

# **2010 Tokyo Analyst Meeting Presentation Slides**



**September 13, 2010**

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**[aflac.com](http://aflac.com)**

**Aflac Worldwide Headquarters**

**1932 Wynnton Road**

**Columbus, GA 31999**

## ABOUT AFLAC

When a policyholder gets sick or hurt, Aflac pays cash benefits fast. For 55 years, Aflac insurance policies have given policyholders the opportunity to focus on recovery, not financial stress. In the United States, Aflac is the number one provider of guaranteed-renewable insurance. In Japan, Aflac is the number one insurance company in terms of individual insurance policies in force. Aflac insurance products provide protection to more than 50 million people worldwide. For four consecutive years, Aflac has been recognized by *Ethisphere* magazine as one of the World's Most Ethical Companies, and *Forbes* magazine named Aflac as America's Best-Managed Company in the Insurance category. In 2010, *Fortune* magazine recognized Aflac as one of the 100 Best Companies to Work For in America for the twelfth consecutive year and also included Aflac on its list of Most Admired Companies for the ninth time. Aflac Incorporated is a Fortune 500 company listed on the New York Stock Exchange under the symbol AFL. To find out more about Aflac, visit [aflac.com](http://aflac.com).

## FORWARD-LOOKING INFORMATION

*The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. We desire to take advantage of these provisions. This document contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein, and in any other statements made by Company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC).*

*Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective," "may," "should," "estimate," "intends," "projects," "will," "assumes," "potential," "target" or similar words as well as specific projections of future results, generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements. We caution readers that the following factors, in addition to other factors mentioned from time to time, could cause actual results to differ materially from those contemplated by the forward-looking statements: difficult conditions in global capital markets and the economy; governmental actions for the purpose of stabilizing the financial markets; defaults and downgrades in certain securities in our investment portfolio; impairment of financial institutions; credit and other risks associated with Aflac's investment in perpetual securities; differing judgments applied to investment valuations; subjective determinations of amount of impairments taken on our investments; limited availability of acceptable yen-denominated investments; concentration of our investments in any particular sector; concentration of business in Japan; ongoing changes in our industry; exposure to significant financial and capital markets risk; fluctuations in foreign currency exchange rates; significant changes in investment yield rates; deviations in actual experience from pricing and reserving assumptions; subsidiaries' ability to pay dividends to Aflac Incorporated (the Parent Company); changes in law or regulation by governmental authorities; ability to attract and retain qualified sales associates and employees; decreases in our financial strength or debt ratings; ability to continue to develop and implement improvements in information technology systems; changes in U.S. and/or Japanese accounting standards; failure to comply with restrictions on patient privacy and information security; level and outcome of litigation; ability to effectively manage key executive succession; catastrophic events; and failure of internal controls or corporate governance policies and procedures.*

**Introduction to Aflac Japan**  
**Tohru Tonoike**  
**President, Chief Operating Officer**  
**Aflac Japan**

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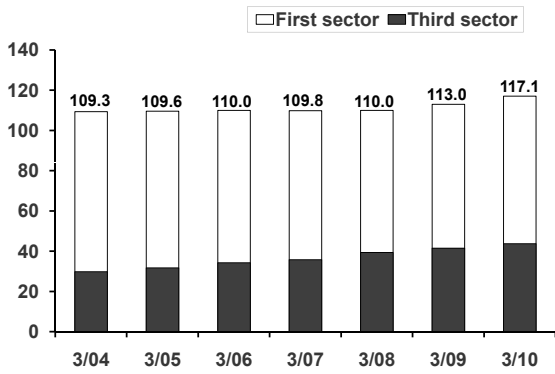
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**Life Insurance Policies in Force**

(FSA Basis, In Millions)



Source: Life Insurance Association of Japan

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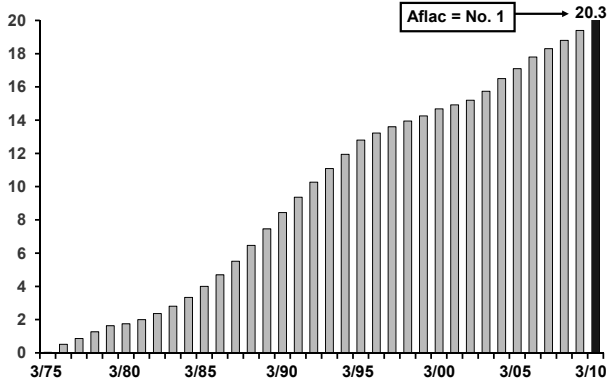
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**The Number One Life Insurer in Japan**

(Policies in Force, FSA Basis, In Millions)




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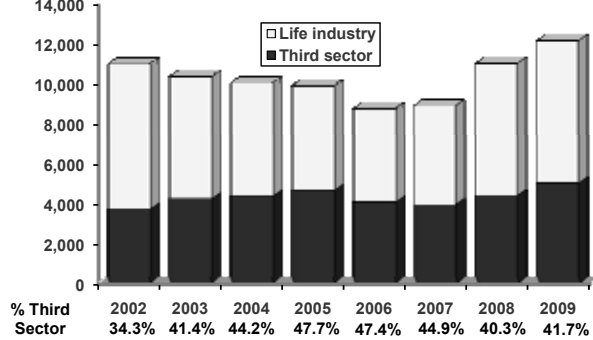
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### Third Sector Contribution to Life Insurance Industry New Policy Sales

(FSA Basis, In Thousands)



Source: Life Insurance Association of Japan, Insurance Research Institute

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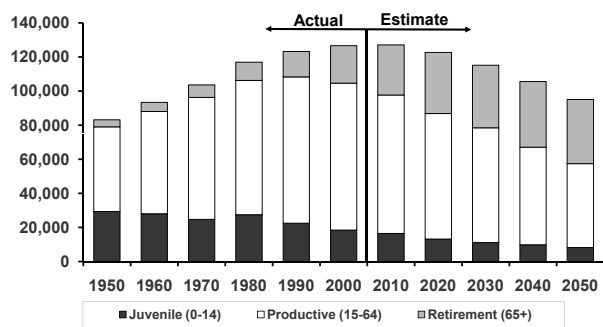
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### Japan's Aging Population and Declining Fertility Rate

(In Thousands)



Source: National Institute of Population and Social Security Research, Future Estimated Population of Japan, 12/06

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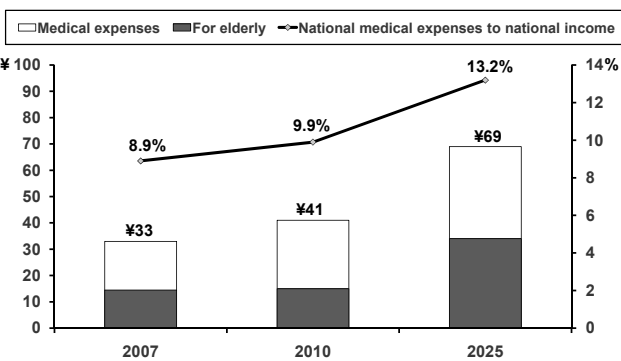
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### National Medical Expenses

(Yen in Trillions)



Source: Ministry of Health, Labor and Welfare, 7/08

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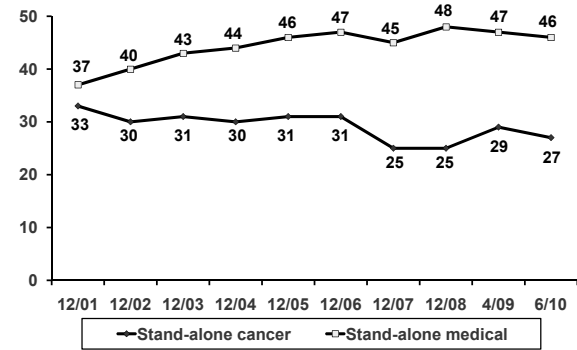
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### Competitors in the Third Sector

(Number of Life and Non-life Insurance Companies)



Reflects results of company mergers and companies that have discontinued sales

Source: Web sites of each company

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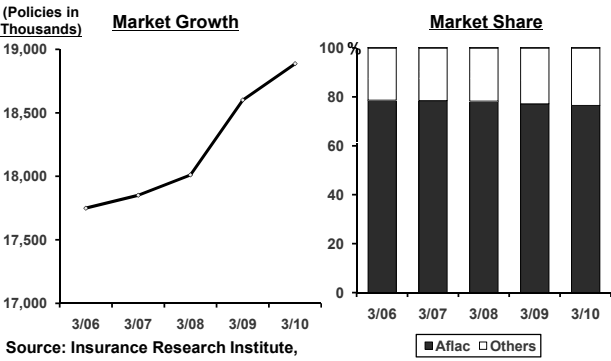
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### Aflac's Share of In-Force Business: Cancer

(FSA Basis, Stand-alone, Life Industry Only)



Source: Insurance Research Institute, Life Insurance Association of Japan

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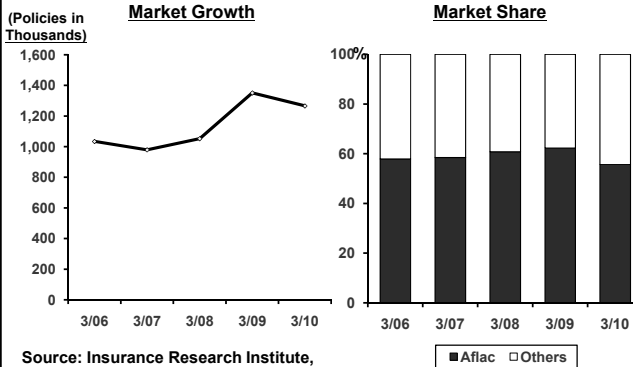
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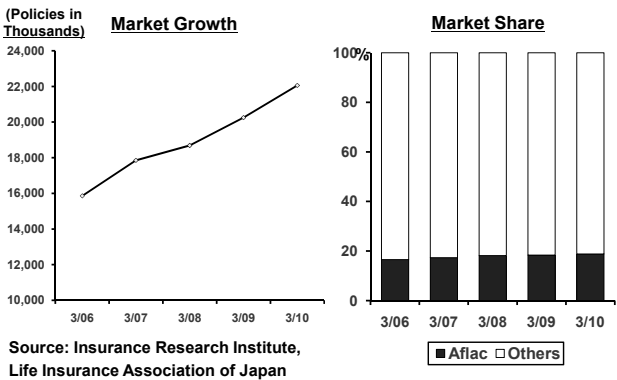
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### Aflac's Share of In-Force Business: Medical (FSA Basis, Stand-alone, Life Industry Only)




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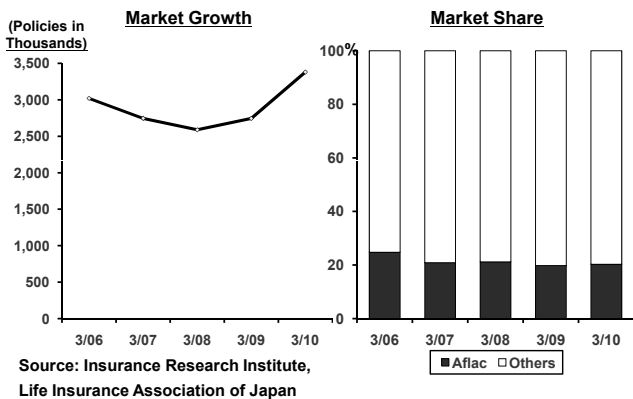
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### Aflac's Share of New Business: Medical (FSA Basis, Stand-alone, Life Industry Only)




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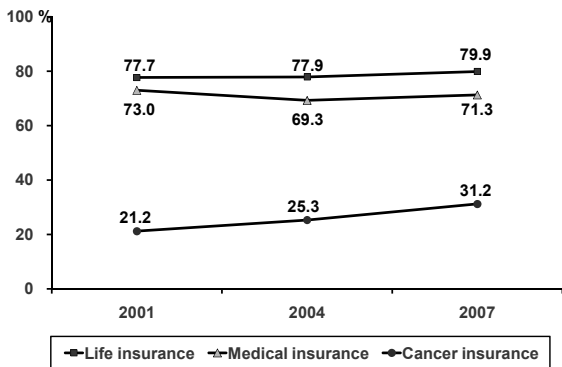
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### Insurance Product Penetration (Individual Basis)




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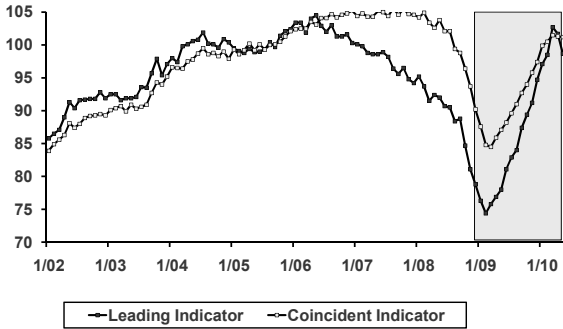
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### Economic Indicators

Composite Indexes (2005=100)



The periods indicated in light blue show economic expansion period  
Source: Cabinet Office

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### Aflac Japan's Competitive Strengths




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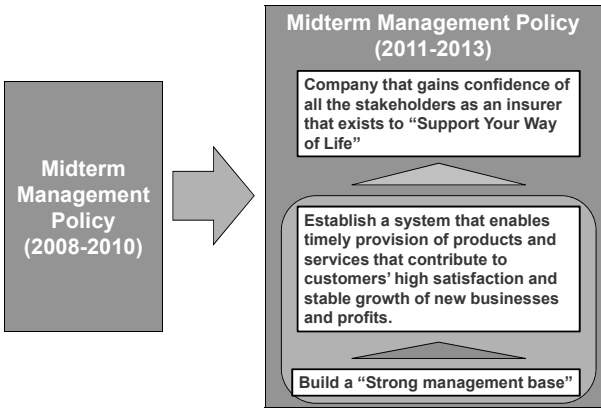
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### Midterm Management Policy




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**Aflac Japan Marketing and Sales  
Koji Ariyoshi  
First Senior Vice President;  
Director of Marketing and Sales  
Aflac Japan**

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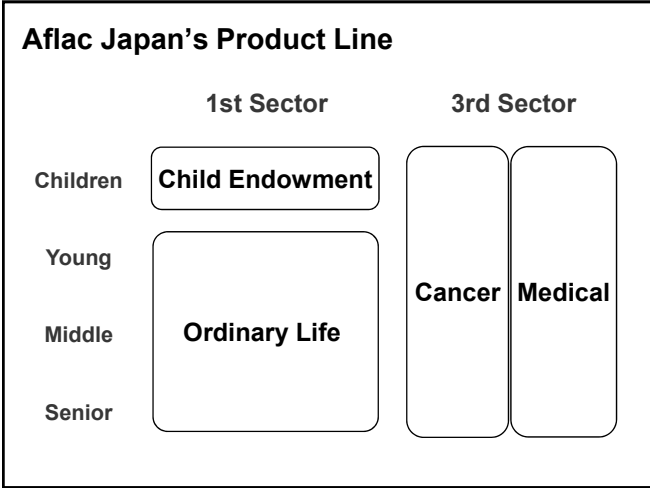
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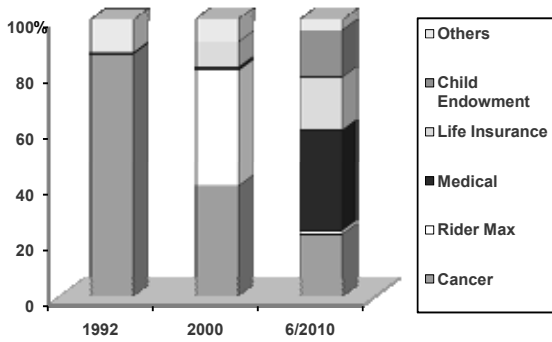
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### Aflac Japan's Product Mix




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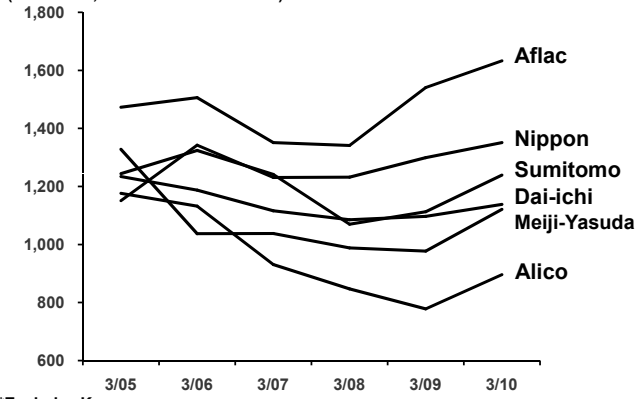
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### New Business in Policies

(FSA Basis, Policies in Thousands)



\*Excludes Kampo

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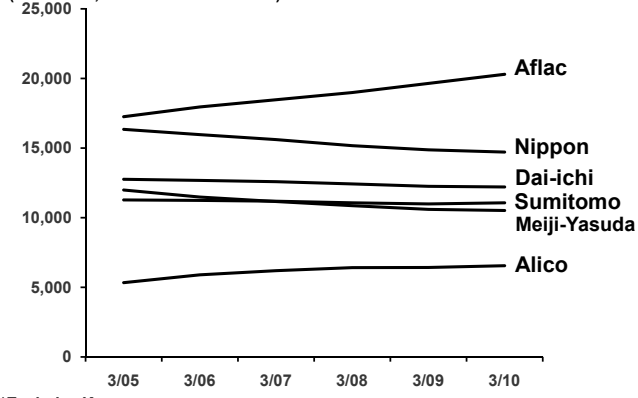
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### Individual Policies in Force

(FSA Basis, Policies in Thousands)



\*Excludes Kampo

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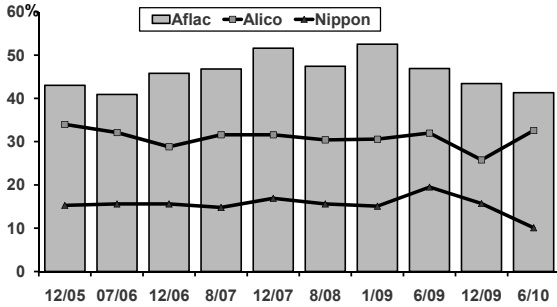
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### Consumers' Brand Association with Cancer Insurance

(Unaided Recognition Ratio)



Source: Dentsu and Nippon Research Center

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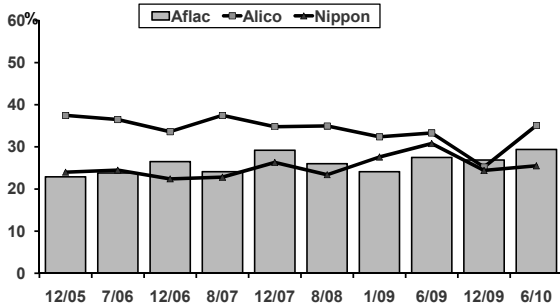
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### Consumers' Brand Association with Medical Insurance

(Unaided Recognition Ratio)



Source: Dentsu and Nippon Research Center

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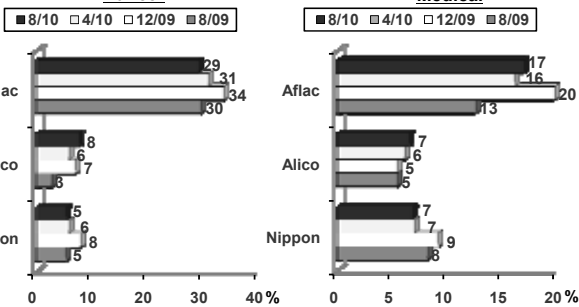
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### The Most Preferred Insurer for Cancer and Medical Insurance

**Cancer**

**Medical**



Source: Macromill, Inc., 8/09, 12/09, 4/10, 8/10

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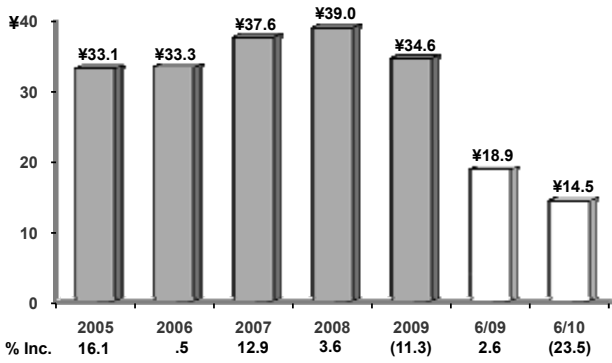
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### New Sales of Cancer Insurance

(New Annualized Premium, Yen in Billions)




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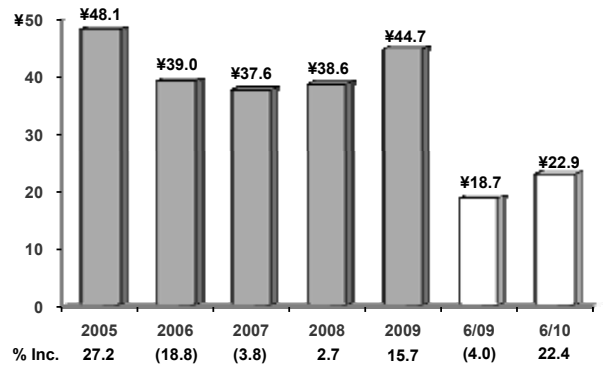
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### New Sales of Medical Insurance

(New Annualized Premium, Yen in Billions)




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### 2010 New Products

- Female Cancer Rider “Corsage”



- New Gentle EVER




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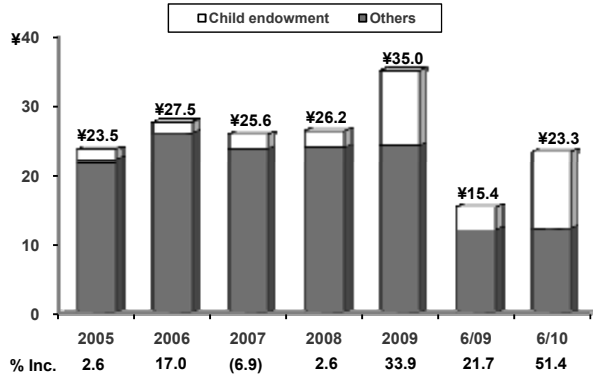
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### New Sales of Life Insurance

(New Annualized Premium, Yen in Billions)




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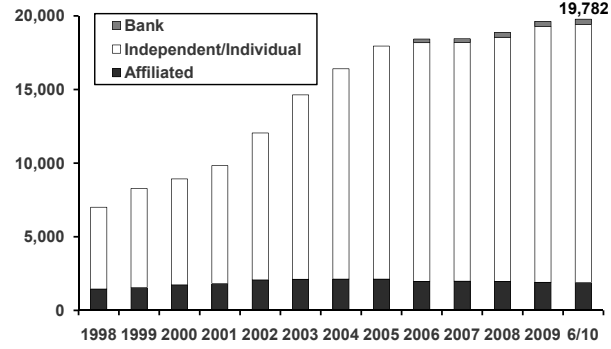
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### Number of Agencies by Type




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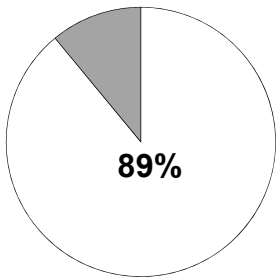
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### Worksite Marketing

No. of companies listed on the Tokyo Stock Exchange: 2,334




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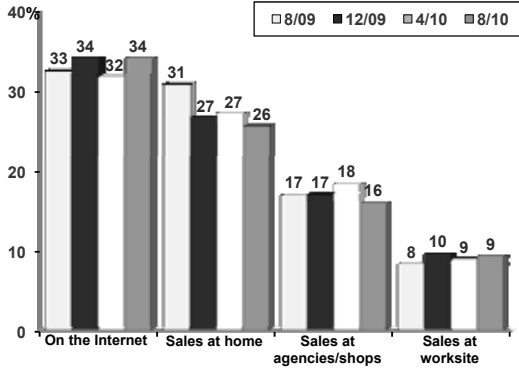
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### Communication Preferences for Insurance Purchases



Source: Macromill, Inc., 8/09, 12/09, 4/10, 8/10

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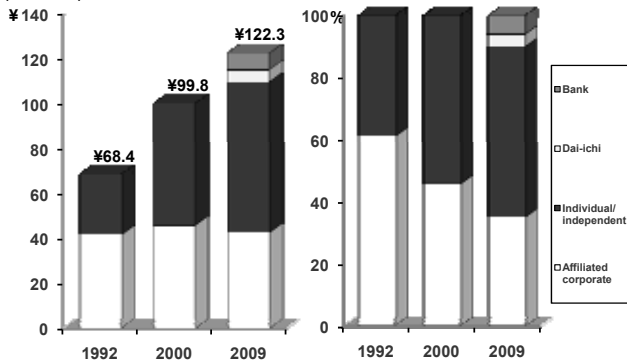
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### Historical Transition of Sales Channels

(New Annualized Premium Sales)

(In Billions)




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### Aflac Japan Sales Organization

Director of Marketing and Sales

Corporate Marketing

Retail Marketing

Bank Channel Marketing

11 corporate sales offices

61 retail sales offices

11 financial institution sales offices

Affiliated corporate agencies in Tokyo, Osaka, Nagoya district

Independent, individual, other affiliated corporate, Dai-ichi, Japan Post

Bank

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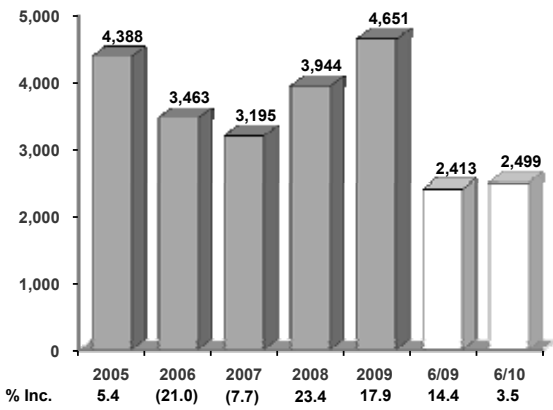
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### Recruitment of New Agencies



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### Aflac's Support for New Agencies - Training

- New Associates Basic Training
- Light Consulting Training

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### Aflac's Support for New Agencies - Incentives

- Advanced commissions
- Rookie Challenge Bonus
- e-App incentives

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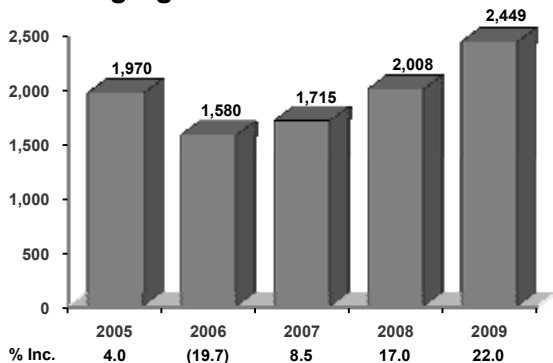
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### Growth of Newly Recruited Producing Agencies\*



\*Three months after registered as an agency

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### Public Recognition of Aflac Characters

Question: Do you recognize them as an Aflac character?

92.3%



**Aflac Duck**

80.3%



**Maneki Neko Duck**

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### TV Commercials

- Female Cancer Rider “Corsage”
- New Gentle EVER

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## TV Commercials

Female Cancer Rider "Corsage"



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## TV Commercials

New Gentle EVER



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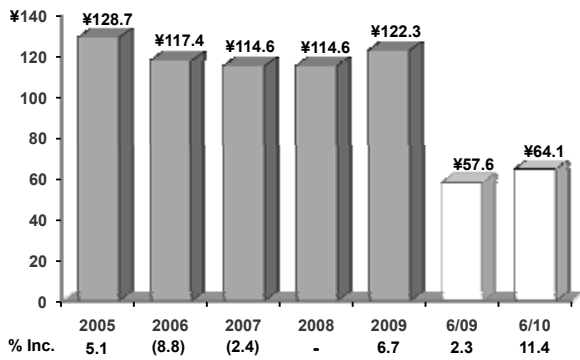
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## Aflac Japan New Annualized Premium Sales (Yen in Billions)



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**The Operations of an Affiliated  
Corporate Agency  
Yoshinori Yunoki  
President,  
Aeon Insurance Service Co., Ltd.**

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### **Company Overview**

- **Founded in 2008**
- **425 employees**
- **Annual sales of ¥3.9 billion (2009)**
- **Target markets:**
  - **Customers visiting our insurance shops**
  - **Cardholders of Aeon Card**
  - **Employees of the Aeon Group**
  - **Other Aeon Group companies**

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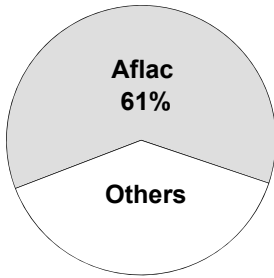
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### Share of Aflac Business in Our Life Insurance Business



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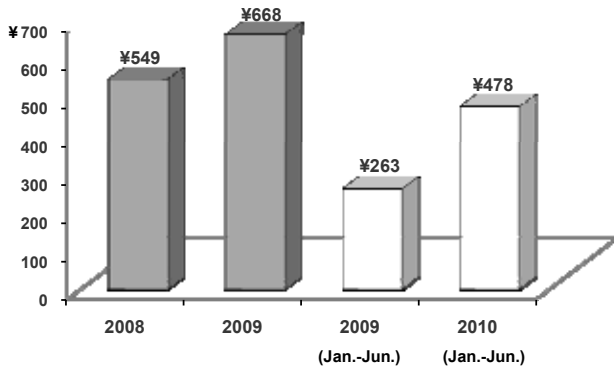
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### New Annualized Premium Sales

(Yen in Millions)



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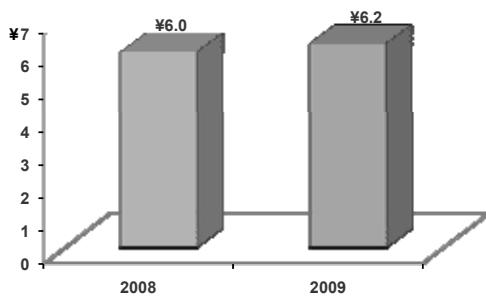
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### Premium Income

(Yen in Billions)



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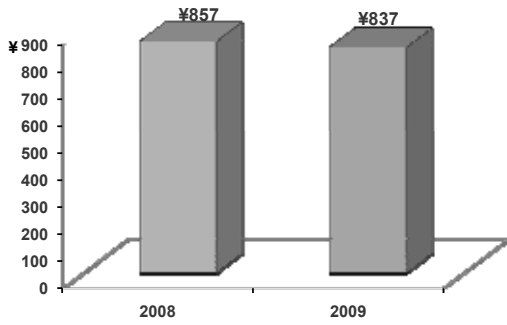
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### Commissions from Aflac

(Yen in Millions)



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### Aflac in Our View

- Solid brand
- Appealing products
- Good service
- Strong support for sales activities

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### Sales Approach

- Insurance shops

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### Sales Approach

- Insurance shops
- Worksite sales within the Aeon Group

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### Sales Approach

- Insurance shops
- Worksite sales within the Aeon Group
- Internet and direct mailing

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### Typical Insurance Shop



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**The Operations of an Independent  
Corporate Agency  
Mikio Yoshizawa  
President; Representative Director,  
Miki Business Corporation**

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**Location of the Miki Business Corporation**



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## Company Overview

- Founded in July 1982
- More than 70,000 policies in force
- 46 employees (including 37 salespeople)

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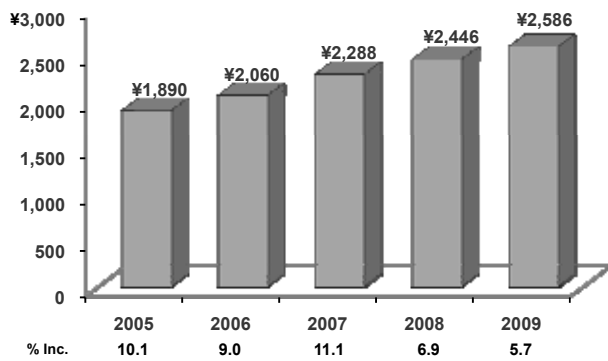
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## Premium Income

(Yen in Millions)



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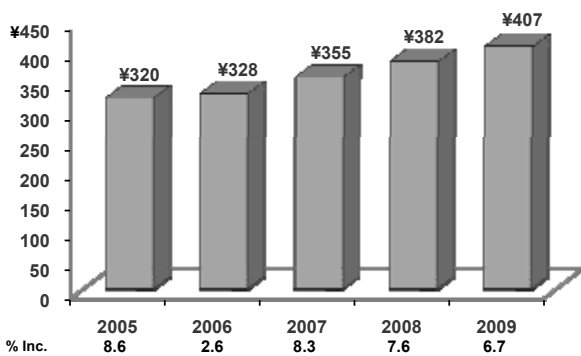
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## Commissions from Aflac

(Yen in Millions)



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### Changes in Consumers' Needs

**Coverage:** From first to third sector products  
Increasing needs for reviewing existing coverage

**Sales approach:** More customers prefer face-to-face consultation



Only face-to-face sales

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### Aflac's Strengths

- Strong brand
- Excellent products:
  - » Competitive medical, cancer and other insurance policies
- High-quality customer service:
  - » Good response to claims payments

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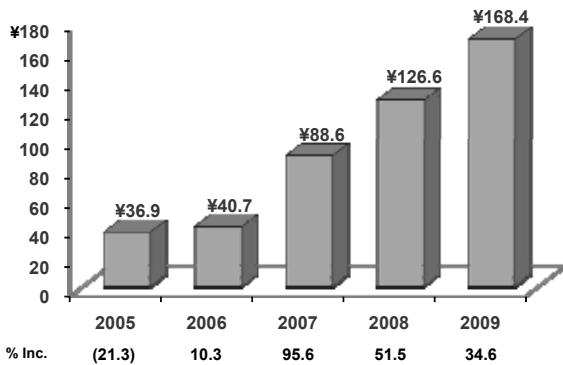
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### New Sales of Cancer Insurance

(Yen in Millions)



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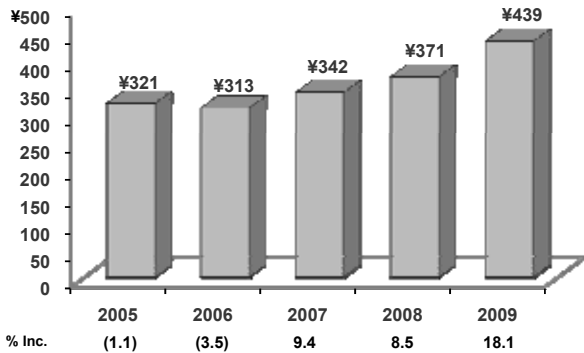
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### New Annualized Premium Sales

(Yen in Millions)



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### Main Markets and Sales Approach

**Markets:** Prefectural government,  
Public offices (city hall, etc.),  
*Hojinkai* (small businesses such as  
restaurants and repair garages)

**Sales approach:** Face-to-face sales

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### Efforts on Development of Human Resources

- Focus on training employees
- Fair and transparent personnel policy
- Implementing benefits program



Results in high productivity of sales persons

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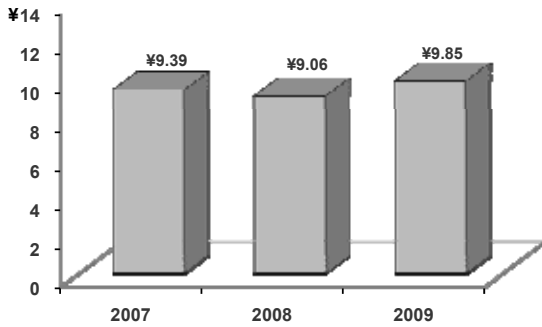
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### Productivity of Producing Salespeople (Yen in Millions)



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### Future Strategies

- Continue to focus on third sector products
- Respond to needs for policy reviewing
- Enhance development of human resources
- Pursue new sales approaches

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**Aflac Japan  
Bank Channel Sales  
Hisayuki Shinkai  
First Senior Vice President,  
Financial Institutions  
Aflac Japan**

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**History of Bank Channel Deregulation**

**December 1998** Investment trusts first offered  
**April 2001** Long-term fire insurance related to housing loans, etc.  
**October 2002** Individual annuity, accident insurance with annuity, etc.  
**December 2005** Single premium whole-life, single-premium endowment insurance, etc.  
**December 2007** All remaining insurance products

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**Financial Institutions in Japan**

(June 30, 2010)

	No. of Institutions	No. of Branches		No. of Employees	
		Total	Avg. per Institution	Total	Avg. per Institution
Mega banks	4	2,192	548	86,431	21,608
Major banks	7	451	64	26,868	3,838
Regional banks	105	10,638	101	181,068	1,724
Shinkin banks	272	7,618	28	115,569	425
Other banks*	14	325	23	5,555	397
<b>Total</b>	<b>402</b>	<b>21,224</b>	<b>53</b>	<b>415,491</b>	<b>1,034</b>

\*Includes Citibank Japan, Seven Bank, e-Bank, Jibun Bank, Aeon Bank and nine credit associations.

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**Reasons for Banks' Compatibility with Insurance Sales**

- Consumers have strong comfort level with banks
- Consumers have strong level of familiarity and confidence with banks
- Many regional and Shinkin banks sell door-to-door

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**Considerations for Insurer Selection**

- Company with products that will drive sales
- Brand recognition of insurer
- Easy-to-explain products
- Commission level
- Sales support and training

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**Aflac's Extensive Reach Within the Bank Channel**

(June 30, 2010)

	No. of Banks		Coverage		No. of Employees
	Total	Aflac Agencies	No. of Banks	No. of Branches	
Mega banks	4	4	100%	100%	100%
Major banks	7	3	43	53	45
Regional banks	105	95	90	93	93
Shinkin banks	272	239	88	89	90
Other banks*	14	13	93	98	94
<b>Total</b>	<b>402</b>	<b>354</b>	<b>88%</b>	<b>91%</b>	<b>90%</b>

\*Includes Citibank Japan, Seven Bank, e-Bank, Jibun Bank, Aeon Bank and nine credit associations

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### Regulatory Restrictions Related to Bank Sales

- Bank cannot make insurance sales a lending condition and certain limits for coverage amount are imposed.
- Restrictions may be loosened after three-year FSA monitoring period

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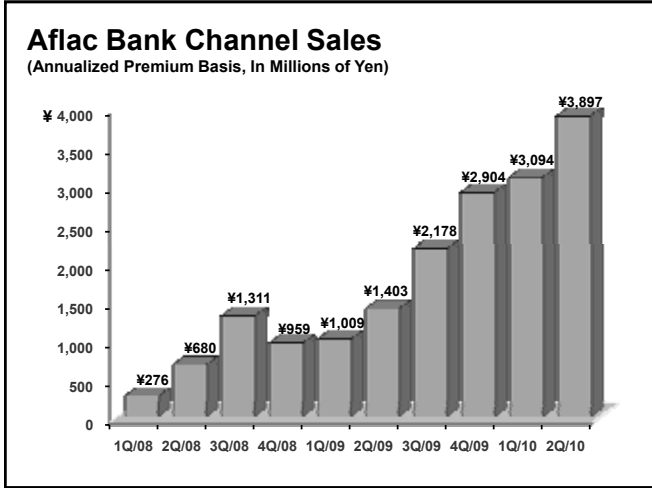
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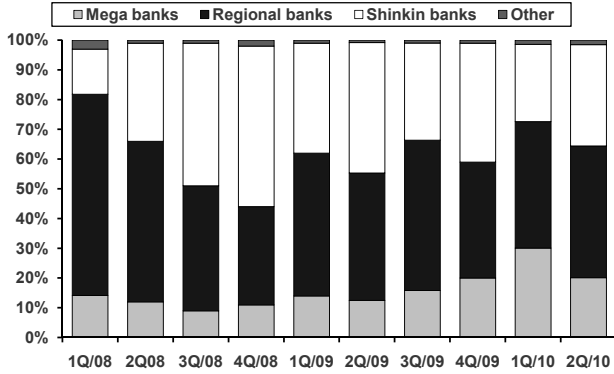
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### Aflac Sales Contribution by Type of Bank

(Annualized Premium Basis)




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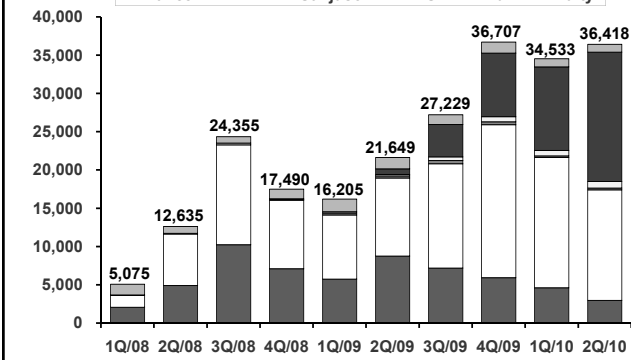
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### Policy Sales by Product

No. of Policies Sold




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### Sales Activity at the Branch Level

	Percentage of Branches Selling Six or More Policies	Percentage of Branches Selling Twelve or More Policies
<b>Mega banks</b>	<b>30.6%</b>	<b>14.3%</b>
<b>Regional banks</b>	<b>17.4</b>	<b>9.7</b>
<b>Shinkin banks</b>	<b>28.6</b>	<b>17.0</b>
<b>Avg. for bank branches</b>	<b>23.0%</b>	<b>12.9%</b>

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**Number of Banks Offering Aflac Products**

Products	No. of Banks		
	12/31/08	3/31/10	6/30/10
Cancer	227	271	274
EVER	180	215	223
Gentle EVER	24	43	50
WAYS	9	22	29
Sanjuso	6	32	32
Child endowment	—	133	207
Annuity	89	89	92
<b>Total</b>	<b>535</b>	<b>805</b>	<b>907</b>
Average per bank	1.6	2.3	2.6

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**Strategy for Bank Sales in Fourth Quarter and 2011**

- Focus on increasing sales at existing banks
- Promote adoption of multiple products
- Leverage government initiatives
  - » Child subsidies
  - » Cancer screening and education
- Strategic promotion of WAYS

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**Insurance Sales at Resona Bank**  
**Masahito Kumakura**  
**Chief Manager,**  
**Consumer Banking Division,**  
**Resona Bank, Ltd.**

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### Overview of Resona Holdings

- Consists of three banks
  - » Resona Bank
  - » Saitama Resona
  - » Kinki Osaka Bank
- Total assets (March 2010)
  - » ¥41 trillion → 4th largest banking group in Japan
- No. of branches (March 2010)
  - » 576 – on a par with other three major banking groups in Japan
  - » Concentrated in Tokyo and Osaka areas

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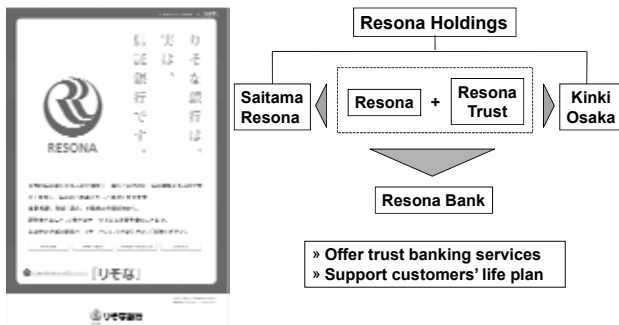
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### Strengthening Trust Banking Function



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## Next Generation Sales Outlets

- Branch renewal initiatives

Eliminating inefficiencies in the branch

Goal

Reduce

- administrative cost
- administrative space by half
- administrative personnel

Double the space for sales activities

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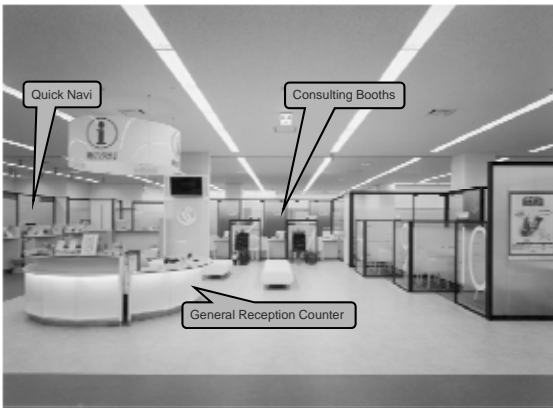
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## Next Generation Sales Outlets



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## Call Center

- 220 operator booths
- 2 million inbound and 600,000 outbound calls a year



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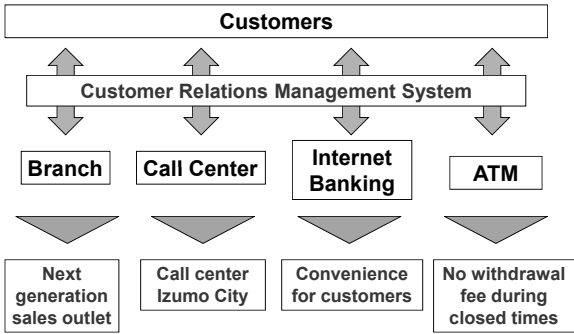
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### Collaboration Between Channels




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### Products – Reflecting Customers’ Feedback

Credit Agricole Asset Management Asia Fund Series      Dai-ichi Frontier Life Anshin Series (Individual annuity)




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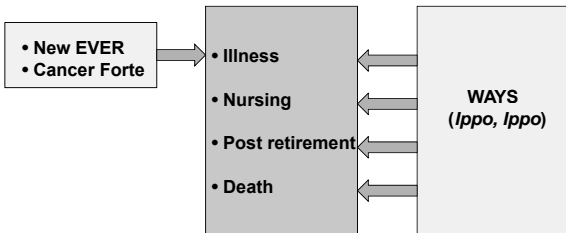
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### Products – Preparing for Life Events

Aflac Products                      Risks                      Aflac Products




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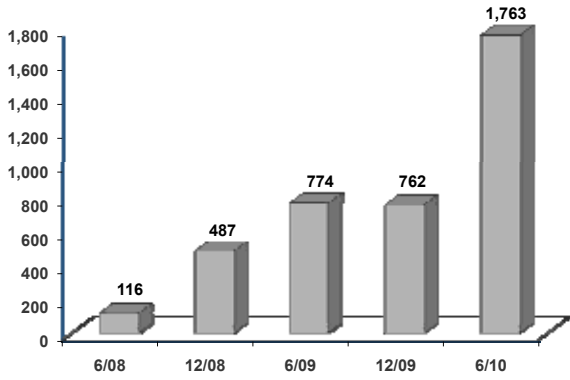
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### New Sales of Aflac Products

(Number of Policies)



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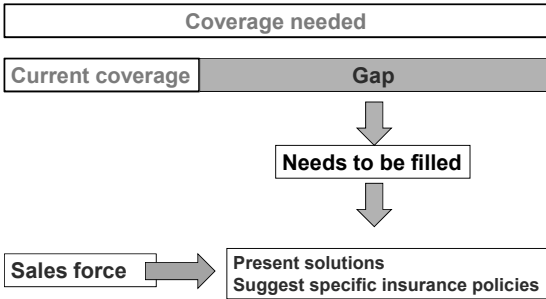
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### Sales Force Training

- Acquire consulting-based insurance sales skills



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### Resona Consulting Skills Improvement Project



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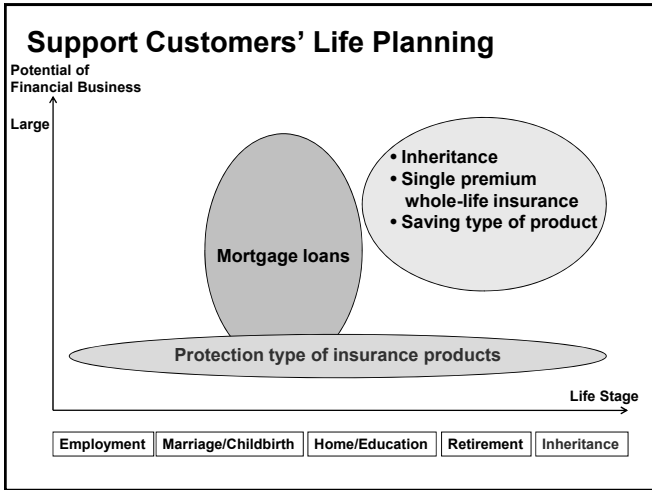
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### The No.1 Bank for Women

- 150 frontline female employees voluntarily take part
- Discuss products they really want to purchase
- Come up with tools or leaflets to convey that message to customers

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### The Power of Mine Project

- Activities to improve cancer screening rate
- Remain committed to CSR activities at Resona Bank through various initiatives

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**Establishing our brand**

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**Japan's Public Policy and  
Regulatory Environment**  
**Charles D. Lake II**  
**Chairman**  
**Aflac Japan**

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**The Japanese Government**

- **Constitutional monarchy with parliamentary government**
- **Bicameral parliament**
  - » **House of Representatives ("Lower House")**
  - » **House of Councillors ("Upper House")**
- **Executive power vested in a cabinet composed of a prime minister and ministers of state (all civilians)**
- **Prime minister must be member of parliament and is chosen by peers**

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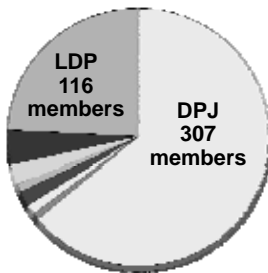
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**House of Representatives (Lower House)**



- **480 members elected for four-year terms**
- **The prime minister can dissolve the Lower House and call for an election at any time**
- **Can override Upper House decisions with a 2/3 majority vote**

□ DPJ (307)      ■ People's New Party (4)      ■ Social Democratic Party (6)  
■ Japan Communist Party (9)      □ Your Party (5)      ■ Other (12)  
■ New Komeito (21)      ■ LDP (116)

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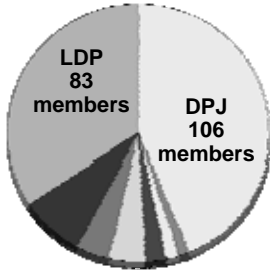
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### House of Councillors (Upper House)



- 242 members elected for six-year terms
- Elections held every three years, for 1/2 of seats

DPJ (106)       People's New Party (3)       Social Democratic Party (4)  
 Japan Communist Party (6)       Your Party (11)       Other (10)  
 New Komeito (19)       LDP (83)

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### Control of the Government

- The Lower House is the key to gaining control of Japan's government.
- A bill passed by the Lower House, but voted down by the Upper House, can be overridden by the Lower House with a two-thirds vote.
- In the case of disagreements over treaties, the budget, and the selection of the prime minister, the Lower House decision becomes the will of the Diet.
- The president of the majority party generally serves as prime minister.

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### Political Parties and Coalitions

- Japan's political parties often form partnerships, or coalitions, with other parties.
- The DPJ currently has a coalition with the People's New Party.

*Japan's Political Parties Include:*

- Democratic Party of Japan
- Japan Communist Party
- Liberal Democratic Party
- New Komeito
- New Party Nippon
- New Reform Party
- People's New Party
- Social Democratic Party
- Sunrise Party
- Your Party

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### Historic Change of Government

- The Democratic Party of Japan (DPJ) wins historic election in September 2009 and establishes first real non-Liberal Democratic Party (LDP) administration in post-war period.
- The DPJ is attempting to consolidate policymaking and governmental control within the Cabinet, which has contributed to disarray in policymaking process.
- Major DPJ defeat in July 2010 election leads to “twisted,” or divided, Diet, where the DPJ controls the Lower House, but not the Upper House.
- Governance, innovation, and reform continue to take place in Japan.

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### Goals of New Government Growth Strategy

(June 2010)

- Increase nominal growth rate to higher than 3% and real growth rate to higher than 2% by fiscal year 2020
- Reduce the unemployment rate to between 3.0% and 4.0%
- Create ¥50 trillion in environment- and energy-related markets and 1.4 million new green jobs
- Foster health industry growth to meet demand for medical, nursing care and other health-related services
- Realize a Free Trade Area of Asia-Pacific by 2020
- Increase tourism to 25 million people by start of 2020

Source: Office of the Prime Minister

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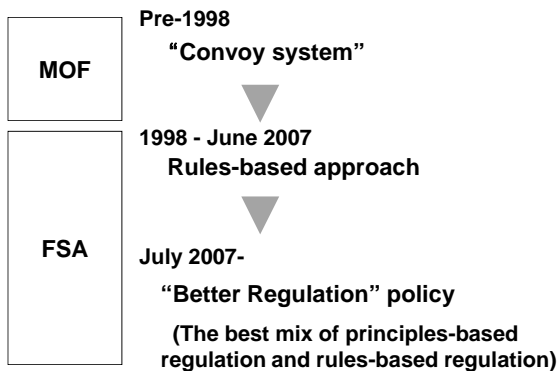
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### Progress in Financial Regulatory Reform



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## Regulatory Developments Pertaining to Japan's Financial and Capital Markets

New Growth Strategy commits to establishing Japan as a major financial player in Asia and supporting financial sector's role in promoting overall economic growth

- » Improvements in markets and exchanges
- » Reforms to legal infrastructure for financing
- » Development of bond market for professional investors
- » Expansion of English financial disclosure scope

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## Postal Reform Developments

- |         |  |
|---------|--|
| 12/4/09 | IPO freeze legislation                               |
| 3/24/10 | Postal reform outline                                |
| 4/30/10 | Postal legislation submitted to Diet                 |
| 6/16/10 | Diet session ends without postal legislation passing |

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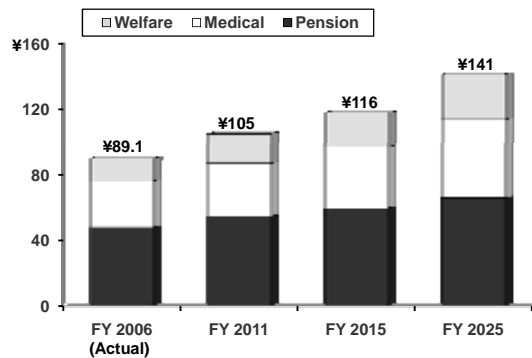
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## Rapidly Increasing Social Security Benefits

(Yen in Trillions)



Source: Ministry of Health, Labor and Welfare

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## Major Changes in Copayments for the Employed and Elderly

- Japan's health care system is under great financial strain
  - » Copayments are now 30% for salaried workers under 70 and high-income seniors
- Advanced Elderly Health system was introduced in 2008 to try to separate fees for advanced elderly from that of the younger population, but the DPJ is currently designing a replacement system
- Details of the new system are unknown, but the reforms should lead to enhanced consumer interest in Aflac's core products

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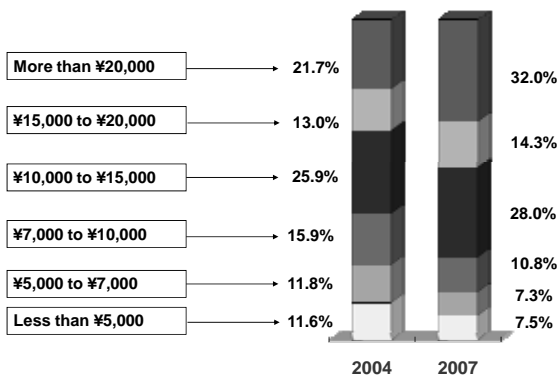
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## Daily Out-of-Pocket Hospitalization Expenses



Source: Japan Institute of Life Insurance, 12/07

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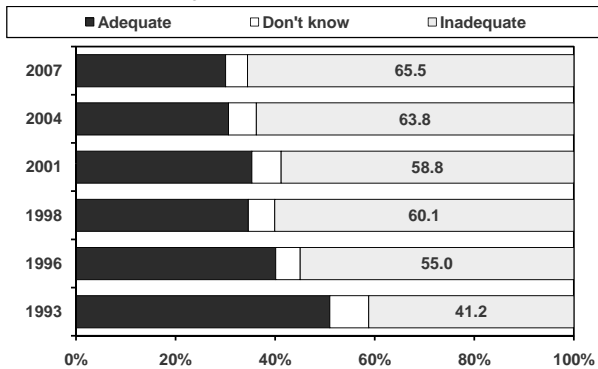
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## The Public's View on the National Health Care System



Source: Japan Institute of Life Insurance, 12/07

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**Aflac Japan Administration**  
**Jun Isonaka**  
**Senior Vice President;**  
**Chief Administrative Officer**  
**Aflac Japan**

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**Maintenance Expenses Per Policy in Force**  
 (FSA Basis, 03/10)

Rank by Assets	General Operating Expenses (In Millions)	Policies in Force** (In Thousands)	Cost Per Policy
1 Nippon	¥260,401	11,775	¥22,114
2 Dai-ichi	201,196	10,970	18,340
3 Meiji Yasuda	177,294	8,535	20,772
4 Sumitomo	166,891	8,459	19,729
6 Alico	78,431	5,773	13,585
7 Aflac*	104,379	20,100	5,192
8 Taiyo	52,100	4,430	11,760
13 Sony	38,214	4,954	7,713
16 Tokio Anshin	37,448	2,738	13,677

\*Excludes renewal commissions

\*\*Excludes individual annuities

Source: Disclosure statement from each company

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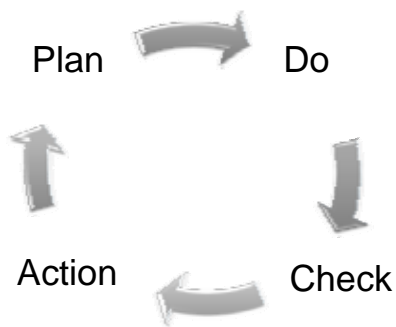
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**ISO10002: Customer Complaints Management System**



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**Surrender and Lapse Rates**

(Individual Insurance Only, FSA Policy Basis, 3/10)

Industry average:	6.1%
Aflac:	4.6%

Source: Japan Institute of Life Insurance

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**Key Points to Maintaining In-force Business**

- Sales agencies take follow-up action
- Communicate the importance and financial impact of maintaining persistency rates to sales agencies

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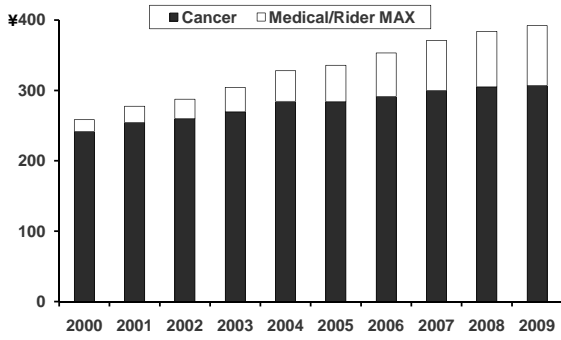
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## Claims Payments

(Yen in Billions)



Source: Internal Aflac data

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**Aflac Japan Investments**  
**Hitoshi Oda**  
**Vice President,**  
**Investment Department,**  
**Aflac Japan**

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### Aflac Japan Investment Considerations

- Product needs - Japan
  - » Long liability durations
  - » Yen-denominated policy liabilities
- Credit risk
- Aflac Incorporated objectives

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### Aflac Japan's Investment Portfolio

(June 30, 2010, In Millions of Dollars)

	<u>Book Value</u>	<u>% of Total</u>
Yen-denominated	\$65,331	94.6%
Dollar-denominated	3,758	5.4
<b>Total Aflac Japan</b>	<u>\$69,089</u>	<u>100.0%</u>
Fixed-maturity securities	\$60,350	87.4%
Perpetual securities	7,225	10.4
Securitized securities	1,492	2.2
Equity securities	22	—
<b>Total Aflac Japan</b>	<u>\$69,089</u>	<u>100.0%</u>

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### Organizational Chart for Aflac Japan Investment Division

	<u>3/2007</u>	<u>8/2010</u>
Officers	2	3
General managers	1	3
Staff/Managers:		
Investments	9	9
Risk management	4	12
Credit analysis	5	10
Investment accounting	10	12
<b>Total number of employees</b>	<u>31</u>	<u>49</u>

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### Process of Privately Issued Yen Purchases

- Ideas sourced from investment banks
- Rules of engagement
- Credit analysis
- Documentation
- Negotiation
- Pricing

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### Investment Pricing Methods\*

		<u>3/2010</u>	<u>6/2010</u>
Level I	(Active market feeds)	26%	28%
Level II	(Model pricing, custodian feeds, broker quotes)	63	71
Level III	(Best efforts)	<u>11</u>	<u>1</u>
Total		<u>100%</u>	<u>100%</u>

\*Applies to available-for-sale securities only on a consolidated basis

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### 2010 Investment Activities

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## Challenges

- Low interest rate
- Tight credit spread
- Swap and other costs
- Credit diversification
- Overall market conditions

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## New Money Investments

(In Billions of Yen)

	2009	
	Amount	% of Total
JGBs	¥105.4	17.6%
Privately issued yen securities	381.6	63.6
Dollar bonds	31.9	5.3
Publicly traded bonds	26.7	4.5
Other	54.1	9.0
Total	¥599.7	100.0%

	6/30/10	
	Amount	% of Total
JGBs	¥120.7	42.8%
Privately issued yen securities	87.1	30.8
RDCs	40.0	14.2
Dollar bonds	16.6	5.9
Other	17.8	6.3
Total	¥282.2	100.0%

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## U.S. Dollar Investments

- Interest rate differential
- Rated 'A' or better on average
- 7-10 years remaining to maturity
- Investment of \$1 billion in third and fourth quarters of 2010

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### Tender/Exchange Offers and Other Disposals (6/30/10, In Billions of Yen)

	Amount	Decreasing Hybrids	Increasing JGBs
Tenders	¥31.5	-30.5	+34.4
Exchanges	53.8	-25.6	—
Other disposals	42.7	—	+25.1
<b>Total</b>		<b>-56.1</b>	<b>+59.5</b>

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### Changes in Aflac Japan Portfolio Composition

(Percentage of Total Portfolio)

	2007	2008	2009	6/30/10
JGBs	14.7%	14.8%	15.2%	17.3%
Financials	45.3	42.4	38.0	36.3
Perpetuals	16.4	14.0	11.2	10.1
Securitized assets	1.9	2.6	2.1	2.2

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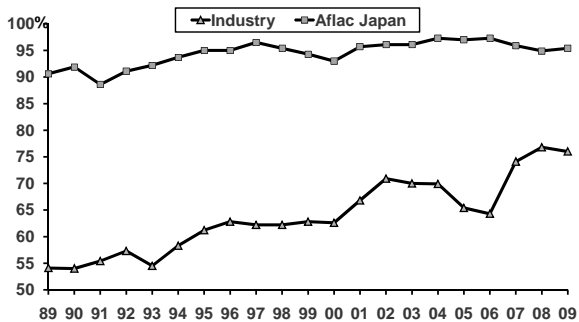
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### Comparison of Fixed Income Ratio (FSA Basis)



Source: Life Insurance Association of Japan

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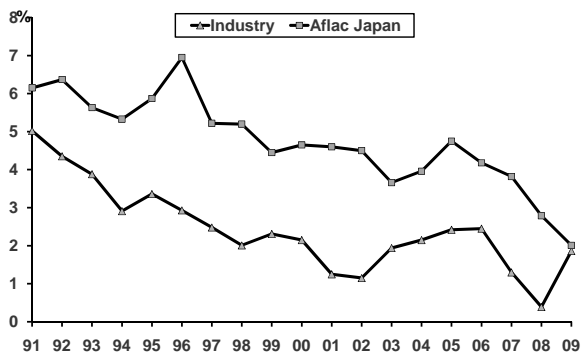
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### Comparison of Yields

(FSA Basis)



Source: Life Insurance Association of Japan

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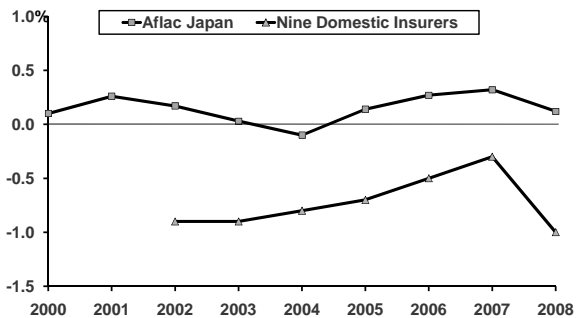
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### Comparison of Interest Margin Ratio

(FSA Basis)



Source: Press reports and company disclosure statements

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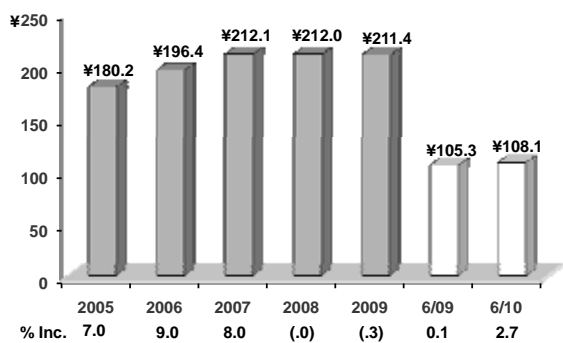
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### Net Investment Income

(In Billions of Yen)




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**Aflac Japan Financial Results**  
**Yuji Arai**  
**Senior Vice President;**  
**Principal Financial Officer,**  
**Aflac Japan**

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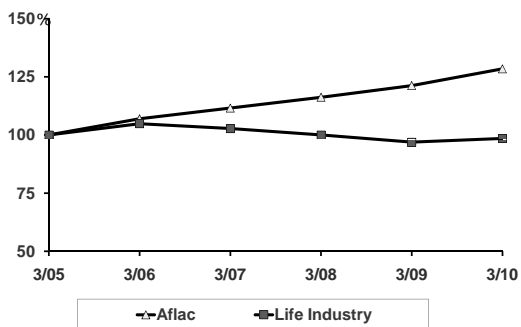
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**Comparison of Premium Income Growth**  
(FSA Basis, 3/05 = 100)



Source: Japan Institute of Life Insurance

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## Premium Income

(FSA Basis, 3/10)

Rank	Company	Amount (In Billions)	% Increase
1	Nippon	¥4,817	(4.3) %
2	Meiji Yasuda	3,281	22.2
3	Sumitomo	3,059	21.0
4	Dai-ichi	2,836	(2.3)
5	Aflac	1,231	5.9
6	Alico	863	(21.2)
7	Daido	860	6.0
8	Dai-ichi Frontier	805	119.6
9	Taiyo	714	19.6
10	Sony	698	5.7

Source: Disclosure statement from each company

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## Total Assets

(FSA Basis, 3/10)

Rank	Company	Amount (In Billions)	% Increase
1	Nippon	¥48,685	6.2%
2	Dai-ichi	30,822	2.7
3	Meiji Yasuda	25,012	4.6
4	Sumitomo	23,018	1.8
5	Mitsui	7,499	1.6
6	Alico	6,716	5.9
7	Aflac	6,414	8.0
8	Taiyo	5,842	1.2
9	Asahi	5,668	.6
10	Fukoku	5,613	1.8

Source: Disclosure statement from each company

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## Individual Policies in Force

(FSA Basis, 3/10, Policies in Thousands)

Rank	Company	No. of Policies	% Increase
1	Aflac	20,302	3.3%
2	Nippon	14,714	(1.1)
3	Dai-ichi	12,203	(.4)
4	Sumitomo	11,076	.8
5	Meiji Yasuda	10,516	(.8)
6	Asahi	8,255	(1.2)
7	Alico	6,548	1.9
8	Taiyo	5,656	21.2
9	Sony	5,010	6.4
10	AXA	4,017	7.7

Source: Disclosure statement from each company

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### Investment Margin

(FSA Basis, Yen in Billions)

Company	Assumed Interest Rate	Actual Investment Yield	Amount Gain/Loss
Nippon	2.81%	2.67%	¥(60)
Dai-ichi	2.89	2.56	(83)
Meiji Yasuda	2.48	2.19	(59)
Sumitomo	3.11	2.56	(91)
Mitsui	3.14	2.12	(59)
Alico	4.44	4.65	N/D*
Aflac	3.79	3.84	3
Taiyo	2.66	2.42	(13)
Asahi	3.85	2.18	(84)
Fukoku	2.38	2.07	(15)

Source: Disclosure statement from each company

\* N/D: No disclosure is available

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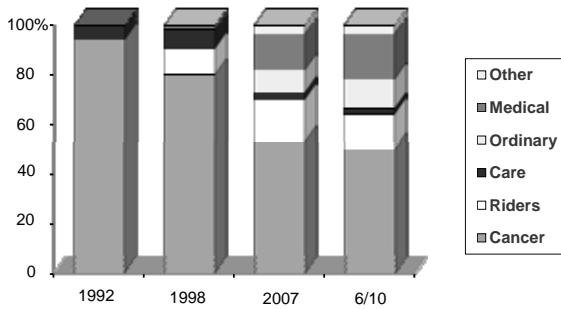
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### Premiums in Force by Product




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### Expected Benefit Ratios by Product

Traditional cancer life - full CSV	68% - 73%
Cancer life - reduced CSV	63% - 68%
21st Century Cancer life - full CSV	55% - 60%
21st Century Cancer life - reduced CSV	50% - 55%
Cancer Forte - full CSV	55% - 60%
Cancer Forte - reduced CSV	48% - 53%
Riders to cancer and medical	40% - 53%
Ordinary life products	60% - 75%
EVER	50% - 55%

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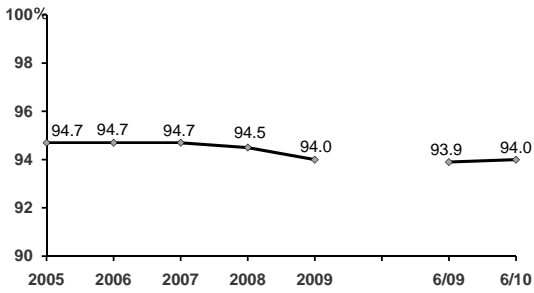
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### Persistency Rates\*



\*All product lines, excluding annuities

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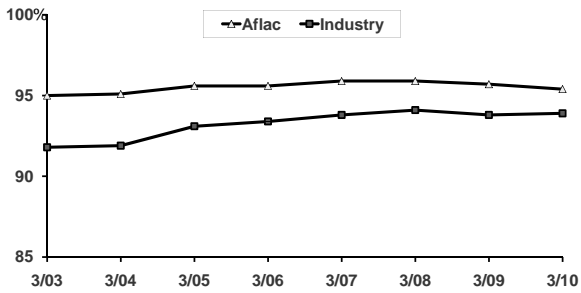
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### Comparison of Persistency Rates

(FSA Policy Basis)



Source: Japan Institute of Life Insurance, Life Insurance Association of Japan

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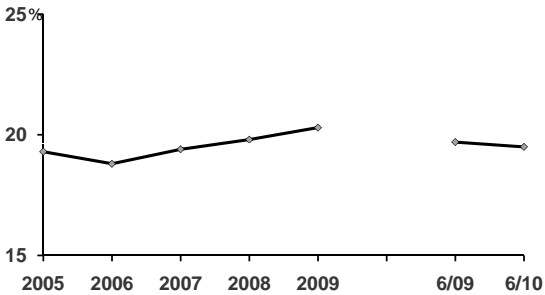
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### Operating Expense Ratio\*

(GAAP Basis)



\*As percentage of total revenue

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### Solvency Margin, Real Net Asset, Basic Earnings

(FSA Basis, 3/10)

Solvency margin	939.3%
Real net assets	¥501 billion
Real net asset ratio*	7.8%
Basic earnings	¥158 billion
Basic earnings ratio**	2.46%

\* Real Net Assets/Total Assets

\*\* Basic Earnings/Total Assets

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### Financial Strength Ratings

Rank by Policies in Force	Company	S&P Rating*	Moody's Rating*
1	Aflac	AA-	Aa2
2	Nippon	AA-	Aa3
3	Dai-ichi	A	A1
4	Sumitomo	BBB+	A2
5	Meiji Yasuda	A-	A1
6	Asahi	BB-	-
7	Alico	A+	A1
8	Taiyo	A-	A2
9	Sony	A+	Aa3
10	AXA	AA-	-

\* As of 8/31/10

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### Impact of Solvency Margin Calculation Revision

- Limitations on recognition of policy reserves, hybrid capital, etc.
- Risk factors to reflect greater volatility
- Solvency margin ratios to decline significantly
- New rule to take effect 3/31/12

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### Pretax Operating Earnings Growth

(Yen in Billions)

	Total Revenues		Profit Margin		Pretax Operating Earnings
2005	¥1,146.1	x	14.5%	=	¥166.4
2006	1,218.8	x	15.8	=	192.1
2007	1,279.0	x	16.8	=	214.7
2008	1,314.7	x	17.7	=	232.8
2009	1,353.7	x	19.3	=	261.7

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