

2008 Tokyo Analyst Meeting Presentation Speeches



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For more information contact:

Ken Janke, Jr. or

Robin Wilkey

800-235-2667, Option 3

Fax: (706) 324-6330

aflac.com

Aflac Worldwide Headquarters

1932 Wynnton Road

Columbus, GA 31999

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Introduction to Aflac Japan
Tohru Tonoike
President, Aflac Japan

[Slide #1 – Title Slide]

Good morning, everyone. Today, I would like to give you an overview of the insurance market in Japan and the operations in Aflac Japan.

But first, I realize that you have probably come here hoping for an update on the current sales results of Aflac Japan. Although Mr. Matsumoto and Mr. Isonaka are responsible for marketing and sales, let me begin with a brief comment on our current situation. We have not been pleased with our sales results so far in the third quarter. However, we currently expect a strong September and we hope that momentum will continue to carry into the fourth quarter. As a result, our view for the year has not changed. As Dan mentioned on our second quarter conference call, meeting our full year target of a 3% to 7% increase will be more challenging than we originally thought. However, we still believe our sales objective is reasonable.

You'll also recall from our second quarter conference call that sales were impacted by our agencies' focus on selling a low premium cancer upgrade product and slower-than-expected bank channel sales. As you will hear from Mr. Isonaka, Aflac Japan is conducting a special campaign on behalf of our agencies to upgrade the coverage of their cancer insurance policyholders. That way, our agencies can concentrate on selling our primary products that have higher premiums per unit. You will also hear from Mr. Shinkai about our efforts through the bank channel. Although sales through this channel have been slower than we expected, we continue to see good growth on a monthly basis and we hope for even better growth in the remainder of the year. If we are successful with these two initiatives, we should have a good September and fourth quarter, which would make our sales target achievable.

[Slide #2 – Life Insurance Policies in Force]

Let me start off by updating you on the current status of the life insurance market in Japan and the positioning of Aflac Japan within that market. The number of life insurance policies in force in Japan has not seen a big change in the recent years. However, the composition of the types of policies has changed. The breakdown on this slide shows the decline in first sector products, namely life insurance, compared with an increase of third sector products, represented by cancer and medical insurance.

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

As you can see in this slide, Aflac Japan's number of policies in force has been steadily increasing over the past 33 years. We overtook Nippon Life at the end of fiscal 2003 to become Japan's number one company in terms of the number of policies in force. Ever since, we have maintained this position, making Aflac well-known among Japanese consumers. The number of

policies in force at the end of March 2008 was 18.8 million, accounting for 17% of the total number of policies in force of all insurers in Japan.

[Slide #4—New Business in Policies]

Consumers' preference for life insurance has been changing drastically in recent years. The total number of new business policies has been gradually declining since 2001. However, the number slightly increased in fiscal 2007 because about 591,000 new policies, which were sold by Kampo Life since the privatization in October 2007, were included. On the other hand, because Kampo Life only sells first sector products, the addition of the 591,000 policies ended up dragging down the share of third sector products in new business to 44.9% in fiscal 2007, slightly lower than the year before. Excluding Kampo Life, the share would have been a record high of 48.2%, which indicates that the trend of consumers' shift from life insurance to living benefits such as medical, care and injury, has not changed.

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

One major cause for the increased preference of living benefits is Japan's rapidly aging society. Japan's population reached its peak in October 2005 at 127.8 million. Since that time, the number of deaths has basically been in a trend of exceeding the number of births resulting in a population decline. Japan's population is anticipated to drop below 100 million in 2050.

The primary reason for the shrinking population is a lower birthrate. The total fertility rate in Japan went down as low as 1.34 in 2007, which is far below the level of 2.08 that is required to maintain a stable population size. As a result, the population age 65 and above will further increase, while the population aged 64 and below will continue to decline.

[Slide #6—National Medical Expenses]

It is clear that national medical expenses will increase along with the rapid aging of the population. Medical expenses for the elderly, as shown in red, will increase overall national medical expenses. Fortunately, Japan does have a universal national health care system that covers all Japanese citizens. However, fiscal resources are tight in all areas, including medical, care and pension, and it is clear that the difficult fiscal situation is likely to persist going forward. This situation led to the passage of health care reform in 2006, which increased the co-payment borne by elderly patients starting April 2008.

Because of the rapidly aging population and higher co-payments for medical expenses, the market for third sector products is expanding at a solid pace and is expected to further expand in the future. As a natural consequence, the competition among private insurers in this market has intensified. However, we believe market expansion will also become the key source for Aflac Japan's growth.

[Slide #7—Competitors in the Third Sector]

At the time Aflac Japan began its operation in 1974, Aflac was the only company selling

cancer insurance in Japan. However, mid-sized insurers and other foreign insurers followed suit and entered the market. In addition, the market was opened to all life and non-life insurers in 2001. As a result, at the end of August of 2008, there were a total of 48 and 25 companies, including both life and non-life companies, that were marketing stand-alone medical and cancer insurance products, respectively. The increase in the number comes from two online-exclusive life insurers and one mail-order exclusive non-life insurer that started their businesses in April 2008.

[Slide #8—Number of Medical Products]

On the other hand, the number of insurance products sold by life and non-life insurers has been steadily rising. The number of medical products that were sold as of the end of August 2008 was 150 including riders, and 102 excluding riders. This increase partly reflects new product development as many insurers prepared for the opening of the bank channel, and also partly comes from some foreign companies that have launched a few new products, as well as the online-exclusive life companies I mentioned just a minute ago that introduced medical products as they started operations.

[Slide #9—Aflac’s Share of In-Force Business: Cancer]

Next, I would like to show you some data related to Aflac Japan’s market shares. These slides reflect FSA-based fiscal year data, which runs from April through March and include products sold only by life insurers. The data here are the latest figures based on each insurer’s fiscal 2007 financial statement. As you know, some property and casualty insurers also sell medical insurance products. Because this detail of sales data is not disclosed by non-life companies, we were not able to include them in the statistics shown on this slide.

The graph on the left side shows that the number of policies in force for cancer stand-alone products in the life insurance industry is growing each year. Aflac Japan has approximately 80% of the stand-alone cancer insurance market, which has been stable over the past few years.

[Slide #10—Aflac’s Share of New Business: Cancer]

As a result of launching Cancer Forte in 2007 and a focus on driving the cancer sales, Aflac’s share of new business in terms of the number of policies in the cancer insurance market rose slightly to 60% in fiscal 2007. Despite the intensified competition in the third sector market, Aflac’s share of cancer insurance for new business has been stable for the past several years.

[Slide #11—Aflac’s Share of In-Force Business: Medical]

This slide illustrates the growth of policies in force for stand-alone medical insurance and Aflac Japan’s share. Although we were not the first insurer to enter into the medical insurance market, our share of policies in force rose to 18% as of the end of March 2008, as a result of aggressively and successfully tapping into the market by launching “EVER” in 2002.

[Slide #12—Aflac’s Share of New Business: Medical]

Aflac Japan’s share of new business for stand-alone medical insurance was 21% for fiscal 2007. As we have discussed, a large number of insurers have entered the medical market over the last few years and the competition has become fierce. Despite this competition, in fiscal 2007, our share remains in the same level as in fiscal 2006, and we are still the number one company in terms of medical policies sold.

I should point out that the number of medical policies sold in 2006 through 2007 decreased throughout the industry as a whole. One of the reasons for that decline was the effect of the highly publicized claims payment issue.

[Slide #13—Insurance Product Penetration]

This slide shows market penetration rates for various insurance products in Japan. In 2007, 79.9% of Japanese citizens were enrolled in some kind of life insurance. Although the market penetration for cancer insurance shown in yellow line has been steadily increasing, it is still only at 31%. Medical insurance penetration is high at 71.3%. But most of the policies purchased are assumed to be term policies. We believe the potential for switching to a whole life medical policy is large. Given the aging of Japan’s population, we also believe the opportunity for increasing cancer insurance penetration is sizable.

[Slide #14—Aflac Japan’s Mid-term Management Policy - Three Pillars]

As you know, starting this year, the insurance industry is currently facing a dramatic change as a result of full-scale deregulation of over-the-counter sales of insurance products by banks and privatization of Japan Post. In addition, more recently, the revised Insurance Law was proclaimed for the first time in a century and there has also been more realistic discussion about establishing Consumer Affairs Agency, which Charles will elaborate in more detail later.

To continue to beat out the competition and maintain the number one position in the medical and cancer insurance markets in this current environment, we need to offer valuable products and high-quality services to customers while also establishing a business infrastructure that enables us to flexibly respond to environmental changes. At the same time, I believe we need to remain an insurance company that meets high standards of corporate social responsibility and properly responds to the mandate of customers and society, not only by ensuring compliance but also by pursuing appropriate and accurate operations.

To this end, Aflac Japan has developed the “Mid-term Management Policy for 2008 to 2010.” We are determined to promptly formulate a highly effective strategy based on this policy and implement it in a timely manner.

The three pillars of Aflac Japan’s Mid-term Management Policy are: To increase our new business and expand our market share by strengthening our contact with customers and our capabilities for responding to customers’ needs; to improve the accuracy of administration and customer service through streamlining our infrastructure, and to maximize profits by appropriate

cost management and efficient business and operational investment.

[Slide #15—Midterm Management Policy - Three Keywords]

We have adopted three important keywords in implementing strategy based on our Mid-term Management Policy: “Quality,” “Segmentation,” and “Priority.”

“Quality” means placing top priority on the accuracy of operations and at the same time further improving the quality of customer services. “Segmentation” refers to dividing our business to provide attentive services in light of diversifying customer needs, markets, and sales channels. And “Priority” means clearly prioritizing various measures and effectively allocating management resources in order to maximize profit and achieve sustainable growth with limited resources.

[Slide #16—Mid-term Management Policy - Nine Areas]

In our Mid-term Management Policy, we have set directions of strategies for the following nine areas: They are market, products, channels, business operations, IT, finance, HR & HR development, internal control system, and CSR and corporate brand. We believe these are the critical areas for our future growth.

[Slide #17—Aflac Japan’s Distribution Channels]

As an example, let me touch upon our direction in the future sales strategy. As you can see in this chart, the sales channel has been diversified. In the past, we have been providing across-the-board support to our agencies without differentiating the way the agencies are treated. However, going forward, we plan to evaluate the existing associates by taking in the perspectives of “segmentation” and “priority” based on their contribution to Aflac and growth for providing different levels of support. By doing so, we can effectively invest our resources, which we believe will allow us to achieve greater results.

[Slide #18—Aflac Logo]

As I have previously described, the competition in the third sector market has been increasing and we don’t expect that to change. We will also be facing significant changes in our business environment as customers’ needs diversify and become more complex. Aflac Japan is currently in a competitively advantageous position. But in order for us to sustain the growth, we not only must adapt ourselves to the changing environment but also need to incorporate environmental changes into our core business approach and transform them as the source of our energy.

Thank you for your attention.

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

[Slide #1 – Title slide]

I would like to provide an update on developments in the Japanese regulatory environment since my presentation in May. Specifically, I would like to discuss trends related to the regulatory authority, including its ongoing reform efforts, its actions with regard to the claims matter, and regulatory changes being considered by the Financial System Council this fall. I will also touch upon developments in Japan's overall political environment, and how we believe all of these developments will impact Aflac Japan and the insurance industry in Japan.

[Slide #2 – Progress in Financial Regulatory Reform]

As I have noted in the past, Japan has made significant progress in restructuring its financial system since the start of its financial “Big Bang” program in the mid-1990s. I reported in May that the Government of Japan has embarked on new reforms aimed at strengthening Japan's competitiveness as an international financial center. So, I would like to first provide a brief overview of recent developments in Japan's financial system.

As I have discussed in the past, Japan's financial system has changed dramatically in recent years. The traditional “convoy system” philosophy of the old Ministry of Finance emphasized maximum control, industry protection, and the use of informal and nontransparent administrative guidance. That philosophy has been replaced by the Financial Services Agency's, or FSA's, rules-based regulatory approach, which relies on transparency and subsequent verification and is based on the notion of self-responsibility by financial institutions.

[Slide #3 – FSA's “Financial and Capital Market Competitiveness Plan” and
Other Regulatory Initiatives – Strengthening Competitiveness]

Last December, the FSA published its “Plan for Strengthening the Competitiveness of Japan's Financial and Capital Markets.” The Plan consists of four main pillars: 1) bolstering the confidence and vigor of the markets (enhancing diversity in financial services while ensuring market fairness and transparency); 2) creating a business environment that vitalizes the financial services industry and promotes competition; 3) improving the regulatory environment; and 4) improving the broader business environment surrounding the markets. As a key element of the Plan, the FSA has announced that it is considering the next step in the evolutionary development of its regulatory approach, which it hopes will contribute to strengthening the international competitiveness of Japanese financial and capital markets. Specifically, the FSA has announced that it will seek to achieve the best mix of principles-based regulation and rules-based regulation, calling this effort the “Better Regulation” initiative.

[Slide #4 – FSA's “Financial and Capital Market Competitiveness Plan” and
Other Regulatory Initiatives – FIEL]

On June 27, the FSA released a progress report regarding its Plan. The major development to date in implementing the Plan has been the June passage of a bill amending the Financial Instruments and Exchange Law. The bill contained provisions establishing streamlined markets exclusively for professional investors as well as easing firewall regulations separating banks, insurance companies, and securities companies.

The FSA's overall policy goals are clear, and many believe it is headed in the right direction. The ongoing challenge for the FSA will be the implementation of its policy goals into effective action on the ground. The banks' difficulty late last year and early this year in dealing with the rules on sales of investment products under the Financial Instruments and Exchange Law is one illustration of that challenge. Thankfully, steps are being taken to address these problems.

[Slide #5 – Closure on the Claims Review]

As Dan mentioned in the Second Quarter Conference Call, the FSA issued business improvement orders to the top 10 Japanese life insurance companies. The FSA also provided administrative guidance regarding the claims review issue to the life industry overall. We were very surprised and disappointed to receive this order, even though such orders are common in Japan. We took exception to the business improvement order because we believed it was unfair and unjust in light of the Company's record and the FSA's published criteria for consideration when determining whether to take administrative action.

[Slide #6 – Divided Diet]

It is also important to keep in mind the new political landscape in Japan following the July 2007 election in which the opposition Democratic Party of Japan (DPJ) took control of the upper house, leaving the ruling coalition (made up of the Liberal Democratic Party (LDP) and Komeito) in control of the more powerful lower house, creating a divided Diet. Since the election, the two major parties have been competing for the support of consumers and, ultimately, control of the government. In fact, Prime Minister Fukuda cited the political difficulties created by this divided Diet as one of the major reasons for his resignation. Amid this struggle, in bringing closure to the claims matter, it appears that it was important for the government to be seen as tough on companies.

Typically, business improvement orders require a company to enhance a process and then report on the progress to the FSA. On August 1, in response to this order, we submitted a formal report to the FSA that describes the actions we have taken or plan to take to improve our business operations. In accordance with the FSA order, we will report back to the FSA every six months on the progress we are making to implement our actions, until we are told that it is no longer necessary.

We are pleased to note that there was limited media coverage of the business improvement order in early July as well as when we submitted the report to the FSA on August 1. As Dan has noted, we do not expect any material impact on the business. Perhaps, and most importantly, the FSA's action in early July appears to have put the claims issue behind the

industry.

[Slide #7 – Proposed agenda in the Financial System Council]

Next, I would like to talk about recent developments in the Financial System Council. The Financial System Council, the FSA's advisory council, considers and recommends policy measures related to financial regulatory matters. It is comprised of such stakeholders as financial services industry representatives, academics and consumer advocates. This year, the Council has indicated that, starting in September, it plans to take up such issues as the Life Insurance Policyholder Protection Corporation (LIPPC) and insurance solicitation rules. Recommendations by the Council will be submitted for public comment and then legislation will likely be drafted for any recommendations requiring legislative changes and ultimately submitted to the Diet for debate and consideration by both houses.

As we have reported before, the measures adopted in 2005 to reform the LIPPC are set to expire in March 2009, and legislation will have to be enacted within 2008 to ensure that any new measures are in place by April 1. Although it is too soon to say what the Council will recommend, in light of the industry's improving financial health, the enhanced effectiveness of the FSA's early warning and intervention measures, as well as industry-wide efforts to strengthen corporate governance and internal control systems, we think it is unlikely that the FSA will impose additional burdens on insurance companies.

Another agenda item for the Council this fall will be a discussion of insurance solicitation. As I mentioned previously, the Financial Instruments and Exchange Law (first enacted in June 2006) was updated in June 2008, and the Council will be examining the Law's effectiveness and considering the appropriate scope of market conduct and other rules that currently apply to variable annuities and other investment products.

[Slide #8 – Japan's regulatory environment overview – Consumer Affairs Agency]

Let's talk for a minute about consumer issues. After a string of food safety scandals, including several incidents of deliberate mislabeling and backdating of food as well as the discovery of pesticide-tainted frozen food from China, Prime Minister Fukuda has made consumer protection a top priority. He has appointed a minister to lead the government's consumer protection efforts and hopes to consolidate many of the government's consumer protection functions under a single agency. Discussions to date indicate that the Insurance Business Law and Banking Law would not be included in any potential consolidation. The opposition Democratic Party of Japan, which controls the upper house, is on record opposing the plan and has its own ideas on how to promote consumer welfare. Prime Minister Fukuda has publicly noted that he will ask his successor, whoever it is, to fight for this legislation in the coming Diet session. It is as yet unclear whether the two parties will be able to bridge their differences and pass meaningful legislation. At this time, we do not believe that this development will have an immediate material impact on our operations.

[Slide #9 – Postal Privatization: Current Status and Before IPO]

Reform of Japan's postal system has attracted a lot of attention and is seen as a key test of Japan's commitment to strengthening the competitiveness of its financial and capital markets. Since I am also often asked about the basic structure of the privatization, I think it is worthwhile to spend a moment to discuss the postal privatization process. As you are all aware, on October 1, 2007, Japan Post was divided into four entities: Japan Post Insurance Co., Ltd. (the insurance entity), Japan Post Bank Co., Ltd. (the bank entity), the Japan Post Network Co., Ltd (the post office entity), and Japan Post Service Co., Ltd. (the delivery entity).

[Slide #10 – Postal Privatization: After IPO and by 2017]

These four entities are subsidiaries of a holding company, Japan Post Holdings Co., Ltd. Current plans call for initial public offerings of the holding company as well as Japan Post Insurance and Japan Post Bank in 2010 or 2011. Japan Post Holdings will retain 100% ownership of the Japan Post Network and Japan Post Service corporations, but is required by law to be fully divested of its shares of Japan Post Insurance and Japan Post Bank by September 2017.

The postal privatization laws include 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 law also requires that the postal insurance entity be subject to the same tax and policyholder safety-net contribution requirements as its private competitors, as well as to the Insurance Business Law and FSA supervision. In other words, as we all know, Japan Post Insurance is required to establish and maintain business management, internal audit, and claims payment systems at the same level as private insurance companies.

As I have mentioned in a previous Financial Analysts Briefing, Japan Post Network has chosen Aflac to become its cancer product supplier and Administrative Support Coordinator for third sector products. Takaaki Matsumoto will share more information about our plans to sell through the post office channel starting next month.

[Slide #11 – Aflac Logo]

Although there have been few major developments in the social security system since our May Financial Analysts Briefing, Japan's rapidly aging population and low birthrate is continuing to put the country's social security system under increasing strain, which is forcing Japanese consumers to bear an ever-growing share of the burden. The Government of Japan is undertaking various reforms to improve consumer convenience and safety. In this rapidly changing environment, the companies that prevail will be those focusing on consumers' needs. Accordingly, we believe Aflac will continue to be successful as a standout company 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 information with you regarding Aflac Japan's efforts to provide the best customer service, while at the same time maintaining low-cost operations from an administrative perspective.

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

[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.

It is worth noting 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 Aflac Japan's operating cost per policy does not include our more than eight million riders in force, which makes the figure of ¥5,234 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 also achieves efficient operations through employee productivity. This measure shows that our employees administer about five times the number of policies in force, compared with other large domestic life insurance companies. This difference in productivity helps explain how we maintain a low-cost-operation advantage.

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

One key to efficient business operations is reducing costs without negatively affecting quality. In order to achieve this goal, Aflac Japan and Aflac U.S. have been sharing best practices for many years and implementing specific initiatives by leveraging IT solutions. Let me give you an idea of how some of our actions are benefiting Aflac Japan's operations.

AANET is a system Aflac developed and launched in 2000 that provides various information and services to Aflac sales associates via the Internet. AANET generates premium quotes, verifies the policyholders' policy status and downloads policy maintenance related documents along with many other services. By enabling us to extract customer data by various

keys such as product, age, address, or group attributes, AANET is also used as a sales support tool for activities like suggesting suitable additional policies or riders.

In March 2008 we enhanced AANET to allow the statement of premiums remitted from an associate to be sent to Aflac via AANET in an electronic form instead of on paper. As a result, associates no longer need to stock forms in their offices. This function also eliminates human error from manually calculating the amount of the statement.

In addition, associates can now also use AANET to print forms and give them to a policyholder who would prefer to pay directly into Aflac's bank account. This function is much more convenient for the policyholders because they can now pay premiums at places such as Seven-Eleven stores, whereas before, they could only make payments at banks..

The next initiative I would like to touch upon is e-App[®], a system that facilitates 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 2008, 4,528 agencies were using e-App, and 18.3% of applications were submitted through this electronic system in the second quarter of this year.

Since 2001, we have been using "eco," a tool designed to download application forms from AANET. While e-App is used for face-to-face applications with a customer, eco is a flexible and convenient tool that can be used even for non-face-to-face applications. By the end of June 2008, 9,364 associates were using eco, and it accounted for 16.1% of total applications in the second quarter of this year.

It is easier for customers to fill out the application form using eco because only limited sections, such as the declaration form, along with a few other sections need to be completed and signed. For associates, eco alleviates the burden of maintaining an inventory of forms. Furthermore, data entered upon application is stored in Aflac's servers and can be accessed at a later point, which leads to efficient processing after receiving the application from the customer.

The fourth initiative I will highlight is the Aflac Net Billing system. This system was developed to replace the monthly paper bills we send to our payroll accounts. At the end of July, more than 14,700 payroll accounts had adopted the Net Billing system, compared with 11,700 a year ago.

[Slide #5 – Surrender and Lapse Rates]

We are continually working to preserve our in-force business. This graph shows our surrender and lapse rates for individual insurance policies. Although Aflac Japan's surrender and lapse rates have been far lower for many years when compared with the industry average, they gradually increased from 1997 through 2002. We started seeing improvement in 2003, and in 2007, as we were in 2006, we are maintaining the rate of 4.1%, which was the lowest since 2000.

[Slide #6– Key Points to Improving Persistency Rates]

We believe the key to improving persistency rates is to enable our sales agencies, who tend to have more direct contact with customers than our headquarters, to take appropriate follow-up actions. In order to encourage agencies to take such actions, we have been emphasizing the importance of improving persistency. We do this by providing agencies with the necessary information such as persistency related data by agency and successful initiatives of other agencies. By doing so, we can create an environment where agencies can easily follow up with their customers and improve persistency. Ultimately, the agencies benefit because persistency generates a continuation of commission payments.

[Slide #7 – Claims Payments]

This chart shows the actual claims payments in yen between 1997 and 2007. As you can see, the actual payment amount has been growing steadily. In 2007, we paid about ¥300 billion on 255,000 cancer claims. Since paying our first cancer insurance claim in May 1975, we have paid a total of 1.77 million policies, with benefits amounting to more than ¥4 trillion. The total amount of yen paid on medical policies in 2007 was about ¥71 billion by comparison, but we made approximately 400,000 payments, which was greater than the number of cancer insurance payments.

Let me share with you a few voices of appreciation from our claimants among many we receive.

- Although I had a medical policy, I was nervous as I filed for a claim thinking that it may be rejected. But I was surprised at the extremely quick payment I received. Thank you.
- The service provided was friendly which made me feel assured. I am satisfied with everything you did for me, from the response to my first call, the paper form interaction to the quick benefit payment. Thank you.
- I received very caring words instead of a business-like response. I had thought that the insurance companies would be reluctant to pay claims, but my filing was processed very quickly. I am grateful.

The ultimate service an insurance company can provide is to pay benefits promptly when policyholders need them the most. And we remain dedicated to providing quick and accurate claims payments. We are enhancing our efforts to prevent a recurrence of any mispayment of claims. To that end, we have identified 18 preventative measures that we are currently working on. Continuing education and training of our claims specialists are also actions we must continuously pursue.

We are undertaking two major initiatives this year. One is the consolidation of our operations of receiving claims filings by phone from claimants and another is the consolidation of data entry operation to correct any variation and increase the accuracy of the data entry work. Both operations will be consolidated from seven different locations to two, one in Tokyo and the other in Osaka.

[Slide #8 – Aflac logo]

Lastly, I would like to touch on the companywide business operations improvement efforts we have been promoting since 1983. Dozens of intra- and inter-departmental teams are set up every year, each working on certain business operation improvement initiatives. Currently, the effort is called “Change and Create” and all participating teams compete against each other for award. These types of activities foster innovative thinking and nurture a culture that always considers improving efficiency as an important objective.

We continue to believe a low-cost operation is one of Aflac Japan’s greatest competitive strengths. 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. Aflac Japan will continually make efforts towards maintaining its low-cost operations while also enhancing services to customers.

Thank you for your attention.

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Aflac Japan Investments
Hitoshi Oda
Second Vice President, Asset Management 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 brief overview 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 investment activities for both Aflac U.S. and Aflac Japan. Principal members of the U.S. and Japan investment team gather every quarter to discuss and determine strategic directions. We perform our investment activities in line with the agreement reached at this meeting. The U.S. and Japan stay in close contact through regular reports, phone calls, and emails on a daily basis in order to fine-tune our investment activities. Through our frequent communications, we are able to be consistent with our corporate goals, and do whatever it takes to achieve those goals in response to any changes in the marketplace.

Aflac Japan is proud of sharing best practices with Aflac U.S. Aflac Japan is licensed and regulated by Japan's Financial Services Agency, or FSA. We insure people domiciled in Japan and are committed to paying Japanese consumers yen-denominated future benefit payments. In the investment area, however, we invest beyond the country of Japan in order to optimize the use of better investment opportunities, as the credit spreads for Japanese corporate sectors are generally tighter than many other global markets. In particular, investments in non-Japanese entities have reached 73.9% of Aflac Japan's total assets as of the end of March 2008, compared to the industry average of 14.4%. We believe it is a great example of how Aflac U.S. and Japan share best practices with each other in the investment area.

[Slide #3 – Aflac Japan Investment Considerations]

The majority of the Aflac Japan products are yen-denominated whole life fixed-rate products, and supporting these long liability streams is the most important fundamental element of our investment strategy.

Intensive credit analysis is at the core of our investment discipline and one of the greatest strengths of our investment team. The Aflac Japan credit team facilitates the credit due diligence process in cooperation with the Aflac U.S. credit team, and every investment

needs approval from both sides.

Our global investment policy prohibits transaction deemed “speculative in nature”, and therefore we do not purchase securities rated below investment grade.

[Slide #4 – 2008 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 71.3% of new money in longer-dated assets at a blended yield of 3.50%. While the majority of our purchases is long-dated securities with more than 10 years maturity in Euroyen and RDC sectors, we bought some securities with the maturity between 5 to 10 years this year taking the opportunity of wider credit spread. These issuers are typically closely tied with sovereigns in Asia, such as Korea and India.

[Slide #5 – Average Maturity and Duration]

The portfolio duration was 12.1 years at the end of June 2008. The average duration of Aflac Japan’s policy liability cash outflows was approximately 14 years at the end of 2007. As I covered earlier, we have lengthened the average maturity and the duration of the portfolio through our purchases of longer-dated securities. Again, emphasis on this area has provided the best fit for Aflac Japan’s product needs.

[Slide #6 – Credit Ratings on Aflac Japan Purchases]

Now I would like to talk about the credit part of our investment. Let me first reiterate that all securities are rated investment grade at the time of our purchases. In looking at the credit ratings of our purchases over the last three years, you can see that we have emphasized quality in our investment strategy. While the percentage of BBB purchases has been on the rise since the beginning of this year because the spread widening across-the-board in the credit market has made BBB investments more attractive, most of these investments have close sovereign ties or contain strong covenants such as non-investment grade put options. Thus we believe credit risks of any new investments have been controlled in a proper fashion.

[Slide #7 – Aflac Japan Credit Ratings]

Not only have we emphasized quality for our new investments, but also appropriate portfolio management has led to the outstanding quality of Aflac Japan’s investment portfolio. 82.0% of our holdings were rated “A” or better at the end of June 2008, while 16.1% were rated “BBB.” Below-investment-grade debt securities accounted for 1.9% of total Aflac Japan’s debt securities at the end of June.

[Slide #8 – 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 initiate a more intensive monitoring process including a written evaluation of the issuer's current credit profile, along with a prospective analysis of its ability to fulfill its obligations to Aflac. In the second quarter of 2008 we reclassified one small holding, Sprint Capital, to below investment grade. Including this investment, we expect timely payment of principal and interest from all of our below investment grade holdings.

[Slide #9 – Aflac's Impairment Policy]

The most important objective of our credit work following a severe credit event is to determine if the issuer will continue to 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 \$66 million in bonds and \$18 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. During the first six months of 2008, our impairments totaled \$ 0.4 million, all of which were in equities.

[Slide #10– Largest Investment Concentrations]

This is a list of our top 10 issuer exposures. Japanese government bonds remain our largest concentration, and the rest are investment-grade sovereigns, sovereign-related entities or financial institutions. We have reduced the average size of each new investment in an effort to increase diversification of our portfolio, and we will continue to do so.

[Slide #11 – Composition of Investments and Cash]

Let me turn to the composition of our investment portfolio. Privately issued securities including loans dominate our portfolio, and they represented 72.5% of Aflac Japan's total portfolio at the end of June 2008. While it is only a small part of our portfolio, the percentage of the "ABS, RMBS, CDO" category is gradually increasing mainly because we have been accumulating our CDO holdings in a prudent manner. Our CDO investments totaled \$660 million at the end of June. All of the CDOs we bought this year have excess subordination beyond what is required for a AAA rating in the current environment.

[Slide #12 – Comparison of Yields in Japan]

The chart here shows Aflac Japan's overall portfolio yield versus the industry average on a Japan FSA reporting basis. As this figure includes realized gains and losses in addition to interest and dividend income, it has fluctuated through the years. However, over the past 10 years, our portfolio yield has held up very well. This is because we have been consistent in

our strategy that the predictable returns of a long-term fixed income portfolio are a better solution for our product needs.

[Slide #13 – Net Investment Income]

Aflac Japan's net investment income growth rate has averaged 5.8% per year over the last five-year period despite the effect of low rates. In 2007, the weaker yen boosted investment income growth because about 39% of our net investment income was denominated in dollars. The reverse impact has occurred so far this year due to the strengthening of the yen to the dollar. In order to maximize returns without materially increasing risk profile, we have kept investing ahead of our predictable yen cash flows in a prudent manner.

[Slide #14 – Aflac Logo]

While we are still in a challenging investment environment, our net investment income generation remains well ahead of our plan for this year. We will stick to the discipline in our investment activities and place a high priority on investing in long-duration credit. At the same time, we will constantly try to find the other asset classes and strategies to diversify our risks and prepare for new insurance products, which is in the best interests of Aflac's policyholders as well as 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, 2008 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 decreased for the last two years. By contrast, our premium income has steadily grown since 2003, reflecting solid sales results and favorable persistency rates.

[Slide #3 – Premium Income]

For the fiscal year ended March 31, 2008, premium income increased 4.2% to approximately 1.1 trillion yen. We now rank among the top six 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 5.9% to ¥5.7 trillion as of March 2008 and was ranked 11th in the life insurance industry. The amount of invested assets fluctuates in response to changes in the financial markets, 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 six million

policies at the end of March 2008 with approximately 18.8 million policies in force. This policy count does not reflect the more than eight 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 5th in terms of the amount of aggregate investment income, or ¥210 billion. In terms of investment yield, we were ranked 3rd in the industry last year with a 3.82% yield.

[Slide #8 – Investment Margin]

Over the last three years, we have maintained and widened the positive yield spread year by year. Our assumed interest rate of 4.11% still represents the highest level in the industry, but this is the other side of the fact that we have offered our customers the most reasonable prices. We expect that we will maintain a positive spread for the foreseeable future, unless the dollar continues to depreciate significantly against the yen.

[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 reasonably higher than the interest required by the new business. The average required interest has continued to decline, while our new money yield has remained 3% or higher over the last three years.

[Slide #11 – Premiums in Force by Product]

The major 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. For instance, in 1992 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 51.8% of total premiums in force. The greatest contributors to in-force business in the last five years have been riders to our cancer products like Rider MAX and our medical product, EVER. At the end of the second quarter, those riders to our cancer products and stand-alone medical accounted for 32.5% of premiums in force, compared with 12.3% at the end of 1998. This change in mix 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 that we were selling through the 1990s had a full cash surrender value, or CSV, and 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 brought down the benefit ratio as well. The 21st Century Cancer Life product that we began selling in 2001 has a reduced death benefit in both the full CSV version as well as the reduced CSV product. Both versions have lower benefit ratios than our traditional cancer life business. Further, as you can see from the chart, we expect our new Cancer Forte product to have a similar or even more favorable benefit ratio than that of the 21st Century Cancer Life product. 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 life riders have noticeably lower benefit ratios than that of our traditional cancer life business. And as I mentioned, they are becoming an increasingly large part of our in-force business. Although we can't change pricing on existing business, the lower benefit ratio riders help restore margins on the older block of cancer life policies that had been negatively affected by low interest rates. And our stand-alone medical product, EVER, has a favorable benefit ratio, compared with our older block of business. For our new nonstandard medical product, Gentle EVER, we expect that the initial benefit ratio will be somewhat higher than the standard EVER product. However, the premium of this product is about double that of the standard product, and the expenses are not much different. As a result, we expect Gentle EVER to meet our profitability requirements. And like all new products, we will monitor and analyze our claims experience very closely.

Overall, the combination of increasing premiums in force from riders and from the reduced cash surrender value cancer policies de-emphasizes the death benefit in the mix of benefits. With our continued marketing of riders and low cash-surrender-value cancer products, we expect the benefit mix to continue to trend toward health benefits rather than life benefits. In addition, we have seen favorable claims experience for most of our major product lines. This has impacted the range of our expected benefit ratios.

[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. We believe the primary reason for the

improvement is a mitigation of the credibility gap for the life insurance industry from a financial strength perspective. 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 from the way we serve our customers. Also, we have primarily written policies with zero or low cash surrender values over the past several years. Those types of policy contracts are less likely to terminate, and they now represent a significant percentage of our overall business. Our strong and steady persistency plays a part in 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, the solvency margin is a Japanese version of the risk-based capital requirement in the U.S. We have maintained a fairly high ratio over the past several years. 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 1.96%, one of the highest in the industry. 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 – Update on Revision to the Solvency Margin Calculation]

As I discussed this May, the FSA is planning to adopt more stringent standards for calculating solvency margin ratios. In February 2008, the FSA released an outline of the proposed changes as to how required interest rates, price fluctuations, and other risks are calculated. Although the report did not specify the revised risk coefficient numbers, the conceptual changes as proposed were generally in line with what we had expected. For instance, the time period for determining market volatility and correlation had been cut off at 1995, but will be extended through 2007. This will significantly increase the price fluctuation risk amount for stocks because the updated observation period includes both 2002 and 2003, when we saw the stock market crash. Similarly, the required interest-rate risk would be increased due to an update of the historical market data. We estimate that solvency margin ratios will drop to about half of current levels for the industry, but not that much for Aflac. This will result in solvency

ratios that will be more comparable with the RBC standard once this revision takes effect, which may be as early as the end of September 2008. However, I believe that Aflac Japan will maintain a competitive level of solvency margin, even after this change is implemented.

[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, our 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.

###

Aflac Japan Marketing
Takaaki Matsumoto
First Senior Vice President; Director of Marketing and Sales,
Aflac Japan

[Slide #1 – Title Slide]

Today, I would like to share with you Aflac Japan’s marketing activities as well as recent changes in our business environment.

[Slide #2 – Third Sector New Sales]

Allow me to start with the new sales of major life insurers on Japan’s FSA basis. This chart shows the trends of third sector product new sales with the numbers in 2005 taken as 100. As you can see, major life insurers have seen weak new sales for third sector products over the past two years. We believe these sluggish results reflect consumer concern over the claims payment issue that mainly occurred in the medical insurance sector. However, even in such an environment, Aflac was able to achieve higher sales in fiscal year 2007 than in 2006.

[Slide #3: Share of Third Sector New Sales]

This slide shows the market shares for a few companies of new annualized premium sales in the third sector market.

As you may know, starting this fiscal year, life insurers in Japan now report their quarterly earnings results. Based on the results from April to June, which is the first quarter on an FSA basis, Aflac’s share rose from 15.2% to 15.6% in the first quarter. As Tonoike-san mentioned earlier, although we face challenges to achieve our sales target for the whole year, we still retain the No. 1 position in the industry in terms of third sector new sales.

[Slide #4: The Most Preferred Insurer for Cancer and Medical Insurance]

We believe that the reason why Aflac has been maintaining an advantageous position over our competitors is due to the strong need of consumers for our mainstay cancer and medical insurance products. As you can see, Aflac remains the “most preferred insurer” for both cancer and medical insurance. We firmly believe it shows that Aflac is not only offering competitive products that best meet consumers’ needs, but that we are broadly accepted by consumers, thanks to our effective branding.

[Slide #5 –New Sales of Cancer Insurance]

As for cancer insurance, Aflac launched Cancer Forte in September 2007. In January of this year, we launched a new cancer upgrade policy with an affordable premium rate that enables about 14 million of our existing cancer policyholders to upgrade their coverage to the levels of Cancer Forte. In the second quarter, the number of Cancer Forte policies sold was 93,400, and the number of upgrade policies for existing policyholders was 94,500. Although the premium

per policy was suppressed due to the upgrade policies, we have produced solid increases in unit growth recently. It makes us confident that consumers and our agencies have favorably accepted these products.

Although Aflac remains dominant in cancer insurance sales, in order to further capture the needs of a larger number of consumers, we expect to launch a new plan of Forte policy this November. The premiums of this new plan are set at medium levels among the existing Cancer Forte plans. For example, for a 40 years old male, the most expensive plan of Cancer Forte has a monthly premium of 5,120 yen, while the least expensive is 1,863 yen. The premium for the new plan will be 3,298 yen per month, thus falling between the two plans.

As Tonoike-san mentioned earlier, we believe the cancer insurance market still has considerable room for growth. Therefore, we will continue to strongly promote cancer insurance sales by enhancing Cancer Forte's policy lineup.

[Slide #6 – New Sales Growth of Medical Insurance]

Let me move on to medical insurance. As you can see from this chart, so far this year, medical insurance sales are above the level of a year ago, however the growth rate slowed in the second quarter. Medical sales started to recover in the third quarter of 2007 following the launch of Gentle EVER, our new nonstandard medical product. We also experienced a recovery in our standard EVER products in the fourth quarter of 2007, which resulted in the first increase in medical sales in eight quarters.

Moreover, with the aim of boosting Gentle EVER sales, we released a whole-life rider that can be added to the product in June 2008. This rider pays a death benefit of around 1 million yen when the insured dies. Since the children of the middle-to-old-aged customers who purchase Gentle EVER policies are, in many cases, financially independent, we believe that the need for a rather small amount of death benefit to cover the costs of arrangements after death is greater than for a benefit to support the bereaved family.

We expect that the launch of this rider will contribute to further increases in the unit price of the Gentle EVER product.

[Slide #7 –EVER Policy Lineup]

Following the introduction of EVER in 2002, Aflac promptly became the top insurer in the number of medical policies sold and has remained in that position ever since. EVER has evolved since its launch to meet the diversified needs of consumers, and now there are five types of policies in its expanded lineup. We will continue to develop products that meet the needs of a greater number of customers in the medical insurance area as well.

[Slide #8 – Preference for Low-Priced Insurance]

From the perspective of product development, we regard premium levels as one of the key considerations when consumers select an insurance product. According to a survey

conducted by an independent organization in April of 2008, when comparing insurance of full-range coverage and high premiums with that of minimum necessary coverage and low premiums, about 78% of the respondents preferred the latter. This suggests there is a strong preference for low-priced insurance, which is our specialty.

[Slide #9 –Key Factors in Selecting an Insurance Company]

However, another survey by the same independent organization shows that consumers place more importance on “proper claim and benefit payment” and “prompt response” than “low premium” when selecting an insurance company to do business with.

[Slide #10 –Perception Comparisons of Insurers]

This chart shows the percentage of those surveyed in the same survey who perceived Aflac, Nippon Life and ALICO for each key purchase consideration. As you can see, Aflac is ranked higher than the other two companies among the top four factors, which signals that consumers believe we are committed to not only providing coverage that consumers really need at affordable premiums, but also paying claims and benefits as soon as possible if an insured becomes a claimant. We believe this is one of the major reasons why Aflac is strongly supported by consumers.

[Slide #11 –New Sales Support System “JUMP”]

Next, let me touch upon our strategy for strengthening support to Aflac’s 18,000 agencies.

First, we implemented a business intelligence tool in June 2008 that enables our 690 field employees nationwide, who take care of agencies, to effectively strengthen their skills and share their knowledge with each other. We named this tool JUMP, which stands for “Jump Up to Marketing Professional,” in expectation that it will help our field employees build up their skills. This tool makes it possible for field employees to easily access successful cases throughout Japan and understand the current conditions of each agency. We expect JUMP to allow even inexperienced field employees to improve their skills to take care of agencies.

[Slide #12 – Marketing & Sales Innovation Project]

Furthermore, to promptly cope with Aflac Japan’s marketing issues, we established a dedicated organization to execute reforms in July. Under this organization, talented members who were selected from Aflac Japan’s employees are going to implement innovations in a short time frame. This project covers a wide range of areas, including products, channels, markets, sales organization and personnel system. The ultimate goal of this project is to further enhance Aflac’s organizational competitiveness, win full support from our customers, and achieve further growth and progress.

[Slide #13 – Agency Segmentation]

As part of “sales channel innovation,” one of the areas we are implementing is agency

segmentation, which we discussed at the May Financial Analysts Briefing in New York. From the beginning of this year, we started collectively managing low-performing agencies at our Head Office in Tokyo. With respect to other agencies, we began to conduct segmentation taking into account such elements as size, growth potential, and whether they do business exclusively with Aflac or not, as well as various indices including the degree of contribution to Aflac's growth.

[Slide #14 –Support Stance According to Agency's Growth Stage]

We classify agencies into four groups, and rank them from "AA" to "C," according to their growth stage, which is based on such criteria as new annualized premium sales and sales activity processes. Agencies categorized as "AA" are extremely important to Aflac, to which we will provide more preferential support.

On the other hand, with regard to agencies categorized as "C," while we will actively support those highly motivated to expand their business so that they can move up to a higher rank, we will only provide limited support to other agencies

By providing differential support based on the growth stage of each agency, we will seek to realize fair and preferential allocation of marketing resources and achieve maximum results.

[Slide #15 – Television Commercial (New Commercial for Cancer Insurance)]

We regard advertising as an important means to support our agencies' sales activities. Aflac has been running a new TV commercial for cancer insurance since mid-August. This commercial features Ms. Rena Inoue, a Japanese American figure skater who performed as a member of the U.S. team in the 2006 Torino Olympic Games. While she was studying in the U.S. as a 21-year-old college student, she suffered from lung cancer, but she overcame the illness through outpatient treatment. Later, she teamed up with Mr. John Baldwin, and in Torino the pair landed the first triple axel in Olympic history.

Now, let me show you that TV commercial.

(Show the new cancer insurance commercial to be aired from late August) (30 seconds X 1)

We firmly believe that continuously strengthening Aflac's promotional activities will help our agencies boost their sales.

[Slide #16 – Cancer Sales Through Japan Post Network]

Beginning in October, 300 post offices nationwide will start selling Aflac's cancer insurance products. Japan Post Network has a huge organization with a countrywide network of about 24,000 post offices that are supervised by 13 regional branches. Of the 24,000 post offices, about 20,000 are directly managed by Japan Post Network. We expect 300 of the directly managed post offices to start selling Aflac's Cancer Forte products this October.

Although no decision has been made at this point, we are negotiating with Japan Post Network so that our products can be sold by a larger number of post offices in the not so distant future.

[Slide #17 –Outline of Training for Post Office Employees]

The 300 post offices are located throughout Japan. Some of them are large, akin to a major bank's branch, while others are rather small with only a few number of employees.

Our nationwide sales offices will support these post offices in training and sales promotion.

We have already started training about 5,000 employees from the 300 post offices in August. These training sessions are organized by our sales office employees throughout Japan and provide participants with practical knowledge ranging from product details to effective sales methods and compliance matters.

[Slide #18 –Sales Support to Post Offices]

In addition to face-to-face sales over the counter, post office sales staff will conduct door-to-door sales.

To effectively communicate to the customers of the post offices that they are selling Aflac's cancer product, we have been preparing to encourage them to put the Aflac Duck with Japan Post's logo and posters in a prominent place. Also, we have appointed our second highest ranked sales person as Japan Post Promotion Leader to provide meticulous sales support.

Although we cannot comment on a specific sales target for Japan Post at this point, we believe this new channel will have a positive impact on our sales.

[Slide #19 – Aflac Logo]

Aflac Japan remains in a strong competitive position in the fastest growing sector of Japan's insurance market. In light of continued consumer needs for the third sector insurance as well as pressure on the public healthcare insurance system from an aging population. Although there are some uncertainties in consumer's mindset in light of higher inflation, we believe we can achieve sustainable growth in this market with continued growth potential.

Thank you very much.

###

Aflac Japan Sales
Jun Isonaka
Senior Vice President; Director of All Territories,
Aflac Japan

[Slide #1 – Title Slide]

Today, I would like to talk about the sales organization and activities in Aflac Japan.

[Slide #2 – Sales Organization]

This slide shows the current sales structure of Aflac Japan. Within 10 territories, 112 sales offices oversee about 18,800 agencies and 104,000 licensed associates. At the base is our belief that this kind of nationwide sales network should work effectively with traditional agencies as well as the bank channel and the Japan Post Network.

There are also 11 general managers who report directly to Territory Directors and are responsible for sales promotion and training. They are also tasked with supporting sales promotion activities at sales offices and training field employees and agencies.

[Slide #3 – Historical Transition of Sales Channels]

Now, let me give you an overview on the historical transition of our sales channels.

From the mid-1970s, when Aflac started its business in Japan, through the mid-1990s, the most important distribution channel for us was what we call affiliated corporate agencies. Typically, those agencies are affiliated with a parent company, and market insurance products to employees at the parent company, its related companies or even those who do business with them. They used to sell insurance by distributing pre-printed application forms at the worksite, and it turned out to be a very effective way to make sales in those years.

However, after the Japanese bubble economy burst in the 1990s, as many employees were laid off, and disposable income decreased, more and more people tended to make decisions about whether to buy insurance or not at home rather than at work. More recently, due to tightening security and the implementation of the Personal Information Protection Law, there have been more and more limitations on selling insurance at the worksite. Against this backdrop, we have implemented some initiatives to help affiliated agencies. First, we introduced a marketing support system in an effort to reinforce closing of an insurance contract more effectively by providing face-to-face contact with the customer. Second, we encouraged them to send out direct mail, and promoted agency alliances where telemarketing agencies can make follow up calls, to existing policyholders of those affiliated corporate agencies to make a sale. While we did try to help them as mentioned above, new sales from affiliated corporate agencies have tended to be weak and somewhat volatile in recent years. For instance, they had a very good second quarter in 2007 due to the consumer's rush to buy cancer insurance ahead of a rate change. However, their sales went down significantly in the second quarter of this year. To help overcome this weakness and volatility of the affiliated corporate agency channel and increase

overall sales, we have been recruiting more individual and independent agencies. We also formed an alliance with Dai-ichi Life. And now we expect new sales from new channels such as banks and Japan Post Network to grow in the future periods and offset the weakness of the affiliated corporate agency channel.

To support these distribution channels more effectively, starting this year, we are undergoing a reorganization of the sales support departments.

[Slide #4 – Reorganization of Sales Support Departments]

In the beginning of 2008, with the aim of further enhancing our support to existing agencies and new channels, we transformed our sales support organization into four divisions: Wholesale Marketing Division in charge of affiliated corporate agencies and independent corporate agencies; Retail Marketing Division overseeing individual agencies; Financial Institution Division to promote the sales through the bank channel; and Strategy Planning Division to take care of the ties with Dai-ichi Life and the Japan Post Network.

This reorganization is aimed to enable each responsible section to plan and implement more effective supportive measures in consideration of the features of respective agency type.

[Slide #5 – Aflac Japan New Annualized Premium Sales]

This chart shows the trend in the total new annualized premium sales of Aflac Japan. As reported in July, the new sales of the second quarter and the first half of 2008 were down 4.9% and .3%, respectively. In the second quarter of 2007 prior to the cancer insurance's premium rate change, there was indeed a rush of insurance-purchase demand. However, the backlash we saw in the second quarter of 2008 was larger than our expectation.

[Slide #6 – Sales Growth Rates by Type of Agency]

This slide shows how new annualized premium sales have changed year over year by type of agency. Prior to the rate change last year, affiliated corporate agencies and independent agencies significantly boosted their sales by focusing on payroll accounts. In the second quarter of 2008, however, sales through affiliated corporate agencies slowed down in part because they focused in selling an upgrade Forte policy for existing cancer policyholders with low unit price, which I will mention in more detail later. Only 37% of all affiliated corporate agencies had a sales increase in the first half of 2008, compared with last year.

[Slide #7 – Annualized Premium in Force by Type of Agency]

Next, I would like to give you an update on premiums in force by type of agency. As you know, Aflac Japan is the largest insurance company in terms of individual policies in force in Japan. Therefore, it is also an important sales strategy for us to further push the sales to existing policyholders. As you can see, compared to 2003, individual agencies and independent agencies now have a larger percentage of policies in force. But still, affiliated corporate agencies account

for more than half of the total in force business retained by Aflac Japan. For this reason, particularly in the promotion of sales through affiliated corporate agencies, it is vital to step up our approaches to this large number of existing policyholders.

[Slide #8 – Measures for Wholesale Market]

In an attempt to better support these affiliated corporate agencies with a large number of policies in force, we are implementing additional support measures in the second half of this year. As you know, our agencies focused on selling the Cancer Forte upgrade product with lower annualized premium of 27,000 yen, on average, compared with the base Cancer Forte product, which has an average annualized premium of 50,000 yen. As a result, sales did not grow as expected in the second quarter. To address this issue, we are encouraging our agencies to use direct mail to sell the upgrade product, and we plan to subsidize some of the costs to get them to do so. In addition, we also conduct promotions by making outbound calls. For those agencies who do not want to send out direct mail due to cost pressure, we will contact the policyholder directly on their behalf through AIS, a sales agency that is a subsidiary of Aflac.. Under this plan, AIS will contact approximately 1.4 million customers through direct mail to encourage them to purchase the Forte upgrade policy. We will pay for the direct mail costs, and in turn, the original corporate agency will receive a lower commission. These one million customers have been somewhat neglected and we believe we have a duty to offer them the best coverage. This direct mail campaign is one of the measures we hope will prove to be effective and help us achieve our annual sales target this year. Greater use of direct mail will also allow our agencies to focus more on selling our pillar products such as Cancer Forte and EVER, rather than just selling this upgrade product.

[Slide #9 – Recruitment of New Agencies]

Also in the retail sales channel, we will step up our efforts to effectively recruit new agencies. As you may know, the number of newly recruited agencies was on the decrease in 2006 and 2007. One reason is that Japan's recent economic recovery has suddenly turned the labor environment into a tight market. To effectively recruit new agencies under such business circumstances, we are promoting existing agencies' referral to new agencies. Currently, one third of the newly recruited agencies come from referrals, which is our largest source of recruiting.

In the second quarter of 2008, however, the number of newly recruited agencies increased significantly by improving 63.5% year over year. For the first half, agency recruitment increased 41.6%. One of the reasons for the significant increase is because we held a couple of group presentations to multiple applicants who wanted to register with us as an agency, instead of making presentations to each individual. In those group presentations, we gave an overview of the company, how the agency system works, commissions and training program, followed by a face-to-face meeting with each individual. Last year, some of our territories started using this approach and they had good results in terms of agency recruitment, so we are now using the same approach nationwide. This new approach made our recruiting activities more effective and efficient than before.

In addition, we believe a recruiting campaign conducted during March and June in each territory also contributed to the increase.

Moreover, the number of newly recruited agencies who produced new sales of at least 200,000 yen or more within three months after registration, is also on the increase, as showed on the right side of the slide. We believe this measure is a good indicator of successful agencies.

[Slide #10 – Promotion of Light Consulting Training]

One reason behind the improved productivity of new agencies is New Associates Basic Training, or New ABT.

This year, we launched an advanced training program targeting agencies who graduated from New ABT. The target agencies are those who have earned new AP of 2.4 million yen or more to less than 10 million yen. This advanced training is designed to have attendees obtain skills that enable them to provide comprehensive consultation with the customer's lifestyle and current insurance coverage being taken into account, so they can propose a plan satisfying customers' needs for not only cancer or medical insurance but also life insurance. In order to help them, we are conducting a new campaign to pay an incentive to agencies who make multiple products sales. We will continue to upgrade the program content to achieve better agency productivity.

[Slide #11 – Improvement of Service Shop Business]

Having pioneered in exploring the potential of "face-to-face" consultation in insurance sales, Aflac Japan now operates Service Shops nationwide. The number of Aflac Service Shops totaled 607 as of the end of June 2008.

To further improve Service Shop operations, we have come up with the following measures. First, we developed a training program catering to Shop members, in which program participants can enhance their sales skills by using e-learning system. Second, to attract more visitors, we are promoting Shops' relocation to a more convenient location. Furthermore, we will classify Service Shops according to location or service level in order to extend better support to excellent Shops.

[Slide #12 – Aflac Logo]

As you know, Aflac Japan's goal for 2008 is to increase new annualized premium sales growth from 3% to 7%. As Mr. Tonoike stated, it has turned out to be a challenging goal. However, we still believe it is achievable. To achieve this goal, we will not only keep enhancing the existing sales channels but also strive to boost sales through the new channels – the bank channel and the Japan Post Network. Thank you very much for your kind attention.

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The Operations of an Affiliated Corporate Agency
Yoichi Kita
Representative Director, President,
Ricoh San-ai Service Co., Ltd.

[Slide #1 – Title Slide]

Good afternoon, everyone. My name is Yoichi Kita of Ricoh San-ai Service. I am very honored to have an opportunity to talk about the sales activities of our company today.

[Slide #2: Ricoh’s Advertisement Photo]

Before we go into the main topic, let me introduce a piece of news from Ricoh. We are installing an ad tower that will light up with 100% natural energy, the first trial of its kind, at Times Square in New York. What you see in the slide is an image when it’s completed. It is scheduled to start lighting from early December this year. I hope you will recall my presentation today if this gets on the news in the US when December comes. Now I’ll move on to the main agenda.

[Slide #3: Company Overview]

Today I would like to give you an overview of our company first, and then the results of Aflac-related business at our company in recent years as well as our initiatives and measures in the sales of Aflac’s insurance products.

We were incorporated in 1967 and have grown to a company with 520 employees and 15.7 billion yen of annual sales today.

Kiyoshi Ichimura, the founder of Ricoh San-ai Group having Ricoh Co., Ltd. as the main company, proposed the San-ai spirit as the founding spirit in 1946. At that time, Japan was a poverty-stricken country, lacking everything from food, clothes to house. The “San-ai spirit” refers to three loves of “love the people, love the country and love the job.” Since our insurance business is also developed along this San-ai spirit, please allow me to quote some of Ichimura’s words here to help you understand our business.

“Takamori Saigo, one of the veteran statesmen of the Meiji Restoration, is quoted as saying, “I respect Heaven and I love man.” His calligraphy of the meaning is still well known. However, I dare to insist on “San-Ai.” Although I have no intention at all to compete with Saigo, the San-Ai spirit – to love the people, to love the country, and to love the job – is my long cherished belief.

Man is said to be the lord of all creation, and the value of each individual is measured by various scales. Some people regard heroes as great men, while the others speak highly of great scholars, statesmen, artists, or wealthy businessmen. Although nobody will deny that all of them are great men, I think that what decides the true greatness of a man is the depth and width of love that he gives to the others.

A man loves himself by instinct as all animals have the instinct of self-preservation. Even the most despicable fellow loves his wife, children, parents, and brothers. The next upgraded persons are those who love their neighbors and further the nation they belong to and all the nations in the world. The most upgraded persons would be those who love all creation more than themselves in the extremity. They dare to sacrifice themselves for all nations from the broadest view of love.

This state is what “San-Ai spirit” means, and it alone can save the country. I believe that if all Japanese people aspire to “San-Ai spirit”, Japan will continue to prosper.”

With the ‘San-ai spirit’ described above as our backbone, our business can be classified in three areas, business support, employee life assistance and management support. Our customers are the employees of Ricoh San-ai group and their family members within Japan, which total approximately 150,000. Out of this, the sales of Aflac’s insurance products and the services to the employees and their families who are the policyholders have been offered as part of our employee life support business since 1980.

[Slide #4: Share of Aflac-related Business]

The insurance business is a part of our employee life assistance business and its sales accounted for about 6.5% of our entire sales during fiscal year 2007. In the insurance business, the sales of life insurance and non-life insurance account for roughly 30% and 70%, respectively. Aflac-related business occupies around 72% of our life insurance business, which means it is the major player, as shown in this slide.

[Slide #5: New Annualized Premium Sales]

Our new annualized premium sales of Aflac’s products declined in 2006, as shown here. However, they recovered nicely in 2007. In 2007 we saw a strong growth primarily driven by new business from cancer insurance and Rider Pack to push up the overall result.

[Slide #6: Premium Income]

In addition to the growth in new business, as I will mention later on, as a result of our efforts to work proactively to prevent cancellation and to increase in force business, the premium income of Aflac’s insurance products from our customers has been growing steadily over the last five years, as seen from the slide.

[Slide #7: Commissions]

Backed by the increase in premium income from Aflac’s products, the commissions we receive from Aflac, in other words, the sales for us have been growing every year. This contributes to the overall business growth of our company as well.

[Slide #8: Aflac’s Strengths]

Now I would like to discuss why we specially focus on selling the products of Aflac in the life insurance sector out of many other life insurance companies.

First, Aflac has established a solid brand. The name of Aflac is already widely recognized among our clients, too. Thus, we hardly need to explain Aflac's name in the offering activities.

Next, I can give you Aflac's strong product characteristics. In particular, the third sector products such as cancer insurance maintain a good balance of extensive coverage and reasonable premium, so these products are easy to recommend to our customers. Especially, in our company, we offer insurance products as part of the welfare and benefit system to the employees for the entire Ricoh San-ai group, and Aflac's products are essential to supplement the first sector products. Also, needless to say, the commission from Aflac is attractive to our business, together.

Lastly, Aflac's high service quality such as the benefit payment is another big factor. Since insurance is an intangible product, it may be not exaggeration to say that claim payment is extremely important, or it might be the only customer service factor, if a claim occurs. In this respect Aflac's response is highly satisfactory among all the insurance companies we deal with.

[Slide #9: Measures -1]

Next I want to introduce our efforts and measures in relation to how we offer Aflac's products to our customers.

Firstly, we promote briefing sessions and meetings at workplaces.

In the case of our company, the customers are the employees and their family members of the Ricoh San-ai group, so we put the highest priority on promoting briefing sessions at workplaces and meetings that are prompted by those sessions.

In recent years the environment surrounding the offering at workplace has changed dramatically, due to factors including enhanced security and increased awareness for the protection of personal information. We hear that many corporate-affiliated agencies are now unable to hold briefing sessions even at their parent companies. In contrast, we not only build personal networks proactively with those who are in charge at respective companies of the Ricoh San-ai group, but also try to explain patiently that enhancement of the insurance coverage for their own employees will ultimately lead to securing the workforce at each office and improving the results. By obtaining the understanding from those who are responsible at respective workplaces through these efforts, we can set an annual schedule to hold briefing sessions regularly at all of the Ricoh San-ai group companies. For your information, we hold those sessions targeting around 2,000 employees per month, which means that roughly half of the 44,000 domestic employees of the Ricoh San-ai group have a chance to listen to a briefing session at any of their workplace in a year.

[Slide #10: Photo of a Briefing Session]

What you see now is a photo of a briefing session.

A briefing session is typically held within the morning meeting and limited to about 15 minutes in length to make sure it does not take too much time from the workplace. But the real objective lies after the briefing session. The offering staff of our company will stay there about an hour or so after the session to exchange business cards with the employees. In doing so, we try to gather information as much as possible, including the birthdates of the employees and their family members. Afterwards, we deliver an insurance specification and other documents directly to those employees. We then set up an opportunity to have a meeting with them, learn about their needs on insurance in detail, and make a best proposal to sell the most suitable product which can satisfy them.

Meanwhile we also conduct the offering via direct mails, but it is merely a complementary method. We seek to increase the number of new policyholders of the base policy through face-to-face consultations first, and use direct mail just to introduce new products such as riders when they become available. This way we can invest our management resources such as time, expenses and staff to expand our client base in a focused manner.

[Slide #11: Measures -2]

Next is our focus on the offering to new employees.

As you may know, in Japan, new employees fresh out of school generally join on April 1st of each year in many companies. Ricoh San-ai group is no exception. We consider this as a large business opportunity.

We start our actions before the new employees join the company. Our aim is to make a quick approach to them, even before their assignment is announced, and encourage them to purchase insurance from us. By being ahead of the curve this way, we can add them to our clients before the sales staff of other life insurance companies visit them to sell insurance after they are assigned to their respective department such as sales division.

To be more precise, we secure a time slot to have our insurance sales staff explain the welfare and benefit system during the group training program for new employees. We normally get about 40 minutes to an hour for this explanation and appeal them the importance of insurance as well as the privilege of some special products which can be purchased only by the employees of Ricoh San-ai group. In addition, we developed an application form that almost all insurances can be subscribed by filling up one sheet which is easy for the new employees to fill it in. This form has been approved by respective insurance companies.

As a result of these efforts, we have been able to accomplish very good results on Aflac insurance as well. For example, out of 1,179 new employees of the Ricoh San-ai group in 2008, 344, which corresponds to roughly 30%, and 491, and accounts for more than 40% of the total, have subscribed to cancer insurance and EVER, respectively.

[Slide #12: Measures -3]

In order to support these offering activities, on the organizational front we have a unit dedicated to life insurance sales. In other agencies, it seems to be that one employee is responsible for sales of both life and non-life insurance, but we have a unit that specializes on life insurance consisting of seven members.

There are three effects from the unit dedicated to life insurance. First, it allows them to concentrate on the offering of life insurance, second, it enables accumulation of know-how regarding life insurance, and lastly, we can enhance the consulting skills of our employees.

[Slide #13: Measures -4]

In addition, we go beyond the sales of new policies and promote the services to those who have already purchased a policy. For this, we put up a slogan of “No. 1 Service in Japan” and strive every day to provide impressive service to clients and obtain further trust.

Specifically, we established a Customer Consulting Center within our company and deployed the cancellation prevention activities.

We currently have a full-time dedicated consulting staff team at the Customer Consulting Center and have created a structure that customers can contact us in case when an accident happens and benefit payment shall be made. Because we provide customers with the products from several insurance companies including Aflac and the payment claim forms are different among companies, we sometimes have missing entries. In addition, a customer who is already shocked by the occurrence of the accident faces the reality that there are many difficult matters such as how to obtain a public certification required for the payment. The staff member at the Consulting Center can provide appropriate advice in such an occasion to avoid missing entries and document deficiencies, and satisfy the conditions for receiving a payment promptly from an insurance company.

Also, once the documents are complete, our staff members of the Consulting Center contact the insurance company themselves to try to have the payment made promptly. While our goal is to get paid within 10 days including weekends after receiving a claim, Aflac takes less than 3 business days on average for the payment. This is well above our goal and we are very satisfied on this result.

Another aspect of “No. 1 Service in Japan” is our cancellation prevention activities.

Some customers who purchased insurance policies request cancellation due to unavoidable circumstances. In such cases we make sure to put ourselves in their shoes to listen and explain the importance of continuing the coverage. In other words, when we receive a request for cancellation, we explore the possibility to continue the insurance policy in a way that is favorable to the customer through listening carefully to the customers' situation, instead of processing it from the left to the right as requested. This allowed our cancellation rate to remain

at as low as 1.3% in 2007 and, as a result, for 10 cancellation requests received, we could retain three of them.

From our experiences, we know many examples when accidents occurred right after a policy cancellation and people regret that they should not have cancelled their coverage. If this happens, it means that the insurance being subscribed before ended up not helping anything, and it is a very sad outcome for us in terms of customer service. Because of such examples, we believe it is an important customer service to explain to the customers why they should not cancel their policies to prepare for any accident. As such, we are implementing cancellation prevention activities.

[Slide #14: Measures -5]

We work on other measures and initiatives in accordance with the changes in the environment, but I will mention only two of them.

Firstly, on the back of heightened social awareness for the protection of personal information, our company, dealing with substantial amount of personal information, received a certification to build, deploy, maintain and continuously improve the 'Information Security Management System (ISMS)' as early as in November 2004, as a member of the Ricoh San-ai group. Further, in February 2006, we acquired the Privacy Mark that is given to business operators who have a system in place to take appropriate steps for protecting personal information. And, in June 2007, we established the internal personal information protection policies and work to get them applied completely across the company.

These efforts helped create an atmosphere among our customers that they can feel relaxed to disclose personal information, and thus they can feel comfortable revealing their personal information to us, including their family members at the time of business card exchange after a briefing session that I referred to earlier.

In response to the progresses in information technology, we have developed a database dedicated to insurance and keep it open within the Ricoh San-ai group. Customers can request materials and make inquiries regarding insurance through it. With a view of making more use of this database, we intend to advertise it regularly at electric bulletin boards within the Ricoh San-ai group and encourage its wide use.

[Slide #15: Results and Outlook]

Thanks to our various measures and initiatives that I mentioned thus far, we were able to win a prize in all the three overseas Aflac agent award conventions in 2007, which took place in Monaco, Gold Coast of Australia and Singapore.

Looking forward, we would like to strive for further improvement in client service, while promoting these measures even more and seeking a solid and stable growth in new annualized premium sales. I believe it will also help our founding spirit of 'San-ai spirit' as referred to at the beginning to be exploited further.

Thank you very much for listening.

[Slide #16: Aflac Logo]

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**The Operations of an Independent Corporate Agency
Tamiko Takeuchi
Representative Director & Chairwoman,
Nihon Business Co., Ltd.**

[Slide #1 – Title Slide]

My name is Tamiko Takeuchi. I am currently running an insurance agency named Nihon Business and we are exclusively selling Aflac's products.

[Slide #2: Location of Nihon Business]

The location of our company is shown in this map of Japan. Our company is located near the Narita Airport that you would often use when visiting Japan. Many residents here commute to work at companies in central Tokyo and it is one of the so called commuter towns of Tokyo.

[Slide #3: Company Overview]

I started the agency in 1977, 31 years ago. At that time Aflac was the only insurance company that offered cancer insurance in Japan and cancer insurance itself was not very well known in Japan. However, as intuition whispered to me that it would be a good product to sell, I didn't lose any time in launching the agent business alone in a room at home with just one desk and a telephone. Today, after more than 30 years, our company has grown to an insurance agency that has more than 16,000 customers and 27 employees.

Also, you can see our corporate philosophy in the slide. The most important part of our philosophy is customer satisfaction, which is the goal of all of our activities.

[Slide #4: Distribution of Customers by Age]

Now let me talk a little about the customers of our company.

As you see in the slide, those who are 30 to 59 years old, or those who are in their prime years, account for the majority of our customers. This directly reflects the characteristics of the members of the payroll accounts that we cover. Also, there are many customers who are in their sixties, and most of them are people who had bought a policy in the initial years after the establishment of our company and are still keeping it in force even after they retired subsequently.

The majority of our payroll accounts are government agencies (public offices) in Chiba and Ibaragi Prefectures. In other words, many city halls, public schools, fire departments and others in various locations, as well as Chiba and Ibaragi Prefectural Governments are all our payroll accounts. In addition, some central government offices such as the Ministry of Education, Culture, Sports, Science and Technology and Tokyo Metropolitan Government are included in our payroll accounts, too. Looking at the 2007 results, roughly 40% of our new annualized premium sales came from new policies sold at these accounts, and the remaining 60% came from

new policies sold at the individual market.

Meanwhile, the make up of the in force business of our company is just the opposite of new business in terms of the ratio of payroll account versus individual. That is, the payroll account policyholders make up approximately 60% while individual policyholders make up roughly 40%.

The fact that new sales are more from individual policies is the result of our focus on the individual market in recent years. On the other hand, the fact that more of the in force results are from payroll accounts suggests that many of the policies obtained in the worksite market remain due to strong persistency.

[Slide #5: Premium Incomes]

This slide shows changes in the premium income from our customers for Aflac. As you see, premium income has been increasing due to new policy growth and the high persistency rate.

[Slide #6: Commissions]

In proportion to this, the income from commissions that we receive from Aflac has been increasing year by year, indicating that our sales have been expanding.

[Slide #7: Changes in Consumer Needs]

Now I would like to talk about the changes in consumer needs that we capture in our day-to-day sales activities.

First, in terms of coverage, we have observed a shift from life products to third sector products, such as cancer and medical insurance. This is a phenomenon that has been happening for several years, and I think it became particularly noticeable recently. Although there are still some people who consider seriously financial coverage for their family in the event of their own deaths, the aging society with fewer children and the tight financial conditions of Japanese health insurance system, has resulted in a big increase in the number of people who are conscious of the risk of living long and getting ill.

Next, looking at the location of policy purchase, we notice that more people now buy insurance after discussing with their families, rather than purchasing at their workplace. When it comes to who has a decision power on whether or not to purchase an insurance policy these days, it is clear that, in many cases, housewives have the decision power for policies whose insurance premiums exceed certain amount. In addition, I also feel that it is affected by lower credibility toward insurance products referred to from employers and loyalty for the employers, as a result of the bankruptcies of insurance companies and the burst of the bubble economy of Japan in the 1990's.

Moreover, in terms of subscription method, there are more and more people who prefer having consultations, rather than conventional paper solicitations even for offerings at

workplaces. Part of the reason is that insurance products are getting more and more complicated. Probably more important, especially after the deregulation in 2001, any insurance company can now offer whatever insurance they would like, and this led to a situation where a lot of similar products exist in the market. This means that consumers are not sure about the best product to satisfy their needs. Therefore, many of the consumers seek consulting-based sales from agents dedicated to insurance like us. Consulting would now allow them to choose an insurance product that should suit their values and lifestyles best.

[Slide #8: Aflac's Strengths]

We are dedicated to sell Aflac's products, but often receive offers from other insurance companies to sell their products. However, we have been fully dedicated to Aflac since the start of our business. This is because we understand the strengths of Aflac well enough, compared to other companies.

Aflac's strengths include, first of all, its branding or high name recognition. By now we can say that almost no one would tell us that they do not know Aflac's name.

Next are Aflac's excellent products. It also means that the coverage is well balanced between the premium amount and the value they provide. In particular, with regard to cancer insurance that Aflac has been leading Japanese market as a pioneer, we consider Aflac's products as the best, not inferior to anyone else's.

Lastly, the level of customer services such as payment of benefits is high. Many customers have been well satisfied by Aflac's appropriate responses in the event when payment of benefits is triggered, and we are also evaluating them as well. Since insurance is an "invisible" product, it is not an exaggeration to say that the service quality when making benefit payments determines everything. Thus, the fact that Aflac's response to the payments is good allows us, the agents, to be confident in recommending Aflac's products to our customers.

[Slide #9: Measures -1]

Now, let me explain what specific measures we take in selling Aflac's products and providing services to customers.

First, we are deploying an area strategy.

As I mentioned in the beginning, our sales area is primarily in Chiba and Ibaragi Prefectures. We break down the two prefectures further into five areas to conduct the sales activities. Specifically, we break down Chiba Prefecture into four areas and treat Ibaragi Prefecture as one area to establish a shop or sales office in each of them. By making these shops and sales offices sales bases in respective areas, we were able to execute community-based sales activities.

[Slide #10: Measures -2]

Next, on the product front, we promote the multiple policy purchase by taking advantage of cancer insurance as a door opener.

As I said earlier, Aflac's cancer insurance enjoys a great brand. We have the mentality that we want to take care of all of the customers' insurance need, by leveraging the cancer insurance as a door opener and recommending other Aflac products to them at the same time. And we are working on building such an internal infrastructure so we can do so.

[Slide #11: Measures -3]

The third is sharing the sales mindset across the employees.

Our offering method mainly involves consulting. We welcome customers to our shops, or visit their workplaces and homes. However, in any case, regardless of the styles of being stationed at shops or going out making the rounds, it is essential for all of our employees to have a sales mindset. We promote this by way of sharing sales mind.

When we first opened a service shop in 2005, we employed our staff on the presumption that they would not go out to make the rounds. But we have noticed that some of the staff developed a mindset that all they need to do is to just wait at the shop for customers and help them with the administrative procedures such as maintenance of their policies. On the other hand, there emerged a feeling in some of the field employees that they are the ones bearing the entire burden.

This will not help the sale of insurance. Therefore, since 2006, we have promoted an initiative for everyone to share the sales mindset by setting a comprehensive training between staffs who work at shops and field employees who go out making the rounds, in order to achieve reconciliation throughout the entire company. Through this initiative whereby people learn the mindset and skills necessary for respective positions, all of us have come to work on the sales activities.

[Slide #12: Measures -4]

The fourth is to seek to enhance the employees' skills.

Since we engage in the offering mainly on consulting, we have to be good at consulting-based sales. Thus we took every step, by enrolling our employees to specialized educational programs, to ensure improvements in their skill sets. As a result of this, 20 of our 27 employees have obtained the qualification as financial planner (FP).

[Slide #13: Measures -5]

Lastly, it is to ensure customer satisfaction and promote the services.

We have 'customer satisfaction' at the top of our corporate philosophy. In order to achieve it, it all comes down to listening to the customers' voice and providing the services the

best as we could do.

As a matter of fact, one thing that our employees are trying to do is to become good listeners. Also, I believe one of the ancillary effects of running a shop is that it allows us to pick up the customers' voice. We have learned fully, through the conversations with the customers at the shops, the customers' sense of distrust on traditional insurance companies and the fact that the conventional insurance sales is not anything but hard sell to the customers.

Also, with regard to customer services, as I mentioned earlier, the ultimate service in insurance business is how to respond in the event of benefit payment. We ask our customers not to forget calling us should the event for benefit payment occur. When informed, our employees will support the administrative procedures for the payment, in principle. This will enhance customer's satisfaction dramatically. For your information, the payment from Aflac to our customers since the start of our company has amounted roughly 4 billion yen. This number also confirms how much the policies have helped our customers, which made us feel more confident as the agent, together. In addition, there have been more customers who actually experienced how helpful Aflac's insurance policies were and introduce new customers to us.

[Slide #14: New Annualized Premium Sales]

As a result of these measures, as you see in the slide, the trend in our new annualized premium sales from selling Aflac's insurance bottomed in 2004 to get back on a recovery track, with 2007 posting an increase of 17% over the previous year.

[Slide #15: Aflac Logo]

We commemorated the 30th anniversary of our company last October. By taking advantage of this occasion, all of our employees are trying to enhance the relationship with all customers through activities such as sending a thank-you card written by the employees themselves, or making a phone call. At this moment only 10% or so of our customers have more than one policy. We will continue to introduce other products to them. Also we plan to increase the number of the staff so that we can approach more new markets. We will continue our endeavor day by day toward our medium-term goal of increasing our in-force premium income from 1.45 billion yen today to 2 billion by 2015, through the consistent implementation of the measures as explained so far.

Thank you very much.

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Aflac Japan Bank Channel Sales
Hisayuki Shinkai
First Senior Vice President
Aflac Japan

[Slide #1 – Title]

Good afternoon. My name is Hisayuki Shinkai, and I am responsible for the bank channel sales at Aflac Japan. Today, I would like to give you an update on insurance sales through the bank channel, which was fully deregulated in December last year.

[Slide #2 – Financial Institutions in Japan]

First, let me give you an overview of banks in Japan. In Japan, currently there are a total of 401 banks, which can be categorized as mega banks, major banks, regional banks, second-tier regional banks and Shinkin banks. These banks have a total of approximately 21,000 branches and 395,000 employees nationwide. In addition to the 401 banks, there are some smaller financial institutions, such as credit associations and agricultural cooperatives. However, Aflac mainly targets the 401 banks as its distribution channel.

In the retail banking business, each type of bank is taking a different approach. Mega banks and major banks are now putting resources on enhancing direct sales through channels such as telemarketing and the Internet, as well as conducting over-the-counter sales. They also intend to promote consultation-oriented sales provided by qualified financial planners. Regional banks and second-tier regional banks primarily conduct over-the-counter sales, with door-to-door sales to follow. Shinkin banks, on the other hand, are very keen on door-to-door sales.

[Slide #3 – The Shinkin Industry]

All 279 Shinkin banks are members of the National Association of Shinkin Banks, or Zenshinkyo, which is an overseeing entity. This organization selects standard insurance products and also extends administrative support to Shinkin banks nationwide. Because of this specific business plan and the fact that the Zenshinkyo has four insurance companies as the provider of insurance products to be sold at Shinkin banks, with only Aflac being allowed to provide both cancer and medical insurance, the number of Shinkin banks selling Aflac products is rapidly increasing.

[Slide #4 – Sales Power of Banks]

Reflecting the overall market turmoil since last summer in the wake of the U.S. sub-prime lending crisis, we have seen some declines in the asset amount of investment trusts sold during the fiscal year of 2007. This is the first decline since the commencement of sales of financial instruments through the bank channel. But as you can see in this slide, banks' sales power remains very strong.

[Slide #5 –Commission Revenues at Banks]

However, as the sales went down, so did commission revenues for banks. As this slide shows, an industry survey published by the Japanese Bankers Association reveals that the net fees and commissions of all Japanese banks in fiscal 2007, excluding Shinkin banks, declined by 200 billion yen, or 9.6% lower than fiscal 2006.

[Slide #6 – Necessity of Selling Insurance Products]

Obviously, reviving the sluggish commission revenues, or even increasing them, is one of the top priorities for banks because they cannot expect spread based income to increase. However, in order for them to do so, they have to either regain sales momentum of the investment trust and variable annuity, or secure a new profit source, or both. And this market turmoil seems to have convinced bank managers that selling insurance products can provide them with a far more stable and less volatile source to secure profits. As a result, an increasing number of banks are aware of the significance of selling insurances, including third-sector products.

[Slide #7 – Compliance]

On the regulatory side, in December last year, the FSA imposed new regulations on insurance sales by banks at the same time when the full deregulation became in effect. For example, banks are prohibited from selling insurance products to employees of a corporate borrower who has less than 51 employees. There is, though, an exception for small regional institutions such as Shinkin banks under which they are allowed to sell to employees of a corporate borrower who has more than 20 employees. However, the trade-off is a limitation of daily hospitalization benefit, which is set at ten thousand yen for cancer insurance and five thousand yen for medical insurance. As such, this new regulation is very complicated, and as a result, a solid administrative framework and employee skills are required. In addition, the Financial Instruments and Exchange Law enforced in September last year has been affecting behavior of salespeople of banks as well. Although in theory third sector insurance is exempted from the regulations by the law, in reality, because these same salespeople are selling both third sector products and investment type of products, which are regulated by the Law, they tend to treat them in the same way from a compliance perspective.

Under such circumstances, banks are dealing with compliance matters extremely cautiously. Their attitudes and behavior have proven to be even more cautious than we initially anticipated. For example, a mega bank installed a special internal rule that requires salespeople to talk with a customer face-to-face for at least three times before closing an insurance contract. Besides, banks have never sold third sector products before. Some regional banks are so cautious that they first started selling at a limited number of branches as a test case, and then gradually expand selling to other branches. Given this situation, as I will mention later in more detail, Aflac is now making efforts to strengthen its support to banks by providing prompt services including intensive trainings.

[Slide #8 – Number of Banks Selling Aflac Products]

The number of banks selling Aflac's third-sector products reached 190 as of August 2008, which means our products are sold by far more banks than those of our competitors. In particular, since April 2008, when Shinkin banks started insurance sales in full scale, the number of tie-ups with banks has rapidly increased, as shown in this slide. And this growth is faster than we had originally expected.

[Slide #9 –2008 New Sales through the Bank Channel]

Now, let me move on to new annualized premium. In the second quarter, new sales through banks were 680 million yen, or about 2.5 times the sales of 276 million yen in the first-quarter, marking a solid growth. However, the growth of new sales was a bit slower relative to the growing number of tie-up banks.

[Slide #10 – Situations at Banks and Aflac's Approach]

There are a couple of reasons behind this. First, as I mentioned earlier, banks are taking more time than we anticipated in cautiously dealing with compliance issues. Second, salespeople are yet to get fully accustomed to insurance products that they are selling for first time. Third, many banks have not yet set a specific sales target for their branches.

To cope with this situation, we are taking two approaches, namely "top-down" and "bottom-up" approaches.

[Slide #11 –Top-down Approach)

Under the "top-down" approach, Aflac's top management is now calling on bank executives to elaborate on the merits and profitability to be brought about by third-sector products. In this top-down approach, we emphasize that if insurance products are included in retail line-up, it will enable the bank not only to gain additional sales commissions but also to increase its engagement in customers' life-long planning and thus help the bank even tap into customers' families.

We also tell them that it is extremely important for bank management to clearly set a numerical sales target for each branch and maybe each salesperson. When we emphasize the importance of these two points, bank executives agree in most cases.

As a result, out of 190 banks selling our products, 33 banks have set numerical targets specifically for the sale of Aflac products. Another 40 banks have determined target figures for the entire insurance sales including Aflac products. The total of these banks accounts for 37% of banks selling our products, and this percentage is gradually increasing.

[Slide #12 – Bottom-up Approach]

Under the "bottom-up" approach, on the other hand, we are providing salespeople with highly effective training programs and sales materials. As explained, training is very important to

solve problems at banks that are extremely cautious about compliance and need to get fully accustomed to brand new products. I would like to touch upon a good example from various training programs we have prepared.

We created a program called “Master Course Program,” specifically designed for regional banks. We invited a number of salespeople at major regional banks to Tokyo to attend this program. We held the first session in April and after taking three months implementation period, we hosted a second session in July. This program is intended to get each participant to introduce actual sales methods or share success stories in order to establish more effective sales models and to promote sales by implementing such models at banks. We first present our own sales methods and materials to participants and give a training session. Thereafter, they will bring them back and adopt such methods in actual sales activities.

In the second session, the participants reported success or failure stories. Then we refined and reinforced the sales model to reflect these actual experiences. Through this interactive workshop, each bank can reinforce its sales activities and at the same time, Aflac can gather precious information on customers and salespeople at banks. I believe this process is very productive and fruitful. We plan to hold a third session in October where we will be able to create a comprehensive piece of sales model. We will also hold Master Course Program on an ongoing basis starting in the third quarter to provide more banks with as many opportunities as possible.

Besides this strategic training program, Aflac has also been providing banks with basic training programs, which consist of two types; pre-sales training and follow-up training after product launch. We carry out training either in group for pre-sale programs or in the field mostly for follow-up programs. Typically, the group training enrolls 30 to 100 participants at the headquarters or regional controlling offices and it lasts approximately 2 to 2.5 hours. We conduct multiple sessions until all the salespeople finish this program. Follow-up programs are typically held after business hours at bank branches and all the field members including general managers are required to take the program. It usually lasts 1 to 2 hours.

The pre-sales training is focused on the three mandatory elements – “product,” “administration” and “compliance,” while the follow-up training on obtaining effective sales-talk techniques as well as a broader knowledge on cancer or medical system.

We are now also focusing on training to tap incoming customers at bank branches. After my presentation, you will hear about this sales model from Mr. Mifuji of the Hyakugo Bank.

[Slide #13 – Bank Sales Office and Staff]

Aflac’s employees serve as instructors at these trainings. We currently have 13 bank sales offices nationwide. Each office consists of about 10 Aflac regular employees as well as about 10 who we call expert staff members. Expert staff members are contract employees with experience of working at other life insurance companies or financial institutions. They visit bank branches, discuss with branch managers over insurance sales promotion and also take care of training for each bank branch. Further, they call on salespeople individually for follow-up.

Through these efforts, we aim to draw bank branch managers' attention to Aflac, motivate salespeople and raise their sales skills, with the belief that such efforts will directly contribute to our sales increase.

[Slide #14 – Outlook]

Before concluding my presentation, let me touch upon the outlook. First of all, number of banks is increasing who have gone through test period and therefore are selling our products at all branches. There are also many banks who plan to set numerical sales target from October, when the second half of fiscal 2008 starts. In order to promote new sales, we plan to give incentives to banks that have sold a certain amount of Cancer Forte and EVER products on top of regular commissions starting this month. We have also been conducting a sales campaign targeting field employees at major regional and shinkin banks, and at the same time, we are increasing the opportunities to provide banks with effective sales models or success stories such as Master Course Program I mentioned before. Through these campaigns and seminars, we intend to motivate banks to sell more aggressively and, at the same time, share methods and know-how with bank managers and field employees. We believe these activities will accelerate new sales from 4Q.

In addition, a brand new single payment product called “*Sanjuso*,” meaning “Trio,” will be introduced in October. Sanjuso provides lump sum payments upon the diagnosis of cancer, heart attack or stroke. It also has a death benefit. This product is very favorably accepted by banks through pre-marketing. At the same time, Shinkin banks will start selling Gentle EVER and WAYS as standard insurance products in the industry. We expect sales to increase with the introduction of these products.

As Mr. Tonoike stated at the beginning, although sales through bank channel have been slower than we expected, we continue to see good growth on a monthly basis and we hope for even better growth in the remainder of the year. Under such circumstances, we believe the pace of sales through the bank channel will get close to its cruising speed in 4Q all through the year of 2009.

[Slide #15 – Aflac Logo]

Banks have been very cautious and conservative since the full deregulation in December last year. However, they are gradually changing their attitude to more proactively sell insurance products. I believe the bank channel will grow to become a new pillar of sales channel in the year of 2009 as also evidenced by current steady increase in sales.

Thank you for your kind attention.

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Aflac 2008 Tokyo Analyst Meeting
Yoshihiko Mifuji
Manager, Personal Banking Division
The Hyakugo Bank, Limited

[Slide #1 – Title Slide]

Good afternoon, everyone. My name is Mifuji at the Personal Banking Division of the Hyakugo Bank, Limited. I'd like to explain our efforts on insurance sales through bank channel at the Hyakugo Bank. I hope my explanation will help you, investors, to gain a deeper understanding of insurance sales through bank channel.

[Slide #2: Company Overview of the Bank]

As an introduction, let me give you a brief explanation of the Hyakugo Bank. Our bank was established as the 105th National Chartered Bank on December 4, 1878. There are seven banks in Japan, including ourselves, which retain the order number of the establishment in their names when established as a national bank during the Meiji era. Our bank was reorganized into an ordinary bank on July 1, 1897 to become a joint-stock company, with a long history till present.

We have total assets of 3.97 trillion yen at the end of March 2008, with 128 branches and 2,325 employees.

[Slide 3: Location of the Bank]

As shown in the slide, our bank is headquartered in Mie Prefecture, which is located just at the center of Japan. As the largest bank in Mie, we have the market shares of 44.7% and 39.4% in deposits and loans, respectively.

[Slide #4: Focus on Retail Banking]

We have been focusing our efforts on retail banking including insurance and mutual funds sales, and the commission revenues from sales of these financial products during fiscal year 2007 reached 3.72 billion yen, which was an increase of 8.5% compared to the previous year. Sales of mutual funds during 2007 were sluggish at almost all banks and we were not an exception. However, we saw our insurance sales grow strongly and managed to achieve an increase in profit. The outstanding value of mutual funds sold through our bank as of the end of March 2008 was 163.3 billion yen, while the value of insurance policies, which consisted mostly of individual annuities and sold through us during fiscal 2007, amounted to 39.4 billion yen.

[Slide #5: Efforts on Insurance Sales through Bank Channel]

Next, I will explain the history and track record of insurance sales through our bank. We

have been selling annuity products since October 2002 when the ban on the sale of individual annuity through bank channel was removed, and also have been selling Aflac's individual annuity products from the start. Since the full deregulation in December last year, we have been selling Aflac's medical and cancer insurance as well as WAYS products. Among products that we are currently selling, there are two medical, two cancer insurance, and 13 individual annuity policies, with each category including at least one product from Aflac.

[Slide #6: Purpose of Selling Third Sector Products]

Since the insurance products in the third sector are different from those we have been selling, such as individual annuity policies which serve as investment options, we needed to newly clarify the meaning of products to customers and purpose of sale by bank as I'll mention next.

First, we needed to clarify why medical insurance is necessary for our customers. In selling medical insurances, even some members of our staff thought that nonrefundable insurance is a waste of money because not every customer will become ill, so it might be better to save the money in their bank account, rather than paying the insurance premium.

Therefore, we gathered concrete data to highlight the need for medical insurance, pointing out that it would become more difficult to subscribe to an insurance policy as customers become older and that medical expense has been on the increase year after year. In doing so, we emphasize a 'constructive use of medical insurance to live well,' that is, making use of it to enrich your life by dedicating your assets to travels and hobbies, instead of spending it in a negative way to prepare for the cost of hospitalization and outpatient treatment.

Another issue is the meaning or significance for Hyakugo Bank to widely introduce third sector products to our customers.

Reflecting on ourselves, in many cases, we usually purchase an insurance product not because we are convinced that we need it, but because we have been worn down by persistent sales efforts by insurance salespeople. We don't want that happen to our customers. That is why we are trying to make a marketing approach, which we think it should be, to first listen to customers' need for coverage and then sell products that match their needs.

We had similar discussions when we started the over-the-counter sales of mutual funds through bank channel 10 years ago. In selling mutual funds through the bank channel, we put a focus on promoting long-term, diversified investment as well as selling in small lots to many customers. This is how mutual funds are sold and is what securities companies were unable to do before. As a result, sales through the bank channel have gained support from customers and grown to account for as much as a half of the outstanding balance of mutual funds.

We are taking a similar approach with insurance sales through the bank channel. With insurance, it usually takes much longer after the purchase before a customer uses the policy and feels satisfied about it, compared to mutual funds. Thus it would be very rare that the sales representative himself could hear such feedback from the customer. However, by taking the

approach I mentioned just a minute ago, we believe that there will surely be more and more customers who will eventually appreciate the fact that they have been offered insurance policies by the Hyakugo Bank, which in turn will make offering insurance policies to our customers one of the important tools we can use to gain trust from them. Based on this belief, we are striving to accumulate such trust through our day-to-day activities.

The unit price per policy for cancer and medical insurance is certainly lower than that of mutual fund and variable annuity. However, as I mentioned, considering that it is an indispensable solution to our customers, that it is possible to obtain multiple contracts for the entire family, and therefore we would be able to earn a decent commission rate of first-year premium and stable commissions in renewal years, we are confident that it can be a key pillar of our businesses from the perspectives of customer strategy as well as the commission revenues.

As I mentioned in the beginning, insurance sales, together with mutual fund sales, constitute pillars of our retail banking and we saw commissions from selling mutual funds and insurance products during fiscal year 2007 amount to about 2 billion yen and 1.5 billion yen, respectively, which means that commissions from insurance sales reached the level of more than 70% of those from mutual funds sales. Considering that insurance commissions were only in a level of 35% of that from mutual funds sales in the year before, you can understand insurance sales have been gaining its importance in terms of asset management for customers. We expect insurance to make even larger contributions to our profits during fiscal year 2008 through the launch of the third sector products.

[Slide #7: Challenges and Initiatives]

So far I have explained that the introduction of the third sector products will accelerate our efforts to promote consulting business and contribute to overall profit for the entire retail business, not just obtaining sales commissions.

On the other hand, there are several challenges because third sector products present a new product sector for banks.

The first challenge we faced after commencing the sales of cancer and medical insurance is that there were very few customers who knew that they could purchase those products at banks.

For a product already recognized well, such as mutual fund and investment type variable annuity, it is possible for us to make a proposal immediately by presenting an investment menu to the customer. Unfortunately, we have very few customers at this point who would say at a bank's counter, "I'd like to think about buying insurance products here at the bank."

Also, on the customers' side, there are many who already subscribe to some kind of insurance policies but not many who have a clear understanding of what they may need more coverage for. Given these situations, it is necessary that we speak proactively to as many customers as possible who visit our branches and raise the awareness for the coverage that they may need.

[Slide #8: Initiatives at Model Branch]

Here I'd like to introduce the sales activities at our model branch as a specific example of the process of raising the awareness to making a sale. The operation of this model branch revolves around retail business. It has a relatively large amount of deposit, with heavy traffic of as many as 250 to 300 of visiting customers per day. In order to take advantage of those characteristics, we came up with an approach to make the customers recognize that we sell insurance and get them interested.

Thus we decided to form a team that would approach customers who are waiting in the lobby and speak to them proactively. This team is formed by 5 people in total, consisting of 3 female tellers and 1 liaison officer plus a male supervisor. They go round across the lobby during the business hours, handing out fliers, notifying them of the fact that the Hyakugo Bank handles third sector insurance products, and communicating that any customer who is interested in can discuss in details at an insurance booth.

Also, when a teller gives a deposit passbook back to a customer, she will slip a flyer in between and make a brief comment about our handling of insurance and consultation available at the insurance booth.

This simple approach with a personal touch is very effective. If a customer becomes interested and shows up to the booth dedicated to insurance, our employee who is experienced in selling insurance will make concentrated sales efforts.

In making sales efforts, we make use of fliers regarding medical treatment and cancer that are provided by Aflac to stimulate customers' need. We originally had an assumption that the need for the third sector insurance products should be primarily for the elderly, but as we progressed with the selling, we realized that the housewives with husbands in their prime seriously consider the future of their children and have a desperate need to have coverage for themselves.

We believe our success has resulted from our focus on the entire process, from making an approach in the lobby, guiding a customer to a dedicated booth, and having an experienced employee stimulate customer need. Further, our sales staff was able to improve their skills along this flow and approach customers in a confident manner.

Our next challenge is to extend this kind of sales approach to all branches, and we think it will spread gradually.

[Slide #9: Measures Going Forward]

In order to get this new business up and running at our bank as a whole as quickly as possible, it is also very important to set a firm sales objective and ensure thorough efforts to attain it.

At our bank, insurance sales are positioned as an important challenge for the management

of the bank with a clear objective established. The sales performance by branch is shared through our intranet every week, together with favorable examples. Both the objectives and sales performance are managed by branches, regional offices, which serve as regional headquarters, and relevant departments at the headquarters.

Further, since the actual operation related to cancer and medical insurance is different from those for the products that we have been dealing with, we also needed to set up a new system of administrative procedures for new policies, follow-up after subscription and so on. Fortunately, Healthy Family, which serves as our co-offering agent, has a very close business relationship with Aflac and we make the most use of their know-how to build a partnership. In other words, we separated our responsibilities so that we focus on selling while Healthy Family is responsible for checking contract documents, managing account transfer of insurance premium and others. With these solid backups, our employees can work on selling without distraction.

[Slide #10: Characteristics of Aflac Products]

Lastly, I would like to mention the characteristics of Aflac's products from the seller's standpoint.

Aflac's products have a simple design and they capture customers' need accurately. Moreover, they allow the staff to explain to customers within a short period of time. They also have strong name recognition. Further it comes with familiarity, and the Aflac Duck, in particular, is helpful in starting conversations with customers. Aflac also provides good training support as well as effective promotional materials such as a pamphlet with a story line that make it easier for a customer to understand a policy.

However, our employees need to choose among all kinds of products from variable annuity, mutual funds to bank deposits and recommend a product that matches customer needs. From the point of view of an employee who engages in retail business, not to mention the profit, critical factors for being the first choice include that it is a product that is useful to a customer and also helps establish a long-term relationship, therefore, can receive a word of appreciation from the customer.

As our employees on the front line accumulate selling experience and gain deeper understanding of inherent features of Aflac's products, I believe their confidence and sales mind will increase further.

[Slide #11: Aflac Logo]

I hope today's explanation has provided you with useful information regarding insurance sales through bank channel in Japan. Thank you very much for your attention.

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