

2006 Tokyo Analyst Meeting Presentation Speeches



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Introduction to Aflac Japan
Akitoshi Kan
President; Chief Operating Officer, Aflac Japan

[Slide #1 – Title Slide]

Good morning, everyone. Welcome to Tokyo.

Today, I would like to first provide you with a brief introduction to the Japanese life insurance market and an update of Aflac Japan's operations. Then, you will have a chance to hear more presentations from our officers, sales agencies as well as Dai-ichi Life's representative.

[Slide #2 – Life Insurance Policies in Force]

After experiencing a downward trend for the total number of policies in force over the past several years, the Japanese life insurance industry has seen a slight increase in that number since March 2004. The increase in policies in force has benefited from the expansion of the third sector market, which includes, among others, medical and cancer insurance products.

[Slide #3 – The Number One Life Insurer in Japan]

Aflac Japan has consistently increased its number of policies in force over the past three decades, as you can see from this chart. After surpassing Nippon Life at the end of March 2003, we remain the number one company in terms of individual life insurance policies in force. As of the end of March 2006, Aflac's policies in force were 17.8 million, representing 16.2% of the whole life insurance industry, compared with 13% five years ago.

[Slide #4 – Third Sector's Increasing Share]

This slide shows the third sector's increasing share of new business within the life insurance industry. The third sector has grown to 47.7% of the overall market in the year ended March 2006 in terms of new policies sold, compared with just 14.4% in 1996. These statistics show how quickly the third sector has been expanding. And I believe there is still a lot of potential for not only growth in the third sector, but also, more importantly, growth for Aflac Japan.

Consumers' interest has been shifting from traditional life insurance products, or first sector, that pay death benefits to third sector products that provide "living" benefits. Consumers have been revisiting their life insurance portfolio by canceling or reducing their death benefit coverage and purchasing living benefit products. One factor that has influenced this trend is the aging of Japan's population.

[Slide #5 – Japan's Aging Population and Declining Birthrate]

Japan continues to face an aging population and a declining birthrate. These are the primary reasons today's working population in Japan is so concerned about their future. As a matter of fact, Japan's population peaked in October 2005 at 127.8 million. In the following

month of November, the decline in Japan's population began as the number of deaths actually surpassed the number of births. As shown on this chart, Japan's population will likely decline to 100.6 million, a drop of 21% from the peak by 2050. The primary reason for the expected population decrease is that families are having fewer children, with Japan's total fertility rate falling to a low of 1.25 in 2005, far below the rate of 2.08 that is considered the required rate to maintain a stable population.

Japan's aging population and declining birthrate have put tremendous pressure on its social security system. It is inevitable that Japan will have to reduce the benefits of its social security system with or without pushing up the premium contribution to its national social security and welfare insurance system. That will likely impact the public health care insurance system.

[Slide #6 – National Medical Expenses]

Japan has a compulsory, universal public health care insurance system. As Japan's population ages, the resultant increase in national medical costs is a matter of national concern. This increased burden will fall on the shoulders of the productive-age population, again if everything stays the same.

Although it's difficult to project how the health care reform will develop in the near future, it is clear that reform measures so far have been based on self-responsibility and market-driven competition. Against this backdrop, we have been very successful, and we believe our strong market position will continue. Let me show you some market share data for our two primary product categories beginning with the cancer life insurance market.

[Slide #7 – Aflac's Share of In-Force Business: Cancer]

As this slide shows, the overall market for stand-alone cancer life insurance has grown on an in-force basis. Of the total market, Aflac Japan has approximately 79% of the stand-alone cancer insurance in the marketplace, and its share has been fairly stable.

[Slide #8 – Aflac's Share in New Business: Cancer]

From a new business standpoint, our current market share for stand-alone cancer insurance is about 58%. Since the market deregulation in 2001, we've experienced stable to improved market share in cancer new business. Our strategic alliance with Dai-ichi Mutual Life has greatly contributed to maintaining and even increasing our market share of cancer products even after the deregulation.

[Slide #9 – Aflac's Share of In-Force Business: Medical]

These charts also show the growth of the medical market and Aflac's market share of stand-alone medical policies in force over the past five years. As this slide illustrates, Aflac Japan had 16.6% of the stand-alone medical insurance market at the end of March 2006. This is an impressive accomplishment considering that we did not aggressively participate in the stand-alone medical market until 2002.

[Slide #10 – Aflac's Share in New Business: Medical]

In terms of new sales, our market share was about 25% for stand-alone medical insurance in the year ended March 2006, which was down slightly from the prior year. Although our share is greater than any other individual insurance company, our slight decline in market share reflects the increased competition that we have experienced recently. For the whole market, after a relatively flat year ended March 2005, we saw a slightly increase for the year ended March 2006.

[Slide #11 – Competitors in the Third Sector]

As you may know, Aflac started its operations in Japan in 1974. Since then, Japan's third sector market has experienced two stages of deregulation. As a result, many insurance companies entered into the market. At the end of July 2006, a total of 31 companies offered stand-alone cancer insurance, while a total of 46 companies offered stand-alone medical insurance. At present, all life insurance companies have stand-alone medical products.

[Slide #12 – Number of Medical Products]

This chart shows the number of medical products now offered by both life and non-life insurers. I am sure you can see how crowded a market it is from this chart.

[Slide #13 – Japan's Most Popular Life Insurers]

Despite increased competition over time, Aflac Japan still stands out in the industry. For instance, let me share the results of a popularity survey that was conducted and issued by the Nikkei Financial Daily in January 2006. In that survey Aflac Japan surpassed Meiji Yasuda for the first time and moved up to the fourth place, following Nippon Life and two other major domestic insurers.

[Slide #14 – Aflac Japan's Strategy for Growth]

Now, let me discuss Aflac Japan's strategy for growth. Our strategy for growth has been consistent for a long time, and that is to broaden our product line, to diversify our distribution system, and to maintain our position as the most efficient life insurer. We have been disciplined in staying with this strategy, and we believe it is one of the key reasons we have achieved market leadership.

[Slide #15 – Aflac Japan's Competitive Strengths]

As we have discussed before, we believe we have established best practices in several areas of our business that represent the competitive strengths we bring to the market. And we believe that these strengths are reflected in the overall success of our brand.

[Slide #16 – Aflac Japan's Competitive Strengths (Products)]

I'll begin with our product line.

[Slide #17 – Aflac Japan's Product Line]

Our primary product focus has been the third sector. However, we have also effectively participated in the first sector through the sale of smaller death-benefit coverage.

Our name recognition and reputation has certainly helped in this area. Our product strengths include reasonable premiums and an ability to develop products that accurately match customers' needs. As you have heard us say many times, we believe our products are extremely competitive in our segment of the industry.

[Slide #18 – Aflac Japan's Competitive Strengths (Distribution)]

Distribution is another competitive strength for Aflac Japan.

[Slide #19 – Aflac Japan's Distribution Channels]

We believe our sales channels make up the most efficient, diversified and sophisticated distribution system in the Japanese insurance industry. Our traditional channels include affiliated corporate agencies, independent corporate agencies and individual agencies. In addition, as you know, we formed a successful marketing alliance with Dai-ichi Mutual Life in 2001. And as you will hear from Mr. Shinkai, Aflac service shops are playing an increasingly big role in our distribution system because they enable consumers to receive face-to-face consultation before buying a product.

To reinforce its distribution system, Aflac Japan develops training programs for each channel and level of expertise. This year, we introduced a training system called New ABT, which stands for New Associates Basic Training. You will hear Mr. Shinkai talk about it in more detail later today. We are also promoting an alliance strategy that will allow individual agencies access to the corporate market and give corporate agencies knowledge of face-to-face sales consultation. I believe these improvements in our distribution channels will bring us better sales results in the future.

[Slide #20 – Aflac Japan's Competitive Strengths (Internal Control)]

Another of Aflac's competitive strengths is its internal control system. The basic philosophy of the FSA is one of "self-responsibility." However, the FSA also monitors insurance companies' effectiveness at corporate governance, risk management and disclosure. Several years ago we took steps to further strengthen our internal control system by using a best-practices approach that we believe has made Aflac the standout in the industry. In light of recent high-profile sanctions imposed by the FSA on some insurance companies, we believe effective internal controls continue to be important to our success.

[Slide #21 – Aflac Japan's Competitive Strengths (Financial Strength)]

In the area of financial strength, Aflac Japan also has a solid reputation. Our solvency margin is well above the regulatory requirement and it helps support our strong ratings, which can influence a consumer's decision to purchase insurance.

[Slide #22 – Aflac Japan's Competitive Strengths (Efficient Operations)]

Positioning Aflac as Japan's low-cost producer in the third sector is probably our greatest strength. We have been improving our business processes in various areas. As a result, our maintenance expenses per policy in force are significantly lower than every other company in Japan. As Mr. Yamauchi will discuss, we have also improved our marketing and sales processes with company-wide business process reengineering, which will allow us to

maximize time for our sales force.

We are also expanding the use of technology, and our new claims system allows us to make rapid claims payments in less than two days. Moreover, we plan on taking a best-practices approach to our mainframe system development and network transformation. We'll be using best practices of both Aflac Japan and Aflac U.S., and we believe this strategy will allow us to achieve more efficient operations in the near future.

[Slide #23 – Aflac Logo]

As you listen to our presentations today, we hope you will have a better understanding of our operations in Japan.

I know that all of you are most interested in learning about what we are doing to improve our sales growth. Sales are certainly an important aspect to our operations. However, I believe it's important for you to remember that premium income from new sales represents less than 10% of total Aflac Japan revenues. I'd also remind you that our sales still greatly exceed our lapsed premium, which means the top-line is still growing. And perhaps most important, the business we have written so far in 2006 will greatly contribute to the growth of earnings, because the benefit ratios of this year's sales are lower than Aflac Japan's total block of business.

In addition, there are many other areas of our business that can have a significant impact on our income statement, and in those areas, we are doing quite well. For instance, as you will hear from Shigeharu Naoki, we see a favorable investment environment. This year we expect investment income to significantly exceed our budget, which helps to offset our weaker sales. Hiroshi Yamauchi will tell you how our expense advantages remain intact. Operating as the low cost producer helps us from a competitive perspective, but it also favorably influences the profitability of our business. And as you will hear from Yuji Arai, our benefit ratio continues to improve due to a continued and favorable mix shift, as well as favorable claims experience. As a result, we are very optimistic about the future for Aflac Japan's financial performance.

Thank you for your attention.

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Japan's Regulatory Environment
Charles D. Lake II
Vice Chairman, Aflac Japan

[Slide #1 - Title Slide]

Today, I would like to update you on the changes currently underway in the Japanese financial and social security systems and how we believe these changes will impact the insurance industry in Japan.

[Slide #2 – Progress in Financial Regulatory Reform]

Let me begin with the current status of financial regulatory reform in Japan. In 1996, the so-called financial “Big Bang” program was introduced in Japan with the aim of achieving the Big Bang’s goal to create a “free, transparent and fair global financial market” in Japan.

The traditional philosophy of the Ministry of Finance, or MOF, is known as the “convoy system.” The convoy system emphasized maximum control, industry protection, and the use of informal administrative guidance. In 1998, the FSA, now known as the Financial Services Agency, was established and assumed the regulatory responsibilities relating to financial services from the MOF. The FSA's rules-based regulatory approach, which relies on transparency and ex-post facto checking, is based on the notion of self-responsibility by financial institutions.

[Slide #3 – Expected Changes in the Market Environment]

There are two major areas of activity in Japan’s financial regulatory environment facing the insurance industry. The first is the FSA’s Program for Further Financial Reform and the second is postal privatization, which has been the top priority of Prime Minister Koizumi’s administration.

As you know, Prime Minister Junichiro Koizumi’s term as president of the Liberal Democratic Party, or LDP, is about to expire, and an election to replace him as LDP president will take place on September 20. Regardless of who is Japan’s next prime minister, it is expected that Japan will continue on the path of reform established by the Koizumi Cabinet.

[Slide #4 – The Program for Further Financial Reform – Market Conduct]

The Program for Further Financial Reform, which is scheduled to last through March 2007, aims to establish a vibrant, international financial system that emphasizes consumer convenience, protection, and price competitiveness. This reform program covers a broad range of financial industries, including banking, securities, and insurance.

In March, an interim FSA report recommended that when insurance companies solicit sales of certain insurance products, they obtain written confirmation from the customer regarding the customer’s specific needs. As we reported in May, the FSA is still studying the issue, but has indicated that it does not plan to apply the requirement across the board, but

rather on products that require greater consumer protection. The FSA is expected to announce further detail later this year.

In addition, although the current rules technically allow comparative advertising, existing regulatory hurdles make it, practically speaking, very difficult. The FSA believes that increased comparative advertising could be helpful to consumers looking for useful information upon which to base insurance purchasing decisions. Accordingly, in June an FSA-sponsored study group released a report recommending measures that could make comparative advertising easier.

Most notably, the report recommended that the FSA post financial information of insurance companies on its website, enabling consumers to compare companies' relative financial strength. Because of its consistently strong financial condition, such a measure should work to Aflac's advantage. The FSA study group has also been examining which types of comparisons could be allowed without potentially misleading consumers, but no specific conclusions have been reached.

[Slide #5 – The Program for Further Financial Reform – Price Flexibility]

As we discussed at the analyst meeting in May, the FSA has allowed pricing flexibility pertaining to insurance premium loading since April. As a result, companies seeking to change premiums no longer need to include a description of expected expenses in premium calculation methodology documents. Instead, the FSA monitors companies' pricing decisions ex post by requiring the submission of periodic reports.

It's important to note that unfair discrimination between similarly situated policyholders regarding premiums and to special benefits for inducing insurance sales is still prohibited. Even with the revisions, the FSA will not allow companies to cut premiums without rational justifications as to why the cut is warranted. As a result, there has not been nor do we expect any immediate or dramatic changes in the competitive environment.

[Slide #6 – The Program for Further Financial Reform – Third Sector Reserving Rules]

As we also discussed in May, The FSA intends to apply new rules on third sector reserving starting the fiscal year ending March 31, 2008. As you will hear from Yuji, we do not expect any material impact on our financial condition or competitive position in the marketplace as a result of the reserving standards.

[Slide #7 – The Program for Further Financial Reform – New Regulations]

Recently, the Diet enacted legislation bringing under FSA supervision most insurance cooperatives that had previously not been regulated by any government body. Regulations implementing this legislation have been effective since April 2006. This new regulatory framework has substantially enhanced the FSA's ability to ensure a stable marketplace, improving consumer confidence in the market.

[Slide #8 – The Program for Further Financial Reform – Policyholder Protection Fund]

As we discussed a year ago, the Insurance Business Law was amended to reform the Life PPC in April 2005. Although the amended law did not provide the permanent solution

we had hoped for, it is unlikely to result in additional assessments to the industry in the near-term.

In light of the industry's improving financial health and the enhanced effectiveness of the FSA's early warning and intervention measures, regulators have noted that it is unlikely that there would be a need to tap the Life PPC funds in the near future. However, because measures in the amended law will expire in March 2009, it will be necessary to revisit the issue of PPC reform before then.

[Slide #9 – The Program for Further Financial Reform – Expanded Distribution Channels]

Since December 2005, banks have been allowed to sell additional insurance products in addition to the variable and fixed annuities and other products previously allowed. These products are savings-type products, including single-premium endowment, single-premium whole-life, and savings-type accident insurance. Banks selling the newly allowed products are obliged to comply with strict new market conduct rules. These rules will also apply to any additional expansion of the bank channel.

The FSA remains firmly committed to its plans to monitor the effectiveness of these rules and open the channel for the full range of products in December 2007, if no problems arise. The Government of Japan recently reiterated its commitment to allow full bank channel liberalization by December 2007 in a joint U.S.-Japan regulatory reform report submitted to President Bush and Prime Minister Koizumi at the end of June.

[Slide #10 – Postal Privatization]

Let me comment next on the Prime Minister's legacy issue – postal privatization. After the initial defeat of his postal privatization legislative package in August 2005, the Prime Minister's package of postal privatization legislation was enacted into law in October 2005.

The privatization laws split Japan Post into four independent entities and generally recognize the need for a level playing field between Japan Post and the private sector. Specifically, the laws contain a commitment to implement "measures to ensure equivalent conditions of competition" between the four privatized Japan post companies and other companies "engaged in like business operations."

The laws also require the postal insurance entity to ultimately be subject to the same tax and policyholder safety-net contribution requirements as its private competitors as well as to Insurance Business Law and FSA supervision. The privatization process is scheduled to be completed by October 2017.

In accordance with the legislation, the Cabinet Office has established a privatization commission, whose opinion will be given considerable weight as the privatization process moves forward. The members of the commission have solid credentials and appear to understand the need for the privatization to be conducted carefully, ensuring sound regulation of Japan Post on the same basis as the rest of the industry.

On July 31, Japan Post submitted an outline of its privatization plan to the government. It is essentially a wish list of what the entities would like to do. The law clearly

stipulates that, when the new Japan Post financial entities start operations on October 1, 2007, they will be limited to the products that they now currently offer. Japan Post is scheduled to submit a full version of its privatization plan to the government in April 2007, and the Privatization Commission, FSA, and Ministry of Internal Affairs and Communications will then take several months to review the plan prior to approving any of its new business proposals.

Industry groups such as the Life Insurance Association of Japan, the American Council of Life Insurers, and the American Chamber of Commerce in Japan (ACCJ) will, no doubt, actively seek to ensure that the privatized postal insurance corporation is regulated under the same conditions as private-sector companies. As a member of those organizations, Aflac will be supporting their efforts.

[Slide #11 – Rapidly Increasing Social Security Benefits]

One of the biggest challenges currently facing Japan is its declining birthrate and aging population. As Japan's society continues to age and its population decline, Japan's publicly funded social insurance programs will come under ever-increasing financial pressure. According to statistics from the Ministry of Health, Labour and Welfare, medical insurance benefits paid will reach as high as ¥48 trillion in 2025, which is 174% of the benefits budgeted for 2006.

[Slide #12 – Major Changes in Copayments for the Employed]

As you may know, Japan has a system of compulsory, universal public health care insurance. The public medical expenditures that the system requires are covered by the premiums the insured and their employers pay and by taxes and copayments paid by patients.

However, given the aging population and declining birthrate, the system is under strain, and copayments have been rising. Specifically, in 1984, a 10% copayment was introduced for salaried workers under 70. Then in 1997, this amount was raised to 20%, and in April 2003 it was raised again to 30%.

[Slide #13 – Major Changes in Copayments for Seniors]

In 1983, fixed-amount per visit copayment was introduced for those over 70 for outpatient and inpatient services. Since then, the copayment has increased several times.

In July, the Diet enacted health care reform legislation which will take effect in October 2006 and will immediately increase the copayment for high-income seniors to 30% and, in April 2008, raise copayments for other seniors aged 70 to 74 from 10% to 20%.

[Slide #14 – Examples of the Health Care Reform]

The legislation contains other cost-cutting measures as well. For example, it requires creation of a distinct health insurance system for those aged 75 and older, enabling the government to deal separately with older seniors who, as a group, cost more than the general population. In addition, the legislation will raise the system's current cap on medical expenses per individual with middle-income level by approximately 11% starting October 2006.

[Slide #15 – Cancer Law]

In June, the Diet enacted a basic cancer law. Cancer has been the leading cause of death in Japan since 1981 and is responsible for approximately 30% of all deaths in Japan. This law was introduced by a lawmaker who himself contracted cancer and is designed to promote early detection and prevention by improving health screening and promoting cancer awareness, especially in outlying areas. Measures such as these should continue to enhance awareness among Japanese consumers and to strengthen demand for Aflac's products.

[Slide #16 – Aflac Logo]

In summary, the ultimate objective of the government's various reforms is to improve convenience and safety for individuals. In this rapidly changing environment, companies that prevail are companies that focus on consumers. In particular, Japan's rapidly aging population and low birth rate is putting the country's social security system under increasing strain, forcing Japanese consumer to bear an ever growing share of the burden themselves. Under these circumstances, we believe Aflac will continue to be successful as a company that consumers will choose over other insurance companies.

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Aflac Japan Administration
Hiroshi Yamauchi
First Senior Vice President; Chief Administrative Officer
Aflac Japan

[Slide #1 – Title]

Today I would like to share with you information regarding Aflac Japan's efforts to provide the best customer service, while at the same time maintain low-cost operations from an administrative perspective. As you know, Aflac Japan uses a sales agency system. Working together, we have been able to build a win-win relationship with our sales agencies by achieving efficient operations and improving customer satisfaction.

Let me start with Aflac Japan's low-cost operations by showing you a couple of statistical comparisons between Aflac Japan and our competitors in the Japanese life insurance industry.

[Slide #2 – Maintenance Expenses Per Policy in Force]

As you can see, our maintenance expenses per policy in force are considerably lower than those of any of our competitors. These costs refer to general administrative costs, excluding renewal commissions paid to sales agencies.

I would like to remind you that Aflac Japan continues to rank as the number one life insurance company in Japan in terms of the number of individual policies in force. Furthermore, the number of policies in force used to calculate operating cost per policy of Aflac Japan does not include the number of riders, which makes the figure of ¥4,341 for Aflac Japan even more remarkable.

[Slide #3 – Number of Policies Per Administrative Employee]

This slide shows the number of policies in force per administrative employee. As you can see, Aflac Japan is also achieving extremely efficient operations through employee productivity. This measure shows that our employees administer about five times the number of policies in force, compared to other large domestic life insurance companies. These statistics help demonstrate that we continue to maintain a low-cost-operation advantage over our competitors.

How has Aflac Japan been able to achieve such low-cost operations? Well, you will see the answer in the next few slides, as I will be giving you details about some of the specific measures we have taken.

[Slide #4 – Efficiency Improvement Measures by Leveraging IT]

A key to efficient business operations is reducing costs. In order to achieve this goal, Aflac Japan and Aflac U.S. are sharing best practices and implementing specific initiatives by leveraging IT solutions. Let me give you an idea of how some of these initiatives are helping us by walking you through the following three points.

The first initiative I would like to touch upon is e-App®, a system that allows the electronic submission of an application instead of using traditional paper-based forms. This system, which is modeled after Aflac U.S.'s SmartApp®, was launched in 2003 as a pilot program followed by a full-scale promotion to all sales agencies. At the end of June, 4,125 agencies were using e-App and 17.5% of applications were submitted through this electronic system in the first half of this year.

The next initiative I will highlight is the Aflac Net Billing system. This system was developed to replace the monthly paper bills sent to our payroll accounts. As of the end of June 2006, the Net Billing system was adopted by 8,577 payroll groups, compared with 6,671 a year ago.

The third initiative involves a remote interview system for our life insurance products that require a medical interview. In a nutshell, this system was developed to remotely examine the health condition of a prospective customer by using FOMA, a video mobile phone, in lieu of having a medical interviewer visit the prospective customer for a face-to-face interview.

We will continue to promote usage of these three measures again this year.

[Slide #5 – Centralization of Sales Administrative Jobs]

Apart from these measures, we have also been discussing and executing new ways of doing business as our next step for improving efficiency in an innovative manner.

The first initiative is to bring some of the administrative jobs that were previously handled at sales offices to one location at our headquarters. For example, application forms and other policy maintenance forms used to be sent from our agencies to sales offices first before being forwarded to the headquarters. However, in an effort to streamline the process and save our sales offices time and energy so they can devote more time to supporting sales activities, we changed the process to have those forms sent directly from our sales agencies to a Forms Receiving Center at the headquarters for centralized processing.

We have also centralized our customer call handling process. In the past, some of customer inquiries came directly into our sales offices. However, last year we decided to bring those inquiries into a call center at our headquarters, which, as I will discuss in more detail later, we consolidated into the Aflac Contact Center this year.

[Slide #6 – Benefits of Centralization]

As a result of the centralization, sales offices can now spend more time on the most important part of their jobs and that is sales. For instance, with the time our sales offices are now saving, the administrative staff can now focus on supporting sales activities such as visiting sales agencies to conduct training sessions, taking part in e-App promotions and other activities related to education of sales agencies. And we expect the concentration of forms and calls from customers to be finished by the end of the third quarter.

[Slide #7 – Aflac Contact Center]

With respect to the centralization of customer call handling process, we have another initiative aimed at consolidating all call centers in Aflac Japan. Previously, we had a call center

for existing policyholders, the Aflac Direct Desk for prospective customers' inquiries related to newspaper advertisements, and the Associates Help Desk to respond to inquiries from sales agencies. In 2006, we consolidated these organizations and started operating it as Aflac Contact Center.

[Slide #8 – Benefits of Establishing Aflac Contact Center]

The benefits from establishing the Aflac Contact Center are many. First, we can share IT infrastructure within the three call centers, which, as I mentioned, used to be operated separately before we consolidated them into Aflac Contact Center. Second, human resource allocation becomes more flexible. Third, because we are consolidating our operations and grouping the talents of our people in one organization, it will be easier to tap into our employees' various areas of expertise that, again, had previously been accumulated in the three separate call centers.

In addition, by collaborating more with greater ease between various functions in the company, consumers will appreciate the one-stop handling of our new operations. Furthermore, the shared IT infrastructure and expertise at the Aflac Contact Center allow us to implement a new initiative so we can increase likelihood of turning a policy maintenance inquiry into an opportunity to sell a policy by asking more about a customer's insurance needs rather than just receiving their policy maintenance requests.

[Slide #9 – Surrender and Lapse Rates]

Now I would like to cover our efforts for conserving the number of policies in force. Because the increase in the number of policies in force directly contributes to the bottom line, Aflac Japan considers both maintaining and increasing policies in force as one of its most important campaigns.

This graph indicates our surrender and lapse rates for individual insurance policies. Although the rates of Aflac Japan have been far lower for many years when compared with the industry average, they had been gradually increasing from 1997 until 2002. The figure began improving in 2003 and we were able to maintain the figure of 4.4% in 2005, which was the same level as what we achieved in 2004.

[Slide #10 – Ratio of Not-Taken Policies]

This slide indicates the ratio of not-taken policies versus all new applications we received. We are making a serious effort to reduce not-taken policies since increasing the number of policies in force is one of our goals.

A not-taken policy is one that we are unable to issue for various reasons, and therefore are unable to pay commissions to sales agencies or recover the acquisition costs. In order for our sales agencies to get a better sense of not-taken policies, we have been providing them with materials on estimated profit losses on not-taken policies. Sharing this information with agencies has proven to be very beneficial to their efforts at reducing not-taken policies because agencies understand the importance of reducing this number even from their perspective.

As this slide also shows, the ratio of not-taken policies was on the rise through 2002. However, as a result of this initiative, the ratio dropped from 8.0% in 2003 to 7.6% in both

2004 and 2005.

[Slide #11 – Key Points to Improving Persistency Rates]

In summary, the key to improving persistency rates is for our sales agencies, which tend to have closer contact with customers than our headquarters have, to take appropriate follow-up actions. In order to encourage agencies to take such actions, we must emphasize the importance of improving persistency rates by providing them with the necessary information such as not-taken policy rates, surrender and lapse rates, and successful initiatives of other agencies. By doing so, we can create an environment where they can easily follow-up with their customers and improve persistency rates. Ultimately, the agencies benefit because persistency generates a continuation of commission payments.

[Slide #12 – Claims Payments]

Now, let me turn to the topic of claims payments. This chart shows the actual claims payments in yen between 1996 and 2005. As you can see, the actual payment amount has been growing steadily. In 2005, we paid ¥283.9 billion on 220,000 cancer claims. Although the total amount of yen paid on medical policies in 2005 was only ¥51.8 billion by comparison, we made approximately 310,000 payments, which was greater than the number of cancer insurance payments.

In contrast to the increase in the number of payments, we continued to reduce the number of days required for claims processing and payment, which also contributes to high customer satisfaction. As was the case in 2004, it took us, on average, less than two business days to pay a claim in 2005. That time is measured from the point when our claims department receives a claim from the customer to the time the claim is paid.

I would like to close my speech by emphasizing Aflac Japan's commitment to maintaining an efficient and low-cost operation, while also improving customer service.

[Slide #13 – Aflac logo]

Whenever customer satisfaction improvement measures are considered, the spirit of pursuing our low-cost operation is always in the forefront of our mind. We maintain an overwhelming advantage over our competitors by providing affordable premiums and high agency commissions in the industry and allocating our budget to marketing and advertising activities. Our low-cost operation is a source of pride for our employees at Aflac Japan, and they are all dedicated to pursuing ways to improve our business operation and better serve our customers.

Thank you for your attention.

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Aflac Japan Investments
Shigeharu Naoki
General Manager, Investments Dept.
Aflac Japan

[Slide #1 – Title]

I am very honored to give you a presentation this morning on Aflac Japan's investments. I would like to begin my discussion by reviewing our organization, particularly from Aflac Japan's perspective.

[Slide #2 – Aflac Investment Organization]

This chart is a rough sketch of the Aflac Investment organization. Under the global investment policy adopted by the Board of Directors of Aflac Incorporated, the Chief Investment Officer or CIO is granted full responsibility of investments for Aflac U.S. and Aflac Japan. At our quarterly joint meetings and frequent teleconferences, our investment staff thoroughly discusses investment strategies and tactics and mutually agrees upon a general course of action. This course of action includes strategic allocations for new money investments, credit reviews of corporate bonds we own, and constant evaluation of potential risks to our portfolio. By sending a weekly activity report to the CIO, we update him as to our actual and planned investment activities and seek his approval as well. Further, we communicate with the CIO and his staff on a daily basis through email or by telephone to fine-tune our investment strategy. Through our frequent communications, we are able to be consistent with our corporate goals and do whatever it takes to achieve those goals and react to any changes in the marketplace.

Aflac is proud of the fact that it has integrated U.S. and Japanese best practices and capitalized on such synergy effects. Aflac Japan is licensed and regulated by the Japan's FSA, which insures people domiciled in Japan, and is committed to paying Japanese consumers yen-denominated future benefit payments. In the investment area, however, we go beyond the country of Japan because of scarce investment opportunities in this region and the unreasonably tight credit spreads for corporate sectors. The Global Investment Team tries to maximize collaborative efforts in pursuit of the best worldwide investment. Actually, investments in non-Japanese entities have reached 71.2% of Aflac Japan's invested assets as of the end of March 2006, compared to the industry average of 20.4%. Needless to say, we can take advantage of U.S. experience and expertise as well as geographical strength when it comes to investing in issuers from U.S. and European countries. We believe the investment division is a great example of U.S. and Japan best practices working very well within Aflac.

[Slide #3 – Aflac Japan Investment Considerations]

Let me move onto the investment process. The first consideration when making an investment is based on product needs. As you know, the majority of the Aflac Japan products share the same characteristics; they are yen-denominated whole life fixed-rate policies. In order to match such characteristics, we invest mostly in yen-denominated, longer-dated fixed-income securities and maintain those assets as a core portfolio. By

longer dated, we are referring to securities with a maturity of greater than ten years. We have stuck to this conservative but fundamentally appropriate investment policy for the last twenty years and we intend to stick to it.

Our investment process involves credit decisions, which are not without risk. However, we make those decisions only after contemplating our product needs, credit risk, and the overall objectives of Aflac Incorporated. Only after all of these factors are carefully considered do we undertake an investment. I will discuss the credit side of investing later.

[Slide #4 – 2006 Longer-Dated Yen Purchases]

This is a summary of the longer-dated yen assets we acquired during the first half of this year. Through June we had invested 91.6% of new money in longer-dated assets at a blended yield of 3.04%.

[Slide #5 – Average Maturity and Duration]

As to the portfolio duration, it was 12.3 years at the end of June 2006. The average duration of Aflac Japan's policy liability cash outflows was approximately 13 years at the end of 2005. We have lengthened the maturity and increased the duration of the portfolio in great part through our purchases of longer-dated securities like those I showed you a minute ago. Again, emphasis on this area has provided the best fit for Aflac Japan's product needs.

[Slide #6 – Aflac's Investment Policy]

Now I would like to talk about the credit side of investing. Let me first reiterate our investment policy which states that all securities must be rated investment grade at the time of purchase.

[Slide #7 – Credit Ratings on Aflac Japan Purchases]

In looking at the credit ratings of our purchases over the last three years, you can see that we have maintained a balanced posture. Given our underexposure to the rating class, we increased our allocation to BBB securities in 2003. In 2004 we determined that spread compression reduced the risk/reward for that rating class and therefore reduced our participation. In 2005 and so far in 2006 spread compression has continued to dominate credit markets and as a result we have continued to underweight BBBs.

[Slide #8 – Aflac Japan Credit Ratings]

Overall, the credit quality of Aflac Japan's portfolio remains high. More than 78% of our holdings were rated "A" or better at the end of June 2006, while 20% were rated "BBB." Below-investment-grade debt securities accounted for 2.0% of total Aflac Japan's debt securities at the end of June.

[Slide #9 – Below-Investment-Grade Holdings]

This is a list of Aflac Japan's below-investment-grade holdings. All of these are

classified as available-for-sale so the unrealized gain or loss becomes part of the SFAS 115 adjustment to shareholders' equity. Once we designate a security as below investment grade, we begin a more intensive monitoring of the issuer. This involves a written evaluation of the issuer and its current credit posture as well as an assessment of the future prospects for the company. At this point, none of these are considered to be at imminent risk.

[Slide #10 – Aflac's Impairment Policy]

The most important determination of our credit work following a severe credit event is if we believe the issuer will satisfy its principal and interest obligations under the contractual terms of the bond issue. However, the impairment policy that was approved by the Finance and Investment Committee of the board of directors goes further than that. As you can see, there are several other factors we take into consideration when determining if an impairment charge is warranted. We have consistently applied this policy when assessing whether a debt security should be impaired.

Since the end of 2000, we have impaired \$54 million in bonds and \$16 million in equities on a pretax basis. We determined the impairments were necessary based on market price declines and our in-house credit analysis. We believe that we have been quick to recognize potential credit problems in our portfolio and have dealt with them appropriately.

[Slide #11– Largest Investment Concentrations]

This is a list of our top 10 investment positions. Japanese government bonds remain our largest concentration. Most of these investments are from investment-grade sovereigns or banks. Yet, we are closely monitoring the credit worthiness of each issuer and are regularly reviewing the appropriateness of our holdings. At this point, we do not see an imminent need to reduce our exposures to any of these credits.

[Slide #12 – Composition of Investments and Cash]

Let me turn to the composition of our investments. Privately issued securities including loans represented 70.7% of Aflac Japan's total portfolio at the end of June 2006, which reflects our desire for higher rates in addition to appropriate asset-liability matching. Longer-dated yen securities were 63.8% of the total portfolio at a yield of 3.56%. The sector weightings of the portfolio look fairly similar to last year.

[Slide #13 - Invested Asset Comparison]

This chart shows the differences between the asset composition of Aflac Japan and the Japanese life industry as a whole. The industry still has significant ownership of stocks and real estate. By comparison, we owned only .1% of assets in equities, and .4% in company-owned real estate at March 31, 2006. Most of our real estate is used for operating purposes as opposed to investments.

[Slide #14 – Comparison of Yields in Japan]

The chart here shows Aflac Japan's overall portfolio yield versus the industry

average. As this yield includes realized gains and losses in addition to interest income and dividend income, the figure has varied quite a bit through the years. However, over the past 10 years, our portfolio yield has held up very well on a Financial Services Agency reporting basis. This is because Aflac Japan has been consistent in its strategy that we invest mostly in yen-denominated longer-dated fixed income securities based on our product needs.

[Slide #15 – Interest Rate Margin]

For a variety of reasons, chiefly the persistent low interest rate environment, the Japanese life industry in general has suffered from negative spreads for years. Aflac Japan had a positive spread at the end of March 2006, while the top nine Japanese insurers continue to be burdened by significant negative spreads.

[Slide #16 – Net Investment Income]

In turning back to U.S. GAAP based performance, Aflac Japan's net investment income growth rate has averaged 5.9% per year over the last five-year period despite the effect of low rates. In the first half of 2006, the weaker yen boosted investment income growth in yen because about 36% of this year's projected net investment income is in dollars. Even if excluding the currency effect, we are on track to surpass the targeted net investment income number that has been incorporated in the corporate earnings target for 2006. For the first six months of this year, net investment income surpassed our budget by ¥610 million. And based on our latest estimation, we will exceed plan for the full year by ¥1.8 billion.

[Slide #17 – Aflac Logo]

In conclusion, we believe we have followed the highest fiduciary standards in investing funds for Aflac. It is a complicated task that demands considerable judgment due to Aflac's unique corporate structure. Yet, it is a task that we believe we have excelled at over many years in a challenging Japanese economic environment. Looking ahead, we will continue to focus on achieving superior investment performance by purchasing securities that are in the best interests of Aflac's policyholders and shareholders.

###

Aflac Japan Financial Update - A Japan Perspective
Yuji Arai
Senior Vice President; Principal Financial Officer
Aflac Japan

[Slide #1 – Title]

Today, I would like to give you an update on Aflac Japan's financial performance. As you know, most domestic life insurance companies do not provide financial statements and disclosures on a U.S. GAAP basis. However, the Financial Services Agency or FSA requires all companies submit financial reports and disclosures based on prescribed requirements. I will use the FSA financial reports for the fiscal period ended March 31, 2006 as the basis for my presentation. Because of the regulatory nature of the FSA based disclosures, you may find the numbers to be quite different from our U.S. GAAP numbers, but this is the only way we can compare our results with other insurers in Japan.

[Slide #2 – Comparison of Premium Income Growth]

As you can see from this chart, premium income for the industry as a whole has increased for the last three years. Prior to this upturn, the industry experienced decreases for five years. By contrast, our premium income has steadily grown since 2001, reflecting solid sales results and favorable persistency rates.

[Slide #3 – Premium Income]

For the fiscal year ended March 31, 2006, premium income of Aflac Japan exceeded the one trillion yen milestone for the first time. We now rank among the top seven life insurers in terms of premium income.

[Slide #4 – Premium Income of Individual Insurance]

However, Aflac Japan primarily writes individual insurance policies. We are ranked 5th if you only look at premium income generated from individual business.

[Slide #5 – Total Assets]

Aflac Japan's total assets increased 6.5% to ¥4.9 trillion as of March 2006 and was ranked 11th in the life insurance industry. The amount of invested assets fluctuates in response to changes in the financial market, but we have achieved a constant rate of growth in asset size over years.

[Slide #6 – Individual Policies in Force]

Back in March 2003, Aflac Japan became the largest life insurance company, in terms of individual insurance policies in force. Our lead over Nippon Life increased to over four million policies at the end of March 2006 with approximately 17.8 million policies in force. This policy count does not reflect the more than seven million riders we currently have in force. As you can see, many other companies still posted negative growth.

[Slide #7 – Net Investment Income]

Net investment income on an FSA basis represents the net of total investment income and expenses, including realized capital gains and losses, interest income and dividend income. Aflac Japan is ranked 6th in terms of the amount of aggregate investment income, with a 30.8% increase over last year or ¥219 billion. This includes a relatively large capital gain of approximately ¥29.6 billion resulting from the bond swap program we implemented with an aim to benefit from our U.S. tax loss carried-forward and increase investment income. In terms of investment yield, we were ranked 4th in the industry last year with a 4.75% yield.

[Slide #8 – Investment Margin]

As we all know, Japanese life insurers have been suffering from a negative spread due to the prolonged low-interest-rate environment in Japan. Even for Aflac Japan, it's been challenging in such an environment to purchase suitable investments that meet our required interest rates. We first experienced a negative spread in 2005. However, as I mentioned in our May analyst meeting, Aflac turned back to a positive spread for the fiscal year ended March 31, 2006.

[Slide #9 – Assumed Interest Rates for Product Pricing]

We began lowering our assumed interest rates on new business in 1994 along with the industry and have lowered rates since then. The last change to our interest-rate assumption for health products occurred in 1999. Lowering assumed interest rates has resulted in increased premium rates for new policy issues.

[Slide #10 – Required Interest for New Business and New Money Investment Yields]

Another way to look at the effect of lower assumed interest rates is to compare Aflac Japan's GAAP interest rate assumptions for new business with new money yields. This slide shows that yen denominated new money yields are slightly higher than the interest required by the new business. Due to a slightly larger percentage of ordinary life, which has a lower required interest rate, we had a small decrease in the blended required interest in 2004. In 2005, we reduced the reserve factor of EVER Half, which mainly led to the decline in required interest by 9 basis points compared with 2004.

[Slide #11 – Premiums In Force by Product]

The primary factor influencing the decrease in our benefit ratio in recent years has been the steady change in our business mix. As a result of product broadening, the mix of our in-force business has changed significantly. In 1992 for instance, cancer life accounted for 94.1% of premiums in force. By 1998, cancer life had declined to 79.8%. At the end of the second quarter, cancer life premiums in force represented 54.3% of total premiums in force. The greatest contributions to in-force business in the last five years have been riders to our cancer products and medical product, such as Rider MAX and EVER. At the end of the second quarter, those two products accounted for 26.5% of premiums in force, compared with 10.7% at the end of 1998. This mix change is significant because the benefit ratios vary quite a bit by product.

[Slide #12 – Benefit Ratios by Product]

You'll recall that we showed you this slide in May. Our traditional cancer life product, with a full cash surrender value, has a benefit ratio in the area of 68% to 73%. To offset some of the effect of the 1999 rate increase on newly issued cancer life policies, we elected to reduce the cash surrender value, which was well received by consumers looking to maximize their premium value. Reducing the CSV also brought down the benefit ratio as well. Our 21st Century Cancer Life product has a reduced death benefit in both the full CSV version as well as the reduced CSV product. Both versions also have lower benefit ratios than our traditional cancer life business. In short, we are not only changing the mix of cancer life versus non-cancer life business, we are also changing the mix within our cancer life block of business toward more profitable products.

In addition, our cancer and medical riders have noticeably low benefit ratios compared to any other line of business. And as I mentioned, they are becoming an increasingly large part of our in-force business. And our stand-alone medical product, EVER, also has a favorable benefit ratio, compared to our older block of business. You'll note that the benefit ratios for some product categories are lower than those we've shown you in prior years because of new products like WAYS and favorable claims experience for other lines of business.

We expect the profitability of WAYS to fall in between the margins of our medical and ordinary products. However, because the profitability is impacted somewhat by the insured's selection of benefits at retirement age, the margins could be higher if the policyholder elects to receive medical rather than death benefits.

[Slide #13 – Persistency Rates]

This chart shows the persistency rate for Aflac Japan, excluding annuities. As you heard from Yamauchi-san, we believe our efforts to improve persistency have benefited us. And as a result, our persistency rate has improved slightly since 2003.

[Slide #14 – Comparison of Persistency Rates]

These rates are policy-based calculations using FSA data. This slide shows how persistency is improving throughout the entire industry. One reason for the improvement is a mitigation of the credibility gap for the life insurance industry. The industry's persistency rate has also probably benefited from a recovery from the prolonged weakness in the Japanese economy. Aflac Japan has maintained the highest level of persistency in the Japanese life insurance industry and has been doing it consistently over the years. We believe that our persistency rate is an indication of the high level of customer satisfaction based on the way we serve our customers. You have heard us say before that we believe we offer the best product at the best price and pay the highest commission to the agent. What allows us to do that is our greatest strength: the efficiency of our internal operations. And this improvement of persistency rate plays a part of the continued strong growth of premium income.

[Slide #15 – Solvency Margin, Real Net Asset, Basic Earnings]

Back to the FSA based performance, let me show you the three financial indicators that are most widely used to gauge capital adequacy and profitability of a life insurance company operating in Japan. First, solvency margin is a Japanese version of the risk-based capital requirement in the U.S. We have maintained the one thousand percentage-point or higher level over the past several years. Due to a rise in the stock market toward the end of March this year, our competitors have reported improved ratios. Unlike the RBC ratio, Japan's solvency margin ratio includes unrealized gains and losses on invested assets, which can be volatile. If we exclude that component, Aflac's solvency margin ratio is higher than any other traditional Japanese life insurer. The real net asset ratio is similar to the solvency margin ratio concept but it deals with the total assets, not the risks the company bears, as the denominator. Both the solvency margin and real net asset are regulatory requirements. Insurers in Japan should maintain a solvency margin of 200% or higher and zero or greater for the net asset ratio. Basic earnings indicate earnings from core insurance activities. Aflac Japan's ratio of basic earnings to assets was 2.2%, which is the highest among large life insurers in Japan. This suggests how strong Aflac Japan's earnings power is, compared with its peers.

[Slide #16 – Financial Strength Ratings]

Aflac's financial strength is also reflected in our ratings from the major credit agencies. Our ratings from S&P and Moody's are favorable compared with the large insurers.

Financial strength ratings are very important to our agents and policyholders, so we will continue to work very hard to maintain and extend our reputation for superior financial strength.

[Slide #17 – FSA Topics]

Now, let me briefly discuss the two new topics coming from the FSA that might impact our business. One is the new mortality table that is scheduled to be effective April 1, 2007. Given the recent improvement in survival rates, the study group and relevant committees with the Institute of Actuaries of Japan, or IAJ, have been working on the revision in the mortality table. Subject to approval from the board members of the IAJ in late September, and from the FSA at a later date, the new mortality table will be adopted as the common basis for reserving newly underwritten policies. With the other conditions being unchanged, this revision will lead to a decrease in premium for death benefit products and an increase in premium for third sector products. The higher the survival rate, the greater the expected amount of benefit for third sector products, which will generally result in higher premium rates. Once the new table is finalized, we will carefully and strategically consider our pricing level that will maximize our new sales and earnings going forward.

The second FSA topic is the new rule for third sector product reserving. The industry is going to implement the new reserving rule from the fiscal year starting April 1, 2007. Under the new rule, we are required to conduct stress testing to see if the reserves we currently set aside are adequate enough to support future claims under the prescribed stress scenario based on the actual incidence rates. If not, the company is required to increase the reserve accordingly. As of today, however, we do not anticipate that the new reserving requirements will cause a material impact on our FSA based financial statements, nor will it impact our pricing.

[Slide #18 – Pretax Operating Earnings Growth]

Finally, turning back to our U.S. GAAP based performance, as you can see from this slide, Aflac Japan has successfully generated earnings through the growth of revenues and the expansion of the profit margin for the last five years. Going forward, investment income is expected to contribute more to our revenues as the Bank of Japan put an end to the long lasting ultra low interest rate policy, and profit margin will continue to improve some more because of the favorable trend in our benefit ratio and intense expense control, which is our strength.

[Slide #19 – Aflac Logo]

I hope this gives you a better understanding of our financial position in Japan's insurance industry and why we will remain the dominant supplemental insurance provider in Japan. We place great importance on soundly growing the business based on Japan statutory financial guidelines and GAAP accounting. We at Aflac Japan know this supports corporate guidelines for financial performance and allows Aflac Inc. to meet objectives, maintain investor confidence and improve shareholder value.

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Aflac Japan Marketing
Takaaki Matsumoto
Senior Vice President, Director of Marketing
Aflac Japan

[Slide #1 - Title Slide]

It is my honor to have this opportunity to talk to you today about the marketing activities of Aflac Japan. I will focus on recent developments in the sales of our core products, particularly our responses to recent changes in the competitive environment.

[Slide #2 - Comparative Cancer Policy Sales]

First of all, as you can see, Aflac remains dominant when it comes to sales of cancer insurance.

Deregulation in Japan allowed major life and non-life insurance companies to enter the market for cancer insurance in 2001. So far, though, none of our competitors poses any real threat to our position as market leader. But we are not resting on our laurels. We are perennially developing new products that are tailored to meet changes in the market environment and in our customers' needs. As you may know, we launched a new cancer product called Medical Check Plus in late June 2005. With this new product, in keeping with changes in the health care system, we have increased benefits for out-patient hospital care and cancer screening. Starting in June of this year, we began selling a new plan aimed at existing policyholders of cancer insurance, providing additional benefits for in-patient and out-patient care. We also started providing Dai-ichi Life with a new product with enhanced levels of coverage at about the same time. As a result, we expect new sales from cancer insurance products to continue to remain stable.

[Slide #3 - Premium Comparison of Cancer Life Policies]

As you know, cancer remains the No. 1 cause of death in Japan among men and women. It accounts for about one of every three deaths in this country. Treatment is very expensive. These facts are the main reasons for the strong need for cancer insurance in Japan. The public appreciates our full line-up of outstanding products, and as you can see, our premiums remain the lowest of all insurers.

[Slide #4 - Comparative Medical Policy Sales]

Next, I would like to speak in greater detail about medical insurance. Currently, nearly all life and non-life insurance companies in Japan provide stand-alone medical insurance plans.

We launched EVER in February 2002, and in the very first quarter of that year we sold more medical insurance policies than any other company. We have remained No. 1 in every quarter since then. Since late last year, though, the total number of medical policies sold in Japan has declined across the board. The causes of this recent decline lie mainly in the following two points.

[Slide #5 – Confusion of Consumers with Various Types of Medical Products]

The first reason is the sheer number of competitors now selling medical insurance in the marketplace. As Aki mentioned this morning, there are now 46 companies in Japan that sell medical insurance. The situation is confusing for consumers, and they now spend more time studying their options carefully. In research we conducted in August, 17% of consumers responded positively, saying “There are plenty of products, and I think I will be able to choose one that suits me.” However, 39% of consumers responded, “It is hard to choose a product that is right for me.”

[Slide #6 – Effect of the Administrative Sanctions]

The second main stumbling block has been the widespread media coverage of business suspensions and other administrative sanctions against life and non-life insurance companies since last October. In the same August survey I just mentioned, 32% of consumer said, “I have an uneasy feeling about all insurance companies, regardless of whether they are one of the companies that received sanctions or not.” From this we can see that the recent situation has had significant negative fallout for the insurance industry as a whole. In addition, since the recent business sanctions were chiefly related to companies’ failure to pay medical insurance claims properly, the impact on medical insurance sales has been particularly sharp. Aflac is the No. 1 company in Japan in terms of the number of new medical policies sold, so Aflac is suffering this impact more than anyone else.

[Slide #7 – Consumer Preference for Insurance]

Although industry wide medical insurance sales are languishing and Aflac is being hit as well, we do not expect the current situation to continue for long. As the results of a few periodic studies, the most recent of which was conducted in August by an independent think tank, many consumers still plan to buy medical insurance policies in the near future.

We expect that the reforms in the public health care system scheduled to start in October 2006 and after, as mentioned by Charles a short while ago, will only buoy the need for our products. The planned reforms are intended as a remedy for worsening financial condition of the public health care system. We think they will increase the importance of the role played by private-sector supplemental insurance companies.

[Slide #8 - The Most Preferred Insurer for Cancer Life and Medical Insurance]

In the same study when consumers were asked which life insurance company they want to buy from, 38% named Aflac for cancer insurance and 20% for medical insurance; in both cases, we were at the top of the list.

[Slide #9 - Premium Comparison of Medical Products]

This slide shows examples of insurance premiums offered by Aflac and major insurers that

we view as competitors and that sell medical products. Many companies have entered the medical insurance market in recent years, but as you can see, our premiums are still the lowest when compared with those of our primary competitors.

[Slide #10 - Need for Rider MAX with Care]

To respond to changes in the business environment, and to set our products apart from the competition, we introduced a special new kind of rider combining medical and nursing care insurance in late June, known as Rider MAX with Care.

As you can see from this slide, in response to the question, “If buying medical and nursing care insurance coverage, what kind of combination will you choose?”, most people chose the combination of “medical plus nursing care.” Particularly among people 40 and above, more than 80% chose that combination.

[Slide #11 - Average Premiums for Rider MAX Products]

In addition to benefits for hospitalization due to sickness and injury, Rider MAX with Care also provides a lump sum payment when the insured falls into a condition where nursing care is needed.

This product can be attached to cancer and EVER policies, so people buying cancer or EVER policies for the first time can purchase them as a set.

Existing policyholders with cancer or EVER policies can add these riders to their existing policies as well. Only about two months have passed since we launched this new product, but average premium per customer is about 30% higher than with our existing Rider MAX, and we think this will contribute to future sales growth.

In September, we plan to send direct mail about this product to about 2.6 million existing holders of cancer policies, which we think will benefit our sales in September and October.

[Slide #12 – Alliances between Different Types of Agencies]

Although we will still periodically use some pull methods like direct mail, overall we must try to make the switch from pull-style marketing to push-style marketing to maintain our leadership in the market. I would like to explain to you a few things about our agenda. First is the task of enlivening the worksite market.

Since the start of this year, we have been promoting alliances between our affiliated agencies and individual/independent agencies in a bid to rejuvenate the worksite market, which has been a special strength of ours for many years. As of today, we are carrying out alliances at 107 payroll accounts, who, until recently, had been covered by our affiliated agencies mainly through the distribution of application forms at the workplace and direct mailing to the employees' homes. Alliances between affiliated agencies and individual/independent agencies are a great way of pursuing joint sales in the worksite market, as individual/independent

agencies can provide payroll account employees with face-to-face consultations. In many cases, the results exceed what our affiliated agencies have been able to achieve on their own.

Alliances are also under study for another 500 payroll accounts. We will not, however, limit alliances to joint sales at worksite market. As the next slides will show, we plan to strengthen our approach to exiting policyholders through telemarketing as well as some new communication tools.

[Slide #13 - Strengthening our Approach to Existing Policyholders (1)]

First, we are strengthening our approach to our 17 million-strong base of existing policyholders, which is one of our company's greatest assets.

In April, we initiated a full-fledged new "Hot Call" program for outbound calls. The Aflac Contact Center makes direct telephone contact with existing policyholders. Maintenance service is the starting point, but the calls are meant to probe whether these customers have needs for additional insurance products, and to sell them the products they need. We plan to make one million such "Hot Calls" by the end of this year, and to increase the numbers going forward.

[Slide #14 - Strengthening our Approach to Existing Policyholders (2)]

Second, we will make significant changes to the contents of Hot Mail, which we send out to more than 13 million existing policyholder every year to inform them of their policies' contents. The first change will be that we will be able to segment policyholders and provide proposals for additional products that we believe meet their needs. The next change is that we will follow up by calling them after a Hot Mail is sent, thus making interactive communication with them. The third change will be that we will make it possible for our customers to communicate with us through our website and provide them with information on our service shops in case they may want a face-to-face consultation. In other words, by integrating our approaches to existing policyholders using direct mail, telemarketing and the Internet, we aim to expand our contact with the customer in both quantity and quality.

[Slide #15 – Promotion of Referrals to New Customers]

We also want to encourage our existing customers to refer their friends and acquaintances to us for their insurance needs.

Studies show that 40% of our EVER customers would think it right to refer their friends and acquaintances to our company or our agencies; 20% of people deciding to buy insurance policies say a recommendation from friends or acquaintances was a decisive factor, which is more than any other reason. Clearly, introduction of prospective clients by existing clients can make a big contribution to sales growth.

[Slide #16 - Customer Introduction Campaign]

For this reason, we will begin asking our customers to refer their friends and acquaintances when they buy our policies beginning in October. We will also be taking out newspaper ads and sending direct mail in a “customer introduction campaign,” aimed at encouraging as many customers as possible to make referrals. When we get a referral, the information on that prospective customer will be forwarded to an agency that can conduct face-to-face sales. If a referral is successful, leading to the sale of a new policy, we will send both the existing customer and the new customer one of these “orchestra ducks” that you see here. We have five kinds of orchestra ducks, each of which plays a melody sounding like a different instrument. These ducks will be available only as part of this campaign.

We have brought some of these ducks – all five types – for you to take home today.

[Slide #17 - Ten Million Aflac Ducks]

By the end of July, we reached a milestone: our 10 millionth Aflac duck. That is one duck for every five households in Japan. These ducks are a form of PR, sitting right beside our customers. Thanks to the positive impact of this promotion, our name recognition has increased and we have been able to support our agencies in their sales.

[Slide #18 - Rider MAX with Care TV Commercial]

Regarding the new product I discussed a few minutes ago, we just started a new advertising campaign late last month. The TV commercial promoting this new product features a giant Aflac duck, with a slogan of “Power Up!” for renewing Rider MAX.

Let’s watch it.

[Video of Commercial]

In the newspaper ads, we offer information about Rider MAX with Care, as well as information about our “customer introduction campaign” and our sales channels.

[Slide #19 - Aflac Logo]

The current environment in which we find ourselves is not exactly smooth sailing. Currently, our customers are confused by the large number of competing products in the marketplace. The recent series of incidents involving administrative sanctions have undermined trust in insurance companies. We are confident, though, that Aflac will be able to maintain its strong competitive position in the highest echelons of Japan’s insurance market. We have not seen consumers’ needs for the third sector products to decline. Japan’s population is aging. The health care system remains under pressure. We think needs for our products will continue to grow. By now, practically all the competitors are in the ring, but we are confident we have the most competitive products, combined with a strong reputation in the market. We are focusing resources on strengthening even further our product development powers, which allow us to create unique products that our customers are seeking, and that our agencies want to sell. We have a very strong brand, and a good reputation, which we will use to best advantage in our

competitive battles. I believe Mr. Shinkai plans to tell you more about this, but I firmly believe we have the products, the promotional power, and the effective distribution channels we need to grow our business and emerge victorious in the current competitive environment.

Thank you very much.

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Aflac Japan Sales
Hisayuki Shinkai
First Senior Vice President, Director of Sales
Aflac Japan

[Slide #1 - Title Slide]

I would like to speak to you today about the ways how we are responding to intensifying competition, and what steps we are taking to make sure that our company can again show steady growth in sales of new insurance policies and new annualized premiums.

[Slide #2 - New Annualized Premium Sales]

As we announced in July, Aflac Japan's new annualized premium sales declined 4.2% in the second quarter, compared with the year-earlier quarter; and new sales in the first half of the year were down 2.8% from a year earlier. As Mr. Matsumoto explained a few minutes ago, one of the main reasons for this is that major Japanese life insurance companies began offering whole-life medical plans last year. As a result, competition in this area has become much more intense.

Ever since Aflac Japan began selling its stand-alone medical product EVER in 2002, we have actively used TV advertising campaigns to communicate to consumers about the advantages of our products, including low premiums and whole-life coverage. In the medical insurance market, we are still No. 1 in terms of the number of new policies sold. The power of Aflac's brand, which reflects the market perception of our company as a reliable provider of insurance protection, backed by sound financials and strong profitability, was a factor that enabled us to achieve the position.

As I mentioned, Japan's major life insurance companies have also begun selling medical insurance. Their sales representatives visit customers directly, in their homes and offices. This means the pull-style sales methods that we have been using for many years – direct mail, flyers and newspaper ads – are no longer enough. We must vastly strengthen our push-style sales methods, making sales by meeting directly with our customers to explain our products to them, cultivating new markets, as well as penetrating deeper into existing markets. Compared with the new medical insurance products that other major domestic life insurance companies are offering, our EVER products represent a great value to consumers, particularly when it comes to low premium rates. And, we have a network of more than 18,500 sales agencies, employing 85,600 licensed sales persons selling our products. These numbers do not include Aflac's employees and representatives of sales agencies who are also licensed. Through this extensive sales network, we intend to bolster our push-style sales capabilities as quickly as possible to prevail in the current competitive environment. In the remaining time I have here today, I would like to discuss with you some concrete ideas about how we will achieve this.

[Slide #3 - New Associates Basic Training]

We recently started a new training program we call New Associates Basic Training (ABT) to reinforce our push-style sales operations. The main aims of this program are to teach our sales agencies how to build an environment conducive to insurance sales to corporate employees by actively exploring the small and medium-size business market, and to improve their skills in offering custom-tailored consultations to individual employees. The program adopts an “action-learning” course, where training in classroom will be held regularly over a six-month period, combined with visits to small and medium-size companies, and meetings with prospective customers. During the half-year training period, Aflac employees will give advice to the trainees based on their own experience on both market development and customer consultations, and in the early stage of the training program they will also accompany trainees on visits to companies.

Of the roughly 760 sales office employees of Aflac Japan nationwide, some 120 managers and 240 regular employees will have completed the course and have fully acquired the necessary skills by the end of September. The remaining 400 will complete it by the end of October. Starting in October, these trained employees will start teaching other sales agencies. The content of this new training program can be used for training not only the newly recruited individual sales agencies but also for training the existing licensed sales persons employed by affiliated and independent corporate agencies.

We also have another training program for Aflac employees and sales associates throughout Japan conducted by six sales associates with proven sales records who will act as advisors to share the practical sales skills they have acquired through actual experience.

[Slide #4 - Number of Service Shops]

Next, I would like to talk to you about service shops, which we believe is an effective way for sales associates to sell our products.

We were ahead of our competition in setting up service shops as a means of strengthening face-to-face sales consultations to our customers. As you can see, we now have over 500 service shops throughout Japan. We plan to continue increasing the number of our service shops, so that by 2008 we have a total of 800.

Currently, other life insurance companies are rushing to catch up with us by setting up service shops of their own, but we have a comfortable lead in this area. Actually, we are not only increasing the number of our service shops but also building on the alliances between our service shops and affiliated corporate agencies to renew our approach to customers at worksite where new policy sales have been declining over the past several years. We have discovered two main reasons for this decline: One is that large companies have been reducing their full-time employees as one of the steps of restructuring due to a weak economy. The other is that more and more workers at worksite now make a

decision to buy an insurance only after talking with their family, rather than just making the decision at workplace like what they used to do. In this context, it is beneficial for affiliated corporate agencies to refer corporate employees to our service shops, which may prove to be a more appropriate venue than the workplace for consultations about insurance. This alliance between affiliated corporate agencies and service shops allows them to jointly pursue new sales. In this way, we are able to capitalize on our strengths by linking the payroll accounts held by affiliated agencies with our service shops. This afternoon, we will hear about this in greater detail from Ms. Yukari Yamada, who runs service shops herself.

[Slide #5 - New Annualized Premium Sales in the Hojinkai Market]

Hojinkai is a national taxpayers' association that has approximately 1.1 million corporate members nationwide, mainly small and medium-size enterprises. This is an important market for us, one where we have been selling cancer insurance and medical insurance since 1983. In the Hojinkai market, Aflac has been selling third-sector products including medical insurance and cancer insurance, while Daido Life Insurance has been selling first sector, or life insurance, and American International Group through AIU has been selling second-sector, or non-life insurance products. We recently succeeded, however, in negotiating permission to sell our first-sector products in this market. We began offering WAYS in June 2006 and then other ordinary life insurance products in July.

As you can see, over the past few years, new sales have been declining in the Hojinkai market. That is because, while in the Hojinkai market sales representatives must visit individual member companies directly to explain insurance products, sales have been traditionally easier in other markets, where sales agencies rely on pull-style methods such as advertising and direct mail. Therefore, sales agencies have become less aggressive in selling insurance to the Hojinkai market where more time-consuming sales efforts are required. As we strengthen our push-style sales methods though, the importance of the Hojinkai market is likely to grow. Particularly when selling WAYS and other ordinary life insurance, the ability to advise customers is extremely important. In May we started training seminars for sales associates aimed at the Hojinkai market. Now, by strengthening the new ABT training I discussed before, we hope to increase sales of first-sector products in the Hojinkai market. In this way, we expect new sales to grow across the board for a long time to come.

[Slide #6 - Aflac Contact Center]

Last year, we made a move to direct all the telephone calls that come to all our divisions to the Aflac Contact Center. In May we completed the set-up for this process, so that now all calls, including not just applications and inquiries about insurance products, but also address changes and name changes, are handled by the Contact Center. Because we can now handle all of these insurance related matters and procedures from a single location, we have made things much more convenient for our customers. At the same time, the structure has been built to make it possible for our sales offices to focus

more on supporting our agencies.

All inbound calls can now be handled as sales opportunities, expanding our opportunities to sell insurance products. This move has also enabled us to strengthen our efforts to sell insurance products through outbound calls. As Mr. Matsumoto explained earlier, we began our full-fledged “hot calls” program in April, which aims to sell additional insurance by telephone to people who already hold our cancer insurance policies. Through this program, we are now making 140,000 calls a month. We plan to expand the program, and are making preparations so that the Contact Center will make outbound calls to all of our existing policyholders together with the direct mail we send them confirming the details of their policies each year. Currently, including outside contractors, the Contact Center employs 150 operators for outbound calls and 350 for inbound ones, but that number is about to increase substantially.

Making best use of this Contact Center is an important part of our strategy to strengthen our push-style sale approach in overcoming the competition. We are making rapid progress in bolstering our efforts in telephone-based consultations aimed at providing our customers with the kinds of products they really need.

[Slide #7 - Bank Channel Distribution]

As you know, Japan’s current ban on bank sales of third-sector insurance products will be lifted at the end of 2007. Of the 414 financial institutions that will become eligible to engage in such sales, 266 have affiliated corporate agencies that already sell our products. Through these long-standing relationships, Aflac Japan has close ties across a broad range of banks.

Banks became able to sell annuity insurance in October 2002, and starting in December 2005 they were permitted to sell some life insurance products, such as single premium whole life insurance and single premium endowment insurance. Most insurance products now sold at banks are single premium variable annuities, or single premium fixed annuities. Mega banks and big regional banks tend to prefer single premium products because they generate a high one-time commission while requiring minimum administrative and maintenance operations. Aflac currently supplies banks only with level premium insurance, but the fact is many banks are unwilling to handle such products. In these circumstances, when I was given responsibility for sales through bank channels in early 2005, 31 banks handled our annuity products. That number has now grown to 89, and an additional 7 banks have promised to begin such sales soon. Banks may have little interest in our level premium insurance, but 96 banks in total now sell or have promised to sell our level premium annuity products. This is because they are very interested in our third-sector products, which they will be allowed to sell starting in December 2007. Some banks have no plans to sell our level premium individual annuity insurance, but they have already promised to sell our third-sector products once the ban is lifted.

Based on these facts, we are confident that many banks will start selling our third-

sector products once they are legally permitted to do so.

[Slide #8 - Percentage Change in New Sales by Dai-ichi Life]

Finally, I would like to say a few words about Dai-ichi Life.

As you can see in this slide, since we began providing a new cancer product named Medical Check Plus in the second quarter of last year, new annualized premium sales from Dai-ichi Life have been growing rapidly. In the second quarter of this year, though, growth slowed, and new sales declined by 3.2%, as sales growth of Medical Check Plus ran their course. In June of this year, we started providing them with Medical Check Plus Special Plan, a new product with a broader array of benefits, which we believe will help boost sales of new policies from Dai-ichi in the second half of the year. For the full year we anticipate the total new sales from Dai-ichi will be flat to 2005, in part because they did so well last year, but did not raise their production target for 2006. Dai-ichi Life is Japan's second-largest seller of cancer insurance, after Aflac. The bond between our two firms is of vital importance to both companies, and we plan to further strengthen this relationship moving forward. This afternoon, Mr. Nawa of Dai-ichi Life's Hachioji branch, will talk to you about his company's sales of Aflac cancer insurance products.

[Slide #9 - Aflac Logo]

As Mr. Amos said when we released our second-quarter results, Aflac Japan's new annualized premium sales are likely to be flat or show a single-digit decline in the second half of the year. To fight back against the competition, we are hurrying to build up our push-style sales methods. As quickly as possible, we will implement such initiatives as alliances and telephone marketing to existing policyholders through the Aflac Contact Center, as explained by Mr. Matsumoto, and sales training, as I discussed. We hope these will strengthen our marketing activities and show results. Through these initiatives, and through the use of bank channels, we are confident we will be able to achieve steady growth in sales of new policies.

Thank you very much.

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Aflac Japan Sales From a Territory Director's Perspective
Shigehiko Akimoto
Senior Vice President; Director of Tokyo Territory
Aflac Japan

[Slide #1 – Title]

It gives me great pleasure to be able to address you today. I will talk about the Tokyo worksite market mainly covered by our affiliated corporate agencies at Aflac Japan and our initiatives to improve sales through those agencies.

[Slide #2 - Aflac's Penetration Among Companies Listed on the Tokyo Stock Exchange]

As you may know, in the Tokyo worksite market, we have been working hard increasing the number of agencies affiliated with banks, manufacturers and wholesale/retail distributors. As a result, we now have payroll accounts set up in 91% of the public companies listed on the first and second sections of the Tokyo Stock Exchange. This has proven to be a major contributing factor for our success here in Japan.

However, due to the increasing penetration rate of our products at the worksite market, sales by our affiliated corporate agencies have been declining for some time. On top of that, security concerns involving the management of personal information are making it more difficult for our agencies to enter workplaces to make a sale. For example, in order to estimate premiums, we need to know prospective policyholders' date of birth. However, given the current environment surrounding the protection of personal information, this is no longer so easy. We need a more refined approach than our traditional paper solicitation method. Let me give you a few examples to show how we hope to liven up our relationships in the traditional markets while exploring new markets.

[Slide #3 – Strategy for the Existing Tokyo Worksite Market (1)]

First I would like to talk about our efforts in revitalizing the traditional markets. Our first strategy is making use of the marketing support staff, or MS. As you may know, MS staff are those who enter into a contract with Aflac first, and then reach an agreement with an Aflac agency, under which the MS staff and the agency can jointly make a sale and split commissions. By doing so, MS staff can help the agency with conducting more effective consulting sales and follow-up on the paperwork needed to close an insurance sale.

In the Tokyo worksite market, we now have 223 MS staff as of May. This allows us to be responsive to the smallest details of our customers' requirements and strengthens our win-win relationship with our agencies, because by deploying MS, we can help out in cases where agencies have been unable to keep up with face-to-face consultations and follow-up calls. Thanks to this, for instance, in the first half of this year, 13% of new annualized premiums in the Tokyo Territory came from MS, while at the sales offices responsible for the agencies affiliated with financial institutions, the ratio has increased to 26%. Thus, MS has become an indispensable asset for our agencies affiliated with banks, manufacturers and wholesale/retail distributors.

[Slide #4 – Strategy for the Existing Tokyo Worksite Market (2)]

Our second strategy is the development of service shops. In Mr. Shinkai's talk this morning, you heard about our strategy for service shops, and how well that plan has been progressing. This channel has been growing for affiliated corporate agencies as well. Specifically, Aeon Mall Co., Ltd., which is a member of Aeon Group and one of the major players in the distribution sector, now has 29 shops in its retail outlets. And they plan on growing that number to 35 by the end of the year.

Hitachi Insurance Services Ltd., one of our top agencies affiliated with manufactures, has set up shops in Isogo, Odawara and other cities in Kanagawa prefecture where Hitachi factories are located. As this slide shows, in the first half of this year, a shop in Isogo alone accounted for about 6% of the total new sales produced by Hitachi Insurance as a whole.

Other agencies affiliated with major manufactures, including NEC Facilities Ltd. and Toshiba Insurance Service Corporation, have also started to set up shops like this. Some agencies affiliated with railway companies are planning to set up shops to utilize space inside rail station premises as well.

[Slide #5 – Strategy for the Existing Tokyo Worksite Market (3)]

The third strategy is to form alliances between agencies.

One more success story is the alliance between Aflac Insurance Service, or AIS, an Aflac-owned agency, and an agency affiliated with a major department store that enjoys a large, high-quality membership market. While the agency has had access to a large customer base through the store's membership, the agency has been unable to successfully penetrate that market because it was difficult to make timely follow-ups to potential customers, and offer the level of quality in administrative processing. An alliance with AIS, whose main strength lies in its high quality customer interface skills, enabled the agency to follow through effectively with consumers who requested a brochure and to offer efficient administrative processing. As a result, they achieved high rates of successful policy sales and improvement in sales efficiency. We expect this alliance model to continue to grow further.

Another example is an alliance between Midorikai Co., Ltd., an affiliate of the former Sanwa Bank Group and some of our local individual agencies. In this alliance, Midorikai's main role is to cultivate relationships with the contact person at a payroll account in order to secure an environment in which ensuing sales activities will be favorably received. Our local individual agencies will then maintain day-to-day contact with the local factories or offices and strengthen their relationships. These efforts will lead to face-to-face consultations and group meetings to sell new policies, enabling us to improve customer satisfaction and increase the likelihood of gaining new policyholders.

For affiliated corporate agencies responsible for broad geographic areas, we expect further promotion of these kinds of two-way push-style alliances that clarify the division of roles between them and local individual agencies.

Apart from that, we try to take advantage of the economies of scale from the large workplace markets that are uniquely available only in a market as big as the Tokyo worksite market. To this end, we make daily use of carefully planned direct mailings aimed at the many

specific characteristics of our marketplace, as well as telephone follow-up opportunities connected with routine policy maintenance activities.

In this way, by implementing these strategies, we are trying to revitalize our existing markets, while at the same time exploring new markets.

[Slide #6 – Aflac’s Penetration Among Companies Listed on the Emerging Equity Markets]

I would like to talk next about new markets.

The industrial structure of Japanese society is changing. New stock exchanges have sprung up, and are growing. First came the Nasdaq, then the Tokyo Stock Exchange’s Mothers market, which was followed by the Osaka Securities Exchange’s Hercules. There are now as many as 813 companies in the Tokyo Metropolitan Area that are listed on one of these new stock exchanges. Among these listed companies, there are many that hold a large number of clients. Within these new markets, we have payroll accounts set up with 373 companies, which is only 46% of the total. Because of this relatively low penetration rate, we believe there is a big potential market here for us to explore further going forward.

[Slide #7 – Banks Selling Insurance in the Tokyo Area]

Another market in which we see an opportunity for further growth is bank channel, particularly sales through credit banks.

Looking at regional banks and credit banks in the Tokyo area, we currently have 6, or about 22.2% of the 27 financial institutions selling our annuity product as of the end of June.

These credit banks have 1,006 branches in the Tokyo area, which means there are many offices in a small area. This easy access should enable us to support them more efficiently in selling our annuity product over the counter to their clients.

[Slide #8 – New Sales at Top Five Banks]

We already have a successful example in the Tokyo area. This slide shows top five banks in terms of new sales in Aflac Japan’s all territories. As you can see, Sugamo, a Tokyo-based credit bank, was the top bank seller of our annuity product in the first six months of this year. Typically, lateral relationships among credit banks are strong, so we believe the Sugamo Credit Bank’s success is likely to spread to other credit banks. Because our third sector products enjoy more advantages from a competitive standpoint than our level premium annuity product, we expect new sales from this channel will benefit significantly after deregulation. And as you heard from Mr. Shinkai this morning, we believe there is a lot of potential for this channel to sell our third-sector products starting December 2007.

[Slide #9 - Aflac Logo]

To further explore these two important new markets, there is a project going on, in which a total of 170 Aflac employees currently being assigned to Tokyo Sales Department 1-4 will all get together to support any efforts to tap into those markets. This is the first attempt of this kind in the Tokyo worksite market.

We just kicked off this project on July 11, so it is too early for me to comment on the results in any meaningful way, but I do wish to say we see it as the foundation of our future growth.

Thank you very much for your attention.

#

Aflac Japan Sales – From a Territory Director’s Perspective
Hidekatsu Yajima
First Vice President, Director of Shutoken Territory
Aflac Japan

[Slide #1 – Title]

Hello everyone. My name is Hidekatsu Yajima, and I am head of the Shutoken Territory for Aflac Japan. Due in part to the unique makeup of our territory, the Shutoken territory was the only one out of Aflac Japan’s eight sales territories to show positive growth in new annualized premium sales so far this year. I would like to take this opportunity to talk to you about why I believe we have been successful, and the challenges that face us.

[Slide #2 – The Shutoken Territory]

First of all, I would like to explain a few things about the Shutoken Territory. The Shutoken Territory consists of the Tokyo Metropolis and the six surrounding prefectures. We divide the Shutoken Territory into four sales departments, with 18 sales offices. I am in charge of the retail market in the Shutoken Territory with the exception of a small worksite market covered by a few corporate agencies affiliated with local companies.

[Slide #3 – The Market in Shutoken Territory]

So, just how big is this market? As you can see from this slide, the Shutoken area is truly a big market. With 16.7 million households and 39.7 million people, the Shutoken Territory makes up about one-third of all Japan.

[Slide #4 – Cancer Policy Sales]

Let me share with you some sales data for the Shutoken Territory, broken down by product. In the first half of this year, new annualized premium sales for cancer insurance products grew 23.9% year-over-year at our territory, as opposed to an increase of 15.1% for the rest of the whole company, including Dai-ichi Life channel.

[Slide #5 – Medical Policy Sales]

For medical products alone, unfortunately, sales remained lower than the year-earlier level in the Shutoken Territory. However, for our territory, sales were down 9.9% in the first half of the year, compared with a decline of 17.8% for the rest of the whole company.

[Slide #6 – New Sales of WAYS]

In the Shutoken Territory, we have put special emphasis on the new WAYS product that Aflac introduced in February. As a result, new annualized premium sales reached ¥1.4 billion in the first half of the year, which accounted for 24.3% of the company’s total.

[Slide #7 – New Annualized Premium Sales by Product]

This slide summarizes the main product areas where the Shutoken Territory succeeded in showing such impressive growth in new annualized premium sales in the first half of this year. Cancer insurance showed strong growth. Medical policies shrank, reflecting greater competition in medical insurance as well as some degree of cannibalization from our new WAYS products. And we enjoyed benefits from the introduction of the new WAYS product.

[Slide #8 – New Agency Recruitment]

Aflac Japan raised its targets for recruitment of new sales agencies from its previous norm of 2,000 to 2,500 a year, to 3,000 in 2002, 3,500 in 2003, 4,000 in 2004, and to 4,400 in 2005. In those four years, plus the first half of this year, the company has added a total of 17,842 new sales agencies. Individual agencies made up over 80% of that total, or 14,366, compared with 3,476 corporate sales agencies.

In the same time period, the Shutoken Territory recruited a total of 4,891 agencies, which included 3,934 new individual sales agencies. These figures represent 27.4% of the company's total for both individual sales agencies and total sales agencies. Since the company has a total of eight territories nationwide, you can see the strong weighting of the company's business in the Shutoken Territory.

[Slide #9 – Tactics for Training New Agencies]

As I mentioned, the Shutoken Territory has recruited about 1,200 new sales agencies per year over the past four years, or about 100 new sales agencies each month. Training these agencies so that they can maximize their contribution to new annualized premium sales is an important issue for us. For the training of individual sales agencies in particular, we determined that a formal program and strategic instruction systems would be needed in 2002.

Starting in 2004, we began identifying and appointing appropriate employees within our sales territory to take charge of training new sales agencies at all of our sales offices. By new agencies I am referring to agencies that registered with us as sales agencies in or after 2002 when we created our current sales organization structure. We established a project team made up of those employees, and asked them to quickly formulate a training program for new sales agencies. This program won the 2005 Aflac Japan Business Professional of the Year prize, in recognition of its outstanding effectiveness.

This slide shows some of their activities.

First, the team worked hard to encourage new agencies to attend the new training program by contacting them frequently. To encourage participation, we shared examples which showed that those who had attended our training have been very successful. That helped motivate new agencies to keep up with the training, and educated them about how important it is for them to be continuously involved in training.

Second, the team implemented a program we call "accompanying visit" to prospective customers. As you may know, Aflac employees don't actually make sales even though they are licensed as sales associates. However, because new agencies typically have a difficult time during their first four months, the team concluded that they needed to accompany them to visit a consumer to better teach them how to make a sales presentation. By doing so, we believe the chances are greater that the new agency can make a sale.

Third, in order to respond to the diversification of Aflac's products, the team came up with new ideas for training materials. Aflac has been introducing many new products over the past couple of years. For the new agencies who don't have enough time to get through all of the material, the team created some special manuals through which new agencies can understand a new product's structure more quickly. In addition, the team allocated more time to role playing. By doing so, new agencies can obtain new skills such as a product explanation presentation.

[Slide #10 – Contribution from New Agencies]

As a result of our improved training, the sales contribution from new agencies has been growing as shown on this slide. Although overall new annualized premium sales were lackluster in the first half of the year, sales by new agencies grew more than 14%, making a very strong contribution to overall sales. This is a direct result of our company-wide efforts of the past several years to recruit and develop new agencies. In the Shutoken Territory, sales from new agencies were up 18.8%, which was better than the overall company. On a new annualized premium sales basis, the Shutoken Territory accounted for more than 25% of the overall company's new sales from new agencies.

As Mr. Shinkai mentioned this morning, we will introduce the New ABT program to our agencies in earnest in the Shutoken Territory as well. We believe our sales force will be strengthened further as we move forward with the new training program.

[Slide #11 – Reasons for Selling Aflac's Products]

We can also look at why the Shutoken Territory has achieved positive growth from a different point of view. Part of our success is attributable to a group of non-exclusive agencies, who were originally registered with other insurers but now also sell Aflac's products. Please note because we don't view them as a separate distribution channel, new sales from this group are included into those by either the new agencies or existing agencies. But they are unique because they are very good at consulting sales and well trained for face-to-face sales from very beginning of their participation in Aflac. There are two reasons why they join Aflac's sale force and start selling our products.

First, they want to create a stable base for their business. Regardless of whether they are an individual or a corporate agency, their core customers are usually affluent consumers living in the Shutoken area. They primarily sell first sector life insurance with large face value, which means it is very hard for them to keep certain level of sales every year. In other words, the sales results could fluctuate significantly from period to period. Against this backdrop, they are eager to sell third sector products to make the base of their business more stable. And because Aflac enjoys high name recognition, and pays claims quickly, they choose Aflac to do business with.

Second, for our part, we certainly want to have these people with good skills join our sales force. In the Shutoken Territory, where we have a much bigger pool of them than any other territories, we recruit them aggressively and implement training programs so they can better understand our products.

[Slide #12 – Number of Non-exclusive Agencies]

As a result of our efforts to recruit non-exclusive agencies, the number of these types of

agencies in our territory have been increasing steadily in recent years as you can see from this chart .

[Slide #13 – New Sales from Non-exclusive Agencies]

As I mentioned, because of the high level of skills they have, they are expected to be immediate useful contributors. As shown in this chart, contribution from them has been increasing steadily. In the first half of the year, they accounted for more than 10% of new sales in our territory.

[Slide #14 – Contribution from Service Shops]

As I hope you are aware, service shops have the potential to become a major distribution channel supporting the company's future growth. In the Shutoken Territory, the number of these shops has been increasing steadily, and in the first half of this year, their share of new annualized premium sales was about 13%.

At the same time, a breakdown by size shows an increased sales contribution from service shops regardless of whether they are large or small. Major sales agencies with new annualized premium sales of ¥100 million or more showed growth of 24.3%, while small and medium-size sales agencies whose new annualized premium sales are below ¥100 million showed growth of more than 100%.

Large existing sales agencies, in particular, have been converting to the service shop business model, which has been a major factor in their efforts to maintain growth. For example, at the 2001 FAB meeting in New York, as some of you may recall, Ms. Takeuchi gave a presentation about her company "Japan Business", an independent corporate agency; that company has added four new service shops in the past ten months.

[Slide #15 – Advantages and Challenges]

At the beginning of my talk today, I mentioned that the Shutoken Territory is a very big market. In this market there are both advantages and challenges.

First, the advantages. The high degree of geographic concentration in this region means that access is very convenient. This is especially important in terms of the efficient training and education of new sales agencies. Tokyo features a centralized transportation system radiating in all directions that allows maximum utilization of time and funds when we conduct study sessions or give a man-to-man training. The concentration of the population as well gives us strong potential to recruit new sales agencies, and to sell new policies.

On the other hand, since nobody can ever succeed in the Japan market unless they are the leader in the Shutoken Territory, our sales representatives face the most intense competition they will ever encounter anywhere, from both life insurance and non-life insurance companies. For this reason, we plan to further concentrate our business resources on this Territory in the future.

[Slide #16 – Aflac Logo]

Thank you very much for your attention.

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The Operation of an Affiliated Corporate Agency
Ichiro Yamada
Senior Vice President, Wanbishi Archives Co., Ltd.

[Slide #1 - Title]

Hello everyone. I am Ichiro Yamada, and I am the head of the insurance business of Wanbishi Archives Co. I am very happy to have this opportunity today to talk to you about our company's insurance business.

[Slide #2 - Overview of Wanbishi Archives]

First I would like to say a few words about our company itself. Wanbishi Archives was founded in 1966. We now have two divisions, one offering insurance services, and the other offering services for the protection of other companies' confidential information. In the United States this business is also known as records management. I am proud to say that our records management business is the largest of its kind in Japan. Our insurance services business got its start in 1974, when Aflac first opened its business in Japan, which means we are now in our 32nd year in the business. Our current payroll accounts include Tokyo Electric Power Co., as well as some government organizations such as the Ministry of Finance and the Ministry of Agriculture, Forestry and Fisheries, and we now have a total of 458,000 Aflac insurance policies in force, including riders.

[Slide #3 - Problems with Paper Solicitation Method]

I myself joined Wanbishi in 2001. Prior to that I was a sales manager at another life insurance company. One thing that I noticed right away at Wanbishi was that its method of paper solicitation at worksites was no longer in step with the times and the distinctive features of the market. Wanbishi was no longer in a position to expect the same kind of results it had once enjoyed. So, what had changed? Once upon a time workers naturally bought whatever insurance products were recommended at their workplace. But liberalization has brought more intense competition, and the number of products has increased dramatically. What's more, consumers were not buying as much insurance through their place of employment as they used to. Instead, they were turning to other venues. In addition, consumers enjoyed a wider variety of choices. Consumers were no longer satisfied with the conventional paper solicitation system, where insurance sales representatives would typically visit their workplace only once a year, and then scarcely show their face at other times.

One problem for Wanbishi in particular was that large payroll accounts such as government agencies often have offices throughout Japan, so the employees are not all gathered together in one place. To overcome this particular form of customer dissatisfaction, it was evident that our sales representatives would have to make frequent sales visits to these various locations, but we were falling short in that task. Moreover, using paper solicitation alone, not only were we failing to achieve growth in sales of new policies, we were also failing to extend beyond the physical limitations of the workplace itself. In other words, we were also missing the opportunity to sell insurance policies to family members and friends of the employees. In this sense, this was truly a shame because we were unable to achieve what we otherwise could have achieved.

[Slide #4 - Advantages of Face-to-Face Sales Method]

Those issues are what led us to reduce our dependence on paper solicitation alone, and to move to face-to-face sales methods that would allow us to grow our solicitations more aggressively. The advantages of face-to-face sales are first, sales representatives can meet directly with company employees at the worksite, and hear directly from them what their insurance needs might be. Second, based on this information, the sales representative can propose various solutions that might best meet the needs of that specific individual, thus potentially boosting customer satisfaction. And third, this method also makes it possible to go beyond the physical limitations of the workplace itself, to reach non-workplace markets including the employees' friends and family members.

[Slide #5 - Number of Face-to-Face Sales Representatives]

It is easy to see that face-to-face sales methods require large numbers of solicitors and recruitment proved to be very challenging for us. To this end, Wanbishi put its own special connections to work, assembling a sales force that included a combination of regular employees on fixed salaries and other sales representatives who work primarily on a commission basis. Luckily for us, this strategy has been a big success.

Wanbishi's own branch offices throughout Japan, as well as Aflac's local sales offices, all work together with these face-to-face sales representatives, providing basic training, supervision and on-the-job training.

As a result, as you can see, since 2001 we have been able to steadily increase the number of our face-to-face sales representatives. We now have more than 100 commission-based representatives supplementing our 40 salaried employees.

[Slide #6 - Comparison of New Sales]

Wanbishi managers throughout Japan have high expectations for our face-to-face sales representatives, giving them great leeway to tackle previously untapped markets, providing them with customer data and on-the-job training opportunities aimed at developing their full potential. As a result, as this chart shows, new annualized premium sales by face-to-face sales representatives have been rising at a rapid pace with each passing year. However, partly because our managers have had to spend most of their time dealing with our face-to-face sales representatives, new annualized premium sales by regular employees, who primarily deal with payroll accounts and typically use paper solicitation method, have been declining. As a percentage of the whole, new annualized premium sales by face-to-face sales representatives reached 63% in 2005, and we expect this share to show even further gains in 2006.

[Slide #7 - Number of Sales Offices]

To reach new customers, we have been doing more than simply increasing the numbers of our sales representatives. To bring our company closer to both corporate and individual customers, we have been establishing new sales offices in key cities throughout Japan. We are also already running a service shop. As you can see, the number of our sales offices is now nearly double what it was in 2000. In our view, this increase in the number of sales offices makes a very important contribution to improving customer service. Only by having sales

offices and sales representatives in regions throughout Japan can we make solicitations and offer service to our customers with a face they can recognize. This has been a very effective way for us to improve customer satisfaction. Unlike the traditional paper solicitation method, where sales reps usually don't have a chance to talk with a customer directly, the face-to-face method allows sales reps to meet with a customer, listen to their insurance needs and explain Aflac's products to them. Therefore, sales reps can visit the workplace everyday, try to get referrals from existing customers, or set up a consulting desk at lunch time where employees can stop by easily to discuss their insurance needs.

We actually had one major payroll account client that made it a condition of our continued solicitation that we switch from paper to face-to-face methods. At the time, we did not have sufficient representatives trained in face-to-face sales methods, and we later learned that the customer did not actually expect us to be able to meet its condition. We realized, however, that it was in our own best interests to be able to respond to this customer demand, so through recruitment and training we were ultimately able to maintain the trust of this customer. Thanks to this successful effort, we did win approval to continue solicitation at this client, and ever since that time, we have been able to maintain a good working relationship.

Aflac helps with product, compliance training as well as providing expertise on sales activities.

This is merely a single example, but fundamentally we are aware of our responsibility as managers, to continue to increase the number of our face-to-face sales representatives, and at the same time, to create the appropriate environment for them to make sales through active development of new sales offices. In this way, we will continue to strive to explore new markets while maintaining and tapping more deeply into our existing markets.

[Slide #8 - New Annualized Premium Sales]

In 2000, the year before I entered the company, paper solicitation ground to a standstill, and new annualized premium sales fell to unprecedented low levels. It was at that point that Wanbishi began to strengthen face-to-face sales, as I have been describing to you. As a result, as you can see in this chart, new annualized premium sales began to rise again in 2002, and have been increasing steadily ever since.

[Slide #9 - Premium Income]

At the same time, we think our deployment of a large number of solicitors in the field has also helped prevent lapses and cancellations as well. In general, many of our customers do not know whom to consult when they have questions because no one from the sales office comes to see them. This can lead to lapsed policies stemming from delayed or incomplete paperwork. In many cases, cancellations result when customers lack a correct understanding of the details of their policies. In at least some of these cases, if a representative were to visit the customer, whether at work or at home, and were able to have a timely conversation with the customer, some of these lapses or cancellations might have been prevented. As this chart shows, premium income from policies sold through Wanbishi has been growing steadily, reflecting the growth in the number of policies in force.

[Slide #10 - Share of New Sales from Direct Market]

Here I would like to show you one other bit of very interesting data. For a company such as ours, which originally focused mainly on paper solicitation at work sites, one would expect the bulk of new annualized premium sales to come from payroll accounts. In fact, in 2000, over 80% of Wanbishi's new annualized premium sales came from payroll accounts. Our subsequent shift to face-to-face sales resulted in a situation where by 2005 over half of our new annualized premium sales – 52% to be exact – came from direct market. This trend has strengthened even further in the first six months of 2006, when about 60% of our new annualized premium sales came from that market. In our view, this reflects our success in increasing our customer base outside the traditional area of the workplace. Without growth in the direct market, I am sure we would not have been able to show this impressive record of new annualized premium sales. We believe growth in the direct market will only become even greater in the future.

[Slide #11 - Outlook]

Finally, I would like to say a few words about future developments. Looking forward, we see that we must continue to further strengthen our efforts in face-to-face sales. At the same time, we must respond to changing market needs and customer desires, and make further progress with our channel mix. We have many tools at our disposal including paper solicitation, face-to-face sales, customer visits to our sales offices, direct mail, telemarketing through call centers, Internet, etc. By making the best possible use of all of these, we should be able to reach as-yet-untapped pools of customers with differing needs and desires. We want to take a multi-channel approach. As I said at the very beginning of my talk, Wanbishi is Japan's No. 1 company in records management. We want to utilize to the utmost synergies with that side of our business, and to test our strength against many new opportunities.

[Slide #12 - Aflac logo]

Thank you very much for your attention.

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The Operations of an Aflac Insurance Service Shop
Yukari Yamada
President, My Communication

[Slide #1- Title]

My name is Yukari Yamada of My Communication. I am very glad to be here to see all of you.

I would like to talk to you today about Aflac service shops. More specifically, I would like to talk about the story of our service shops, and our future prospects.

[Slide #2 - Number of Insurance Shops]

What does the term “insurance shop” make you think of? Even within this audience, the term may bring to mind different images or thoughts for different people: “a new business model,” “traditional ‘push sales’,” or perhaps the opposite “passive sales style dependent on the customer taking the initiative to visit the sales location.”

In recent years, insurance sales channels in Japan have experienced a rapid increase in the number of store locations where customers go to buy insurance. This increase has been particularly conspicuous since 2005. Earlier this year, insurance agencies started opening insurance shops under their own trademarks, and insurance companies are also jumping on the bandwagon.

The chart you see here shows recent growth in the number of insurance shops nationwide, not just Aflac service shops but others as well.

There were 505 Aflac service shops as of the end of June 2006, accounting for more than 50% of the total number. Insurance shops take many forms. If we include back-office facilities where customers can also visit to buy insurance, the total number in Japan may be over 1,000.

Aflac’s very first service shop was the one my company opened in Anjo City, Aichi Prefecture in April 1998. When my service shop got its start, Japan’s financial institutions were in a dark period of frequent bankruptcies and restructuring. Consumers had lots of worries about insurance companies. People started paying more attention to their own insurance situation, what protection their insurance policies gave them, and whether they had too much insurance or not enough. Consumers needed a place to talk about these things. That is one of the main reasons for the recent increase in the number of insurance shops.

[Slides #3 - My Communication Service Shops]

Initially, I started a company called Proactive, which opened that first Aflac service shop in April 1998. In the eight years since then, we have opened about 10 shops. Last year, we started yet another company named My Communication jointly with five other Aflac sales agencies that all operate insurance service shops, including Proactive run by myself. Currently, My Communication has nine insurance shops. In a few minutes I will speak more about our reasons for starting this new company, but first among these reasons was

our desire to set up insurance shops that could provide the kind of top-quality service that cannot be measured in sales volume alone. This required lots of different systems for things like staff training. For the moment, in the Kinki region, which includes both Osaka and Kyoto, we are exploring the possibilities of an organization made up of a flagship store with all the functions of a head office, together with a network of several branch offices.

[Slide #4 - New Annualized Premium Sales]

Next, I would like to talk about new annualized premium sales at these service shops. The sales data I wish to present here represent all sales from the five agencies that jointly formed My Communication, plus those from My Communication itself. As you can see, new sales from this group of six agencies have been advancing very nicely, growing about 15% annually since 2003.

[Slide #5 - Sales Composition by Product]

Our service shops have well-balanced product lines, consisting of cancer insurance, medical insurance and life insurance, so that we can correctly explain the coverage offered by our insurance products. Aflac's new product WAYS, which was launched earlier this year, is a product designed to meet the needs of today's world by offering the insureds more flexibility in choosing benefits that meet their needs at a future date. It has been well received by customers of all ages, both male and female, and we expect it to become a core product in our shops.

In June, Aflac introduced a new Rider MAX with nursing care benefits and a nursing care rider to be attached to EVER products, which we believe are well suited for Japan's ageing society.

For the full year of 2006, we anticipate to see a slight increase in the ratio of cancer and medical insurance products in our new sales portfolio.

[Slide #6 - Annualized Premium in Force]

Annualized premium in force has also been showing steady gains and were ¥3.8 billion at the end of June 2006. Our objective is to achieve the ¥5 billion level in the near future, and then ¥10 billion.

[Slide #7 - Common Purchasing Process of Customers]

Now I would like to say a few words about the differences between how customers are treated at our service shops, compared with ordinary insurance shops.

I divide the world of insurance shops into two categories: service shops and sales shops. What shall we say about the differences between these two? Both tend to be in convenient locations that customers can easily visit, and both basically look alike from the outside. So our customers might not be able to clearly grasp the differences between them. The differences, though, lie in the "purpose" of the two kinds of shops, in the eyes of those who operate them. Sales shops, for the most part, exist for the purpose of selling insurance products to customers. Service shops, on the other hand, exist for the purpose of serving customers in the area of life insurance. In other words, the kinds of services these two

categories of shops provide to customers are different.

Until recently, most Japanese people have been content to purchase whatever insurance the seller recommended. Consumer's level of interest and involvement in the subject was low, and they did not think of insurance as something important.

In this environment, the conventional sales approach based on the theory of consumer behavior called AIDCA, as is shown in this slide, was good enough for both insurance companies and agencies to achieve desired results.

As I mentioned earlier in my talk, though, the turmoil in the financial services industry, including numerous bankruptcies and restructurings, has changed consumers' attitudes about insurance. Unfortunately, more than a few people now carry a negative image of insurance sale representatives.

People are now thinking hard about the insurance policies they already hold, as well as any other insurance products they might purchase in the future. They may find the subject troublesome, and they may have some confusion about where to look for the right answers.

When customers come to insurance shops in this state of uncertainty, if we continue to offer the same old kind of sales and service, without regard for the particular needs and circumstances of that customer, we cannot reasonably expect our customers to go away satisfied.

[Slide #8 - Purchasing Process at a Service Shop]

As this slide shows, we now need our customers to take it upon themselves to think about what insurance protection they require. Our staff must communicate the importance of this process, and put them in the right mindset.

Then, we have to address our customers' concerns and anxieties, and we must encourage our customers to think seriously themselves about what kinds of coverage they require.

Only by convincing our customers to actually purchase the kinds of coverage they require can we truly serve their insurance needs. This is the kind of customer contact our service shops strive for.

[Slide #9 - New Form for Alliance]

To discuss the future prospects of our service shops, I would like to discuss the possibilities for alliances between Aflac service shops and affiliated corporate agencies that do not operate service shops. This is an area we have just begun to explore. We call this our "Hot Shop Plan."

This plan is very unique because it calls for a more proactive alliance to engage with the customer. In this type of alliance, sales agencies share information with service shops about existing policyholders and policies that were originally sold by the agency, after asking permission for doing so from the existing policyholders. These new "hot

shops” then act as “partner service shops” to better serve the needs of those clients, by first contacting those clients directly and then encouraging them to visit the service shop using some new ideas.

Customer recognition of insurance shops has improved, and it has become easier for us to attract customers to our shops provided they are in a reasonably good location and are reasonably well designed. Even at that, our shops do not have the same power to draw customers as well-known stores. We are not yet able to easily communicate to customers the value we would be able to provide them. In this environment, we think alliances among agencies are a very effective means of encouraging customers to visit our shops, and communicate to them the fact that our service shops exist, and the role we can play.

[Slide #10 - Future Outlook]

As I said earlier in my talk, the number of insurance shops has started to grow rapidly. Even so, most ordinary people are still not very familiar with insurance shops.

We expect a further increase in the number of insurance shops next year, which will raise customer recognition about what insurance shops can do for them. This will lead to the beginning of a new era where customers think of our shops as the place to go to buy insurance. So far I have explained about the first stage of development of insurance shops within the insurance industry.

The second stage will begin when insurance shops have become commonplace; the number of other players in the marketplace is also poised to increase, for example as banks increase over-the-counter sales. That is when true competition among insurance shops will begin.

At that stage, insurance shops that focus just on sales and see their product line-up as their main sales point, will find it difficult to survive.

In this kind of environment, my aim is to achieve distinction for our insurance shops by offering top-quality customer service.

In the retail sector, boutiques cannot compete with the broad range of products that department stores offer, but the strength of boutiques’ service lies in their specialization, and in their professional qualities. Let’s take mobile phone shops as an example. Mobile phone shops that work with many carriers, such as NTT DoCoMo, au, Vodafone, offer a very different range of services compared with shops that work just with DoCoMo. This has mainly to do with the carriers’ conditions, but I could say the same kinds of things about insurance shops and their ability to be responsive to customers. Through a process of selection and focus, it has become possible to steadily increase the level of service.

For customers who will eventually buy insurance products, we now need to provide an opportunity to really think about the kinds of coverage they really require. This is one important role that service shops can play. The service shop is in an ideal position to help customers think about how to get the coverage they need. But the role of the insurance shop does not end when the customer buys the insurance. Our insurance shops are committed to delivering top-quality service every day, and to continuing to follow up with our customers long after they have bought their policies. As long as we can do this, we will be able to hold

our own in competition by maintaining our excellence as specialists. I say this with confidence, based on our experience in past years.

[Slide #11 - Aflac Logo]

Thinking back on our past 10 years of experience in operating service shops, many things have changed in the insurance industry, particularly stemming from the “Big Bang” deregulation in financial services. Further changes are expected, and as we think about what we will need to do to meet them, I can see that the most important thing is for us to train our people well. Training is not something that can be accomplished overnight, but I think the kind of customer service teamwork that goes on in our shops every day is the best kind of on-the-job training I can imagine. My reason for thinking this is that dealing directly with real customers, solving real problems, and offering pragmatic solutions on a daily basis, is the best possible way for our shop staff to sharpen their skills.

Thank you very much for your attention.

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**Marketing Cancer Insurance Through Dai-ichi Mutual Life
Takashi Nawa
General Manager, Hachioji Branch
Dai-ichi Mutual Life Insurance Co.**

[Slide #1 – Title]

Hello everyone. My name is Takashi Nawa, and I am the general manager of the Hachioji Branch of Dai-ichi Mutual Life Insurance Co. I am honored to have this opportunity today to talk to you about how Aflac Japan's cancer insurance product fits within the overall business of our branch, and how we sell that product.

[Slide#2 – The Hachioji Branch]

First, allow me to say a few words about myself, and about the Hachioji Branch. I joined Dai-ichi Life in 1983, and three years ago I was named to my current position as general manager of the Hachioji Branch. As this map shows, our branch is responsible for Hachioji and the surrounding area, which is about 40 kilometers west from where we are now in Shinjuku. Hachioji is one of Tokyo's bedroom suburbs; most people who live in Hachioji work in central Tokyo. Hachioji's population is now roughly 540,000. There are 12 divisions in our branch with 273 sales representatives (as of July 1). We have 15 division heads, 14 deputy division chiefs, and 62 office workers who support the activities of our sales representatives.

[Slide#3 - Advantages of Aflac's Cancer Insurance]

From our vantage point, Aflac's cancer insurance enjoys a number of advantages.

First of all, cancer insurance is an easy product to understand as it offers coverage against one specific illness. Anybody can understand that right away.

Second, the market need for cancer insurance is obvious, making it very easy to sell. Cancer was the cause of roughly 320,000 of the 1.02 million deaths in Japan in 2004, according to vital statistics issued by the Ministry of Health, Labor and Welfare. That means about one in three Japanese dies of cancer. As you know, cancer is no longer a fatal disease. Other data from the same Ministry show there were 1.76 million cancer patients in Japan in 2002. Who among us here today has not been touched by cancer in some way, among our own circle of family, friends and acquaintances? No more than a few, I should say. It is also well known that treatment of cancer is very expensive. Unlike most life insurance products, most people do not need to be convinced of the need for cancer insurance. The need for cancer insurance is obvious.

Third, cancer insurance is a product that most effectively brings out the power of Aflac's brand. With a 30-year sales track record, and as seen recently in the popularity of the Aflac duck, Aflac has tremendous brand power in this field, and is well known among consumers.

Lastly, the paperwork needed to buy a policy is very simple. In addition, the payment process for Aflac cancer insurance is very speedy, and many of our customers are very grateful to us.

One thing I often think is that insurance is an intangible product, and because of that, it is very important for the person selling insurance to be able to put their heart into it. In other words, the people who actually sell the insurance – in our case mainly female sales representatives – must truly believe in their hearts that the product they are selling is a good product, or they won't sell it. In this sense, we note that our sales representatives feel good about selling Aflac cancer insurance, even though it is not Dai-ichi Life's own product.

[Slide#4 - Positioning of Cancer Insurance (1)]

As the general manager of the Hachioji Branch, I see the position of cancer insurance within our branch as an important means of achieving three things: (1) supporting the income of our sales representatives, (2) increasing our base of potential customers, and (3) retaining existing customers.

Let me talk about these in more detail. When I first started my position at the Hachioji Branch, the average annual income of our sales representatives was very low. When income is low, they lose morale and have trouble building the enthusiasm they need to go on working, and many people quit. To break out of this cycle, I realized I had to do something to increase people's earning power.

[Slide#5 - Income of Sales Representatives]

Usually, Japanese life insurance companies pay commissions for two years after the initial sale. For cancer insurance, though, sales commissions continue to be paid for 10 years, as long as the policy is still in force. Thus as someone sells more policies, his/her income will increase steadily. This means that, if we focus on cancer insurance's feature of generating renewal commissions and steadily expand our base of cancer insurance policies while developing a certain level of persistency, we can keep sales representative's incomes from falling. In addition, as I said a few moments ago, the need for cancer insurance is obvious, so it should be easy to sell. I could see it would be an easy way for our sales representatives to increase their incomes.

As you can see, the average income of sales representatives at the Hachioji Branch has been on the rise. Of course, cancer insurance is not the only reason for this, but it is certainly making a big contribution.

[Slide#6 - Positioning of Cancer Insurance (2)]

The second point holds particularly true for the new products Aflac began supplying to us in June. Cancer insurance is a very effective means for Dai-ichi to develop new prospective customers. For new customers, who may be waffling about life insurance because the premiums seem a bit high, all we have to do is say, "We also handle Aflac cancer insurance." In most cases they are immediately very interested, and will listen patiently to the next part of the conversation. In this sense, Aflac products are a great door opener for us.

[Slide#7 - Positioning of Cancer Insurance (3)]

Lastly, by taking on cancer insurance, we have broadened the palette of products our sales representatives have to offer, which broadens the range of customers we are able to serve. There are many cases of customers who do not qualify for Dai-ichi Life's products for medical reasons, who nonetheless are able to buy Aflac cancer insurance. This is very beneficial for our sales representatives, because Aflac gives them an in to serve these customers. In other cases, we have

been able to sell cancer insurance to customers who already hold some other policy of ours. This is very advantageous for us, because it strengthens our grip on these customers.

[Slide#8 – Strategies for Promoting Cancer Policy Sales]

As I mentioned a few moments ago, when it comes to selling life insurance, gaining the understanding of the people actually doing the sales can make a big difference in how much you sell. If you assign tough sales quotas to sales representatives and admonish them to “Sell! Sell,” any success achieved in that way is bound to be a passing phenomenon. In the long run it doesn’t work. I have come to realize that the golden path to successful sales and promotion of cancer insurance is to make it part of our sales representatives’ daily routine activities. Based on this way of thinking, we have formulated three basic strategies at the Hachioji Branch.

First, we try to enhance sales representatives’ daily awareness about cancer insurance. We want to make sure that we do not rely too heavily on short-lived sales campaigns and strive constantly to sell new policies through day-to-day sales efforts. So along with my fellow managers, I talk on a regular basis with our sales representatives about the outstanding qualities of cancer insurance and how selling it can benefit their own incomes. This enables our sales representatives to naturally include cancer insurance in their product portfolios regardless of sales campaigns, and make a proposal of cancer insurance to their customers.

Second, we have also created a framework for sales representatives to educate each other about cancer insurance, while building up each other’s enthusiasm. Aflac gives awards to sales representatives with strong sales records, and invites them to ceremonies. We create opportunities for people who are praised and recognized in this way to tell their colleagues all about the experience. Hearing these tales from their peers does much more to generate enthusiasm among our sales representatives than hearing the same thing from us managers. This is one way we stimulate motivation.

Finally, Dai-ichi Life always has three month-long sales campaign for intensively promoting life insurance as well as cancer insurance every year. In the other months of the year, when no company campaign is going on, our branch holds its own contests, and we generally make cancer insurance sales a prime consideration in determining the prize winners. Prizes are generally lunches, or parties, or even trips, but no matter how much life insurance someone sells, they cannot be a winner if they have not sold any cancer insurance. Cancer insurance sales are also a prime determinant for our Division Chief Prize, and even in determining promotions under the formal rules of qualification for Dai-ichi Life sales representatives. So far, many of them have been able to move up in the organization in recognition of the result of sales of cancer insurance.

[Slide#9 – Cancer Policy Sales]

So, we promote sales of cancer insurance in three ways: by making it part of our everyday thinking, sharing peer success stories, and making it part of the criteria for prizes and promotion. The result, as you can see, is that the Hachioji Branch’s sales of cancer insurance have been increasing steadily.

[Slide#10 – Retention Rate of Sales Representatives]

Now that incomes are steadier, retention of sales representatives has also improved. From a management standpoint, this is a very welcome development. As you are well aware, the life

insurance business in Japan recruits and loses sales representatives in large numbers. On average for the industry, only 40% of insurance sales representatives last two years in that job. At the Hachioji Branch, however, the comparable figure is now nearly 60%. I am sure that steadier incomes from the sale of cancer insurance have played a big role in boosting that figure for us.

[Slide#11 – Selling Life Insurance to Cancer Policyholders]

To tell the truth, sales of cancer insurance have also helped us increase our sales of Dai-ichi-Life's life insurance products.

There are many people to whom we have not yet been able to sell life insurance, for many different reasons. In such cases, we generally try to sell at least cancer insurance, so we can offer some form of coverage for such an obvious need. About 260,000 of our customers, or about 34% of those who have bought cancer insurance through Dai-ichi Life, have only cancer insurance and don't have life insurance. These customers are prime prospects for sales of other Dai-ichi Life products, and our sales representatives target them for sales of life insurance.

At the Hachioji Branch alone, in the past year alone we succeeded in selling life insurance to 373 customers who previously had only cancer insurance; for the company as a whole the comparable figure is about 42,000.

[Slide#12 – Potential for Selling Cancer Insurance to Dai-ichi's Policyholders]

Cancer insurance can also play a role in strengthening our relationship with our existing customers. We have succeeded in selling cancer insurance to 510,000 customers who already had Dai-ichi's policies. This is only about 6% of Dai-ichi Life's customer base of about 8.5 million, which means there is still great potential in this area.

[Slide#13 - Aflac and Dai-ichi Logos]

Dai-ichi Life's cooperative alliance with Aflac is now five years old. In my "view from the front," it is clear that Aflac's cancer insurance coverage has taken hold completely at Dai-ichi Life. As you can tell from my talk today, my personal belief is that this alliance has been good for Dai-ichi Life, and for Aflac too, I hope. It is my sincere hope that this good relationship will continue in the future.

That is the end of my presentation. Thank you for your kind attention.

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