



**Prudential:  
Leading in Asia**

A stylized map of the Asian continent is centered in the background, rendered in a dark red color that matches the slide's background.

# **Japan : Building scale via greenfield in Asia's largest market**

A traditional East Asian dragon illustration is located in the bottom-left corner, rendered in a dark red color.

**Felix Pang  
Chief Executive Officer  
PCA ASSET Japan**



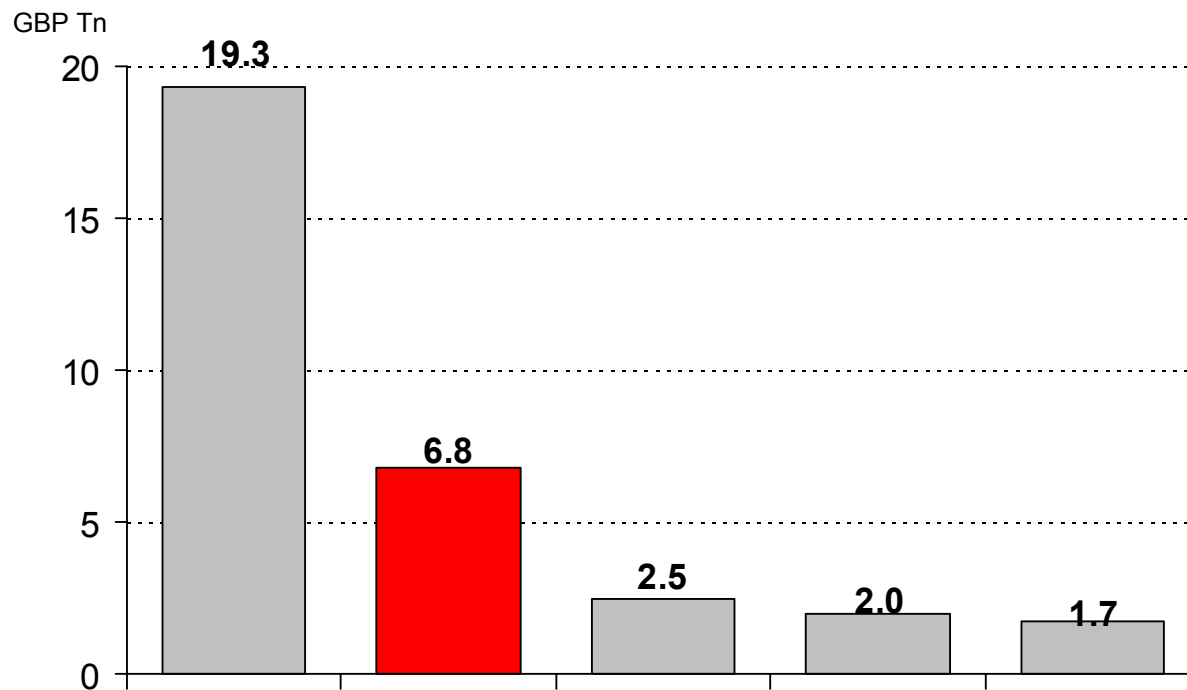
# Japan market overview

## Large and wealthy economy



The world's 2<sup>nd</sup> largest pool of personal financial assets (PFA)

Personal Financial Assets



GDP (GBP Tn)

Population (Mn)

	US	Japan	UK	Germany	France
GDP (GBP Tn)	6.2	2.4	1.1	1.4	1.1
Population (Mn)	298	128	60	83	61

Source: PFA - Bank of Japan; Japan as of March 2006 and other countries as of 2001. GDP & Population - Government of Japan; as of 2005

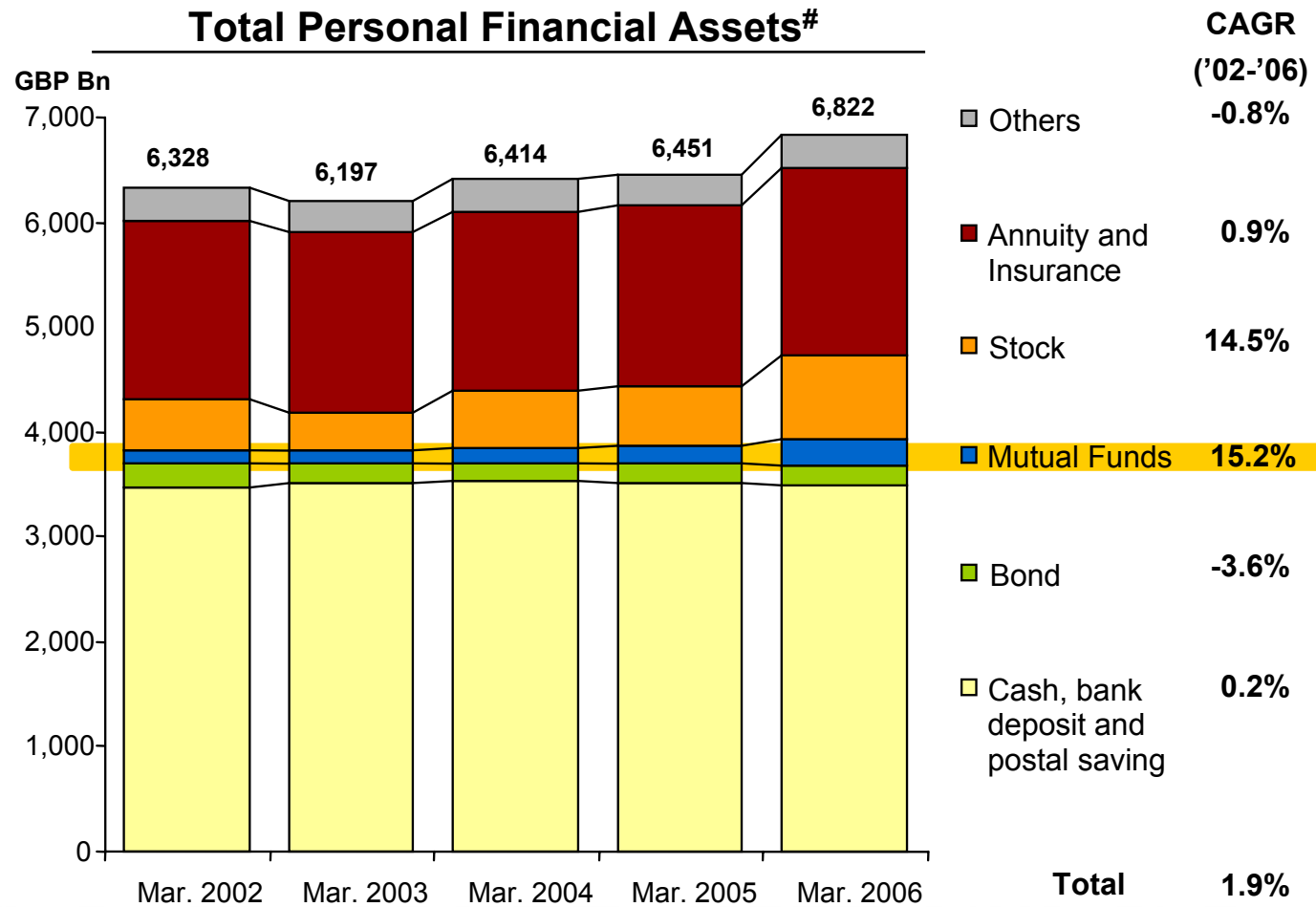


# Japan market overview

## Steady growth in investment mentality



Only 3% of PFA in Mutual Funds; forecast to grow to 4.8-6.6%\* in 2009  
 1% increase in MF penetration = GBP 68bn increase in market



Source: \*Monitor, Nomura Asset Management #Bank of Japan, Daiwa Institute of Research



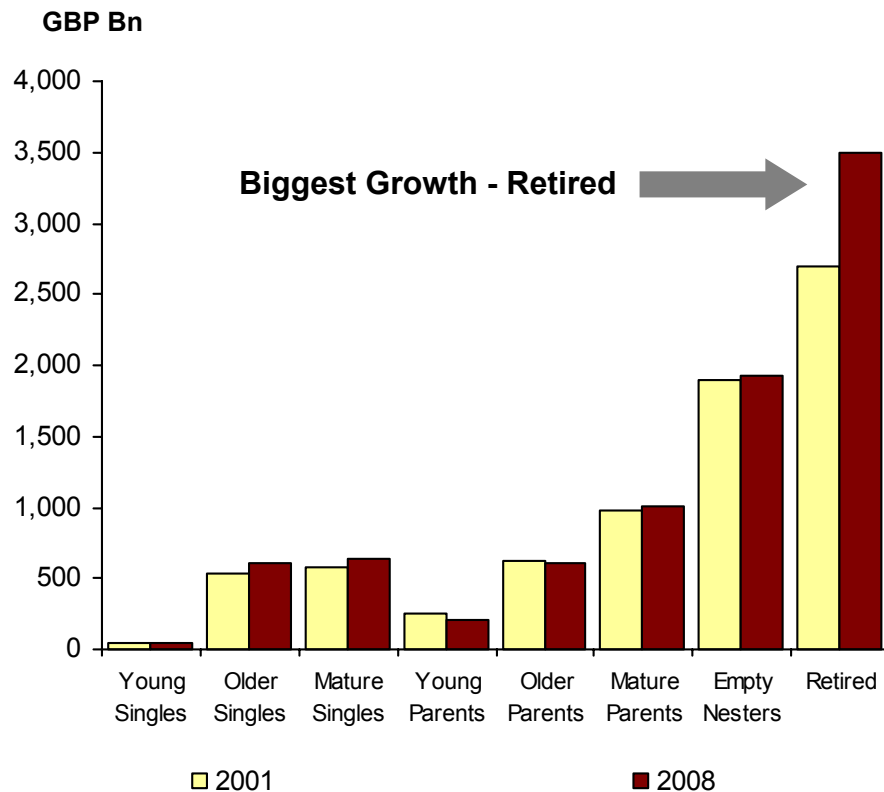
# Japan market overview

## Active investment by older generation

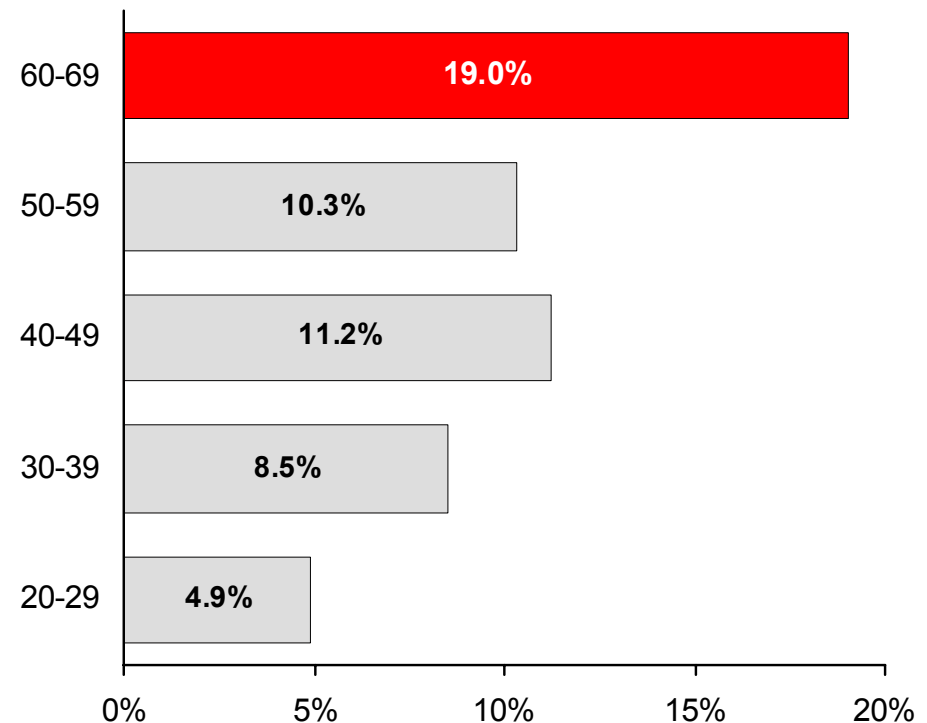


**6.8 million baby boomers with GBP 200Bn PFAs\* to turn 60 in the next 3 years**

Japan - Retail saving pools



Ratio of MF Holding by Age# (2005)



Source: \*Nikkei News # Investment Trust Association 'Survey on investment trust 2005' (n=2505) . Retail savings pool - Internal research & 2000 data for others and GDP growth rate. Original data by The Council for Financial Services Information (BOJ Organization).



# Japan market overview

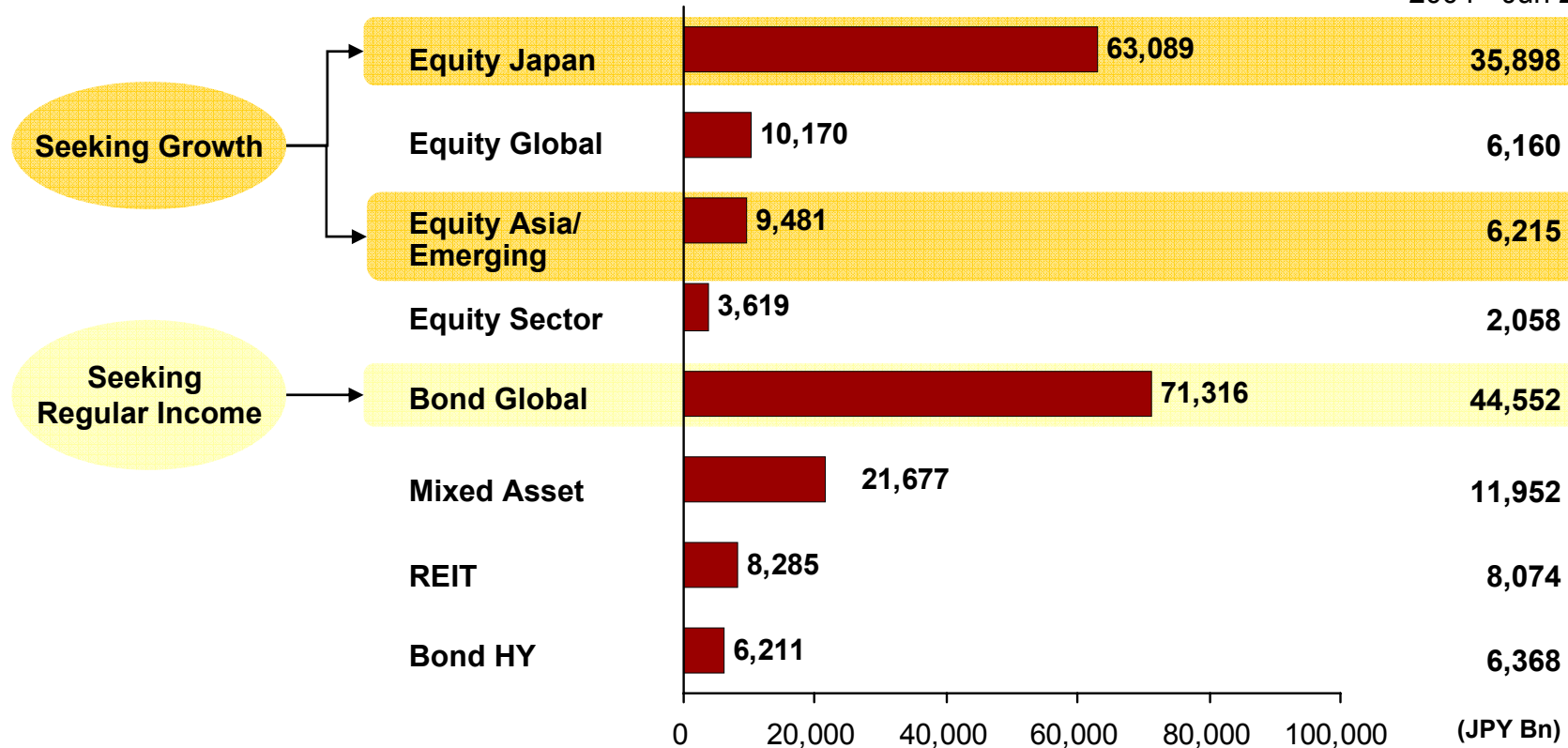
## Product trends



“Growth” and “Regular Income” are the two major product categories

MF Market Size and Growth by Asset Category in GBP Mn (Jun 2006)

Inflow from Jun 2004 - Jun 2006



Source: Lipper, Monitor. Note: POIT only, excluding MMF, MRF and ETF trust



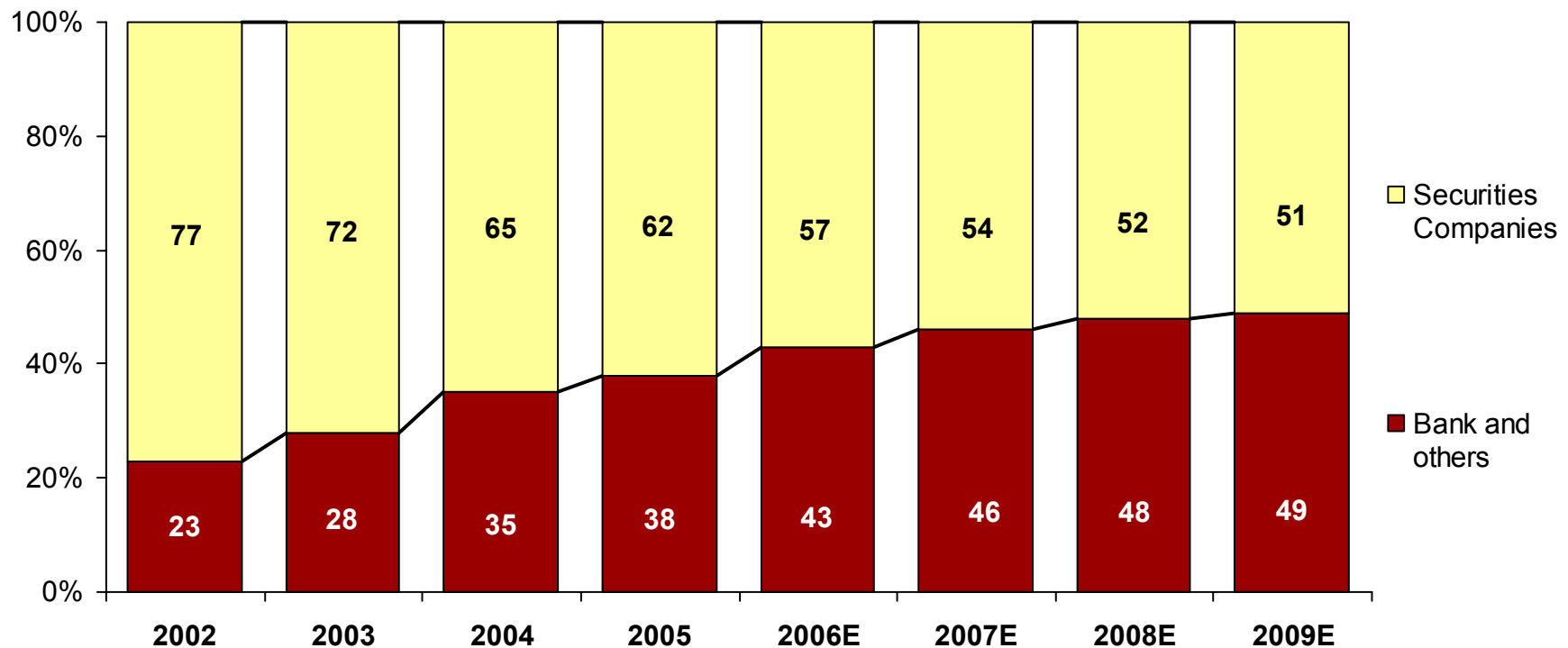
# Japan market overview

## Channel trends



Intermediaries traditionally dominant; growth of banks is significant and expected to continue

FUM of MFs by Channel

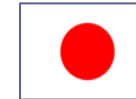


Source: 2002-2005 Actual data for POIT only from the investment trusts association Japan. 2006E-2009E source is Cerulli, for locally domiciled mutual fund AUM market share only.



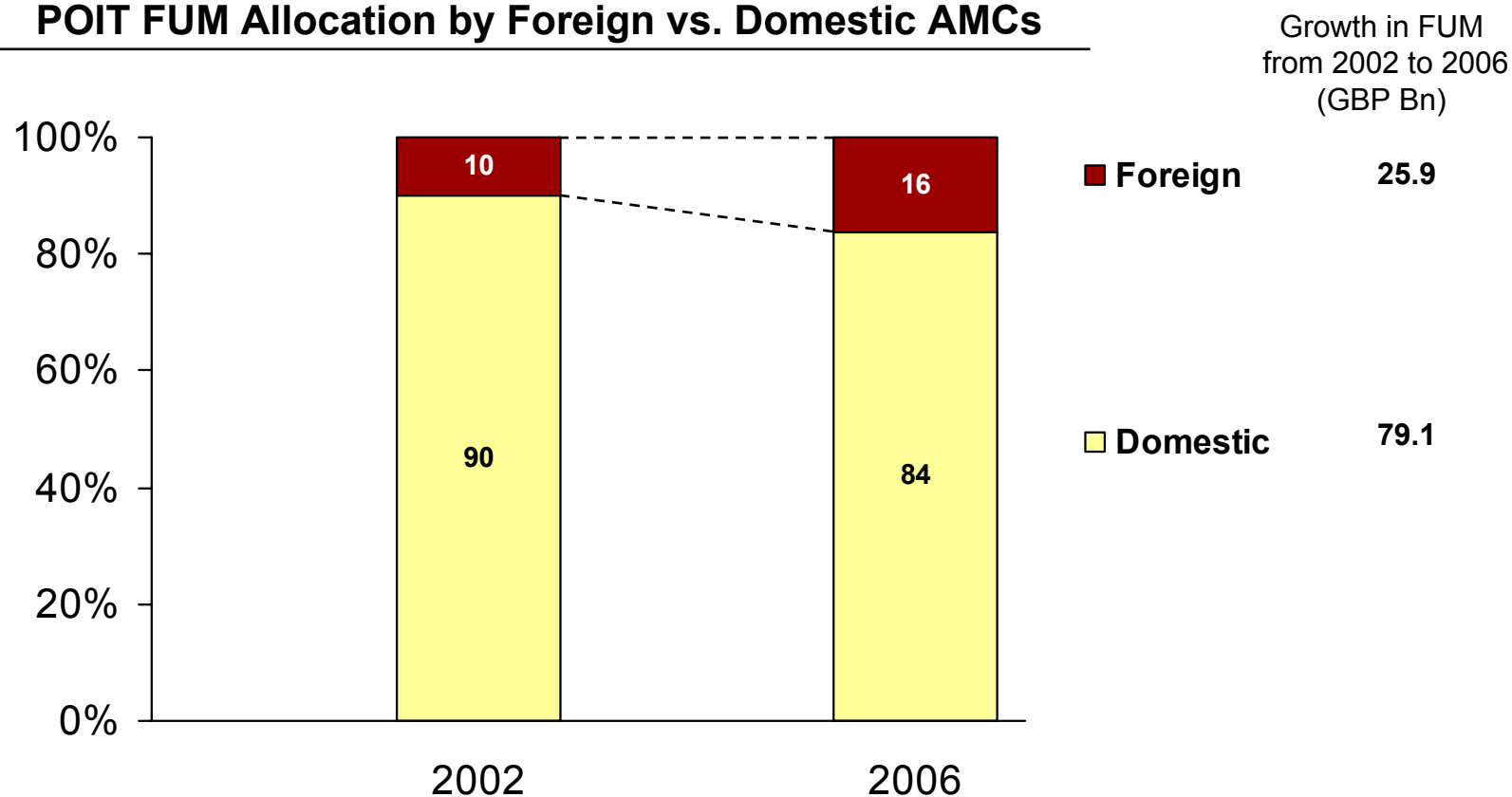
# Japan market overview

## Industry structure



Foreign asset management companies have grown their market share

### POIT FUM Allocation by Foreign vs. Domestic AMCs



Source: Cerulli. Note: POIT only



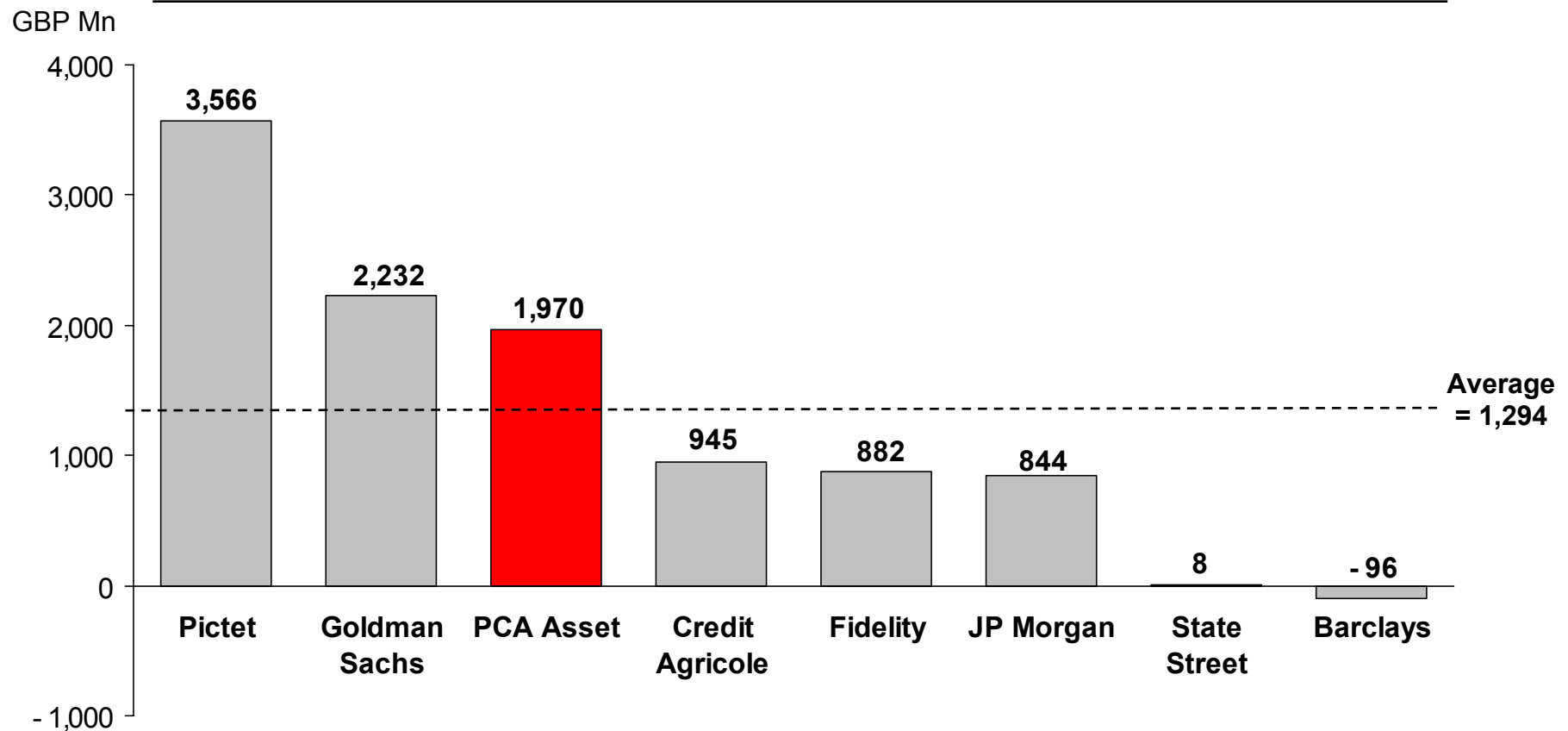
# Our position in Japan

## Comparative performance



We have the 3rd largest net inflows among all foreign AMCs

Net Inflow of Major Foreign AMCs in 2002-2005



Source: Japan IT Association. Note: Includes PPIT and POIT





# Our position in Japan

## Customer-centric strategy



We have targeted “regular income” and “growth” seekers with US High Yield and India Equity

### Target Customer Needs

### Provide Right Product

#### Significant Investor Needs

- Older generation seeks regular income
- Relatively experienced investors seek higher growth



#### US High Yield Open

- Open-ended fund investing in US high yield
- Pays stable monthly dividend



#### India Equity Open

- Open-ended fund investing in Indian equities
- High return can be expected in mid/long-term



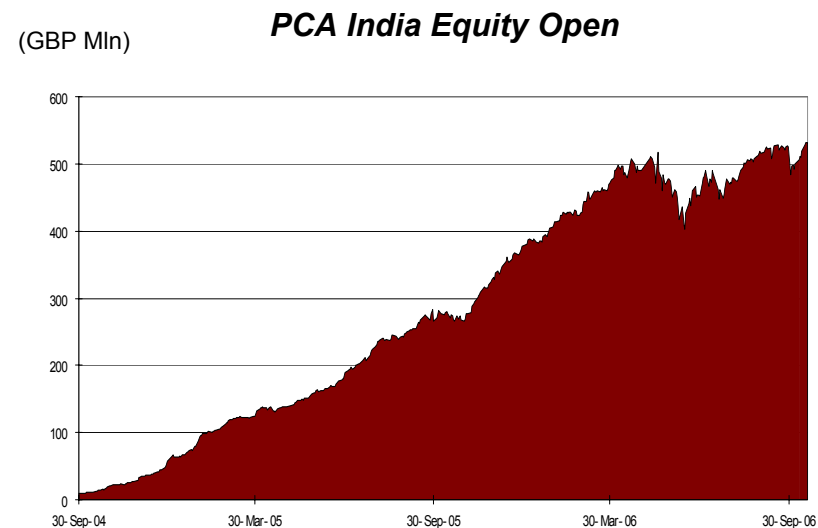
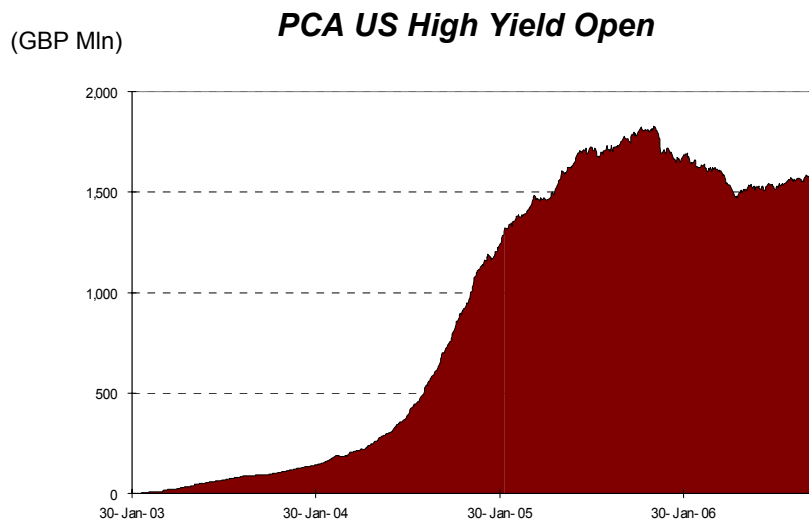
# Positioning in Japan

## Our key products



**US High Yield Open: Japan's largest HY fund**  
**India Equity Open: Japan's first India Equity Fund**

### Historical FUM



**FUM Size by  
HY Products**

AMC	FUM (MN)
PCA US HY Open	1,568
GS HY Bond Fund	1,277
Fidelity US HY Fund	353
PIMCO HY Fund	317
Alliance HY Open	316

**FUM Size by  
IE Providers**

AMC	FUM (MN)
Blackrock	560
HSBC	524
PCA Indid Equity Open	518
Deutsche	73

Note: FUM chart as of September 30, 2006 and tables as of August 31, 2006  
 Source: PCA Asset Management Japan



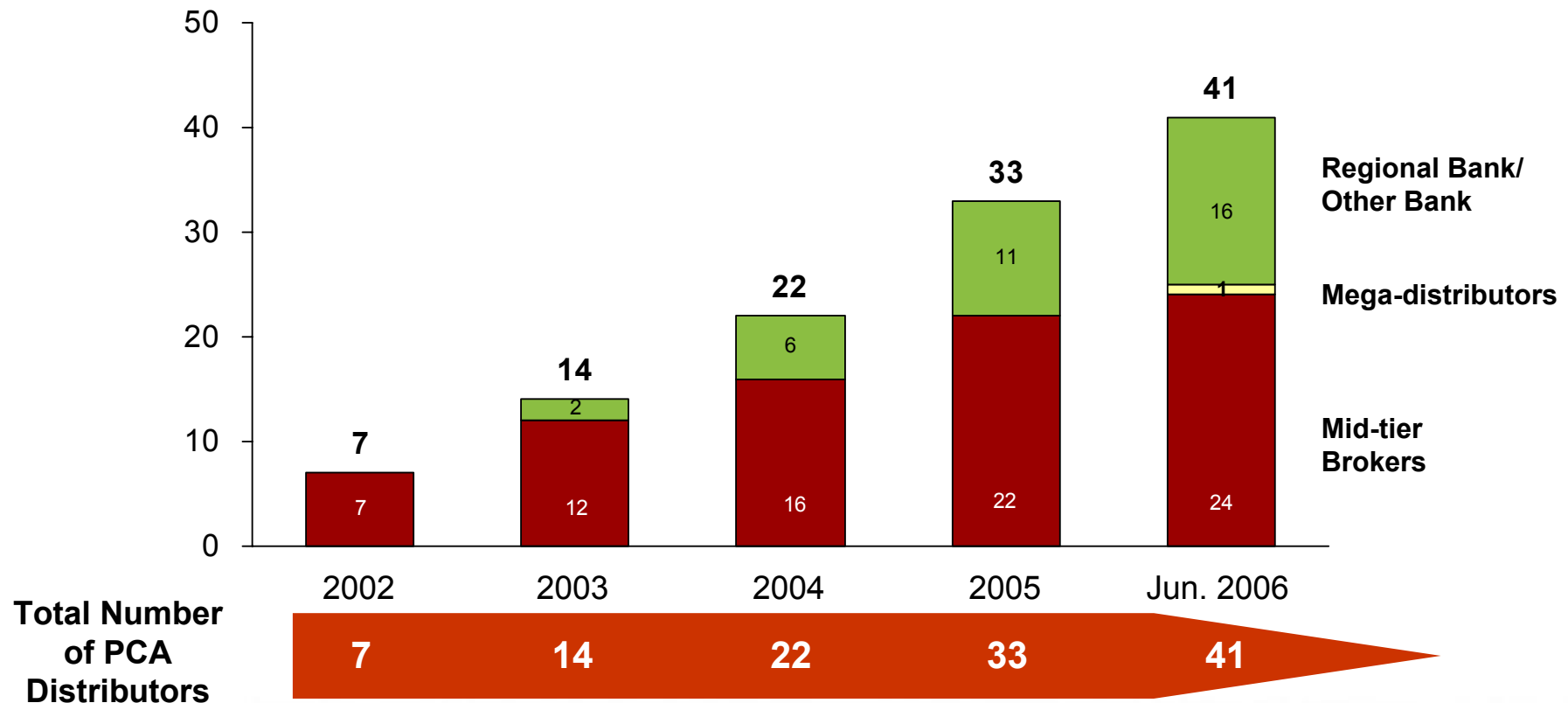
# Positioning in Japan

## Our distribution structure



Strong relationship with mid-tier brokers and accelerated penetration into regional banks

PCA's Distributor Numbers by Channel Type





# Positioning in Japan

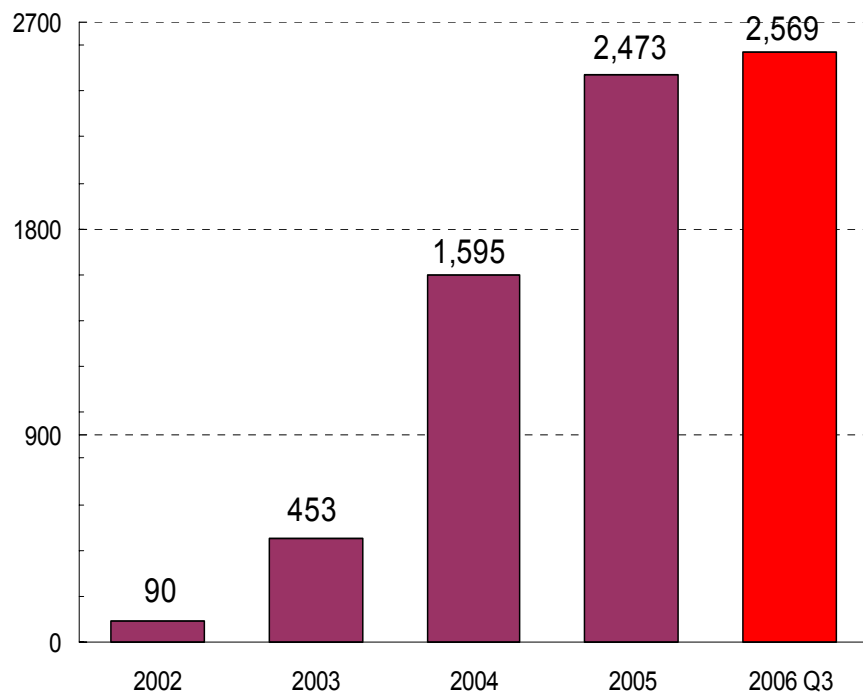
## Our financial performance



Generating profits through product diversification and distributor expansion

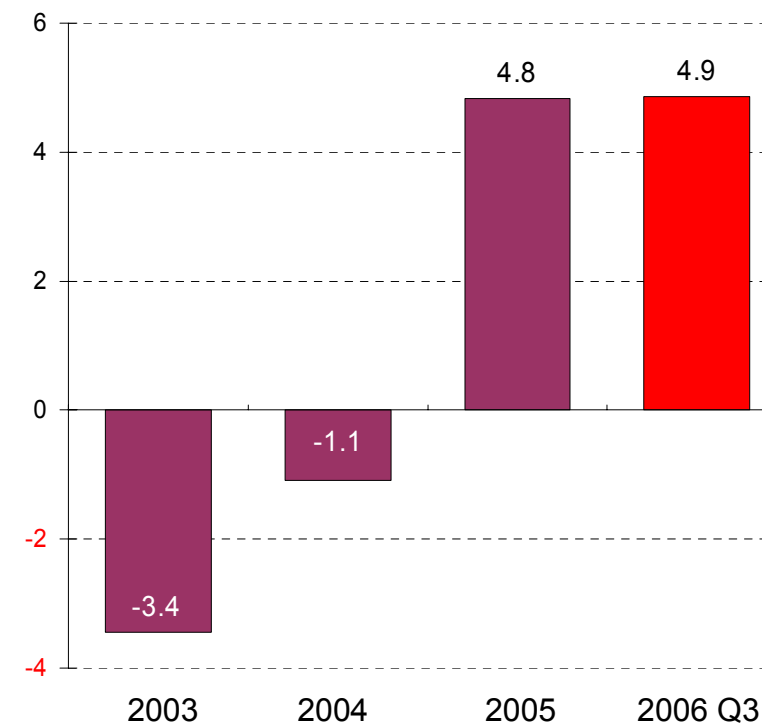
### FUM

GBP Mn



### PBT

GBP Mn



Note: Unless otherwise stated, all results at constant exchange rates  
Source: PCA Internal Data



# Position in Japan

## Market share expansion in retail space



Foreign AMC ranking improved from 24<sup>th</sup> to 6<sup>th</sup>

December 2002		
Foreign AMC	Name of Company	(GBP MM)
1	Fidelity	3,059
2	Goldman	2,461
3	Alliance	1,425
4	Merrill	1,389
5	L Mason (Citi)	1,218
6	JP Morgan	897
7	Deutsche	775
8	Credit Agricole	476
9	Morgan Stanley	448
10	Credit Suisse	429
11	Prudential	409
12	Franklin	396
13	Invesco	364
14	BNP	309
15	Schroder	307
16	Societe Generale	234
17	Pictet	232
18	United	227
19	Rothschild	207
20	AIG	181
21	Russell	173
22	Meiji Dresdner	141
23	Barclays	109
24	PCA	81
25	Baring	70
26	Commerz	63
27	Gartmore	50
28	UBS	44
29	State Street	38
30	GE	35

August 2006		
Foreign AMC	Name of Company	(GBP MM)
1	Fidelity	7,533
2	Pictet	6,212
3	Goldman	5,470
4	Credit Agricole	2,929
5	JP Morgan	2,829
6	PCA	2,277
7	L Mason (Citi)	1,991
8	Alliance	1,952
9	Deutsche	1,675
10	Franklin	1,652
11	Merrill	1,485
12	HSBC	1,449
13	AIG	1,229
14	Societe Generale	1,041
15	Meiji Dresdner	919
16	Schroder	832
17	UBS	767
18	Invesco	690
19	BNP	474
20	Credit Ssuisse	347
21	Morgan Stanley	337
22	United	218
23	Prudential	212
24	Baring	198
25	Commerz	189
26	Russell	120
27	Pimco	75
28	State Street	70
29	ING	41
30	Mellon	32

Sources : Nikkin Investment Trusts & Pensions. Note: POIT only



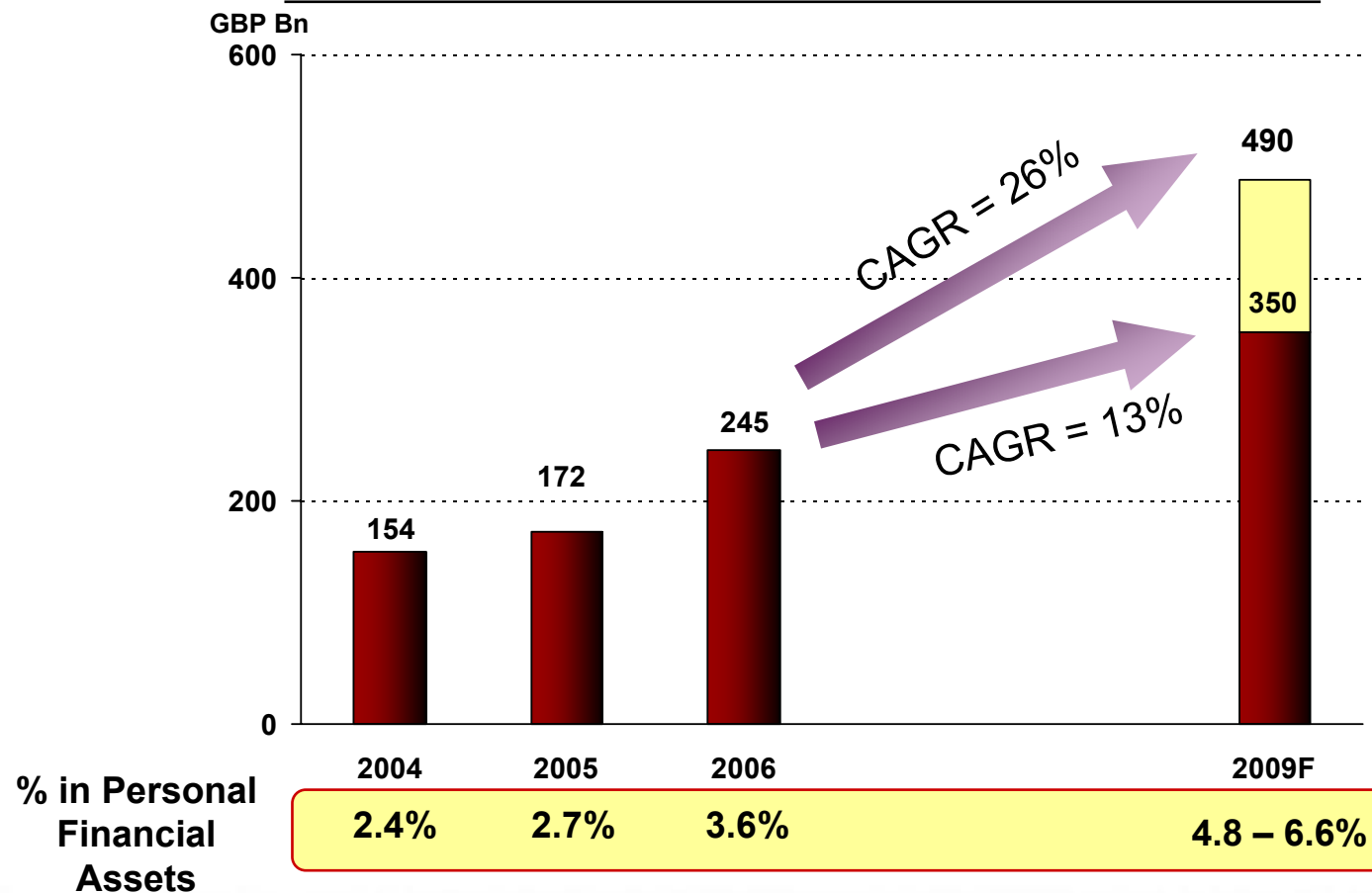
# Path forward

## Market growth expectation



Retail market is expected to grow to GBP350Bn - 490Bn in 2009

Historical and Expected Retail Funds\*



Source: Monitor, Bank of Japan, Daiwa Institute of Research. \*POIT only



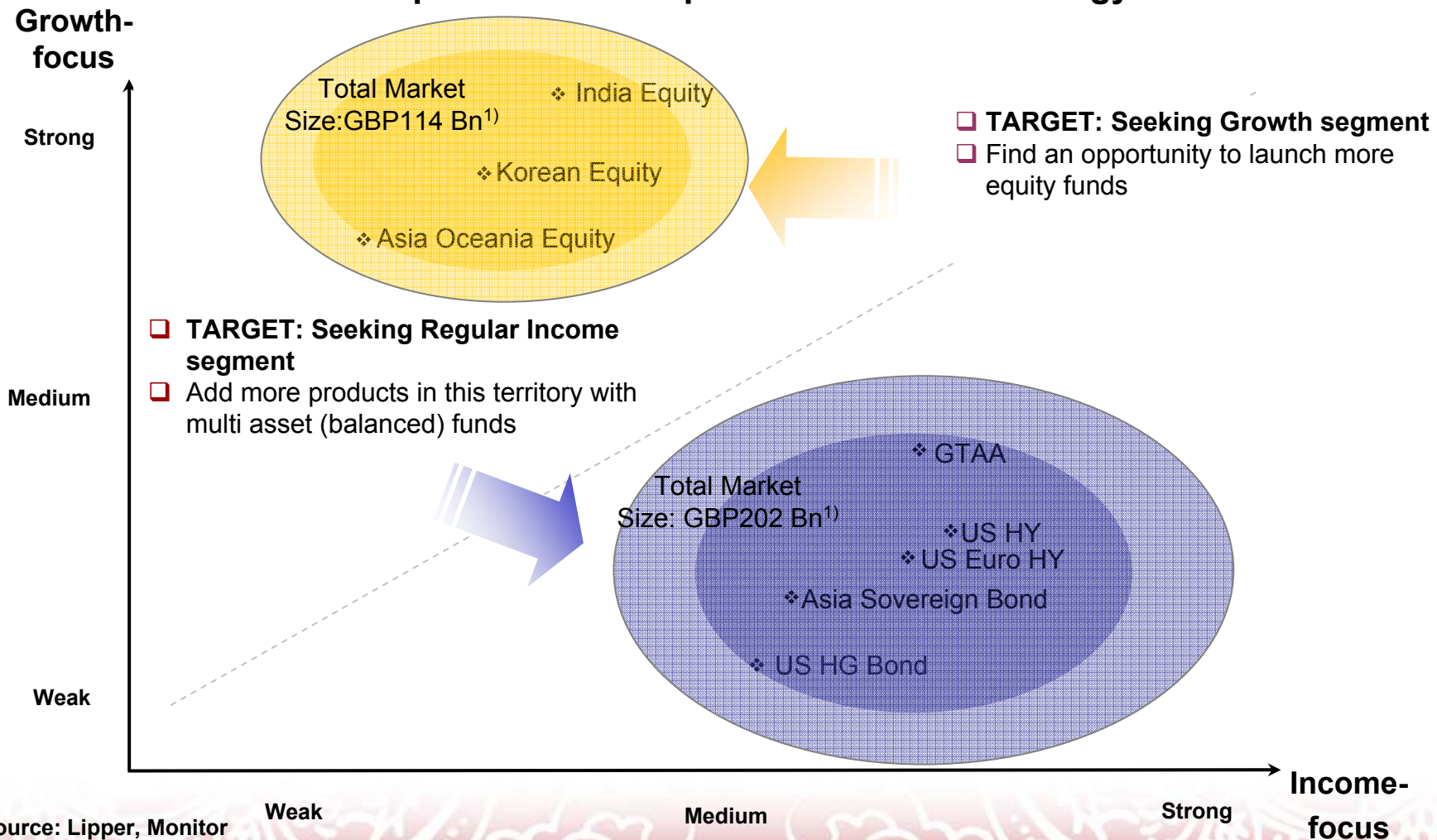
# Path forward

## Product focus



Further expansion of the product range in the two demand areas

### Expected Market Space and Product Strategy





# Path forward

## Distribution focus



### Segmented approach for three channels

	<u>Focus</u>	<u>Initiatives</u>
<b>Regional Bank</b>	<ul style="list-style-type: none"><li>• Main contact point to regular income seekers</li></ul>	<ul style="list-style-type: none"><li>– Promotional Campaigns</li><li>– Customer Seminars</li><li>– Education Programs</li></ul>
<b>Mid-tier Broker</b>	<ul style="list-style-type: none"><li>• Main contact point to growth-oriented customers</li></ul>	<ul style="list-style-type: none"><li>– Sales Support Tools</li><li>– Customer Seminars</li><li>– New Products</li></ul>
<b>Mega-distributors</b>	<ul style="list-style-type: none"><li>• Enhance PCA brand equity and marketing capabilities</li></ul>	<ul style="list-style-type: none"><li>– New Products</li><li>– Product Workshops</li></ul>

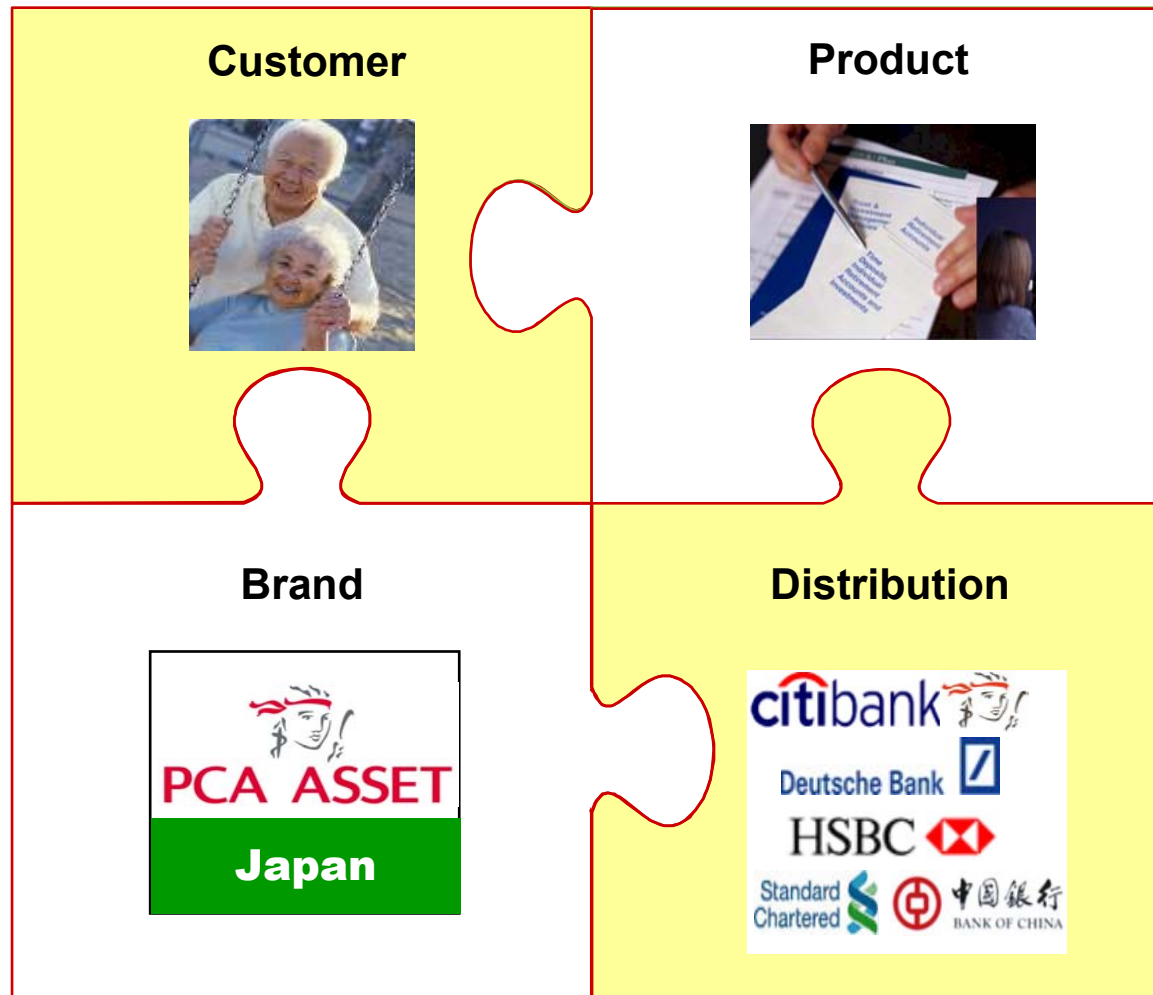
Source: The Investment Trust Association Japan, Monitor Analysis





# Path forward

## Strategic focus



### Products

- **Continue to expand Asian products** to further strengthen PCAAM's market position with growth-oriented investors
- **Develop differentiated balanced/mixed type funds** in the mid-risk/return space

### Distribution

- Accelerated penetration **into fast-growing regional banks** and other mid-size banks through leveraging existing products
- **Expanding relationships into mega distributors**