



# **2022 Financial Analysts Briefing**

November 15, 2022



# Welcome and Introduction

David Young  
Vice President,  
Investor & Rating Agency Relations and ESG  
Aflac Incorporated

# Agenda

8:00

## Welcome and Introduction

**David A. Young**

Vice President, Investor and Rating Agency Relations and ESG; Aflac Incorporated

## Strategic Overview

**Daniel P. Amos**

Chairman and CEO, Aflac Incorporated

## Aflac Incorporated Operating Focus

**Frederick J. Crawford**

President & COO, Aflac Incorporated

## Aflac Japan

**Masatoshi Koide**

President and Representative Director, Aflac Life Insurance Japan

## Aflac U.S.

**Teresa L. White**

President, Aflac U.S.

**Virgil R. Miller**

Deputy President, Aflac U.S.

## Break

## Q&A

*Dan Amos, Fred Crawford, Masatoshi Koide, Koichiro Yoshizumi, Todd Daniels, Teresa White, Virgil Miller, Steve Beaver*

## Aflac Global Investments

**Eric M. Kirsch**

Executive Vice President and Global CIO; President, Aflac Global Investments

**Bradley E. Dyslin**

Deputy Global CIO, Aflac Global Investments

## Financial Focus & Outlook

**Max K. Brodén**

Executive Vice President; CFO, Aflac Incorporated

## Break

## Q&A

*Dan Amos, Fred Crawford, Max Brodén, Eric Kirsch, Brad Dyslin. June Howard, Al Riggieri*

11:00

## Conclusion

# Forward-Looking Statements and Non-GAAP Financial Measures

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. The company desires to take advantage of these provisions. This document contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein, and in any other statements made by company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as “expect,” “anticipate,” “believe,” “goal,” “objective,” “may,” “should,” “estimate,” “intends,” “projects,” “will,” “assumes,” “potential,” “target,” “outlook” or similar words as well as specific projections of future results, generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements.

The company cautions readers that the following factors, in addition to other factors mentioned from time to time, could cause actual results to differ materially from those contemplated by the forward-looking statements:

- difficult conditions in global capital markets and the economy, including those caused by COVID-19
- defaults and credit downgrades of investments
- exposure to significant interest rate risk
- concentration of business in Japan
- limited availability of acceptable yen-denominated investments
- foreign currency fluctuations in the yen/dollar exchange rate
- differing judgments applied to investment valuations
- significant valuation judgments in determination of expected credit losses recorded on the Company's investments
- decreases in the Company's financial strength or debt ratings
- decline in creditworthiness of other financial institutions
- concentration of the Company's investments in any particular single-issuer or sector
- the effects of COVID-19 and its variants (both known and emerging), and any resulting economic effects and government interventions, on the Company's business and financial results
- the Company's ability to attract and retain qualified sales associates, brokers, employees, and distribution partners
- deviations in actual experience from pricing and reserving assumptions
- ability to continue to develop and implement improvements in information technology systems
- interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems
- subsidiaries' ability to pay dividends to the Parent Company
- inherent limitations to risk management policies and procedures
- the level of sales of Aflac Japan products in the Japan Post channel
- tax rates applicable to the Company may change
- failure to comply with restrictions on policyholder privacy and information security
- extensive regulation and changes in law or regulation by governmental authorities
- competitive environment and ability to anticipate and respond to market trends
- catastrophic events, including, but not limited to, as a result of climate change, epidemics, pandemics (such as the coronavirus COVID-19), tornadoes, hurricanes, earthquakes, tsunamis, war or other military action, terrorism or other acts of violence, and damage incidental to such events
- ability to protect the Aflac brand and the Company's reputation
- ability to effectively manage key executive succession
- changes in accounting standards
- level and outcome of litigation
- allegations or determinations of worker misclassification in the United States

## Non-U.S. GAAP Financial Measures and Reconciliations

This document includes references to the Company's financial performance measures which are not calculated in accordance with United States generally accepted accounting principles (U.S. GAAP) (non-U.S. GAAP). The financial measures exclude items that the Company believes may obscure the underlying fundamentals and trends in insurance operations because they tend to be driven by general economic conditions and events or related to infrequent activities not directly associated with insurance operations.

Definitions of the Company's non-U.S. GAAP financial measures and applicable reconciliations to the most comparable U.S. GAAP measures are provided as appropriate.

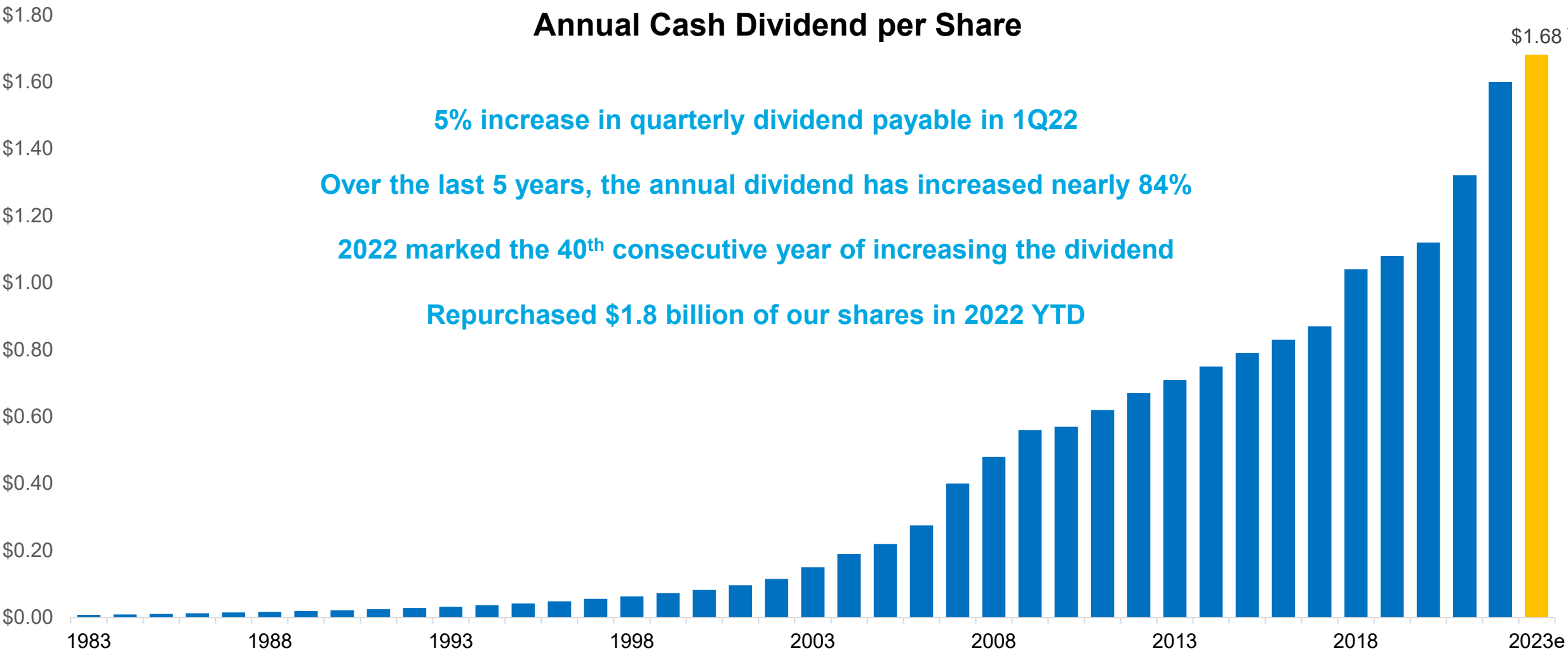
Due to the size of Aflac Japan, where the functional currency is the Japanese yen, fluctuations in the yen/dollar exchange rate can have a significant effect on reported results. In periods when the yen weakens, translating yen into dollars results in fewer dollars being reported. When the yen strengthens, translating yen into dollars results in more dollars being reported. Consequently, yen weakening has the effect of suppressing current period results in relation to the comparable prior period, while yen strengthening has the effect of magnifying current period results in relation to the comparable prior period. A significant portion of the Company's business is conducted in yen and never converted into dollars but translated into dollars for U.S. GAAP reporting purposes, which results in foreign currency impact to earnings, cash flows and book value on a U.S. GAAP basis. Management evaluates the Company's financial performance both including and excluding the impact of foreign currency translation to monitor, respectively, cumulative currency impacts and the currency-neutral operating performance over time. The average yen/dollar exchange rate is based on the published MUFG Bank, Ltd. telegraphic transfer middle rate (TTM).

# Strategic Overview

Daniel P. Amos  
Chairman and CEO;  
Aflac Incorporated



# Tactical Capital Deployment



<sup>1</sup>Assumes annualized first quarter dividend of \$0.42

# Our Focus

- Drive core growth, while curbing expenses
- Continue to do the right thing – The Aflac Way
- High-quality, diversified portfolio
- Strong capital and liquidity
- Tactical capital deployment

**Be there for our policyholders when they need us most**

# Aflac Incorporated Operating Focus


Fred Crawford  
President and Chief Operating Officer,  
Aflac Incorporated





# Strategic Positioning


Aflac Japan



Leverage

Cross-sell, up-sell, and incubate refreshed product and services that leverage our market leading position in Third Sector.

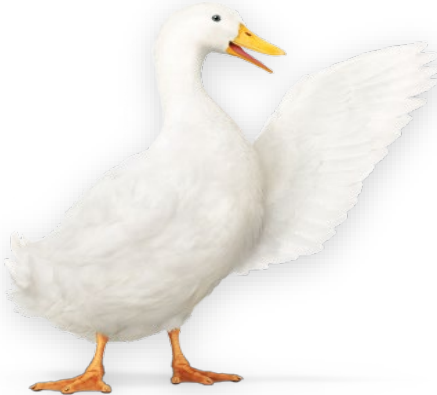
Aflac U.S.



Build

Product line “expansion” with acquired platforms integrated. Focus shifts to optimization, alignment and growth

Enterprise



Explore

Select strategic equity investments, venture investing, alliances, and joint ventures offer future opportunity

***An enterprise-wide operating model focused on “benefit realization”***

# Operating Strategy & Outlook

## Aflac Japan



- **Recover:** Associates & Japan Post
- **Develop:** Product & Incubation

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- **Sales**<sup>1</sup>: Target ~ ¥80B in 2025
  - **Margins**<sup>2</sup>: 26% to 28%

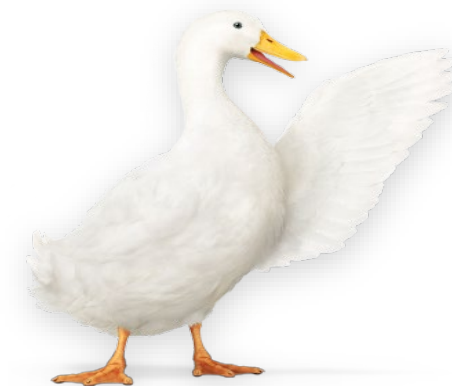
## Aflac U.S.



- **Recover:** Small business franchise
- **Develop:** Expansion businesses

- 
- **Sales:** Target ~ \$1.8B in 2025
  - **Margins**<sup>2</sup>: 17% to 20%

## Enterprise



- **Invest:** Strategic alliances & venture
- **Return:** Capital efficiency strategies

- 
- **Capital Generation:** ~ \$2.6 to \$3.0B<sup>3</sup>
  - **ROE:** Expansion efforts underway

# Environmental Social Governance (ESG)

*Driving ESG while delivering on shareholder value*

## Climate Risk

Establish a framework that defines and sets milestones to reduce and ultimately achieve net zero emissions

### Incentive Compensation Objectives:

- Renewable electricity target
- Scope 1, 2, and 3 attestation<sup>1</sup>

## Responsible Investing

Advance Aflac Global Investments responsible investing framework and inaugural Sustainability Bond issuance

### Incentive Compensation Objectives:

- Sustainable and DEI investments<sup>2</sup>
- Sustainability bond 100% invested

## Diversity, Equity & Inclusion

Focused on developing and advancing a diverse leadership team while investing in underserved communities

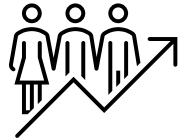
### Incentive Compensation Objectives:

- Japan “Women in Leadership”
- U.S. Sr. Management targets

***Advance reporting and disclosure***

# Value Creation

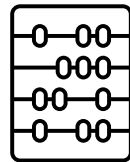
## Growth



Product and business line extension

Building new businesses that leverage core

## Margins



Strong morbidity margins with stable NII

Bending the U.S. expense ratio curve

## Capital



Stable and robust return of capital

Strong ratios with focus on capital efficiency

# Aflac Japan Strategic Overview and Growth Strategy

Masatoshi Koide  
President and Representative Director,  
Aflac Life Insurance Japan



# Market Dynamics and Increasing Awareness Support Growth

Market dynamics support expansion of the third sector market:

COVID-19 and long-term demographic trends have significantly heightened awareness of financial and health care burdens

Aging population

Projected social security benefits

Changing consumer needs



Macroeconomic changes

- The public continues to focus on financial security and protection against severe financial burdens



Health care

- Public awareness of health care continues to rise



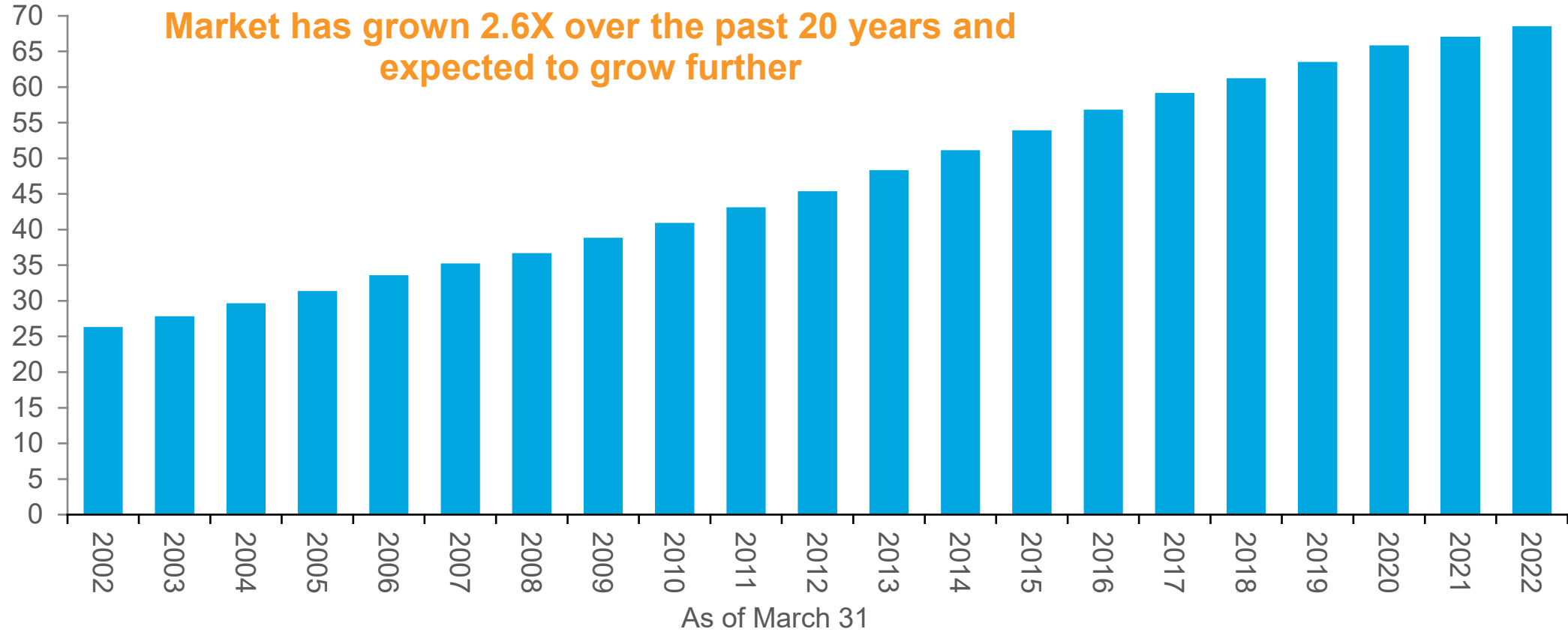
Social security system

- Rising need to prepare for increased co-payments in the public health insurance system

# Japan's Growing Third Sector

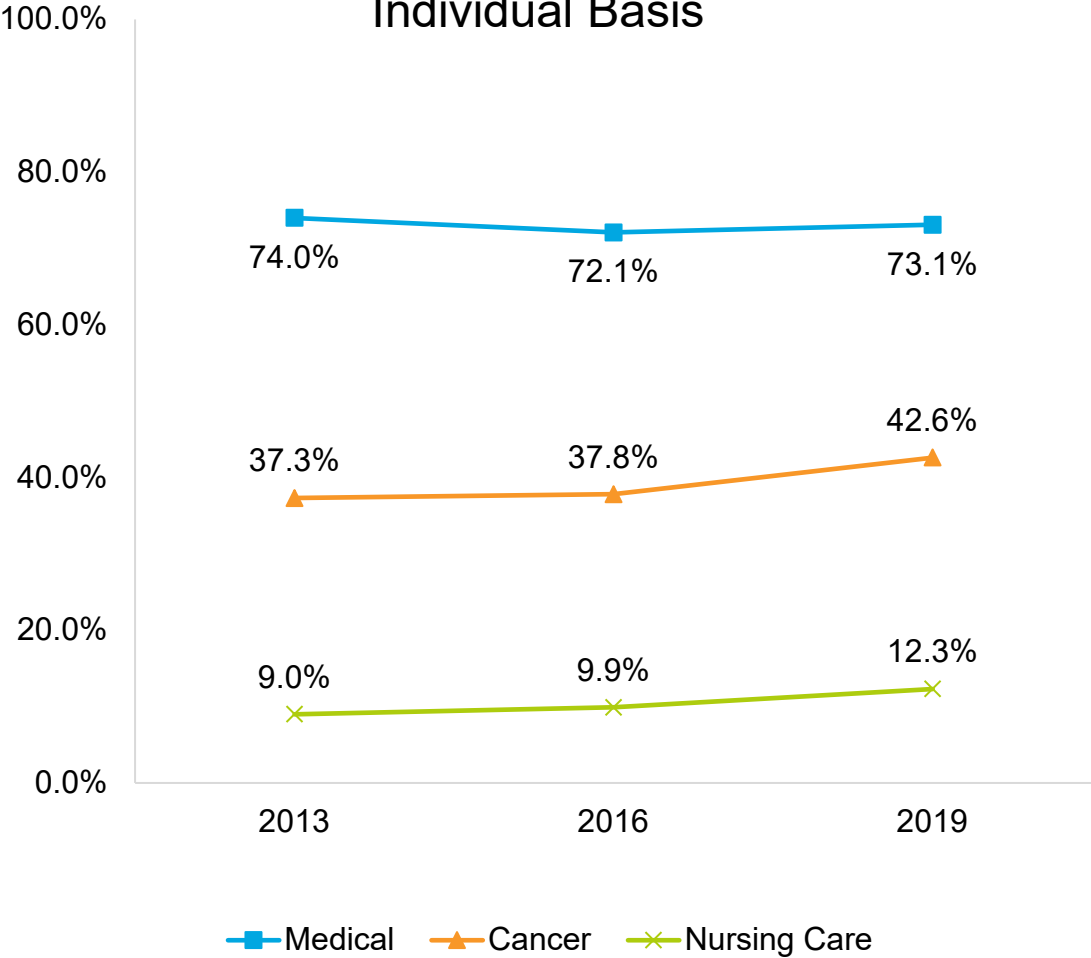
## Stand-alone Cancer and Medical Policies

Policies in  
Millions

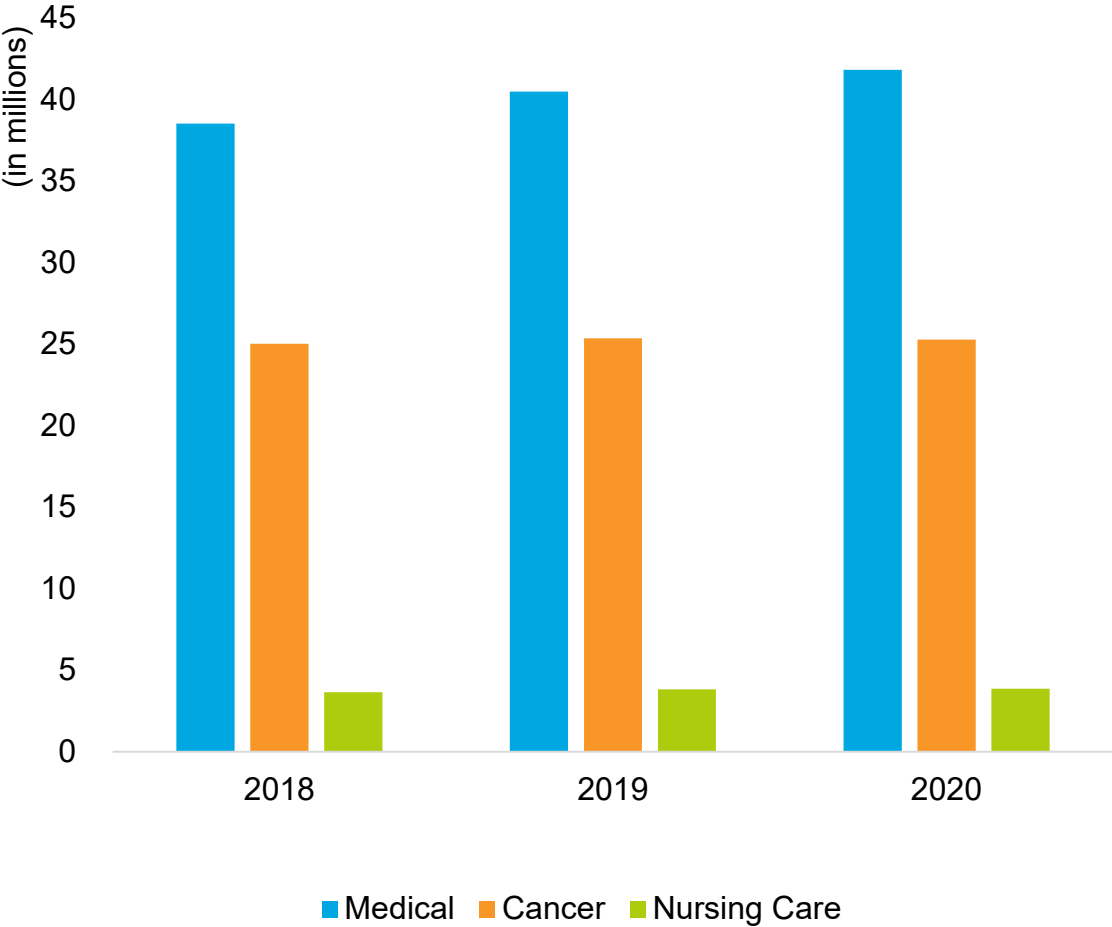


# Market Penetration

Insurance Product Penetration,  
Individual Basis



Insurance Market Size  
(Number of policies in force)





# Aflac Japan's VISION 2024

Position Aflac Japan as the leader for “Creating Living in Your Own Way”

To achieve VISION 2024, Aflac Japan's Medium-term Management Strategy consists of five key strategies centered on Talent, Strategy and Risk

## Talent



Human capital management strategy  
developing capabilities of diverse human capital

“Creating living in your own way” ecosystem strategy

## Strategy



Financial strategy  
for sustainable growth

Digital transformation and agile strategy  
to provide new value to stakeholders

## Risk

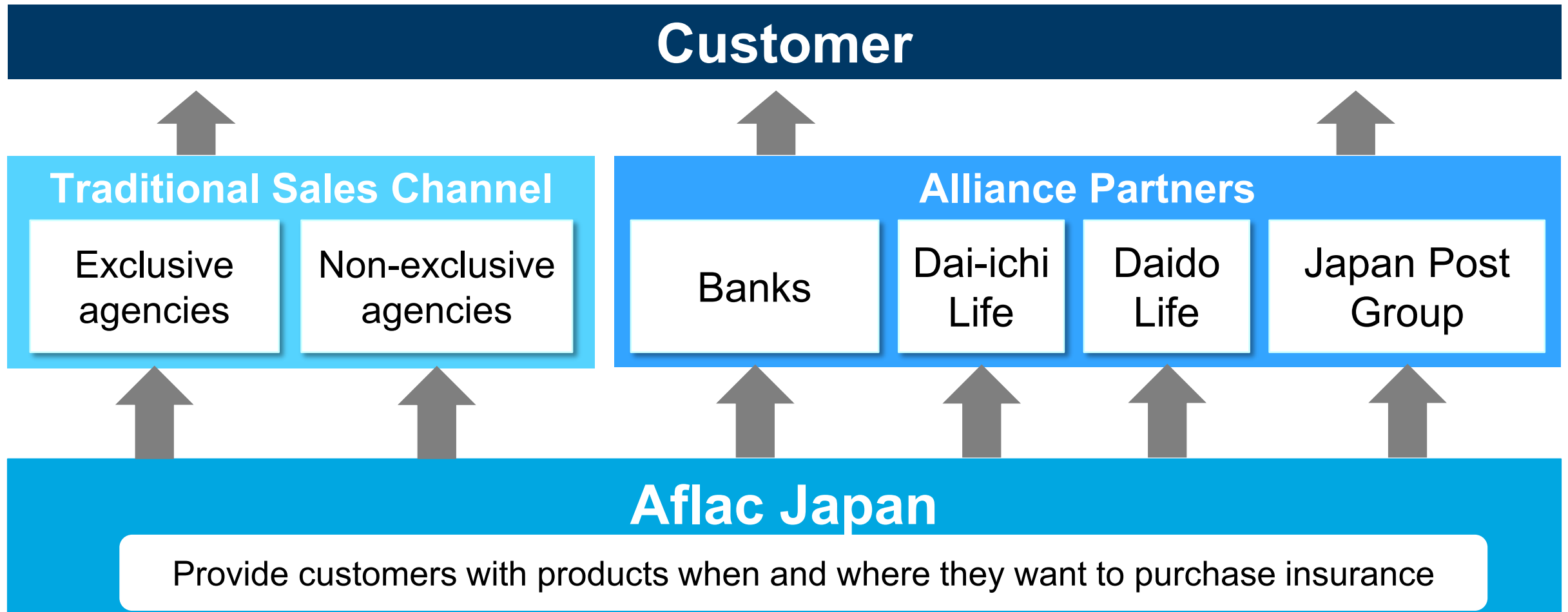


Solid governance and ERM strategy  
to promote proactive and agile operations

# Enhanced Products for Any Stage in Life



# Diverse Distribution to Reach More Customers



# Strengthening Distribution Channels

## Exclusive agencies



- Aflac Japan's main sales channel
- Strengthening efforts to recruit, train and increase productivity of sales agents selling our products and expanding where our products are being sold
- Established Sales Promotion Department exclusively in charge of the large exclusive agencies

## Major non-exclusive agencies



- High sales potential, especially among younger customers
- Increased competition as many insurance companies are strengthening product offerings
- Aflac Japan is taking steps to expand its market share by adjusting its sales structure and practice

## Japan Post Group



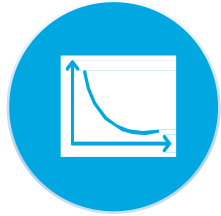
- High potential with 20,000 postal outlets throughout Japan
- Aflac Japan increased its sales offices from 17 to 48 nationwide exclusively for the Japan Post Group to provide more detailed sales support

# Aflac U.S.

Teresa White  
President, Aflac U.S.



# Marketplace Trends



## Economy

- Rising inflation
- Less discretionary funds
- Less savings & emergency funds



## Health care

- Increasing deductibles for consumers
- Inability to take on medical expenses



## Workforce

- Growing gig economy
- Evolving worksite dynamics
- Rebounding labor force

## Implications

- Consumers believe that supplemental health insurance benefits are an important part of a comprehensive benefits program.
- Consumers are more concerned today about out of pocket expenses due to an unexpected health event.
- Consumers believe mental health coverage is critical.

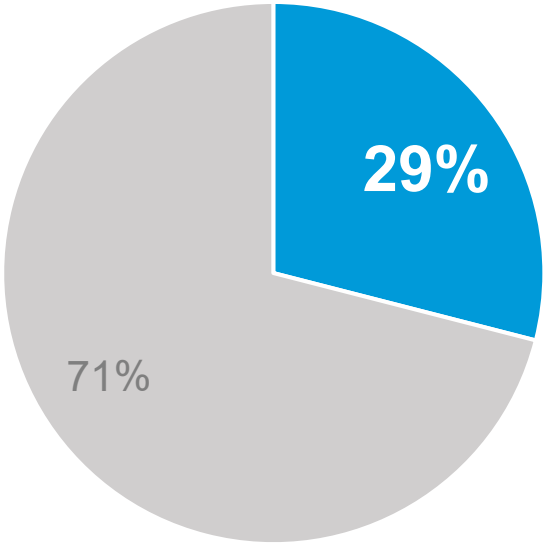
# Positioned to Win

Aflac U.S. maintains a leadership position in the market, and we expect that position to only grow in the future as we execute on our growth strategy of Protecting the Core, Scaling our Acquisitions, and Positioning for the Future

## Protecting the Core

Aflac continues to be the leader in Worksite Supplemental Health <sup>1</sup> with 29% <sup>2</sup> of the Market Share and over 3x larger than our nearest competitor.

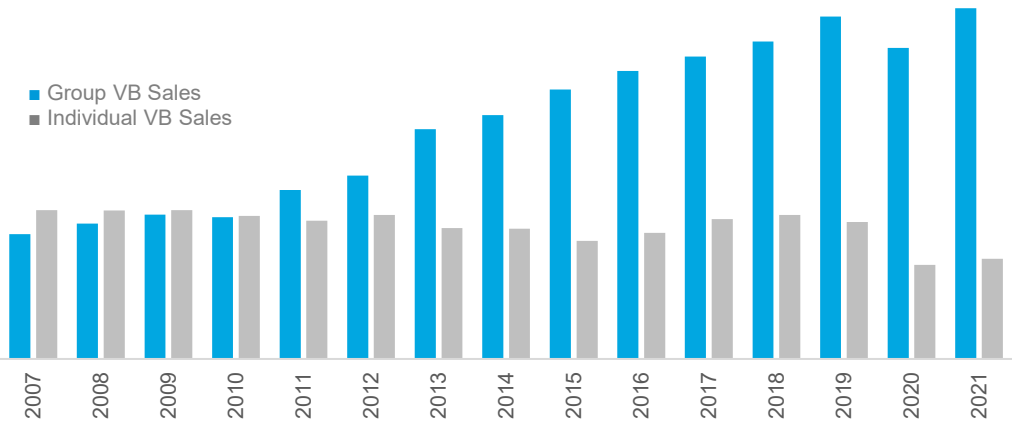
Our robust product portfolio and multi-channel distribution allow us to meet customer needs, how they prefer.



## Scaling our Acquisitions

Group VB sales represented 78%<sup>3</sup> of total market sales; Aflac continues to outpace the market with a 5yr CAGR of over 14%.

Our Argus and Zurich acquisitions enabled us to expand our leadership position, putting us on the front page of benefit solutions.



<sup>1</sup> Supplemental Health is defined as Accident, Cancer, Critical Illness and Hospital Indemnity Products

<sup>2</sup> Source: 2021Q4 U.S. Workplace Supplemental Health FINAL Sales Report: LIMRA

<sup>3</sup> Source: U.S. Voluntary/Worksite Sales Report: Carrier Results for 2021, Eastbridge Consulting Group, Inc.



# Aflac U.S.

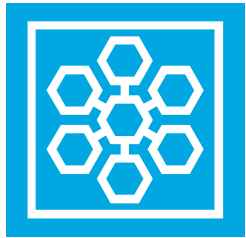
Virgil Miller  
Deputy President, Aflac U.S.





# Positioning for the Future

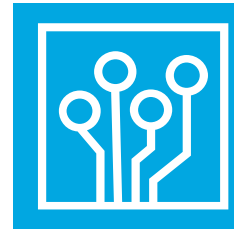
**Positioning for the Future:** We continue to assess market trends and explore new ways to improve our **customer experience**. Trends that we expect to shape our business in the future:



Product Bundling &  
Integrated Experiences



Online Enrollment &  
Benefit Administration

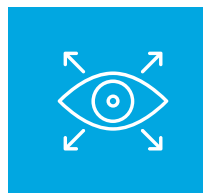


Digital Technology &  
Investments in Analytics



State & Federal Mandates  
Shift Demand

# Aflac U.S. Strategy Overview



## Vision

A world where people are better prepared for the expected – and unexpected – with benefits health insurance doesn't cover.



## North Star

People-centric protection



## Goals

~ \$1.8B in new sales by 2025  
79 to 80% persistency

## Strategic Objectives

- Increased access
- Increased participation
- Increased persistency

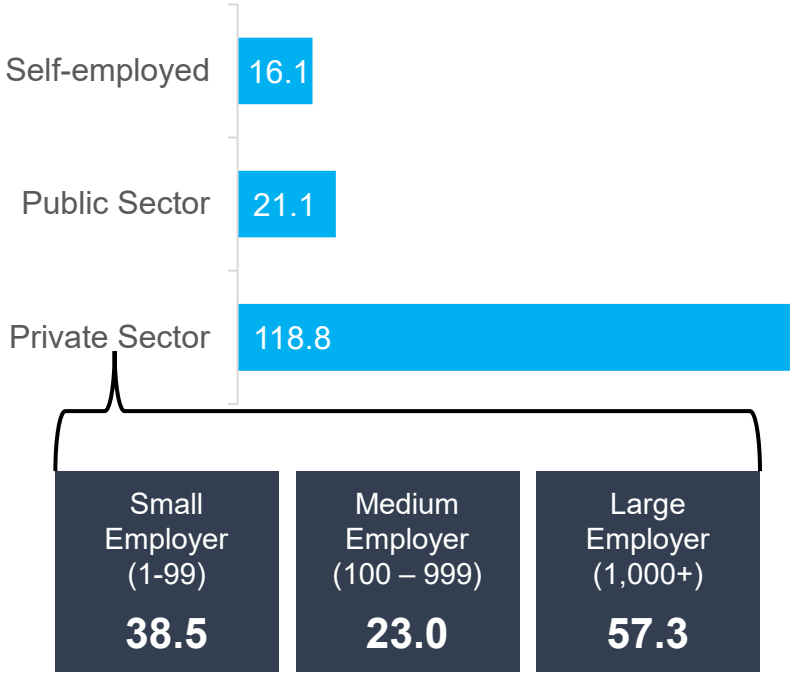
## Key Foundational Enablers

- Defend our core business
- Accelerate the digital footprint
- Drive operational efficiency
- Retool the organization for the future

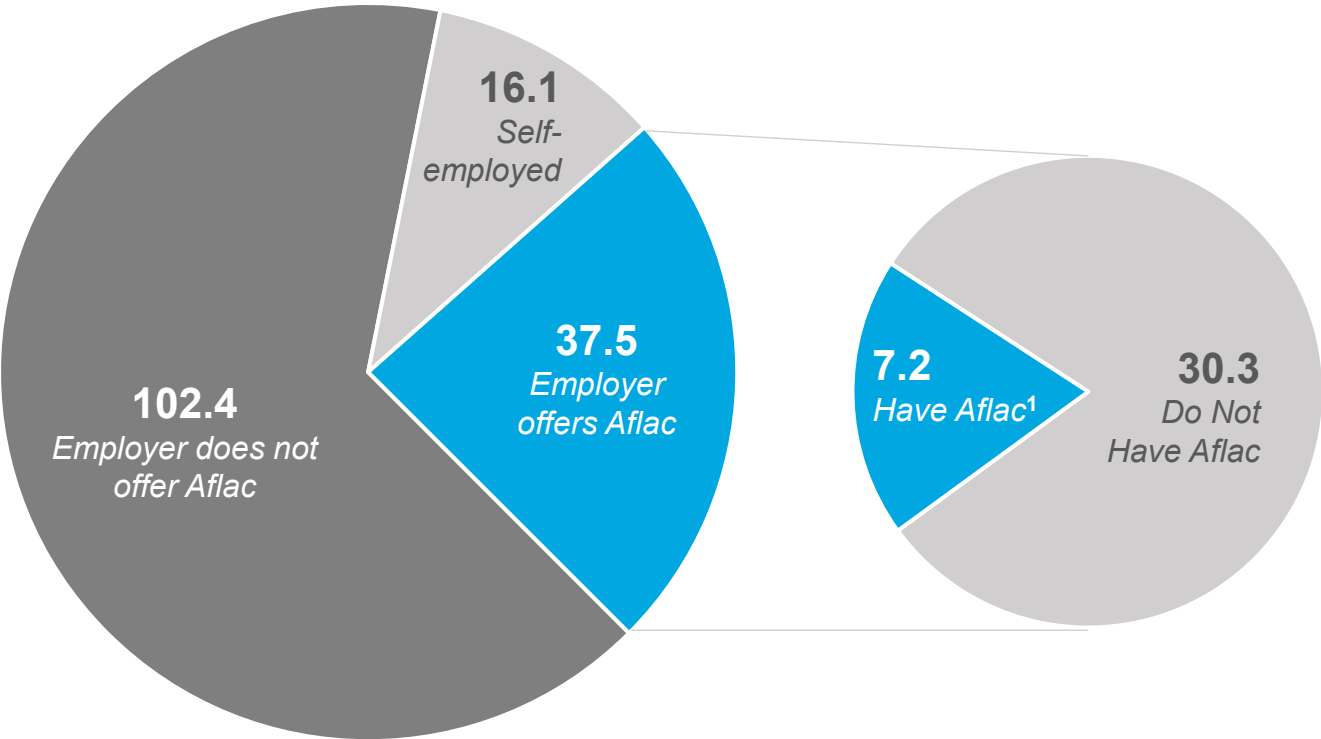
Supported by a Culture of Winning

# The Growth Opportunity

U.S. Working Population  
**156 Million**



Solving for **Access, Penetration & Persistency**  
(U.S. working population in millions)



# Maintaining Our Strength



Focused on closing the gap by driving **utilization**.

Education + Awareness = Utilization



Maintaining a reputation of being **easy** to do business with.

Innovative technology & digital capabilities



Increasing our reach by partnering with champions of **care**.

With a focus on serving the underserved.

# Challenges to Address



Balance of Growth  
& Efficiency



Digital Execution  
& Adoption



Progressive Workforce  
& Talent Strategy

# Transforming the Experience

With digital enhancements, we are transforming the customer experience!



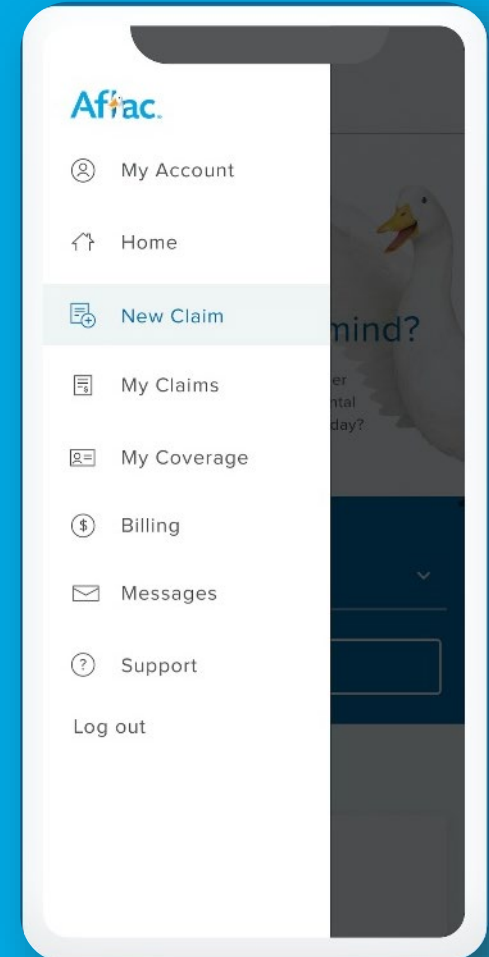
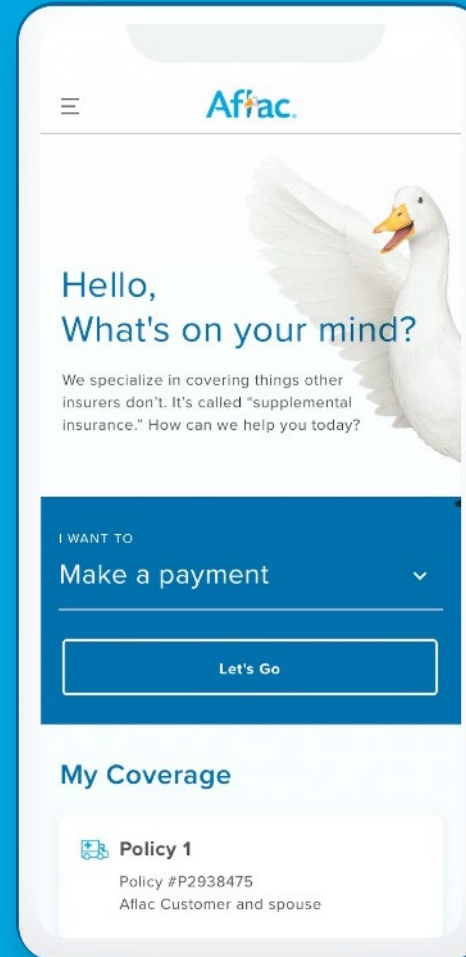
Ease



Automation



Self-service

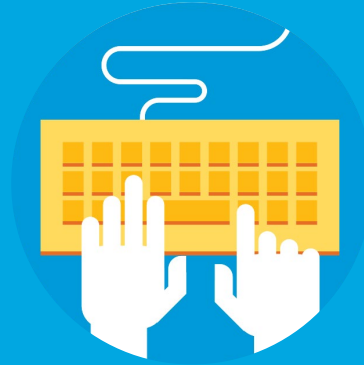


# Enabling Growth

We continue to execute on our One Digital Aflac strategy to digitize and enhance the producer experience providing more options for remote enrollment, straight-through-processing and mobile capabilities.



Enhancing the **enrollment experience** for producers and insureds



Streamlining the **onboarding experience** for policyholders and accounts



End-to-end optimization and digitization to improve the **service experience**

# Remembering the Cause<sup>1</sup>

**46%** of insured Americans don't have enough in savings to pay for medical expenses not covered by their health insurance.

**25%** of insured Americans state they would need to borrow money to pay medical costs and 49% would need to set up a payment plan.





# Closing the Gap

## Connecting the Strategy

Aflac's *Close the Gap* initiative aims to help educate, support and advocate around the critical and rising issue of medical debt. This program sparks dialogue and helps elicit change for Americans facing medical debt.

We are partnering with like-minded champions of care who share our vision in closing this gap.



# Break

## Q&A

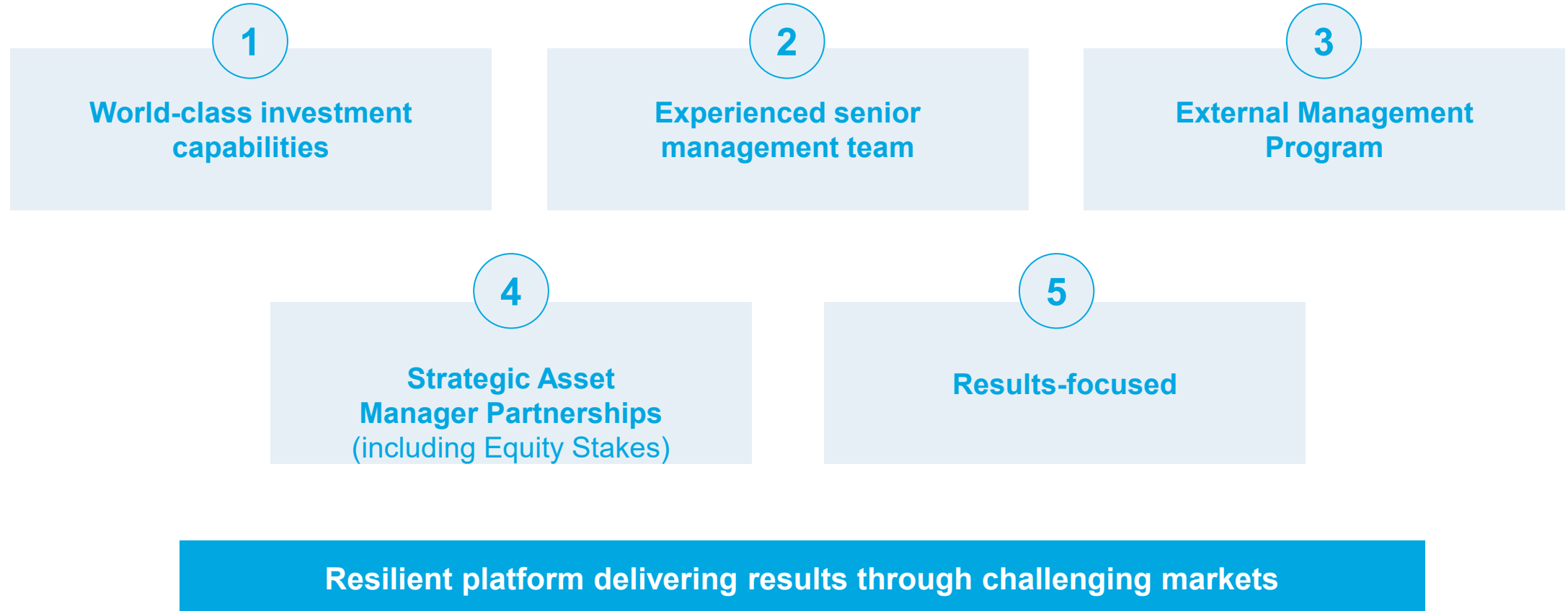
# Aflac Global Investments

Eric M. Kirsch  
Executive Vice President and Global CIO;  
President, Aflac Global Investments



# Aflac Global Investments

*World-class investment platform*



# Aflac Global Investments

Bradley E. Dyslin  
Deputy Global CIO  
Aflac Global Investments



# 2022 Investment Themes

*Resilient and diversified, high-quality portfolio positioned well for uncertain market environment*

## Increased Recession Risk

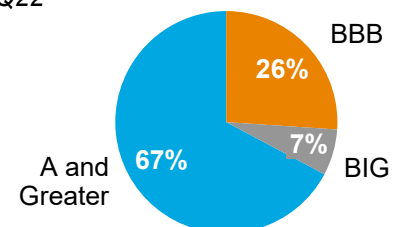
- Inflation at multi-decade highs
- Fed-driven rate increases
- Significantly weaker Yen
- Greater market volatility

## Well-Positioned Portfolio

- **Consistent Process:** Disciplined strategic asset allocation, ALM, capital efficiency
- **High-Quality Credit Portfolio<sup>1</sup>:** 93% investment grade; A- average quality
- **Durable Loan Portfolio:** 100% first lien, senior secured with low leverage
- **Credit Gain/Loss:** No material losses; net gain position
- **Alternatives:** Higher long-term returns
- **Proactive Hedging Strategies:**
  - ~70% of floating rate portfolio protected by fixed for floating swap over 5 years
  - FX hedging to maintain USD economic exposure

## High-Quality Portfolio<sup>1</sup>

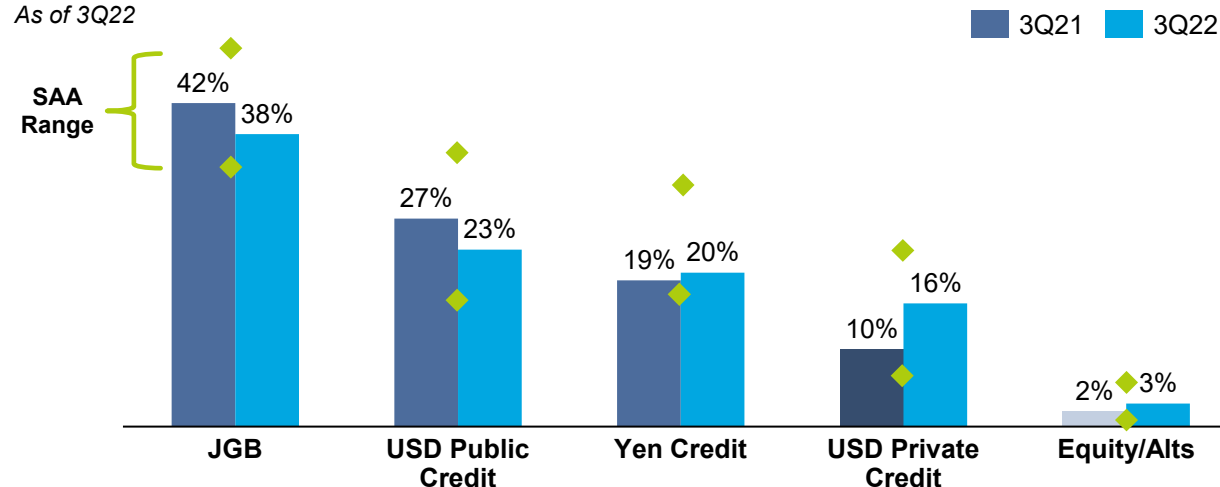
As of 3Q22



	3Q21	3Q22
Book Value	\$124bn	\$101bn
¥ / \$ FX Rate	112	145
Duration	11.5	10.2
Book Yield	2.88%	3.26%
Average Rating	A-	A-

## Asset Allocation<sup>1</sup>

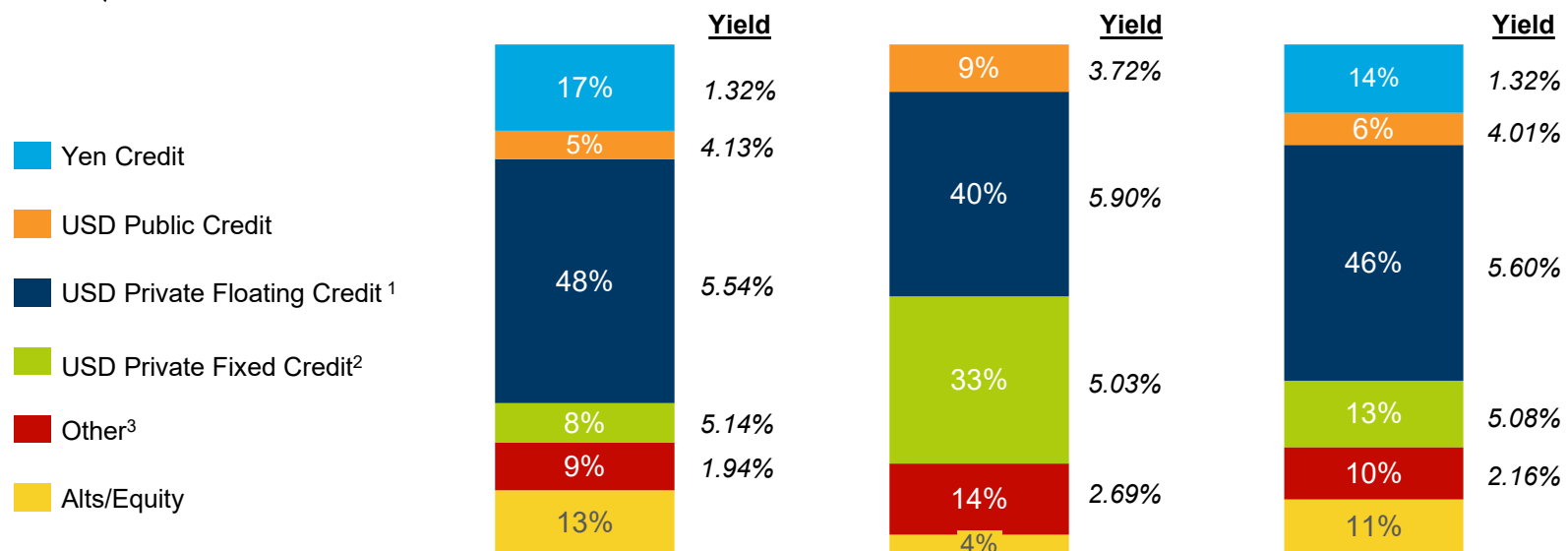
As of 3Q22



# New Money Allocation and Yields

Improving risk-adjusted returns by growing exposure to USD private assets

As of 3Q22 YTD



	Aflac Japan	Aflac US	Consolidated
New Money (in billions)	¥669 / \$5.4	\$1.4	\$6.8
Redemptions (in billions)	¥507 / \$3.7	\$0.7	\$4.4
New Money Yield <sup>4</sup>	4.16%	4.90%	4.31%
Redemption Yield <sup>5</sup>	4.02%	5.07%	4.18%
New Money Avg. Quality	BBB	BBB+	BBB
Redemptions Avg. Quality	BBB+	BBB	BBB+

## Key Themes

- Growing USD private credit
- Opportunistic Yen credit
- Rising rates boosting yields
- Disciplined loan deployment
- Strong credit underwriting
- Systematic deployment in Alternatives

<sup>1</sup> Private Floating Credit includes Middle Market Loans and Transitional Real Estate <sup>2</sup> Private Fixed Credit includes Infrastructure Debt, Private ABS, and Structured Private Credit <sup>3</sup> Other reflects floating rate CLOs swapped into fixed rate <sup>4</sup> New Money Yield reflects US GAAP methodology: gross of external manager fees, where applicable and excludes Equity and Alts <sup>5</sup> Redemption Yield represents the book yield associated with any investment that is sold, matures, or is repaid during the period

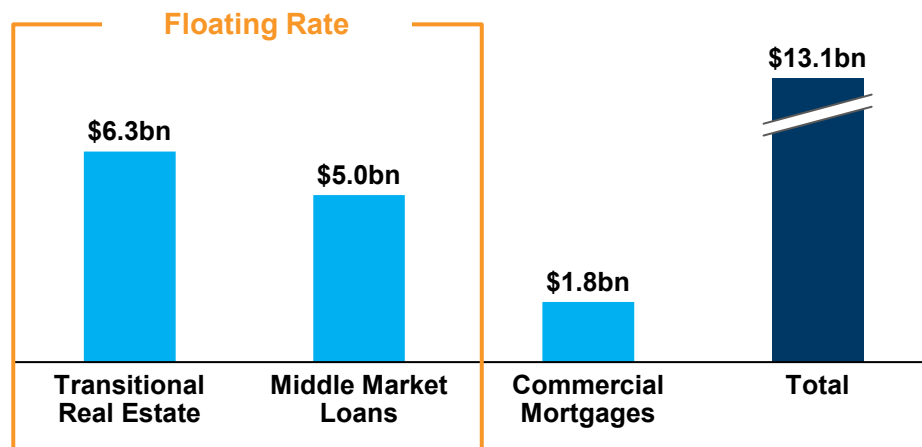


# Loan Portfolio

100% first lien, senior secured loans with low leverage

## Portfolio Overview<sup>1</sup>

Book Values<sup>2</sup>  
As of 3Q22

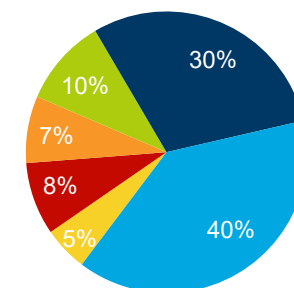


Book Yield <sup>3</sup>	6.33%	8.52%	3.29%	6.75%
Avg. Spread <sup>4</sup>	333 bps	508 bps	151 bps	375 bps
Avg. Rating	BBB	B+	A+	BBB-
Avg. Commitment	\$48mm	\$16mm	\$22mm	\$32mm
Largest Loan	\$177mm	\$35mm	\$75mm	\$177mm
Unique Issuers	148	354	90	592

## Broadly Diversified Portfolios

### Commercial Real Estate<sup>5</sup> By Property Type

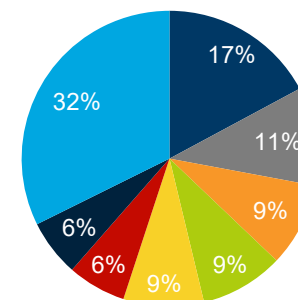
- Other
- Retail
- Industrial
- Hospitality
- Office
- Multifamily



- TRE loans supported by:
  - High quality properties
  - Proven business plans
  - Sponsor track record and resources
- Very high quality CML portfolio
- Average LTV of 60%

### Middle Market Loans By Sector

- Healthcare
- Technology
- Consumer Cyc Srv
- Industrial Other
- Financial Other
- Food and Beverage
- Consumer Products
- Other<sup>6</sup>



- Low average senior leverage of 4.6x at closing
- Strong covenants
- Focus on non-cyclical sub-sectors
- Diversified by size, sector, and geography

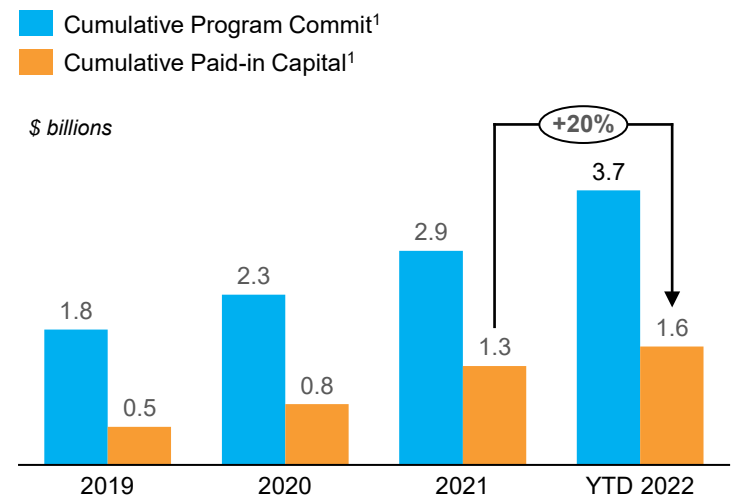
<sup>1</sup> Portfolio refers to General Account Assets of Aflac Japan and Aflac US and excludes Corporate assets and other structured products <sup>2</sup> Book values are net of reserves <sup>3</sup> Book Yields are displayed as gross <sup>4</sup> TRE spread over LIBOR or SOFR; MML spread over LIBOR; Commercial Mortgages spread over Treasuries <sup>5</sup> Commercial Real Estate is comprised of Transitional Real Estate and Commercial Mortgage Loans <sup>6</sup> Other comprises 16 sectors with 1% or less exposure to each (Source: S&P LCD)

# Alternatives Portfolio

Investing for higher long-term returns

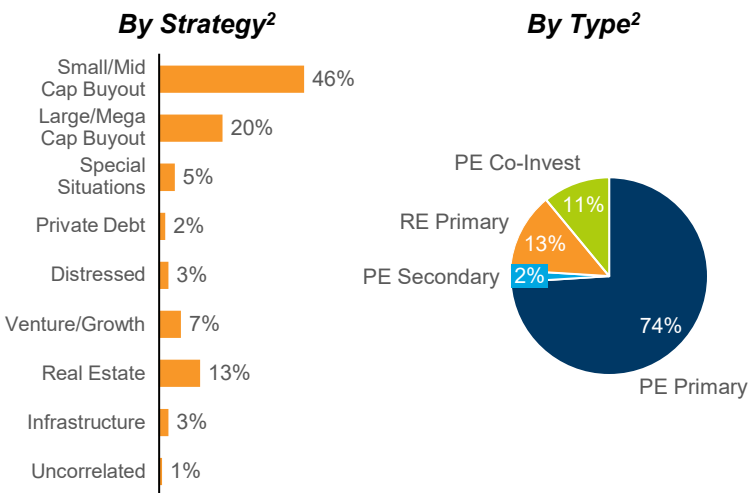
As of 3Q22

## Growing Deployment



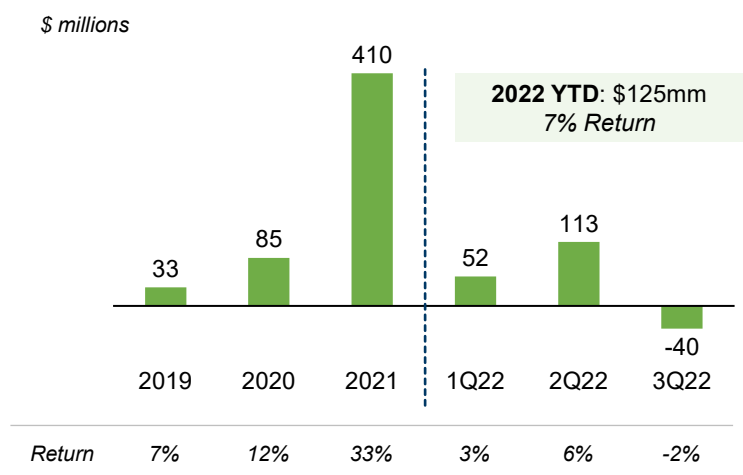
- Disciplined and deliberate commitment pacing
- \$1.6bn deployed, 20% growth year-over year
- 3- to 7-year average call cycle

## Strategy Diversification



- Nearly 3,300 underlying individual investments
- Further diversified by GP and vintage
- Extensive due diligence

## Variable Net Investment Income



- Long-term return target of 10%
- Average annual return of 12%<sup>3</sup>
- Well positioned despite market volatility

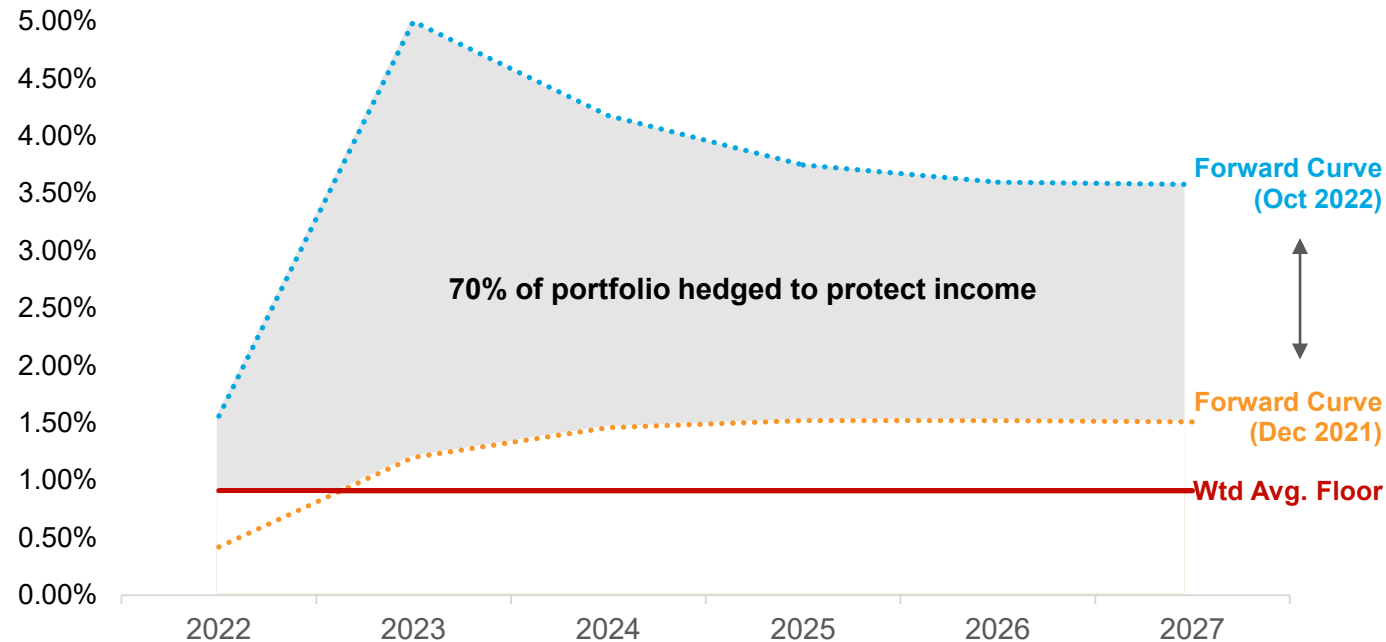
<sup>1</sup> Program Commit represents the overall commitment to our Alternative Managers. Paid-in capital is the cumulative contribution to Alternative Managers. The difference represents remaining commit as disclosed in company filings <sup>2</sup> Based on commitments to underlying managers <sup>3</sup> Reflects time-weighted, geometric average return

# Interest Rate Hedging Strategies

Swap overlay provides income protection on 70% of \$11bn floating rate loan exposure

## Interest Rates

1-Month LIBOR Forward Curve



## Strategy

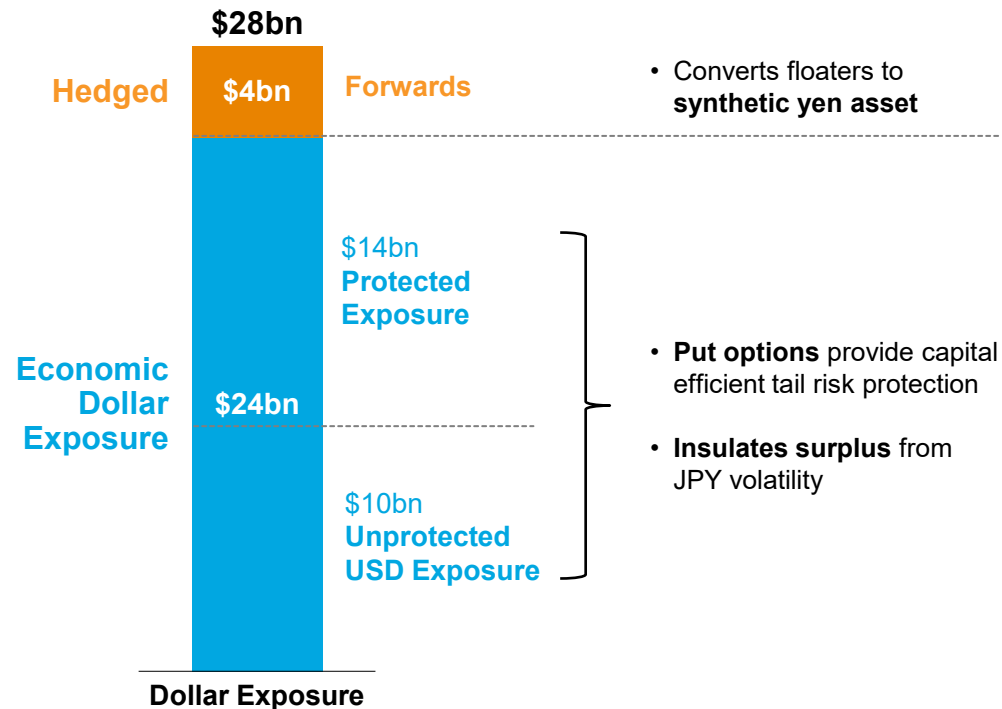
- Acute shift in LIBOR forward curves
- Significant NII potential from floating rate portfolio
- Tactically protecting NII from future rate volatility
  - ~70% of floating rate assets hedged for five years
- Balanced risk management of rate and earnings uncertainty
  - Capture current high rate levels and limit downside
  - Retain some upside should rates continue higher

# Currency Hedging Strategies

*Diversified hedging program provides capital and cost efficiency*

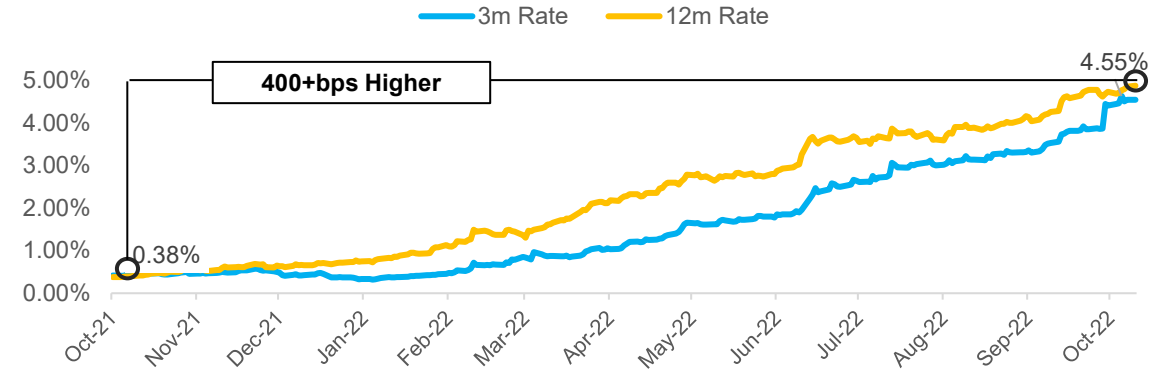
## Aflac Japan: Currency Hedging Strategy

Market Value<sup>1</sup>, as of 3Q22



<sup>1</sup> Book value of dollar exposure is \$27 billion.

## Forwards Market Pricing: 3-month and 1-year



## 2022 Highlights and 2023 Outlook

- 2022 hedge costs of \$112mm benefit from lower rates**
  - Forwards: 100% locked at 89bps
  - Options: 94% locked in at 52bps
- 2023 hedge costs expected to be significantly higher**
  - Forwards: Costs offset through Aflac Inc. program and higher floating rate income
  - Options: Strategy to reflect market conditions and capital position

# Well-Prepared for Increased Volatility and Recession Risk

Disciplined credit  
and opportunities from  
uncertain environment

Opportunistic deployment  
in Private Credit

Systematic deployment  
of Alternatives portfolio

Currency managed to  
Aflac corporate objectives

Tactically managing  
interest rate volatility

Explore opportunities  
from uncertain environment

# Financial Focus & Outlook

Max K. Brodén

Executive Vice President;  
CFO, Aflac Incorporated



# U.S. GAAP Accounting Changes

*No Economic Impact*

## LDTI Expectations

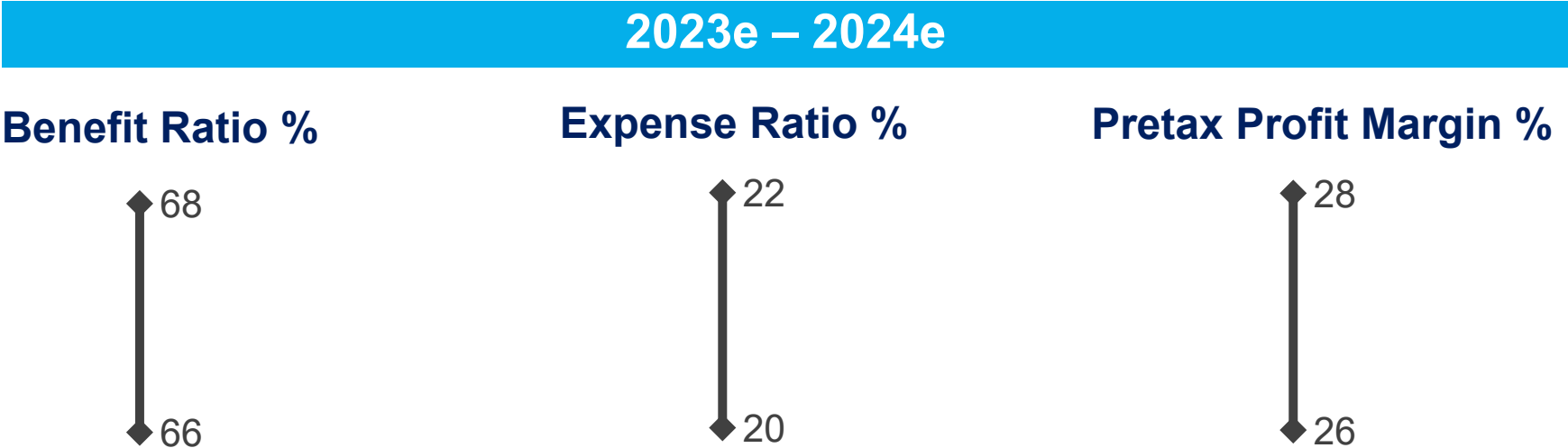
- \$18.6 billion impact to AOCI upon adoption (Jan. 1, 2021) with an estimated decline of 2/3 as of 6/30/2022
- **No change** in equity ex-AOCI measures: Leverage and Adjusted ROE
- **No change** in our strong gross premium valuation (GPV) margins

Financial Measure	Expected Impact of LDTI <sup>1</sup>	
	Aflac Japan	Aflac U.S.
Benefit Ratio	Slightly ↓	Slightly ↓
Expense Ratio	Modestly ↓	Modestly ↓
Pretax Profit Margin	Modestly ↑	Modestly ↑

## Deferred Profit Liability (DPL)

- Reclassify the change in DPL from Total Benefits and Claims to Net Earned Premiums with no impact on Net Earnings

# Aflac Japan Strength in Core Margins



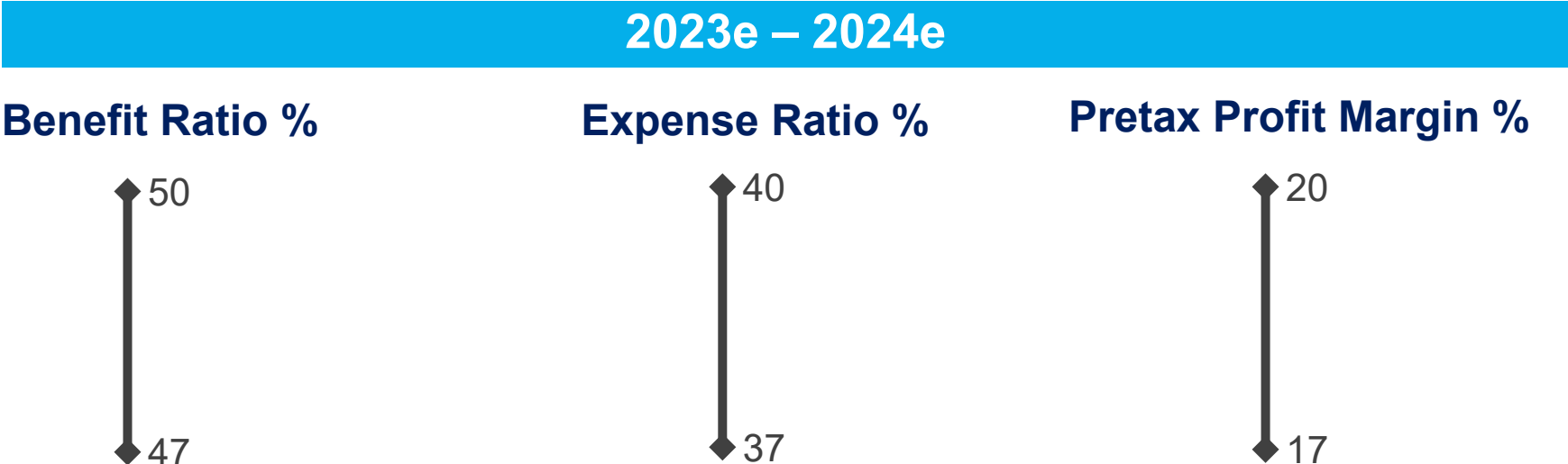
## Assumptions

- Benefit ratio reflects:
- Increasing third sector mix
- Near-term headwinds to the expense ratio:
- Earned premium decline
  - Investments for efficiency
- Tailwinds to the expense ratio:
- Benefit realization from various investments

<sup>1</sup> CAGR for 2 years covering 2023 and 2024 for net earned premium excluding deferred profit liability and estimated impact of internal reinsurance strategy, a non-U.S. GAAP financial measure. See Appendix for information about this measure.



# Aflac U.S. Margins Reflect Growth Investments



**Earned Premium  
CAGR<sup>1</sup>  
+3.0 to +5.0%**

**Assumptions**

- Benefit ratio reflects:
- Gradual upward pressure from new lines of business
  - Favorable near-term claims experience
- Near-term headwinds to the expense ratio:
- Buildout of Aflac Dental & Vision and Group Life & Disability
  - Reduced sales during the pandemic

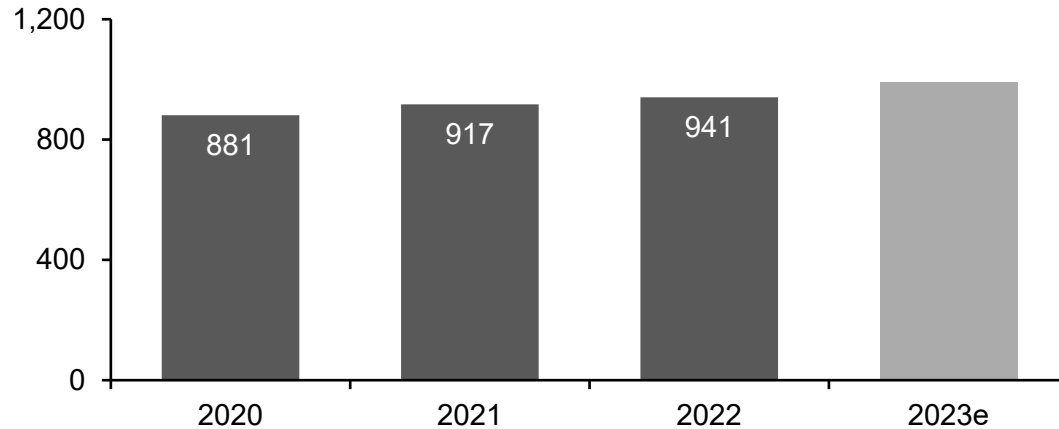
<sup>1</sup> CAGR for 2 years covering 2023 and 2024

# Strong Capital Ratios

Aflac Japan

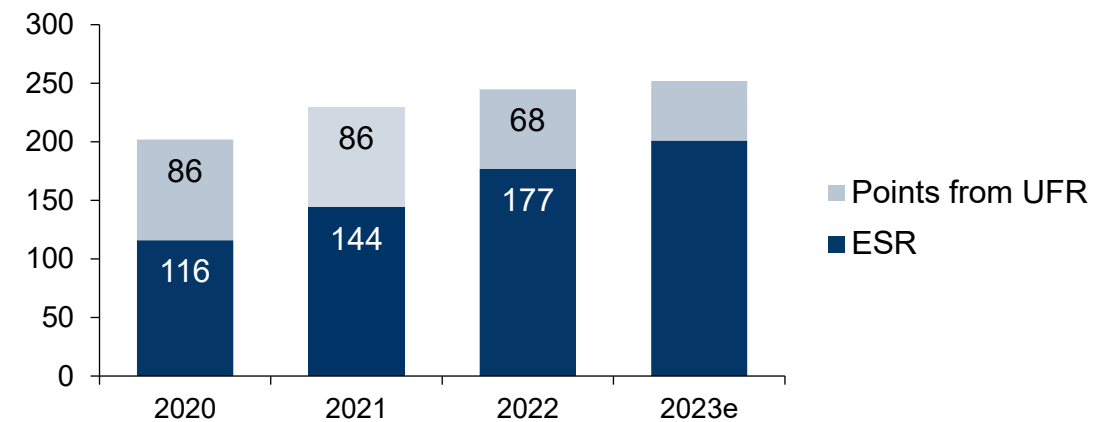
## Solvency Margin Ratio

(Fiscal year ending March 31, %)



## Economic Solvency Ratio

(Fiscal year ending March 31, %)



## SMR Sensitivity

(% points<sup>1</sup> as of September 30, 2022)

Yen rates +1%	(35)
Dollar rates +1%	(37)
Yen strengthens +10	(62)
Credit spreads +1%	(50)

## ESR Sensitivity

(% points<sup>1</sup> as of September 30, 2022)

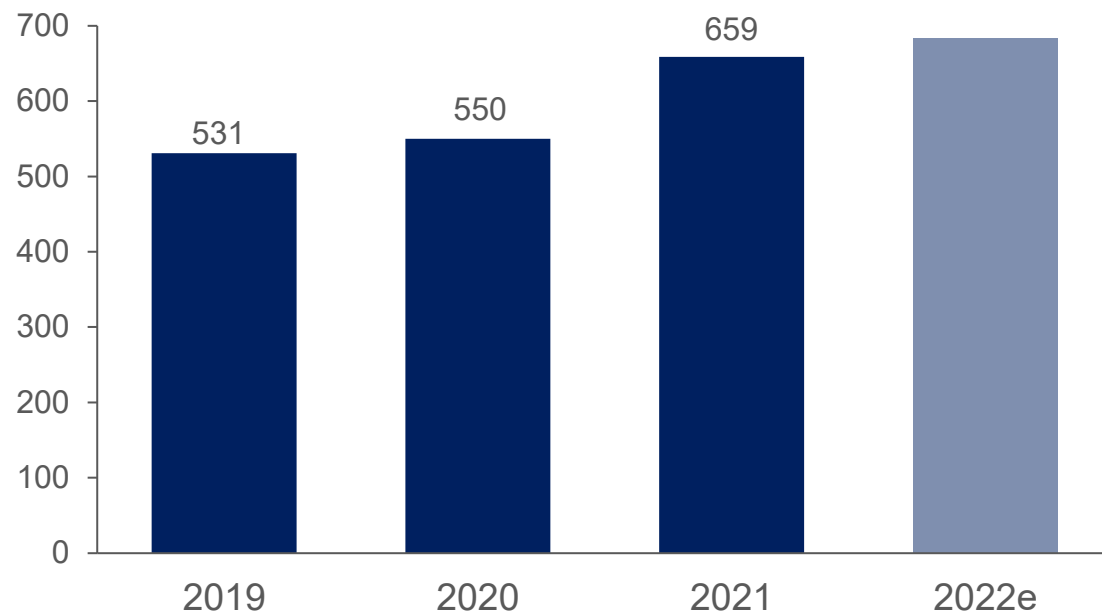
Yen rates +1%	+34
Dollar rates +1%	(10)
JPY/USD weakens -10	(12)
Credit spreads +1%	(23)

# Strong Capital Ratios<sup>1</sup>

Aflac U.S.

## Aflac Combined Risk-Based Capital Ratio

(Fiscal year ending December 31, %)



## Considerations

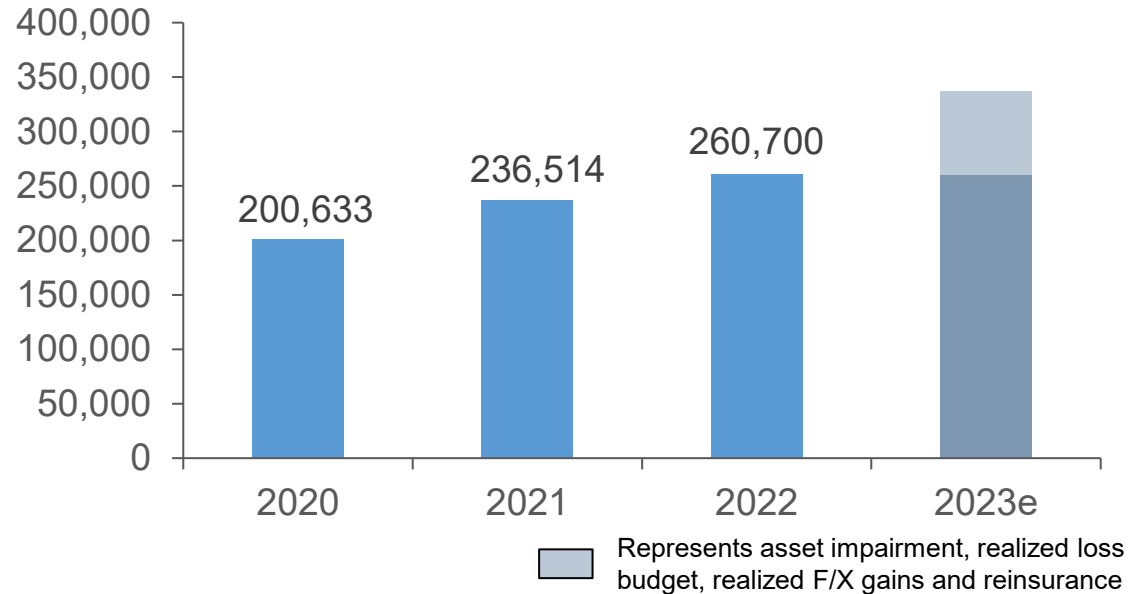
- RBC ratio is a book value framework
- Ordinary dividend up to 100% of U.S. statutory earnings
- Elevated earnings in 2021 due primarily to lower claims
- Target 400% Combined RBC over time, given:
  - strength of the earnings profile,
  - low risk and stability of our operations and
  - low asset leverage

# Strong Statutory Earnings<sup>1</sup>

Aflac Japan and Aflac U.S.

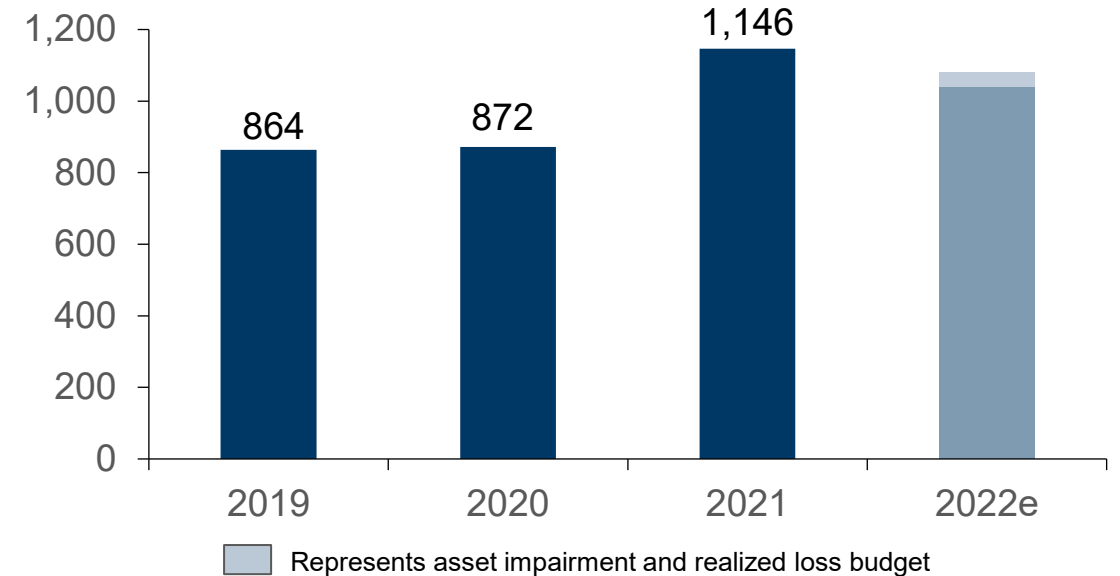
## FSA Earnings Projection

(Fiscal year ending March 31, ¥ in millions)<sup>2</sup>



## U.S. Statutory Earnings Projection

(Fiscal year ending December 31, \$ in millions)

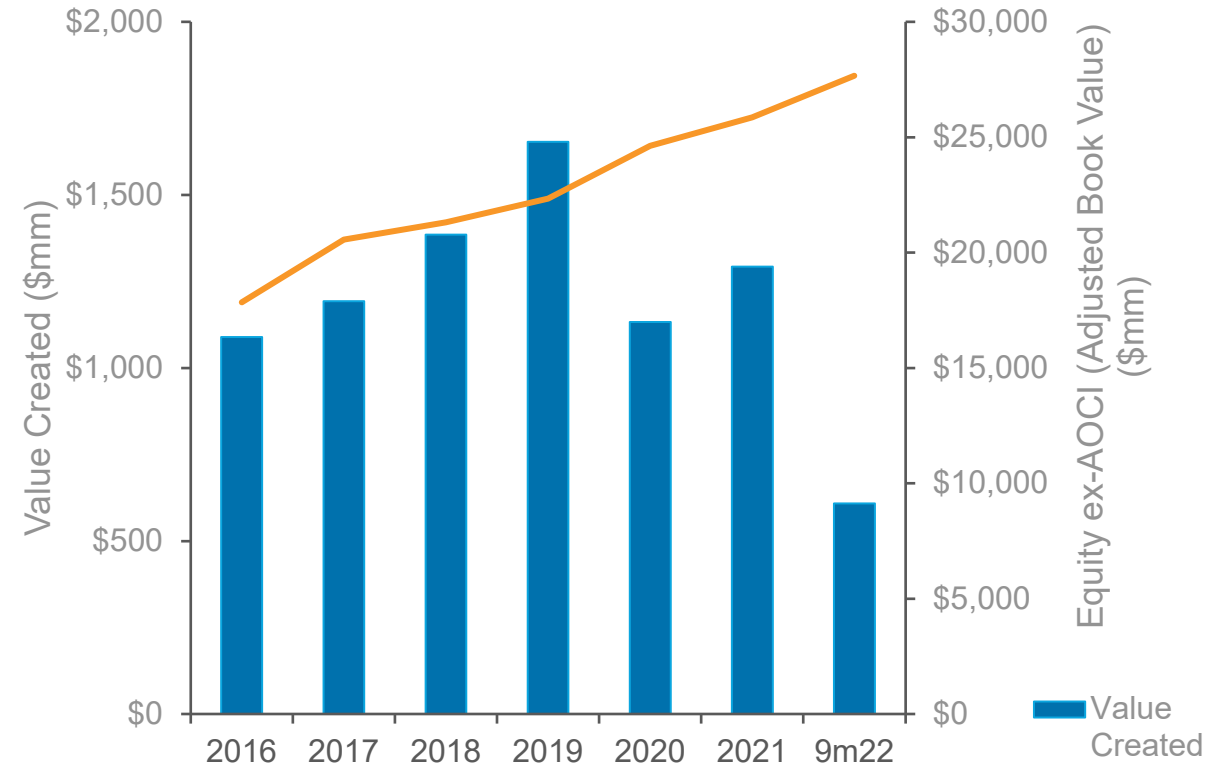
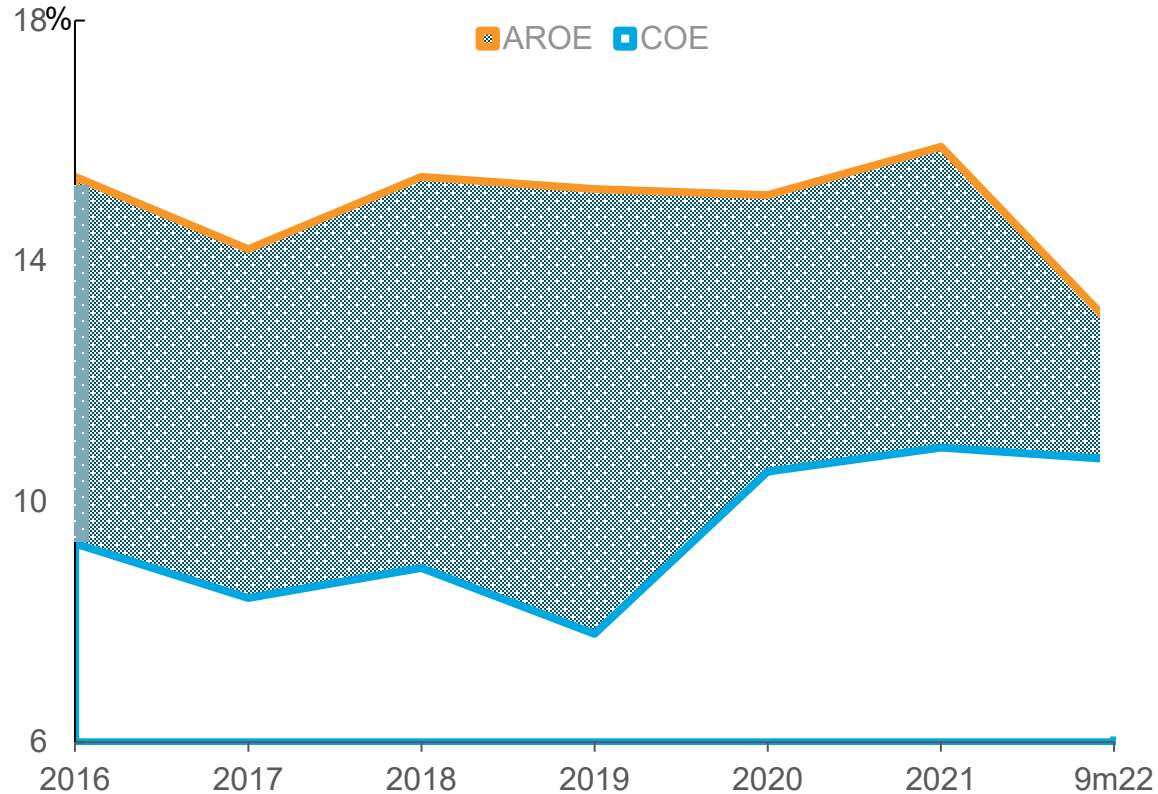


## Considerations

- Ordinary dividend of 100% of U.S. statutory earnings
- Elevated earnings in 2022 due primarily to lower statutory benefits

# Value Creation<sup>1</sup>

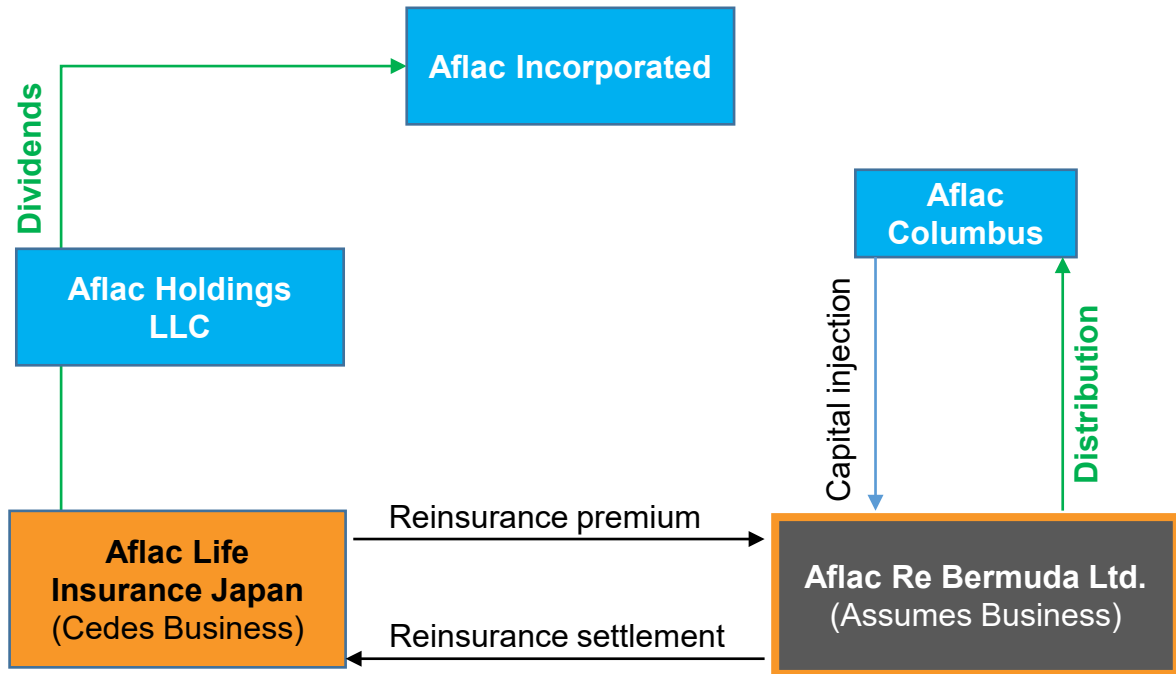
Driving the Spread between Return and Cost of Equity



- Stable differential between adjusted return on equity and cost of equity
- Building equity and creating value, as measured by the product of equity and the differential between AROE and COE
- Near term AROE pressured by investment in future growth and net build in book value

# Enhancing ROE

Internal reinsurance has a capital flow of capital injection, dividend payment, and reinsurance settlement.

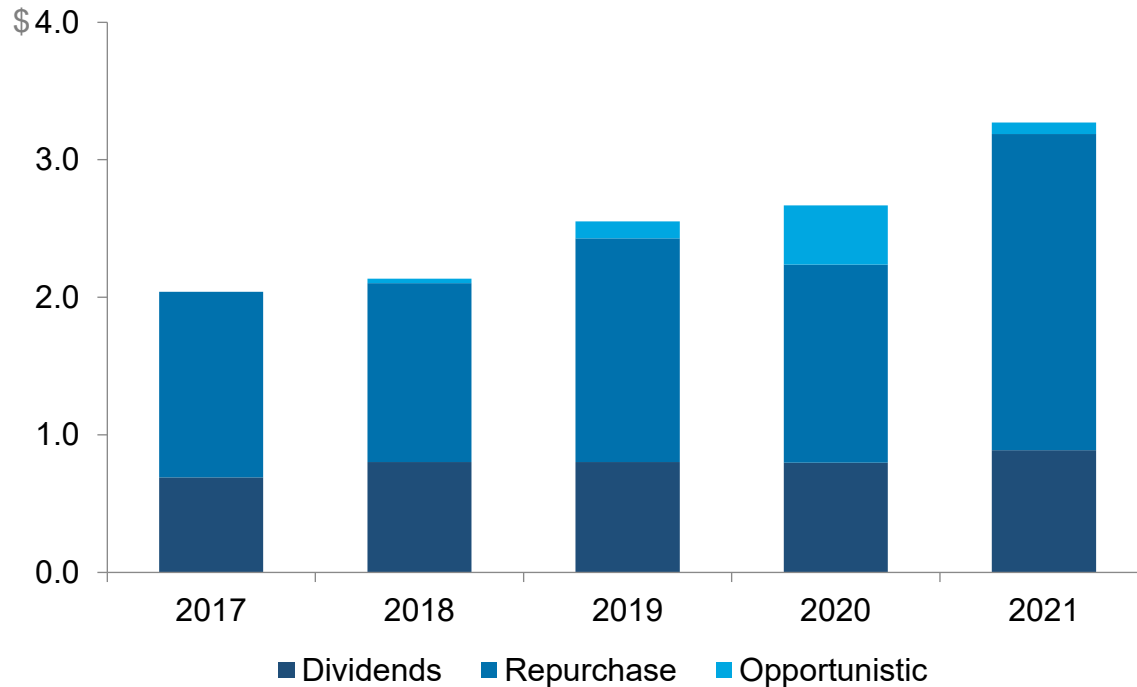


- First transaction estimated to free \$900 million to \$1 billion of capital throughout enterprise
  - » \$400 million estimated to go to Aflac Incorporated
  - » Opportunistically deploy the remainder above our cost of capital

Strategy estimated to lift Adjusted ROE by up to 100-200 bps over time<sup>1</sup>

# Capital Deployment Under Stable Conditions

## Tactical Deployment (\$ billions)



## Considerations

- Expected run-rate annualized insurance subsidiary dividends of \$2.6 billion to \$3.0 billion<sup>1</sup>
- Deployable capital defined as excess capital after reinvestment in core insurance businesses
- Opportunistic represents amounts available for incremental growth investments that leverage franchise strengths and our market-leading positions, as well as venture investments

# Financial Overview

## Strategic Outlook

- **Margins** – near-term margins compressed by investments in growth and efficiency
- **Growth** – revenue and earnings turn the corner in the 2023-2025 timeframe
- **Capital Deployment** – tactical repurchase supports stability in earnings per share
- **Value** – growth in economic value and spread between ROE and COE

Dividend reflects future cash flow and earnings expectations



# Break

## Q&A

# Speakers and Panelists

# Speakers

Please find speakers' bios [here](#).



**Daniel P. Amos**

Chairman and Chief Executive Officer,  
Aflac Incorporated



**Frederick J. Crawford**

President; Chief Operating Officer,  
Aflac Incorporated



**Masatoshi Koide**

President and Representative Director,  
Aflac Life Insurance Japan



**Teresa L. White**

President,  
Aflac U.S.



**Virgil R. Miller**

Incoming President,  
Aflac U.S.



**Eric M. Kirsch**

Executive Vice President and Global  
Chief Investment Officer; President,  
Aflac Global Investments



**Bradley E. Dyslin**

Incoming President, Global Chief  
Investment Officer;  
Aflac Global Investments



**Max K. Brodén**

Executive Vice President;  
Chief Financial Officer,  
Aflac Incorporated

# Panelists – Aflac Japan

Please find speakers' bios [here](#).



**Charles D. Lake II**

Chairman and Representative Director,  
Aflac Life Insurance Japan;  
President, Aflac International



**J. Todd Daniels**

Director; Executive Vice President;  
Chief Financial Officer,  
Aflac Life Insurance Japan



**Koichiro Yoshizumi**

Executive Vice President; Director  
of Sales and Marketing;  
Aflac Life Insurance Japan



**June P. Howard**

Senior Vice President, Financial  
Services; Chief Accounting Officer,  
Aflac Incorporated



**Steven K. Beaver**

Senior Vice President;  
Chief Financial Officer,  
Aflac U.S.



**Albert A. Riggieri**

Senior Vice President; Global Chief Risk  
Officer and Chief Actuary,  
Aflac Incorporated



**David Young**

Vice President, Investor and Rating  
Agency Relations and ESG,  
Aflac Incorporated

# Appendix

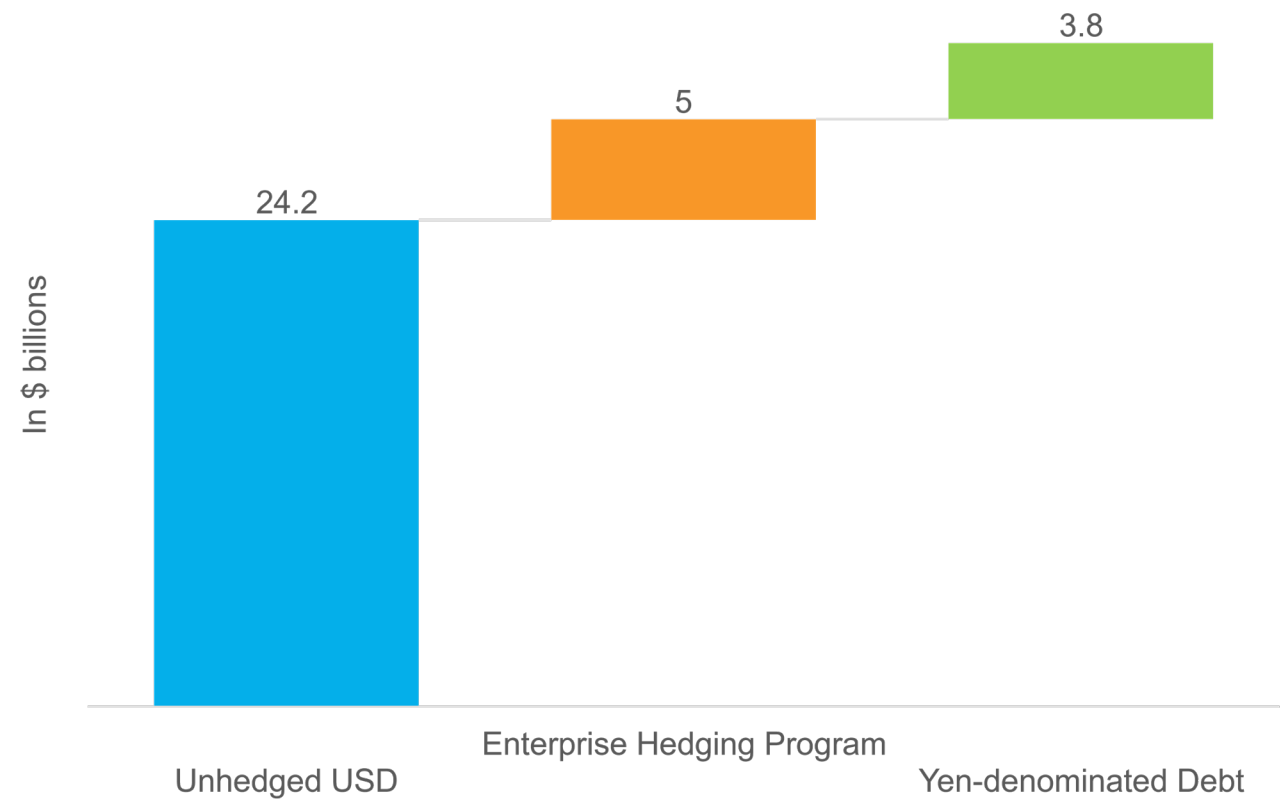
# Glossary of Non-U.S. GAAP Measures

The company defines the non-U.S. GAAP financial measures as follows:

- Adjusted earnings are adjusted revenues less benefits and adjusted expenses. Adjusted earnings per share (basic or diluted) are the adjusted earnings for the period divided by the weighted average outstanding shares (basic or diluted) for the period presented. The adjustments to both revenues and expenses account for certain items that cannot be predicted or that are outside management's control. Adjusted revenues are U.S. GAAP total revenues excluding adjusted net investment gains and losses. Adjusted expenses are U.S. GAAP total acquisition and operating expenses including the impact of interest cash flows from derivatives associated with notes payable but excluding any nonrecurring or other items not associated with the normal course of the Company's insurance operations and that do not reflect the Company's underlying business performance. Management uses adjusted earnings and adjusted earnings per diluted share to evaluate the financial performance of the Company's insurance operations on a consolidated basis and believes that a presentation of these financial measures is vitally important to an understanding of the underlying profitability drivers and trends of the Company's insurance business. The most comparable U.S. GAAP financial measures for adjusted earnings and adjusted earnings per share (basic or diluted) are net earnings and net earnings per share, respectively.
- Adjusted return on equity is adjusted earnings divided by average shareholders' equity, excluding accumulated other comprehensive income (AOCI). Management uses adjusted return on equity to evaluate the financial performance of the Company's insurance operations on a consolidated basis and believes that a presentation of this financial measure is vitally important to an understanding of the underlying profitability drivers and trends of the Company's insurance business. The Company considers adjusted return on equity important as it excludes components of AOCI, which fluctuate due to market movements that are outside management's control. The most comparable U.S. GAAP financial measure for adjusted return on equity is return on average equity (ROE) as determined using net earnings and average total shareholders' equity.
- Adjusted return on equity excluding foreign currency impact is adjusted earnings excluding the current period foreign currency impact divided by average shareholders' equity, excluding AOCI. The Company considers adjusted return on equity excluding foreign currency impact important as it excludes changes in foreign currency and components of AOCI, which fluctuate due to market movements that are outside management's control. The most comparable U.S. GAAP financial measure for adjusted return on equity excluding foreign currency impact is ROE as determined using net earnings and average total shareholders' equity.
- Amortized hedge costs/income represent costs/income incurred or recognized as a result of using foreign currency derivatives to hedge certain foreign exchange risks in the Company's Japan segment or in Corporate and other. These amortized hedge costs/ income are estimated at the inception of the derivatives based on the specific terms of each contract and are recognized on a straight-line basis over the term of the hedge. The Company believes that amortized hedge costs/income measure the periodic currency risk management costs/income related to hedging certain foreign currency exchange risks and are an important component of net investment income. There is no comparable U.S. GAAP financial measure for amortized hedge costs/ income.
- Adjusted book value is the U.S. GAAP book value (representing total shareholders' equity), less AOCI as recorded on the U.S. GAAP balance sheet. Adjusted book value per common share is adjusted book value at the period end divided by the ending outstanding common shares for the period presented. The Company considers adjusted book value and adjusted book value per common share important as they exclude AOCI, which fluctuates due to market movements that are outside management's control. The most comparable U.S. GAAP financial measures for adjusted book value and adjusted book value per common share are total book value and total book value per common share, respectively.
- Adjusted book value including unrealized foreign currency translation gains and losses is adjusted book value plus unrealized foreign currency translation gains and losses. Adjusted book value including unrealized foreign currency translation gains and losses per common share is adjusted book value plus unrealized foreign currency translation gains and losses at the period end divided by the ending outstanding common shares for the period presented. The Company considers adjusted book value including unrealized foreign currency translation gains and losses, and its related per share financial measure, important as they exclude certain components of AOCI, which fluctuate due to market movements that are outside management's control; however, it includes the impact of foreign currency as a result of the significance of Aflac's Japan operation. The most comparable U.S. GAAP financial measures for adjusted book value including unrealized foreign currency translation gains and losses and adjusted book value including unrealized foreign currency translation gains and losses per common share are total book value and total book value per common share, respectively.
- Net earned premium excluding deferred profit liability and estimated impact of internal reinsurance strategy" is a non-U.S. GAAP financial measure. In reliance on the "unreasonable efforts" exception in Item 10(e)(1)(i)(B) of SEC Regulation S-K, a quantitative reconciliation to the most comparable U.S. GAAP measure is not provided for this financial measure. This is due to the unpredictable and uncontrollable nature of the reconciling items, which would require an unreasonable effort to forecast, and we believe would result in such a broad range of projected values that would not be meaningful to investors. For this reason, we believe that the probable significance of such information is low.

# 3Q22 Lowering Enterprise Exposure to Currency

Economic Hedge: Protecting current and future distributions of Japan's economic value



**Hedging Real Economic Events**

- Cash flows from the foreign subsidiary, Aflac Life Insurance Japan, to the holding company
- Future expected cash flows on a present value basis

Component	Constraint
Unhedged USD	FSA earnings and SMR volatility
Enterprise Hedging Program	Holding company liquidity
Yen-denominated debt	Japan debt capital market conditions



# Reconciliation of U.S. GAAP Return on Equity (ROE) to Adjusted ROE

	<b>2022</b> (YTD September 30, 2022)	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
U.S. GAAP ROE <sup>1</sup>	18.7 %	12.9 %	15.3 %	12.6 %	12.2 %
Impact of excluding unrealized foreign currency translation gains (losses)	(2.3)%	(0.8)%	(0.9)%	(1.0)%	(1.0)%
Impact of excluding unrealized gains (losses) on securities and derivatives	3.8 %	5.1 %	6.2 %	3.6 %	3.0 %
Impact of excluding pension liability adjustment	(0.1)%	(0.1)%	(0.2)%	(0.1)%	(0.1)%
Impact of excluding AOCI	1.4 %	4.2 %	5.1 %	2.5 %	1.8 %
U.S. GAAP ROE - less AOCI	20.0 %	17.1 %	20.3 %	15.1 %	13.9 %
Differences between adjusted & net earnings <sup>2</sup>	(7.1)%	(1.2) %	(5.2)%	—	1.5 %
Adjusted ROE – reported <sup>3</sup>	12.9 %	15.9 %	15.1 %	15.2 %	15.4 %

<sup>1</sup> U.S. GAAP ROE is calculated by dividing net earnings (annualized) by average shareholders' equity.

<sup>2</sup> See separate reconciliation of net income to adjusted earnings.

<sup>3</sup> See non-U.S. GAAP financial measures for definition of adjusted return on equity

# Reconciliation of U.S. GAAP Equity to Adjusted Book Value<sup>1</sup>

	<b>2022</b> (YTD September 30, 2022)	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
U.S. GAAP Equity <sup>1</sup>	24,152	33,253	33,559	28,959	23,462
Accumulated other comprehensive income(AOCI)	(3,511)	7,393	8,934	6,615	2,151
U.S. GAAP Equity - less AOCI (Adjusted BV)	27,663	25,860	24,625	22,344	21,311

# Acronyms Used Through the Presentation

- **ALM** – asset liability management
- **AOCI** – accumulated other comprehensive income
- **AROE** – adjusted return on equity
- **AUM** – assets under management
- **Alts** – alternative investments
- **bps** – basis points
- **CAGR** – compound annual growth rate
- **CLO** – collateralized loan obligation
- **CML** – commercial mortgage loan
- **COE** – cost of equity
- **DEI** – diversity, equity and inclusion
- **PL** – deferred profit liability
- **ESG** – environmental, social and governance
- **ETF** – exchange-traded fund
- **FX** – foreign exchange
- **GP** – general partner
- **GPV** – gross premium valuation
- **HTM** – held-to-maturity
- **JGB** – Japanese government bond
- **JPY** – Japanese yen
- **LDTI** – long duration targeted improvements
- **LTV** – loan to value
- **MML** – middle market loan
- **MTM** – marked-to-market
- **NII** – net investment income
- **PRI** – Principles for Responsible Investment
- **RBC** – risk-based capital
- **SAA** – strategic asset allocation
- **SME** – Small-medium enterprise
- **SMR** – solvency margin ratio
- **TRE** – transitional real estate
- **USD** – U.S. dollar
- **VNII** – variable net investment income
- **YTD** – year to date

