

2010 Tokyo Analyst Meeting Presentation Speeches



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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.

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).

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

[Slide #1 – Title Slide]

As I am sure you know, Aflac Japan began its operations in 1974 as the country's first provider of cancer insurance. In the 36 years since then, we have been committed to providing innovative products and services as the leading life insurance company focusing on cancer and medical coverage. As a result, Aflac Japan has also propelled itself to become the number one life insurer in Japan in terms of individual policies in force.

Today, I would like to update you on the current status of the insurance market in Japan and the positioning of Aflac Japan within that market. Following my presentation, various officers will provide an overview of the areas in their charge. I hope these presentations will help you understand Aflac Japan's current state, competitive strengths and opportunities for growth.

[Slide #2 – Life Insurance Policies in Force]

The number of life insurance policies in force in Japan has been increasing with the growth of third sector products, including cancer and medical insurance. The total number of policies in force of all life insurers at the end of March 2010 was 117.1 million, up about four million from a year earlier. Of the increase in total policies, about 2.2 million came from third sector products.

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

Aflac Japan's number of policies in force has been steadily increasing over the past 36 years, thanks to the robust growth in new business and the high persistency of in-force business. We have established a solid position as Japan's number one life insurance company in terms of the number of individual policies in force since fiscal 2004. Aflac's number of policies in force at the end of March 2010 exceeded 20 million and accounted for 17% of the total number of individual policies in force of all life insurers in Japan.

[Slide #4 – Third Sector Contribution to Life Insurance Industry New Policy Sales]

The total number of new stand-alone life insurance policies in Japan, including first sector and third sector products, had been declining from fiscal 2002 through fiscal 2006. However, the number turned upward in fiscal 2007. This reflects the fact that life insurance statistics began including new policies sold by Japan Post Insurance, known as Kampo, which took over the postal life insurance operation following the start of the privatization process in October 2007. In fact, partly because base policies sold by Kampo are first sector only, the contribution of third sector products once fell to 40.3% of total life insurance new business in fiscal 2008. In 2009, new third sector policies grew 14.2% compared to 2008, while new first sector policies increased 7.9%. This shows the growth of life insurance new business in 2009

was largely attributable to the increase in third sector policies. We believe consumers continue to prefer products, such as cancer and medical, that provide living benefits, rather than products that provide death benefits.

[Slide #5 – Japan’s Aging Population and Declining Fertility Rate]

One major cause of the increased preference for 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 been exceeding the number of births, resulting in a population decline. Japan’s population was 127.5 million as of September 2009 and is anticipated to drop below 100 million by 2050. To support this estimate, let me show you some results of a census conducted by Japan’s Ministry of Internal Affairs and Communications at the end of March 2010. According to this census, 38 out of Japan’s 47 prefectures see a decline in population, and there are 20 prefectures where people aged 65 or older topped 25% of the total population.

What’s more, the primary reason for Japan’s shrinking population is its low fertility rate, defined as the average number of children women from age 15 to 49 bear. The fertility rate was 1.37 in 2009, far below the estimated level of 2.08 that is required to maintain a stable population size. The population in Japan is expected to continue to decline because young people represent a declining percentage of the total population, as the downward trend in fertility rate continues.

[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. Japan has a national health care system that covers all Japanese citizens. However, as fiscal resources are tight in all areas, including medical, care and pension benefits, it is obvious that the difficult fiscal situation will persist going forward. This led to the passage of health care reform in 2006, which increased the copayment for elderly patients starting April 2008. In addition, a comprehensive overhaul of the overall medical system and the elderly care system is planned for 2012.

Because of the rapidly aging population and higher copayments for medical expenses, the market for third sector products has been steadily expanding, and this trend is expected to continue. As a natural consequence, the competition among private insurers in the third sector market has intensified. However, we believe we can expand our leading position as the third sector market continues its growth in the future.

[Slide #7 – Competitors in the Third Sector]

When Aflac Japan began its operations in 1974, we were the only company selling cancer insurance in Japan. However, mid-sized insurers and other foreign insurers followed suit and entered the market in the early 1980s. This market was opened to all life and non-life insurers in 2001. As a result, as of June 2010, Japan had a total of 46 competitors selling stand-alone medical products and 27 selling stand-alone cancer products, including both life and non-life companies. While the total number of competitors seems to have leveled out, in fact some have

entered this market while others have gotten out. Given a series of new product launches and revisions in the pipeline, we believe the market for third sector products will remain very competitive.

[Slide #8—Aflac’s Share of In-Force Business: Cancer]

Next, I would like to show you some data related to Aflac Japan’s core lines of business: cancer and medical products. These slides reflect FSA-based fiscal year data, which runs from April through March and includes products sold only by life insurers. The data reflects the latest figures based on each life insurer’s financial statements for fiscal 2009. Additionally, some non-life insurers also sell medical insurance products. Because third sector sales data is not disclosed by non-life companies, we were not able to include it in the statistics shown on these slides.

The graph on the left side shows that the number of policies in force for stand-alone cancer products in the life insurance industry is growing each year. The graph on the right side illustrates Aflac Japan’s share of in-force business for cancer insurance. With a 76% share of this in-force business at the end of March 2010, Aflac Japan continues to lead with the largest percentage of in-force cancer business.

[Slide #9—Aflac’s Share of New Business: Cancer]

As shown in the graph on the right side, Aflac’s share of new business for cancer insurance remains very high at 55%. However, as indicated in the graph on the left side, the total number of new cancer policies sold in the life insurance industry declined slightly in fiscal 2009. This was attributable to a decrease in new cancer policies sold by Aflac Japan, which drove down new business in the cancer insurance market as a whole. The decrease in our new cancer policies was largely because we directed marketing resources to promote our revised medical product, New EVER, following its introduction in August 2009. Mr. Ariyoshi will be providing information about the Maneki Neko Duck, or cat duck, campaign that created an advertising phenomenon.

However, it’s important to note that we are focusing our efforts on our cancer products as well. Currently, local governments are promoting cancer awareness initiatives and campaigns in accordance with the Cancer Control Act. Given this environment, we believe Japanese consumers will contemplate the potential expenses associated with cancer, and the cancer insurance market will likely grow. Mr. Shinkai will comment more on these initiatives.

With the aim of further segmenting the market, in June 2010 Aflac Japan launched a new cancer product targeting women from their 30s through their 50s, who have a high cancer morbidity rate. This product offers enhanced coverage for treatment of cancers that women typically face. With this new cancer product, we believe we can gain a stronger position in the cancer insurance market and appeal to the specific needs of a broader market.

[Slide #10—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 of that market. Aflac had a 19% share of in-force business at the end of March 2010. Although we were not the first insurer to enter the medical insurance market, we quickly became the leader in that market when we launched EVER in 2002.

[Slide #11 – Aflac's Share of New Business: Medical]

Aflac Japan's share of new business for stand-alone medical insurance was 20% in fiscal 2009. As shown in the graph on the left side, the growth of new business for medical insurance slowed from March 2006 through March 2008. More recently, however, it has been growing significantly in the life insurance industry as a whole. As we have previously discussed, competition in this market remains high.

Thanks to robust sales of the New EVER product introduced in August 2009, Aflac Japan remains the number one seller of medical insurance. In addition, to ensure we appeal to various segments of the market, we revised and enhanced Gentle EVER, our medical product for customers with certain health issues. The benefits of New Gentle EVER cover a wider range of surgeries compared with our original Gentle EVER product. We also developed an outpatient rider to supplement this product.

[Slide #12 – Insurance Product Penetration]

This slide illustrates 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 has been steadily increasing, as indicated by the bottom line on this chart, it is still only 31%. Given the aging of Japan's population, cancer morbidity is expected to grow and the need for cancer insurance is considered to be strong. Meanwhile, medical insurance penetration stands at 71.3%. Yet, there are still potential customers in this market as exemplified by our customers' Rider Max conversion from term to whole life coverage. Besides, as I have just explained, the medical market itself is indeed expanding. Therefore we believe the medical market still has much room for growth.

[Slide #13 – Economic Indicators]

Next, I would like to discuss the recent economic environment. As a way to measure the state of the domestic economy, the Cabinet Office of Japan releases the diffusion index every month. The diffusion index has two components: a coincident indicator for the current state of the economy and a leading indicator for the economic outlook. Each indicator draws information from eleven to twelve indices such as production and sales. This slide shows that the Japanese economy bottomed out in March 2009 and then turned the corner.

Although the economy continues to pick up, the total premium income of 46 life insurers in fiscal 2009 was almost unchanged from the previous year. Meanwhile, Aflac Japan achieved a significant 6% growth in premium income.

In light of recent economic trends as shown by the indicators, we hope that the domestic economy is on a self-sustaining recovery path with the worst of the slump over. Nevertheless, Japan's unemployment rate in 2009 was higher than it had been since 2003. In addition, risks still exist that could depress the economy, such as the financial turmoil in Europe. To ensure sustainable growth under these uncertain conditions, Aflac Japan needs to further build on its competitive strengths. I also believe it is important to maintain and prioritize a new strategy that enables us to respond and adapt to any market changes quickly and effectively.

[Slide #14—Aflac Japan's Competitive Strengths]

The points shown on this slide are five key competitive strengths Aflac Japan can be very proud of, as they stand out within the industry. These competitive strengths include: products, distribution, internal controls, financial strength and administrative efficiency. These strengths have remained stable, and we foresee them continuing into the future.

Mr. Ariyoshi and Mr. Shinkai will offer some information about products and distribution later in their presentations. But I want to emphasize that we remain committed to providing competitive products that match the needs of our customers. In addition, we will work on developing new distribution channels to further increase productivity, while enhancing the support to the traditional channels as well as banks and other channels highly responsive to customers.

Let me move on to internal controls. Aflac Japan has implemented an internal control assessment based on the J-SOX Act, which is the Japanese version of the U.S. Sarbanes-Oxley Act. In addition, we have established a robust corporate governance system by further strengthening compliance and internal audit systems and also by adopting comprehensive integrated risk management processes.

Next, I would like to touch upon Aflac Japan's financial strength. We have established a highly profitable business structure and will continue efforts toward maintaining stable earnings and solid financial footing. Shortly, Mr. Arai will give you an update on this topic, and Mr. Oda will discuss our investment strategy and portfolio.

For administrative efficiency, we will pursue aggressive business process improvements and IT infrastructure enhancements to reinforce efficient and accurate policy administration, one of our core strengths. I believe this will enable us to provide customers with higher quality services and then build up our strengths in this increasingly competitive third sector market. Mr. Isonaka will cover this in more detail.

[Slide #15—Midterm Management Policy]

Let me conclude my presentation with Aflac Japan's Midterm Management Policy.

Fiscal 2010 marks the final year of the Midterm Management Policy 2008-2010. This policy defines three key goals: increasing new business and expanding our market share by strengthening contacts with customers and response capabilities, improving operational accuracy

and customer services by ensuring infrastructure enhancements, and maximizing earnings through appropriate cost management and efficient investment. We have implemented various strategies in accordance with this policy and accomplished numerous achievements.

Aflac Japan has already formulated its midterm management policy for the three years from 2011 to 2013. This slide illustrates the state to be achieved in the three years stipulated in this policy, that is, the basic direction of management.

For the next three years, we will further solidify the business foundation and build a system that enables us to offer products precisely meeting customer needs together with services contributing to higher customer satisfaction, and also importantly, to realize stable growth of new business and earnings, while maintaining our existing competitive strengths. At the same time, we will seek to gain the confidence of all the stakeholders as an insurer that exists to “Support Your Way of Life.”

I firmly believe Aflac Japan will ensure sustainable growth into the future, as well as achieve the goals for the period, by thoroughly implementing strategies aligned with this management policy from 2011 to 2013.

[Slide #16 – Aflac Logo]

Thank you for your attention.

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

[Slide #1 – Title]

Today, I would like to present you with Aflac Japan's marketing activities and some recent changes in our competitive environment.

[Slide #2 – Aflac Japan's Product Line]

Let me begin with Aflac Japan's product line. To offer the best products to our customer base that covers all ages, Aflac Japan has come up with a variety of products according to people's life stages. Our particular strength is in the third sector, which includes cancer and medical insurance, and we continue to focus on offering insurance that provides living benefits. Recently, we are also focusing on marketing ordinary life insurance products. And as I will discuss later in more detail, we have been making progress in the child endowment market with a new product we introduced in March 2009 that enables policyholders to prepare for a child's future education expenses.

[Slide #3 – Aflac Japan's Product Mix]

Let's look at Aflac Japan's product mix. Shortly after Aflac established business operations in Japan in 1974, our focus was primarily on selling cancer insurance. Our concentration on this line of business continued for almost two decades. Our product broadening efforts, which began in the 1990s, have resulted in a much wider line of products. We began developing death benefit products, as well as a medical rider to our cancer policy. In the second quarter of 2010, the cancer, medical and ordinary life product categories each accounted for around one-third of total new annualized premium sales. We believe our product offerings have been successful in meeting the needs of consumers.

[Slide #4 – New Business in Policies]

The next slide shows the sales results for the top six sellers with total assets of more than ¥6 trillion of individual insurance policies, on an FSA basis. As you can see, Aflac has sold more new policies than any other life insurance company over the past six years. Particularly in 2009, strong sales of our revised popular medical product, New EVER, pushed our total sales to over 1.6 million new policies.

[Slide #5 – Individual Policies in Force]

This slide shows policies in force at the top six companies with total assets of more than ¥6 trillion. Better new sales and stable, high persistency rates have helped keep our in-force policies going up. In September 2004, Aflac Japan overtook Nippon Life to become the number one company in terms of individual policies in force. Since then, our in-force business has continued to grow, centering on our mainstay cancer and medical products. In the fall of 2009, the total number of our policies in force topped 20 million. And we achieved this remarkable

feat one year ahead of schedule. We believe this achievement proves that Aflac has been widely supported by consumers over the years.

[Slide #6 – Consumers’ Brand Association with Cancer Insurance]

The next two slides show the results of a third-party survey about people's brand recognition of cancer and medical insurers in Japan using an unaided recognition method. In this survey, consumers were asked, “Which company comes to your mind first when it comes to cancer insurance and medical insurance products?” When the consumer names a company, this response represents unaided recognition. This chart shows the results for cancer insurance. The green bars represent Aflac, while the blue line is Alico and the red line is Nippon Life. It's important to note that the unaided recognition ratio tends to fluctuate depending on how many TV commercials are being aired. Recently, partly because we have been focusing more on promoting medical insurance, unaided recognition ratio for our cancer insurance has gone down slightly. However, as you can see, it has been higher than the other two companies in the past couple of years.

[Slide #7 – Consumers’ Brand Association with Medical Insurance]

On the other hand, the research conducted in June 2010 shows that Alico had a higher brand recognition number than Aflac in the medical category. We believe Alico’s number increased because they resumed their TV commercials beginning in the spring of this year, which they had been holding off due to an issue they faced involving customer information leakage. However, as I will discuss later, we don’t believe the resumption of Alico’s TV commercials has had any negative impact on Aflac because the momentum of our medical sales remains strong. Moreover, Alico had a long history of running more commercials than Aflac, and still we rarely saw any negative impact on our sales.

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

Unlike the prior survey, this survey includes subjects who plan to purchase cancer or medical insurance. Survey subjects meeting this criterion are asked, “Which company do you prefer to purchase insurance from?” Although, as you may recall, our unaided recognition ratio for medical was lower than Alico, as you can see here, Aflac stands as the most preferred life insurance company in both cancer and medical insurance. In the wake of the global financial crisis beginning in the third quarter of 2008, many news reports covered AIG’s problems, and people in Japan became more worried not only about AIG, but also about Aflac and all foreign financial institutions. However, now we see the numbers are recovering and Aflac remains the most preferred insurer in both areas. We believe our number one position reflects consumers’ view that Aflac offers competitive products that best meet consumers’ needs and is widely accepted because of its high brand recognition.

[Slide #9 – New Sales of Cancer Insurance]

Now I would like to discuss our sales by product line. First, I’ll cover cancer insurance, one of our mainstay products. In 2009, cancer sales dropped 11.3% from the previous year. Let me explain the reasons behind this decline. You’ll recall that Cancer Forte is the stand-alone cancer product we introduced in 2007. Then in 2008, we launched a new base cancer policy that has an affordable premium rate, enabling existing cancer policyholders to upgrade their coverage

to the levels of Cancer Forte. This upgrade product sold extremely well. As we entered into 2009, however, the initial boost in sales of these products had basically run its course. Additionally, we shifted our marketing efforts to the new EVER product launched in August 2009.

Our cancer sales for the first half of 2010 were down 23.5% from the same period of 2009. However, as Mr. Tonoike mentioned, because the penetration rate for cancer insurance in Japan is much lower than that of ordinary or medical insurance, we believe cancer sales still have more room for growth. Also, with the more expensive advanced treatment for cancer, along with Japan's increasingly aging population and a heightened awareness of cancer among Japanese citizens, we anticipate the need for cancer insurance will continue to grow.

[Slide #10 – New Sales of Medical Insurance]

Let's move on to medical insurance sales. Reflecting in part increased competition and media coverage of administrative sanctions that were imposed on a number of life and non-life insurers due to the claims payment issue, medical sales struggled from 2006 through 2008. However, in 2009, our sales jumped 15.7% over the previous year. This significant increase was because of the launch of New EVER in August 2009 together with our consolidated marketing promotion for this product. New EVER has continued its sales momentum into 2010. In fact, our 2010 first half medical sales increased 22.4 % compared with the first half of 2009, due primarily to sales of the revised medical product.

[Slide #11 – 2010 New Products]

To further boost sales of our mainstay cancer and medical policies, we launched two new products in late June 2010. The first new product is a female cancer rider called "Corsage." This rider was designed to help cover expenses related to cancers normally found in women. In Japan, as the government is rolling out various cancer awareness programs nationwide, cancer is moving to the forefront of the minds of consumers. Given the fact that younger generations of women in Japan are more likely to suffer from cancer than men, we believe this product will help us meet the needs of a growing market segment.

The second product introduction was a new version of Gentle EVER, our popular non-standard medical product. Gentle EVER was originally created to meet the needs of people who had found that obtaining regular medical insurance was not possible due to their health situations. The benefits of New Gentle EVER cover a wider range of surgeries compared with our original Gentle EVER product. In addition, we developed an outpatient rider to supplement this product. We believe people worrying about certain chronic diseases will find this coverage very attractive. We have just launched these two products, so it is too early to comment on their sales at this point. However, consumers and sales associates both have responded favorably so far.

[Slide #12 – New Sales of Life Insurance]

This slide shows sales of products in the ordinary life category. As you can see, robust sales of the new child endowment product contributed significantly to our 33.9% increase in the life category in 2009. The sales momentum of our child endowment product has continued into

the first half of 2010, and contributed to ordinary life sales increase of 51.4 % in the first half of this year, compared with the same period of 2009.

Although Japan's fertility rate still remains low, approximately one million new babies are born every year. The birth of a child is a landmark event where families begin planning for the baby's future, as well as review the family's financial needs, including life insurance coverage. Our child endowment product is very competitive in terms of return on total premium payments, and it is increasingly obtaining a competitive edge in the recently growing child endowment market, just as we did in both the cancer and medical markets.

Our child endowment product has also proven to be an effective "door-opener" that gives us access to new customers and provides us with opportunities to cross-sell cancer and medical products. In fact, for every 10 child endowment products sold, two additional medical or cancer products were sold at the same time.

Not only will sales of child endowment contribute to our sales results in the short run, we believe it may also help us secure future loyal customers.

On a related note, I want to share some information about a subsidy program that the Japanese government just began offering in April 2010. Under this new subsidy program, families with children up to age 15 are entitled to a monthly allowance of ¥13,000 for each child, regardless of household income. The first actual payment under this program was made in June. This allowance can be spent at the discretion of the parents. We expect many parents may use it to purchase a child endowment product. Therefore, we implemented a promotional campaign to coincide with the government's subsidy payment to the parents. We believe the momentum of our child endowment sales will continue in the future as well.

[Slide #13 – Number of Agencies by Type]

Let me turn to our distribution channels.

This slide shows how our agency distribution has grown and evolved over the years. As you can see, the total number of agencies has significantly increased over the years. This increase is mainly due to two factors. First, in order to recruit more agencies, we included the number of agencies recruited into the performance review metrics of sales employees. We also assign dedicated employees for recruitment in all retail sales offices. Secondly, as I will discuss later, we strengthened agency training and as a result, increased the number of producing agencies.

The number of bank agencies is also on the rise. Later, you will hear more about our bank-channel sales effort from Mr. Shinkai.

[Slide #14 – Worksite Marketing]

Affiliated corporate agencies are good at targeting company employees at the worksite. We focused on selling our products through the worksite when we first established our business operations in Japan. As a result, 89% of the 2,334 companies listed on the Tokyo Stock Exchange offer Aflac products to their workers. Generally, the worksite market consists of large-sized companies where there tend to be well-managed health programs for employees. So

we believe this is a market of high quality for our types of products. In addition, premiums on policies enrolled via worksite sales are processed through payroll deduction. Therefore, persistency in this market is typically high. Moreover, because our products are adopted as part of those companies' benefit packages to employees, we are allowed to sell insurance periodically within the worksite. Although the payroll group market has declined, because this market is one of our strengths, we will continue to focus on cross selling new hires and existing policyholders.

[Slide #15 – Communication Preferences for Insurance Purchases]

The next slide reflects consumers' communication preferences for insurance purchases.

As you can see from this chart, as sales channels are diversifying in response to a variety of consumer needs, online enrollment becomes increasingly popular with consumers. To accommodate those who prefer this online option, Aflac Japan offers an online brochure request system. Yet, the majority of consumers prefer face-to-face consultation at home, agency offices or service shops. To satisfy these needs, Aflac Japan continues to recruit and train both individual and independent corporate agencies who primarily offer face-to-face consulting services to sell our products.

[Slide #16 – Historical Transition of Sales Channels]

To stay in step with diverse consumer needs, our agencies' sales contributions are also changing. Shortly after we started our business operations in Japan, we focused on mass consumer sales mainly at the worksite sales through affiliated corporate agencies.

In the 1990s, however, as the Japanese economy deteriorated, many office workers were laid off and their disposable incomes dropped. At the same time, more people began using the Internet to assist in the selection of insurance products. Further, the enforcement of the Personal Information Protection Law has prompted a consistent tightening of restrictions on personal information, which has negatively impacted our sales at the worksite.

Despite this challenging business environment, we are continuing to support affiliated corporate agencies while also increasing our recruitment of individual and independent agencies. We are also actively employing telemarketing agencies and upgrading support for Aflac service shops.

Our distribution capabilities expanded as we began a sales partnership with Dai-ichi Life in 2001. This alliance gave Aflac Japan access to customers we had not been able to reach via traditional channels. Recently, however, as Dai-ichi concentrated on its core business against a backdrop of demutualization, their cancer sales have been declining. Still, for its part, Dai-ichi has met their cancer sales commitments without fail every year since 2005. The sales of Aflac's cancer policies not only provide Dai-ichi with commission income, but it also enables them to develop a new base of customers to whom they can subsequently sell Dai-ichi products. We maintain a good partnership with Dai-ichi.

And more recently, we embarked on the bank channel insurance sales, which also helps us approach a broader range of customer bases.

[Slide #17 – Aflac Japan Sales Organization]

This slide gives an overview of our sales organization that supports a diversity of distribution channels.

We categorize our agencies into three groups. First, affiliated corporate agencies; second, independent and individual agencies; and third, bank agencies. These three groups are taken care of by our Corporate Marketing Division, Retail Marketing Division and Bank Channel Marketing Division, respectively. By grouping agencies based on like characteristics, Aflac Japan is better able to effectively support its agencies according to their business needs.

Currently, the Corporate Marketing Division consists of 11 corporate sales offices that are supporting agencies in the Tokyo, Osaka and Nagoya areas. Meanwhile, the Retail Marketing Division has a total of 61 retail sales offices, and these offices are taking care of independent and individual agencies nationwide and affiliated corporate agencies in areas other than Tokyo, Osaka and Nagoya. As for Bank Channel Marketing Division, its 11 financial institutions sales offices are backing insurance sales of banks nationwide.

[Slide #18 – Recruitment of New Agencies]

This slide shows our recent agency recruitment results. The number of new agencies recruited in 2009 was 4,651, up 17.9% from 2008. The deteriorating employment environment resulting from the global economic downturn and specifically Japan's challenging economic backdrop has likely contributed to an increase in the number of agency applicants. Of course, we believe our more efficient recruitment methods have also played a vital part in increasing the number of applicants as well.

Among all of our recruitment methods, group recruiting meetings have been most effective and efficient. Many agency applicants meet at a single session, which allows us an excellent group setting to efficiently share information about Aflac, our products, and the support they would receive as an Aflac agency.

To attract more people to this meeting, we also upgraded our online presence and content that targets potential agency applicants. We accept applications online around the clock, allowing people to register at their convenience. In fact, the number of applicants is on the increase. Through these efforts, the number of new agencies recruited in the first half of 2010 was up 3.5 % to 2,499 agencies. We remain pleased with the growth in the number of newly recruited agencies. Going forward, we will focus more on the training of new agencies rather than increasing just the number of new agencies.

[Slide #19 – Aflac's Support for New Agencies – Training]

Because early success at Aflac is an important indicator of future and long-term success, we are aware of the importance for newly recruited agencies to get off to a good start. Based on our experience, our support for new agencies is designed to help them learn skills to achieve satisfactory results during early stages of their career.

After registration, they participate in an intensive eight-month training period called "New Associates Basic Training," or "New ABT." Participants in this training learn how to develop a market and how to acquire the basic sales skills necessary to face prospective individual customers. After completing this training, the agents then advance to a higher-level

training, “Light Consulting ABT,” which is a two year program where they enhance their consulting skills and continue to develop as an Aflac agency.

[Slide #20 – Aflac’s Support for New Agencies – Incentives]

Aflac Japan has various sales programs and incentives available to new and veteran agencies. One example is our advance commission system available to new Aflac agencies. This advance commission system allows agencies to receive one-year commissions in a lump sum even before Aflac starts receiving premiums from policyholders. By leveraging this system, new agencies have an earlier opportunity to offset some of their initial expenses. It also provides money to live on while they are first building their book of business, which gives them a better chance of early success.

A second example is our Rookie Challenge Bonus Program that offers new agencies an incentive to achieve a certain volume of sales within their first three months. This program pays a cash bonus award in the range of ¥5,000 to ¥20,000 according to their sales results during the first three months after initially signing on as our agent.

A third example is incentives for using e-App, our streamlined online application system. Both new and veteran agencies have e-App available to them to guide them through the application process. This system reduces paperwork errors during sales, thereby improving overall efficiency. Because of these advantages, we are providing incentives to sales agencies who use e-App as part of their sales process.

[Slide #21 – Growth of Newly Recruited Producing Agencies]

We believe our support for new agencies is steadily producing results. At Aflac Japan, when an agency achieves annualized premium sales of ¥200,000 or more within three months of registration, he or she is recognized as a “newly recruited producing agency.” Our purpose during the introductory phase is to increase productivity of new agents as soon as possible in order to help ensure better and longer-term success. As shown by this slide, the number of newly recruited producing agencies for 2009 was up 22.0% from the previous year to 2,449 agencies.

[Slide #22 – Public Recognition of Aflac Characters]

I would also like to share some of our marketing promotion activities with you. Aflac has become a widely recognized brand among consumers in Japan. One reason for this is the existence of our corporate characters. Currently, Aflac Japan uses two characters. One is Aflac Duck and the other is the “Maneki Neko” Duck, which translates into “beckoning cat.” As you may know, the Maneki Neko is widely known throughout Japan to be a symbol of good luck. Combining this popular “good luck” cat character with the Aflac Duck has yielded phenomenal success. Just like in the United States, the Aflac Duck is Aflac Japan’s main corporate icon, while the Maneki Neko Duck is strictly for sales promotion of our New EVER product that was launched in August 2009. According to a favorability rating conducted in October 2009, our TV commercial featuring the Maneki Neko Duck was the number one rated ad among all ads running on TV stations in Japan. The Maneki Neko Duck has become a household name.

This slide shows what percentage of people who recognize the Aflac Duck and the Maneki Neko Duck as an Aflac character. The Aflac Duck has been the corporate icon for Aflac

since 2001, and more than 90% of respondents recognize this duck as an Aflac character. On the other hand, the Maneki Neko Duck was introduced in August 2009 along with New EVER. Just one year later, more than 80% of respondents already knew this character. Particularly among women in their 30s and 40s, the recognition of the Maneki Neko Duck tops 90%. As you can see, the Aflac Duck and the Maneki Neko Duck have truly been popular corporate icons and most importantly, have had a positive influence on our sales. We will continue to launch effective sales promotions featuring characters we think will resonate with consumers.

[Slide #23 – TV Commercials]

At this time, I would like to show you our commercials for the new products launched in June of this year. In the first commercial for Corsage, the female rider to our cancer product, the Aflac Duck sends a message to women in an effort to foster cancer awareness starting at a young age. You'll see that in this commercial, the Aflac Duck just keeps on running. This commercial is intended to convey an image of our agencies earnestly delivering peace of mind to customers.

The second commercial is for New Gentle EVER, our non-standard medical product. The commercial for New Gentle EVER features three well-known actors who have consistently appeared in popular television shows and mega-hit movies. It was designed to appeal to consumers who are middle-aged and older, which is also the age range of New Gentle EVER's target consumers. We will continue to create TV commercials reflecting product characteristics and target customer bases. I hope you'll enjoy these two commercials.

[Slide #24 – Show Corsage commercial # 1]

[Slide #25 – Show New Gentle EVER commercial #2]

[Slide #26 – Aflac Japan New Annualized Premium Sales]

Lastly, I would like to outline our sales performance.

As you can see, sales for 2009 jumped 6.7% over the previous year, supported by strong sales of New EVER and our child endowment product. This sales momentum still continues in 2010 and has helped our sales for the first half of 2010 to increase 11.4% over the same period of 2009.

As we have entered into the second half of 2010, however, we face tougher comparisons. It has been a year since New EVER was introduced. The fourth quarter comparison will be a particularly tough one, since we brought about great success in the fourth quarter of 2009 by launching New EVER. Nevertheless, we are determined to maintain the sales momentum of our products, while stepping up efforts to sell child endowment products and new products introduced in June. By doing so, we believe we can achieve our target of a 0% to 5% annual sales growth over 2009.

[Slide #27 – Aflac Logo]

Aflac Japan remains a strong and competitive player in the most vibrant area of Japan's insurance market. Due to the recession, consumers are feeling a lot of uncertainties, and Japan's

public health care system continues to be strained by an aging population and low fertility rate. Under these circumstances, we expect consumers' needs for third sector products to continue to rise. In addition, we will continue to tap into new markets like the child endowment product and the new products launched in June, as well as make efforts to meet consumers' needs when they review their insurance portfolios. By doing so, we believe Aflac Japan can achieve sustainable growth in this market down the road.

Thank you very much.

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2010 Aflac Tokyo Analyst Briefing
Yoshinori Yunoki
President; Aeon Insurance Service Co., Ltd.

[Slide #1 – Title]

Good morning, everyone. My name is Yoshinori Yunoki of Aeon Insurance Service. It is my great pleasure to have this opportunity to explain our company's business activities today.

[Slide # 2 – Company Overview]

First, I would like to introduce our company to you and talk about the state of the Aflac business in our company in recent years. I will also then cover our efforts and measures for selling Aflac products.

Our company is an insurance agency that is a subsidiary of Aeon Co., Ltd., one of the leading retail merchandising groups in Japan. It was 1974 when our predecessor Aeonmall Co., Ltd began operations as a life insurance agency. In February 2008, Aeonmall, and an insurance agency that was then run by the parent company, as well as another group company selling insurance through telemarketing, direct mail and the Internet, were integrated into our current company, Aeon Insurance Service. We have now grown to a company with 425 employees and annual revenues of ¥3.9 billion.

We used to sell life and non-life insurance products primarily to about 300,000 employees of the Aeon Group. But now we also sell to those visiting our insurance shops, 18 million Aeon credit cardholders, and those who visit our websites.

[Slide # 3 – Share of the Aflac Business in Our Life Insurance Business]

In addition to Aflac products, we are also selling life insurance products provided by Tokyo Marine Nichido Anshin, Alico, Orix, and Sompo Japan Himawari. In terms of new sales of life insurance, or new annualized premiums sales, sales from Aflac products accounted for about 60% in 2009 at our company.

[Slide # 4 – New Annualized Premium Sales]

Because our company was established in 2008 to integrate operations of three companies, figures that I can show you here are those of 2008 and 2009. As you can see, new annualized premium from sales of Aflac products sharply increased 21.6% from 2008 to 2009. This momentum has continued in 2010, and new AP for the first half of 2010 grew 82% from the same period a year earlier.

[Slide # 5 – Premium Income]

Thanks to policies accumulated over the years as well as increases in new policies, the number of policies in force is steadily growing. As of December 31, 2009, we had about 160,000 policies in force. As a result, premium income that Aflac received from our customers exceeded ¥6.2 billion in 2009.

[Slide # 6 – Commissions from Aflac]

This slide shows commissions we received from Aflac in the past two years, or revenues for our company. In 2009, 21 % of our total revenues came from commission incomes from Aflac, a big contributor to our top line. Further, of commissions we receive from all life insurers, 61% were from Aflac in 2009. I should point out that this chart does not reflect the large amount of commissions we earned from sales of the New EVER product that occurred late in 2009 as there is a lag from the time a sale is made and the commission is paid.

[Slide # 7 – Aflac in Our View]

Now, I would like to explain the reason why, in the life insurance area, we focus on selling Aflac products, although there are many other products from other life insurers.

First of all, Aflac has established a solid brand. The company name of Aflac has been widely recognized among our customers, and we seldom need to explain about Aflac when selling a product.

Next, Aflac products are very appealing. Particularly third sector products, such as cancer insurance, are well balanced between the benefits they provide and the reasonable premiums. So for us, Aflac products are easy to suggest to our customers. Moreover, recent first sector products such as the child endowment product are very marketable and are highly rated by insurance experts. As a result, sales are steadily growing.

Further, Aflac's service revolving around claims payments is good, which draws people to the product. Insurance is an intangible product until a claim is filed. Therefore, it's no exaggeration to say, from the standpoint of customers, that prompt payment of claims is extremely important in providing good customer service. On that point, the level of customers' satisfaction with payments made by Aflac is high compared with any other insurers that we are doing business with.

Lastly, strong support provided by Aflac to our sales activities is another reason. Sales commissions, of course, are generous, but support by sales officers and employees of Aflac are extremely extensive as well. That means we have been provided a beneficial environment in which we can smoothly operate.

[Slide # 8 – Sales Approach 1 – Insurance Shops]

Currently, we are selling insurance primarily via three approaches, and they are: Aeon Insurance Shops, worksite sales within the Aeon Group, and sales via the Internet and direct marketing. Now, let me explain each of them.

First, I would like to introduce our insurance shops, to which we have been particularly committed in recent years. The number of these shops has steadily increased since the former Aeonmall opened the first one in 2002, and now we have about 50 such shops primarily at Aeon retail shopping centers across the nation.

Consumers' lifestyle and living environment have been increasingly diversifying because of a rapidly aging population and declining fertility rate in Japan, as well as financial

deregulation. Under these circumstances, we are operating friendly and reliable insurance outlets and are providing consulting services while selling products from a fair and neutral standpoint to meet needs of various customers.

[Slide # 9 – Sales Approach 2 – Worksite Sales]

Our next approach is worksite sales within the Aeon Group. The number of employees of the Aeon Group totals about 300,000, and all of them are our customers. As part of the Aeon Group's benefit program, we regularly send information about Aflac products to employees every year. Some of them read the product information and immediately fill in the application form and enroll in the insurance. Others contact us to learn more details about the product. When we receive contact from such customers, our sales employees always answer questions or provide consultation either by face-to-face or by phone, often leading to policy sales.

In addition, our employees hold briefing sessions on a regular basis at worksites of the Aeon Group companies nationwide to provide product information for workers.

[Slide # 10 – Sales Approach 3 – Internet and Direct Marketing]

Lastly, we also sell via the Internet and direct marketing. For Internet sales, we created our own website separately from the Aeon Group's website to help customers choose insurance. For example, on our website, customers can search insurance products from various categories such as type of products or name of insurers, and can request brochures online. Moreover, our website provides an insurance check sheet that customers can use to examine what insurance is the best for themselves. Customers can also compare premiums of various insurers on the website.

Given the current situation where the use of mobile phones is widespread, we also opened a website exclusive for mobile phone users for online application of travel insurance and brochure request of life and non-life insurance.

Our website also provides visual content for customers who don't know much about insurance so they can learn the basics of insurance, such as insurance product structure and how to choose an insurance product.

Regarding sales via direct marketing, we enclose insurance information with credit card statements for 18 million members of credit cards issued by the Aeon Group. We analyze purchase information of card members to extract customers who properly match product characteristics and coverage and then segment them. For example, we send timely information on child endowment, accident insurance, whole-life and term insurance, and medical insurance in the season when children enter kindergarten or school, in the season of the coming-of-age ceremony, or in the season when students graduate from school and start working.

In addition, we are operating a membership club called "Suku-Suku Club." "Suku-Suku" in Japanese means that a baby is very healthy and growing very fast. This is a club for people who are involved in child rearing, including pregnant women, mothers with a child under age three, or grandmothers having a grandchild under age three. The number of members has currently reached 630,000. When sending event information and product discount tickets to our members, we also enclose insurance information with them.

[Slide #11 – Photo of Typical Insurance Shop]

This is a photo of the most typical insurance outlet.

These shops, or outlets, are staffed by our employees on a full time basis to provide consultation services for customers who visit. Many of the visitors are customers who came to the shopping center to shop or customers who requested brochures online. In addition, customers who want to know more about the products after receiving direct mail or product information at worksites in the Aeon Group companies also regularly visit the outlets. So, in a way, insurance outlets serve people who became interested in insurance as a result of our marketing efforts at worksite or through the Internet and direct marketing. Further, the insurance outlets have the advantage of offering face-to-face consultation. Customers who visited the outlets tend to have a better understanding about products and a higher intention to purchase them. As a result, insurance sales at outlets are going very well and in 2009 sales from the insurance outlets accounted for 77% of our entire insurance sales. Sales of Aflac products have shown a similar trend. In the first half this year, as much as 79% of new annualized premium of Aflac products came from insurance outlets.

[Slide #12 – Aflac Logo]

Thanks to various measures and efforts that I have just introduced, we recorded very strong sales in 2009. We will continue to enhance these activities and pursue further growth.

In addition, as part of the Aeon Group, which is now aiming to provide universal financial services including banking and credit cards, we will continue to make efforts to become an insurance agency that Japanese consumers would prefer to do business with.

In conclusion, I would like to thank you all for your attention today.

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Aflac 2010 Tokyo Analyst Meeting
Mikio Yoshizawa
President and Representative Director, Miki Business Corporation

[Slide #1 – Title]

Good morning, everyone.

First, let me introduce our company, Miki Business Corporation. We have two Japanese Kanji characters of “Miki” included in the company name, which means “happiness times three” in the Japanese language. I gave this name to the company, hoping to bring happiness to all three relevant parties who conduct business together: consumers, Aflac and Miki Business Corporation. As the president of the company, I actually have these two characters of “Miki” in my name, too, which is “Mikio” Yoshizawa. Today, I would like to talk about our company and our sales activities.

[Slide #2 – Location of the Miki Business Corporation]

This map of Japan shows the location of our company. It takes about 30 minutes from central Tokyo by train to come to our company. Many people living in this area work in the center of Tokyo. On the other hand, there are many longtime shopping districts in Saitama City with small and medium-sized companies, which are our main markets.

[Slide #3 – Company Overview]

I registered as an Aflac agency in 1982 and started sales activities. First, I started by myself as an individual agency and then incorporated the business in 1986. We are an exclusive Aflac agency and we have more than 70,000 Aflac insurance policies in force. As of the end of July 2010, we had 46 employees, with 37 who are sales staff.

[Slide #4 – Premium Income]

As you can see, our premium income has been growing year after year, thanks to the increase in new policies and high persistency, contributing to growth of Aflac.

[Slide #5 – Commissions from Aflac]

Like premium income, commissions we receive from Aflac have been also increasing year by year.

[Slide #6 – Changes in Customers’ Needs]

Next, let me tell you about changes in Japanese customers’ needs we identified from our daily sales activities.

Looking back on the past 28 years since 1982, I think the greatest change in consumers’ needs for insurance is a shift from death benefits to living benefits like those offered by third sector products including cancer and medical insurance. I think this trend has been noticeable, especially over the last few years. Of course, there are still many people who need death benefits to support their family members if something happens to them. But more and more people are

thinking about risks in case they live longer and get sick, especially against a backdrop of a low birth rate and an aging population in Japan, as well as the financial distress in the Japanese national healthcare system.

I also think the need for reviewing current insurance coverage is very high. Many customers are worried whether their insurance policies are suitable for their needs. Such customers want to consult with reliable specialists.

Regarding the process of enrollment, more and more people prefer face-to-face consultation over our old style of distributing a large amount of pre-printed application forms and collecting them later on to close a sale. This is partly because insurance products are getting complicated, especially since the deregulation in 2001 that enabled all insurers to market whatever products they would like to sell. As a result, there are many similar products in the market. Under this situation, it is very difficult for customers to find the best insurance for themselves. Accordingly, many customers are asking for consulting sales by agencies specialized in insurance like us. To respond to such environmental change, we basically conduct face-to-face sales only.

[Slide #7 – Aflac’s Strengths]

As I mentioned earlier, we exclusively sell Aflac’s products. Though other insurers sometimes ask us to sell their products, we have been an exclusive agency of Aflac since our foundation. This is because we fully know Aflac’s strengths compared to other companies.

First, from our standpoint, Aflac’s strength lies in their brand power, or high name recognition. As a result of Aflac’s longtime efforts most people know about Aflac.

Aflac’s next strength is their products. Aflac offers high-value-added products with well-balanced levels of coverage and premium. Aflac’s medical and other insurance products are very well received by consumers, and Aflac has led the cancer insurance market in Japan as a pioneer for decades. We value their insurance as the best product in the market.

Lastly, the level of Aflac’s customer service including claims payment is high. Many customers are highly satisfied with Aflac’s appropriate responses when they file claims, which we appreciate very much as well. Insurance is an invisible product, so it is fair enough to say that customer satisfaction hinges on how well a claim is paid. Because of Aflac’s high service level in claims payment, we are able to sell their products with confidence.

[Slide #8 – New Sales of Cancer Insurance]

As I told you before, we value Aflac’s cancer insurance. In this slide, I would like to show you our sales of new cancer policies. Although Aflac’s total sales of cancer insurance in 2009 declined from the previous year, our sales of cancer insurance have been steadily growing since 2006, as you can see.

We are firmly convinced that this is a product that is highly relevant to our customers. I think our sales have increased thanks to the well-balanced levels of coverage and premium of this product and Aflac’s strong brand power associated with cancer insurance.

[Slide #9 – New Annualized Premium Sales]

At the same time, we have also seen an increase in demand from customers for medical insurance. As a result, these two products have been a primary contributor to the growth of new annualized premium sales since 2007. Following the release of New EVER, sales of medical insurance in 2009 rose 37% from a year before, compared with the year-on-year increase of 15.7% in Aflac's total sales of medical insurance in 2009.

[Slide #10 – Main Markets and Sales Approach]

Now, let me explain our main markets and our sales approach.

Our main markets are members of the National Federation of Corporate Taxpayers Associations, or the Hojinkai, and the prefectural government and other public offices such as local city halls. I think many of you may have heard about it before, but the Hojinkai consists of small and medium-sized companies including restaurants in shopping districts and local auto-repair shops, just to name a couple.

Right now, we basically sell products using a face-to-face approach, not by just distributing pre-printed application forms. As I mentioned before, insurance products have become complicated and there are more products than ever before in the market. Under such circumstances, we think face-to-face sales are essential to suggest the best product to customers, and indeed, many customers want face-to-face sales.

Members of our sales staff visit public offices and small to medium-sized companies on a daily basis. They try to suggest the most suitable product to potential customers after identifying their needs through interviews. Sales staff also regularly visits existing customers. By talking with them, our sales staff gets information about concerns of the customers and life events such as the birth of a child or marriage. Our sales staff can use this information to make suggestions on new products or help customers review their current policies and determine additional needs, if any.

[Slide #11 – Efforts on Development of Human Resources]

Face-to-face sales require detail-oriented responses and a high skill level because it is necessary to understand customers' needs and sometimes draw attention to needs that even customers are unaware of to suggest the most suitable product to them. Therefore, we have put an emphasis on training our employees to improve their consultative skills.

After recruiting new employees, officers and the general manager of sales give them training to teach face-to-face sales skills through role-play. For continuous training of our veteran employees, the general manager of sales offers field training and officers would be present at on-the-job training as well. We have adopted a fair and transparent personnel policy with clear career paths in order for employees to fully exercise their abilities. In addition to these activities, as part of our company's benefit program, we go on an annual company-sponsored trip overseas and have recreational events in Japan twice a year to entertain employees and their family members.

Such activities have raised employees' motivation and helped achieve high productivity.

[Slide #12 – Productivity of Producing Salespeople]

This slide shows productivity of our salespeople for the past few years, that is, new annualized premium sales per producing sales person. As you can see, most recently, the amount has reached a high level of ¥9.85 million in 2009, and that was about 2.5 times as much as the average for other independent corporate agencies of Aflac. We believe our extensive training, job opportunities and the incentives we provide our team have played a large role in our sales success.

[Slide #13 – Future Strategies]

As I have stated, we have steadily increased sales. For the future, we will continue to keep conducting sales activities mainly based on the following four strategies.

First, we will keep focusing on the third sector products such as cancer and medical insurance. As I mentioned, consumers' needs have shifted to the third sector products, and there is no doubt that the financial stress will only continue to put pressures on the national healthcare system in Japan. Given this situation, copayments will only increase down the road for consumers. At present, both national and local governments are practicing a campaign to promote early detection and treatment of cancer. We are convinced cancer insurance needs will grow further. Using the campaign as an opportunity, we are going to introduce cancer insurance to more customers.

Second, we are going to further enhance face-to-face consulting sales to provide detail-oriented responses to customers' needs when reviewing their current policies.

Third, there is no doubt that talented people, including sales staff, are invaluable to an insurance agency. After I founded the company, I had a very hard time in recruiting good people. That is why we started activities for the human resources development I mentioned just a few minutes ago, and we are going to further enhance such activities.

Lastly, we acquired another Aflac agency this year, taking over its in-force business. This has enabled us to approach some payroll accounts we were not able to reach before. This is just one example of our efforts to develop new markets. We will also continue to pursue opportunities to sell insurance at payroll accounts by forming alliances with affiliated corporate agencies that serve those accounts. As such, I am determined to expand our business by retaining more talents and tapping into new markets.

[Slide #14 – Aflac Logo]

Thank you for your attention.

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

[Slide #1 – Title]

I would like to provide information about the sale of insurance products through the bank channel.

[Slide #2 – History of Bank Channel Deregulation]

Let me begin with a brief regulatory history of bank channel sales. Sales of financial products through the bank channel began in December 1998 when the sale of investment trust products was first permitted. Since then, the pace of deregulation has accelerated. The sales of long-term fire insurance and individual annuity products were deregulated in April 2001 and October 2002, respectively. Then in December 2005, the ban on the sale of single-premium whole life and endowment insurance was lifted. Finally, on December 2007, the remaining restrictions were fully removed, including those on third sector products.

[Slide #3 – Financial Institutions in Japan]

As of June 2010, Japan had a total of 402 banks, including mega banks, major banks, regional banks and shinkin banks. These banks represent our target market and have a total of about 21,000 branches that employ more than 400,000 people in Japan.

The mega banks include Mizuho, Tokyo-Mitsubishi UFJ and Sumitomo Mitsui. We have also included Resona as a mega bank due to its large and extensive nationwide sales network. By the way, a representative from Resona will make a presentation right after this speech. With an average of 548 branches, these four mega banks offer a wide range of banking services throughout the nation, from investment banking and wholesale to retail and private banking.

As of June 2010 there were 105 regional banks in Japan, including second-tier regional banks, which were originally mutual banks and converted to ordinary banks in 1989. In the retail banking division, door-to-door sales now represent the second-largest channel after over-the-counter sales.

Shinkin banks are cooperative financial institutions specializing in services for small- to medium-sized businesses and individuals. Their sales activities are deeply rooted in local communities, and door-to-door sales make up a significant part of their retail business. Shinkin banks have a vast network of nearly 7,700 branches, which accounts for more than one-third of all bank branches. The National Association of Shinkin Banks is responsible for selecting industry-standard products and providing an administrative framework to its members.

[Slide #4 – Reasons for Banks' Compatibility with Insurance Sales]

Japan's banks have several characteristics that lend themselves to insurance sales. First, consumers are already very comfortable doing business at banks. In fact, at the end of March 2010, 55% of Japanese household financial assets were in cash and deposits at banks. This is

almost four times that of the United States. Also, when customers in Japan purchase a financial product, they often visit banks to transfer funds from their account. Hence, they can make a deposit and purchase insurance in one convenient stop.

Second, Japanese banks have already earned the confidence and trust of their customers. Accordingly, there are many who would prefer to purchase a financial product from the very same bank with which they already conduct business.

Third, door-to-door sales of banking services are common in Japan. Through this approach, shinkin banks and other local financial institutions have been able to build strong relationships with their customers.

[Slide #5 – Considerations for Insurer Selection]

On the product side, when banks choose an insurance partner, they primarily look for an insurer with products that will drive sales. But there are several other important factors banks also consider, including brand recognition. Banks seek products that are well-recognized by consumers. One way Aflac Japan has achieved strong brand and consumer recognition is through its television commercials. In fact, various consumer surveys show Aflac is the most preferred insurer for the purchase of third sector products. Banks also look for companies with products that have simple and easy-to-understand benefits and features, thus making it easy for their staff to explain the coverage in a short amount of time. Aflac's products clearly provide great solutions to meet the needs of banks.

Another factor banks look at is the commission level. Commissions have become even more important as a source of income for banks, especially in Japan's low-interest-rate environment. Commissions paid by Aflac are among the highest in the industry, and we believe this is another way Aflac stands out within the insurance industry.

Banks also consider the training and support their employees receive from an insurer to help them sell insurance products. In order to respond to these considerations, Aflac Japan is now operating 11 bank sales offices nationwide with a total of 250 employees who are dedicated to servicing both banks' headquarters and branches.

[Slide #6 – Aflac's Extensive Reach within the Bank Channel]

Since the end of December 2007, the number of banks selling Aflac products has steadily increased, and at the end of June 2010, there were 354 banks that had agreed to sell Aflac products. This number represents 88% of the total banks currently operating in Japan, and the coverage is over 90% in terms of number of branches or employees. We believe this number is significantly greater than any of our competitors in the third sector.

We also believe that these numbers indicate that we have obtained a strong level of bank branch participation, and we are now shifting our focus toward increasing sales penetration at each existing bank.

[Slide #7 – The Shinkin Industry]

Let me explain two topics unique to bank sales in Japan, starting with the shinkin industry. Currently, there are 272 shinkin banks, and all of them are members of the National Association of Shinkin Banks. The association has been designating “industry standard” insurance products and developing administrative workflows for its members.

Anticipating full bank channel deregulation, we quickly approached the association to ask them to recommend our products. Among the four companies selected for third sector products Aflac was the only foreign company.

[Slide #8 – Regulatory Restrictions Related to Bank Sales]

The second topic relates to Japan’s current regulatory environment for bank sales. The FSA has added some very detailed regulations to prevent banks from abusing their strong market positions. One of the major regulations includes a restriction on sales to executives and employees of corporate borrowers as a lending condition. Banks are not allowed to sell insurance products if the number of employees of the corporate borrower is 50 or less. An exception to this rule exists for shinkin banks and other regional banks dealing with small-sized enterprises. These two types of banks are permitted to sell to executives and employees of corporate borrowers with at least 21 employees. However, in this case, additional restrictions are imposed. In the case of third sector products, the daily hospitalization benefit is limited to ¥10,000 for cancer and ¥5,000 for medical insurance.

With respect to first sector products such as WAYS and child endowment product, the total insured amount is limited to ¥10 million.

Japan’s FSA established a three-year monitoring period to review any abusive conduct by banks with respect to insurance sales. This period will end in December of this year, and if there proves to be no significant problems during this period, some of these regulations are expected to be relaxed or eliminated. Depending on how the regulations will be loosened, bank sales could be positively affected.

[Slide #9 – Aflac Bank Channel Sales]

As you can see on this slide, sales by banks have grown sharply since full deregulation in December 2007 through the third quarter of 2008. However, in the wake of the financial crisis, mutual fund and annuity sales declined in the bank channel as did insurance sales. In the aftermath of the turbulent financial market environment, sales representatives at banks had to focus much of their time explaining or responding to customer concerns about investment products sold to them by the banks, thus significantly cutting into time previously earmarked to sell insurance products.

By the second quarter of 2009, retail business at banks had returned to normal as the financial crisis began to show signs of subsiding. Since then, our sales through the bank channel have generated record results for every quarter.

[Slide #10 – Aflac Sales Contribution by Type of Bank]

In looking at the contribution to Aflac Japan's total bank sales in the first half of 2010, the contribution from mega banks was approximately 25%, with regional banks contributing about 45% and shinkin banks 30%.

There are three primary factors that have contributed to the growth of the bank channel. First, the number of branches and sales representatives at banks that have already agreed to sell our products has been expanding. Second, more banks have been adopting multiple products from Aflac as they pursue consultative sales methods. Finally, through intensive training, sales representatives at banks have not only become more accustomed to insurance sales, but they have become more skilled and confident in selling our products.

[Slide #11 – Policy Sales by Product]

This chart shows the number of policies sold by product on a quarterly basis. It's clear that our recent growth in this channel has been mostly driven by our newest EVER product and child endowment product.

We introduced the New EVER product to banks and the general market in August 2009. Since then, this product has been embraced by bank customers. We believe competitive features including pricing and sales promotion, especially the “Maneki Neko” Duck campaign, have been effectively driving sales at banks as well as those at other channels.

Although there are no official statistics for market share in the bank channel, we estimate our cancer and medical products dominate the total bank market in terms of number of policies sold, with a market share around 60%.

As you heard earlier, the government of Japan started payment of a child subsidy of ¥13,000 per month to all the children up to the ninth grade. This initiative has facilitated sales of our child endowment product, which has been one of the best selling child endowment products in the private sector.

[Slide #12 – Sales Activity at the Branch Level]

As I mentioned, the number of branches and sales representatives actively selling insurance products has been expanding. However, as shown on this chart, on average, only 23.0% of all bank branches sold six or more policies during 2009 and just 12.9% of total branches have sold 12 or more policies, which translates into approximately one policy per month per branch. The top producing bank for Aflac Japan in 2009 had generated sales of nearly ¥1 billion. And at that bank, 96% of their branches actually sold 12 or more policies during that same period. This number suggests that we have tremendous upside potential for increasing branch sales productivity.

[Slide #13 – Number Banks Offering Aflac Products]

On both an industrywide and per-bank basis, the number of Aflac products offered by banks has increased. The fact that more than half of the banks now offer our cancer and EVER products creates tremendous potential for us to expand our product offerings to include WAYS.

WAYS is a unique hybrid product that starts as a whole life policy until the insured person reaches retirement age, at which time the policyholder can choose to convert either a portion or all of their life insurance benefit into medical, nursing care, or annuity benefits.

[Slide #14 – Strategy for Bank Sales in Fourth Quarter and 2011]

The information I've presented suggests that bank sales are gaining momentum for continued growth. In order to ensure this momentum continues, we will focus on the following four strategic actions.

First, we will concentrate on increasing sales at existing banks rather than signing on new banks, as we have already secured agreements with approximately 90% of all of Japan's banks. We will expand into more bank branches and train sales personnel within these banks to reach more consumers. We have targeted certain banks, which we will assist in adopting best practices from other banks that have been successful. We are also allocating as many resources as possible for the implementation of these strategies.

Second, we will promote the adoption of multiple products by banks. Many banks are now strengthening consulting sales functions to respond to customer needs such as life planning. Our product line will help banks respond to customer needs in many ways.

Third, we will leverage governmental initiatives to facilitate sales of our child endowment and cancer products. The Japanese Government has started providing all children up to ninth grade with monthly subsidies of ¥13,000. Banks are very eager to get additional business by suggesting that customers have these payments automatically deposited into their banking accounts. We believe our child endowment provides a great option for this subsidy because of its features, pricing and premium. For example, if the monthly subsidy of ¥13,000 is used as premium, a child will receive ¥3 million at the age of 18.

We believe another government initiative will benefit cancer product sales. The Japanese government has been implementing a nationwide effort to combat cancer by increasing the percentage of the population that is screened for cancer from 20% to 50% by March 2012. These activities are being carried out by local governments. In addition to this screening initiative, local governments are trying to increase citizens' awareness of the importance of early diagnosis. Aflac has been working with local governments, and has already executed cooperative action agreements with almost all of Japan's 47 prefectural governments.

Local governments expect participation of banks in the cancer screening and awareness efforts because banks meet with an enormous number of customers every day, either at branches or in homes. These opportunities can easily be utilized to deliver leaflets and seminars on cancer and other measures to increase awareness and we have been providing banks with these measures. To this end, we have been incorporating screening and wellness messages into our marketing materials. We are pleased with the government's cancer awareness and screening programs and believe the banks are good vehicles for delivering the message to consumers.

Finally, we will strategically promote sales of WAYS, our first sector product, going forward. As I mentioned earlier, the financial crisis caused confusion among retail customers

and banks in late 2008. Many customers experienced loss of principal from their purchase of investment products. As such, they became very conservative and now their preference has shifted more toward products with a guaranteed principal.

As I mentioned, WAYS is a unique hybrid product that is initially categorized as a whole life policy. Consumers find this product attractive not only because of the various options, but also because of the flexibility it affords them to make decisions according to their needs at that time. Additionally, the cash surrender value will exceed paid-in premiums after a couple of years, and offers a better yield than traditional banking products. Customers like having an option for different premium payment methods, which include opting for level premium payments over the years or paying the entire premium in advance.

The unique features of our WAYS product, which are based on its product design to provide policy holders with options for future review of their insurance needs are exceptional with Aflac and they meet life consulting needs of bank customers who wish to decide necessary protection against risks by themselves in the future as well as building financial assets for retirement life. The number of banks selling this product is increasing and we will strategically promote sales going forward.

[Slide #15 – Aflac Logo]

In light of these facts and circumstances, we continue to believe the bank channel is a great opportunity for the distribution of our products and we expect further improvement in this channel all through 2010 and in years to come.

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

[Slide #1 – Title]

I am Kumakura from Resona Bank. Thank you for allowing me to outline our insurance sales efforts today.

[Slide #2 – Overview of Resona Holdings]

Resona Holdings consists of three banks, namely, Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. With total assets of ¥41 trillion and 576 branches, we are the fourth largest banking group in Japan. In terms of franchise value, our group has a solid presence in the Tokyo and Kansai metropolitan areas where population, economy and industries are heavily concentrated.

[Slide #3 – Strengthening Trust Banking Function]

In April 2009, Resona Bank merged with Resona Trust & Banking Co, Ltd. This merger enabled us to offer customers trust banking services while making use of Resona Bank's customer base and networks. This way, we believe we can expand our unique banking services.

Particularly when it comes to supporting our individual customers' life planning needs, we strive to offer products and services that can serve our customers in various life situations. Trust banking is certainly an indispensable part of this. In trust banking services, particularly in the case of will trust banking services, our customers consign to us all their fortune to manage, and we believe trust banking represents our area of strength. It is also worth mentioning that this merger has generated synergies across business lines, including inheritance business, annuity trust and asset management services. For example, we can cross sell single-premium, whole-life insurance products when a customer asks us to provide will trust banking services. And we can also meet customers' need for investment by selling our own mutual fund products through the bank channel.

To support customers' life planning, we must provide consulting services that can meet each customer's unique needs.

[Slide #4 – Next Generation Sales Outlets]

To create a venue to offer such consulting services, we redefined the conventional concept of a bank branch and took various measures to transform each branch into a venue for sales.

To accomplish this, in 2004, we launched a branch renewal initiative. Under the slogan of "eliminating inefficiencies," particularly with bank slips, approval stamps and back-office paperwork, we have been able to steadily turn our conventional branches into next-generation sales outlets.

[Slide #5 – Next Generation Sales Outlets]

By eliminating inefficiencies, we have doubled the space for sales activities in our new branches and increased our sales force as a result of improving administrative productivity. By doing so, we have secured enough space as well as time to discuss with our customers about their financial needs. Last year, we increased the number of employees engaged with consumer services at our branches by 14% from the previous year, while the total number of Resona Bank employees remains unchanged.

[Slide #6 – Call Center]

To enhance consulting services at branches, we launched a new call center in Izumo City of Shimane Prefecture, a local city in western Japan, in August 2005. This new call center enables us to handle incoming calls more efficiently and increase outbound calls more effectively. We also have the option to consolidate existing call centers into this new call center.

Resona Bank as a whole has a total of 220 operator booths in our call centers and we handled two million inbound calls and 600,000 outbound calls in fiscal year 2009.

[Slide #7 – Collaboration Between Divisions]

In step with changing customers' lifestyle and advancing IT technologies, the way customers interact with banks is also changing. To keep pace with this change, we continue to enhance collaboration between our distribution channels by seamlessly sharing our customer information through our Customer Relations Management, or CRM, system.

For example, just a single phone call at the call center can prompt our branch in the region to follow up with the customer and even lead to a sale of our products. In fact, we have seen many such cases of our cross-division collaboration triggered from a call. And of course, we couldn't have done this without our CRM system.

We also actively employ Internet technologies for our banking services. The Internet banking system is now a convenient tool, particularly for those who choose not to stop at one of our branches. In October 2008, we totally renovated our Internet banking system and upgraded functions.

[Slide #8 – Products – Reflecting Customers' Feedback]

Resona Bank does not have an asset management or insurance subsidiary within its group. Our basic concept for product offerings is, therefore, to present our customers the best plan through a combination of the best products developed by best partners. We believe the best way that we need to serve our customers is that we have to provide the best product and service that best match their needs in various stages of their life. Our sales network embodies this concept, as it now connects Resona Bank with various partners, both domestic and foreign. We now handle insurance offered by more than 10 insurers, including Aflac. And we also offer investment trust products provided by more than 10 financial institutions.

It is an ongoing priority for us to listen to consumers and offer them products they want and need. Let me introduce some examples of products consumers demand. One is investment trust products, and we are selling the Asia Fund Series by Credit Agricole Asset Management. The second is the individual annuity product series Anshin provided by the Dai-ichi Life

Insurance Group. These are good examples of products that were all developed based on inputs that reflect customer feedback. In addition to these investment areas, on the protection side, we are receiving more and more inputs from customers. As I will discuss in more detail later, we are also asking Aflac to provide products that reflect those inputs from our customers.

[Slide #9 – Products – Preparing for Life Events]

Generally speaking, four events can prompt the need for insurance, including illness, post-retirement life, elderly nursing care, and death. Our level-premium protection type of insurance product line is designed to help customers prepare for these events.

First, to counter the risk of illnesses, we have selected New EVER and Cancer Forte from Aflac to offer to our customers. Last month, we also started selling “WAYS,” an Aflac product that offers benefit options or annuities geared to all four potential events. This multi-protection product is selling well. Here at Resona, we sell WAYS under the name of “Ippo Ippo,” meaning “Step by Step” in English.

[Slide #10 –New Sales of Aflac Products]

This slide shows the sales results of Aflac insurance products at Resona Bank . As you can see, the sales volume is rapidly growing. Aflac products now account for as much as 30% of our all insurance sales and are greatly contributing to overall sales.

It has been more than two-and-a-half years since the sale of insurance products by banks was fully deregulated. We believe what happened to sales of investment trust by banks will also happen to sales of insurance by banks in a short period of time. In the case of investment trust products, banks have grown to be a major distribution channel with its share reaching 50%.

[Slide #11 – Sales Force Training]

To grow our business line of protection-type insurance, like Aflac’s, the most important factor is the training of our sales force. Resona Bank, therefore, has improved the training for its employees who sell insurance products to acquire or improve their consulting-based insurance sales skills. In this training, participants are expected to enhance their insurance proposal capabilities based on the concept of “market in” rather than “product out,” which means customers’ needs come first when marketing a new product.

Participants learn how to get the customer to review his or her current coverage details by checking policy certificates to identify the gaps between their current level of coverage and what is needed. This way, they can learn how to identify what product is needed and compute the needed insurance coverage or benefit amount. After the gaps become clear, participants finally learn how to come up with effective sales approaches to recommend a specific insurance product as a solution to close the gaps. Participants also learn how to compute a needed insurance coverage or amount.

We started this training last year, and more than 2,000 employees have attended this training so far.

[Slide #12 – Resona Consulting Skills Improvement Project]

We are currently promoting an effort called the “Consulting Skill Improvement Project” across the bank. This project is a combined initiative of three factors. First, we turn customers’ insurance needs from implicit ones to explicit ones by showing them the gaps between what is needed and their current level of coverage. Second, we introduce a system tool named “Life Planning Service” which will assist in suggesting an appropriate insurance plan to customers. Third, and finally, we strengthen our skills for assembling investment trust portfolio for customers.

Through this initiative, we believe the insurance plans that we suggest will be best suited to each customer’s life planning needs, and our asset-management services will evolve from the current product-by-product sales into total portfolio coordination. By putting these processes into action, Resona Bank shall become a retail service bank in a true sense.

[Slide #13 – Support Customers’ Life Planning]

To support individual customers’ life planning needs, it is necessary for us to offer products and services that can best serve our customers in various life stages. And for this, protection type of insurance products is as just indispensable as trust banking.

In the past, our main customer base had typically been older generations with a huge potential of wealth-building needs. And as such, our retail banking services had primarily been responding to their needs for increasing, preparing and distributing over their assets. Specifically, we focused on selling products to increase their asset value in preparation for retirement or inheritance by leveraging investment trust or individual annuity insurance. We also helped elderly customers with estate planning in the form of single-premium whole-life insurance or testamentary trust.

But now, Resona Bank has added protection-type insurance products , including Aflac’s, to its portfolio, and we are now able to meet customers’ needs in a broader spectrum of life events, such as education, start of employment, marriage and child birth.

Resona Bank has also long been known for its solid mortgage loan business franchise and closer interaction with customers. As our service scope further expands, we can also make full use of these strengths. Utilizing these strengths contributes to our efforts to efficiently identify customers who think hard about their financial conditions and plan for future. It also brings us more opportunities to recommend an Aflac product and hopefully results in a higher percentage of customers buying Aflac products.

[Slide #14 – The No.1 Bank for Women]

It is our hope that Resona Bank becomes the No.1 bank that women prefer. Let me introduce the Power of Mine Project to you. This is a companywide project consisting of 150 frontline women employees who voluntarily joined to aim for the No.1 bank for women.

First, members of this project discuss medical insurance they themselves really want to purchase. They also come up with tools or leaflets that will help convey these thoughts to female customers. Then insurance companies such as Aflac can incorporate this feedback when they develop products for Resona Bank and supporting promotional material. The findings from this

project contributed to the development of promotional material related to Aflac's cancer policy that specifically provides benefits for cancers typically related to women, such as breast cancer.

[Slide #15 –The Power of Mine Project]

Through these activities, project members became aware of the pressing issue to improve Japan's cancer screening rate. With this in mind, members continue to work out various helpful measures to raise the cancer screening rate and remain committed to our corporate social responsibility, or CSR, activities that help female members of the community. We expect that these efforts will also help establish a strong brand for Resona's "Power of Mine" Project.

As I mentioned earlier, Resona Bank is now transforming its branches into consulting sales venues. In addition, Resona Bank assembles its product lines by following the concept of "open architecture." And now, Resona Bank has added trust banking and protection type of insurance to its business lines. I can confidently say that Resona Bank is a bank truly capable of satisfying all our customers' needs by consultation, so our customers only need to make one stop at Resona and they get everything they need.

[Slide #16 – Aflac Logo]

Thank you very much for your attention.

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

[Slide #1 – Title Slide]

Over the past couple of years, the Government of Japan has taken numerous steps to strengthen Japan's economy as the financial crisis spread to economies around the world and seriously impacted Japan. Several large-scale economic stimulus packages were implemented in 2008 and 2009, which have contributed to signs of improvement in the Japanese economy. The Bank of Japan has kept its monthly economic assessment unchanged from May to September, saying that Japan's economy "shows further signs of a moderate recovery." However, last week the Bank softened its outlook for the economy somewhat, stating that "Japan's economy is likely to recover at a moderate pace, although the pace of improvement is likely to slow temporarily." In addition, second quarter data recently released by the Cabinet Office point to a possible slowdown in Japan's economic recovery, with real GDP, consumer spending, and capital investment all growing at a slower pace than in the previous quarter. Taken together with lingering concerns about deflation and a relatively high unemployment rate, it remains unclear how robust Japan's recovery will be going forward.

While coping with the global economic crisis, Japan also witnessed a historic change of government in September 2009, which continues to significantly impact Japanese politics. This presentation will provide a broad overview of the meaning of Japan's change of government and of the divided parliament resulting from the DPJ's defeat in the July 2010 Upper House election; the DPJ administration's economic growth strategy; trends in the financial regulatory environment; recent developments regarding Japan Post reform; and the direction of reforms to Japan's social safety net system.

Before I jump into an explanation of recent political developments, please allow me to take a moment to give a quick overview of the Japanese Government and how it works. I realize this may be familiar ground for many of you, but I hope you will find it useful.

[Slide #2 – The Japanese Government]

Japan is a constitutional monarchy with a parliamentary government. Sovereignty is vested in the Japanese people, with the Emperor defined as the symbol of the state.

Japan's government is a parliamentary democracy, with a House of Representatives, or "Lower House," and a House of Councillors, or "Upper House." Executive power is vested in a cabinet composed of a prime minister and ministers of state, all of whom must be civilians. The prime minister must be a member of parliament, which is known as the "National Diet" in Japan, and is chosen by his or her colleagues. The prime minister has the power to appoint and remove ministers, a majority of whom must be Diet members.

[Slide #3 – House of Representatives]

The Lower House has 480 members elected for four-year terms. The Lower House can be dissolved and an election called at anytime by the Prime Minister, which means that its election schedule is not fixed. The last Lower House election was held in August 2009 and

resulted in a landslide victory for the Democratic Party of Japan, or DPJ. The next Lower House election must be held no later than summer 2013.

[Slide #4 – House of Councillors]

The Upper House has 242 members elected for six-year terms. Upper House elections are held every three years, during which one-half, or 121, of the Upper House seats are contested. The last Upper House election was held on July 11, 2010, and resulted in a dramatic setback for the DPJ and its coalition partners. The next Upper House election will be held in the summer of 2013.

[Slide #5 – Control of the Government]

The Lower House has several powers not given to the Upper House, making it the key to gaining control of Japan's government. For example, if a bill is passed by the Lower House, but voted down by the Upper House, the Lower House can override the decision by a two-thirds vote. In the case of treaties, the budget, and the selection of the prime minister, however, if the two houses reach different decisions that cannot be resolved, the decision of the Lower House becomes the will of the Diet. As a result, the party that controls a majority of seats in the Lower House holds the reins of power. And the president of that party generally serves as prime minister.

[Slide #6 – Political Parties and Coalitions]

Japan has two major political parties, the Democratic Party of Japan, which is now in power, and the Liberal Democratic Party, or LDP, which held power nearly uninterrupted from 1955 to 2009. There are a number of other political parties that vary in size and influence, including New Komeito, Your Party, the Japan Communist Party, the Social Democratic Party, and the People's New Party.

Political parties in Japan's parliamentary system often form partnerships, or coalitions, including in cases when they need to gain a majority in one or both houses of the Diet for the purposes of passing legislation. The ruling DPJ currently has a coalition with the People's New Party.

[Slide #7 – Historic Change of Government]

In the August 2009 general election, the DPJ won an overwhelming majority of seats in the Lower House, resulting in a dramatic shift from the LDP's more than five decades as the ruling party and a truly historic change of government. In the months that followed, funding scandals and other challenges related to making an uncharted transition from being in opposition to actually governing contributed to a decline in public support and ultimately a major defeat in the July 2010 Upper House election. This defeat has created difficult political circumstances, including a divided parliament, or so-called "twisted Diet," whereby the DPJ has a majority in the Lower House, but not in the Upper House. Needless to say, Japan remains in the midst of historic political change. I would like to take a moment to discuss this change, and its meaning with regard to Japan's business and regulatory environment going forward.

Although Japan actually experienced a change of ruling party in the early 1990s, that change occurred due mainly to the departure of dissatisfied members of the then-ruling LDP, who went on to create a number of new parties. This development forced an election and a defeat of the LDP in 1993, but the LDP maintained its position as the largest party in the Lower House, which enabled it to quickly come back into power after 10 months.

Despite the DPJ's major defeat in the July 2010 Upper House election, few expect the LDP to return to power anytime soon. In August 2009, the Japanese electorate made a conscious decision to vote the LDP out of government, which had not happened in nearly 55 years. It is clear that Japan's voters do not want a return to politics as usual. Indeed, the DPJ's apparent inability to break with the past, as illustrated by funding scandals along with weak leadership at the top, contributed significantly to the DPJ's defeat at the polls in July 2010.

In the July election, the DPJ lost ten seats, while its coalition partner, the People's New Party, lost all three of its seats that were contested in the election. As a result, the ruling coalition is now 12 seats short of the majority required to pass legislation. Despite this defeat, Prime Minister Naoto Kan has not stepped down and is running for re-election in the DPJ presidential election to be held on September 14. He is being challenged by a major political figure in the DPJ, Ichiro Ozawa.

The DPJ will continue to maintain a strong majority in the more powerful Lower House. Thus, the DPJ will remain in power until the next general election, which takes place whenever the prime minister chooses to dissolve the Lower House, but by August 2013 at the latest. The DPJ, however, remains seven seats shy of the two-thirds majority needed to override a "no" vote in the Upper House. Accordingly, it is likely to be extremely difficult to get any legislation passed.

While the obvious solution to this problem would be to form a majority in a coalition with additional parties, doing so – while not impossible – will be extremely difficult under the current conditions. Specifically, the three other major parties, the LDP, the New Komeito, and the up-and-coming Your Party have been clearly on the record saying that they would not join a coalition. Given this difficulty, the prime minister and other DPJ leaders are talking about forming "partial" coalitions on an issue-by-issue basis, and the DPJ will attempt to look for other ways to improve its legislative position.

The DPJ assumed power aiming to fundamentally change Japan's policymaking process and the role of career government officials. Whereas the policymaking process under the LDP was said to be heavily dependent on and influenced by career government officials, the DPJ has been working to change to a Cabinet-centric system of policymaking and government control. Changes carried out to this end include the abolition of the Administrative Vice Ministers' Conference (consisting of the most senior career officials in the ministries) and a freeze of the Financial System Council and other policy deliberation bodies. The DPJ's Cabinet- or politician-centric policymaking approach has forced DPJ policymakers – most of whom lack actual governing experience – to learn on the job and attempt to execute policy without fully utilizing Japan's experienced and knowledgeable bureaucracy. It is expected that this approach will continue to cause confusion and disarray in Japan's policymaking process, at least in the short term. However, I also expect that DPJ leaders will make adjustments based on lessons learned. For example, in a recent speech I gave to a group of senior Ministry of Finance officials,

I suggested that the Financial System Council should be reactivated and found the audience receptive to the idea.

Hence, despite the confusion and disarray, we remain optimistic. From my personal perspective as I engage with a wide range of senior government and business leaders as an outside board member of the Tokyo Stock Exchange, as a member of the Japan Fair Trade Commission's Antimonopoly Study Group, in my frequent visits to local financial institutions throughout the country, and other activities, it is clear to me that the important work of governance, innovation, and reform continues to take place all across Japan. Japan continues to work smoothly. I am sure you noticed this on your ride in from the airport – the train was immaculate and on time. I encourage you to take time during your stay in Japan to get out and look around, I am sure you will understand what I mean.

[Slide #8– Goals of New Government Growth Strategy (June 2010)]

In June 2010, the Government of Japan released an updated “New Growth Strategy” and Growth Strategy Implementation Plan aimed at ensuring sustainable growth by the Japanese economy. The growth strategy named “environment,” “health,” “Asia,” “tourism,” “science and technology,” and “employment and human resources” as strategic areas and identified such concrete numerical goals as: 1) achieving average annual growth of over 3% in nominal terms and over 2% in real terms in the years through fiscal 2020; 2) reducing the unemployment rate to the 3.0% to 4.0% range; 3) creating over ¥50 trillion in environment- and energy-related markets and 1.4 million new green jobs; 4) fostering health industry growth to meet the demand for medical, nursing care, and other health-related services and creating 2.8 million jobs; 5), realizing a Free Trade Area of the Asia-Pacific (FTAAP) by 2020; and 6), increasing the annual number of foreign visitors to Japan to 25 million by the beginning of 2020 and creating 560,000 new jobs. The government also announced its Fiscal Management Strategy in June, which, among other things, calls for reducing by half the deficit in the primary balance relative to GDP by 2015 and achieving a surplus in the primary balance by 2020 through such measures as cuts in expenditures and comprehensive tax reform.

Nevertheless, under the policy of “putting people’s lives first,” the government is continuing to promote certain policies to stimulate consumer spending, even in the context of its Fiscal Management Strategy. Specifically, since April 2010, the government has taken such action as implementing a monthly child allowance of ¥13,000 per child of junior high school age or younger, making high school tuition effectively free, and increasing the government’s maternity subsidy by more than 30% to ¥550,000.

The child allowance, in particular, has been an important policy issue for the DPJ and remains a key element of its “New Growth Strategy.” Extending the payments (at the same or a different level) for another year will likely require additional legislation and will depend on passage of the 2012 budget and related bills in March 2011. In its policy manifesto for the 2009 Lower House election, the DPJ pledged to pay ¥26,000 for each eligible child under 15 beginning in April 2011. In its most recent manifesto for the July 2010 Upper House election, however, the party hinted that the additional ¥13,000 might be paid through child-related services (e.g., reductions in child medical expenses) rather than cash.

Given Japan's fluid political situation and tough fiscal conditions, the fate of next year's child allowance will be unclear until after the DPJ presidential election to be held on September 14 and after discussions on the FY2012 budget have begun in earnest. Having said that, the child allowance is one of the DPJ's signature policies (and one of the few that it has actually executed) and would be politically difficult to back away from. Accordingly, at this point it appears likely that the DPJ will move to extend (or possibly raise) the ¥13,000 monthly payments for the year beginning on April 1, 2011.

We believe that promotion of such measures to support household budgets will benefit Aflac, as indicated by the positive sales of the child endowment insurance product the company introduced last year.

[Slide #9 – Progress in Financial Regulatory Reform]

The challenges posed by the global financial crisis and changes in the domestic political and policy environment have resulted in a slowdown, to some extent, of efforts by the Japanese Government, particularly the Financial Services Agency (FSA), to take aggressive steps aimed at strengthening Japan's competitiveness as an international financial center. Nevertheless, the FSA's work is ongoing, and I will summarize it in a moment.

As I have noted previously, Japan's financial system has changed dramatically in the past decade. The old Ministry of Finance emphasized maximum control, industry protection, and the use of informal administrative guidance based on its "convoy system" philosophy. The FSA replaced this philosophy with a rules-based regulatory approach, which relies on transparency and the notion of self-responsibility by financial institutions. In recent years, the FSA has taken further steps to achieve the best mix of principles-based regulation and rules-based regulation, calling this the "Better Regulation" initiative. FSA Commissioner Katsunori Mikuniya and other senior FSA officials continue to reiterate that the FSA will carefully consider its role in helping to maintain financial system stability, improve consumer protection and convenience, and establish fair, transparent, and vibrant markets. The FSA will also continue to work closely with other regulatory authorities, including through the G-20 and the Financial Stability Board, to ensure that Japan's financial regulatory approaches are consistent with policy measures agreed to globally.

[Slide #10 – Regulatory Developments Pertaining to Japan's Financial and Capital Markets]

In its New Growth Strategy released in June 2010, the government commits to establishing Japan as a main financial market and player in Asia and envisions the financial sector as promoting Japan's overall economic growth as it supports enterprises in other sectors and as a growth sector itself. The government aims to achieve these goals through such measures as improvements in markets and exchanges and reforms to the legal infrastructure for financing, development of a bond market for professional investors, and expanding the scope of financial disclosures allowable in English, making it easier for foreign enterprises to procure capital in Japan.

The impact of this strategy and any related regulatory changes, however, is not expected to have a material impact on Aflac's operations in Japan.

In direct relation to the insurance sector, the FSA is planning to review market conduct rules applied to bank sales of insurance that were implemented in December 2007. Although it is too early to predict the outcome of this review, it is possible that regulations related to medical and cancer insurance sales through small and medium-sized financial institutions such as regional banks and Shinkin Banks could be relaxed. Because the global regulatory trend is to strengthen regulations generally, some experts in Japan are opposed to this. However, foreign insurance companies, including Aflac, will continue to advocate that the FSA ease relevant regulations in this area.

In addition, beginning in March 2011, the FSA is requesting that insurance companies disclose what their solvency margin ratio would be under the newly revised calculation standard. The FSA projects that the new standard will result in solvency margin ratios decreasing by approximately half for major life insurance companies and approximately 30 percent for major non-life insurance companies. After implementation of the new standard in March 2012, Aflac's solvency margin ratio is expected to decline, but only by a similar level to that of other major life insurance companies.

[Slide #11 – Postal Reform Developments]

Last fall, the DPJ-led government undertook a review of the postal privatization program implemented by the LDP. In April 2010, Japan Post reform legislation was introduced to the Diet. During our last financial analyst briefing, we discussed Japan's complex political dynamics and how they were affecting debate over the postal legislation. At the time, I noted that many policy experts we interact with in Tokyo were skeptical about whether the legislation would pass the Diet by the June 16 close of the last legislative session, and our contacts in the Diet and government confirmed that assessment. Indeed, the Diet session ended before the legislation could be passed. Further to this, the chairman of the Privatization Commission recently stated that as long as the Japan Post IPOs remain suspended, the commission would not approve expanded products for either the Postal Insurance or Postal Bank operations. The Diet is expected to reconvene in late September, but given that the ruling coalition no longer controls a majority in the Upper House, it is unclear whether the postal legislation will be taken up again in the next Diet session. Accordingly, in our view the postal reform debate will not have an immediate material impact on our operations in Japan.

As you likely know, Aflac's cancer products are sold through 1,000 post offices around Japan. We have established a good relationship with the post office company and believe that this will not change regardless of the outcome of any postal reform debate in the Diet. To this end, Aflac Japan is continuing to develop this channel.

[Slide #12 – Rapidly Increasing Social Security Benefits]

As I have noted in previous briefings, a declining fertility rate and aging population are among the most difficult challenges that Japan faces on the path to continued growth and prosperity. As these trends progress, Japan's publicly-funded social insurance programs will continue to come under ever-increasing financial pressure.

Against this backdrop, the DPJ-led government established a "study team" that has begun a full-scale discussion on introducing a system to more accurately link tax, pension, and medical

information for each Japanese citizen. Addressing this issue is an essential foundation of the DPJ's plan to enhance the efficiency and effectiveness of Japan's tax and social welfare systems, and the government is aiming to submit the necessary bills in the ordinary Diet session that begins in January 2011.

[Slide #13 – Major Changes in Copayments for the Employed and Elderly]

Japan has a compulsory and universal public health care insurance system. The system's costs are covered by premiums paid by the insured and their employers, as well as taxes and copayments paid by patients. Given Japan's aging population and declining birthrate, however, the system has been under great financial strain, and copayments for salaried workers under 70 are 30%.

In April 2008, recognizing that the national health care system will be unsustainable as the costs of providing medical care for the elderly swell, the government introduced Advanced Elderly Health, a system that separates medical treatment fees for advanced elderly from that of the younger population. The DPJ-led government, however, began designing a replacement system in November 2009 and aims to introduce legislation to implement it beginning in fiscal 2013. Although details of the new system are unknown at this point, we believe the reforms will lead to enhanced consumer interest in the health care sector, including supplemental medical and cancer insurance products.

[Slide #14 – Daily Out-of-Pocket Hospitalization Expenses]

The DPJ-led government is also expected to conduct a review of the social security system, including pensions, health care, and nursery care. However, because Japan's falling fertility rate, aging population, and related need for fiscal discipline will not change, it is unlikely that the government will choose an option, for example, to expand national health care insurance coverage. Related to this, much of the need for our products will continue to arise because of the many expenses that are not covered by Japan's health care system. Patients will have to continue to bear significant expenses while in the hospital, including extra charges for private or semi-private rooms, special treatments or medicines not covered by the national health care system, transportation costs for family members, and daily necessities. According to the most recent survey by the Japan Institute of Life Insurance, roughly one-third of patients had more than ¥20,000 of daily out-of-pocket hospitalization expenses, up from 22% just three years earlier.

[Slide #15 – The Public's View on the National Health Care System]

Given Japan's aging population and declining birthrate, the Government of Japan faces tight financial conditions, and many people worry that additional increases in out-of-pocket expenses will be necessary. Some worry not only that their burden will increase, but that the scope of government coverage may be reduced as well.

Japan's rapidly aging population and low birthrate are putting the country's social security system under increasing strain, which is forcing Japanese consumers to bear an ever-growing share of the burden. Despite the fluid situation in Japanese politics in September 2010, the political consensus is that the current system cannot be sustained without significant changes. In this environment, the companies that prevail will be those that are customer-centric. Aflac will proactively and comprehensively prepare for any environmental changes and will continue

to closely interact with our stakeholders as we always have. Aflac is well-positioned to take advantage of the opportunities presented, and we believe that we will continue to be a successful company in the Japanese market.

[Slide #16 – Aflac Logo]

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

[Slide #1 – Title]

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 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 but exclude renewal commissions paid to sales associates.

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 the number of riders, which makes the figure of ¥5,192 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 various 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]

To further improve efficiency while maintaining quality service, Aflac Japan is actively employing IT solutions.

One of the IT solutions is AANET, which is a sales support system that provides information and services to Aflac sales associates via the Internet. Aflac Japan developed and launched AANET in 2000, and since then it has become a broadly used and effective sales support tool that enables our sales associates to efficiently quote premiums and sort customer data by various categories, such as product, age, address and group attributes. This allows our associates to effectively suggest additional policies or riders to their customers. AANET also helps our sales associates verify policyholders' policy status and download policy maintenance documents, just to name a few functions. It is also worth noting that paper-based policy maintenance forms were discontinued in February 2009, and all of these forms are now downloaded via AANET. Previously, our sales associates had to process customers' address changes by paper forms. But now, they can directly register new addresses on AANET and

complete all processes electronically themselves. As you can see, AANET goes beyond simply functioning as a paperless system. It also contributes to process efficiency and timeliness, while also allowing our associates' to focus on sales activities and relationship management rather than on administrative duties. For example, about 87% of our address change transactions are paperless, as a result of using the AANET.

Let me turn your attention to another IT highlight, the Aflac Net Billing system. This system was developed to replace the monthly paper bills we send to our payroll accounts. This tool enables the access to the monthly billing data and the processing of various billing procedures through the Internet. While the Life Insurance Association of Japan started promoting a web-based billing system in 2009, Aflac had implemented its own net billing system eight years before in 2001. Aflac Japan's web-based billing system helps work toward achieving a paperless operation, reduces the workload of payroll accounts, improves administrative accuracy through automatic calculation, and allows us to simplify and streamline our administration processes. At the end of June 2010, about 69% of Aflac's payroll accounts had adopted the web-based billing system, which is an increase of 3% over last year. Aflac Net Billing also allows administrative employees at payroll accounts to enter the upcoming retirement dates of future retirees, allowing us to track this data and send out policy continuation forms to those would-be retirees in a timely manner.

[Slide #5 – Aflac's Inbound Call Centers]

Next, let me discuss Aflac's Inbound Call Centers, which play an extremely important role in serving our customers and associates.

We have three centers for inbound calls, and each is separated according to the type of caller. One is the Aflac Call Center, which receives inquiries from existing and prospective policyholders. The second is the Associates Support Center, which takes calls from our associates. And the third is the Alliance Support Center, which is equipped to take calls from our large sales channels such as banks, the Japan Post Network Co., Ltd. and Dai-ichi Life.

Aflac Call Center operators not only respond quickly and accurately to customers' inquiries, they also suggest sending appropriate brochures to existing customers who may consider purchasing new policies. Through AANET, the Aflac Call Center also provides our associates with information about any inquiries made by their customers who had directly called into the Aflac Call Center. For example, when customers call to share that they have gotten married, given birth, or had another life-changing event, sales associates are informed on a timelier basis. That way, they can follow up, which in some cases leads to new sales.

We believe offering high-quality service through the call center not only enhances the Aflac brand in general, but also contributes to improving customer service while building strong relationships with all stakeholders, including our customers, sales associates and banks.

[Slide #6 – ISO10002: Customer Complaints Management System]

The Aflac Call Center handles a total of 1.6 million customer inquiries a year; however, our companywide system does far more than simply answering calls. At Aflac Japan, details about all customer requests and complaints received by our sales offices and associates, and of course those received at the Aflac Call Center, are systematically compiled and analyzed in an

effort to make improvements in our services as an organization. We established a PDCA Cycle to make sure this system really works as it is originally designed. As you may know, “PDCA” stands for “Plan,” “Do,” “Check” and “Action.” More specifically, for “Plan,” we are *planning* directions and targets concerning our customer complaints management system. For “Do,” in addition to adequate customer services, we are *doing* a close analysis of the customer complaints and requests we put receive to allow us to make further improvements. For “Check,” we are *checking* complaint trends and customer satisfaction surveys to precisely understand this feedback and determine what challenges we are facing. And for “Action,” we are putting these efforts into *action* to keep improving this customer complaints management system. After our PDCA Cycle gained third-party certification, we issued a declaration on July 1, 2010, that confirms our system conforms to the international standard for customer complaints management, known as ISO10002. Aflac Japan’s ISO10002 certification plays an active part in our appeal to external parties by demonstrating our sincere commitment to customer service. This actually is the first declaration of its kind among our major competitors in Japan, and we are all the more proud of this achievement as a company that backs up more than 20 million policies in force.

[Slide #7 – Surrender and Lapse Rates]

This slide exemplifies our continuing efforts to preserve in-force business. As an index to measure our performance in preserving in-force business, Aflac Japan places particular importance on surrender and lapse rate. As shown on this slide, Aflac Japan’s surrender and lapse rate was 1.5 percentage points lower than the industry average, according to earnings statements for the fiscal year ended March 2010.

[Slide #8 – Key Points to Maintaining In-force Business]

To grow our business, it is certainly important to encourage our policyholders to keep their policies for a long period. As the primary point of contact between Aflac Japan and our customers, it is equally important that our sales associates conduct timely and appropriate follow-up actions. To support our associates in taking such actions, we have been emphasizing the importance of maintaining in-force policies. We do this by educating our associates and providing them with information, including surrender and lapse rates and successful initiatives of other associates. By doing so, we can create an environment where associates are in tune with how their follow up with customers helps maintain in-force policies. Ultimately, the associates benefit because preserved policies generate a continuation of commission payments for them.

[Slide #9 – Claims Payments]

This chart shows the actual claims payments in yen between 2000 and 2009. As you can see, the actual payment amount has been growing steadily. In 2009, we paid about ¥307 billion on about 270,000 cancer claims. The total amount paid on medical policies in 2009 was about ¥85 billion, but we made approximately 460,000 payments, which was greater than the number of cancer insurance payments.

The most important service an insurance company can provide is to live up to its promise of paying benefits promptly when policyholders need them the most. Aflac Japan remains dedicated to providing quick and accurate claims payments, and we are taking measures to further enhance our claim payment accuracy. Specifically, in order to minimize any variance in

claim payment accuracy among different locations, we consolidated our seven payment offices into two. We are also stepping up our employee training efforts to enhance the consistency and accuracy of claim payments. As for speediness, Aflac Japan is now able to complete payments within three business days. In fact, there are many customers who voiced their surprise and appreciation about how Aflac Japan's timeliness in paying their claims.

Recently, with a mandate by the Ministry of Economy, Trade and Industry of the Japanese Government, a research firm conducted a customer satisfaction survey targeting those who have been paid by insurance companies over the past three years. According to this survey, Aflac tops the ranking for the life insurer sector. This result vindicates Aflac's market-leading status over our competitors in terms of this ultimate responsibility held by insurance companies.

[Slide #10 – Aflac logo]

In closing, I would like to explain the companywide business operations improvement efforts we started in 1983. Since then, these efforts have been consistently taking hold and indeed bearing fruit. As a result, these types of activities foster innovative thinking and nurture a culture that continually prioritizes operational efficiency as an important objective.

We continue to believe our low-cost operation is one of Aflac Japan's greatest competitive strengths. This efficiency is a source of pride for our employees at Aflac Japan, who 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.

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Aflac Japan Investments
Hitoshi Oda
Vice President, Investments, Aflac Japan

[Slide #1 – Title]

I am very honored to give you a presentation this afternoon on Aflac Japan's investments. I would like to begin my discussion by reviewing our investment considerations and organization.

[Slide #2 – Aflac Japan Investment Considerations]

As we have discussed for many years, product needs drive our investment strategies and processes. Whole life products with high persistency rates result in long liability durations in Japan. We are supporting these liabilities by purchasing long-duration, yen-denominated debt instruments.

Intensive credit analysis is the core of our investment discipline. As the Japanese credit market is still not highly developed, 72% of our credit exposure is to non-Japanese issuers. The Aflac Japan credit team facilitates the due diligence process in cooperation with the Aflac U.S. credit team, and each investment for Aflac Japan requires approval from both credit teams. We also take into account Aflac's corporate objectives in formulating our investment strategies, as net investment income is a driver of our consolidated earnings performance.

[Slide #3 – Aflac Japan's Investment Portfolio]

Aflac Japan accounts for nearly 90% of the entire Aflac investment portfolio, and substantially most of the assets are debt instruments. Among them, fixed-maturity corporate debt and perpetual securities issued by major financial institutions worldwide make up the vast majority of the portfolio. We also consider investments in CMBS, RMBS, ABS, and CDO on a selective basis, but the proportion of such securitized products to the total investment portfolio remains relatively small. Our single-largest exposure is to Japanese government bonds, or JGBs. Additionally, we have a significant weighting in the banking sector. Our confidence in this sector is based on the premise that governments would take extraordinary efforts to support the financial institutions that underpin the economies in which they operate. We believe this implied support makes investments in the banking sector suitable for our long-term credit exposure. Furthermore, we believe the behavior of bank regulators during the financial crisis verifies our premise thus far. However, we are committed to diversification of our portfolio. As I will discuss later in my speech, the share of financial sector holdings in our portfolio has been gradually decreasing in recent years as a result of our new money allocations and our participation in several tender offers from certain banks.

[Slide #4 – Organizational Chart for Aflac Japan Investment Division]

While this chart focuses on Aflac's Japan-based investment team, the chief investment officer clearly has full responsibility for investment activities, including those made in Aflac U.S. and Aflac Japan under the global investment policy. The investment teams in the U.S. and Japan share best practices with one another with respect to investments.

Comparing the current organization with that of three years ago, you can see how we have strengthened our organizational structure here in Japan. First, there has been significant improvement in terms of check-and-balance functions. Each function within investments, risk management, and investment accounting is appropriately separated at both the officer and department level. Second, the risk management function has been enhanced considerably through the addition of personnel. Independent sections have been established to perform risk management planning, and both qualitative and quantitative risk management. Third, we have reinforced our credit analysis capabilities, not only for new investments but also for portfolio monitoring, and set up independent teams of credit analysts in both investment and investment risk management.

[Slide #5 – Process of Privately Issued Yen Purchases]

As the majority of our portfolio is made up of yen-denominated privately issued bonds, I will briefly walk you through the investment process of this asset class. We regularly communicate with investment banks about our requirements and the priorities within our investment strategies, and they have come to understand very well how, and in what types of names, Aflac prefers to invest. Thus, most potential investment names come from investment banks worldwide that cover the Aflac team. First they provide us with the name of a potential investment. If we are comfortable with the country of domicile and that investment's credit appears to meet our quality standards, our portfolio managers start negotiations with the issuer through the investment bank. At the same time, both the U.S. and Japan credit teams start their research. Our due diligence process will move on to meeting with the corporate treasurer either face-to-face or through a conference call, typically with the Chief Financial Officer, and then submitting a document of due diligence questions to be responded to by the issuer in a written form. Because we are often the sole investor in these transactions, we are often able to negotiate covenants to protect our own specific interests, based on the collective opinions of our credit teams. If we reach an agreement on this point and remain positive overall, we then move on to the actual documentation process guided by both internal and external legal counsel. Once all this has been completed and both credit teams approve the investment, we move on to pricing and settlement.

Through this extensive process, we try to establish a close relationship with the issuer, including senior management. Such relationships are indispensable from a credit risk management viewpoint, especially because the size of our investments tends to be large and our investment horizon is long.

[Slide #6 – Investment Pricing Methods]

Because of the unique characteristics of our portfolio, we spend a lot of time ensuring the accuracy of our portfolio pricing. We employ active market feeds for our public securities, which cover about 28% of our portfolio as Level I assets.

For approximately 71% of our portfolio, which is priced as Level II assets, we use three sources for our models. The largest source in this category is model pricing of our single-name holdings. The second largest source is the pricing feeds from our custodian bank. Lastly, we use specific single-name quotes from participant dealers.

To help derive fair value estimates for our pricing models used for Level II assets, we have inputs from dealers who generate spread information based on rating, maturity, and level of subordination. However, recently, we started using inputs from widely recognized bond indices, which has enabled our model pricing to cover most of our portfolio. We believe this change in pricing method further improves objectivity and timeliness, and as a result, Level II assets increased from 63% to 71% during the second quarter.

During the same time period, Level III assets, for which we use the best information available to derive reasonable assumptions about the value, decreased from 11% to just 1%.

[Slide #7 – 2010 Investment Activities]

Now let me cover our investment activities for this year. While we have seen a substantial recovery in the credit markets since last year, we still face several challenges as we carry on with our investment strategy.

[Slide #8 – Challenges]

First, interest rates remain very low in Japan. Second, credit spreads have once again become very tight. This is especially true for investment grade corporate credit names, excluding specific categories such as the companies operating in Portugal, Italy, Ireland, Greece, and Spain, or so-called “PIIGS.” Third, we often invest in non-Japanese issuers. These non-Japanese issuers typically enter into cross-currency swaps associated with our transactions. The swap counterparties typically impose credit charges, which are ultimately passed on to us and result in a reduction in the investment yield we secure. Fourth, we continue to maintain discipline with respect to credit diversification, which is demonstrated by the fact that we already have nearly 420 different names in our portfolio. Having so many names makes it more challenging for us to find appropriate new investment candidates with attractive returns. Fifth, and finally, we must maintain or improve the quality of our portfolio in light of recent instability in market conditions.

[Slide #9 – New Money Investments]

As for new money, we are on schedule and meeting our investment targets. As you can see on this chart, we are very focused on credit risk versus reaching for returns. Compared with last year, we have increased JGB purchases versus the higher yields associated with the corporate bond market. However, I would point out that our new money yields are consistent with our budget for the year.

[Slide #10 – U.S. Dollar Investments]

We recently started increasing the amount of our dollar-denominated investments in Aflac Japan’s dollar portfolio. We will purchase corporate bonds with maturities up to 10 years by using proceeds from the sale of some JGBs that mature within the next year. Our strategy is to realize some capital gains that would disappear when these JGBs mature. Capturing those gains benefits our corporate tax position and we can reinvest the proceeds in higher-yielding dollar-denominated corporate bonds at a meaningful spread. The current strength of the yen and the wider spread on dollar bonds helps mitigate the currency risk associated with this strategy.

As part of this strategy, we plan to make dollar-denominated purchases totaling \$1 billion through the end of this year.

[Slide #11 – Tender/Exchange Offers and Other Disposals]

Traditional hybrid capital securities are no longer efficient forms of capital for most banks around the world. As a result, we have received several tender or exchange offers since last year, and some of them provided a clear benefit to us. This year, we have participated in offers, resulting in the disposition of bank hybrid capital with a book value of ¥56 billion. We also disposed of some credit investments, such as Takefuji and Greek sovereign bonds, in order to maintain or improve credit risk profile of the existing investment portfolio as a whole.

[Slide #12 – Changes in Aflac Japan Portfolio Composition]

As a result of these investment actions, you can see the recent changes in our portfolio composition. Since 2007, Aflac Japan's perpetual hybrid securities have declined from 16.4% to 10.1% of our total holdings. During the same time, our holdings in the financial sector declined from 45.3% of the total to 36.3%. Securitized products remained virtually unchanged. However, our ownership of JGBs increased to 17.3%. While the magnitude of change is not significant, you can see how we have emphasized credit quality and diversification within our investment portfolio.

[Slide #13 – Comparison of Fixed Income Ratio]

In the late 1980s, Aflac established its investment policy of primarily investing in long-term, fixed-income securities from an asset/liability management, or ALM, perspective. We have maintained this policy for more than 20 years. In contrast, our Japanese peer life insurance companies have traditionally invested a substantial part of their assets in equities and real estate, both domestically and overseas. However, since 2000, in a bid to pursue an ALM-based portfolio management approach, the industry began increasing their investments in fixed-maturity securities. As you can see, the industry's fixed income ratio in 2009 was much higher than it was in 2000.

[Slide #14 – Comparison of Yields]

The chart shows Aflac Japan's overall portfolio yield versus the industry average on a Japan FSA reporting basis. It is very important to note that these FSA-based figures include realized capital gains and losses in addition to interest and dividend income. As a result, it has fluctuated through the years, especially most recently during the financial crisis. In 2009, we were only slightly above the industry average, because we took relatively large amount of impairments, while our peers benefited from the stock market rebound. However, over a long period of time, our portfolio yield has held up very well. This is because we have been consistent in our strategy that returns of long-term, fixed income portfolio are a better solution for our product needs.

[Slide #15 – Comparison of Interest Margin Ratio]

Likewise, in terms of interest margin, which is an indicator for financial strength that occasionally makes headlines in Japan, Aflac is the only company that has kept making profit on investments for most years during a very low-interest-rate environment.

[Slide #16 – Net Investment Income]

Aflac Japan's net investment income growth rate has averaged 4.6% per year over the last five-year period. While it shows lower percentage income growth for both last year and this year due to yen appreciation, if we exclude the currency impact, it is clear that our income continues to grow substantially.

[Slide #17 – Aflac Logo]

Although we are still in a challenging investment environment, we remain disciplined with our investment activities and place a high priority on ALM-based portfolio management. At the same time, we continue to explore other potential investment products and strategies, in order to secure an appropriate return and diversify the risks. We believe this approach is in the best interest of Aflac policyholders as well as shareholders.

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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 are not public and also do not provide financial statements or disclosures on a U.S. GAAP basis. However, the Financial Services Agency or the FSA requires all companies to submit financial reports and disclosures based on their requirements. I will use the FSA financial reports for the fiscal period ended March 31, 2010 for much of 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 life insurance industry as a whole has been on a downward trend for years, though it picked up some in the last fiscal year. By contrast, our premium income has steadily grown for years, reflecting solid sales results and favorable persistency rates.

[Slide #3 – Premium Income]

For the fiscal year ended March 31, 2010, premium income increased 5.9% to approximately ¥1.2 trillion. We have been achieving steady growth of premium income as it benefits from a predictable and stable source of renewal revenues. In fact, more than 90% of our premium income is derived from renewal premiums, with the balance coming from new sales.

[Slide #4 – Total Assets]

Aflac Japan's total assets increased 8.0% to ¥6.4 trillion as of March 2010 versus the prior year and were ranked 7th in the life insurance industry. The amount of invested assets fluctuates in response to changes in the financial markets, but we have achieved a steady rate of growth in asset size over the years.

[Slide #5 – Individual Policies in Force]

Back in September 2004, Aflac Japan became the largest life insurance company in terms of individual insurance policies in force. And in 2009, we became the first life insurance company in Japan that reached the milestone of 20 million policies in force. In contrast, you can see some companies posted negative growth.

[Slide #6 – Investment Margin]

In the area of investments, Aflac Japan remains the only company that maintains a positive interest margin. Our assumed interest rate of 3.79% represents one of the highest in the industry, which reflects the fact that we offer our customers very competitive prices. We expect that we will maintain a positive spread for the foreseeable future, unless the dollar depreciates

significantly against the yen, which would result in lower investment income in yen terms from the dollar investment income we receive.

[Slide #7 – Premiums in Force by Product]

As we have discussed for many years, our benefit ratio has been steadily improving. A major factor influencing the decrease in our benefit ratio in recent years has been the 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 of 2010, cancer life premiums in force represented 49.3% of total premiums in force. Products with lower benefit ratios have been the greatest contributors to our in-force business in the last five years, such as riders to our cancer products and our medical product category. This mix change is significant because benefit ratios vary quite a bit by product.

[Slide #8 – Expected Benefit Ratios by Product]

Perhaps, many of you have seen this slide. Our traditional cancer life product that we sold 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 modified our new product offerings through a reduction in the cash surrender value. This change was well-received by consumers looking to maximize their premium value and it brought down the benefit ratio as well. Our current cancer insurance products have benefit ratios that range from 48% to 60%. The benefit ratios of our medical products are 50% to 55%, and the riders to our cancer and medical products range from 40% to 53%.

Overall, additional in-force premiums from medical products, cancer policies with reduced cash surrender values and several riders have de-emphasized the impact of the death benefit in the benefit mix. Although life insurance sales have increased over the last several years, we still expect the benefit ratio mix to continue to trend toward health and medical benefits.

I know many of you have asked about the benefit ratio and profitability of the child endowment product. The expected benefit ratio of that new product is higher than other ordinary products. However, it's important to note that the commissions and other expenses for the endowment product are much lower as a percent of premium than our other product lines. In addition, to the extent that customers elect to pay premiums using discounted advance premiums, our margins are significantly higher. In fact, the margin considering discounted advance premiums can be more than twice the margin when premiums are paid over time. This is a very important point because about 50% of the child endowment policies currently sold by banks are issued using discounted advance premiums. Furthermore, a significant share of our child endowment sales is generated through banks and we expect sales of this product will continue to grow. I would also point out that there is no adverse impact on our solvency margin even when we assume extreme sales scenarios. Finally, let me remind you that the annual premium for child endowment products is about three times the size of our health products, making it a very solid contributor to both the top and bottom lines.

As we have discussed in previous analyst meetings, we have also seen favorable claims experience for most of our major product lines in recent years. This has also impacted the range of our expected benefit ratios. Japan's national health care system continues to be under severe pressure to reduce costs through actions such as shifting to package medical fee reimbursement from fee-for-service reimbursement and shortening hospital stays. Therefore, we expect a continuation of our favorable claims trend.

[Slide #9 – Persistency Rates]

This chart shows the persistency rate for Aflac Japan that we disclose each quarter in our GAAP-based earnings announcements. As you heard from Mr. Isonaka, we believe our efforts to improve persistency have benefited us. And as a result, our persistency rate has been pretty stable for years.

[Slide #10 – Comparison of Persistency Rates]

These persistency rates are calculated on a policy basis using FSA data. This slide shows how persistency has improved throughout the industry. Facing a more competitive new sales environment in recent years, Japanese life insurance companies have put greater emphasis on maintaining their existing customer base. And for many years, Aflac Japan has consistently maintained the highest level of persistency within the Japanese life insurance industry. We believe that our strong persistency rate is an indication of high customer satisfaction levels. Also, we have primarily written policies with zero or low cash surrender values over the past several years. These types of policies provide good value to consumers who are focused on living benefits, who are less likely to terminate than products with high surrender values, and who now represent a significant percentage of our overall business. Our strong and steady persistency plays a part in the continuation of strong premium income growth.

[Slide #11 – Operating Expense Ratio]

Let me briefly discuss the operating expense area. As can be seen from this slide, the percentage of our total operating expenses to total revenue has been stable, ranging between 19% and 20% over the past several years. About half of the total expenses are spent on commission payments to our sales agents. We pay first-year commissions when an insurance policy is newly issued, and renewal commissions for a period of time as determined by the agent's commission contract. Our time-tested expense management is structurally embedded in our business model. Aflac Japan remains the low-cost producer in the industry. And I believe this is also the result of our efficient business promotion as well as our strong and stable persistency rate. As Mr. Isonaka discussed, we continue to work hard to improve our efficiency and productivity. We successfully improved our per-employee productivity, and actively employed IT technology to boost our operational efficiency. In addition, various companywide efforts are under way for even more efficient promotion. Furthermore, our products have clear-cut designs, so they not only give us a competitive edge but also save us significant operational workload. And as Japan's No. 1 life insurance company in terms of individual policies in force, Aflac Japan is in a position to fully take advantage of its scale merit.

Further, let me give you two examples that are notable in the area of expenses. First, we do not own fancy office buildings for internal use, but rent all of our office space, except for one

modest building that houses our operations center in Japan and is located outside of the expensive Tokyo real estate market. Thanks to the struggling real estate market, rent for our main office is the same as five years ago and about 16% lower than the rent of a year ago. Actually, despite a moderate increase in headcount, our overall office costs are expected to decrease this year by 7.5% compared to last year. Another example of expense management is in the area of advertising. Our TV advertising cost per the unit of exposure this year has been 22% lower than five years ago. In other words, we are able to air 28% more TV commercials than we did in 2005 at the same cost. It is fair to say that these cuts in both office expenses and advertising costs were not accomplished without intense and assertive negotiation by our staff. But my point here is that by taking advantage of the slow economy that creates deflationary pressure, we have successfully saved our fixed costs to redeploy more yen to strategic areas such as IT and bank channel sales.

[Slide #12 – Solvency Margin, Real Net Asset, Basic Earnings]

To further our discussion of the FSA-based performance metrics, 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 solvency margin 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 one of the highest among the large Japanese life insurers. In addition, I would also like to remind you that over the past five years, we have repatriated profits of ¥231 billion to the U.S., which would otherwise have increased our solvency margin by 510%.

The real net asset ratio is similar to the solvency margin ratio in concept, but it uses total assets as the denominator, not the risks the company bears. Both the solvency margin and real net asset have minimum regulatory levels, as required by the FSA. Insurers in Japan must maintain their solvency margin at 200% or higher and a net asset ratio at zero or greater. Basic earnings indicate earnings from core insurance operations. Aflac Japan's ratio of basic earnings to assets was 2.46%, one of the highest in the industry. This suggests how strong Aflac Japan's earnings power is, compared with our peers.

[Slide #13 – 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 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 #14 – Impact of Solvency Margin Calculation Revision]

After due process, the FSA announced in April of this year the final changes to the solvency margin calculation. Japan's solvency margin ratio is, by definition, the solvency margin divided by the aggregate of underwriting, investment, and other risks. This formula will remain unchanged. What has changed is the solvency margin or the numerator. There will be limitations on recognition of some policy reserves and hybrid capital in the overall capital. From

the aspect of risk factors, or the denominator, the assumed volatility will be almost double the current level of any risk type. As such, we estimate that solvency margin ratios will drop to about half the current levels for most life insurance companies including Aflac Japan, although we will probably not be affected by the new capital limitations. As a result, solvency ratios will become more comparable to the RBC standard recognized in the United States, and this revision is to take effect as early as the end of March 2012. I believe that Aflac Japan will maintain a competitive solvency margin level even after this change is implemented.

[Slide #15 – Pretax Operating Earnings Growth]

Finally, looking at our U.S. GAAP based performance over the last five years, Aflac Japan has successfully generated earnings through the growth of revenues and the expansion of our profit margin. Going forward, our profit margin should continue to improve because of favorable trends in our benefit ratio and our fine-tuned ability to control expenses.

[Slide #16 – Aflac Logo]

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

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