

# Tokyo Investor Day

September 23, 2004

Tokyo, Japan

Prudential  Financial

## Forward Looking Statements and Non-GAAP Measure

We will make some forward-looking statements in the following presentations. It is possible that actual results may differ materially from the predictions we make today. Additional information regarding factors that could cause such a difference appears in the section titled "Forward-Looking Statements" of our earnings press release for the second quarter of 2004, which can be found on our Web site at [www.investor.prudential.com](http://www.investor.prudential.com).

In managing our businesses, we use a non-GAAP measure we call "adjusted operating income" to measure the performance of our Financial Services Businesses (FSB). Return on equity for the businesses of the International Insurance and Investments Division is based on equity (excluding unrealized gains/losses on investments) and after-tax adjusted operating income (based on the effective tax rate applicable to adjusted operating income of the FSB as a whole for the period or periods indicated). Adjusted operating income excludes net realized investment gains/losses and related charges and adjustments, and results from divested businesses. Adjusted operating income also excludes discontinued operations, an extraordinary gain in the second quarter of 2004 on an acquisition, and a charge in the first quarter of 2004 for the cumulative effect of an accounting change, which are presented as separate components of net income under GAAP. In the second quarter of 2004, as a result of the acquisition of the retirement business of CIGNA Corporation, the definition of adjusted operating income was modified to exclude recorded changes in asset values that will ultimately inure to contractholders and recorded changes in contractholder liabilities resulting from changes in related asset values. For additional information about adjusted operating income and the comparable GAAP measure please refer to our Annual Report on Form 10-K for 2003 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, on the Investor Relations Web site at <http://www.investor.prudential.com>.

Additional historical information relating to the Company's financial performance, including its second quarter 2004 Quarterly Financial Supplement, is also located on the Investor Relations Web site.

## International Insurance and Investments Division – Reconciliation between adjusted operating income and the comparable GAAP measure

(in millions)	Year ended December 31,			Six months ended June 30,
	2001	2002	2003	2004
<b>Revenues <sup>(1)</sup>:</b>				
International Insurance, excluding Gibraltar Life	2,120	2,379	2,935	1,671
Gibraltar Life	2,026	2,694	2,720	1,562
International Investments	296	325	356	267
<b>Total revenues</b>	<b>4,442</b>	<b>5,398</b>	<b>6,011</b>	<b>3,500</b>
<b>Benefits and Expenses <sup>(1)</sup>:</b>				
International Insurance, excluding Gibraltar Life	1,771	2,000	2,486	1,421
Gibraltar Life	1,764	2,316	2,350	1,353
International Investments	340	331	373	245
<b>Total benefits and expenses</b>	<b>3,875</b>	<b>4,647</b>	<b>5,209</b>	<b>3,019</b>
<b>Adjusted operating income (loss):</b>				
International Insurance, excluding Gibraltar Life	349	379	449	250
Gibraltar Life	262	378	370	209
International Investments	(44)	(6)	(17)	22
<b>Total adjusted operating income</b>	<b>567</b>	<b>751</b>	<b>802</b>	<b>481</b>
<b>Items excluded from adjusted operating income:</b>				
Realized investment gains (losses), net, and related adjustments	(57)	(172)	(31)	6
Related charges	-	(16)	(35)	(3)
Investment gains on trading account assets supporting insurance liabilities, net	-	-	-	59
Change in experience-rated contractholder liabilities due to asset value changes	-	-	-	(59)
<b>Total items excluded from adjusted operating income</b>	<b>(57)</b>	<b>(188)</b>	<b>(66)</b>	<b>3</b>
<b>Income from continuing operations before income taxes, extraordinary gain on acquisition and cumulative effect of accounting change</b>				
	<b>510</b>	<b>563</b>	<b>736</b>	<b>484</b>

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities; and revenues of divested businesses. Benefits and expenses exclude charges related to realized investment gains, net of losses; changes in experience-rated contractholder liabilities due to asset value changes; and benefits and expenses of divested businesses.

# International Division

**Rodger Lawson**

**Vice Chairman  
International Insurance and Investments Division**

**Prudential  Financial**

# International Division today

		Life Planning Insurance	Traditional Insurance	International Investments
Major Prudential markets today	Japan			
	Korea			
	Taiwan			
	Mexico			
Emerging markets for Prudential today	China			
	Philippines			
	Argentina			
	Brazil			
	Germany			
	Italy			
	UK			
	Poland			

# International Division financial performance

(\$ millions)	Year Ended December 31		Six Months Ended June 30
	2002	2003	2004
Adjusted operating income before tax:			
International Insurance excluding Gibraltar Life	\$ 379	\$ 449	\$ 250
Gibraltar Life	378	370	209
		<b>26% ROE (1)</b>	\$459
International Investments	(6)	(17)	22
	\$ 751	\$ 802	\$ 481

(1) Based on annualized after-tax adjusted operating income and average equity for the period

## Key elements of our international strategy

- Focus on limited number of attractive countries
- Prioritize the affluent and mass affluent individual markets
- Develop business platforms based on Life Insurance or Investment Management or both
- Pursue opportunistic acquisitions
- Maintain very strict financial discipline

# Life Planning insurance

## Value Proposition – Life Planners

- A highly trained, professional field force focused on providing life insurance plans tailored to the specific needs of each individual client

## Competitive Advantage

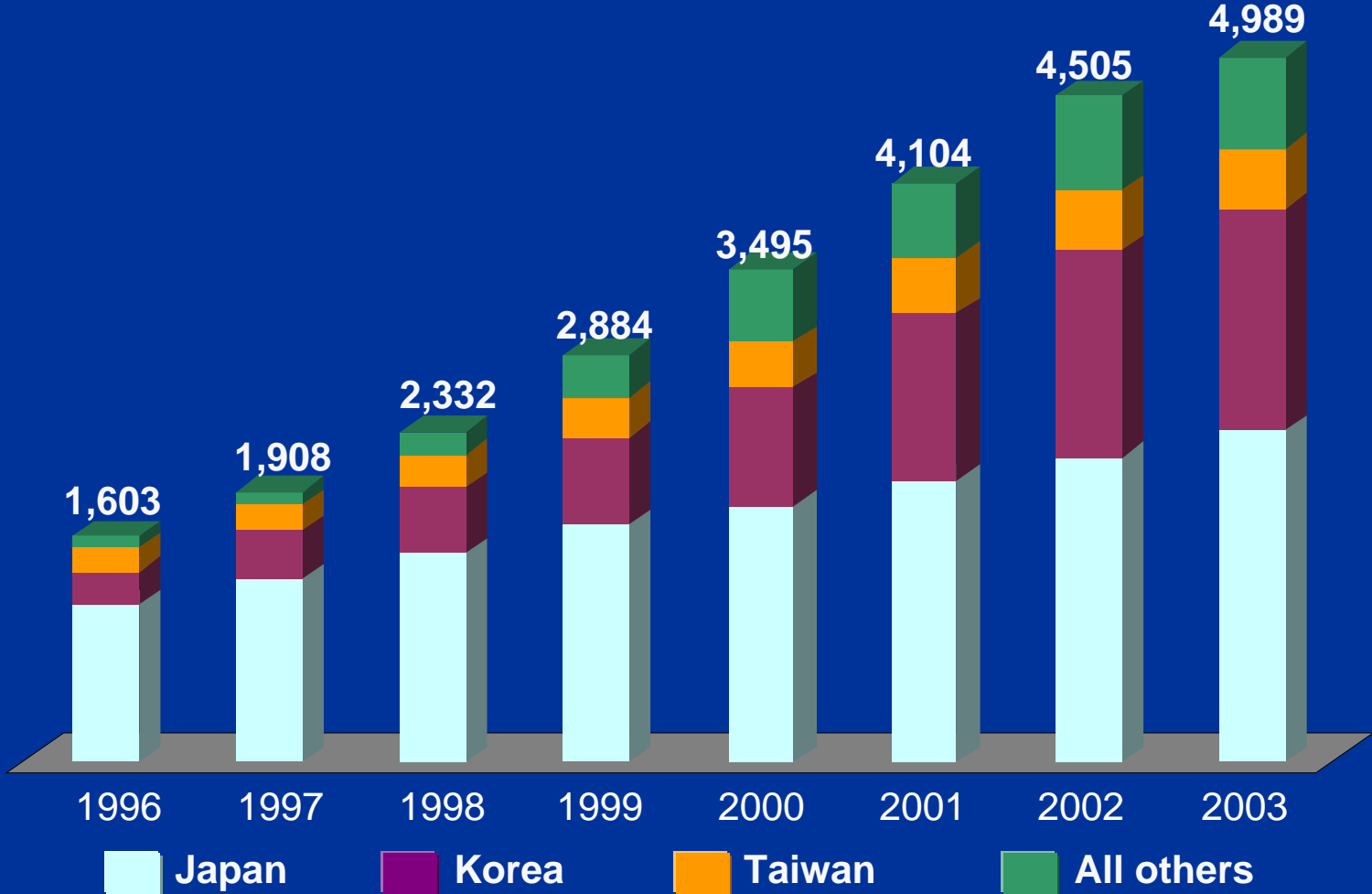
- Client focus
- Needs based selling
- Industry leadership service capability

## Product Strategy

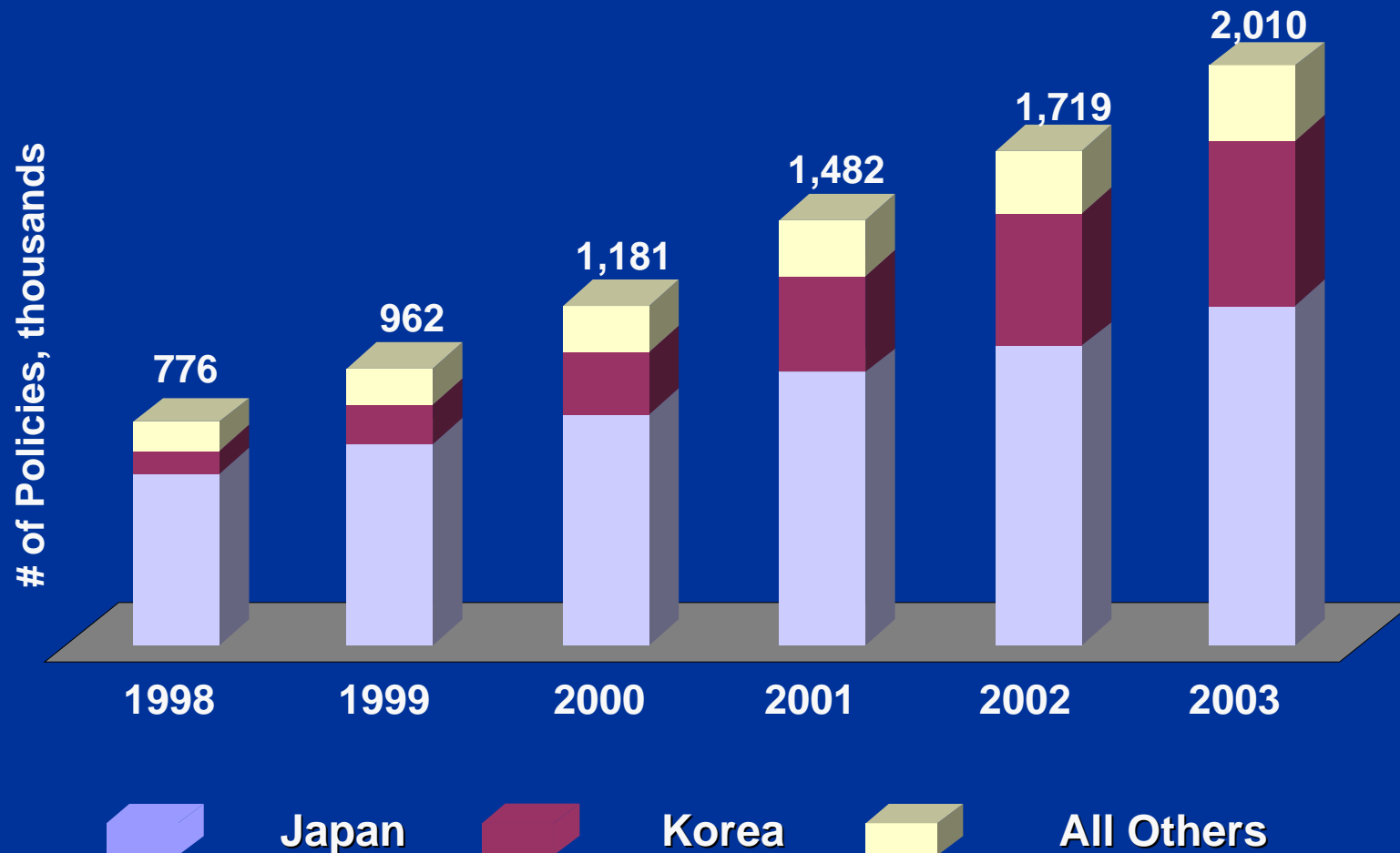
- Focuses on protection life insurance in a predominantly standardized product environment



# Life Planners



# Life Planner model number of individual policies in-force



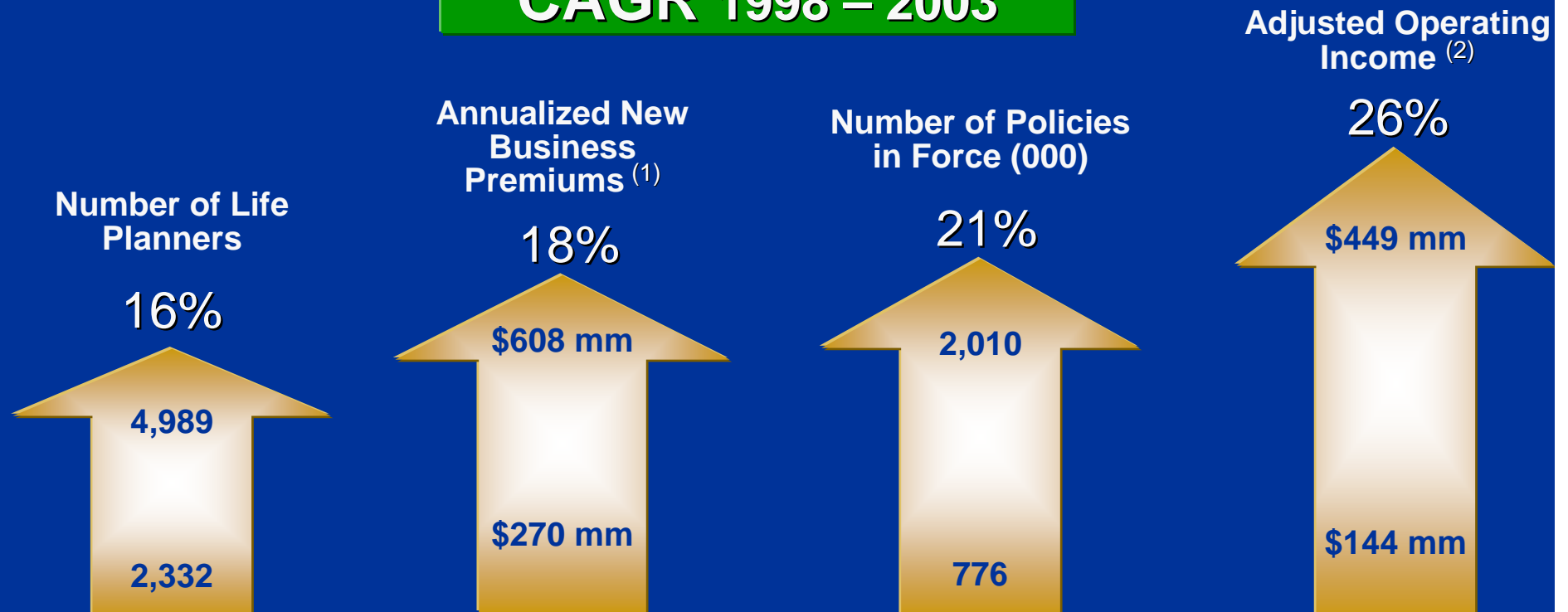
# Productivity, retention and persistency

<b>Life Planner Model</b>	1998	1999	2000	2001	2002	2003
Life Planner productivity <sup>(1)</sup>	7.1	7.5	7.5	8.1	6.8	7.0
Life Planner 12-month Retention	86%	79%	75%	66%	72%	75%
Life Planner 24-month Retention	69%	72%	65%	61%	55%	57%
13-month policy persistency	93%	94%	94%	93%	93%	93%
25-month policy persistency	88%	86%	88%	88%	86%	87%
Renewal policy persistency	92%	95%	95%	94%	95%	94%

(1) Policies per Life Planner per month; based on new business

# Life Planner model business driver growth

## CAGR 1998 – 2003



(1) GAAP Exchange rate basis – translated based on applicable average exchange rates for period

(2) Before-tax

# Life Planner model strategy and plans

- Disciplined implementation
- Organic expansion in existing markets
- Continued growth in Life Planners
- Maintenance of Life Planner productivity
- Maintenance of client policy persistency levels
- Very selective entry into new markets

# Gibraltar Life - summary

- Stable earnings and distribution system
- High return on equity
- Strong free cash flow

	Year Ended December 31		Six Months Ended June 30
	2002	2003	2004
Adjusted operating income <sup>(1)</sup>	\$378	\$370	\$209
Equity <sup>(2)</sup>	\$1.1	\$1.1	\$0.8
ROE <sup>(3)</sup>	22%	23%	35%

(1) Before-tax; in millions

(2) Average for period; in billions

(3) Based on after-tax adjusted operating income; annualized for the six-month period

# Prudential of Japan to acquire Aoba Life for \$180 million

Redeployment of Prudential of Japan capital for enhanced returns

Limited integration requirements; no distribution force

Initial returns driven by investment portfolio opportunities

Substantial opportunities in attractive customer base

Adds \$6 billion of policy reserves

## Where we are today - summary

- Leadership positions in life planning
- Gibraltar generates high ROEs and cash flows
- Developing asset management platforms
- Profitability dominated by Japan and Korea
- Management depth; country expertise
- Acquisitions potentially additive



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# International Insurance Finance

**John Hanrahan**

**Chief Financial Officer  
International Insurance**

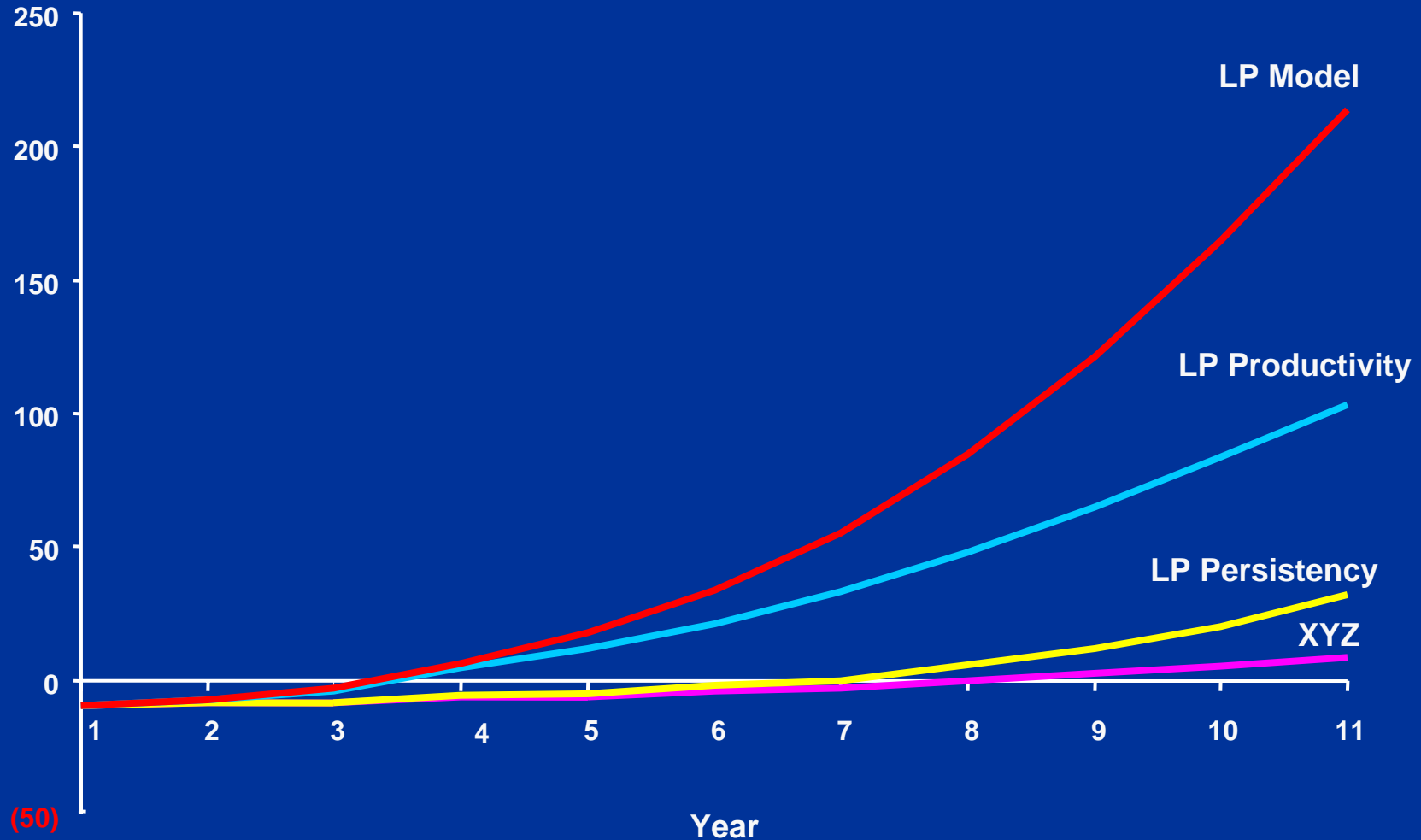
**Prudential  Financial**

# Sources of financial performance

- Sales
- Persistency
- Growth in business in-force
- Emphasis on protection products
- Improving investment spreads
- Strengthening Yen

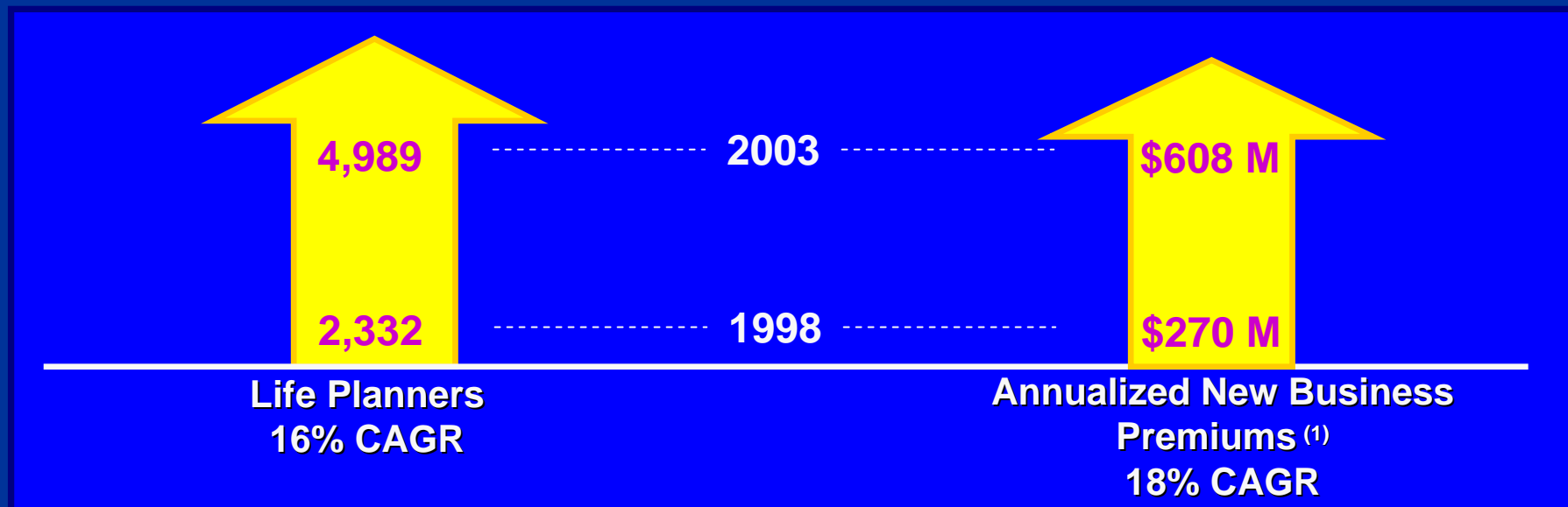
# Operating income <sup>(1)</sup>

(\$ millions)



(1) Based on Prudential definition of adjusted operating income

## Sales growth primarily driven by increase in LPs



- Overall LP productivity and average premium have been driven by POJ
- Combined LP operations show similar sales/LP growth correlation
- Interim results can deviate from long term trends

(1) GAAP Exchange rate basis – translated based on applicable average exchange rates for period

# Long term sales growth tracks LP growth

## Reasons for higher sales in 2001:

- Gibraltar LA sold POJ products during restructuring period
- Temporary surge in sales before premium rate increases

New Business Annualized  
Premiums (\$ millions) <sup>(1)</sup>

700

600

500

400

300

200

100

0

1998

1999

2000

2001

2002

2003

# of LPs

6,000

5,000

4,000

3,000

2,000

1,000

0

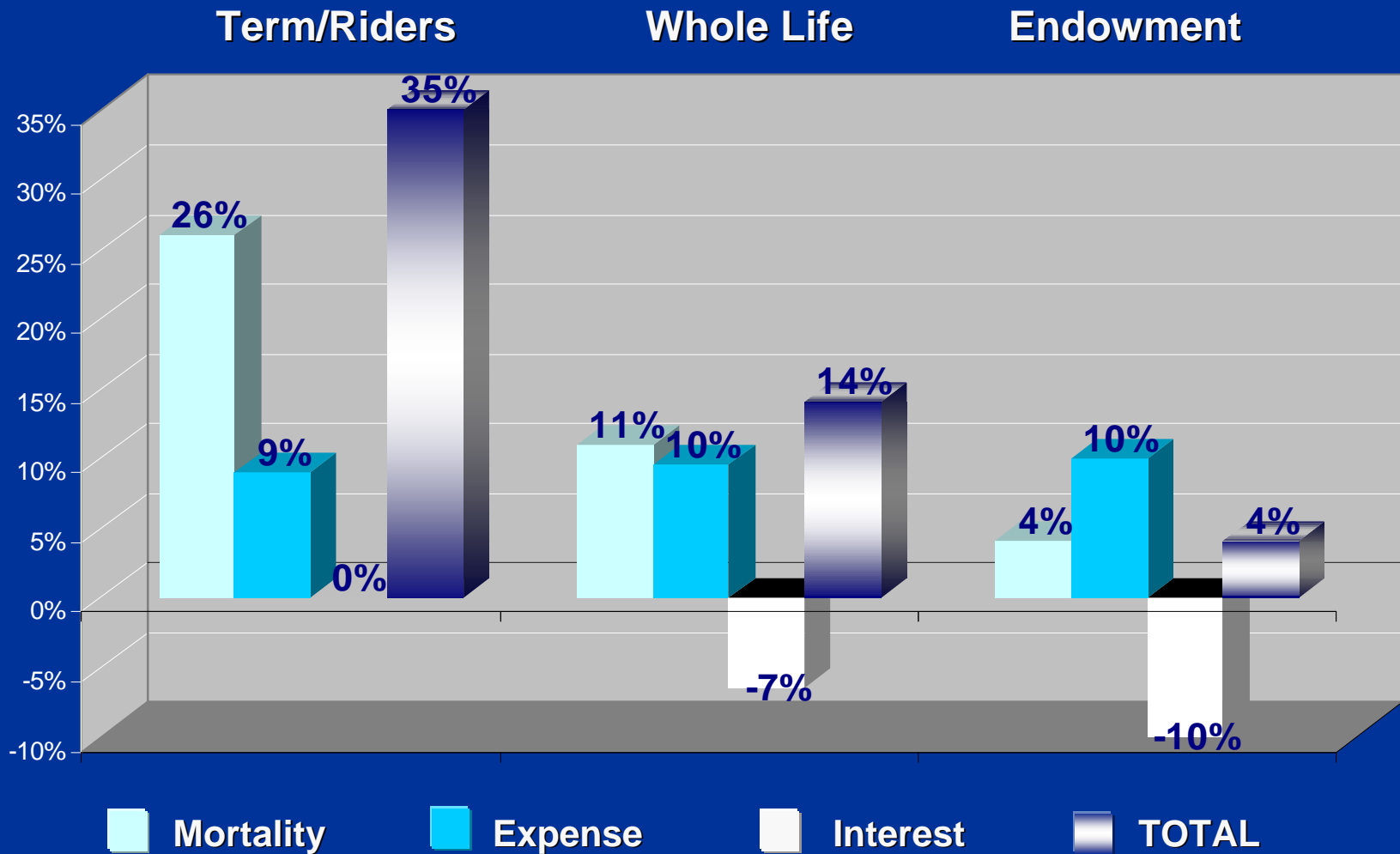
Sales of POJ  
products by Gibraltar  
Life Advisors

Life Planners

(1) Translated based on average exchange rate for the year ended December 31, 2003

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# POJ sources of product profitability <sup>(1)</sup>

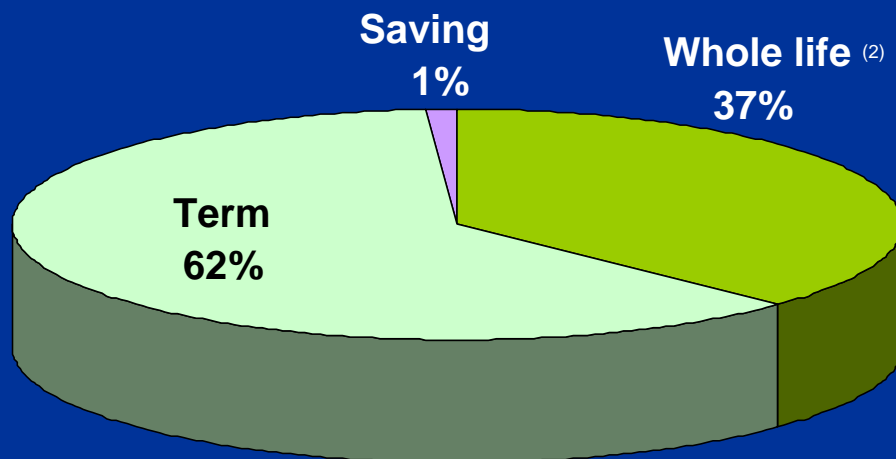


(1) Estimated percentage based on before-tax income (on an adjusted operating income basis) to premiums

# Business mix vs. Industry - POJ

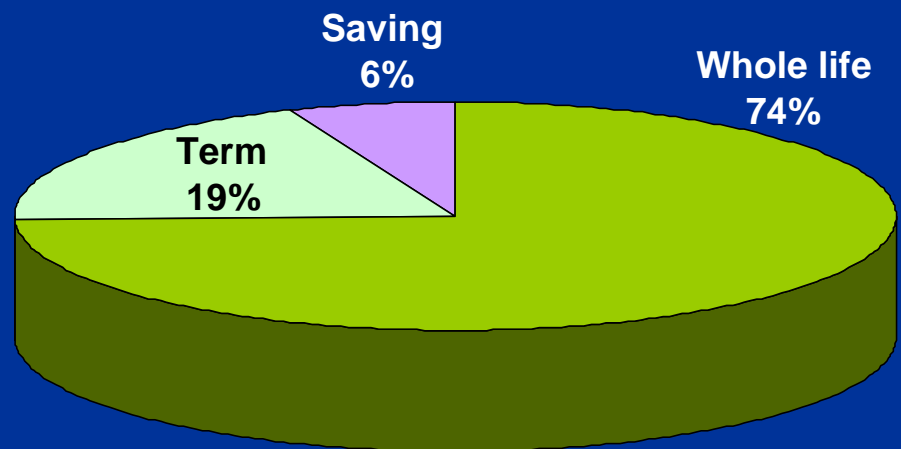
## POJ

Based on face amount in-force  
March 31, 2004



## Industry (1)

Based on face amount in-force  
March 31, 2004

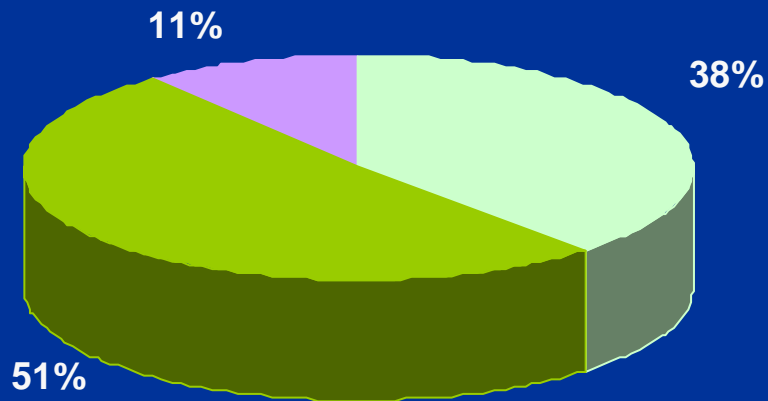


- (1) Based on Japanese Life Insurance Association Industry data
- (2) Includes retirement income

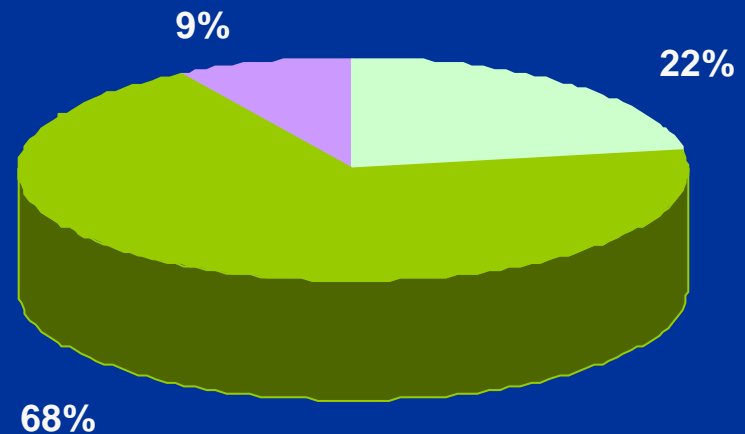


# Gibraltar life product mix – increased emphasis on protection products

Face amount in-force  
12/31/2003



Face amount new business  
first 6 months of 2004



 Term and other protection

 Whole Life

 Savings

# Sources of total profitability 2003

## Profitability <sup>(1)</sup> (\$ millions)

	POJ	POK	Gibraltar
Mortality	\$242	\$72	\$290
Interest	(106)	(4)	100
Expenses	220	69	4
Surrenders	--	--	(24)
<b>TOTAL</b>	<b>\$356</b>	<b>\$137</b>	<b>\$370</b>

(1) Estimated breakdown of before-tax adjusted operating income

# Improving interest rate environment in Japan

- Required interest rates coming down
- \$1.8 billion of POJ and Gibraltar asset portfolio will mature in the next 12 months. Average yield of these maturing assets is 2.3%.  
Average new money investment yield under current environment is 2.5%
- Conservative portfolio leaves room to pursue higher yield investments

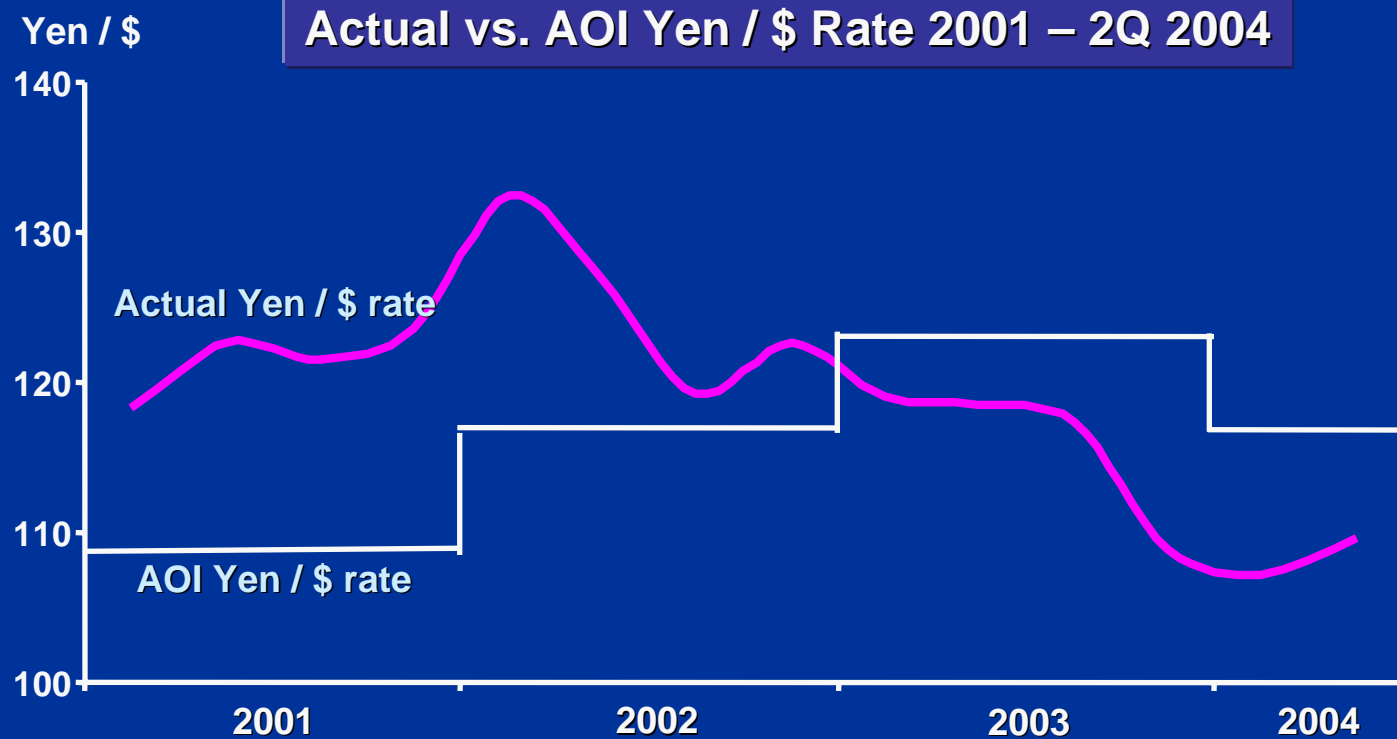
# Interest rate impact on profitability - POJ

(\$ millions)

	2003	1H'04
Average Required Interest	4.00%	3.90%
Average Yield	2.37%	2.54%
Negative Spread (%)	(1.63%)	(1.36%)
Negative Spread (\$MM)	(106)	(52)

# Foreign exchange hedge impact

- Yen income hedging plan on 12 quarter rolling basis
- Yen forward rates exceed spot rates against the dollar
- A strengthening Yen helps earnings
- Hedging delays impact on earnings, but does not eliminate it



# Strong capital position

- Solvency Margins

	FY'03 Solvency Margin
Prudential of Japan	1,030%
Gibraltar	1,157%
Typical Rating Agency Targets	AA – 700%, A – 500%

- Significantly higher capital than needed to operate businesses
- International Insurance has successfully redeployed nearly \$1 billion of excess capital since 2002

# Summary

- Strong sales and superior persistency provide growth of business in-force
- Life Planner system sales track LP growth over long term
- Emphasis on protection products leads to superior margins
- Improving Japanese investment spreads and strengthening Yen contribute to results
- Strong capital position
- High ROE results in continued generation of excess capital
- Active capital management

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# Prudential of Japan

**Kazuo Maeda**

**President and CEO  
Prudential International Insurance Life Planner Operations**

**Prudential  Financial**

# Life insurance market in Japan (1)

- Total population: 127 million (Rank #10)
- Nominal GDP: \$4.3 trillion (Rank #2)
- Life insurance premium: \$387 billion (Rank #2)
- Life insurance premium: 9.1% of GDP
- Top 6 companies control 67% of private market
- 89.6% of households have life insurance
- Life insurance market is contracting
- 11.6% decline in premium (FY1998 – FY2002)



(1) For the fiscal year ended March 31, 2003; Japanese industry data

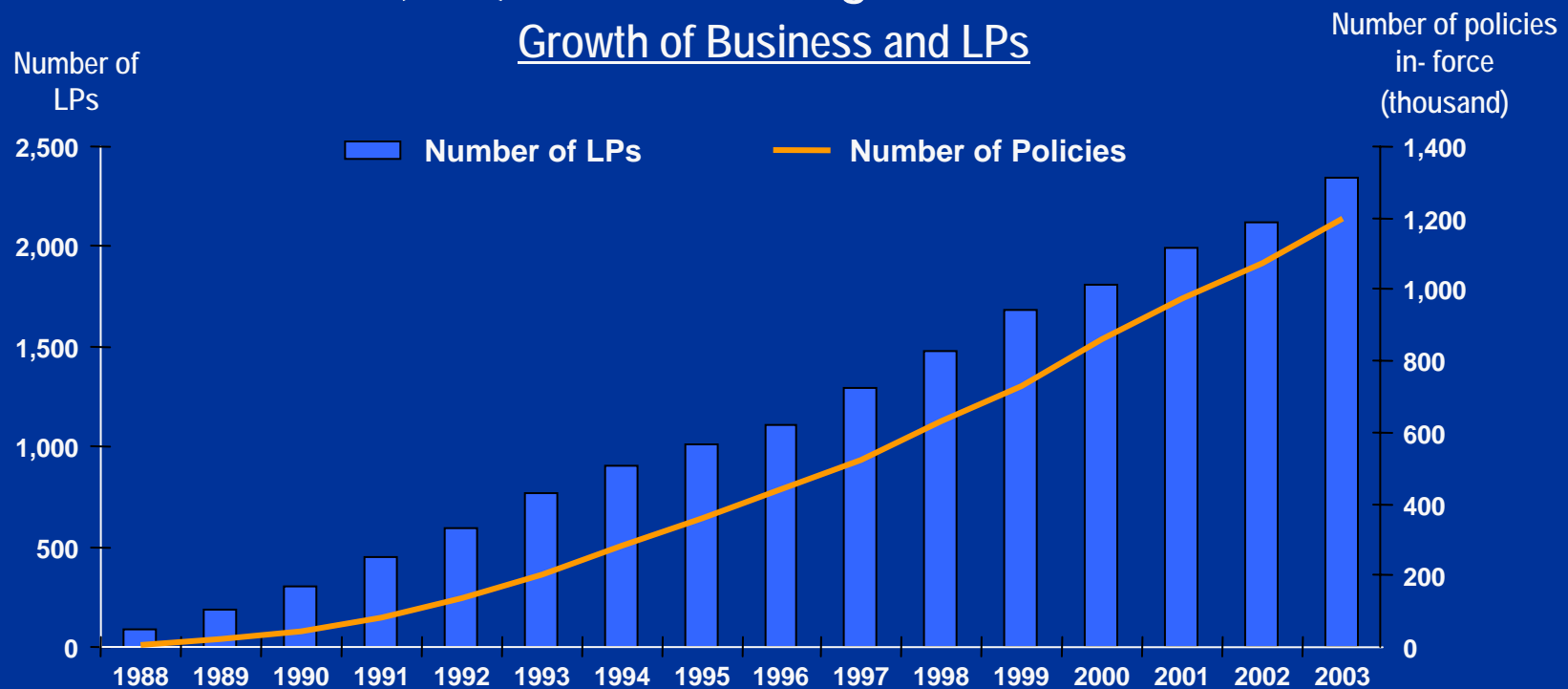
# POJ – current status

Business	Individual Life Insurance (No Pension or Group Business)
Rating	AA-      S&P A+      AM Best
Solvency Margin Ratio	1,030% <sup>(1) (2)</sup>
Number of Policies in Force	1.3 million <sup>(3)</sup>
Assets (US GAAP)	\$11.6 billion <sup>(3)</sup>
Sales Offices	67 <sup>(4)</sup>
# of Employees	3,356 <sup>(3)</sup>
Home Office	407
Field Office	2,949, including 2,447 Life Planners

(1) As of March 31, 2004 (2) Based on Japanese statutory accounting (3) As of June 30, 2004 (4) As of September 2004

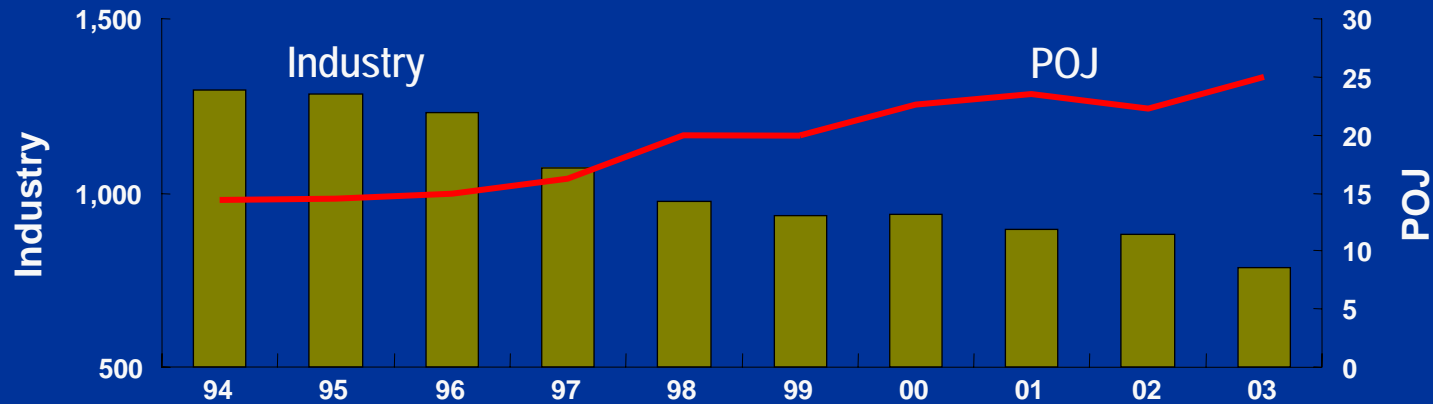
# History of operation

- Established in 1987 with 15 people and \$70 million capital – interest in previous joint-venture sold to SONY
- 32 Life Planners (LPs) started selling life insurance in 1988

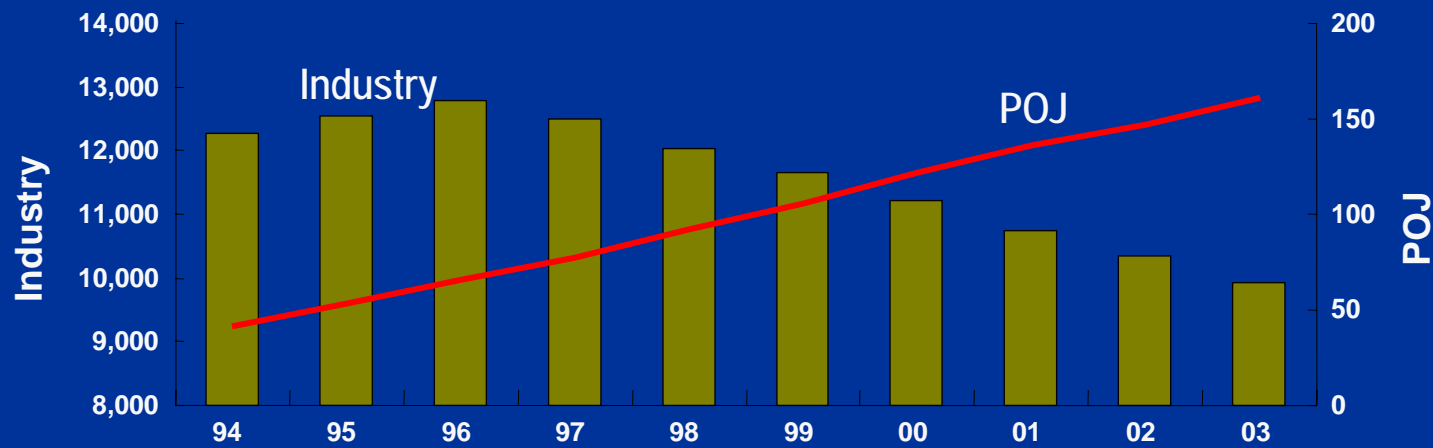


# POJ in the life insurance industry <sup>(1)</sup>

## New Business Face Amount in Billion \$



## In-force Face Amount in Billion \$



(1) On a fiscal year basis; data from Japanese Life Insurance Association; translated at \$1 = ¥117

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# Vision, Mission, and Strategy

## Vision

Revolutionize the way life insurance business is conducted and become the most admired insurer in the Japanese market

## Mission

Help customers achieve financial security and peace of mind by providing the best possible services

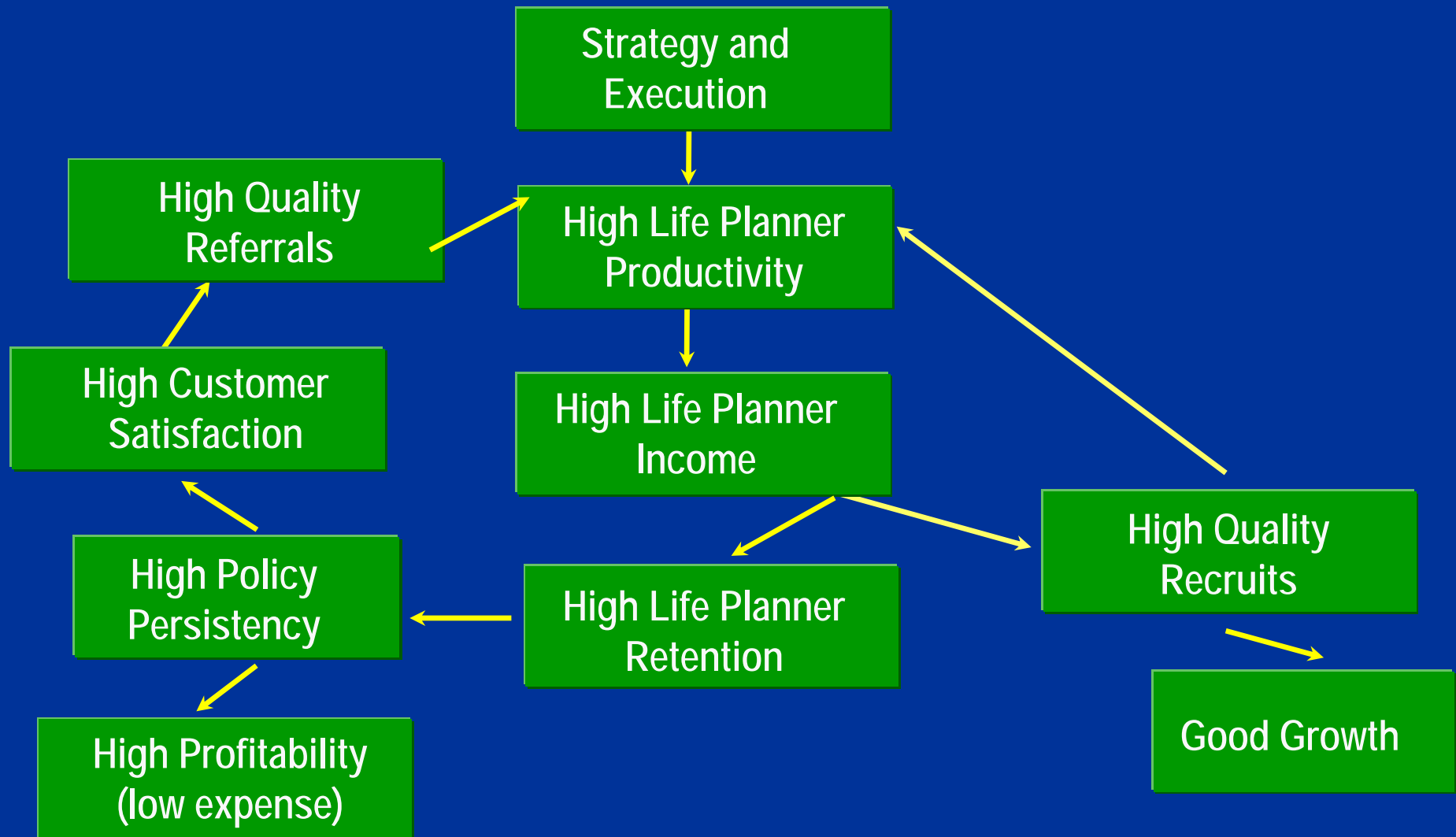
## Strategy

Develop true professionals of life insurance – Life Planners – who will conduct needs based selling with all customers and provide personal service throughout the policyholders' lifetimes

# Business model – Life Planner

- Life Planner – a selective, high quality sales force
  - Only 2-4 out of 100 candidates are hired
  - Well trained and professional
  - Customer focused
  - Disciplined, and demonstrates “missionary zeal”
  
- Profile of a typical POJ new Life Planner
  - Age 32 years old
  - College graduate
  - Good sales experience outside the life insurance industry
  - Married with children
  - First job change
  - POJ policyholder
  - Referred by another POJ Life Planner
  - Annual income in the previous job was about \$50,000

# The beneficial cycle





# Business model – Needs Based Selling

What do we mean by needs based selling of life insurance?

We are in the life insurance business.

– However –

We are not in business to sell life insurance as a product.

We are in the business to sell life insurance as a solution.

– That means –

We are in the business to help our clients understand their insurance needs, and then to help them meet those needs.

By Mr. Kiyo Sakaguchi

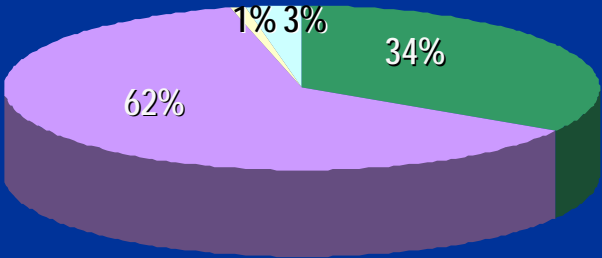
# Key drivers comparison

Key drivers	POJ <sup>(1)</sup>	Top 5 <sup>(2)</sup>
<b>Productivity</b> <sup>(3)</sup> (# of policies / LP / month)	7.0	2.3
<b>Policy Persistency</b> (Face-amount)		
13 - month	94.3%	84.2%
25 - month	87.3%	73.5%
<b>Life Planner Retention</b>		
12 - month	91.3%	37.9%
24 - month	80.8%	17.2%

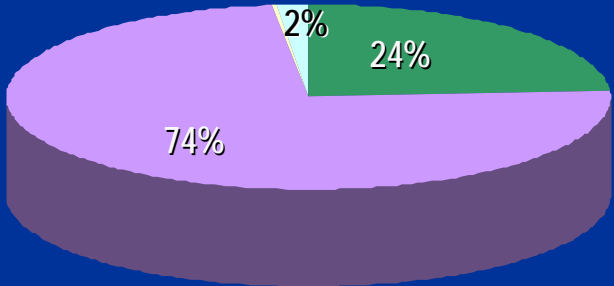
(1) For the twelve months ended March 31, 2004 (2) For the twelve months ended March 31, 2003; based on company information and Prudential calculations; policy persistency calculations reflect conversions (not applicable to Prudential of Japan) (3) Based on new business; Industry data includes medical riders; Prudential data does not.

# POJ - Product mix

Based on face amount in-force  
as of June 30, 2004



Based on new business face amount  
for the quarter ended June 30, 2004



■ Whole Life   ■ Term   ■ Endowment   ■ Other

# Outlook


- **Continued strong demand for death protection**

“ 51% of Japanese life insurance policyholders think they are underinsured.  
They feel that 2.8 times his/her current coverage would be suitable.”

- Study by Japan Institute of Life Insurance, 2000

- **Customers increasingly selective of insurers**

- **Changing strategies of competitors**

Death Protection  Medical insurance, nursing care, individual annuities,  
and variable annuities

- **The 30 – 40 age group critical to POJ is expected to grow**

- **Recovery of the Japanese economy**

# Competitive environment

- Improved financial conditions of competitors
- Bancassurance - complete deregulation in 2007
- Reinforcement of low-price strategies by some insurers
- Sales of life insurance through postal system
- Increasing variety of financial products

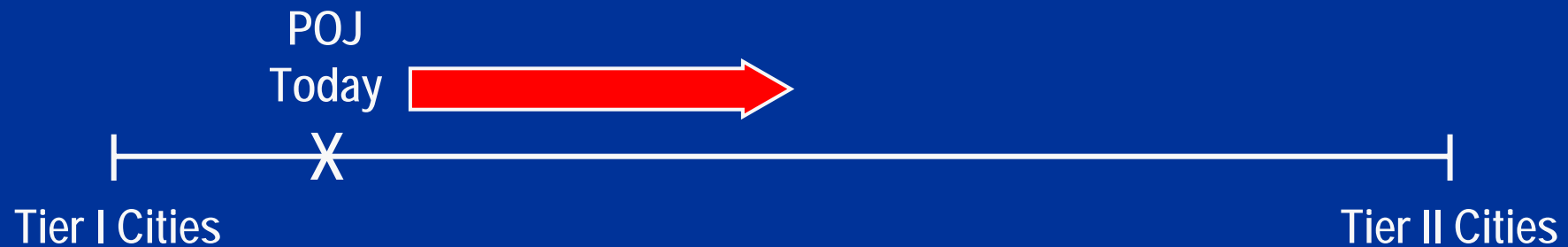
# Growth Strategy

- POJ's strength = Life Planners' strength

Improving the basic quality of Life Planners is the foundation of all POJ strategies

- Selective recruiting
- Thorough training
- Effective motivation
- Strict compliance
- Maintain key drivers
- Focus on missionary zeal

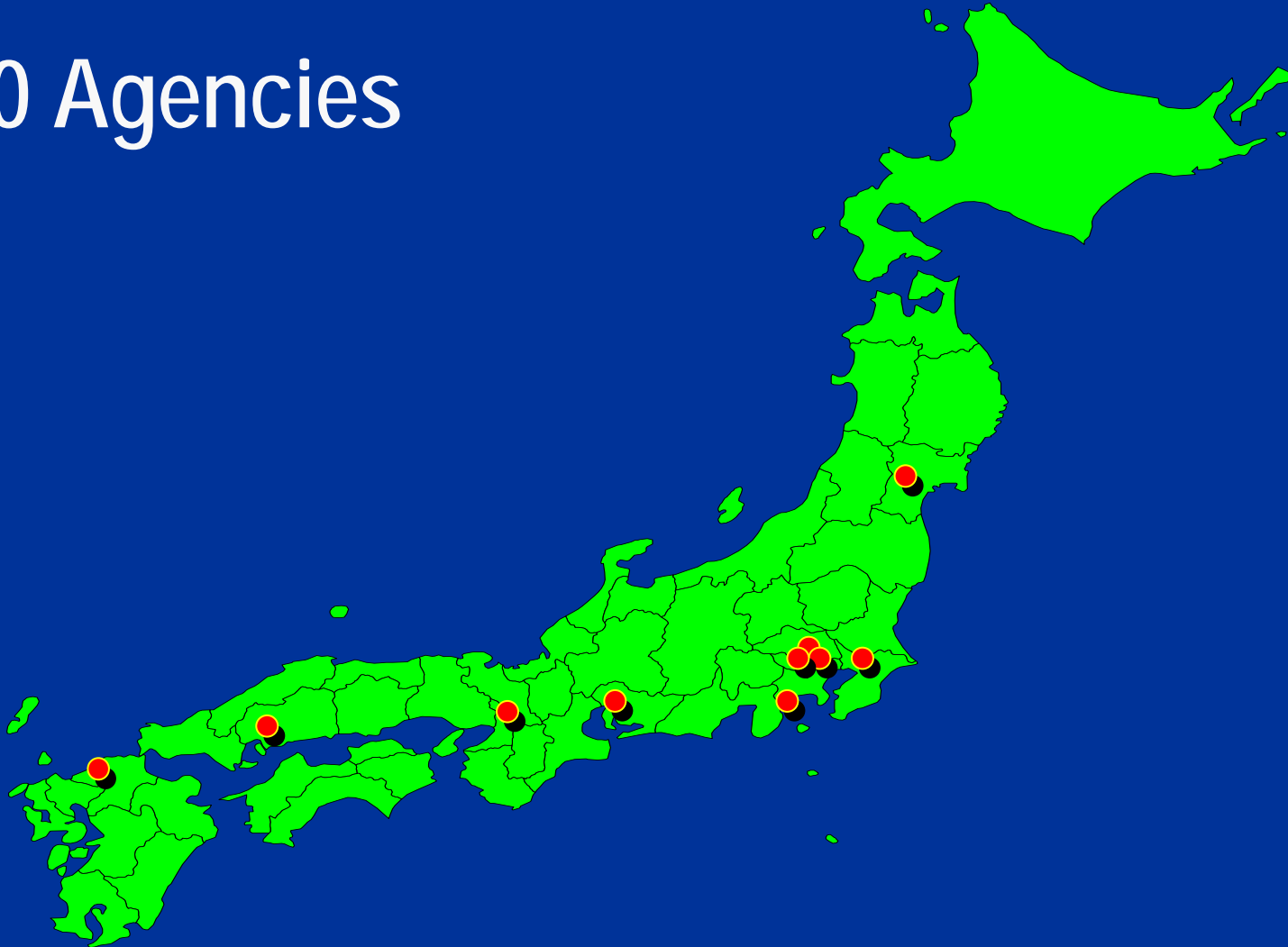
# Geographic expansion



- Expansion of field office network to middle-size cities will increase the source of LP candidates
- Securing Sales / Agency Manager resources will be the greatest challenge

# Prudential of Japan – 1988

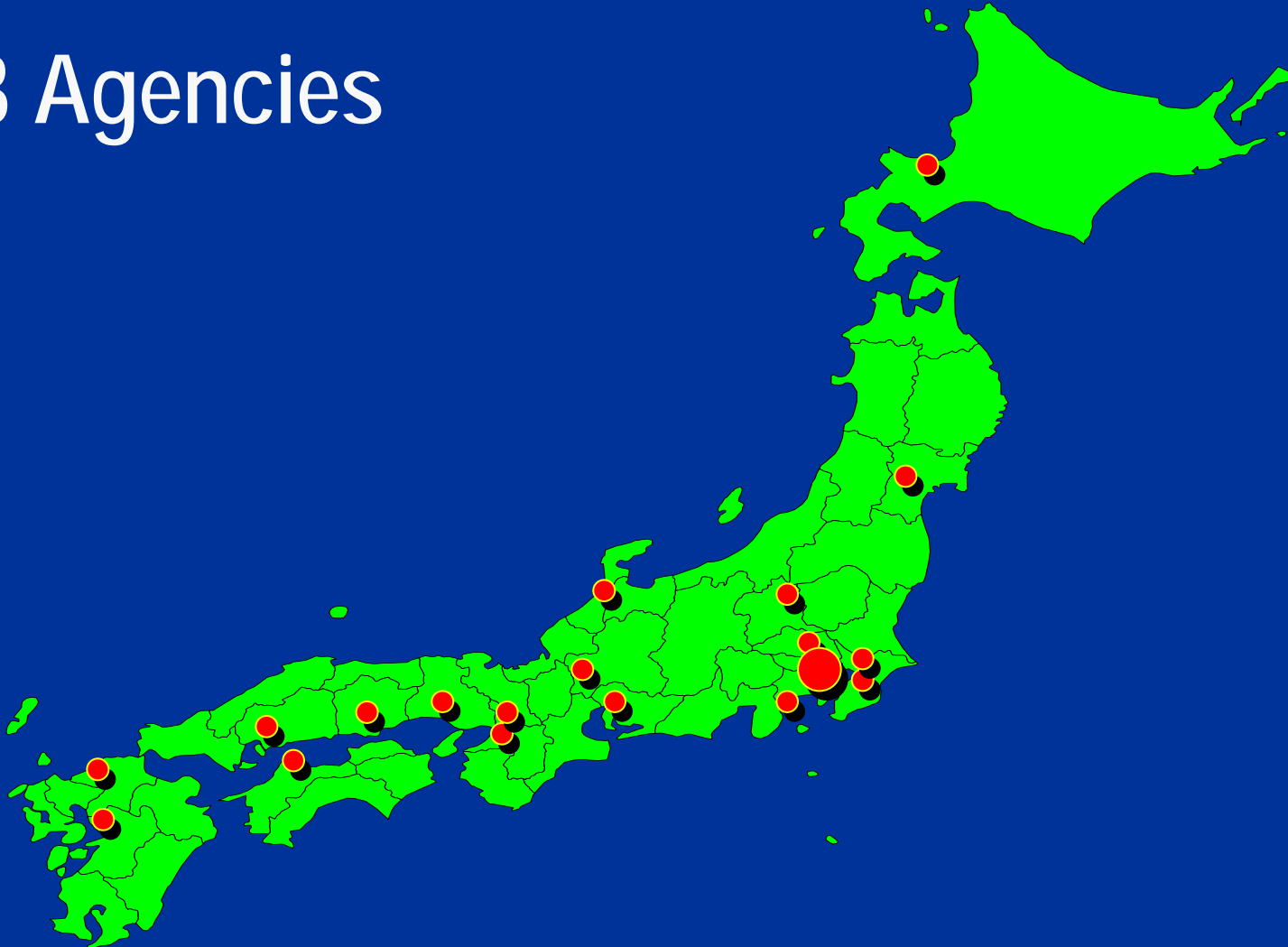
10 Agencies





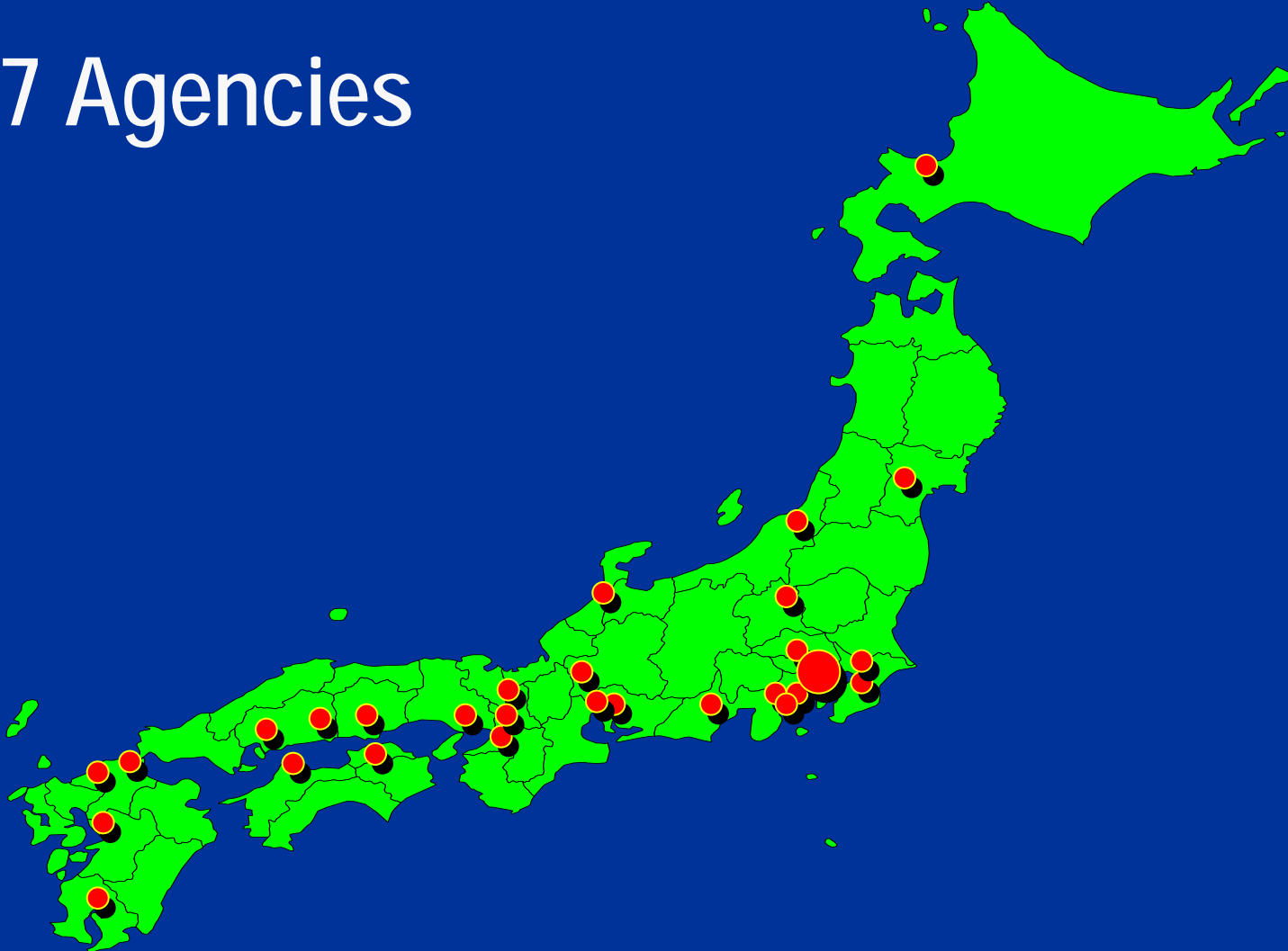
# Prudential of Japan – 1994

23 Agencies



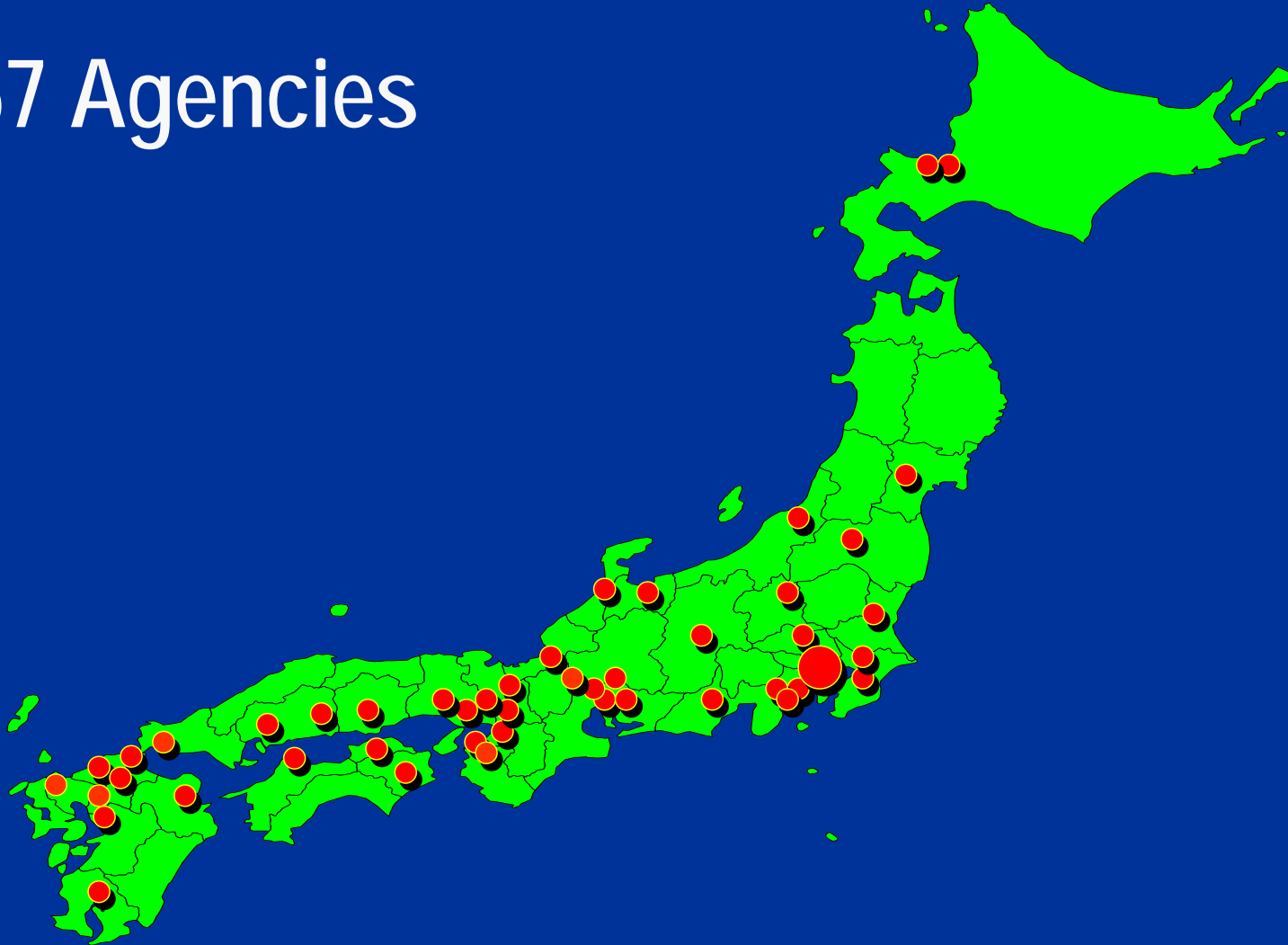
# Prudential of Japan –1999

37 Agencies



# Prudential of Japan – September 2004

67 Agencies



# Summary

- Selective, high quality Life Planner sales force
- Needs based selling; protection products
- Superior productivity, policy persistency, Life Planner retention
- Life Planner expansion drives continued growth
- Focused strategy and execution

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# Gibraltar Life

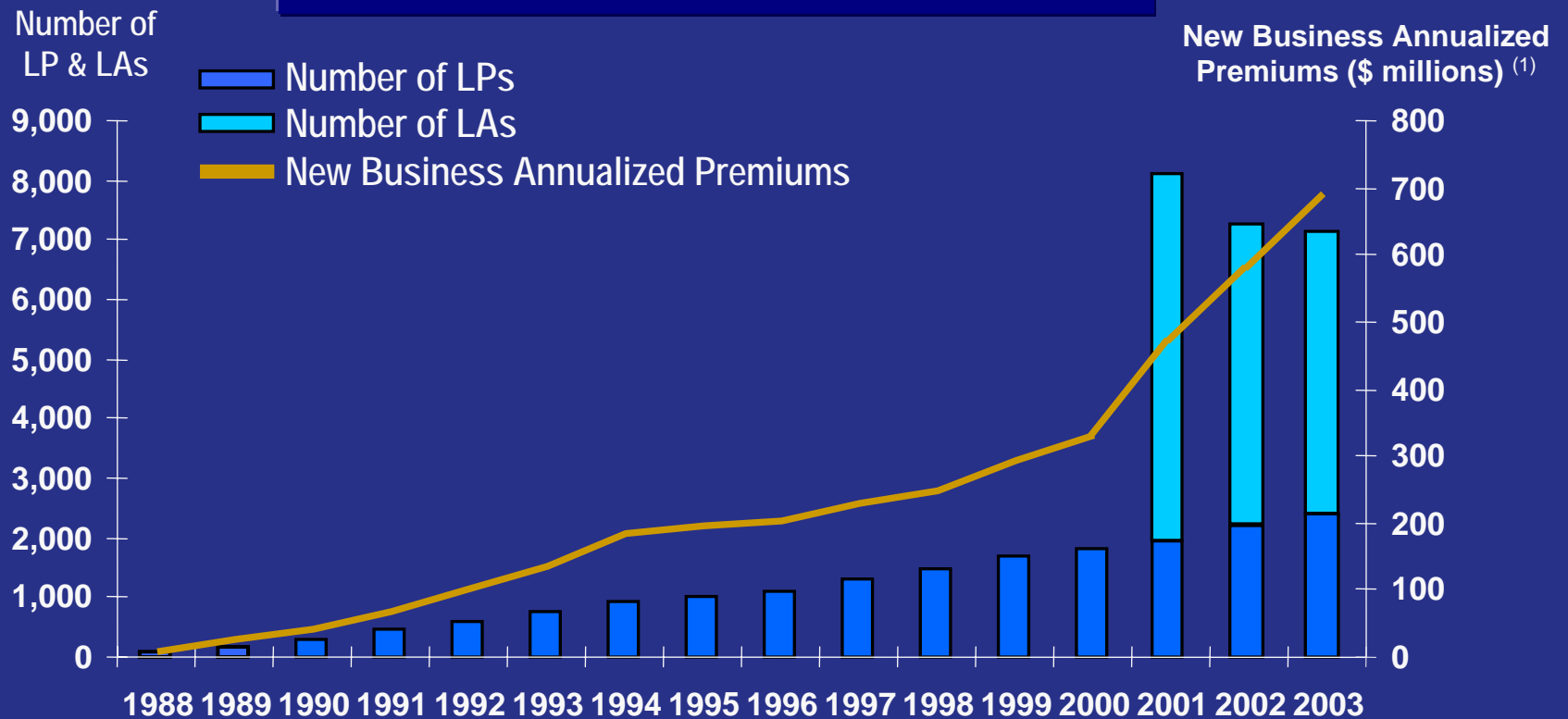
**Tim Feige**

**President and CEO  
Gibraltar Life**

**Prudential  Financial**

# Growth in Japan operations

## POJ and Gibraltar Combined



(1) Translated based on average exchange rate for the year ended December 31, 2003

## Gibraltar overview <sup>(1)</sup>

Acquired by Prudential Financial in 2001

Strong Affinity Group Relationships

Over \$30 Billion in Assets (Rank #11) <sup>(1)</sup>

Over 4 Million Individual Policies In Force (Rank #7) <sup>(1)</sup>

81 agencies, 533 sub branches, 4,888 Life Advisors <sup>(2)</sup>  
Developing additional distribution channels

(1) Rankings as of March 31, 2003; Statistics of Life Insurance Business in Japan, *Hoken-Kenkyujo*; FX rate: US\$1 = JPY117

(2) As of June 30, 2004



# Gibraltar Life performance

	Year Ended December 31			Six Months Ended June 30
	2001 <sup>(1)</sup>	2002	2003	2004
Life Advisors <sup>(2)</sup>	6,121	5,155	4,826	4,888
New Annualized Premium <sup>(3) (4)</sup>	\$116	\$253	\$299	\$134
Before tax AOI <sup>(3)</sup>	\$262	\$378	\$370	\$209
Equity <sup>(5)</sup>	\$1.2	\$1.1	\$1.1	\$0.8
ROE <sup>(6)</sup>	20%	22%	23%	35%

(1) Results from April 2001 acquisition date

(2) As of end of period

(3) In millions

(4) Translated based on average exchange rate for the year ended December 31, 2003

(5) Average for period; in billions

(6) Based on after tax adjusted operating income; annualized for the six month period

# Gibraltar transformation

Leverage Life Planner Model

Focus on Key Drivers

Build Infrastructure

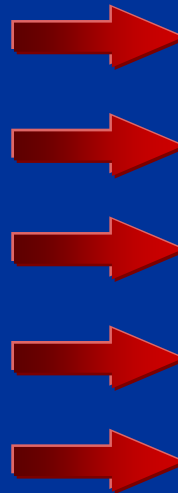
Strengthen Management Team

Develop Unique Strategy

# Life Advisors

## Prior to Acquisition "Sales Agents"

Fixed Compensation  
Product Sales  
Part-time Job  
Product Training  
Admin Managers



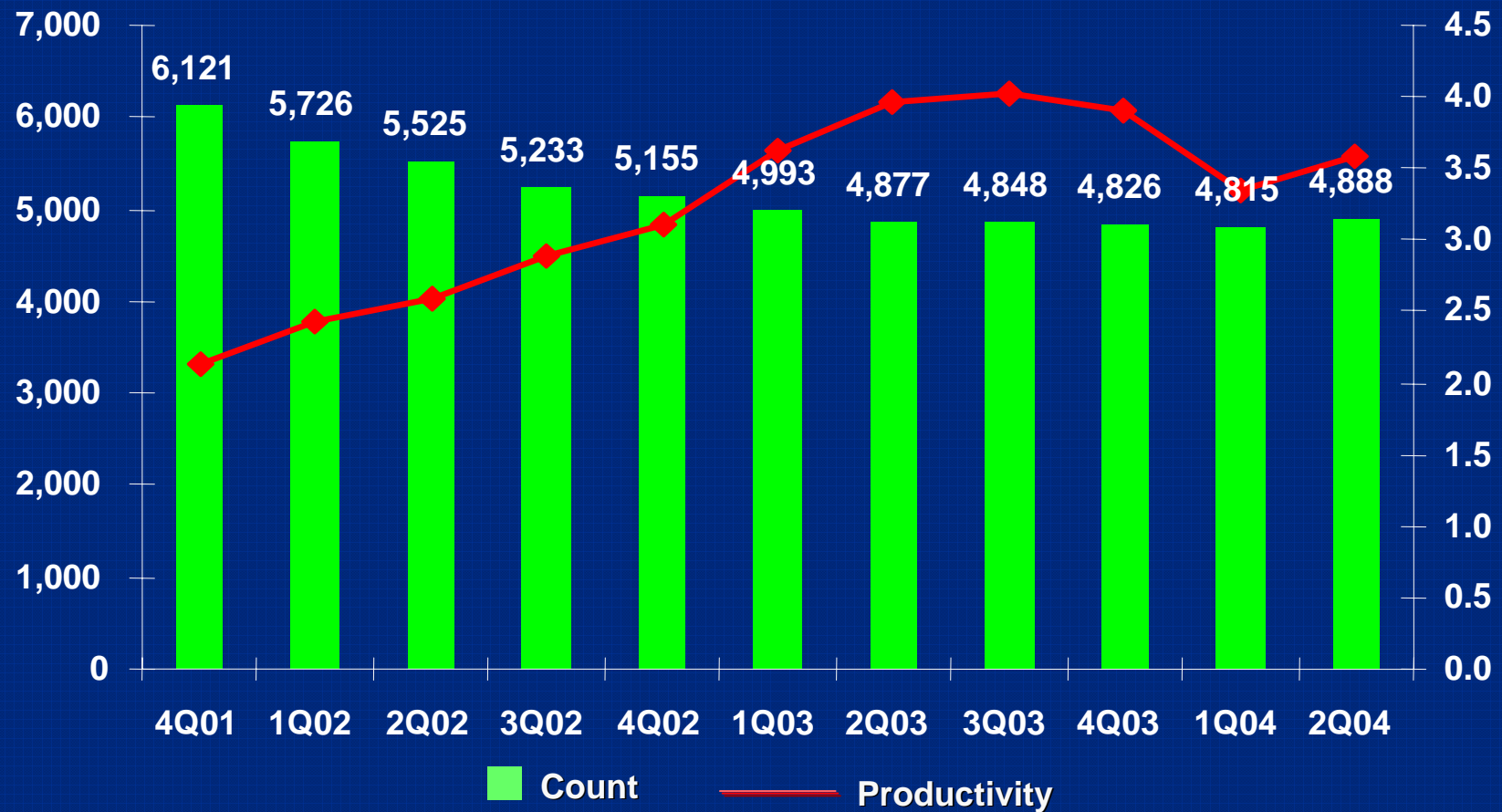
## Current "Life Advisors"

Full Commission  
Needs-based Sales  
Professional Career  
Education and Support  
Professional Sales Mgt

# Key drivers - Life Advisor trend

# of Life Advisors

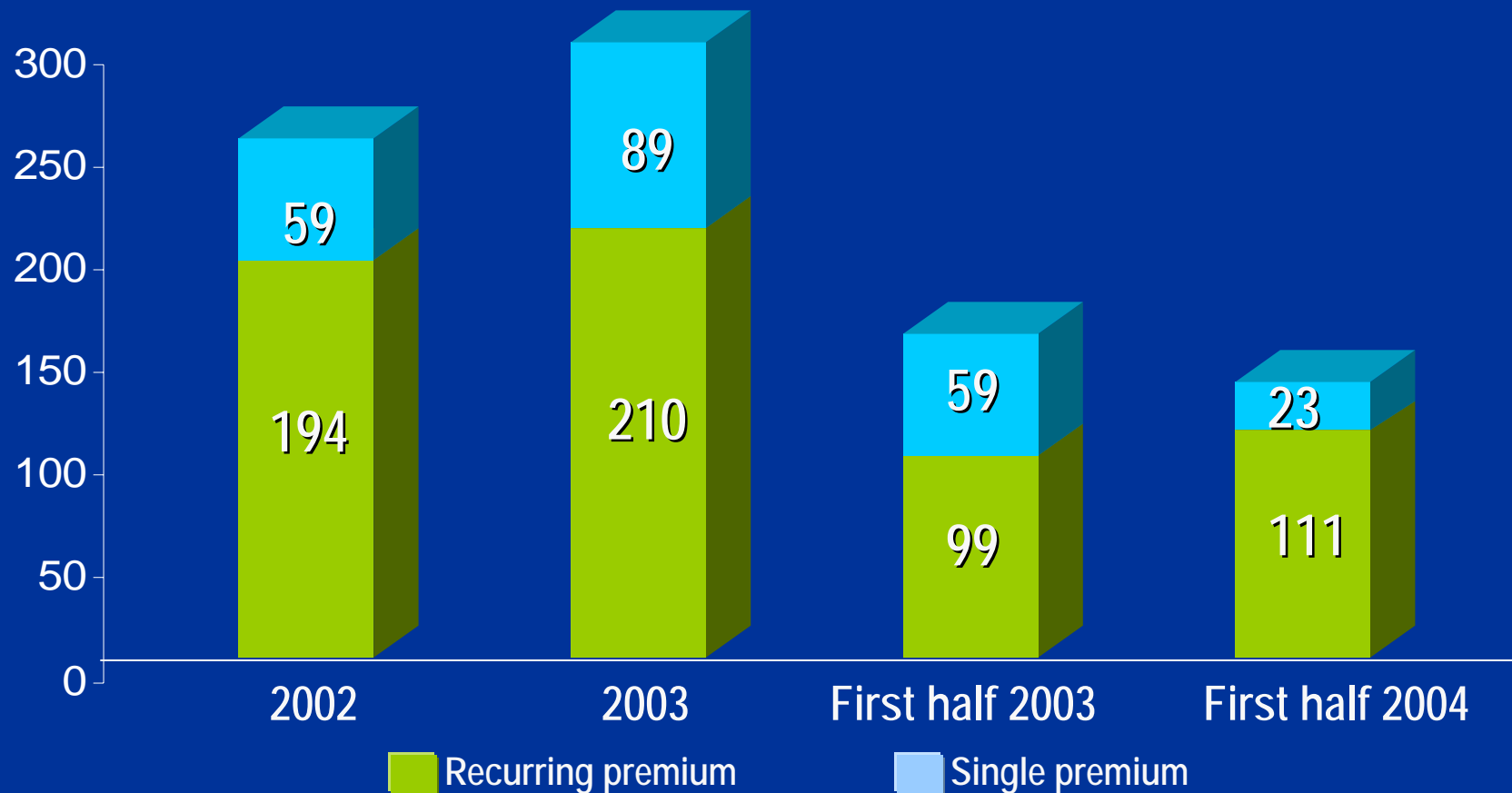
Productivity <sup>(1)</sup>



(1) Policies per Life Advisor per month

# Growth in recurring premium sales

Annualized new business premiums (\$ millions) <sup>(1)</sup>



(1) Translated based on average exchange rate for the year ended December 31, 2003

# Key drivers comparison

Key drivers	POJ <sup>(1)</sup>	Gibraltar <sup>(1)</sup>	Top 5 <sup>(2)</sup>
<b>Productivity</b> <sup>(3)</sup> (# of policies / LP or LA / month)	7.0	3.8	2.3
<b>Policy Persistency</b> (Face-amount)			
13 - month	94.3%	93.3%	84.2%
25 - month	87.3%	81.7%	73.5%
<b>Life Planner / Life Advisor Retention</b>			
12 - month	91.3%	56.3%	37.9%
24 - month	80.8%	29.1%	17.2%

(1) For the twelve months ended March 31, 2004 (2) For the twelve months ended March 31, 2003; based on company information and Prudential calculations; policy persistency calculations reflect conversions (not applicable to POJ or Gibraltar) (3) Based on new business; Industry data includes medical riders; POJ and Gibraltar data does not.

# Infrastructure improvements



# Management team

President & CEO

Chief Marketing Officer

Regional Marketing Officers

Association Marketing

Group Marketing

Kyoko Marketing

Chief Investment Officer

Chief Compliance Officer

Chief Legal Officer

Chief Operations Officer

Customer Service Officer

Chief Information Officer

Chief Financial Officer

Strategy & Chief Risk Officer

Chief Actuary

HR & Corporate Services



# Unique strategy

## Strategic considerations

Country demographics

Competitive environment

Company position & skills

Prudential expertise

Market segment focus

Association relationships

Tailored distribution, products & service

Financial discipline

Performance & value based culture

# International acquisition strategy

- Leveraging International Insurance and Gibraltar experience
- Integrated, focused team: Japan, US and other countries
- Disciplined, agile approach
- Target countries: Japan, Korea, Taiwan
- Additional countries: opportunistic

# Summary

- High return on equity
- Excellent cash generation
- Stable distribution system and in-force business
- Building on competitive advantages
- Leverage International Insurance and Gibraltar experience

# Tokyo Investor Day

September 23, 2004

Tokyo, Japan

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# Prudential of Korea

O.J. Hwang

President  
Prudential of Korea

Prudential  Financial

# Life insurance market in Korea

- Total Population of South Korea is 48.1 million (#23 in the world) <sup>(1)</sup>
- Total GDP is \$ 621 billion (#10) <sup>(1)</sup>
- Total Life Insurance Premium is \$ 42 billion (#7) <sup>(1)</sup>
- Total Life Insurance Premium is 6.8% of GDP (#8) <sup>(1)</sup>
- 90% of households have life insurance <sup>(2)</sup>
- Domestic Big 3 companies control 70+% market share <sup>(2)</sup>

(1) As of 2003; based on Sigma industry data published by Swiss Re  
(2) 2003 Life Insurance Survey by Korean Life Insurance Association (KLIA)



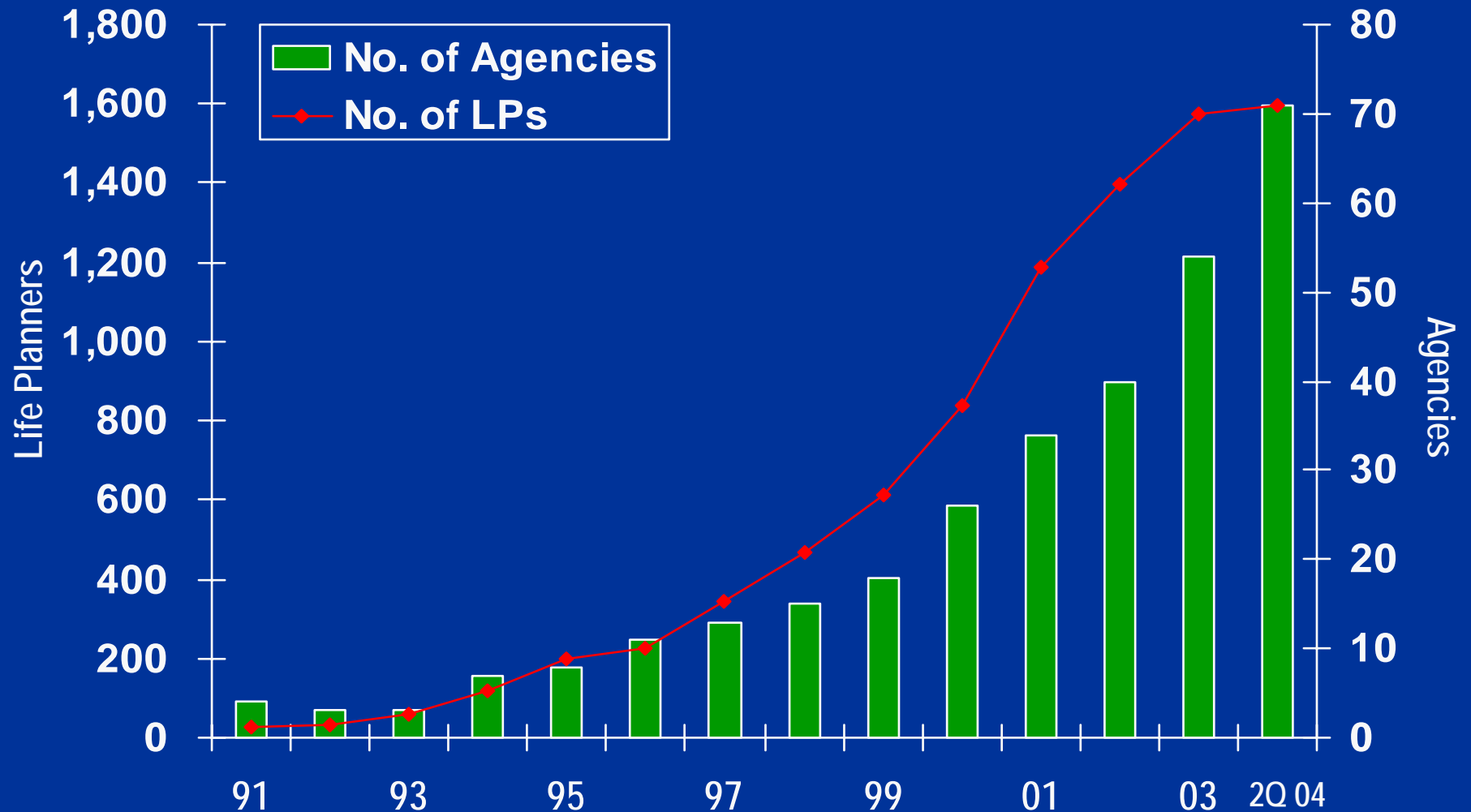
# POK – current status

- Focus on LP Channel and Protection Life Insurance
- Face amount ranks #5 in industry <sup>(1)(2)</sup>
- \$1.6 billion in assets <sup>(3) (4)</sup>
- 71 sales offices <sup>(3)</sup>
- Rankings <sup>(1)</sup>
  - #1 in policy persistency <sup>(5)</sup>
  - #1 in agent retention <sup>(6)</sup>
  - #1 in customer satisfaction for 6 consecutive years <sup>(7)</sup>



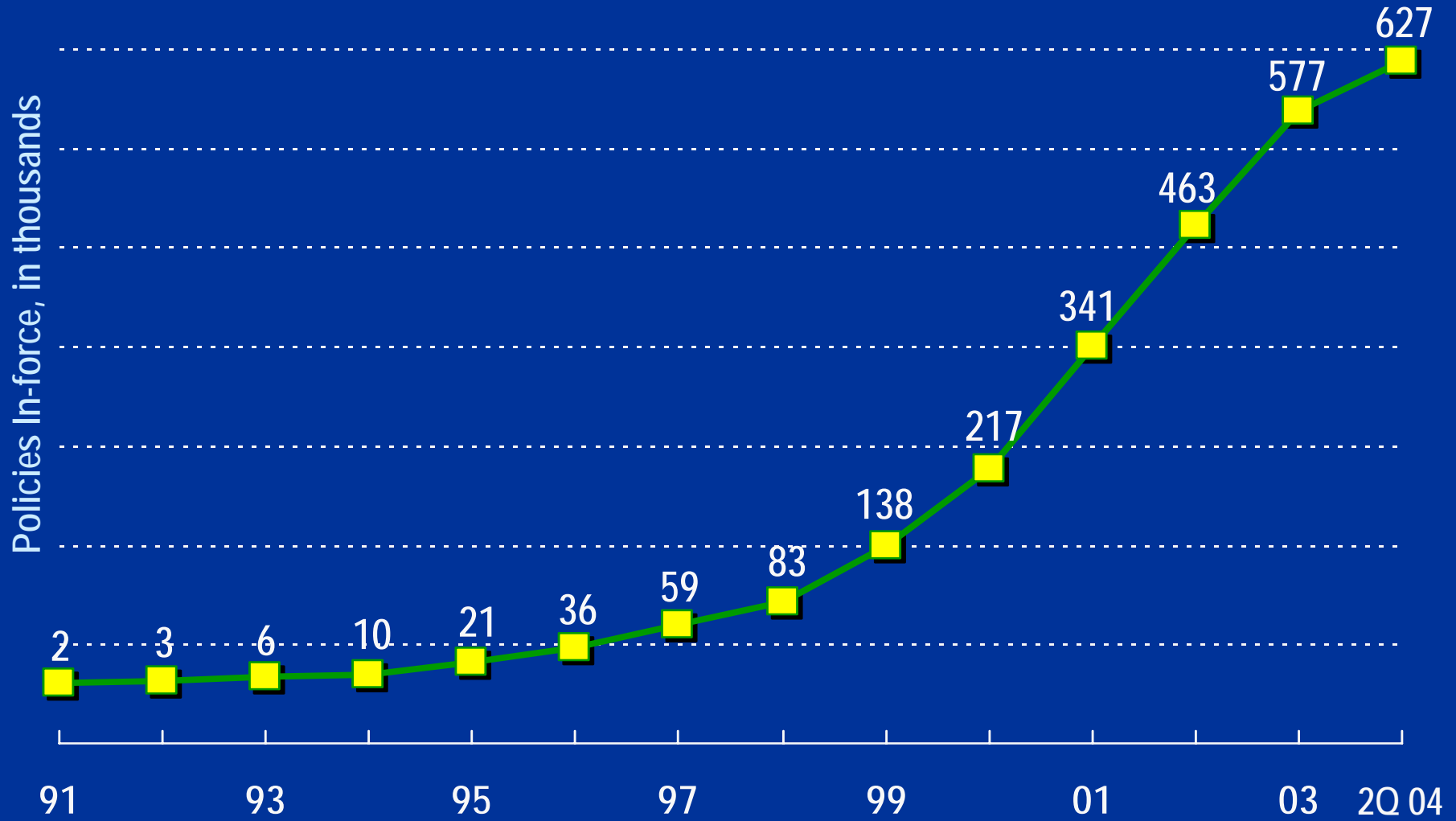
(1)As of March 31, 2004 (2) According to KLIA; ranking based on \$32 billion statutory face amount (3) As of June 30, 2004 (4) Based on Korean statutory accounting (5) 25<sup>th</sup> month policy persistency; based on industry data and Prudential calculations (6)24<sup>th</sup> month agent retention; based on industry data and Prudential calculations ((7) According to National Customer Satisfaction Index (NCSI), 1998-2003

# Life Planner and agency growth



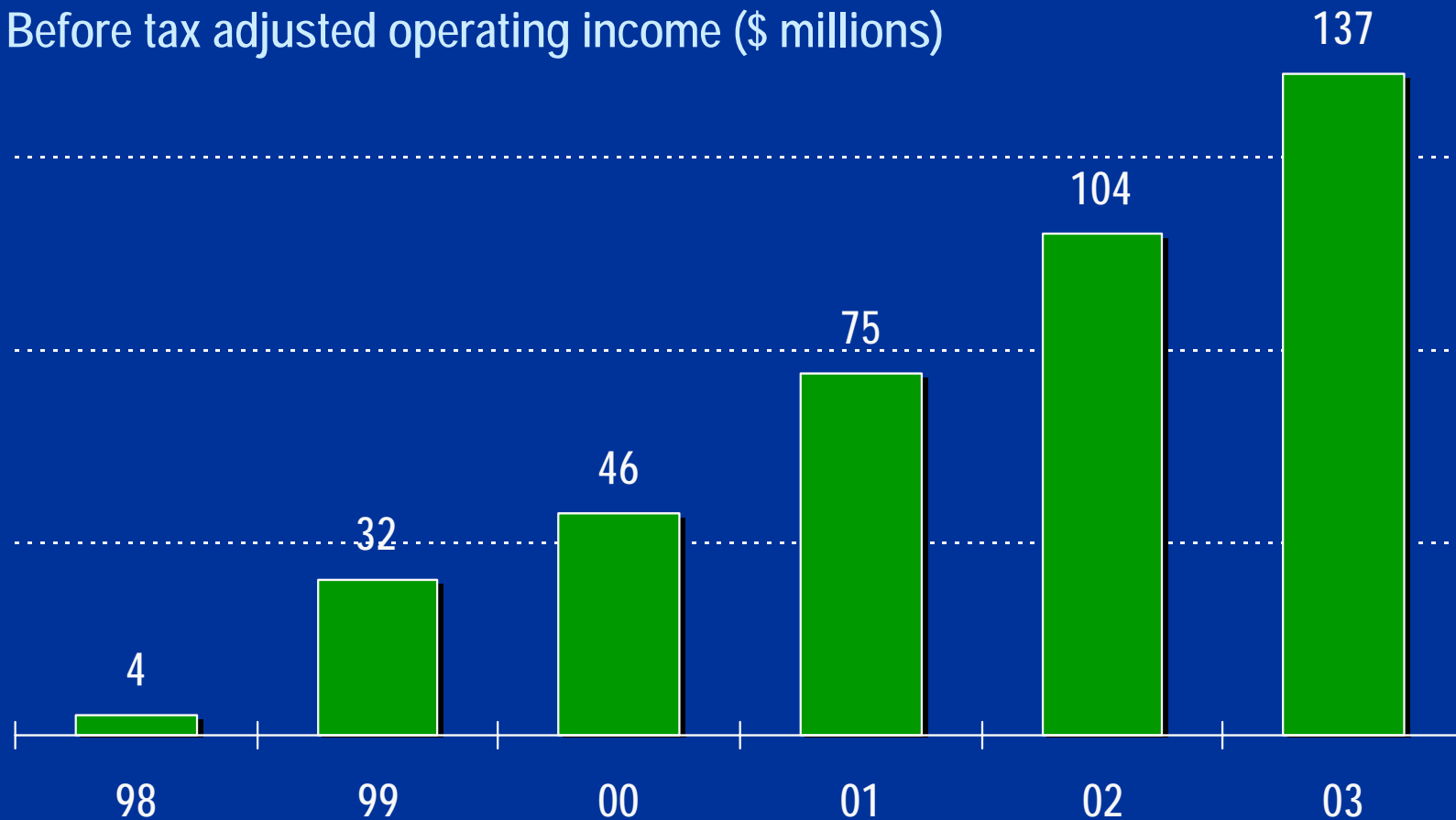


# Business growth – policies in-force



# Business growth – adjusted operating income

Before tax adjusted operating income (\$ millions)



# Business model

- **Life Planner model** – selective, high quality sales force
  - Well trained and professional
  - Customer focused
  - Disciplined and demonstrates “missionary zeal”
- **Needs based selling**
- **Corporate vision** – to be the most trusted life insurance company in Korea
- **Corporate mission** – to help customers achieve financial security and peace of mind

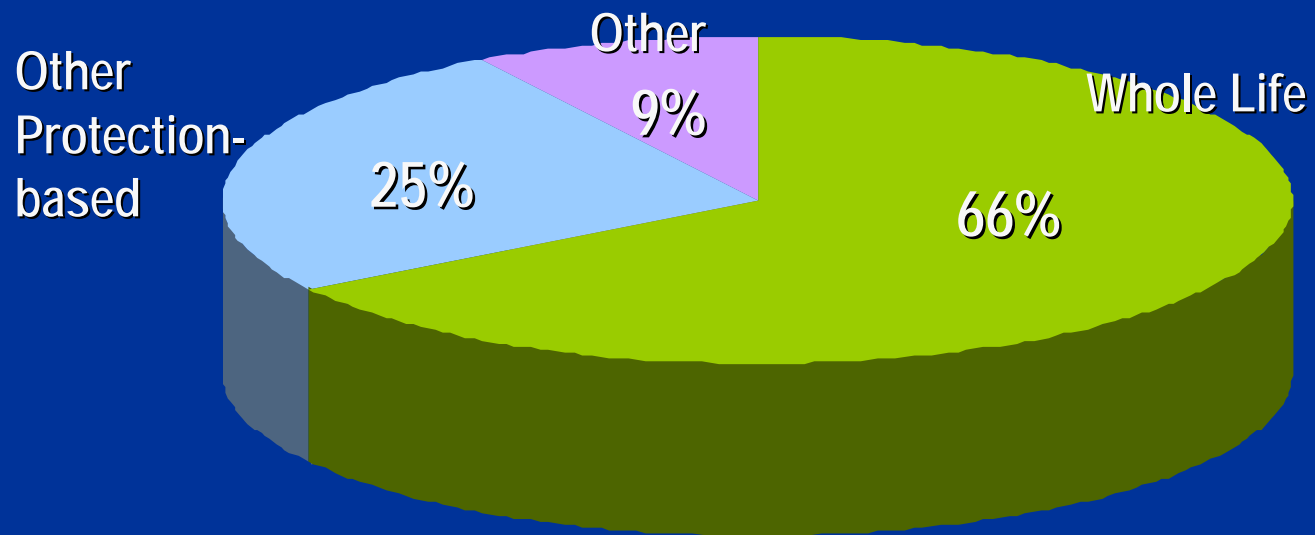
# Key drivers comparison <sup>(1)</sup>

	Prudential of Korea	Top 3 <sup>(2)</sup>
<b>Productivity<sup>(3)</sup></b> (# of policies / LP / month)	8.5	4.6
<b>Policy Persistency</b> (Face-amount)		
13 - month	91.4%	74.2%
25 - month	90.0%	60.8%
<b>Life Planner Retention</b>		
12 - month	86.4%	36.2%
24 - month	77.5%	N/A

(1) For the twelve months ended March 31, 2004 (2) Based on company information and Prudential calculations (3) Based on new business

# POK product mix

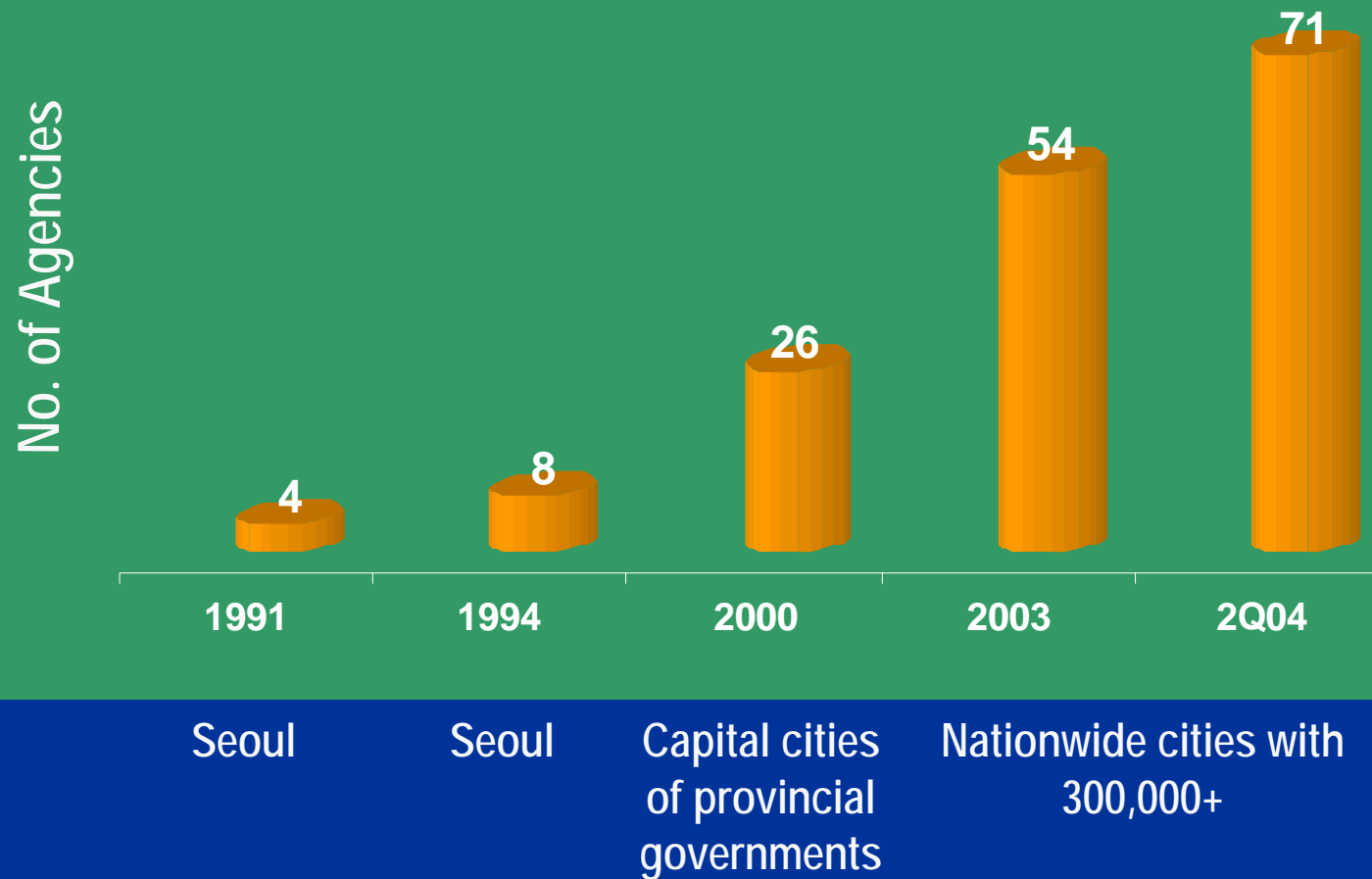
Based on annualized new premiums  
for the year ended December 31, 2003



# Growth strategy

- Life Planners annual growth: double digit percentage
- Maintain productivity
- Continue emphasis on protection products
- Increase geographical reach

# Agency building history



# Summary

- Selective, high quality Life Planner sales force
- Needs based selling; protection products
- Business model strength underlies rapid growth
- Life Planner expansion and increased geographical reach drive continued growth
- Focused strategy and execution



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# International Investments - Korea

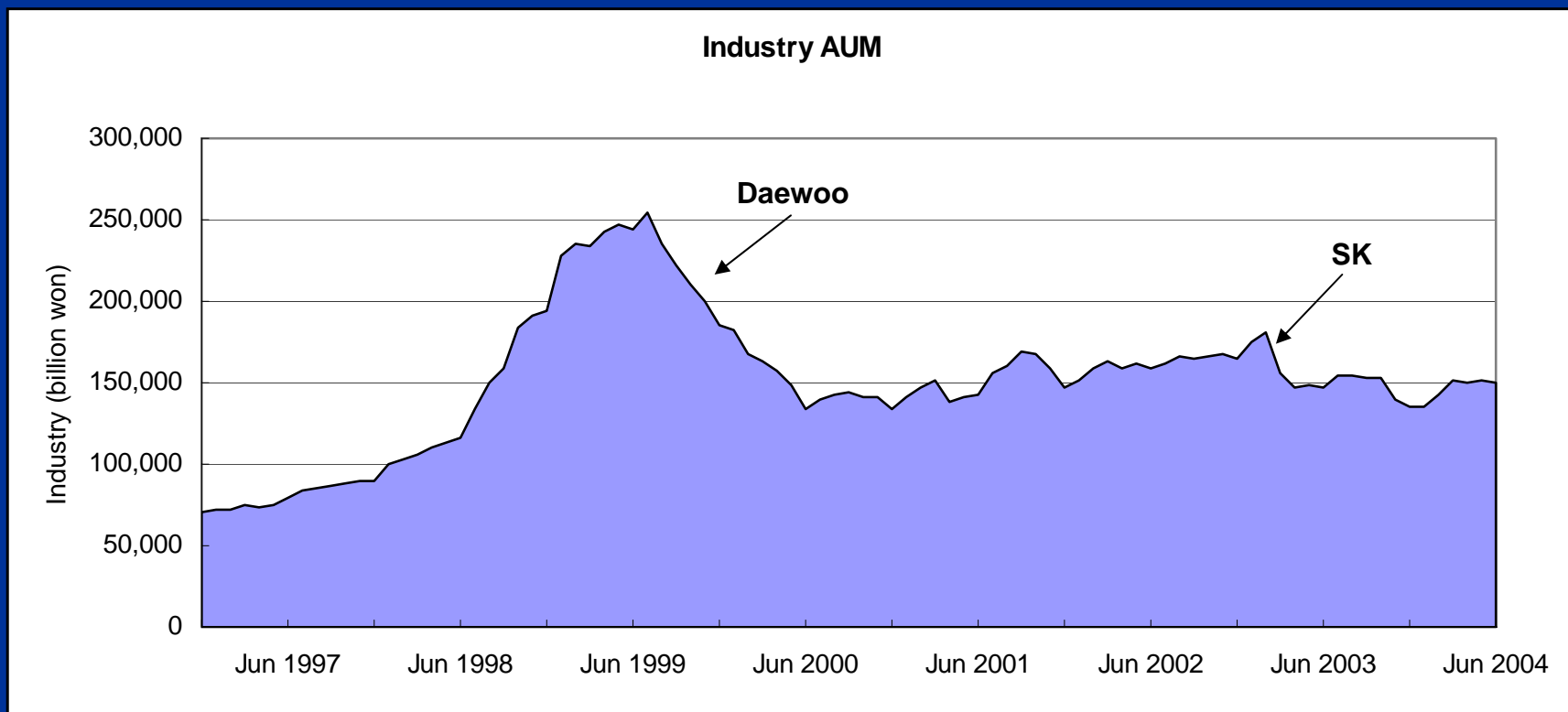
**Christopher Cooper**

**President & CEO  
Prudential Investments & Securities Co., Ltd.**

**Prudential  Financial**

# Korean investment management market <sup>(1)</sup>

- Industry AUM: \$130 billion, 59% of 1999 peak



(1) Asset Management Association of Korea June 30, 2004 report; FX 1USD=1,150KRW

# Korean investment management market

- 46 firms, of which
  - 9 have foreign ownership (Prudential is the only foreign firm with captive distribution)
  - 24 are part of larger financial groups (banks and insurance companies)
- Market concentration is high: top 4 share is 43%; 2 of top 4 are receiving government support
- Fixed income is 89% of AUM

Industry <sup>(1)</sup>					
<u>Rank</u>	<u>Name</u>	<u>AUM (\$bil)</u>	<u>Market Share</u>	<u>Fixed Income %</u>	
1	Daehan	16	12.1%	86%	
2	Samsung	15	11.5%	93%	
3	Hankook	14	10.9%	80%	
4	Prudential	12	8.9%	86%	
<b>Other</b>		<b>73</b>	<b>56.6%</b>	<b>95%</b>	
<b>Total:</b>		<b>130</b>	<b>100.0%</b>	<b>89%</b>	

(1) According to Asset Management Association of Korea, FX 1USD=1,150KRW, as of June 30, 2004. Ranking excludes bank owned investment trust companies.

# Hyundai acquisition overview

- Acquisition closed end of February
- Client assets \$14 billion<sup>(1)</sup>
- Largest foreign-owned firm in market; 4th largest overall <sup>(2)</sup>
- Emphasis on proprietary distribution: approximately 90 branches, 600 sales personnel <sup>(1)</sup>
- Over 490,000 clients<sup>(1)</sup>
- More equity-oriented than industry average

(1) As of date of acquisition

(2) According to Asset Management Association of Korea; as of February 27, 2004; excludes bank-owned investment trust companies

## Hyundai acquisition

- Prudential acquired 80% stake from the Korean Deposit Insurance Corporation (KDIC) for a purchase price of approximately \$300 million
  - \$2.2 billion government injection
  - Purchase price below fair value of net assets
- Remaining 20% may be acquired by Prudential three to six years after closing
- Government indemnity for contingent liabilities, including losses from distressed fund investments.

# Integration actions

- New senior management team
- Enhanced control environment, compliance regimen
- Finance: US GAAP conversion, Sarbanes-Oxley
- Expense reductions, operational efficiencies

# Opportunities

- Potential for clear market leadership
- Massive risk transfer from fund sponsors to investors
- Underserved mass affluent market
- Consumers evolving from “savers” to “investors”
- Size and reputation as key success factors
- Prudential brand



## Strategic priorities: distribution/marketing/service

- Intensify focus on mass affluent; take opportunistic approach to institutional business
- Expand and diversify product mix
- Implement needs-based selling approach
  - Capitalize on client relationship as core advantage
  - Understand client needs and risk tolerance
  - Provide client education and advice
- Train and recruit sales force to support new approach: “Pru University”
- Broaden Prudential brand to encompass investments

# Summary

- Hyundai acquisition creates major presence in Korean investment market
- Integration underway; improving sales process
- Market focus, size, reputation and brand build potential for clear market leadership
- 15% ROE expected after first full year of operations

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