achievement of business revitalization, so as to enable the nonperforming loans ratio of the Shinwa Bank to be cut to less than six percent within three years of the management integration.

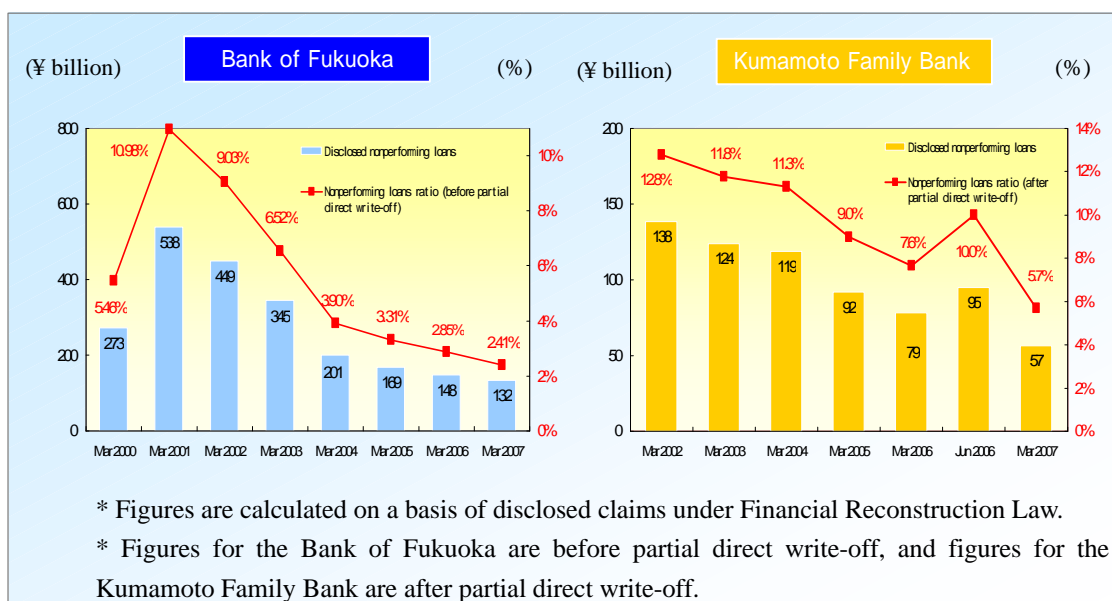
#### (1) FFG's expertise in the disposal of nonperforming loans and in business revitalization

In FY2000, the Bank of Fukuoka declared that it would “break with the problem of nonperforming loans.” By adopting a conservative and rigorous self-assessment system, the bank drastically increased its reserve for possible loan losses by ¥175.2 billion, and posted a loss of ¥76.8 billion. Since then, the bank has set up a specialized business revitalization division, and proceeded with developing human resources and accumulating know-how. At the same time, it participated in the creation of a regional business revitalization fund, and it established a servicer closely linked to regional businesses (Fukuoka Collection and Servicing Co., Ltd.). It also set about building collaborative networks with lawyers, tax accountants and other external professionals. Furthermore, by refining the scoring system used for improving the rating and self-assessment system, and developing a sophisticated evaluation system through the company assessing related properties (Fukugin Real Estate Assessment Service Co., Ltd.), the bank supported a structure of promoting community-based finance which sought to actively bolster loans while controlling credit risk.

Through constructing this kind of system which facilitates disposal of nonperforming loans and business revitalization, the Bank of Fukuoka has achieved business revitalization for many local major companies, and it has achieved detailed support for the management rehabilitation of business clients. At the same time, the balance of nonperforming loans was halved within three years compared to the balance of ¥537.9 billion at the quarter ended March 31, 2001; and as of March 31, 2007, the balance had been cut to less than one quarter (nonperforming loans ratio (before partial direct write-off): 2.4%).

The Kumamoto Family Bank underwent management integration on April 2, 2007; however, it had adopted FFG's rating and self-assessment standards in FY2006, prior to the integration. The bank recorded a loss of ¥68.6 billion on increase its reserve for possible loan losses, and by utilizing the expertise of FFG, it has made steady progress toward concurrently achieving the disposal of its nonperforming loans and business revitalization of the borrowers.

[Changes in the balance of nonperforming loans and the nonperforming loans ratio for the Bank of Fukuoka and the Kumamoto Family Bank]



(2) Reform of the Shinwa Bank's credit assessment system and business turnaround system

With a view to management integration, the credit assessment section, the business turnaround section and the risk management section at the Shinwa Bank were reorganized on August 1, 2007. As well as giving priority to committing highly skilful people from within the Shinwa Bank to these sections, the number of personnel dispatched from the Bank of Fukuoka to these sections has been increased from five to twelve. Furthermore, in addition to embarking on the drastic disposal of nonperforming loans and business revitalization, the bank will immediately strengthen its ability to effectively manage and market loans.

Revision of the system responsible for Credit assessments

The role of the assessment section will be clarified, and the system for promoting assessments and business revitalization will be revised in a professional and concentrated manner.

• First Credit Division

This division is responsible for normal obligors and special mention obligors. It deploys specialist assessors for specific industries, and risk managers who advise branches on loan negotiations and assessments.

• Loan Review Office (within the First Credit Division)

This office is responsible for designated major borrowers. It conducts business client negotiations and the construction of revitalization schemes for the purpose of business revitalization, financial strengthening support and the prevention of rating downgrades.

• Second Credit Division

This division is responsible for substandard obligors and doubtful obligors. It will establish the Financing Support Office, which will actively conduct negotiations with the branches' business clients who have distressed loans.

• Servicer (Sasebo Branch Office, Fukuoka Collection and Servicing Co., Ltd.)

This company is responsible for quasi-bankrupt obligors and bankrupt obligors. It conducts customer negotiations related to assessment operations, management and collection, and support for revitalization and financial strengthening.



## Strengthening of the risk management system

Revision of the organization and the bolstering of personnel will be promoted to proceed with preparations for introduction and dissemination of the FFG rating and self-assessment standards as well as the transition to a Group integrated risk management system following the management integration.

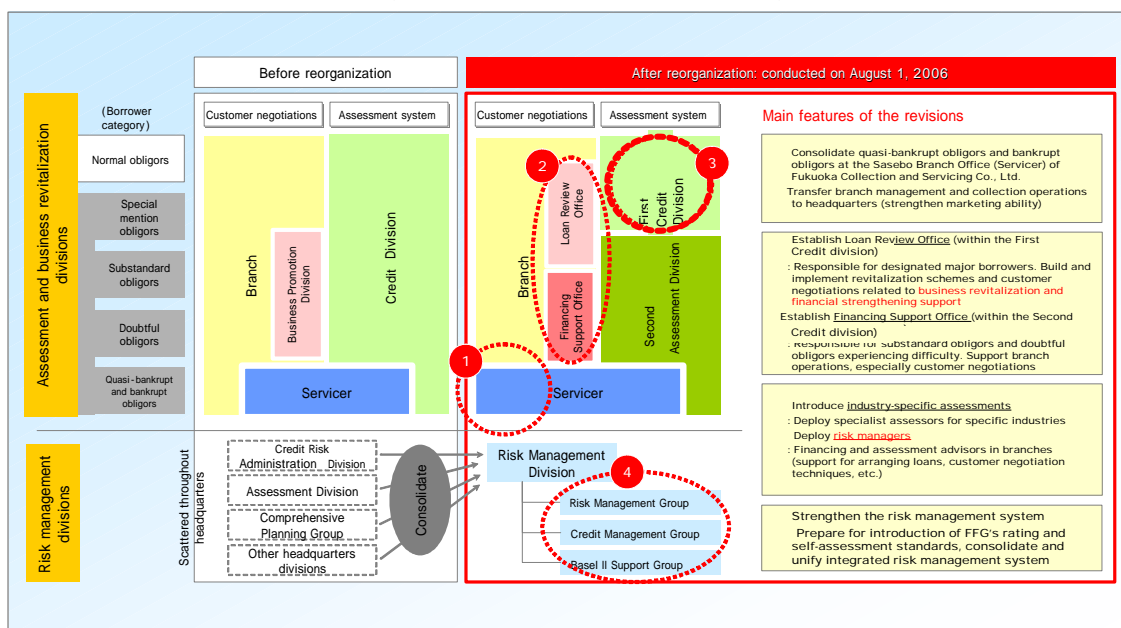
### • Risk Management Division

In addition to credit management and loan processing and planning, for the purpose of building an integrated risk management system, this division will unify and consolidate such functions as the quantification of credit risk, ALM and operational risk management.

## Revision of branch operations

Negotiations with business clients regarding the disposal of nonperforming loans, as well as management and collection operations will be transferred to the headquarters and to Fukuoka Collection and Servicing Co., Ltd. Onsite surveys and evaluations of mortgage collateral, which had previously been conducted by the branches, will be transferred to Fukugin Real Estate Assessment Service Co., Ltd. Through these actions, a system will be built whereby bank clerks at branches will be able to concentrate fully on business for business clients, and the bank will be able to push forward with improving service quality and enhancing the ability to market loans.

[Assessment system and business revitalization system]

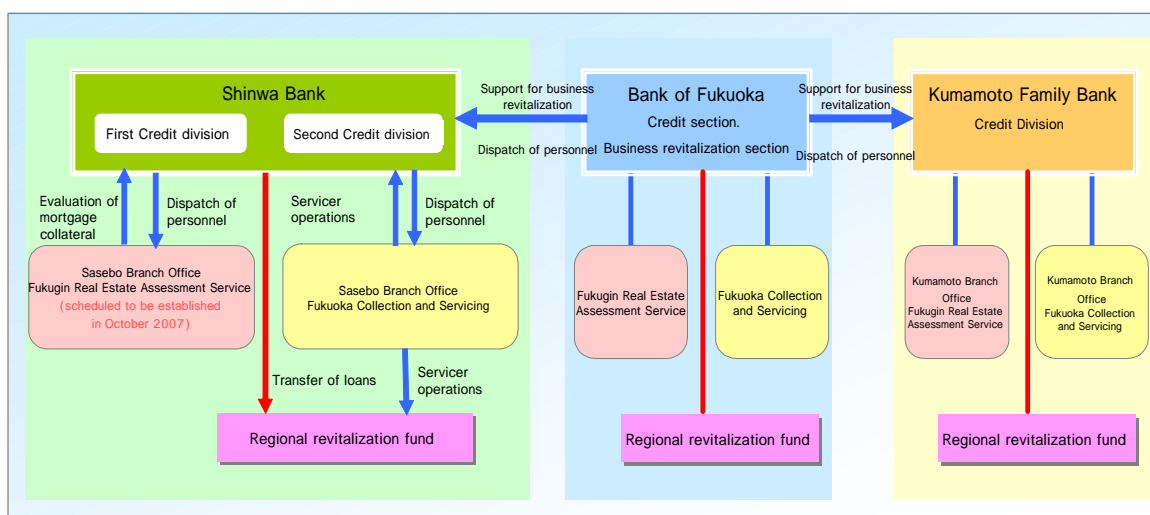


### (3) Concentrating the Group's strengths for the Shinwa Bank to "break with the problem of nonperforming loans"

Based on an alliance for business revitalization, FFG promoted cooperation with the revitalization support advisory, led by the Business Solution Division at the Bank of Fukuoka, and with the risk management sections and business sections. On January 22, 2007, it established the Sasebo Branch Office of Fukuoka Collection and Servicing Co., Ltd., and on March 29, 2007, it provided support for the launch of a regional business revitalization fund. Furthermore, FFG plans to establish the Sasebo Branch Office of the Fukugin Real Estate Assessment Service Co., Ltd. in October 2007, and by bringing together the strengths of the Group, it will certainly achieve the "break with the problem of nonperforming loans."



[Group structure for the disposal of the Shinwa Bank's nonperforming loans]



(4) Standardization of self-assessment standards and the bad debt depreciation/reserve standards

Assessing loans and posting bad debt depreciation/reserves based on identical measures and criteria is essential for the consistent financial management of the Group following the integration. Furthermore, adopting the FFG standards, which are the most rigorous and conservative among regional financial institutions, will be an indispensable measure for putting an early end to the Shinwa Bank's nonperforming loans problem.

For this reason, the FFG rating and self-assessment standards and the FFG bad debt depreciation/reserves standards will be applied to the Shinwa Bank. Following approval at the KSHD extraordinary general meeting of shareholders with respect to the transfer of Shinwa Bank shares, and after discussions with an external audit corporation, the Shinwa Bank will undertake procedures to change the rating and self-assessment standards, and it plans to adopt them for the interim financial statements for the period ending September 30, 2007.

As a consequence, it is anticipated that additional reserves for possible loan losses of approximately ¥91.0 billion will be incurred in the Shinwa Bank's interim financial statements for the period ending September 30, 2007. This amount is a projected amount in which figures, determined by financial due diligence conducted with March 31, 2007 as a benchmark, have been applied by analogy. As such, the amount is ultimately subject to change, depending on the Shinwa Bank's settlement of accounts for the first half of FY2007.

(5) Target for the prompt disposal of nonperforming loans

Following the management integration, the bank will proceed to reduce the balance of nonperforming loans by actively proceeding with support for business revitalization and financial strengthening for the business clients of the Shinwa Bank. At the time of the off-balancing of the nonperforming loans, we will fulfill our mission as a regional financial group by supporting the revitalization of regional businesses, through the use of a regional business revitalization fund and by means of a detailed support system run by the group servicer (Fukuoka Collection and Servicing Co., Ltd.).

The balance of nonperforming loans and the nonperforming loans ratio of the Shinwa Bank are projected to change as below.

[Changes in the balance of nonperforming loans and the nonperforming loans ratio of the Shinwa Bank (forecast)]

(Unit: ¥ billions)					
	FY2006	FY2007 interim	FY2007	FY2008	FY2009
Balance of nonperforming loans	217.0	280.0	230.0	100.0	80.0
Nonperforming loans ratio	13.6%	less than 19%	less than 16%	less than 8%	less than 6%

\* Figures are shown after partial direct write-off, and calculated on a basis of disclosed claims under Financial Reconstruction Law.  
 \* The FY2006 balance of nonperforming loans and nonperforming loans ratio are shown on a KSHD consolidated basis.  
 \* The projected figures are subject to change depending on the Shinwa Bank's mid-term management plan currently being formulated.

[Change in the balance of nonperforming loans and the nonperforming loans ratio of FFG (forecast)]

(Unit: ¥ billions)					
	FY2006	FY2007 interim	FY2007	FY2008	FY2009
Balance of nonperforming loans	392.1	440.0	370.0	230.0	200.0
Nonperforming loans ratio	4.9%	less than 6%	less than 5%	less than 3%	less than 3%

\* Figures are shown after partial direct write-off, and calculated on a basis of disclosed claims under Financial Reconstruction Law.  
 \* The FY2006 balance of nonperforming loans and nonperforming loans ratio are the simple aggregates of the three banks.  
 \* The projected figures are subject to change depending on FFG's new mid-term management plan currently being formulated.

#### 4. Expansion of the customer base through improvements to the quality of services

The basis of the “drastic measures to enhance profitability” is to expand the customer base. This is to be done by the Shinwa Bank creating a system that promotes positive business expansion, by markedly improving the quality of services, and by being chosen by customers in the community. FFG will seek to improve the quality of services provided by the Shinwa Bank, by bringing together the strengths of the Group.

The Shinwa Bank will adopt a two-stage process, consisting of immediate and specific measures to be implemented for improving service quality, and of strategies developed in FFG's Mid-term Management Plan which is currently being formulated.

##### (1) Immediate measures to be implemented

Enhancement of the ability to effectively manage loans through revision of the assessment system

As mentioned previously, on August 1, 2007, the assessment system underwent revision. Risk managers (advisors to branches on loan negotiations and assessments) and other personnel who are highly competent in finance will be actively committed. Also, via assessment techniques that are suited to business characteristics and via the construction of a financing scheme that is not excessively dependent upon collateral and guarantees, a system will be constructed which can support active finance promotion. Through these measures, a system will be built in which, more than ever before, it will be possible to respond to the capital needs of business clients in a timely fashion.

Construction of a collaborative framework with the specialized sections at the headquarters of the Bank of Fukuoka

The Business Solution Division at the Bank of Fukuoka has experience and a track record in a diverse range of financing needs, including syndicated loans for businesses, asset finance, bond issues, share listings and derivative transactions, as well as consulting for business expansion and restructuring, and M&A advising and other services. It also covers private banking services for retail customers, such as business succession and asset management. We will systematically expand the acceptance of trainees from the Shinwa Bank into these specialized sections, as well as expand a collaborative operation within Nagasaki Prefecture, and we will build a system which can provide sophisticated financial products and services.

Better image at the point of contact with customers

Using this opportunity of management integration, we will create a new design for the bank's logo, and we will make a new start for the new Shinwa Bank. At the same time, we will provide an even more detailed service for our loyal depositors and business clients.

In addition, on this opportunity of management integration, we will also introduce a standard group uniform with the same design as FFG, the Bank of Fukuoka and the Kumamoto Family Bank. We will make efforts to play an active role in developing and promoting the group brand and build a branch sales system, which is liked and preferred by customers and raises our popularity with customers.

[The new Shinwa Bank logo]



Enhancement of customer protection system

Various FFG measures related to service quality improvements, as well as responses to the Financial Instruments and Exchange will be introduced to the Shinwa Bank, and there will be further enhancements to the system of providing explanations to customers and to the compliance business system.

Furthermore, for the purpose of enhancing the ability to advise on and trade in risk products, etc., we will build a system in which the business system at branches is revised, specialist advisors are trained and deployed, and the sales of financial products are monitored and followed up.

## (2) Strategies developed in FFG's Mid-term Management Plan

Restructuring of business strategies at the Shinwa Bank

From the two aspects of both building a system in which more diverse products and services can be offered, especially for small and medium-sized enterprises and retail

customers located in Nagasaki Prefecture, and building a system in which sophisticated financial services can be offered to large and mid-sized enterprises and to customers in the public sector, we will develop management strategies that clarify the role-sharing and the collaborative framework of FFG's subsidiary banks.

#### Unified, group-wide system for product and service development

In order to efficiently develop products and services that can appropriately meet the sophisticated and diverse needs of customers, a system will be developed whereby the development and marketing of products and services in the group is conducted centrally at FFG.

#### Revision of branch channels and personnel system

We will proceed with revisions to the branch networks that are duplicated by the Bank of Fukuoka, the Kumamoto Family Bank and the Shinwa Bank, as well as with the review of constructing new specialized channels that can meet the diverse needs of Shinwa Bank customers. Furthermore, we will construct a system in which more substantial services can be offered, by reviewing the flexible and efficient allocation of personnel within the Group, and by prioritizing the deployment of personnel to high-potential markets.

#### Integration of administrative sections

Assuming that computer systems are integrated, then by promoting the integration and unification of back office and administrative sections which are duplicated within the Group, we will build a system in which more substantial Internet and phone banking services as well as loan assessment and other services can be provided.

## **5. Maintenance and improvement of the financial soundness of the Shinwa Bank**

In order to swiftly restore the financial health of the Shinwa Bank, prior to the management integration, FFG will provide capital support to the Shinwa Bank, and will ensure that the Shinwa Bank has sufficient equity capital. In doing so, it will aim to stabilize the financial system by dispelling any credit-related concerns.

As mentioned previously, so as to promptly dispose of nonperforming loans and achieve business revitalization, prior to the management integration, the Shinwa Bank will make a necessary and sufficient additional provision for possible loan losses, thereby significantly reducing the losses on the disposal of nonperforming loans from the second half of FY2007 and beyond.

Furthermore, a system will be established whereby the disposal of nonperforming loans and business revitalization are conducted by specialized sections, and priority will be given to committing management resources to constructive business expansion. By means of expanding the customer base through improvements to the quality of services, the Shinwa Bank will stabilize its financial soundness, thereby ensuring a V-shaped recovery of earnings in the following period and beyond.

### (1) Details of the capital support

At its board meeting held today, the Shinwa Bank resolved to issue new shares on September 28, 2007 by way of third-party allocation to FFG (total issue value: approximately ¥100.0 billion). At its board meeting held today, FFG resolved to accept the total amount of this third-party allocation of new shares on condition that approval is obtained from KSHD shareholders at an extraordinary general meeting being held with regard to the transfer of shares of the Shinwa Bank, and that permissions are obtained from the authorities concerned. As a result of accepting this third-party allocation of new shares, FFG will support the increase in the equity

capital of the Shinwa Bank, on condition that approval is obtained from KSHD shareholders at an extraordinary general meeting being held with regard to the transfer of shares of the Shinwa Bank, and that permissions are obtained from the authorities concerned.

[Overview of the third-party allocation of new Shinwa Bank shares]

Number of shares issued (subscribed)	884,955,000 shares of common stock
Ratio of above to the number of outstanding Shinwa Bank shares	61.2%
Issue price (subscription price)	¥113 per share
Total issue price (total subscription price)	¥99,999,915,000
Amount capitalized	¥49,999,957,500
Date of application	September 28, 2007
Date of payment	September 28, 2007
Number of shares allocated to FFG	884,955,000 shares of common stock

(2) Restructuring of the capital structure of the Shinwa Bank

During the second half of FY2007, the Shinwa Bank will compensate for the loss carried forward attributable to the decrease in capital and the decrease in reserves, and will restructure its capital structure.

(3) Consolidated capital adequacy ratio of the Shinwa Bank

Following is the current forecast for the changes in the consolidated capital adequacy ratio of the Shinwa Bank based on the capital support mentioned in (1) above.

[Changes in the consolidated capital adequacy ratio of the Shinwa Bank (forecast)]

	FY2007 interim	FY2007	FY2008	FY2009
Capital adequacy ratio	approx. 6%	6.5-6.9%	approx. 7%	approx. 8%
Tier I ratio	approx. 3%	mid 3%	approx. 4%	approx. 5%

\* The Shinwa Bank has adopted domestic standards.

\* The forecast figures are subject to change depending on the Shinwa Bank's mid-term management plan currently being formulated.

## 6. Effects on the finances of the Fukuoka Financial Group

This section describes the effects on the finances of FFG as a result of implementing the management integration, by which the Shinwa Bank will become a wholly-owned subsidiary of FFG, and as a result of implementing management support measures for the Shinwa Bank.

(1) Converting the Shinwa Bank into a consolidated subsidiary of FFG (effective from the interim period ending September 30, 2007)

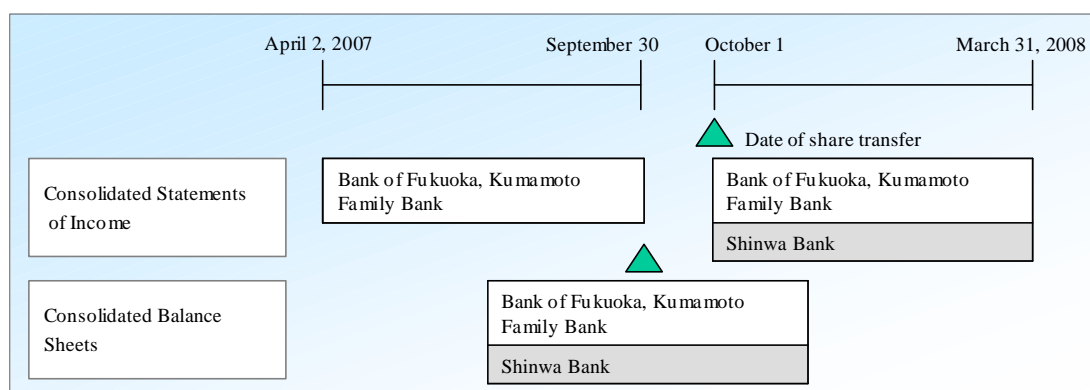
On August 9, 2007, the Shinwa Bank resolved to issue new shares by way of third-party allocation to FFG (total issue value: approximately ¥100.0 billion). FFG will accept the total

amount of this third-party allocation on condition that approval is obtained from KSHD shareholders at an extraordinary general meeting being held with regard to the transfer of shares of the Shinwa Bank, and that permissions are obtained from the authorities concerned. As a result of FFG making payment on the appointed payment date, September 28, 2007, FFG's shareholding ratio of outstanding Shinwa Bank shares will become 61.2%, and at this time, the Shinwa Bank will become a subsidiary of FFG.

Furthermore, the Shinwa Bank will become a wholly-owned subsidiary of FFG once the Shinwa Bank's shares held by KSHD have been transferred to FFG. This transfer is scheduled for October 1, 2007.

In FFG's consolidated financial statements for the interim period ending September 30, 2007, only the Shinwa Bank's Balance Sheets have been consolidated. The Shinwa Bank's first-half income has not been reflected in FFG's Consolidated Statements of Income.

[Scope of consolidated subsidiary banks in FFG's consolidated financial statements]



## (2) Overview of the accounting treatment with respect to the management integration

According to the accounting for business combinations, which has been applied since April 2006, the management integration corresponds to a “purchase” by FFG, and as such, the purchase method will be applied. For this reason, in FFG's consolidated financial statements, the assets and liabilities of the Shinwa Bank will be consolidated once they have been marked to market.

Furthermore, the difference between the book value of the Shinwa Bank shares held by FFG (approximately ¥176 billion = ¥75.914 billion (acquisition price) + fee for acquisition + ¥100 billion (common stock subscribed as a way of capital support for the Shinwa Bank)) and the value of the Shinwa Bank's net assets based on current prices as of September 30, 2007 will be recorded as goodwill (consolidation goodwill), and this asset will need to be amortized over a period of no more than 20 years.

According to current estimates, it is anticipated that goodwill (consolidation goodwill) of approximately ¥120.0 billion will be incurred to FFG. However, this amount is subject to change depending on the value of the Shinwa Bank's net assets based on current prices as of September 30, 2007. It is expected that the amortization period for the goodwill (consolidation goodwill) will be 20 years; however, this is subject to change depending on talks with an external audit corporation.

## (3) FFG's consolidated earnings forecast for FY2007

In the event that approval is obtained from KSHD shareholders at the extraordinary general meeting with respect to the management integration, and that permissions are obtained from the authorities concerned, it is expected that FFG's consolidated earnings forecast for FY2007 which has been already announced will be revised as follows. The factors underlying this revision are related to the conversion of the Shinwa Bank into a consolidated subsidiary of FFG (the contribution of business results in the second half of FY2007) and to the amortization of goodwill

(consolidation goodwill).

[FFG consolidated results]

(Unit: ¥ millions)			
	FY2007		FY2007 (assuming management integration)
	(current forecast)	Interim	
Ordinary income	235,000	114,500	<b>263,500</b>
Ordinary profit	60,000	28,000	<b>62,000</b>
Net income	34,500	16,000	<b>34,500-36,500</b>

\* The current forecast for FY2007 remains unchanged from the earnings forecast that was announced on May 14, 2007. (The effects from converting the Shinwa Bank into a wholly-owned subsidiary are not included.)

\* The forecasts are subject to further change based on FFG's Mid-term Management Plan which is currently being formulated.

\* At present, approval regarding the management integration that will make the Shinwa Bank a wholly-owned subsidiary of FFG has not been obtained from KSHD shareholders at an extraordinary general meeting or from the authorities concerned. Accordingly, it is not the purpose of this document to revise FFG's consolidated earnings forecast for FY2007 at the current time. Rather, the purpose is to give advance notice that FFG's consolidated earnings forecast for FY2007 will need to be revised in the event that approval regarding the management integration that will make the Shinwa Bank a wholly-owned subsidiary of FFG is obtained from KSHD shareholders at an extraordinary general meeting and is obtained from the authorities concerned. We will make an immediate announcement regarding the revision of the earnings forecasts for FFG and the Shinwa Bank as soon as approval regarding the management integration that will make the Shinwa Bank a wholly-owned subsidiary has been obtained from the shareholders and the authorities concerned.

#### (4) FFG's Mid-term Management Plan

FFG will achieve improvements to the Group's customer services, by building clear and unified group management strategies and effective business management functions as a new wide-area-development type regional financial group, and by providing substantial services using wide-area networks, such as a compact payment network utilizing branches and ATMS, and a system providing various marketing information. Furthermore, by effectively utilizing our management resources and sharing a business model, and by promoting the expansion of our Group management strategies, we will accelerate our efforts to build up our earning capacity and promote management efficiency, and we will realize the group synergy effects due to the management integration, at an early stage.

With FFG's Mid-term Management Plan currently being formulated, the main management indices, which are the targets incorporated into the Group synergy effects, are scheduled to be announced around the end of September 2007.



[Reference: Overview of the Bank of Fukuoka, the Kumamoto Family Bank and the Shinwa Bank]

	Bank of Fukuoka	Kumamoto Family Bank	Shinwa Bank	Total
Number of branches	167	78	137	382
in prefecture where head office is located	150	67	103	320
in other prefectures in Kyushu	12	10	30	52
in other prefectures on Honshu	5	1	4	10
Number of employees	3,537	1,074	1,774	6,385
Number of ATMs	1,273	237	540	2,050
Total assets (¥ billion)	7,984.0	1,316.5	2,371.6	11,672.1
Deposits (¥ billion)	6,778.7	1,177.4	2,123.6	10,079.7
Loans (¥ billion)	5,380.8	980.6	1,547.7	7,909.1

\* The number of branches includes sub-branches.

\* All figures are correct as of March 31, 2007.

For inquiries regarding this announcement, contact:

Planning Group, Corporate Planning Division, Fukuoka Financial Group

Phone: +81-92-723-2502

Kyushu-Shinwa Holdings, Comprehensive Planning Group

Phone: +81-956-26-4105

The matters contained within this document assume that approval will be obtained from shareholders and from the authorities concerned. Furthermore, the future earnings forecasts, etc. described herein are the forecasted values in the event that integrated management will have been achieved, with the Shinwa Bank becoming a wholly-owned subsidiary of the Fukuoka Financial Group. They are not a revision of the earnings forecasts previously disclosed. Please note that the forecasts and target ratios may change in accordance with changes in the management environment, etc.