

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-07434



**Aflac Incorporated**

(Exact name of registrant as specified in its charter)

**Georgia**

**58-1167100**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**1932 Wynnton Road**

**Columbus, Georgia**

**31999**

(Address of principal executive offices)

(ZIP Code)

**Registrant's telephone number, including area code: 706.323.3431**

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.10 Par Value	AFL	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒  
Non-accelerated filer ☐

Accelerated filer ☐  
Smaller reporting company ☐  
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 28, 2024, was \$49,825,613,971.

The number of shares of the registrant's common stock outstanding at February 18, 2025, with \$.10 par value, was 546,588,291.

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**Documents Incorporated By Reference**

Certain information contained in the Notice and Proxy Statement for the Company's 2025 Annual Meeting of Shareholders is incorporated by reference into Part III hereof.

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**Aflac Incorporated**  
**Annual Report on Form 10-K**  
**For the Year Ended December 31, 2024**  
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## PART I

## FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Aflac Incorporated and its subsidiaries (the Company) desire to take advantage of these provisions. This report 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 the ones listed below or similar words, as well as specific projections of future results, generally qualify as forward-looking. The Company undertakes no obligation to update such forward-looking statements.

• expect	• anticipate	• believe	• goal	• objective
• may	• should	• estimate	• intends	• projects
• will	• assumes	• potential	• target	• outlook

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 inflation
- defaults and credit downgrades of investments
- global fluctuations in interest rates and 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 interpretations 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
- 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 and on successful execution of revenue growth and expense management initiatives
- interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality, integrity 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
- operational risks of third-party vendors
- 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, tornadoes, hurricanes, earthquakes, tsunamis, war or other military action, major public health issues, 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 or regulatory inquiries
- allegations or determinations of worker misclassification in the United States

## ITEM 1. BUSINESS

### OVERVIEW

Aflac Incorporated (the Parent Company) was incorporated in 1973 under the laws of the state of Georgia. The Parent Company and its subsidiaries (collectively, the Company) provide financial protection to millions of policyholders and customers in Japan and the United States (U.S.). The Company's principal business is supplemental health and life insurance products with the goal to provide customers the best value in supplemental insurance products in Japan and the U.S. When a policyholder or insured gets sick or hurt, the Company pays cash benefits fairly and promptly for eligible claims. Throughout its 69-year history, the Company's supplemental insurance policies have given policyholders the opportunity to focus on recovery, not financial stress.

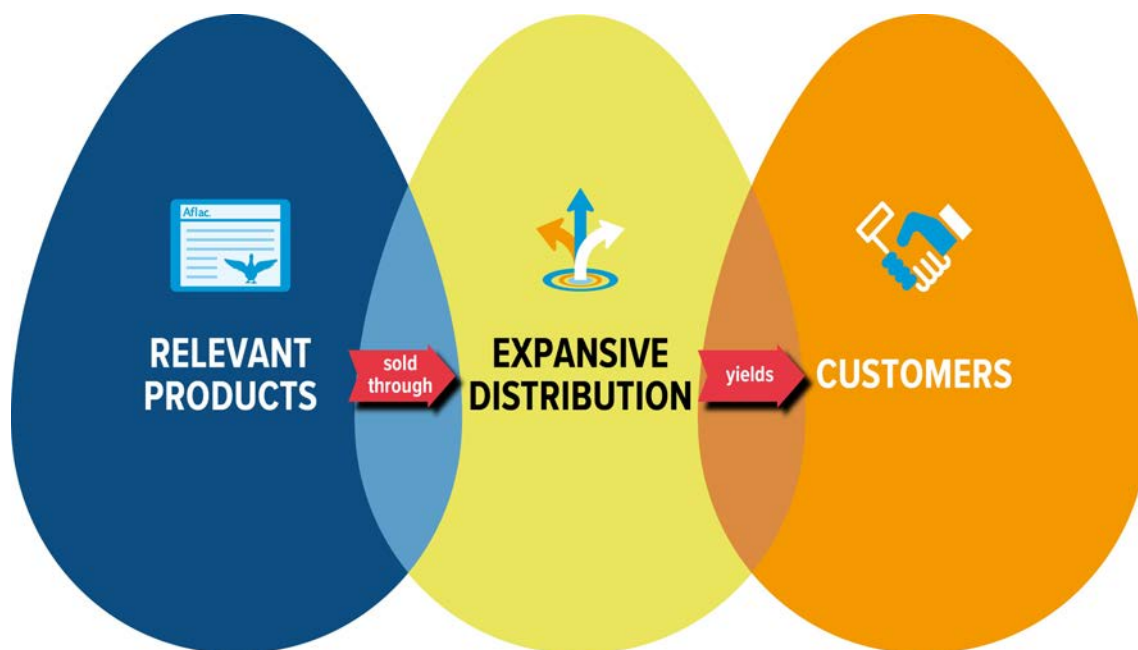
The Company has continued to develop and expand its product offerings over time. In Japan, the Company is cultivating an innovation-driven culture to meet the rapidly changing customer and societal needs. In the U.S., the Company continues to make broad-based investments in digital enhancements and innovation within the U.S. platform. In recent years, the Company invested in distribution opportunities through acquisitions and partnerships and pivoted to digital sales methods. For information on the reporting segments see the Result of Operations by Segment section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

The Company is authorized to conduct insurance business in all 50 states, the District of Columbia, several U.S. territories, and Japan. The Company's website is: [www.aflac.com](http://www.aflac.com). Information included on the Company's website is not incorporated by reference into this filing. The Company makes available free of charge through its website, its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after they have been electronically filed with or furnished to the Securities and Exchange Commission (SEC).

### REVENUE-GENERATING ACTIVITIES

The Company's strategy for growth in the U.S. and Japan has remained straightforward and consistent for many years. The Company develops relevant supplemental health insurance products offering financial protection from the rising out-of-pocket expenses associated with medical events that are not covered by the insureds' primary coverage. The Company also offers a complement of other voluntary health and life insurance products to fit the needs of its customers. Additionally, the Company aims to obtain more customers by selling where the customer prefers to purchase protection, whether through an agent or broker, a distribution partner or directly from the Company. To help promote its insurance products, the Company's marketing campaigns feature the Aflac Duck.

### LONG-TERM GROWTH STRATEGY



## Item 1. Business

In 1999, the Company had been running commercials for nearly a decade, but its brand awareness was hovering at about 10%. An innovative marketing campaign with something unique and memorable that would build brand awareness was needed. The Aflac Duck's first commercial in the U.S., "Park Bench," aired on January 1, 2000 and taught consumers how to pronounce "Aflac." The Aflac Duck made its international debut in Japan in 2003. In the time since its U.S. debut, the Aflac Duck has become one of the most familiar advertising icons in the world, appearing in many commercials and countless print ads in both the U.S. and Japan. Today, the Aflac Duck is a helpmate who increases brand knowledge and connection.

The Company's insurance business consists of two reporting segments: Aflac Japan and Aflac U.S. The primary insurance subsidiary in the Aflac Japan segment is Aflac Life Insurance Japan Ltd. (ALIJ). Aflac U.S. includes the insurance subsidiaries American Family Life Assurance Company of Columbus (Aflac); Continental American Insurance Company (CAIC), branded as Aflac Group Insurance (AGI); American Family Life Assurance Company of New York (Aflac New York); Tier One Insurance Company (TOIC); and Aflac Benefits Solutions, Inc. (ABS), which provides a platform for Aflac Dental and Vision in the U.S.

For information on the Company's results of operations and financial information by segment, see Item 7. MD&A and Note 2 of the Notes to the Consolidated Financial Statements.

### AFLAC JAPAN

Aflac Japan is the principal contributor to the Parent Company's consolidated earnings and the largest insurer in Japan in terms of cancer and medical (third sector insurance products) policies in force. For information on Aflac Japan's operating results, see the Aflac Japan Segment section of Item 7. MD&A.

#### Insurance Products

Aflac Japan's third sector insurance products are supplemental products designed to help consumers pay for medical and nonmedical costs that are not reimbursed under Japan's national health insurance system. Changes in Japan's economy and an aging population have put increasing pressure on Japan's national health care system. As a result, more costs have been shifted to Japanese consumers, who in turn have become increasingly interested in insurance products that help them manage those costs. Aflac Japan has responded to this consumer need by enhancing existing products and developing new products. The focus at Aflac Japan remains on maintaining leadership in third sector insurance products that are less interest rate sensitive and have strong and stable margins. At the same time, Aflac Japan complements this core business with similarly profitable first sector products as outlined below.

#### Third Sector Insurance Products

##### **Cancer**

**Cancer Insurance** Aflac Japan pioneered the cancer insurance market in Japan in 1974, and remains the number one provider of cancer insurance in Japan today. Aflac Japan's cancer insurance products provide a lump-sum benefit upon initial diagnosis of cancer and fixed daily benefits for subsequent hospitalization and outpatient treatments due to cancer, as well as cancer-related surgical and convalescent care benefits. In August 2022, Aflac Japan launched a new cancer insurance product, WINGS, which provides coverage for the latest cancer treatments and support for early detection. Additionally, in January 2023, Aflac Japan further strengthened its products and services by launching Aflac Yorisou Cancer Consultation Support, a new service that provides comprehensive support from the moment a policyholder suspects cancer through treatment and recovery.

##### **Medical and Other Health**

**Medical Insurance** Aflac Japan's medical insurance products provide benefits for hospitalization, surgeries and outpatient treatment of various illnesses, as well as lump sum benefits related to three critical illnesses: cancer, heart attack, and stroke. In September 2023, Aflac Japan launched a new medical insurance product designed to appeal to younger policyholders with basic needs and existing policyholders who desire additional or updated coverage.

##### **Other**

**Nursing Care Insurance** Aflac Japan's Nursing Care Insurance provides coverage for out-of-pocket costs incurred when receiving public nursing care services.

## First Sector Insurance Products

### **Life**

#### *Protection-Type Life Insurance*

Whole Life Aflac Japan launched Prepare Smart Whole-Life Insurance in 2018, a whole life insurance product with low cash surrender value, which offers non-smoking policyholders further discounted premiums, and it provides beneficiaries, typically a designated family member, with a pre-determined benefit payment upon the death of the insured.

GIFT GIFT is a term life insurance product that provides a designated family member with a fixed amount of money every month upon a breadwinner's death or serious disability as family support.

#### *Savings-Type Life Insurance*

Tsumitasu Launched in June 2024, *Tsumitasu* is an insurance product designed primarily for post-retirement preparation, with asset formation features and coverage for nursing care and other benefits.

WAYS and Child Endowment WAYS is an insurance product which has features that allow policyholders to convert a portion of their life insurance to medical, nursing care or fixed annuity benefits at a predetermined age. Aflac Japan's child endowment insurance product offers a death benefit until a child reaches age 18. This product also pays a lump-sum at the time of the child's entry into high school, as well as an educational annuity for each of the four years during his or her college education.

## **Distribution Channels**

Traditional Sales Channel This distribution channel includes individual agencies, independent corporate agencies and affiliated corporate agencies. Aflac Japan was represented by approximately 6,600 sales agencies at the end of 2024, with approximately 114,000 licensed sales associates employed by those agencies, including individual agencies.

Dai-ichi Life Aflac Japan's alliance with Dai-ichi Life was launched in 2001, and approximately 37,000 Dai-ichi Life representatives offer Aflac's cancer products. Dai-ichi Life is included in Aflac Japan's affiliated corporate agencies distribution channel.

Japan Post Group Aflac Japan's alliance with Japan Post Group, which is included in Aflac Japan's affiliated corporate agencies distribution channel, was launched in 2008. After the alliance strengthened in 2013, the number of postal outlets of Japan Post Co. Ltd. (Japan Post Co.) selling Aflac Japan's cancer product increased to more than 20,000. Japan Post Insurance Co., Ltd. (Japan Post Insurance) offers Aflac Japan cancer products through its 76 directly managed offices responsible for corporate sales and 623 service departments in charge of individual sales.

Daido Life In 2013, Aflac Japan and Daido Life Insurance entered into an agreement for Daido to sell Aflac Japan's cancer insurance products specifically to the Hojinkai market, which is an association of small businesses. Currently, Daido also sells Aflac Japan's cancer insurance products to the market in the tax payment association, which is a not-for-profit association for small businesses to support tax related matters. Daido Life is included in Aflac Japan's affiliated corporate agencies distribution channel.

Banks Consumers in Japan rely on banks to provide not only traditional bank services, but also as one key source to provide insurance solutions and other services. At December 31, 2024, Aflac Japan had agreements with approximately 90% of the total number of banks in Japan to sell its products.



## Competitive Markets

The Company competes with other insurance carriers through policyholder service, price, product design and sales efforts, as the number of insurance companies offering stand-alone cancer and medical insurance has more than doubled since the deregulation of the Japan market in 2001. However, based on Aflac Japan's size of annualized premiums in force and diversified distribution network, the Company believes it is well-positioned to continue to adapt to increased competition. Furthermore, the Company believes the continued development and maintenance of operating efficiencies will allow Aflac Japan to offer affordable products that appeal to consumers. The Company believes Aflac Japan will remain a leading provider of third sector products such as cancer and medical insurance coverage in Japan, principally due to its experience in the market, well-known brand, low-cost operations, expansive marketing system and product expertise.

## Government Regulation

Financial Services Agency (FSA) The financial and business affairs of Aflac Japan are subject to examination by Japan's FSA. Aflac Japan files annual and interim reports and financial statements for the Japanese insurance operations based on a March 31 fiscal year end, prepared in accordance with Japanese regulatory accounting practices prescribed or permitted by the FSA. Japanese regulatory basis earnings are determined using accounting principles that differ materially from U.S. generally accepted accounting principles (U.S. GAAP). For additional information, see Note 13 of the Notes to the Consolidated Financial Statements.

Two FSA regulations applicable to Aflac Japan are outlined below.

- *Privacy and Cybersecurity*

With regard to personal information obtained from policyholders, the insured, or others, Aflac Japan is regulated in Japan by the Act on the Protection of Personal Information (APPI) and guidelines issued by FSA and other governmental authorities.

- *FSA Solvency Standard*

The FSA maintains a solvency standard, the solvency margin ratio (SMR), which is used by Japanese regulators to monitor the financial strength of insurance companies. Aflac Japan's SMR is sensitive to interest rate, credit spread and foreign exchange rate changes. See the Liquidity and Capital Resources section of Item 7. MD&A for additional information on SMR, including a discussion of measures the Company has taken to mitigate the sensitivity of Aflac Japan's SMR and the introduction of an economic value-based solvency regime based on the Insurance Capital Standards (ICS) for insurance companies effective for Aflac Japan's 2025 fiscal year.

Companies Act of Japan Aflac Japan dividend distributions to the Parent Company are subject to permitted dividend capacity under the Companies Act of Japan.

Policyholder Protection The Japanese insurance industry has a policyholder protection corporation that provides funds for the policyholders of insolvent insurers. For additional information, see the Policyholder Protection section of Item 7. MD&A.

For additional information regarding Aflac Japan's operations and regulations, see the Aflac Japan Segment subsection of Item 7. MD&A and Notes 2 and 13 of the Notes to the Consolidated Financial Statements.

## AFLAC U.S.

The Company designs its U.S. insurance products to provide supplemental coverage for people who already have major medical or primary insurance coverage, as Aflac U.S. insurance policies pay benefits regardless of other insurance. Aflac U.S. products are distributed in the individual and group supplemental insurance markets. Aflac's individual policies are portable, meaning that individuals may retain their full insurance coverage upon separation from employment or affiliation with a group, generally at the same premium. Individual policies are typically guaranteed-renewable for the lifetime of the policyholder (to age 75 for short-term disability policies).



## Insurance Products

### *Accident*

[Accident Insurance](#) Aflac U.S. offers accident coverage on both an individual and group basis. These policies pay cash benefits in the event of a covered injury. The accident portion of the policy includes lump-sum benefits for accidental death, dismemberment and specific injuries as well as fixed benefits for hospital confinement. Additional benefits are also available for home modifications, wellness and increased benefits for injuries related to participation in an organized sporting activity.

### *Disability*

[Disability Insurance](#) Aflac U.S. offers short-term disability benefits on both an individual and group basis and long-term disability benefits on a group basis. These plans provide coverage for covered injury, illness or mental health conditions.

### *Critical Care*

[Cancer Insurance](#) Aflac U.S.'s cancer insurance products provide a lump-sum benefit upon initial diagnosis of cancer and subsequent benefits for treatment received due to cancer. Aflac U.S. offers cancer insurance on an individual basis.

[Critical Illness Insurance](#) Aflac U.S. offers coverage for critical illness plans on both an individual and group basis. These policies are designed to pay cash benefits in the event of critical illnesses such as heart attack, stroke or cancer.

### *Hospital Indemnity*

[Hospital Indemnity Insurance](#) Aflac U.S. offers hospital indemnity coverage on both an individual and group basis. Hospital indemnity products provide policyholders fixed dollar benefits triggered by hospitalization due to accident or sickness. Indemnity benefits for inpatient and outpatient surgeries, as well as various other diagnostic events, are also available. Aflac U.S. also offers a lump sum rider for a range of critical illness events that can be added to its individual accident, short-term disability and hospital indemnity products.

### *Dental and Vision*

[Dental and Vision Insurance](#) Aflac U.S. offers network dental and vision products on a group basis, as well as fixed-benefit dental coverage on an individual basis. Aflac U.S. also offers Aflac Vision Now<sup>SM</sup>, an individually issued policy that provides benefits for serious eye health conditions and loss of sight as well as coverage for corrective eye materials and exam benefits.

### *Life*

[Life Insurance](#) Aflac U.S. offers term- and whole-life policies on both an individual and group basis.

## Seasonality

In recent years, new annualized premium sales are generally higher in the fourth quarter for Aflac U.S. group business due to the timing of open enrollment for many employers. As a result, approximately half of total new annualized premium sales for Aflac U.S. group business are generated in the fourth quarter, which typically results in over one third of total Aflac U.S. total sales being generated in the fourth quarter.

## Distribution Channels

[Independent Associates/Career Agents](#) The career agent channel in Aflac U.S. focuses on marketing Aflac to the small business market, defined as employers of between three and 99 employees. Sales associates in the U.S. are independent contractors and are paid commissions and other variable compensation based on first-year and renewal premiums from their sales of insurance products.

## Item 1. Business

**Brokers** The broker channel of Aflac U.S. focuses on selling to the mid- and large-case market, which is comprised of employers with 100 or more employees and typically an average size of 1,000 employees or more. Brokers in the U.S. are independent contractors and are paid commissions based on first-year and renewal premiums from their sales of insurance products.

In 2024, the Aflac U.S. sales force included an average of approximately 6,000 U.S. agents, including brokers, who were actively producing business on a weekly basis. For additional information, see the Aflac U.S. Segment subsection of Item 7. MD&A.

**Consumer Markets** While Aflac U.S. primarily markets its insurance products at the worksite, Aflac U.S. is also expanding its distribution strategy to directly reach consumers outside of the traditional worksite through digital lead generation.

### Competitive Markets

Aflac U.S. competes against several supplemental insurance carriers on a national and regional basis. Aflac U.S. believes its policies, premium rates, platforms, value-added services and sales commissions are competitive by product type. Moreover, Aflac U.S. believes that its products are distinct from competitive offerings given its product focus (including features, benefits and claims service model), distribution capabilities and brand awareness.

Since Aflac products provide an additional level of financial protection for policyholders, the Company believes the increased financial exposure some employees may face creates a favorable opportunity for Aflac U.S. products. However, given the profitability erosion some major medical carriers are facing in their core lines of business, the Company has seen a more competitive landscape as these carriers seek entry into Aflac's supplemental product segments and leverage their core benefit offerings by bundling and discounting products in order to gain market share.

### Government Regulation

**State Insurance Regulation** The Parent Company and its U.S. insurance subsidiaries, Aflac, CAIC, TOIC (Nebraska-domiciled insurance companies), Aflac New York (a New York-domiciled insurance company) and ABS (a licensed third-party administrator in most U.S. jurisdictions and a pre-paid limited health service organization in Florida) are subject to state regulations in the U.S. as an insurance holding company system. Such regulations generally provide that certain transactions between companies within the holding company system must be fair and equitable. In addition, transfers of assets among such affiliated companies, certain dividend payments from insurance subsidiaries and certain transactions between companies within the system, including management fees, loans and advances are subject to prior notice to, or approval by, state regulatory authorities. These laws generally require, among other things, the insurance holding company and each insurance company directly owned by the holding company to register with the insurance departments of their respective domiciliary states and to furnish annually financial and other information about the operations of companies within the holding company system.

Like all U.S. insurance companies, Aflac, CAIC, TOIC and Aflac New York are subject to regulation and supervision in the jurisdictions in which they do business. In general, the insurance laws of the various jurisdictions establish supervisory agencies with broad administrative powers relating to, among other things:

- granting and revoking licenses to transact business
- regulating trade and claims practices
- licensing of insurance agents and brokers
- approval of policy forms and premium rates
- standards of solvency and maintenance of specified policy benefit reserves and minimum loss ratio requirements
- capital requirements
- limitations on dividends to shareholders
- the nature of and limitations on investments
- deposits of securities for the benefit of policyholders
- filing of financial statements prepared in accordance with statutory insurance accounting practices prescribed or permitted by regulatory authorities
- periodic examinations of the market conduct, financial, and other affairs of insurance companies

The insurance laws of Nebraska that govern the Company's activities provide that the acquisition or change of "control" of a domestic insurer or of any person that controls a domestic insurer cannot be consummated without the prior approval of the Nebraska Department of Insurance (NDOI). A person seeking to acquire control, directly or indirectly, of a domestic insurance company or of any person controlling a domestic insurance company (in the case of Aflac, CAIC and TOIC, the

## Item 1. Business

Parent Company) must generally file with the NDOI an application for change of control containing certain information required by statute and published regulations and provide a copy to the Company. In Nebraska, control is generally presumed to exist if any person, directly or indirectly, acquires 10% or more of an insurance company or of any other person or entity controlling the insurance company. The 10% presumption is not conclusive and control may be found to exist at less than 10%. Similar laws apply in New York, the domiciliary jurisdiction of Aflac's New York insurance subsidiary.

State insurance departments conduct periodic examinations of the books and records, financial reporting, policy filings and market conduct of insurance companies domiciled in their states, generally once every three to five years. Examinations are generally carried out in cooperation with the insurance departments of other states under guidelines promulgated by the National Association of Insurance Commissioners (NAIC). In 2024, the NDOI and the New York State Department of Financial Services (NYDFS) commenced full-scope, risk-focused financial examinations on their respective state domiciled insurance entities covering the reporting period January 1, 2020 – December 31, 2023 that are currently ongoing. Additionally, in 2023, the NYDFS commenced a routine market conduct examination on Aflac New York covering the five-year period ended on December 31, 2022 that is currently ongoing.

[NAIC Risk-Based Capital](#) The NAIC continually reviews regulatory matters, such as risk-based capital (RBC) modernization, group capital calculations and liquidity risk assessment. The NAIC uses an RBC formula relating to insurance risk, business risk, asset risk and interest rate risk to facilitate identification by insurance regulators of inadequately capitalized insurance companies based upon the types and mix of risk inherent in the insurer's operations. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of a company's regulatory total adjusted capital to its authorized control level RBC as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The levels are company action, regulatory action, authorized control, and mandatory control. See Note 13 of the Notes to the Consolidated Financial Statements and the Liquidity and Capital Resources section of Item 7. MD&A for additional information on RBC.

[Guaranty Association and Similar Arrangements](#) Under state insurance guaranty association laws and similar laws in international jurisdictions, the Company is subject to assessments, based on the share of business the Company writes in the relevant jurisdiction, for certain obligations of insolvent insurance companies to policyholders and claimants. In the U.S., some states permit member insurers to recover assessments paid through full or partial premium tax offsets. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction.

[Federal Regulation](#) Federal legislation and administrative policies in several areas, including health care reform legislation, financial services reform legislation, securities regulation, pension regulation, privacy, tort reform legislation and taxation, can significantly and adversely affect insurance companies. Certain federal regulations applicable to Aflac U.S. are outlined below.

- *Patient Protection and Affordable Care Act*

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the ACA), federal health care reform legislation, gave the U.S. federal government direct regulatory authority over the business of health insurance. The ACA, as enacted, does not require material changes in the design of the Company's insurance products. However, indirect consequences of, or changes to, the legislation and regulations could present challenges that could potentially have an impact on the Company's sales model, financial condition and results of operations. Certain provisions of the ACA have been and may continue to be subject to challenge through litigation, the ultimate effects of which on the ACA are uncertain. See Item 1A. Risk Factors for the risk factor entitled, "Extensive regulation and changes in legislation can impact profitability and growth" for additional information.

- *Dodd-Frank Act*

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) and regulations issued thereunder, in particular rules to require central clearing for certain types of derivatives, may have an impact on the Company's derivative activity, including activity on behalf of Aflac Japan.

## Item 1. Business

The Dodd-Frank Act also established a Federal Insurance Office (FIO) under the U.S. Department of the Treasury to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance.

- *Privacy and Cybersecurity*

In the absence of a comprehensive federal privacy law, states are making a push towards privacy legislation. Personally identifiable information is used in support of many of the Company's business processes. For many years, the standard for protection and treatment of that data was benchmarked by privacy and security provisions of the federal Gramm-Leach-Bliley Act of 1999 (GLBA) and in the Health Insurance Portability and Accountability Act of 1996 (HIPAA). As consumers have grown more concerned about the protection of their data, as well as how their data is used by organizations, jurisdictions within and outside of the U.S. have created legislation and issued regulations that apply or may in the future apply to aspects of Aflac U.S. operations and allow consumers the right to access, correct, delete, or opt out of the sale, share, or use of their data. Although not all apply to Aflac U.S. operations, examples of these types of legislation include the California Consumer Privacy Act (CCPA), California Privacy Rights Act (CPRA), UK General Data Protection Regulation (UK GDPR), UK Data Protection Act of 2018 (UK DPA), Connecticut Data Privacy Act (CDPA), Utah Consumer Privacy Act (UCPA), Virginia Consumer Data Protection Act (VCDPA), Colorado Privacy Act (CPA), Oregon Consumer Privacy Act (OCPA), Montana Consumer Data Privacy Act (MCDPA) and Nebraska Data Privacy Act (NDPA).

Cybersecurity continues to be an area of evolving focus for legislation and regulatory activity. In addition to the information required by Item 1C. Cybersecurity of this report, industry regulators as well as the federal government have updated existing standards and increased their focus on enforcement. For example, the National Institute of Standards and Technology (NIST) issued an updated version of the Cybersecurity Framework as well as guidelines on managing risks associated with the use of artificial intelligence and the Cybersecurity & Infrastructure Security Agency (CISA) published additional security guidelines related to ransomware and software security. Additionally, certain states are adopting the NAIC Model Bulletin on the Use of Artificial Intelligence Systems by Insurers.

The Company has a cross-functional team that tracks and monitors new and emerging legislation and regulations to ensure privacy and cybersecurity programs are evaluated and comply with regulatory requirements. This includes a robust third-party risk management and assessment program. Over the last several years, processes have developed to support the data subject request process required by CCPA, privacy impact assessments have been implemented as required by CPRA and a dedicated privacy and security center has been added to the Company website to provide consumers with information about the use of and protection of their data.

For further information concerning Aflac U.S. operations, see the Aflac U.S. Segment subsection of Item 7. MD&A and Notes 2 and 13 of the Notes to the Consolidated Financial Statements.

## CORPORATE AND OTHER

The Company's other operations include the Parent Company, Aflac Global Ventures LLC and its subsidiaries, asset management subsidiaries, results of reinsurance activities including Aflac Re Bermuda Ltd. (Aflac Re), and a printing subsidiary.

Investments of Aflac U.S., as well as certain sub-advised assets of Aflac Japan, are managed by the Company's U.S. asset management subsidiary, Aflac Asset Management LLC (AAM), and investments of Aflac Japan are managed pursuant to an investment advisory agreement between Aflac Japan and the Company's asset management subsidiary in Japan, Aflac Asset Management Japan Ltd. (AAMJ). AAMJ is licensed as a discretionary asset manager under the Japan Financial Instruments and Exchange Act and is subject to rules of the Japan Investment Advisors Association, a self-regulatory organization with mandatory membership for Japan investment managers. AAM is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. AAM and AAMJ are reported in Corporate and other; however, the assets that they manage are reported in the respective Aflac Japan and Aflac U.S. segments.

Aflac Re is a Bermuda domiciled insurer that reinsures certain policies issued by ALIJ. Aflac Re is subject to regulation in Bermuda, where the Bermuda Monetary Authority (BMA) has broad administrative powers relating to granting and revoking licenses to transact reinsurance business, approval of specific reinsurance transactions, capital requirements and solvency standards, limitations on dividends to shareholders, the nature of and limitations on investments, and the filing of financial statements in accordance with prescribed or permitted accounting practices.

For additional information on the Company's other operations, see the Corporate and other subsection of Item 7. MD&A and Note 8 of the Notes to the Consolidated Financial Statements.

## HUMAN CAPITAL

The Company's overarching human capital philosophy is, "If you take care of your employees, your employees will take care of the business." The Company's compensation and benefit expense totaled approximately \$2.0 billion in 2024 and \$1.9 billion in 2023. The Company believes its employee relations are generally satisfactory.

The following table details the number of full-time employees as of December 31.

	2024
Aflac Japan	6,737
Aflac U.S.	5,041
Corporate and other	916
<b>Total</b>	<b>12,694</b>

### Talent

The Company uses internal and external resources to attract, retain and develop talent across a variety of backgrounds and demographics.

Aflac Japan seeks top-tier talent through annual recruitment of new university graduates as well as mid-career recruitment of those with specialty skills or expertise. For its employees, Aflac Japan implements standard and unified training and development programs focusing on a range of business skills. For example, Aflac Japan's Leadership Program allows select managers to participate in a comprehensive training program to learn about innovation and the global business environment. In 2024, Aflac Japan launched Aflac Leadership Academy, a corporate learning initiative specializing in the development of Aflac Japan's next-generation management. Aflac Japan implemented a human capital management system, beginning in January 2021 with managers and more senior leadership positions and in January 2022 with all other employees. Under the system, employees have access to descriptions and necessary skills for all job positions across the Company and are able to more proactively design their careers.

Aflac U.S. recruiting efforts include partnerships with colleges and universities and civic organizations to attract top-tier talent. Aflac U.S. also offers a variety of internships, co-operative opportunities and transitional programs to allow emerging talent to develop. Educational opportunities are available for self-development and growth to help employees further enhance their technical and professional skills.

### Compensation

The Aflac Japan and Aflac U.S. Human Resources divisions operate as centralized internal compensation functions to provide oversight and input to the respective management teams with the objective of providing compensation that is consistent with job scope, duties and responsibilities. The compensation function evaluates new-hire job offers, promotions and compensation adjustments with the goal of consistent and equitable compensation. Defined salary structures are reviewed regularly and updated utilizing market data. Job levels and associated compensation are determined based on annually updated market data, job scope, duties and responsibilities. Employee performance reviews are conducted annually and are factored into employee bonuses and salaries.

### Health and Wellness

In 2024, Aflac Japan was certified, for the seventh consecutive year, as one of the top 500 Leading Companies in Health and Productivity Management under the Certified Health & Productivity Management Outstanding Organizations Recognition Program with Japan's Ministry of Economy, Trade and Industry. This certification is awarded for best practices in employee health management, strategically focused work style and development of a socially appreciative work environment. Aflac Japan's current certification was in recognition of regular monitoring of key health indicators by members of Aflac Japan's management, strategic implementation of health management initiatives and disclosure of information, and efforts to promote and maintain employee health.

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Aflac U.S. Health and Wellness, a training and service program works to enhance organizational health, encourage healthy lifestyles among all U.S. employees, provide a variety of wellness programs to meet a wide range of personal health needs, recognize employees for participating in healthier lifestyles activities, and support a positive corporate culture that is focused on celebrating and improving the quality of life for all U.S. employees.

### Workforce Demographics

- As of December 31, 2024, women account for 55% of Aflac Japan employees and 34% of those in leadership roles. Women also held 19% of senior management roles.
- As of December 31, 2024, 48% of Aflac U.S. and the Parent Company employees located in the U.S. were people of color and 66% were women. Women also occupied 52% of leadership roles located in the U.S. and 36% of senior management roles. In 2024, 60% of new hires located in the U.S. were people of color and 69% were women.
- Established in 2009, Aflac Heartful Services Co., Ltd. (Aflac Heartful Services), a subsidiary of Aflac Japan, promotes the hiring of employees with disabilities. Aflac Heartful Services has established a barrier-free work environment and provides, among other things, specialized training, specially-trained supervisors and development opportunities to support those with disabilities. Of Aflac Heartful Services' 153 employees as of December 31, 2024, 119 have a disability. Aflac Heartful Services supports these employees with the assistance of advisors for long-term career support.

### Employee Engagement and Culture

The Company strives to have an engaged employee culture by developing programs including career development support and programs emphasizing work life balance. Each year, Aflac Japan conducts an employee engagement survey in which all employees answer questions about the company and their organization to measure engagement across the company and detect organizational issues. The results of the survey are reported to Aflac Japan's Human Capital Management Policy Committee to identify issues, formulate enhancement/improvement measures and implement them. Aflac U.S. provides an employee engagement survey every other year to employees to gather their views on company culture and satisfaction, and works with its leadership to monitor continuous improvements and enhance the employee experience.



## Information about the Company's Executive Officers

NAME	PRINCIPAL OCCUPATION <sup>(1)</sup>	AGE
Daniel P. Amos	Chairman, Aflac Incorporated and Aflac, since 2001; Chief Executive Officer, Aflac Incorporated and Aflac, since 1990; President, Aflac Incorporated, from 2024 until 2025	73
Steven K. Beaver	Executive Vice President, Chief Financial Officer, Aflac Japan, since 2024; First Senior Vice President, Deputy Chief Financial Officer, Aflac Japan, from 2023 until 2024; Senior Vice President, Chief Financial Officer, Aflac U.S., from 2019 until 2023	60
Robin L. Blackmon	Chief Accounting Officer, Aflac Incorporated, since 2024; Senior Vice President, Financial Services, Aflac Incorporated, since 2024; Vice President, Deputy Chief Accounting Officer, Aflac Incorporated, from 2023 until 2024; Vice President, Corporate Financial Planning and Analysis, Aflac Incorporated, from 2019 until 2023	61
Max K. Brodén	Senior Executive Vice President, Aflac Incorporated and Aflac, since 2025; Chief Financial Officer, Aflac Incorporated, since 2020; Executive Vice President, Aflac Incorporated and Aflac, from 2020 until 2025; Treasurer, Aflac, from 2017 until 2024; Treasurer, Aflac Incorporated from 2017 until 2021; Senior Vice President, Aflac Incorporated and Aflac, from 2017 until 2020	46
Bradley E. Dyslin	Executive Vice President, Global Chief Investment Officer, Aflac, since 2023; President, Aflac Asset Management LLC, since 2023; Deputy Global Chief Investment Officer, Aflac, from 2021 until 2023; Senior Managing Director, Global Head of Credit and Strategic Investment Opportunities, Aflac, from 2017 until 2021	59
Masatoshi Koide	President and Representative Director, Aflac Japan, since 2018 <sup>(2)</sup>	64
Charles D. Lake II	President, Aflac International, since 2014; Chairman and Representative Director, Aflac Japan, since 2018 <sup>(2)</sup>	63
Virgil R. Miller	President, Aflac Incorporated, since 2025; President, Aflac U.S., since 2023; Deputy President, Aflac U.S., from 2022 until 2023; Executive Vice President, President of Group and Individual Benefits Division, Aflac U.S., from 2021 until 2022; Executive Vice President, Chief Operating Officer, Aflac U.S., from 2018 until 2021	56
Frederic J. Simard	Executive Vice President, Aflac U.S., since 2025; Chief Operating Officer, Aflac U.S., since 2025; Chief Financial Officer, Aflac U.S., since 2023; Senior Vice President, Aflac U.S., from 2023 until 2025; Consultant, Gerson Lehrman Group, a financial services company, in 2023; Chief Financial Officer, North American Life and Health Division, General Electric Company, an industrial and financial services company, in 2022; Chief Financial Officer and Chief Actuary, Employee Benefits, The Guardian Life Insurance Company of America, a life insurance company, from 2018 until 2022	56
Audrey B. Tillman	Senior Executive Vice President, Aflac Incorporated and Aflac, since 2025; General Counsel, Aflac Incorporated and Aflac, since 2014; Executive Vice President, Aflac Incorporated and Aflac, from 2014 until 2025	60

<sup>(1)</sup> Unless specifically noted, the respective executive officer has held the occupation(s) set forth in the table for at least the last five years. Each executive officer is appointed annually by the board of directors and serves until his or her successor is chosen and qualified, or until his or her death, resignation or removal.

<sup>(2)</sup> In April 2018, Aflac Japan was converted to a Japan subsidiary from a branch of Aflac.



## ITEM 1A. RISK FACTORS

The Company faces a wide range of risks, and its continued success depends on its ability to identify, prioritize, and appropriately manage enterprise risk exposures. Readers should carefully consider each of the following risks and all of the other information set forth in this Form 10-K. These risks and other factors may affect forward-looking statements, including those in this document or made by the Company elsewhere, such as in earnings release webcasts, investor conference presentations or press releases. The risks and uncertainties described herein may not be the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial may also adversely affect its business. If any of the following risks and uncertainties develops into actual events, there could be a material impact on the Company.

### Investment and Markets Risk Factors

**Difficult conditions in global capital markets and the economy could have a material adverse effect on the Company's investments, capital position, revenue, profitability, and liquidity and harm the Company's business.**

The Company's results of operations are materially affected by conditions in the global capital markets and the global economy generally, including in its two primary operating markets of the U.S. and Japan. High rates of inflation globally from 2022 continued to be reduced due to monetary tightening in many countries and normalization of certain trends after COVID-19, including supply chain recovery and phasing out of extraordinary fiscal support. In the U.S. and other regions, inflation rates reduced to a level that supported monetary loosening by central banks, but the risk of a return to increasing inflation remains alongside risks of weakening economic conditions. The Bank of Japan remains an exception to the major central bank loosening trends, ending a prolonged period of negative interest rates on bank reserves in March 2024. Continuing armed conflicts in Ukraine and the Middle East exacerbate uncertainty and have contributed to volatility in energy and other commodity prices. Economic uncertainty is also driven by potential policy changes from a new presidential administration in the U.S. including proposals to impose trade tariffs and the potential for retaliatory tariffs from other countries, as well as increasing trade restrictions driven by security concerns. Continuing higher interest rates and softer economic conditions could impact the creditworthiness and value of the Company's existing investment portfolio, influence opportunities for new investments and have a negative impact on the Company's results of operations and financial positions.

The Company's investments are vulnerable to adverse market developments such as asset price volatility, lack of market liquidity, credit rating downgrades, payment defaults, asset restructurings, increased losses, and other risks. The Company has evaluated its holdings and identified investments in areas such as commercial real estate and highly leveraged companies as the most exposed to continued high interest rates and an economic downturn. These investments are experiencing and may continue to experience higher credit losses, credit rating downgrades and/or defaults and a deterioration in the value of collateral in the case of secured investments. The Company has examined in each case whether a reduction in size of the holdings is appropriate. The Company has identified assets impacted or expected to be impacted by continued high interest rates and economic contraction, but other investments not identified to date may also be impacted. The availability of new investments in certain private market asset classes has been and may continue to be limited. The Company may need to adjust its investment strategy and/or be forced to liquidate investments to pay claims. In addition, the continuing difference between interest rates in the U.S. and Japan contributed to a weakening of the yen over 2024, which had the effect of suppressing the Company's current period results in relation to the comparable prior period. The continuing difference between U.S. dollar and yen interest rates also contributes to costs of hedging currency risk of U.S. dollar-denominated investments held by Aflac Japan. The Company is not able to predict the ultimate impact of inflation, interest rate changes, interest rate differences and other changing market conditions on the Company's investments and hedging programs. See the risk factor below entitled, "The Company is exposed to significant interest rate risk, which may adversely affect its results of operations, financial condition and liquidity" for additional information. See the Investments and Results of Operations by Segment sections of Item 7. MD&A, for additional information.

As the Company holds a significant amount of fixed maturity securities issued by borrowers located in many different parts of the world, its financial results are directly influenced by global financial markets. Recent weakness in global capital markets could adversely affect the Company's financial condition, including its capital position and overall profitability. Market volatility and recessionary pressures could result in significant realized or unrealized losses due to severe price declines driven by high interest rates or increases in credit spreads, defaults in payment of principal or interest, or credit rating downgrades.

Japan is the largest market for the Company's insurance products, and the Company owns substantial holdings in Japan Government Bonds (JGBs). Government actions to stimulate the economy affect the value of the Company's existing

## Item 1A. Risk Factors

holdings, its reinvestment rate on new investments in JGBs or other yen-denominated assets, and consumer behavior relative to the Company's suite of insurance products. The additional government debt from fiscal stimulus actions could adversely impact the Japan sovereign credit profile, which could in turn lead to volatility in Japanese capital and currency markets. The Bank of Japan ended its policy of negative interest rates in March 2024, and uncertainty about future Japan interest rate changes and the impact of increased rates on the Japanese economy could also contribute to volatility in Japanese markets.

Should investors become concerned with any of the Company's investment holdings, including the concentration in JGBs, its access to market sources of funding could be negatively impacted. It is possible that lenders or debt investors may also become concerned if the Company incurs large investment losses or if the level of the Company's business activity decreases due to a market downturn or there are further adverse economic trends in the U.S. or Japan, specifically, or generally in developed markets.

The Company needs liquidity to pay its operating expenses, dividends on its common stock, interest on its debt, and liabilities. See the Liquidity and Capital Resources section of Item 7. MD&A, for additional information. In the event the Company's current resources do not meet its needs, the Company may need to seek additional financing. The Company's access to additional financing will depend on a variety of factors such as market conditions, the general availability of credit within the financial services industry and its credit rating. See the risk factor below entitled, "Any decrease in the Company's financial strength or debt ratings may have an adverse effect on its competitive position and access to liquidity and capital" for additional information.

Broad economic factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets and inflation, as well as ongoing central bank responses to these factors, all affect the business and economic environment and, indirectly, the amount and profitability of the Company's business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected. This adverse effect could be particularly significant for companies such as Aflac that distribute supplemental, discretionary insurance products primarily through the worksite in the event that economic conditions result in a decrease in the number of new hires and total employees. Adverse changes in the economy could potentially lead the Company's customers to be less inclined to purchase supplemental insurance coverage or to decide to cancel or modify existing insurance coverage. Further, Aflac U.S. may experience higher rates of policy lapses during periods of increased job turnover and workforce mobility within the U.S. economy. The above factors could adversely affect the Company's net earned premiums, results of operations and financial condition. The Company is unable to predict the course of the global financial markets or the recurrence, duration or severity of disruptions in such markets.

**Defaults, downgrades, widening credit spreads or other events impairing the value of the fixed maturity securities and loan receivables in the Company's investment portfolio may reduce the Company's earnings and capital position.**

The Company is subject to the risk that the issuers and/or guarantors of fixed maturity securities and loan receivables the Company owns may default on principal or interest. A significant portion of the Company's portfolio represents an unsecured obligation of the issuer, including some that may be subordinated to other debt in the issuer's capital structure. In these cases, many factors can influence the overall creditworthiness of the issuer and ultimately its ability to service and repay the Company's holdings. This can include changes in the global economy, the issuer's assets, strategy, or management, shifts in the dynamics of the industries in which the issuer competes, the issuer's access to additional funding, government trade policies and the overall health of the credit markets. Factors unique to the Company's securities including contractual protections such as financial covenants or relative position in the issuer's capital structure also influence the value of the Company's holdings. In addition, for investments representing secured obligations of an issuer, such as mortgage loan receivables, the underlying value of the collateral may not be sufficient to fully recover the amount of principal and interest owed to the Company if a default occurs.

Most of the Company's investments carry a rating by one or more of the Nationally Recognized Statistical Rating Organizations (NRSROs or rating agencies). Any change in the rating agencies' approach to evaluating credit and assigning an opinion could negatively impact the fair value of the Company's portfolio. Any expected or sustained credit deterioration of the Company's investments will negatively impact the Company's net income and capital position through credit impairment and other credit related losses. Credit related losses that are not temporary in nature would also affect the Company's solvency ratios in the U.S., Japan and Bermuda. Aflac Japan has certain regulatory accounting requirements for realizing impairments that could be triggered by credit-related losses, which may be different from U.S. GAAP and statutory requirements. These impairment losses could negatively impact Aflac Japan's earnings, and the

corresponding dividends and capital deployment. The Company is also subject to the risk that any collateral providing credit enhancement to the Company's investments could deteriorate.

The Company is also exposed to the general movement in credit market spreads. A widening of credit spreads could reduce the value of the Company's existing portfolio, create unrealized losses on its investment portfolio, and reduce the Company's adjusted capital position and/or the dividend capacity of the Company's insurance subsidiaries. A tightening of credit spreads could reduce the net investment income available to the Company on new credit investments. Increased market volatility also makes it difficult to value certain of the Company's investment holdings. For additional information, see the Critical Accounting Estimates section of Item 7. MD&A, and the Credit Risk subsection of Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

**The Company is exposed to significant interest rate risk, which may adversely affect its results of operations, financial condition and liquidity.**

The Company has substantial investment portfolios that support its policy liabilities. Interest rate risk is an inherent portfolio, business and capital risk for the Company, and significant changes in interest rates could have a material adverse effect on the Company's consolidated results of operations, financial condition or cash flows through realized losses, impairments, changes in unrealized positions, and liquidity. Changes in interest rates could also result in the Company having to recognize gains or losses because the Company disposes of some or all of its investments prior to their maturity.

The Company's exposure to interest rate risk relates primarily to the ability to invest future cash flows to support the interest rate assumption made at the time of the establishment of the Company's product pricing and reserving. Low levels of interest rates on investments experienced in Japan and the U.S. over the last decade have also reduced the level of investment income earned by the Company. In spite of recent decreases in interest rates in the U.S. and other regions and interest rate increases in Japan, interest rates in Japan remain lower than in the U.S., and the Company's overall level of investment income will continue to be negatively impacted from Japan's low interest rates from investments made in prior periods at lower rates and from decreasing rates in the U.S. While the Company generally seeks to maintain a diversified portfolio of fixed-income investments that reflects the cash flow and duration characteristics of the liabilities it supports, the Company may not be able to fully mitigate the interest rate risk of its assets relative to its liabilities. Prolonged periods of low interest rates also heighten the risk associated with future increases in interest rates because an increasing proportion of the Company's investment portfolio include investments that bear lower rates of return than the embedded book yield of the investment portfolio. The Company's current interest rate hedging programs are primarily focused on addressing risks of floating rate investments and are not designed to fully protect against the impact of interest rate changes on the Company.

A sustained decline in interest rates could hinder the Company's ability to earn the returns assumed in the pricing and the reserving for its insurance products at the time of sale and issue and may also influence the Company's ability to develop and price attractive new products and could impact its overall sales levels. The Company's first sector products are more interest rate sensitive than third sector products. While the Bank of Japan ended its negative interest rate policy in March of 2024, low interest rates in Japan could continue to have a negative impact on the distribution and pricing of these products. Additionally, a decrease in interest rates increases the fair value of the Company's fixed maturity investments, which could result in increases to the Company's overall equity. However, the decrease in interest rates increases the liability for future policy benefits (LFPB), which could result in reductions to the Company's overall equity.

Conversely and concurrently, a rise in interest rates would improve the Company's ability to earn higher rates of return on future investments, as well as floating rate investments held in its investment portfolio. A rise in interest rates also decreases the LFPB, which could result in increases to the Company's overall equity. However, rising interest rates negatively impact the fair values of the Company's fixed maturity investments which could result in reductions to the Company's overall equity. Portfolio management considerations, the availability of investments, as well as declines in fair value may constrain the ability of the Company to transition its investments to higher rate securities. Significant increases in interest rates could cause declines in the values of the Company's investment portfolio which have a secondary impact on the Company's overall evaluation of its deferred tax asset position. An increase in the differential of short-term U.S. and Japan interest rates would also increase the cost of hedging a portion of the U.S. dollar-denominated assets in the Aflac Japan segment into yen, which could have a material adverse effect on the Company's business, results of operations or financial condition. Further, some of the insurance products that Aflac sells in the U.S. and Japan provide cash surrender values, and a rise in interest rates could trigger significant policy surrenders, which might require the Company to sell investment assets and recognize unrealized losses. Rising interest rates also negatively impact capital ratios in certain jurisdictions because unrealized losses on the available-for-sale investment portfolio factor into the ratio. In addition to the unrealized losses negatively impacting capital ratios, significant unrealized losses could impact the amount of dividends

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that could be paid under local regulations, including in Japan. For Aflac Japan, rising interest rates and widening credit spreads, which reduce the fair value of Aflac Japan's fixed-maturity investments, when combined with a strengthening yen, and the resulting decrease in the yen value of Aflac Japan's U.S. dollar-denominated fixed-maturity investments, have a negative impact on Aflac Japan's regulatory capital. For regulatory accounting purposes for Aflac Japan, there are also certain requirements for realizing impairments that could be triggered by rising interest rates, negatively impacting Aflac Japan's regulatory earnings and corresponding dividends and capital deployment.

See the Interest Rate Risk subsection of Item 7A. Quantitative and Qualitative Disclosures about Market Risk for additional information.

### **The Company's concentration of business in Japan poses risks to its operations and financial condition.**

Aflac Japan's adjusted revenues accounted for 55% of the Company's total adjusted revenues in 2024, compared with 60% in 2023 and 64% in 2022. The percentage of the Company's total assets attributable to Aflac Japan was 77% at December 31, 2024, compared with 80% at December 31, 2023. See Note 2 of the Notes to the Consolidated Financial Statements for additional information.

Any potential deterioration in Japan's credit quality or access to markets, the overall economy of Japan, or an increase in Japanese market volatility could adversely impact Aflac Japan's operations and its financial condition and thereby Aflac's overall financial performance. Further, because of the concentration of the Company's business in Japan and its need for long-dated yen-denominated assets, the Company has a substantial concentration of JGBs in its investment portfolio exposing the Company to credit deterioration and potential downgrades of JGBs. See the risk factor entitled "Any decrease in the Company's financial strength or debt ratings may have an adverse effect on its competitive position and access to liquidity and capital" for additional information.

The Company seeks to match investment currency and interest rate risk to its yen liabilities. The low interest rates on yen-denominated securities has a negative effect on overall net investment income. A large portion of the cash available for reinvestment each year is deployed in yen-denominated instruments and subject to the low level of yen interest rates.

### **Lack of availability of acceptable yen-denominated investments could adversely affect the Company's results of operations, financial position or liquidity.**

The Company aims to match both the duration and currency of its assets with its liabilities. This is very difficult for Aflac Japan and Aflac Re due to the lack of available long-dated yen-denominated fixed income instruments beyond JGBs.

Aflac Japan's investment strategy includes U.S. dollar-denominated investments. This program includes public investment-grade bonds as well as U.S. dollar-denominated investment-grade commercial mortgage loans, middle market loans, infrastructure debt, collateralized loan obligations and other loan types, high yield bond and public and private equities. The Company plans to continue adding other instruments denominated in U.S. dollars, including floating rate investments, to improve the portfolio diversification and/or return profile. Some of the U.S. dollar-denominated asset classes that the Company has added, and anticipates continuing to add, have less liquidity than investment-grade corporate bonds. Aflac Re's investment strategy also includes U.S. dollar-denominated investments that are presently comprised exclusively of public investment-grade bonds.

Investing in U.S. dollar-denominated investments in Aflac Japan and Aflac Re creates an unmatched foreign currency exposure and related capital ratio volatility, as both Aflac Japan and Aflac Re insurance liabilities are yen-denominated. Although the Company engages in certain foreign exchange hedging activities to partially mitigate this risk, and such hedged assets may be used to satisfy yen-denominated insurance liabilities and other business obligations, important risks remain.

In recent years, the Company has reduced the proportion of U.S. dollar-denominated investments that are subject to a currency hedge, and this proportion continues to be subject to change at the Company's discretion. The Company has increased U.S. dollar risk exposure as the comprehensive hedging program may not always correlate to the underlying U.S. dollar-denominated assets, thereby increasing earnings volatility. These risks can significantly impact the Company's consolidated results of operations, financial position or liquidity.

Further, foreign exchange derivatives used for hedging are periodically settled, which results in cash receipt or payment at maturity or early termination. Cumulative net cash settlements on derivatives hedging currency exposure of Aflac Japan's U.S. dollar-denominated investments are associated with existing U.S. dollar-denominated investments that continue to be hedged, previously hedged investments that continue to be held but are no longer hedged, and investments previously

## Item 1A. Risk Factors

hedged that have since been sold, matured or redeemed and may or may not have not been converted to yen. The Company's foreign exchange derivatives are typically shorter-dated than the underlying U.S. dollar-denominated investments being hedged, which creates roll-over risks within the hedging program that could increase the cost of such derivatives. If the Company reduces the notional amount of foreign exchange derivatives prior to the maturity of the hedged U.S. dollar-denominated investments, the foreign exchange gains or losses on the U.S. dollar-denominated investments remain economically unrealized. These foreign currency gains or losses on the investments are only economically realized, or monetized, through sale, maturity or redemption of the investments and concurrent conversion to yen. However, the Company may not realize the benefit of offsetting adverse cash settlements on hedging derivatives with cash receipts on the U.S. dollar-denominated investments if the currency exchange rates move in an adverse direction before the investments are converted to yen, or if the investments are never converted to yen. As an example of the latter, if the Company's actual insurance risk experience in Japan is as expected or more favorable than expected, the need for yen to pay expenses and claims would correspondingly remain at or below expected levels, thereby diminishing operational requirements to convert U.S. dollar-denominated investments to yen. The settlement of the foreign exchange derivatives is reported in the investing activities section of the Company's consolidated statements of cash flows in the line item settlement of derivatives, net.

See the risk factor entitled "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate", the Hedging Activities subsection of Item 7. MD&A, and the Currency Risk subsection of Item 7A. Quantitative and Qualitative Disclosures about Market Risk for additional information.

### **The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate.**

Due to the size of Aflac Japan, where functional currency is the Japanese yen, fluctuations in the exchange rate between the yen and the U.S. dollar can have a significant effect on the Company's reported financial position and results of operations. Aflac Japan's premiums and a significant portion of its investment income are received in yen, and its claims and almost all expenses are paid in yen. Aflac Japan purchases yen-denominated assets and U.S. dollar-denominated assets, which may be hedged to yen, to support yen-denominated policy liabilities. Certain unhedged U.S. dollar denominated assets and liabilities held by Aflac Japan are re-measured to yen with the volatility reported in earnings. Furthermore, the yen-denominated balance sheet of Aflac Japan is translated into U.S. dollars for financial reporting purposes with foreign exchange impact reflected in equity. Accordingly, fluctuations in the yen/dollar exchange rate can have a significant effect on the Company's reported financial position and results of operations. Yen weakening has the effect of suppressing current year results in relation to the prior year, while yen strengthening has the effect of magnifying current year results in relation to the prior year. In addition, the weakening of the yen relative to the U.S. dollar will generally adversely affect the value of the Company's yen-denominated investments in U.S. dollar terms. When the yen strengthens in relation to the U.S. dollar, the yen value of Aflac Japan's unhedged U.S. dollar-denominated investments decreases, resulting in a decrease in Aflac Japan regulatory capital. Further, unhedged U.S. dollar-denominated securities held by Aflac Japan are exposed to foreign exchange fluctuations, which also impact Aflac Japan regulatory capital. As a result, periods of unusually volatile currency exchange rates could result in limitations on dividends available to the Parent Company.

The Company engages in certain foreign currency hedging activities to hedge the exposure to yen from its net investment in Japanese operations. These hedging activities are limited in scope, and the Company cannot provide assurance that these activities will be effective. In addition, an increase in the difference between short-term U.S. and Japan interest rates would increase the cost of hedging a portion of the U.S. dollar-denominated assets in the Aflac Japan segment into yen, which could have a material adverse effect on the Company's business, results of operations or financial condition. As indicated in MD&A, the Company has determined that the unhedged U.S. dollar-denominated investment portfolio acts as a natural economic currency hedge of a portion of the Company's investment in Aflac Japan against erosion of economic value. At the same time, the unhedged U.S. dollar-denominated investment portfolio creates an unmatched foreign currency exposure and subjects Aflac Japan to volatility in regulatory capital and earnings, which may adversely impact Aflac Japan's ability to pay dividends to the Parent Company. The Company has historically maintained and currently maintains the size of the unhedged portfolio at levels below the economic equity surplus in Aflac Japan, but there can be no assurance that this strategy will be successful.

For regulatory accounting purposes, there are certain requirements for realizing impairments that could be triggered by changes in the rate of exchange between the yen and U.S. dollar and could negatively impact Aflac Japan's earnings and the corresponding dividends and capital deployment.

Additionally, the Company is exposed to currency risk when yen cash flows are converted into U.S. dollars, resulting in changes in the Company's U.S. dollar-denominated cash flows and earnings when exchange gains or losses, respectively, are realized. This primarily occurs when Aflac Japan pays dividends in yen to the Parent Company, but it also

## Item 1A. Risk Factors

has an impact when cash in the form of yen is converted to U.S. dollars for investment into U.S. dollar-denominated assets. The exchange rates prevailing at the time of dividend payment may differ from the exchange rates prevailing at the time the yen profits were earned. The Parent Company utilizes forward contracts to accomplish a dual objective of hedging foreign currency exchange rate risk related to dividend payments by Aflac Japan, and reducing enterprise-wide hedge costs. However, if the markets experience a significant strengthening of yen, this could cause cash strain at the Parent Company as a result of cash collateral and potentially cash settlement requirements. Based on the timing and severity of exchange rate fluctuations combined with the level of outstanding activity in this program, the cash strain at the Parent Company could be significant.

For additional information regarding unhedged U.S. dollar-denominated securities, see the risk factor above entitled, "Lack of availability of acceptable yen-denominated investments could adversely affect the Company's results of operations, financial position or liquidity". See the Currency Risk subsection of Item 7A. Quantitative and Qualitative Disclosures about Market Risk for additional information.

**The valuation of the Company's investments and derivatives includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may adversely affect the Company's results of operations or financial condition.**

The Company reports a significant amount of its fixed maturity securities and other investments at fair value. As such, valuations may include inputs and assumptions that are less observable or require greater estimation and valuation methods that are more sophisticated, thereby resulting in values that may be greater or less than the value at which the investments may be ultimately sold. Rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within the Company's consolidated financial statements and the period-to-period changes in value could vary significantly.

Valuations of the Company's derivatives fluctuate with changes in underlying market variables, such as interest rates and foreign currency exchange rates. During periods of market turbulence created by political instability, economic uncertainty, government interventions or other factors, the Company may experience significant changes in the volatility of its derivative valuations. Extreme market conditions can also affect the liquidity of such instruments creating marked differences in transaction levels and counterparty valuations. Depending on the severity and direction of the movements in its derivative valuations, the Company will face increases in the amount of collateral required to be posted with its counterparties. Liquidity stresses to the Company may also occur if the required collateral amounts increase significantly over a very short period of time. Conversely, the Company may be exposed to an increase in counterparty credit risk for short periods of time while calling collateral from its counterparties.

See the Critical Accounting Estimates section of Item 7. MD&A, and Notes 1, 3, 4, and 5 of the Notes to the Consolidated Financial Statements for additional information.

**The determination of the amount of expected credit losses recorded on the Company's investments is based on significant valuation judgments and could materially impact its results of operations or financial position.**

The Company estimates an expected lifetime credit loss on investments measured at amortized cost including held-to-maturity fixed maturity securities, loan receivables and loan commitments. For collateral dependent financial assets, including loans where foreclosure is probable, expected credit losses are based on the fair value of the underlying collateral. For the Company's available-for-sale fixed maturity securities, the Company evaluates estimated credit losses only when the fair value of the available-for-sale fixed maturity security is below its amortized cost basis.

The Company's approach to estimating credit losses is complex and incorporates significant judgments. In addition to a security, or an asset class, or issuer-specific credit fundamentals, it considers relevant historical information (e.g. loss statistics), current market conditions and reasonable and supportable micro and macroeconomic forecasts. The Company's management updates its expected credit loss assumptions regularly as conditions change and as new information becomes available and reflects expected credit losses in the Company's earnings when considered necessary. Furthermore, additional credit losses may need to be taken in the future. Historical trends may not be indicative of future expectations of credit losses. See Note 3 of the Notes to the Consolidated Financial Statements for additional information.

The Company cannot provide assurance that these evaluations will be accurate and effective. If the Company's estimates of credit losses are not accurate and actual credit losses are higher than the Company's estimates, the Company's net income and capital position will be negatively impacted. These higher losses would also negatively affect the Company's solvency ratios in the U.S., Japan and Bermuda.

For regulatory accounting purposes for Aflac Japan, there are certain requirements for realizing impairments that could be triggered by rising interest rates, credit-related losses, or changes in foreign exchange, negatively impacting Aflac Japan's earnings and corresponding dividend and capital deployment.

**Any decrease in the Company's financial strength or debt ratings may have an adverse effect on its competitive position and access to liquidity and capital.**

NRSROs may change their ratings or outlook on an insurer's ratings due to a variety of factors including but not limited to competitive position; profitability; cash generation and other sources of liquidity; capital levels; quality of the investment portfolio; and perception of management capabilities. The ratings assigned to the Company by the NRSROs are important factors in the Company's ability to access liquidity and capital from the bank market, debt capital markets or other available sources, such as reinsurance transactions. Downgrades of the Company's credit ratings could give its derivative counterparties the right to require early termination of derivatives transactions or delivery of additional collateral, thereby adversely affecting the Company's liquidity.

Downgrades of the Company's ratings could also have a material adverse effect on agent recruiting and retention, sales, competitiveness and the marketability of its products, all of which could negatively impact the Company's liquidity, operating results and financial condition. Additionally, sales through the bank channel in Japan could be adversely affected as a result of their reliance on and sensitivity to ratings levels.

The Company cannot predict what actions rating agencies may take, or what actions the Company may take in response to the actions of rating agencies. As with other companies in the financial services industry, the Company's ratings could be downgraded at any time and without any notice by any NRSRO.

**A decline in the creditworthiness of other financial institutions could adversely affect the Company.**

The Company has exposure to and routinely executes transactions with counterparties in the financial services industry, including broker dealers, derivative counterparties, commercial banks and other institutions. The Company uses derivative instruments to mitigate various risks associated with its investment portfolio, notes payable, and subsidiary dividends. The Company's use of derivatives results in financial exposure to derivative counterparties. If the Company's counterparties fail or refuse to honor their obligations under derivative instruments, the Company's hedges of the risks will be ineffective, and the Company's financial condition and results of operations could be adversely affected.

The Company engages in derivative transactions directly with affiliates and unaffiliated third parties under International Swaps and Derivatives Association, Inc. (ISDA) agreements and other documentation. Most of the ISDA agreements also include Credit Support Annexes (CSAs), which generally provide for two-way collateral postings at the first dollar of exposure. In addition, a significant portion of the derivative transactions have provisions that give the counterparty the right to terminate the transaction upon a downgrade of Aflac's financial strength rating. The actual amount of payments that the Company could be required to make depends on market conditions, the fair value of outstanding affected transactions, and other factors prevailing at and after the time of the downgrade. If the Company is required to post collateral to support derivative contracts and/or pay cash to settle the contracts at maturity, the Company's liquidity could be strained. In addition, the Company's cleared swaps result in counterparty exposure to clearing brokers and central clearinghouses; while this exposure is mitigated in part by clearinghouse and clearing broker capital and regulation, no assurance can be provided that these counterparties will fulfill their obligations. The Company also has exposure to counterparties to securities lending transactions in the event they fail to return loaned securities. The Company is also exposed to the risk that there may be a decline in value of securities posted as collateral for securities lending programs or a decline in value of investments made with cash posted as collateral for such programs.

Further, the Company has agreements with various Japanese financial institutions for the distribution of its insurance products. For example, at December 31, 2024, the Company had agreements with 360 banks to market Aflac's products in Japan. Sales through these banks represented 3% of Aflac Japan's new annualized premium sales in 2024. Any material adverse effect on these or other financial institutions could also have an adverse effect on the Company's sales.

The Company has entered into significant reinsurance transactions with large, highly rated counterparties as well as among the Company's subsidiaries. In addition, Aflac Japan has entered into reinsurance transactions with Aflac Re, which has less capital than external counterparties with which the Company has conducted reinsurance transactions in the past. Negative events or developments affecting any one of these counterparties could have an adverse effect on the Company's financial position or results of operations.



## Item 1A. Risk Factors

All of these risks related to exposure to other financial institutions could adversely impact the Company's consolidated results of operations and financial condition.

### Operational-Related Risk Factors

**Sales of the Company's products and services are dependent on its ability to attract, retain and support a network of qualified sales associates, brokers and employees in the U.S. and sales associates and other distribution partners in Japan.**

The Company's sales, results of operations and financial condition could be materially adversely affected if its sales networks deteriorate or if the Company does not adequately provide support, training and education for its existing network of sales associates, brokers, other distribution partners and employees. In the U.S., competition exists for sales associates and brokers with demonstrated ability. Further, low rates of unemployment, such as those currently reflected in the U.S. employment market, tend to make it more difficult for Aflac U.S. to maintain its network of sales associates. In Japan, the Company's sales results are dependent upon its relationship with sales associates and other distribution partners, including Japan Post Group, which in recent periods has accounted for a significant portion of Aflac Japan's total sales.

The Company competes with other insurers and financial institutions primarily on the basis of its products, compensation, support services and financial rating. The Company's sales associates, brokers and other distribution partners are independent contractors and may sell products of its competitors. If the Company's competitors offer products that are more attractive, or pay higher commissions than the Company does, any or all of these distribution partners may concentrate their efforts on selling the Company's competitors' products instead of the Company's. In addition to the Company's commissioned sales force in the U.S., Aflac has expanded its sales leadership team to include a salaried sales force of over 200 market directors and broker sales professionals. The Company's inability to attract and retain qualified sales associates, brokers and other distribution partners, including its alliance partners in Japan, could have a material adverse effect on the Company's sales, results of operations and financial condition.

Additionally, as the Japan and U.S. employment markets continue to evolve, there is risk that the Company's practices regarding attracting, developing, and retaining employees may not be fully effective. Employees may leave the Company or choose other employers over the Company due to various factors, including a competitive labor market. Although Aflac U.S. has not experienced any material labor shortage to date, it has experienced elevated levels of workforce turnover and there has been an overall tightening of, and increased competition within, the U.S. labor market. These conditions, together with higher levels of inflation may result in increased operating expenses. A sustained labor shortage or continuing increased turnover rates within the Aflac U.S. workforce, due to labor market factors or the state of the U.S. economy, could lead to increased costs of the day-to-day operation of the Aflac U.S. business, the inability to hire and retain employees, or the outsourcing of certain operations. Failure to successfully meet and maintain sufficient levels of employees may diminish the Company's ability to achieve its financial and compliance objectives, both of which are time consuming and personnel-intensive.

**If future policy benefits, claims or expenses exceed those anticipated in establishing premiums and reserves, the Company's financial results would be adversely affected.**

The assumptions and estimates that the Company uses in establishing premiums and reserves depend on the Company's judgment regarding the likelihood of future events and are inherently uncertain. Many factors can cause actual outcomes to deviate from these assumptions and estimates, such as changes in incidence rates, economic conditions, changes in government healthcare policy, advances in medical technology, changes in treatment patterns, and changes in average lifespan. Accordingly, the Company cannot determine with precision the ultimate amounts that it will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the policy liabilities will grow to the level the Company assumes prior to payment of benefits or claims. If the Company's actual experience is different from its assumptions or estimates, the Company's premiums and reserves may prove inadequate. Reserve assumptions are regularly reviewed by the Company and may be revised if future expectations change. These experience deviations and assumption updates could have a material adverse effect on the Company's business, results of operations and financial condition.

**The success of the Company's business depends in part on effective information technology systems, on continuing to develop and implement improvements in technology, and on successful execution of revenue growth and expense management initiatives.**

The Company's business depends in large part on its technology systems for interacting with employers, policyholders, sales associates, and brokers, and the Company's business strategy involves providing customers with easy-to-use products to meet their needs and ensuring employees have the technology in place to support those needs. Some of the Company's information technology systems and software are older, legacy-type systems that are less efficient and require an ongoing commitment of significant resources to maintain or upgrade to current standards including adequate business continuity procedures. As such, the Company is investing in technology and other capabilities to continuously enhance its customer experience, while also seeking to increase efficiencies. The Company is also developing new and innovative products and enhancing existing products. The Company will continue to incur expenses related to, among other things, investments in digital capabilities and product innovation including the development and use of artificial intelligence (AI). The Company's development of new technology, including the use of AI by the Company and third-party vendors, could lead to an increased risk of a business interruption or a cybersecurity breach. Further, the Company's long-term strategy depends on successful operational execution and its ability to execute on its transformational initiatives, including investments in technology and other initiatives intended to grow revenue and control expenses, combined with its ability to achieve efficiencies and attract and retain personnel. If the Company does not maintain the effectiveness of its systems and continue to develop and enhance information systems that support its business processes in a cost-efficient manner, the Company's sales, business retention, operations and reputation could be adversely affected and it could be exposed to litigation, regulatory proceedings and fines or penalties.

**Interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality, integrity or privacy of sensitive data residing on such systems, could harm the Company's business.**

The Company stores confidential policyholder, employee, agent, broker, and other proprietary information on its information technology systems. The Company also depends heavily on its telecommunication, information technology and other operational systems and on the integrity and timeliness of data it uses to run its businesses and service its customers. The Company's information technology and other systems, as well as those of third-party providers and participants in the Company's distribution channels, have been and will likely continue to be subject to physical or electronic break-ins, unauthorized tampering, security breaches, social engineering, phishing, web application attacks, computer viruses or other malicious codes, or other cyber-related attacks, that may result in the failure to adequately maintain the security, confidentiality, integrity, or privacy of sensitive data, including personal information relating to customers and prospective customers, or in the misappropriation of the Company's intellectual property or proprietary information. The risk of a cyber incident impacting business operations has grown as third parties continue to develop new and highly sophisticated methods of attack. The Company and its third-parties or vendors have and may continue to experience outages or cyberattacks that disrupt the operations or impact the confidentiality, availability or integrity of information, which may result in operational, legal, regulatory or financial harm. Furthermore, depending upon the type of attack, it could impact the confidentiality, integrity and/or availability of IT systems and data, disrupting business operations and resulting in the loss of consumer confidence. Although the Company attempts to manage its exposure to such events through the purchase of cyber liability insurance, such events are inherently unpredictable, and insurance may not be sufficient to protect the Company against all losses. As a result, events such as these could adversely affect the Company's financial condition or results of operation. Although the minor data leakage issues the Company has experienced to date have not had a material effect on its business, there is no assurance that the Company's security systems or processes will prevent or mitigate future break-ins, tampering, security breaches or other cyber-related attacks. As the Company pursues IT transformation and increased cloud adoption, it inherently exposes the Company to potential cyber related attacks.

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, whether due to actions by the Company or others, including third-party providers and participants in the company's distribution channels, could delay or disrupt the Company's ability to do business and service its customers, seriously harm the Company's brand, reputation, and ability to compete effectively, subject it to regulatory sanctions and other claims, lead to a loss of customers and revenues and otherwise adversely affect the Company's business. In addition, the costs to address or remediate system interruptions or security threats and vulnerabilities, whether before or after an incident, could be significant.

**As a holding company, the Parent Company depends on the ability of its subsidiaries to transfer funds to it to meet its debt service and other obligations and to pay dividends on its common stock.**

The Parent Company is a holding company and has no direct operations, and its most significant assets are the stock of its subsidiaries. Because the Parent Company conducts its operations through its operating subsidiaries, the Parent Company depends on those entities for dividends and other payments to generate the funds necessary to meet its debt service and other obligations, to pay dividends on and conduct repurchases of its common stock, and to make investments into its subsidiaries or external opportunities.

Aflac is domiciled in Nebraska and is subject to insurance regulations that impose certain limitations and restrictions on payments of dividends, management fees, loans and advances by Aflac to the Parent Company. The Nebraska insurance statutes require prior approval for dividend distributions that exceed the greater of the net income from operations, which excludes net realized investment gains, for the previous year determined under statutory accounting principles, or 10% of statutory capital and surplus as of the previous year-end. The Nebraska insurance department also must approve service arrangements and other transactions within the affiliated group of companies. After the Japan branch conversion, the Nebraska insurance department and the FSA approved their respective domiciled insurance company service arrangements and transactions. The FSA does not allow dividends or other payments from Aflac Japan unless it meets certain financial criteria as governed by Japanese corporate law. Under these criteria, dividend capacity at the Japan subsidiary will be defined as retained earnings plus other capital reserve less net after-tax net unrealized losses on available-for-sale securities.

The ability of Aflac and Aflac Japan to pay dividends or make other payments to the Parent Company could also be constrained by the Company's dependency on financial strength ratings from independent rating agencies. The Company's ratings from these agencies depend to a large extent on Aflac's capitalization level. Any inability of Aflac to pay dividends or make other payments to the Parent Company could have a material adverse effect on the Company's financial condition and results of operations.

For the foregoing reasons, there is no assurance that the earnings from, or other available assets of, the Parent Company's operating subsidiaries will be sufficient to make distributions to enable the Company to operate.

**The Company's risk management policies and procedures may prove to be ineffective and leave the Company exposed to unidentified or unanticipated risk, which could adversely affect the Company's businesses or result in losses.**

The Company has developed an enterprise-wide risk management and governance framework to mitigate risk and loss to the Company. The Company maintains policies, procedures and controls intended to identify, measure, monitor, report and analyze the risks to which the Company is exposed. However, there are inherent limitations to risk management strategies because risk may exist, or emerge in the future, that the Company has not appropriately anticipated or identified. If the Company's risk management framework proves ineffective, the Company may suffer unexpected losses and could be materially adversely affected. As the Company's businesses change and the markets in which it operates evolve, the Company's risk management framework may not evolve at the same pace as those changes, and risks may not be appropriately identified, monitored or managed. In times of market stress, unanticipated market movements or unanticipated claims experience resulting from greater than expected morbidity, mortality, longevity, or persistency, the effectiveness of the Company's risk management strategies may be limited, resulting in losses to the Company. Under difficult or less liquid market conditions, the Company's risk management strategies may be ineffective or more difficult or expensive to execute because other market participants may be using the same or similar strategies to manage risk.

Many of the Company's risk management strategies or techniques are based upon historical customer and market behavior and all such strategies and techniques are based to some degree on management's subjective judgment. The Company cannot provide assurance that its risk management framework, including the underlying assumptions or strategies, will be accurate and effective.

Management of operational, legal and regulatory risks requires, among other things, policies, procedures and controls to record properly and verify a large number of transactions and events, and these policies, procedures and controls may not be fully effective. The Company's businesses and corporate areas primarily use models to project future cash flows associated with pricing products, calculating reserves and valuing assets, and evaluating risk and determining capital requirements, among other uses. These models are utilized under a risk management policy approved by the Company's executive risk management committees, however, the models may not operate properly and rely on assumptions and projections that are inherently uncertain. As the Company's businesses continue to grow and evolve, the number and

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complexity of models the Company utilizes expands, increasing the Company's exposure to error in the design, implementation or use of models, including the associated input data and assumptions.

Past or future misconduct by the Company's employees or employees of third parties (suppliers which are cost-based relationships and alliance partners which are revenue-generating relationships) could result in violations of law by the Company, regulatory sanctions and/or serious reputational or financial harm, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Despite the Company's published Supplier Code of Conduct, due diligence of the Company's alliance partners, and rigorous contracting procedures (including financial, legal, IT security, AI and risk reviews), there can be no assurance that controls and procedures that the Company employs will be effective. Additionally, the use of third parties also poses operational risks that could result in financial loss, operational disruption, brand damage, or compliance issues. Inadequate oversight of the Company's third-party suppliers due to the lack of policies, procedures, training and governance may lead to financial loss or damage to the Aflac brand.

**The use of third-party vendors to support the Company's operations makes the Company susceptible to the operational risk of those third parties, which could lower revenues, increase costs, reduce profits, disrupt business, or damage the Company's reputation.**

The Company utilizes third-party vendors to provide certain business support services and functions, which exposes the Company to risks outside the control of the Company that may lead to business disruptions. The reliance on these third-party vendors creates a number of business risks, such as the risk that the Company may not maintain service quality, control or effective management of the outsourced business operations and that the Company cannot control the information systems, facilities or networks of such third-party vendors. Additionally, the Company is at risk of being unable to meet legal, regulatory, financial or customer obligations if the information systems, facilities or networks of a third-party vendor are disrupted, damaged or fail, whether due to physical disruptions, such as fire, natural disaster, pandemic or power outage, or due to cybersecurity incidents, ransomware or other impacts to vendors, including labor strikes, political unrest and terrorist attacks. Since certain third-party vendors conduct operations for the Company outside the U.S., the political and military events in foreign jurisdictions could have an adverse impact on the Company's outsourced operations. The Company may be adversely affected by a third-party vendor who operates in a poorly controlled manner or fails to deliver contracted services, which could lower revenues, increase costs, reduce profits, disrupt business, or damage the Company's reputation.

### Regulatory Risk Factors

**Tax rates applicable to the Company may change.**

The Company is subject to taxation in Japan, and in the U.S. under federal and numerous state and local tax jurisdictions. In preparing the Company's financial statements, the Company estimates the amount of tax that will become payable, but the Company's effective tax rate may be different than estimates due to numerous factors including accounting for income taxes, the mix of earnings from Japan and the U.S., the results of tax audits, adjustments to the value of uncertain tax positions, changes to estimates and other factors. Further, changes in U.S. or Japan tax laws or interpretations of such laws could increase the Company's corporate taxes and reduce earnings.

In addition, it remains difficult to predict the timing and effect that future tax law changes could have on the Company's earnings both in the U.S. and in foreign jurisdictions. Any of these factors could cause the Company to experience an effective tax rate significantly different from previous periods or the Company's current estimates. If the Company's effective tax rate were to increase, the Company's financial condition and results of operations could be adversely affected.

**If the Company fails to comply with restrictions on customer privacy and information security, including taking steps to ensure that its third-party service providers and business associates who access, store, process or transmit sensitive customer information maintain its security, integrity, confidentiality and availability, the Company's reputation and business operations could be materially adversely affected.**

The collection, maintenance, use, protection, disclosure and disposal of individually identifiable data by the Company's businesses are regulated at the international, federal and state levels. These laws and rules are subject to change by legislation or administrative or judicial interpretation. With regard to personal information obtained from policyholders, the insured, or others, Aflac Japan is regulated in Japan by the APPI and guidelines issued by FSA and other governmental authorities.

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Various state laws in the U.S. address the unauthorized access and acquisition of personal information and the use and disclosure of individually identifiable health data. HIPAA requires the Company to impose privacy and security requirements on its business associates (as such term is defined in the HIPAA regulations). Several states, including California and New York, have made changes to their privacy or cybersecurity laws or regulations in recent years. Additionally, the U.S. Congress and many states are considering new privacy and security requirements that would apply to the Company's business. Compliance with new privacy and security laws, requirements, and new regulations may result in cost increases due to necessary systems changes, new limitations or constraints on the Company's business models, the development of new administrative processes, and the effects of potential noncompliance by the Company's business associates. They also may impose further restrictions on the Company's collection, disclosure and use of customer identifiable data that are housed in one or more of the Company's administrative databases. Noncompliance with any privacy laws or any security breach involving the misappropriation, loss, theft or other unauthorized disclosure of sensitive or confidential customer information, whether by the Company or by one of its third parties, could have a material adverse effect on the Company's business, reputation, brand and results of operations, including: material fines and penalties; compensatory, special, punitive and statutory damages; consent orders regarding the Company's privacy and security practices; adverse actions against the Company's licenses to do business; and injunctive relief.

Under Japanese laws and regulations, including the APPI, if a leak or loss of personal information by Aflac Japan or its business associates should occur, depending on factors such as the volume of personal data involved and the likelihood of other secondary damage, Aflac Japan may be required to file reports to the FSA; issue public releases explaining such incident to the public; or become subject to an FSA business improvement order, which could pose a risk to the Company's reputation.

Although the Company provides for appropriate protections through its contracts and performs information security risk assessments of its third-party service providers and business associates, the Company still has limited control over their actions and practices. In addition, despite the security measures the Company has in place to ensure compliance with applicable laws and rules, the Company's facilities and systems, and those of the Company's third-party providers and participants in its distribution channels may be vulnerable to security breaches, acts of vandalism or theft, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. From time to time, the Company, its third-party providers and participants in the Company's distribution channels have experienced and will likely continue to experience such events. In such cases, notification to affected individuals, state and federal regulators, state attorneys general and media may be required, depending upon the number of affected individuals and whether personal information including health or financial data was subject to unauthorized access.

### **Extensive regulation and changes in legislation can impact profitability and growth.**

The Company and its insurance subsidiaries are subject to complex laws and regulations that are administered and enforced by a number of governmental authorities, that exercise a degree of interpretive latitude, including the FSA and Ministry of Finance (MOF) in Japan, state insurance regulators, the BMA in Bermuda, the SEC, the NAIC, the FIO, the U.S. Department of Justice, state attorneys general, the U.S. Commodity Futures Trading Commission, and the U.S. Department of the Treasury, including the Internal Revenue Service (IRS), in the U.S. The Company is subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal or regulatory issue may result in non-compliance with another regulator's or enforcement authority's interpretation of the same issue, particularly when compliance is judged in hindsight. Further, regulatory authorities periodically re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, could have a material adverse effect on the Company's financial condition and results of operations.

Additionally, changes in the overall legal or regulatory environment may, even absent any particular regulator's or enforcement authority's interpretation of an issue changing, cause the Company to change its views regarding the actions it needs to take from a legal or regulatory risk management perspective. This may necessitate changes to the Company's practices that may, in some cases, limit its ability to grow or otherwise negatively impact the profitability of the Company's business.

If the Company's subsidiaries fail to meet the minimum capital or operational requirements established by its respective regulators, they could be subject to examination or corrective action, or the Company's financial strength ratings could be downgraded, or both. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase the Company's direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on the Company's financial condition and results of operations. For additional information, see the Government Regulation subsections of Item 1. Business.

## General Risk Factors

### **Competition could adversely affect the Company's ability to increase or maintain its market share or profitability.**

The Company operates in a competitive environment and in an industry that is subject to ongoing changes from market pressures brought about by customer demands, legislative reform, marketing practices and changes to health care and health insurance delivery. These factors require the Company to anticipate market trends and make changes to differentiate the Company's products and services from those of its competitors. The Company also faces potential competition from existing or new companies in the U.S. and Japan that have not historically been active in the supplemental health insurance industry, but some of which have greater financial, marketing and management resources than the Company. Further, some of these potential competitors could introduce new means of product development and delivery that disrupt the Company's business model. Failure to anticipate market trends and/or to differentiate the Company's products and services can affect the Company's ability to retain or grow profitable lines of business. Further, as employers and brokers are increasingly requesting a full suite of products from one insurance provider, a failure to react and adapt to these demands could result in decreased sales or market share.

The Company's future success will depend, in part, on its ability to keep pace with rapid technological changes and to use technology to satisfy and grow customer demand for the Company's products and services and to create additional efficiencies in its operations. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. A failure to meet evolving customer demands through innovative product development, effective distribution channels, and continuous investment in the Company's technology could adversely affect the Company's operating results. Further, the evolving fragmentation of media and marketing channels that has developed over recent years could weaken the impact of the Company's advertising efforts over time. As a result, the Company's ability to effectively compete to retain or acquire new business may be impaired, and its business, financial condition or results of operations may be adversely affected.

### **Catastrophic events, including those as a result of climate change or major public health issues, could adversely affect the Company's financial condition and results of operations as well as the availability of the Company's infrastructure and systems.**

The Company's insurance operations are exposed to the risk of catastrophic events including, but not necessarily limited to, epidemics, pandemics, tornadoes, hurricanes, earthquakes, tsunamis, war or other military action, major public health issues and terrorism or other acts of violence. Claims resulting from natural or man-made catastrophic events could cause substantial volatility in the Company's financial results for any fiscal quarter or year and could materially reduce its profitability or harm the Company's financial condition, as well as affect its ability to write new business. In addition, such events may lead to periods of voluntary or required premium grace periods, which may lead to volatility in lapse rates and related premiums. Any resulting or coincidental economic effects could impact the Company's business, financial condition, results of operations, capital position, liquidity or prospects in a number of ways. These catastrophic events may cause changes to estimates of future earnings, capital deployment and other guidance the Company has provided to the markets in the 2025 Outlook section of Item 7. MD&A.

Additionally, the Company's operations, as well as those of its vendors, service providers and counterparties, may be adversely affected by such catastrophic events to the extent they disrupt the Company's physical infrastructure, human resources or systems that support its businesses and customers. Although the Company has a global crisis management framework to minimize the business disruption from a catastrophic event, such framework may not be effective to avoid an adverse impact to the Company from such an event. While the assessment of risks related to climate change are part of the Company's credit review process, climate change-related risks may adversely impact the value of the securities that the Company holds. Climate change may increase the frequency and severity of natural disasters such as hurricanes, tornadoes, floods and forest fires. Further, the Company cannot predict the effects that any legal or regulatory changes made in response to climate change concerns or major public health issues would have on the Company's business.

**Events, including those external to the Company's operations, could damage the Company's reputation.**

The Company has made significant investments in the Aflac brand over a long period of time. Because insurance products are intangible, the Company's ability to compete for and maintain policyholders relies to a large extent on consumer trust in the Company's business, including its alliance partners, sales associates and other distribution partners. The perception of unfavorable business practices or financial weakness with respect to the Company, its alliance partners, sales associates or other distribution partners could create doubt regarding the Company's ability to honor the commitments it has made to its policyholders. Such perceptions could also negatively impact the Company's ability to attract and retain qualified sales associates, brokers and other distribution partners, including its alliance partners in Japan, and could have a material adverse effect on the Company's sales, results of operations and financial condition. These effects could also result from a perception of a lack of commitment to sustainability efforts and attention to societal impacts, unfavorable positions on items of public policy, or from failure to make progress toward the Company's sustainability goals. Maintaining the Company's stature as a trustworthy insurer and responsible corporate citizen, which helps support the strength of the Company's brand, is critical to the Company's reputation and the failure or perceived failure to do so could adversely affect the Company's brand value, financial condition and results of operations.

**The Company depends heavily on key management personnel, and the loss of services of one or more of its key executives could harm the Company's business.**

The Company's success depends to a significant extent on the efforts and abilities of its key management personnel. The loss of the services of one or more of the Company's senior executives could significantly undermine its management expertise, and the Company's business could be adversely affected.

**Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) or other standard-setting bodies may adversely affect the Company's financial statements.**

The Company's financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. Accordingly, from time to time the Company is required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB. Changes to accounting standards could have a material adverse effect on the Company's results of operations and financial condition. For additional information, see Note 1 of the Notes to the Consolidated Financial Statements.

**The Company faces risks related to litigation, regulatory investigations and inquiry and other matters.**

The Company is a defendant in various lawsuits considered to be in the normal course of business. The final results of any litigation cannot be predicted with certainty, and plaintiffs may seek very large amounts in class actions or other litigation. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, the Company believes the outcome of pending litigation will not have a material adverse effect on its financial position, results of operations, or cash flows. However, a substantial legal liability or a significant federal, state or other regulatory action against the Company, as well as regulatory inquiries or investigations, could harm the Company's reputation, result in changes in operations, result in material fines or penalties, result in significant costs due to legal fees, settlements or judgments against the Company, or otherwise have a material adverse effect on the Company's business, financial condition and results of operations. Without limiting the foregoing, the litigation and regulatory matters the Company is, has been, or may become, subject to include matters related to sales agent recruiting, policy sales practices, claim payments and procedures including denial or delay of benefits, the low level of Aflac U.S. benefit ratios in recent financial periods, material misstatements or omissions in the Company's financial reports or other public statements, and/or corporate governance, corporate culture or business ethics matters. Further, the Company may be subject to claims of or litigation regarding sexual or other forms of misconduct or harassment, or discrimination on the basis of race, color, national origin, religion, gender, or other bases, notwithstanding that the Company's Code of Business Conduct and Ethics prohibits such harassment and discrimination by its employees, the Company has ongoing training programs and provides opportunities to report claims of noncompliant conduct, and it investigates and may take disciplinary action regarding alleged harassment or discrimination. Any violations of or deviation from laws, regulations, internal or external codes or standards of normative behavior, or perceptions of such violations or deviations, by the Company's employees or by independent sales agents could adversely impact the Company's reputation and brand value, financial condition and results of operations.



**Allegations or determinations of agent misclassification could adversely affect the Company's results of operations, financial condition and liquidity.**

A majority of the Company's U.S. sales force is, and has historically been, comprised of independent agents. While the Company believes that it has properly classified such agents as independent contractors, the Company may be subject to claims, regulatory action by state or federal departments of labor or tax authorities, changes in state or federal law, or litigation asserting that such agents are employees. The laws and regulations governing the classification of workers in the U.S. may be changed or interpreted differently compared to past interpretations, including in states where the Company generates significant sales through independent agents. An allegation or determination that independent agents in the Company's U.S. sales force have been misclassified as independent contractors could result in changes in the Company's operations and U.S. business model, result in material fines or penalties, result in significant costs due to legal fees, settlements or judgments against the Company, or otherwise have a material adverse effect on the Company's business, results of operation, financial condition and liquidity.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 1C. CYBERSECURITY**

The Company's board of directors maintains an information security policy directing management to establish and operate a global information security program with the goals of identifying, assessing and monitoring existing and emerging cybersecurity threats and ensuring that the Company's information assets and data, and the data of its customers, are appropriately protected from loss or theft. The Board has delegated oversight of the Company's information security program to the Audit and Risk Committee.

The Company's senior officers, including its Global Security and Chief Information Security Officer (GSCISO), are responsible for the operation of the global information security program and communicate quarterly with the Audit and Risk Committee on the program, including with respect to the state of the program, compliance with applicable regulations, risks associated with current and evolving threats, and recommendations for changes in the information security program. The global information security program includes a cybersecurity incident response plan that is designed to provide a management framework across Company functions for a coordinated assessment and response to potential security incidents. This framework establishes a protocol to report certain incidents to the GSCISO and other senior officers, with the goal of timely assessing such incidents, determining applicable disclosure requirements and communicating with the Board of Directors. The incident response plan directs the executive officers to report certain incidents immediately and directly to the Lead Non-Management Director and/or the Chair of the Audit and Risk Committee. The above framework tracks and allows team members to monitor each incident throughout its lifecycle to ensure the Company is informed about and following cybersecurity incidents as they are mitigated and remediated. Post-incident reviews are also performed to determine if there are any additional controls that may feasibly be implemented to prevent recurrence.

As a part of the global information security program, an enterprise cybersecurity risk assessment is performed annually in coordination with the GSCISO to identify and assess material cybersecurity risks and mitigating controls. The assessment results are incorporated into a risk register managed by the Company's overall enterprise risk management group to integrate the risks into the overall risk management processes. The Company engages with independent firms to conduct operational control assessments, which cover information protection. Every three years, the Company engages independent consultants specifically for cyber matters. Additionally, the Company performs third-party risk assessments to evaluate security controls and identify inherent and residual risks associated with third-party engagements. Issues identified during third-party risk assessments are documented and escalated to Company management through an established committee structure based on the risk ratings associated with each issue.

The Company also utilizes professionals from the Company's legal team and GSCISO's leadership team, a majority of whom have specialized skills and knowledge in cybersecurity risk management based on their prior work experience and relevant industry certifications, such as Certified Information Systems Security Professional and Certified Information Security Manager, to assist in employee awareness and training, as well as assessing cybersecurity risks, materiality of cybersecurity incidents and disclosures of the same. Specifically, the GSCISO has security experience in the public sector and private sector financial services industry holding positions in areas such as business continuity, information assurance, and technology risk management as well as being a Certified Information Systems Security Professional, Certified Information Security Manager and Certified Project Manager as well as being certified in Risk and Information

## Item 1B. Unresolved Staff Comments

Systems Control. The GSCISO and his direct reports have an average of over 20 years of experience in the field of cybersecurity.

As of the date of this Form 10-K, the Company is not aware of any cybersecurity incidents that occurred during the year ended December 31, 2024 that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition and that are required to be reported in this Form 10-K. For further discussion of the risks associated with cybersecurity incidents, see Item 1A. Risk Factors for the risk factor titled "Interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality, integrity or privacy of sensitive data residing on such systems, could harm the Company's business" for additional information regarding how the Company's business strategy, results of operations, and financial condition could be adversely affected by risks from cybersecurity threats.

## ITEM 2. PROPERTIES

In Tokyo, Japan, the Company has two primary campuses. The first campus includes a building, owned by the Company, for the customer call center, the claims department, the information technology departments, and training facility. This campus also includes a leased property, which houses Aflac Japan's policy administration and customer service departments. The second campus comprises leased office space, which serves as Aflac Japan's headquarters and houses administrative and investment support functions. The Company also leases additional office space in Tokyo, along with regional offices located throughout the country.

In the U.S., the Company owns land and buildings that comprise two primary campuses located in Columbus, Georgia. These campuses include buildings that serve as the Company's worldwide headquarters and house administrative support and information technology functions for U.S. operations. The Company leases office space in Columbia, South Carolina, which houses the Company's CAIC subsidiary (branded as Aflac Group Insurance); in New York, New York, which houses the Company's Global Investment division; in Tampa, Florida, which houses the Company's ABS subsidiary; and in Farmington, Connecticut, Windsor, Connecticut and Plantation, Florida, which houses the operations of the Company's group life, disability and absence management business. The Company leases other administrative office space throughout the U.S., the United Kingdom, and Bermuda.

The Company believes its properties are adequate and suitable for its business as currently conducted and are adequately maintained.

## ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits and receives various regulatory inquiries considered to be in the normal course of business. Members of the Company's senior legal and financial management teams review litigation and regulatory inquiries on a quarterly and annual basis. The final results of any litigation or regulatory inquiries cannot be predicted with certainty. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, the Company believes the outcome of pending litigation will not have a material adverse effect on its financial position, results of operations, or cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Aflac Incorporated's common stock is principally traded on the New York Stock Exchange under the symbol AFL.

#### Holders

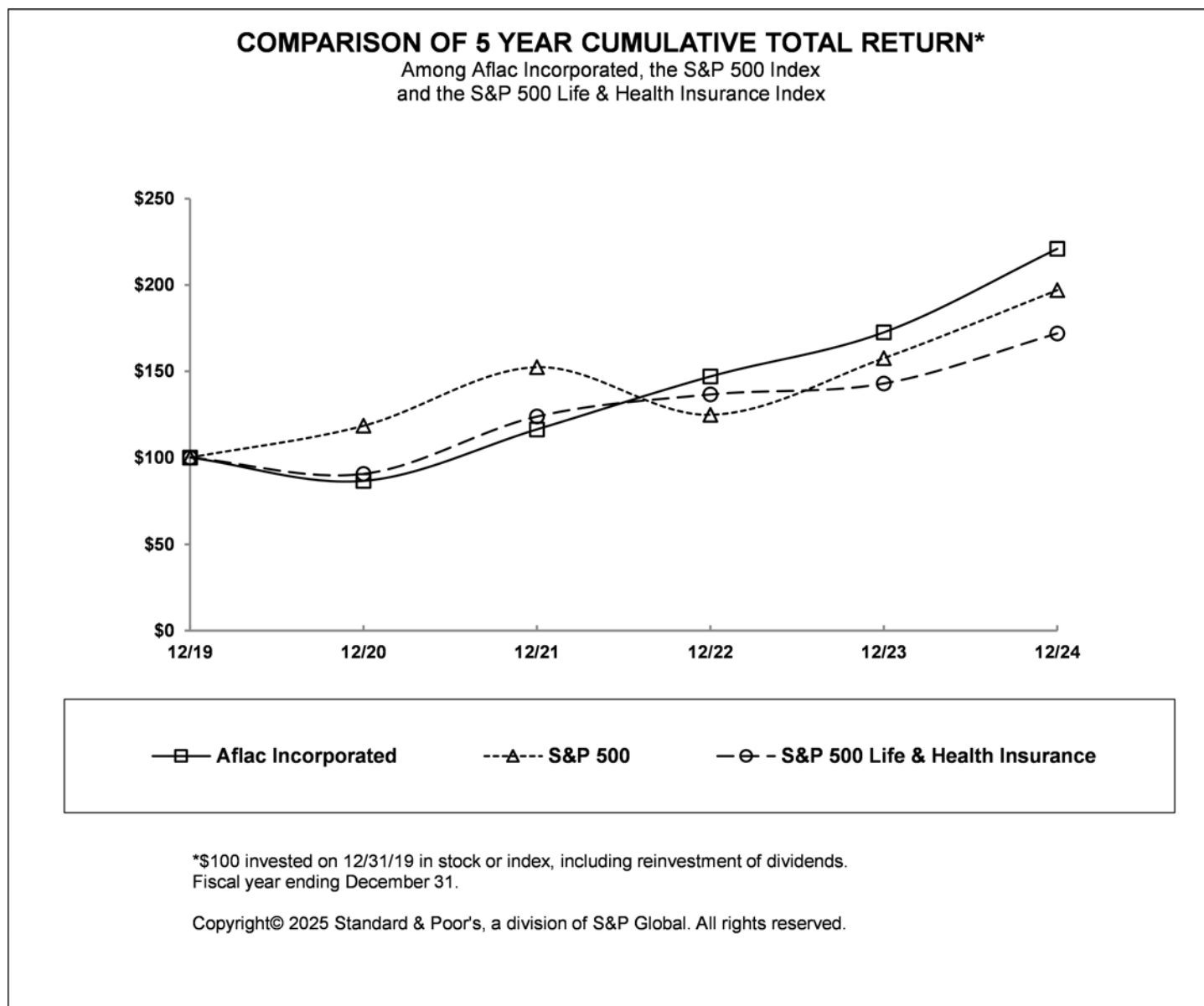
As of February 18, 2025, there were 78,663 holders of record of the Company's common stock.

#### Dividends

For a summary of dividends paid to shareholders in 2024 and 2023 and potential restrictions on the Company's ability to pay future dividends, see the Liquidity and Capital Resources section of Item 7. MD&A.

### Stock Performance Graph

The following graph compares the five-year performance of the Company's common stock to the Standard & Poor's 500 (S&P 500) Index and the Standard & Poor's 500 Life and Health Insurance (S&P 500 Life and Health Insurance) Index. The S&P 500 Life and Health Insurance Index includes: Aflac Incorporated, Globe Life Inc., MetLife Inc., Principal Financial Group Inc. and Prudential Financial Inc.



### Performance Graphic Index December 31,

	2019	2020	2021	2022	2023	2024
Aflac Incorporated	100.00	86.42	116.29	146.94	172.49	220.92
S&P 500	100.00	118.40	152.39	124.79	157.59	197.02
S&P 500 Life & Health Insurance	100.00	90.52	123.73	136.53	142.87	171.87

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**Issuer Purchases of Equity Securities**

During the year ended December 31, 2024, the Parent Company repurchased shares of its common stock as follows:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January 1 - January 31	0	\$ 0.00	0	77,745,381
February 1 - February 29	5,308,570	78.58	4,859,803	72,885,578
March 1 - March 31	4,424,657	83.34	4,416,656	68,468,922
April 1 - April 30	2,674,130	83.18	2,665,236	65,803,686
May 1 - May 31	3,680,826	86.25	3,678,430	62,125,256
June 1 - June 30	2,956,250	88.72	2,944,026	59,181,230
July 1 - July 31	1,385,917	91.09	1,385,917	57,795,313
August 1 - August 31	1,684,841	104.59	1,684,841	56,110,472
September 1 - September 30	1,821,000	109.15	1,810,629	54,299,843
October 1 - October 31	1,710,909	112.02	1,710,909	52,588,934
November 1 - November 30	1,369,301	110.15	1,369,301	51,219,633
December 1 - December 31	3,905,910	104.46	3,902,079	47,317,554
<b>Total</b>	<b>30,922,311 <sup>(1)</sup></b>	<b>\$ 91.84</b>	<b>30,427,827</b>	<b>47,317,554 <sup>(2)</sup></b>

<sup>(1)</sup> During the year ended December 31, 2024, 494,484 shares were purchased in connection with income tax withholding obligations related to the vesting of restricted-share-based awards during the period.

<sup>(2)</sup> The total remaining shares available for purchase at December 31, 2024, consisted of shares related to a 100,000,000 share repurchase authorization by the board of directors announced in November 2022.

**ITEM 6. [RESERVED]**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Certain statements included in this section constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon the Company. The Company's actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the Risk Factors and Forward-Looking Information sections herein.*

### MD&A OVERVIEW

The following financial review provides a discussion of the Company's results of operations and financial condition, as well as a summary of the Company's critical accounting estimates. This section should be read in conjunction with Part I, Item 1. Business and the audited consolidated financial statements and accompanying notes included in Part II, Item 8. Financial Statements and Supplementary Data of this report. This MD&A is divided into the following sections:

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The Company has elected to omit discussion on the earliest of the three years covered by the consolidated financial statements presented in Item 8. Financial Statements and Supplementary Data. Readers should refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed on February 22, 2024, for reference to discussions of the year ended December 31, 2022, the earliest of the three years presented. Amounts reported in this MD&A may not foot due to rounding.

## EXECUTIVE SUMMARY

### Performance Highlights

For the full year of 2024, total revenues were up 1.2% to \$18.9 billion, compared with \$18.7 billion for the full year of 2023. Net earnings were \$5.4 billion, or \$9.63 per diluted share, for the full year of 2024, compared with \$4.7 billion, or \$7.78 per diluted share, for the full year of 2023.

Net earnings in 2024 included net investment gains of \$1.3 billion, compared with net investment gains of \$590 million in 2023. Net investment gains in 2024 included an increase in credit loss allowances of \$256 million; \$1.1 billion of net gains from certain derivative and foreign currency gains or losses; \$140 million of net gains on equity securities; and \$259 million of net gains from sales and redemptions.

The average yen/dollar exchange rate<sup>(1)</sup> in 2024 was 150.97, or 6.9% weaker than the rate of 140.57 in 2023.

Adjusted earnings<sup>(2)</sup> for the full year of 2024 were \$4.1 billion, or \$7.21 per diluted share, compared with \$3.7 billion, or \$6.23 per diluted share, in 2023. The weaker yen/dollar exchange rate negatively impacted adjusted earnings per diluted share by \$.18.

In 2024, Aflac Incorporated repurchased \$2.8 billion, or 30.4 million of its common shares. At December 31, 2024, the Company had 47.3 million remaining shares authorized for repurchase.

Shareholders' equity was \$26.1 billion, or \$47.45 per share, at December 31, 2024, compared with \$22.0 billion, or \$38.00 per share, at December 31, 2023. Shareholders' equity at December 31, 2024 included a cumulative increase of \$2.0 billion from the effect of changes in discount rate assumptions on insurance contracts, compared with a corresponding cumulative decrease of \$2.6 billion at December 31, 2023, and a net unrealized gain on investment securities and derivatives of \$4 million, compared with a net unrealized gain of \$1.1 billion at December 31, 2023. Shareholders' equity at December 31, 2024 also included an unrealized foreign currency translation loss of \$5.0 billion, compared with an unrealized foreign currency translation loss of \$4.1 billion at December 31, 2023. The annualized return on average shareholders' equity in 2024 was 22.6%.

Shareholders' equity excluding accumulated other comprehensive income (AOCI)<sup>(2)</sup> (adjusted book value) was \$29.1 billion, or \$52.87 per share, at December 31, 2024, compared with \$27.5 billion, or \$47.55 per share, at December 31, 2023. Adjusted book value excluding foreign currency remeasurement<sup>(2)</sup> was \$23.4 billion, or \$42.46 per share, at December 31, 2024, compared with \$23.8 billion, or \$41.15 per share, at December 31, 2023. The annualized adjusted return on equity excluding foreign currency remeasurement<sup>(2)</sup> in 2024 was 17.3%.

<sup>(1)</sup> Yen/U.S. dollar exchange rates are based on the published MUFG Bank, Ltd. telegraphic transfer middle rate (TTM).

<sup>(2)</sup> See the Results of Operations section of this MD&A for a definition of this non-U.S. GAAP financial measure.

## INDUSTRY TRENDS

The Company is impacted by financial markets, economic conditions, regulatory oversight and a variety of trends that affect the industries where it competes.

### Financial and Economic Environment

The Company's business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on the Company, in part because the Company has a large investment portfolio and its insurance liabilities and derivatives are sensitive to changing market factors. See Item 1A. Risk Factors for the risk factor entitled, "Difficult conditions in global capital markets and the economy could have a material adverse effect on the Company's investments, capital position, revenue, profitability, and liquidity and harm the Company's business."



### Demographics

#### Aflac Japan Segment

With Japan's aging population and the rise in healthcare costs, supplemental health care insurance products remain attractive. Additionally, as Japan enters an era of 100-year lifespans, customers' needs for asset formation and retirement coverage, including nursing care, are increasing. Japan's existing customers and potential customers seek products that are easily understood, cost-effective and can be accessed through technology-enabled devices.

#### Aflac U.S. Segment

Customer demographics continue to evolve and new opportunities present themselves in different customer segments such as the millennial and multicultural markets. Customer expectations and preferences are changing. Trends indicate existing customers and potential customers seek cost-effective solutions that are easily understood and can be accessed through technology-enabled devices. Additionally, income protection and the health needs of retiring baby boomers are continuing to shape the insurance industry.

### Regulatory Environment

See Item 1. Business - Aflac Japan Government Regulation and Aflac U.S. Government Regulation for a discussion of regulatory developments that may impact the Company and the associated risks.

### Competitive Environment

See Item 1. Business - Aflac Japan Competitive Markets and Aflac U.S. Competitive Markets for a discussion of the competitive environment and the basis on which the Company competes in each of its segments.

## **2025 OUTLOOK**

The Company's strategy to drive long-term shareholder value is to pursue growth and strong profit margins and to exercise tactical capital deployment. The Company's approach to pursue growth is through product development and distribution expansion and to achieve efficiencies by modernizing its technology and streamlining its operations.

The Company's objectives in 2025 include maintaining strong pretax margins with increased sales production through product refreshments and growth initiatives in both its Aflac Japan and Aflac U.S. segments. For Aflac Japan, this includes continuing to focus on third sector products as well as introducing policies to new and younger customers. For Aflac U.S., this includes continuing to focus on realizing benefits from its buy to build initiatives and other platform investments, maintaining strong expense management discipline and strengthening the number of career agents for Aflac U.S. The Company believes that its strategy of positioning itself for future growth and efficiency while defending and leveraging its market-leading position, powerful brand recognition and varied distribution in Japan and the U.S. will provide support toward these objectives.

In December 2024, the board of directors announced a 16.0% increase in the quarterly cash dividend, effective with the first quarter of 2025. The Company intends to maintain strong capital ratios in Aflac Japan and Aflac U.S. in support of its commitment to shareholder dividends while remaining tactical in its deployment of capital in the form of share repurchases and opportunistic investments. The Company's economic solvency ratio (ESR) target range is 170% to 230% for Aflac Japan and a target combined RBC range of 350% to 450%, over time, for Aflac U.S., which is consistent with the Company's risk management practices.

#### Aflac Japan Segment

For Aflac Japan, the Company anticipates that favorable morbidity experience and the shift in premiums over the last several years from first sector savings products to third sector cancer and medical products and first sector protection products will result in stable benefit ratios in the Aflac Japan segment with a slightly higher expense ratio reflecting growth and strategic initiatives. The Company also expects that benefit and expense ratios will continue to experience some level of revenue pressure due to the impact of paid up policies and internal reinsurance transactions. For the 2025 through 2027 period, the Company expects Aflac Japan to generate a benefit ratio in the range of 64% to 66% and an expense ratio in the range of 20% to 23%. For 2025, the Company expects the benefit ratio to be toward the higher end of the 64% to 66% range and the expense ratio to be on the lower end of the 20% to 23% range.

### Aflac U.S. Segment

For Aflac U.S., the Company expects growth in life and disability to increase benefit ratios. This growth as well as realized benefits from the buy to build initiatives are expected to decrease expense ratios over time. For the 2025 through 2027 period, the Company expects Aflac U.S. to generate a benefit ratio in the range of 48% to 52% and an expense ratio in the range of 36% to 39%. For 2025, the Company expects the benefit ratio to be at the lower end of the 48% to 52% range and the expense ratio to be at the higher end of the 36% to 39% range.

### Corporate and other

The Company's objectives for Corporate and other in 2025 include maintaining strong pretax adjusted earnings as compared with 2024, assuming that U.S. interest rates remain stable and excluding the impact of tax credit investments, as tax benefits are recognized in a corresponding lower income tax expense.

For important disclosures applicable to statements made in this 2025 Outlook, please see the statement on Forward-Looking Information at the beginning of Item 1. Business, the Risk Factors identified in Item 1A. and this Item 7. MD&A.

## **RESULTS OF OPERATIONS**

The Company earns its revenues principally from insurance premiums and investments. The Company's operating expenses primarily consist of insurance benefits provided and reserves established for anticipated future insurance benefits, general business expenses, commissions and other costs of selling and servicing its products. Profitability for the Company depends principally on its ability to price its insurance products at a level that enables the Company to earn a margin over the costs associated with providing benefits and administering those products. Profitability also depends on, among other items, actuarial and policyholder behavior experience on insurance products, and the Company's ability to attract and retain customer assets, generate and maintain favorable investment results, effectively deploy capital and utilize tax capacity, and manage expenses.

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.

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).

The Company defines the non-U.S. GAAP financial measures included in this document 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 are outside of management's control because they tend to be driven by general economic conditions and events or are related to infrequent activities not directly associated with insurance operations. 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 from derivatives associated with notes payable but excluding any non-recurring 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 net investment gains and losses** are net investment gains and losses adjusted for i) amortized hedge cost/income related to foreign currency exposure management strategies and certain derivative activity, ii) net interest income/expense from foreign currency and interest rate derivatives associated with certain investment strategies, which are both reclassified to net investment income, and iii) the impact of interest from derivatives associated with notes payable, which is reclassified to interest expense as a component of total adjusted expenses. The Company considers adjusted net investment gains and losses important as it represents the remainder amount that is considered outside management's control, while excluding the components that are within management's control and are accordingly reclassified to net investment income and interest expense. The most comparable U.S. GAAP financial measure for adjusted net investment gains and losses is net investment gains and losses.
- **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 contractual term of the derivative. 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 earnings excluding current period foreign currency impact** are computed using the average foreign currency exchange rate for the comparable prior-year period, which eliminates fluctuations driven solely by foreign currency exchange rate changes. Adjusted earnings per diluted share excluding current period foreign currency impact is adjusted earnings excluding current period foreign currency impact divided by the weighted average outstanding diluted shares for the period presented. The Company considers adjusted earnings excluding current period foreign currency impact and adjusted earnings per diluted share excluding current period foreign currency impact important because a significant portion of the Company's business is conducted in Japan and foreign exchange rates are outside management's control; therefore, the Company believes it is important to understand the impact of translating foreign currency (primarily Japanese yen) into U.S. dollars. The most comparable U.S. GAAP financial measures for adjusted earnings excluding current period foreign currency impact and adjusted earnings per diluted share excluding current period foreign currency impact are net earnings and net earnings per share, respectively.
- **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 excluding foreign currency remeasurement** is the U.S. GAAP book value (representing total shareholders' equity), less AOCI as recorded on the U.S. GAAP balance sheet and excluding the cumulative [beginning January 1, 2021] foreign currency gains/losses associated with i) foreign currency remeasurement and ii) sales and redemptions of invested assets. Adjusted book value excluding foreign currency remeasurement per common share is adjusted book value excluding foreign currency remeasurement at the period end divided by the ending outstanding common shares for the period presented. The Company considers adjusted book value excluding foreign currency remeasurement and adjusted book value excluding foreign currency remeasurement per common share important as they exclude both AOCI and the cumulative foreign currency remeasurement gains/losses, which fluctuate due to market movements that are outside management's control. The most comparable U.S. GAAP financial measures for adjusted book value excluding foreign currency remeasurement and adjusted book value excluding foreign currency remeasurement per common share are total book value and total book value per common share, respectively.
- **Adjusted return on equity** is annualized adjusted earnings divided by average shareholders' equity, excluding 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 annualized net earnings and average total shareholders' equity.
- **Adjusted return on equity excluding foreign currency remeasurement** is annualized adjusted earnings divided by average shareholders' equity, excluding both AOCI and the cumulative [beginning January 1, 2021] foreign currency gains/losses associated with i) foreign currency remeasurement and ii) sales and redemptions of invested assets. The Company considers adjusted return on equity excluding foreign currency remeasurement important because it excludes both AOCI and the cumulative foreign currency remeasurement gains/losses, 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 remeasurement is ROE as determined using annualized net earnings and average total shareholders' equity.
- **U.S. dollar-denominated investment income excluding foreign currency impact** represents amounts excluding foreign currency impact on U.S. dollar-denominated investment income using the average foreign currency exchange rate for the comparable prior year period. The Company considers U.S. dollar-denominated investment income excluding foreign currency impact important as it eliminates the impact of foreign currency changes on the Aflac Japan segment results, which are outside management's control. The most comparable U.S. GAAP financial measure for U.S. dollar-denominated investment income excluding foreign currency impact is the corresponding net investment income amount from the U.S. dollar denominated investments translated to yen.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table is a reconciliation of items impacting adjusted earnings and adjusted earnings per diluted share to the most directly comparable U.S. GAAP financial measures of net earnings and net earnings per diluted share, respectively, for the years ended December 31.

### Reconciliation of Net Earnings to Adjusted Earnings

	In Millions		Per Diluted Share	
	2024	2023	2024	2023
Net earnings	\$ 5,443	\$ 4,659	\$ 9.63	\$ 7.78
Items impacting net earnings:				
Adjusted net investment (gains) losses <sup>(1)</sup>	(1,495)	(914)	(2.65)	(1.53)
Other and non-recurring (income) loss	23	(39)	.04	(.07)
Income tax (benefit) expense on items excluded from adjusted earnings	101	26	.18	.04
Adjusted earnings	4,072	3,733	7.21	6.23
Current period foreign currency impact <sup>(2)</sup>	103	N/A	.18	N/A
Adjusted earnings excluding current period foreign currency impact	\$ 4,175	\$ 3,733	\$ 7.39	\$ 6.23

<sup>(1)</sup> See reconciliation of net investment (gains) losses to adjusted net investment (gains) losses below.

<sup>(2)</sup> Prior period foreign currency impact reflected as "N/A" to isolate change for current period only.

### Reconciling Items

#### Net Investment Gains and Losses

The following table is a reconciliation of items impacting adjusted net investment (gains) losses to the most directly comparable U.S. GAAP financial measures of net investment (gains) losses for the years ended December 31.

### Reconciliation of Net Investment (Gains) Losses to Adjusted Net Investment (Gains) Losses

(In millions)	2024	2023
Net investment (gains) losses	\$ (1,271)	\$ (590)
Items impacting net investment (gains) losses:		
Amortized hedge costs	(26)	(157)
Amortized hedge income	113	121
Net interest income (expense) from derivatives associated with certain investment strategies	(338)	(328)
Impact of interest from derivatives associated with notes payable	27	41
Adjusted net investment (gains) losses	\$ (1,495)	\$ (914)

The Company's investment strategy is to invest primarily in fixed maturity securities to provide a reliable stream of investment income, which is one of the drivers of the Company's profitability. This investment strategy incorporates asset-liability matching (ALM) to align the expected cash flows of the portfolio to the needs of the Company's liability structure. The Company does not purchase securities with the intent of generating investment gains or losses. However, investment gains and losses may be realized as a result of changes in the financial markets and the creditworthiness of specific issuers, tax planning strategies, and/or general portfolio management and rebalancing. The realization of investment gains and losses is independent of the underwriting and administration of the Company's insurance products.

Net investment gains and losses excluded from adjusted earnings include the following:

- Securities Transactions
- Credit Losses
- Changes in the Fair Value of Equity Securities
- Certain Derivative and Foreign Currency Activities.

[Securities Transactions, Credit Losses and Changes in the Fair Value of Equity Securities](#)

Securities transactions include gains and losses from sales and redemptions of investments where the amount received is different from the amortized cost of the investment. Credit losses include losses for held-to-maturity fixed maturity securities, available-for-sale fixed maturity securities, loan receivables, loan commitments and reinsurance recoverables. Changes in the fair value of equity securities are the result of gains or losses driven by fluctuations in market prices.

[Certain Derivative and Foreign Currency Activities](#)

The Company's derivative activities include:

- foreign currency forwards and options used in hedging foreign exchange risk on U.S. dollar-denominated investments in Aflac Japan's portfolio, with options used on a standalone basis and/or in a collar strategy;
- foreign currency forwards and options used to economically hedge certain portions of forecasted cash flows denominated in yen and hedge the Company's long term exposure to a weakening yen;
- cross-currency interest rate swaps, also referred to as foreign currency swaps, associated with certain senior notes and subordinated debentures;
- foreign currency swaps that are associated with variable interest entity (VIE) bond purchase commitments, and investments in special-purpose entities, including VIEs where the Company is the primary beneficiary;
- interest rate swaps used to economically hedge interest rate fluctuations in certain variable-rate investments;
- interest rate swaptions used to hedge changes in the fair value associated with interest rate fluctuations for certain U.S. dollar-denominated available-for-sale fixed-maturity securities; and
- bond purchase commitments at the inception of investments in consolidated VIEs.

Gains and losses are recognized as a result of valuing these derivatives, net of the effects of hedge accounting.

The Company also excludes from adjusted earnings the accounting impacts of foreign currency remeasurement associated with changes in the foreign currency exchange rate.

For additional information regarding net investment gains and losses, including details of reported amounts for the periods presented, see Notes 3 and 4 of the Notes to the Consolidated Financial Statements.

**Other and Non-recurring Items**

The U.S. insurance industry has a policyholder protection system that provides funds for the policyholders of insolvent insurers. The system can result in periodic charges to the Company as a result of insolvencies/bankruptcies that occur with other companies in the life insurance industry. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. These charges neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, but result from external situations not controlled by the Company. The Company excludes any charges associated with U.S. guaranty fund assessments and the corresponding tax benefit or expense from adjusted earnings.

In Japan, the government also requires the insurance industry to contribute to a policyholder protection corporation that provides funds for the policyholders of insolvent insurers; however, these costs are calculated and administered differently than in the U.S. In Japan, these costs are not directly related to specific insolvencies or bankruptcies, but are rather a regular operational cost for an insurance company. Based on this structure, the Company does not remove the Japan policyholder protection expenses from adjusted earnings.

The Company considers the costs associated with the early redemption of its debt to be unrelated to the underlying fundamentals and trends in its insurance operations. Additionally, these costs are driven by changes in interest rates subsequent to the issuance of the debt, and the Company considers these interest rate changes to represent economic conditions not directly associated with its insurance operations.

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In 2024, as part of the U.S. defined benefit plan freeze, the Company offered lump sum payments to certain participants. The lump sum payments were distributed in the fourth quarter of 2024 and resulted in a settlement charge of \$18 million in 2024 due to the payments being greater than the settlement threshold. The settlement charge was both unusual and non-recurring and unrelated to other recurring benefit costs associated with the plan; therefore, the Company excluded the settlement charge from adjusted earnings.

In June 2023, the Company amended the U.S. defined benefit plan to freeze future benefits under the plan for all participants effective January 1, 2024, which resulted in the Company recognizing a curtailment gain of approximately \$49 million in 2023. The curtailment gain was both unusual and non-recurring and unrelated to other recurring benefit costs associated with the plan; therefore, the Company excluded the curtailment gain from adjusted earnings.

In 2023, other items excluded from adjusted earnings included an impairment for certain finite-lived intangible assets of approximately \$11 million as a result of the Company exiting the third-party administration business acquired in connection with the purchase of Aflac Benefits Solutions, Inc. in 2019. The impairment of these intangible assets was not related to the ongoing operations of the business and occurs infrequently; therefore, the Company excluded the impairment from adjusted earnings.

### Foreign Currency Translation

Aflac Japan's premiums and a significant portion of its investment income are received in yen, and its claims and most expenses are paid in yen. Aflac Japan purchases yen-denominated assets and U.S. dollar-denominated assets, which may be hedged to yen, to support yen-denominated policy liabilities. Yen-denominated income statement accounts are translated to U.S. dollars using the weighted average Japanese yen/U.S. dollar foreign exchange rate for the reporting period, except realized gains and losses on securities transactions which are translated at the exchange rate on the trade date of each transaction. Yen-denominated balance sheet accounts are translated to U.S. dollars using the spot Japanese yen/U.S. dollar foreign exchange rate at the end of the reporting period.

In recent periods, the Japanese yen has weakened against the U.S. dollar. Although the Company is unable to predict the timing or extent of future movements of the Japanese yen/U.S. dollar foreign exchange rate, the Company maintains hedging strategies (see the Hedging Activities section of this MD&A) that are intended to mitigate the impacts of yen fluctuation on the Company's financial position and results of operations. See the risk factor entitled "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate" in Part I, Item 1A. Risk Factors for more information.

### Income Taxes

The Company's combined U.S. and Japanese effective income tax rate on pretax earnings was 15.2% in 2024 and 11.5% in 2023. The combined effective tax rate differs from the U.S. statutory rate primarily due to historic and solar tax credits and the exclusion of foreign currency translation gains and losses on certain Aflac Japan U.S. dollar-denominated assets held in the Delaware Statutory Trust (DST). Total income taxes were \$974 million in 2024 and \$603 million in 2023. Japanese income taxes on Aflac Japan's results account for most of the Company's consolidated income tax expense.

For additional information, see Note 10 of the Notes to the Consolidated Financial Statements and the Critical Accounting Estimates - Income Taxes section of this MD&A. The effective tax rate continues to be subject to future tax law changes both in the U.S. and in foreign jurisdictions. See the risk factor entitled "Tax rates applicable to the Company may change" in Part I, Item 1A. Risk Factors for additional information.



**Reconciliation of Book Value to Adjusted Book Value  
(Excluding Foreign Currency Remeasurement)**

The following table is a reconciliation of items impacting adjusted book value and adjusted book value per diluted share excluding foreign currency remeasurement to the most directly comparable U.S. GAAP financial measures of book value and book value per diluted share, respectively, for the years ended December 31.

(In millions, except for share and per-share amounts)	<b>2024</b>	2023
U.S. GAAP book value	<b>\$ 26,098</b>	\$ 21,985
Items impacting U.S. GAAP book value:		
Unrealized foreign currency translation gains (losses)	<b>(4,998)</b>	(4,069)
Unrealized gains (losses) on securities and derivatives	<b>4</b>	1,117
Effect of changes in discount rate assumptions	<b>2,006</b>	(2,560)
Pension liability adjustment	<b>10</b>	(8)
Total accumulated other comprehensive income	<b>(2,978)</b>	(5,520)
Adjusted book value	<b>29,076</b>	27,505
Foreign currency remeasurement gains (losses)	<b>5,725</b>	3,700
Adjusted book value excluding foreign currency remeasurement	<b>23,351</b>	23,805
Number of shares outstanding at end of period	<b>549,964</b>	578,479
U.S. GAAP book value per common share	<b>\$ 47.45</b>	\$ 38.00
Items impacting U.S. GAAP book value per common share:		
Unrealized foreign currency translation gains (losses) per common share	<b>(9.09)</b>	(7.03)
Unrealized gains (losses) on securities and derivatives per common share	<b>.01</b>	1.93
Effect of changes in discount rate assumptions per common share	<b>3.65</b>	(4.43)
Pension liability adjustment per common share	<b>.02</b>	(.01)
Total accumulated other comprehensive income per common share	<b>(5.41)</b>	(9.54)
Adjusted book value per common share	<b>52.87</b>	47.55
Foreign currency remeasurement gains (losses) per common share	<b>10.41</b>	6.40
Adjusted book value excluding foreign currency remeasurement per common share	<b>42.46</b>	41.15

**Reconciliation of Return on Equity to Adjusted Return on Equity  
(Excluding Foreign Currency Remeasurement)**

The following table is a reconciliation of items impacting adjusted return on equity excluding foreign currency remeasurement to the most directly comparable U.S. GAAP financial measure of return on equity for the years ended December 31.

	2024	2023
U.S. GAAP return on equity - net earnings <sup>(1)</sup>	22.6 %	22.1 %
Impact of excluding unrealized foreign currency translation gains (losses)	(3.6)	(3.1)
Impact of excluding unrealized gains (losses) on securities and derivatives	.4	.2
Impact of excluding effect of changes in discount rate assumptions	(.2)	(1.9)
Impact of excluding pension liability adjustment	.0	.0
Impact of excluding accumulated other comprehensive income	(3.4)	(4.9)
U.S. GAAP return on equity less accumulated other comprehensive income	19.2	17.2
Differences between adjusted earnings and net earnings <sup>(2)</sup>	(4.8)	(3.4)
Adjusted return on equity - reported	14.4	13.8
Impact of excluding gains (losses) associated with foreign currency remeasurement <sup>(3)</sup>	2.9	1.8
Adjusted return on equity excluding foreign currency remeasurement	17.3	15.6

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

<sup>(2)</sup> See separate reconciliation of net earnings to adjusted earnings above.

<sup>(3)</sup> Impact of gains/losses associated with foreign currency remeasurement is calculated by excluding the cumulative [beginning January 1, 2021] foreign currency gains/losses associated with i) foreign currency remeasurement and ii) sales and redemptions of invested assets. The impact is the difference of adjusted return on equity - reported compared with adjusted return on equity, excluding from shareholders' equity, gains/losses associated with foreign currency remeasurement.

**RESULTS OF OPERATIONS BY SEGMENT**

U.S. GAAP financial reporting requires that a company report financial and descriptive information about operating segments in its annual and interim period financial statements. Furthermore, the Company is required to report a measure of segment profit or loss, certain revenue and expense items, and segment assets. The Company's insurance business consists of two segments: Aflac Japan and Aflac U.S. Aflac Japan is the principal contributor to consolidated earnings. In addition, the Parent Company, other business units that are not individually reportable, and business activities, including reinsurance activities, not included in Aflac Japan or Aflac U.S. are included in Corporate and other. See Item 1. Business for a summary of each segment's products and distribution channels.

Consistent with U.S. GAAP guidance for segment reporting, pretax adjusted earnings is the Company's U.S. GAAP measure of segment performance. The Company believes that a presentation of this measure is vitally important to an understanding of the underlying profitability drivers and trends of its business. Additional performance measures used to evaluate the financial condition and performance of the Company's segments are listed below.

- Operating Ratios
- New Annualized Premium Sales
- New Money Yield
- Return on Average Invested Assets
- Average Weekly Producer
- Premium Persistency

For additional information on the Company's performance measures included in this MD&A, see the Glossary of Selected Terms found directly following Part IV. See Note 2 of the Notes to the Consolidated Financial Statements for the reconciliation of segment results to the Company's consolidated U.S. GAAP results and additional information.

**AFLAC JAPAN SEGMENT****Aflac Japan Pretax Adjusted Earnings**

Changes in Aflac Japan's pretax adjusted earnings and profit margins are primarily affected by morbidity, mortality, expenses, persistency and investment yields. The following table presents a summary of operating results for Aflac Japan for the years ended December 31.

**Aflac Japan Summary of Operating Results**

	In Dollars		In Yen	
(In millions of dollars and billions of yen)	2024	2023	2024	2023
Net earned premiums <sup>(1)</sup>	\$ 6,930	\$ 8,047	¥ 1,050	¥ 1,128
Net investment income: <sup>(2)</sup>				
Yen-denominated investment income	879	985	133	138
U.S. dollar-denominated investment income	1,849	1,755	281	247
Net investment income	2,727	2,739	414	385
Amortized hedge costs	26	157	4	20
Adjusted net investment income	2,701	2,582	410	366
Other income (loss)	28	35	4	5
Total adjusted revenues	9,659	10,664	1,464	1,498
Benefits and claims:				
Benefits and claims, excluding reserve remeasurement	4,761	5,409	721	757
Reserve remeasurement (gains) losses	(444)	(96)	(64)	(13)
Total benefits and claims, net	4,317	5,313	657	744
Adjusted expenses:				
Amortization of deferred policy acquisition costs	321	326	49	46
Insurance commissions	435	491	66	69
Insurance and other expenses	1,092	1,300	165	182
Total adjusted expenses	1,848	2,117	280	297
Total benefits and adjusted expenses	6,165	7,430	936	1,041
Pretax adjusted earnings	\$ 3,494	\$ 3,234	¥ 528	¥ 457
Weighted-average yen/dollar exchange rate	150.97	140.57	—	—
<b>Percentage change over previous period:</b>				
Net earned premiums	(13.9)%	(12.4)%	(6.9)%	(5.9)%
Adjusted net investment income	4.6	(3.3)	12.1	4.0
Total adjusted revenues	(9.4)	(10.3)	(2.3)	(3.6)
Total benefits and claims, net	(18.7)	(14.2)	(11.8)	(7.8)
Total adjusted expenses	(12.7)	(12.4)	(5.8)	(6.1)
Pretax adjusted earnings	8.0	(1.4)	15.5	6.0

<sup>(1)</sup> Includes a gain (loss) of \$(81) and \$20 in 2024 and 2023, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

<sup>(2)</sup> Net interest income/expense from derivatives associated with certain investment strategies of \$(305) and \$(294) in 2024 and 2023, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income.

In 2024, operating results in yen terms compared to the previous year were as follows:

- Net earned premiums decreased primarily due to approximately ¥29 billion related to the internal cancer reinsurance transactions with Aflac Re established in the fourth quarter of 2024 and 2023, approximately ¥20 billion from limited-pay products reaching premium paid-up status and approximately ¥11 billion related to the remeasurement of the deferred profit liability for limited-pay contracts in the third quarter of 2024.
- Adjusted net investment income increased primarily due to higher variable net investment income of ¥18 billion, the weakening of the yen on U.S. dollar investments of ¥17 billion and lower amortized hedge cost of ¥16 billion.
- Total adjusted revenues decreased primarily due to the decrease in net earned premiums, partially offset by the increase in adjusted net investment income.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

- Total benefits and claims decreased primarily due to ¥50 billion of reserve remeasurement gains related to assumption updates in the third quarter of 2024 as well as internal reinsurance activity.
- Total adjusted expenses decreased primarily due to internal reinsurance activity.
- Pretax adjusted earnings increased primarily due to the decrease in both total benefits and claims and total adjusted expenses, partially offset by the decrease in total adjusted revenues.

Annualized premiums in force decreased 3.0% to ¥1.21 trillion as of December 31, 2024, compared with ¥1.25 trillion in 2023. The decrease in annualized premiums in force in yen of 3.0% in 2024 was driven primarily by limited-pay products reaching premium paid-up status. Annualized premiums in force, translated into dollars at respective year-end exchange rates, were \$7.6 billion in 2024, compared with \$8.8 billion in 2023. As of December 31, 2024, Aflac Japan exceeded 22 million individual policies in force in Japan, with more than 14 million cancer policies in force in Japan.

Aflac Japan's investment portfolios include U.S. dollar-denominated securities and reverse dual-currency securities (yen-denominated debt securities with dollar coupon payments). In years when the yen strengthens in relation to the dollar, translating Aflac Japan's U.S. dollar-denominated investment income into yen lowers growth rates for net investment income, total adjusted revenues, and pretax adjusted earnings in yen terms. In years when the yen weakens, translating U.S. dollar-denominated investment income into yen magnifies growth rates for net investment income, total adjusted revenues, and pretax adjusted earnings in yen terms.

The following table illustrates the effect of translating Aflac Japan's U.S. dollar-denominated investment income and related items into yen by comparing certain segment results with those that would have been reported had foreign currency exchange rates remained unchanged from the prior year. Amounts excluding foreign currency impact on U.S. dollar-denominated investment income were determined using the average foreign currency exchange rate for the comparable prior year period. See non-U.S. GAAP financial measures defined above.

### Aflac Japan Percentage Changes Over Prior Year

(Yen Operating Results)

For the Years Ended December 31,

	Including Foreign Currency Changes		Excluding Foreign Currency Changes	
	2024	2023	2024	2023
Adjusted net investment income	12.1 %	4.0 %	6.5 %	(1.4)%
Total adjusted revenues	(2.3)	(3.6)	(3.7)	(4.8)
Pretax adjusted earnings	15.5	6.0	11.1	1.8

The following table presents a summary of operating ratios in yen terms for Aflac Japan for the years ended December 31 followed by a discussion of the significant drivers of changes in operating ratios in yen compared to the previous year.

Ratios to total adjusted revenues:	2024	2023
Total benefits and claims, net	44.8 %	49.7 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	3.3	3.1
Insurance commissions	4.5	4.6
Insurance and other expenses	11.3	12.2
Total adjusted expenses	19.1	19.8
Pretax adjusted earnings	36.0	30.5
Ratios to total premiums:		
Total benefits and claims, net	62.5 %	66.0 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	4.6	4.1

- In 2024, the total benefits and claims to total premiums ratio decreased primarily due to a decrease in total benefits and claims resulting from reserve remeasurement gains related to assumption updates in the third quarter of 2024, partially offset by the decline in net earned premiums resulting from reinsurance activity, limited-pay products reaching premium paid-up status, and a deferred profit liability remeasurement loss.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

- The total adjusted expense ratio decreased in 2024 primarily due to the decrease in total adjusted expenses associated with reinsurance activity.
- In total, the pretax adjusted profit margin increased in 2024 primarily due to the decrease in total benefits and claims.

The following table presents Aflac Japan's premium persistency on a 12-month rolling basis as of December 31.

	2024	2023
Premium persistency	93.4 %	93.4 %

### Aflac Japan Sales

The following table presents Aflac Japan's new annualized premium sales for the years ended December 31.

	In Dollars		In Yen	
(In millions of dollars and billions of yen)	2024	2023	2024	2023
New annualized premium sales	\$ 422	\$ 432	¥ 64.1	¥ 60.7
Increase (decrease) over prior period	(2.2)%	3.8 %	5.6 %	10.9 %

In 2024, the increase in new annualized premium sales on a yen basis was primarily driven by sales of Aflac Japan's new life insurance product, *Tsumitasu*, that was launched in June 2024 and offers an asset formation component and a nursing care option.

The following table details the contributions to Aflac Japan's new annualized premium sales by major insurance product for the years ended December 31.

	2024	2023
Cancer	57.5 %	64.1 %
Medical and other health	16.1	20.6
Life insurance:		
Traditional life <sup>(1)</sup>	23.0	6.5
WAYS	2.2	6.8
Child endowment	.2	.4
Other	1.0	1.6
Total	100.0 %	100.0 %

<sup>(1)</sup> Includes term life, whole life and *Tsumitasu*

The foundation of Aflac Japan's product portfolio has been, and continues to be, third sector products, which include cancer, medical and other products. With continued cost pressure on Japan's health care system, the Company expects the need for third sector products will continue to rise in the future and that the medical and cancer insurance products Aflac Japan provides will continue to be an important part of its product portfolio. Additionally, the Company believes that sales of first sector products, including *Tsumitasu*, WAYS and Child Endowment, position Aflac Japan for potential future long-term sales opportunities by marketing these products to a younger demographic as well as potential cross-selling opportunities of Aflac Japan's third sector products.

Aflac Japan continues to promote digital and web-based sales to groups and use of its system that enables smart device-based insurance application by allowing the customer and an Aflac Japan operator to see the same screen through their smart devices. Further, Aflac Japan continues to utilize its virtual sales tool that enables online consultations and policy applications to be completed entirely online.

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The following table details the contributions to Aflac Japan's new annualized premium sales by agency type for the years ended December 31.

	2024	2023
Independent corporate and individual	48.2 %	46.7 %
Affiliated corporate <sup>(1)</sup>	48.6	50.0
Bank	3.2	3.3
Total	100.0 %	100.0 %

<sup>(1)</sup> Includes Japan Post Group, Dai-ichi Life and Daido Life

In 2024, Aflac Japan recruited 50 new sales agencies. At December 31, 2024, Aflac Japan was represented by approximately 6,600 sales agencies, with approximately 114,000 licensed sales associates employed by those agencies. The number of sales agencies has declined in recent years due to Aflac Japan's focus on supporting agencies with strong management frameworks, high productivity and more producing agents.

At December 31, 2024, Aflac Japan had agreements to sell its products at 360 banks, approximately 90% of the total number of banks in Japan.

### Strategic Alliance with Japan Post Holdings

On May 10, 2024, the Parent Company reported that the shares owned by the J&A Alliance Trust (Trust) represented, in aggregate, 20% of the voting power of the Parent Company's common stock. The Shareholders Agreement, entered into on February 28, 2019, by the Parent Company, Japan Post Holdings Co., Ltd., J&A Alliance Holdings Corporation, solely in its capacity as trustee of the Trust and General Incorporated Association J&A Alliance, provides voting restrictions that require the Trust to vote (i) all shares representing voting rights in excess of 20% of the voting rights in the Parent Company and (ii) all of its shares in connection with a change in control transaction, in each case, in a manner proportionally equal to votes of shares not beneficially owned by the Trust. Japan Post Holdings Co., Ltd. does not have a board seat on the Parent Company's board of directors and does not have rights to control, manage or intervene in the management of the Parent Company. According to a Form 13F filed by Japan Post Holdings with the SEC on January 16, 2025, Japan Post Holdings owned 52.3 million Aflac Incorporated common shares as of December 31, 2024.

As previously reported, on December 19, 2018, the Parent Company and Aflac Japan entered into a Basic Agreement with Japan Post Holdings Co., Ltd., a Japanese corporation (Japan Post Holdings). Pursuant to the terms of the Basic Agreement, among other items, Japan Post Holdings and Aflac Japan agreed to reconfirm existing initiatives regarding cancer insurance and to consider new joint initiatives. In June 2021, the Parent Company, Aflac Japan and Japan Post Group agreed to pursue several specific initiatives toward building a "Co-creation Platform" to support customers and local communities," consistent with Japan Post Group's medium-term management plan announced in May 2021. The initiatives are directed at, among other items, the promotion of Aflac Japan cancer insurance, digital transformation within the Japan Post Group, and certain diversity efforts.

On May 1, 2023, the Parent Company filed a registration statement on Form S-3 that registered the sale of its common stock from time to time by J&A Alliance Holdings Corporation in its capacity as trustee of the Trust. The filing was made pursuant to a contractual requirement contained in the Shareholders Agreement. The Trust has agreed not to own more than the greater of 10% of the Parent Company's outstanding shares or such shares representing 22.5% of the voting rights in the Parent Company.

The foregoing is subject to and qualified in its entirety by reference to the full text of the Basic Agreement, a copy of which is attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 19, 2018, and the Shareholders Agreement, a copy of which is attached as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q filed April 26, 2019, the terms of which exhibits are incorporated herein by reference.

### Aflac Japan Investments

The level of investment income in yen is affected by available cash flow from operations, the timing of investing the cash flow, yields on new investments, the effect of yen/dollar exchange rates on U.S. dollar-denominated investment income, and other factors.

As part of the Company's portfolio management and asset allocation process, Aflac Japan invests in yen and U.S. dollar-denominated investments. Yen-denominated investments primarily consist of JGBs, public and private fixed maturity



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

securities and public equity securities. Aflac Japan's U.S. dollar-denominated investments include fixed maturity investments, loan receivables, and growth assets, including alternative investments in limited partnerships or similar investment vehicles. Aflac Japan invests in both publicly traded and privately originated U.S. dollar-denominated investment-grade and below-investment-grade fixed maturity securities and loan receivables, and has entered into foreign currency forwards and options to hedge the currency risk on the fair value of a portion of the U.S. dollar investments.

The following table details the investment purchases for Aflac Japan for the years ended December 31.

(In millions)	2024	2023
<b>Yen-denominated:</b>		
<b>Fixed maturity securities:</b>		
Japan government and agencies	\$ 0	\$ 357
Private placements	131	510
Other fixed maturity securities	290	102
<b>Equity securities</b>	<b>407</b>	<b>346</b>
<b>Commercial mortgage and other loans:</b>		
Other loans	0	77
<b>Other investments</b>	<b>28</b>	<b>16</b>
<b>Total yen-denominated</b>	<b>\$ 856</b>	<b>\$ 1,408</b>
<b>U.S. dollar-denominated:</b>		
<b>Fixed maturity securities:</b>		
Other fixed maturity securities	\$ 2,532	\$ 606
Infrastructure debt	291	50
Collateralized loan obligations	30	0
<b>Commercial mortgage and other loans:</b>		
Transitional real estate loans	79	247
Middle market loans	987	446
Other loans	74	0
<b>Other investments</b>	<b>349</b>	<b>393</b>
<b>Total U.S. dollar-denominated</b>	<b>\$ 4,342</b>	<b>\$ 1,742</b>
<b>Other currencies:</b>		
<b>Fixed maturity securities:</b>		
Infrastructure debt	\$ 26	\$ 0
<b>Commercial mortgage and other loans:</b>		
Other loans	47	0
<b>Other investments</b>	<b>5</b>	<b>0</b>
<b>Total other currencies</b>	<b>\$ 78</b>	<b>\$ 0</b>
<b>Total Aflac Japan purchases</b>	<b>\$ 5,276</b>	<b>\$ 3,150</b>

See the Investments section of this MD&A for further discussion of these investment programs, and see Notes 1, 3 and 4 of the Notes to the Consolidated Financial Statements for additional information regarding loans and loan receivables.

Funds available for investment include cash flows from operations, investment income, and funds generated from maturities, redemptions, securities lending, and other securities transactions. Securities lending is also used from time to time to accelerate the availability of funds for investment. Purchases of securities from period to period are determined based on multiple objectives including appropriate portfolio diversification, the relative value of a potential investment and availability of investment opportunities, liquidity, credit and other risk factors while adhering to the Company's investment policy guidelines.



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The following table presents the results of Aflac Japan's investment yields for the years ended and as of December 31

	2024	2023
Total purchases for the period (in millions) <sup>(1)</sup>	<b>\$4,894</b>	\$2,741
New money yield <sup>(1),(2)</sup>	<b>6.11 %</b>	5.18 %
Return on average invested assets <sup>(3)</sup>	<b>3.33</b>	2.90
Portfolio book yield, including U.S. dollar-denominated investments, end of period <sup>(1),(2)</sup>	<b>3.22 %</b>	3.18 %

<sup>(1)</sup> Includes fixed maturity securities, commercial mortgage and other loans, equity securities, and excludes alternative investments in limited partnerships

<sup>(2)</sup> Reported on a gross yield basis; excludes investment expenses, external management fees, and amortized hedge costs

<sup>(3)</sup> Net of investment expenses and amortized hedge costs, year-to-date number reflected on a quarterly average basis

The increase in the Aflac Japan new money yield in 2024 was primarily due to higher allocations to higher yielding asset classes.

See Notes 3, 4 and 5 of the Notes to the Consolidated Financial Statements and the Investments and Hedging Activities sections of this MD&A for additional information on the Company's investments and hedging strategies.

### AFLAC U.S. SEGMENT

#### Aflac U.S. Pretax Adjusted Earnings

Changes in Aflac U.S. pretax adjusted earnings and profit margins are primarily affected by morbidity, mortality, expenses, persistency and investment yields. The following table presents a summary of operating results for Aflac U.S. for the years ended December 31.

#### Aflac U.S. Summary of Operating Results

(In millions)	2024	2023
Net earned premiums	<b>\$ 5,829</b>	\$ 5,675
Adjusted net investment income <sup>(1)</sup>	<b>847</b>	820
Other income	<b>63</b>	128
Total adjusted revenues	<b>6,739</b>	6,623
Benefits and claims:		
Benefits and claims, excluding reserve remeasurement	<b>2,821</b>	2,715
Reserve remeasurement (gains) losses	<b>(95)</b>	(284)
Total benefits and claims, net	<b>2,726</b>	2,431
Adjusted expenses:		
Amortization of deferred policy acquisition costs	<b>530</b>	490
Insurance commissions	<b>563</b>	561
Insurance and other expenses	<b>1,501</b>	1,640
Total adjusted expenses	<b>2,594</b>	2,691
Total benefits and adjusted expenses	<b>5,320</b>	5,122
Pretax adjusted earnings	<b>\$ 1,419</b>	\$ 1,501
<b>Percentage change over previous period:</b>		
Net earned premiums	<b>2.7 %</b>	1.9 %
Adjusted net investment income	<b>3.3</b>	8.6
Total adjusted revenues	<b>1.8</b>	2.1
Total benefits and claims, net	<b>12.1</b>	(4.9)
Total adjusted expenses	<b>(3.6)</b>	4.6
Pretax adjusted earnings	<b>(5.5)</b>	10.4

<sup>(1)</sup> Net interest income/expense from derivatives associated with certain investment strategies of \$(36) and \$(34) in 2024 and 2023, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income.

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In 2024, operating results compared to the previous year were as follows:

- Net earned premiums increased primarily due to higher net earned premiums from growth initiatives including group life and disability and consumer markets businesses.
- Adjusted net investment income increased primarily due to higher fixed rate income and higher variable income.
- Total adjusted revenues increased primarily due to the increase in both net earned premiums and adjusted net investment income.
- Total benefits and claims increased primarily due to a decrease of approximately \$139 million in reserve remeasurement gains related to assumption updates in the third quarter of 2024 and higher incurred claims.
- Total adjusted expenses decreased primarily due to improved expense efficiency.
- Pretax adjusted earnings decreased primarily due to the increase in total benefits and claims, partially offset by the increase in total adjusted revenues and the decrease in total adjusted expenses.

Annualized premiums in force increased 3.6% in 2024 and 3.3% in 2023. Annualized premiums in force at December 31 were \$6.4 billion in 2024, compared with \$6.2 billion in 2023.

The following table presents a summary of operating ratios for Aflac U.S. for the years ended December 31 followed by a discussion of the significant drivers of changes in operating ratios compared to the previous year.

<b>Ratios to total adjusted revenues:</b>	<b>2024</b>	<b>2023</b>
Total benefits and claims	<b>40.5 %</b>	36.7 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	<b>7.9</b>	7.4
Insurance commissions	<b>8.4</b>	8.5
Insurance and other expenses	<b>22.3</b>	24.8
Total adjusted expenses	<b>38.5</b>	40.6
Pretax adjusted earnings	<b>21.1</b>	22.7
<b>Ratios to total premiums:</b>		
Total benefits and claims	<b>46.8 %</b>	42.8 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	<b>9.1</b>	8.6

- In 2024, the total benefits and claims to total premiums ratio increased primarily due to the decrease in reserve remeasurement gains related to assumption updates in the third quarter of 2024 as well as higher incurred claims.
- The total adjusted expense ratio decreased in 2024 primarily due to expense efficiency efforts.
- In total, the pretax adjusted profit margin decreased in 2024 primarily due to the increase in total benefits and claims partially offset by higher total adjusted revenues and lower total adjusted expenses.

The following table presents premium persistency for Aflac U.S. on a 12-month rolling basis as of December 31.

	<b>2024</b>	<b>2023</b>
Premium persistency	<b>79.3 %</b>	78.6 %

### Aflac U.S. Sales

The following table presents Aflac's U.S. new annualized premium sales for the years ended December 31.

(In millions)	<b>2024</b>	<b>2023</b>
New annualized premium sales	<b>\$ 1,543</b>	\$1,558
Increase (decrease) over prior period	<b>(1.0)%</b>	5.0 %

The decrease in new annualized premium sales for Aflac U.S. in 2024 primarily reflects lower sales of group voluntary benefit products impacted by a continued focus on profitable growth, as well as softer sales of network dental.

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The following table details the contributions to Aflac's U.S. new annualized premium sales by major insurance product category for the years ended December 31.

	2024	2023
Accident	19.6 %	20.9 %
Disability	26.3	25.6
Critical care <sup>(1)</sup>	20.9	20.7
Hospital indemnity	13.7	14.5
Dental/vision	5.3	6.3
Life	14.2	12.0
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

<sup>(1)</sup> Includes cancer, critical illness and hospital intensive care products

In 2024, the Aflac U.S. sales force included an average of approximately 6,000 U.S. agents, including brokers, who were actively producing business on a weekly basis. The Company believes that this average weekly producer equivalent metric allows sales management to monitor progress and needs, as well as serve as a leading indicator of future production capacity.

### Aflac U.S. Investments

The level of investment income is affected by available cash flow from operations, the timing of investing the cash flow, yields on new investments, and other factors.

As part of the Company's portfolio management and asset allocation process, Aflac U.S. invests in fixed maturity investments, loan receivables, and growth assets, including public equity securities and alternative investments in limited partnerships. Aflac U.S. invests in both publicly traded and privately originated investment-grade and below-investment-grade fixed maturity securities and loan receivables.

The following table details the investment purchases for Aflac U.S. as of December 31.

(In millions)	2024	2023
<b>Fixed maturity securities:</b>		
Other fixed maturity securities	\$ 654	\$ 587
Infrastructure debt	64	83
Collateralized loan obligations	12	0
<b>Equity securities</b>	<b>26</b>	<b>11</b>
<b>Commercial mortgage and other loans:</b>		
Transitional real estate loans	21	78
Commercial mortgage loans	13	33
Middle market loans	133	85
Other loans	11	30
<b>Other investments</b>	<b>39</b>	<b>44</b>
<b>Total Aflac U.S. Purchases</b>	<b>\$ 973</b>	<b>\$ 951</b>

Funds available for investment include cash flows from operations, investment income, and funds generated from maturities, redemptions, and other securities transactions. Purchases of securities from period to period are determined based on multiple objectives, including appropriate portfolio diversification, the relative value of a potential investment and availability of investment opportunities, liquidity, credit and other risk factors while adhering to the Company's investment policy guidelines.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table presents the results of Aflac's U.S. investment yields for the years ended and as of December 31.

	2024	2023
Total purchases for period (in millions) <sup>(1)</sup>	\$ 934	\$ 907
New money yield <sup>(1),(2)</sup>	6.90 %	7.56 %
Return on average invested assets <sup>(3)</sup>	5.00	4.88
Portfolio book yield, end of period <sup>(1),(2)</sup>	5.58 %	5.53 %

<sup>(1)</sup> Includes fixed maturity securities, commercial mortgage and other loans, equity securities, and excludes alternative investments in limited partnerships

<sup>(2)</sup> Reported on a gross yield basis; excludes investment expenses and external management fees

<sup>(3)</sup> Net of investment expenses, year-to-date number reflected on a quarterly average basis

The decrease in the Aflac U.S. new money yield in 2024 was primarily due to higher allocations to lower yielding asset classes. See Note 3 of the Notes to the Consolidated Financial Statements and the Market Risks of Financial Instruments - Credit Risk subsection of Item 7A. for additional information regarding the sector concentrations of the Company's investments.

### CORPORATE AND OTHER

Changes in the pretax adjusted earnings of Corporate and other are primarily affected by internal reinsurance activity and net investment income. The following table presents a summary of operating results for Corporate and other for the years ended December 31.

#### Corporate and Other Summary of Operating Results

(In millions)	2024	2023
Net earned premiums	\$ 680	\$ 400
Net investment income (loss) <sup>(1)</sup>	201	(77)
Amortized hedge income	113	121
Adjusted net investment income	314	44
Other income	13	15
Total adjusted revenues	1,007	460
Benefits and claims:		
Benefits and claims, excluding reserve remeasurement	426	470
Reserve remeasurement (gains) losses	(19)	(3)
Total benefits and claims, net	407	467
Adjusted expenses:		
Interest expense	156	144
Other adjusted expenses	412	273
Total adjusted expenses	568	417
Total benefits and adjusted expenses	975	885
Pretax adjusted earnings	\$ 32	\$ (425)
<b>Percentage change over previous period:</b>		
Net earned premiums	70.0 %	175.9 %
Adjusted net investment income	613.6	(55.1)
Total adjusted revenues	118.9	72.3
Total benefits and claims, net	(12.8)	231.2
Total adjusted expenses	36.2	50.0
Pretax adjusted earnings	107.5	(95.0)

<sup>(1)</sup> The change in value of federal historic rehabilitation and solar investments in partnerships of \$165 and \$343 in 2024 and 2023, respectively, is included as a reduction to net investment income. Tax credits on these investments of \$164 and \$334 in 2024 and 2023, respectively, have been recorded as an income tax benefit in the consolidated statements of earnings. See Note 3 of the Notes to the Consolidated Financial Statements for additional information on these investments.

In 2024, operating results compared to the previous year were as follows:

- Net earned premiums increased primarily due to higher reinsurance activity resulting from agreements established in the fourth quarter of 2024 and 2023.
- Adjusted net investment income increased primarily due to \$178 million from a lower volume of federal historic rehabilitation and solar tax credit investments, with offsetting tax benefits recognized as a corresponding lower income tax expense, and higher Aflac Re consolidated investment income of \$68 million primarily due to a higher volume of assets as part of the reinsurance agreements established in the fourth quarter of 2024 and 2023.
- Total adjusted revenues increased primarily due to higher net earned premiums and higher adjusted net investment income.
- Total benefits and claims decreased primarily due to the impact of \$163 million in the fourth quarter of 2023 related to a novation agreement under which Aflac Re assumed the duties, obligations and liabilities through a reinsurance of business ALIJ previously ceded to an external reinsurer, which was partially offset by higher benefits from the reinsurance agreements established in the fourth quarter of 2024 and 2023.
- Total adjusted expenses increased primarily due to the higher reinsurance activity of \$137 million and higher interest expense of \$12 million.
- Pretax adjusted earnings increased primarily due to higher total adjusted revenues and lower total benefits and claims partially offset by higher total adjusted expenses.

The Parent Company invests in partnerships that specialize in rehabilitating historic structures or the installation of solar equipment in order to receive federal historic rehabilitation and solar tax credits. These investments are classified as limited partnerships and included in other investments in the consolidated balance sheets. The change in value of each investment is recorded as a reduction to net investment income. Tax credits generated by these investments are recorded as an income tax benefit in the consolidated statements of earnings.

### INVESTMENTS

The Company's investment strategy utilizes disciplined asset and liability management while seeking long-term risk-adjusted investment returns and the delivery of stable income within regulatory and capital objectives, and preserving shareholder value. In attempting to optimally balance these objectives, the Company seeks to maintain on behalf of Aflac Japan a diversified portfolio of yen-denominated investment assets, a U.S. dollar-denominated investment portfolio hedged back to yen and a portfolio of unhedged U.S. dollar-denominated assets. As part of the Company's portfolio management and asset allocation process, Aflac U.S. invests in fixed maturity investments and growth assets, including public equity securities and alternative investments in limited partnerships. Aflac U.S. invests in both publicly traded and privately originated investment-grade and below-investment-grade fixed maturity securities and loans.

For additional information concerning the Company's investments, see Notes 3, 4, and 5 of the Notes to the Consolidated Financial Statements.

The following tables detail investments by segment as of December 31.

### Investment Securities by Segment

2024				
(In millions)	Aflac Japan	Aflac U.S.	Corporate and Other	Total
Available-for-sale, fixed maturity securities, at fair value	\$ 45,970	\$ 12,296	\$ 7,003	\$ 65,269
Held-to-maturity, fixed maturity securities, at amortized cost <sup>(1)</sup>	15,966	0	0	15,966
Equity securities	458	2	336	796
Commercial mortgage and other loans: <sup>(1)</sup>				
Transitional real estate loans	3,648	866	189	4,703
Commercial mortgage loans	915	608	0	1,523
Middle market loans	3,847	436	0	4,283
Other loans	284	61	15	360
Other investments:				
Policy loans	168	35	0	203
Short-term investments <sup>(2)</sup>	484	366	749	1,599
Limited partnerships	2,861	306	268	3,435
Real estate owned	570	112	0	682
Other	0	39	0	39
Investment in affiliate <sup>(3)</sup>	0	638	(638)	0
Total investments	75,171	15,765	7,922	98,858
Cash and cash equivalents	2,062	1,010	3,157	6,229
Total investments and cash	\$ 77,233	\$ 16,775	\$ 11,079	\$ 105,087

<sup>(1)</sup> Net of allowance for credit losses

<sup>(2)</sup> Includes securities lending collateral

<sup>(3)</sup> For consolidated reporting, Aflac U.S.'s investment in Aflac Re is eliminated in Corporate and other

2023				
(In millions)	Aflac Japan	Aflac U.S.	Corporate and Other	Total
Available-for-sale, fixed maturity securities, at fair value	\$ 54,983	\$ 12,884	\$ 5,423	\$ 73,290
Held-to-maturity, fixed maturity securities, at amortized cost <sup>(1)</sup>	17,819	0	0	17,819
Equity securities	720	2	366	1,088
Commercial mortgage and other loans: <sup>(1)</sup>				
Transitional real estate loans	4,795	1,011	192	5,998
Commercial mortgage loans	1,075	622	0	1,697
Middle market loans	4,095	436	0	4,531
Other loans	185	101	15	301
Other investments:				
Policy loans	186	28	0	214
Short-term investments <sup>(2)</sup>	347	204	753	1,304
Limited partnerships	2,360	258	132	2,750
Real estate owned	180	47	0	227
Other	0	35	0	35
Investment in affiliate <sup>(3)</sup>	0	439	(439)	0
Total investments	86,745	16,067	6,442	109,254
Cash and cash equivalents	1,861	651	1,794	4,306
Total investments and cash	\$ 88,606	\$ 16,718	\$ 8,236	\$ 113,560

<sup>(1)</sup> Net of allowance for credit losses

<sup>(2)</sup> Includes securities lending collateral

<sup>(3)</sup> For consolidated reporting, Aflac U.S.'s investment in Aflac Re is eliminated in Corporate and other

The Company has invested in a variety of commercial mortgage loans (CMLs) and other loans including transitional real estate loans (TREs). The Company's TRE and CML investments are collateralized by commercial real estate, including some office properties. The Company considers these investments to be well diversified by geography and among property types. Further, the Company believes that the portfolio is generally well positioned with exposures concentrated in high quality underlying properties with institutional investors who are experienced in managing their assets during periods of market volatility.

While generally resilient, the Company's investments in TREs and CMLs have been affected by conditions in the commercial real estate market, with a greater impact on mortgages secured by office properties. The Company invested in certain TREs and CMLs that are currently in default of interest or maturity payments. The Company works with the affected borrowers to resolve specific situations through loan continuance with potential modifications, through loan sales, or through the process of foreclosure or deed in lieu of foreclosure. Since the third quarter of 2023, the Company has taken possession, through foreclosure or deed in lieu of foreclosure, of certain commercial real estate properties, which secured defaulted loans. Properties acquired by the Company through foreclosure and deed in lieu of foreclosure are reported as real estate owned (REO) in other investments in the Company's consolidated balance sheets.

In 2024, the Company completed foreclosure or deed in lieu of foreclosure on TREs collateralized with commercial real estate properties with an amortized cost of \$502 million. As a result of the amortized cost of the TREs exceeding the estimated fair value of the collateral upon consummating the foreclosures or deed in lieu of foreclosure transactions, the Company recognized a net loss of \$34 million in net investment gains (losses) for the year ended December 31, 2024. In 2023, the Company completed foreclosure or deed in lieu of foreclosure on TREs collateralized with commercial real estate properties with an amortized cost of \$284 million. As a result of the amortized cost of the TREs exceeding the estimated fair value of the collateral upon consummating the foreclosures or deed in lieu of foreclosure transactions, the Company recognized a net loss of \$66 million in net investment gains (losses) for the year ended December 31, 2023.



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The Company utilizes third-party asset managers to source, underwrite and manage each loan, as well as any resulting REO. The Company closely monitors the activities of these managers. In the event that a loan workout is necessary, the Company believes these external managers have the experience and resources to manage the process to maximize recovery.

The Company also monitors its commercial mortgage and other loan investments internally on an ongoing basis, including a review of loans' credit quality indicators and payment status as current, past due, restructured or under foreclosure. See Note 3 of the Notes to the Consolidated Financial Statements for further information concerning credit quality indicators, information on loans that are on nonaccrual status, and REO obtained through foreclosure or deed in lieu of foreclosure. See also Part I, Item 1A. Risk Factors for a discussion of risk factors associated with the Company's investments.

The ratings of the Company's securities referenced in the table below are based on the ratings designations provided by major rating organizations such as Moody's, Standard & Poor's and Fitch or, if not rated, are determined based on the Company's internal analysis of such securities. When the ratings issued by the rating agencies differ, the Company utilizes the second lowest rating when three or more rating agency ratings are available or the lowest rating when only two rating agency ratings are available.

The distributions of fixed maturity securities the Company owns, by credit rating, as of December 31 were as follows:

### Composition of Fixed Maturity Securities by Credit Rating

	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	1.5 %	1.5 %	1.6 %	1.6 %
AA	6.0	6.3	5.7	5.9
A	68.0	66.1	68.1	67.2
BBB	22.9	24.4	22.9	23.5
BB or lower	1.6	1.7	1.7	1.8
Total	100.0 %	100.0 %	100.0 %	100.0 %

As of December 31, 2024, the Company's direct and indirect exposure to securities in its investment portfolio that were guaranteed by third parties was immaterial both individually and in the aggregate.

The following table presents the 10 largest unrealized loss positions in the Company's portfolio as of December 31, 2024.

(In millions)	Credit Rating	Amortized Cost	Fair Value	Unrealized Loss
Japan National Government	A+	\$ 33,822	\$ 32,844	\$ (978)
Urban Renaissance Agency	A+	154	114	(40)
KLM Royal Dutch Airlines	B+	126	90	(36)
JP Morgan Chase and Co.	A-	186	156	(30)
Banco de Chile	A	126	103	(23)
Prologis LP	A-	143	121	(22)
SNCF Reseau	AA-	68	46	(22)
Tokyo Gas Co Ltd	A+	95	74	(21)
West Japan Railway Company	A+	66	46	(20)
Mitsui Fudosan Co. Ltd.	A-	126	107	(19)

Generally, declines in fair values can be a result of changes in interest rates, yen/dollar exchange rate, and changes in net spreads driven by a broad market move or a change in the issuer's underlying credit quality. The Company believes these issuers have the ability to continue making timely payments of principal and interest. See the Unrealized Investment Gains and Losses section in Note 3 of the Notes to the Consolidated Financial Statements for further discussions of unrealized losses related to financial institutions and other corporate investments.

*Below-Investment-Grade Securities*

The Company's portfolio of below-investment-grade securities includes debt securities purchased while the issuer was rated investment grade plus other loans and bonds invested in as part of an allocation to that segment of the market. The following is the Company's below-investment-grade exposure at December 31.

**Below-Investment-Grade Investments**

2024				
(In millions)	Par Value	Amortized Cost <sup>(1)</sup>	Fair Value	Unrealized Gain (Loss)
Investcorp Capital Limited	\$ 221	\$ 221	\$ 206	\$ (15)
Hella KG Hueck and Co.	139	139	140	1
KLM Royal Dutch Airlines	126	126	90	(36)
Telecom Italia SpA	126	126	170	44
Thames Water Utility	126	126	113	(13)
IKB Deutsche Industriebank AG	82	44	72	28
Generalitat de Catalunya	51	22	49	27
Hawaiian Electric Industries Inc	35	35	29	(6)
CPI Property Group SA	19	19	18	(1)
Other Issuers	23	25	24	(1)
Subtotal <sup>(2)</sup>	948	883	911	28
High yield corporate bonds	545	416	508	92
Middle market loans	4,176	4,007	3,953	(54)
Grand Total	\$ 5,669	\$ 5,306	\$ 5,372	\$ 66

<sup>(1)</sup> Net of allowance for credit losses

<sup>(2)</sup> Securities initially purchased as investment grade, but have subsequently been downgraded to below investment grade

The Company maintains an allocation to higher yielding corporate bonds within the Aflac Japan and Aflac U.S. portfolios. Most of these securities were rated below-investment-grade at the time of purchase, but the Company also purchased several that were rated investment grade which, because of market pricing, offer yields commensurate with below-investment-grade risk profiles. The objective of this allocation was to enhance the Company's yield on invested assets and further diversify credit risk. All investments in this program must have a minimum rating at purchase of low BB using the Company's above described rating methodology and are managed by the Company's internal credit portfolio management team.

The Company invests in middle market loans primarily to U.S. corporate borrowers, most of which have below-investment-grade ratings. The objectives of this program include enhancing the yield on invested assets, achieving further diversification of credit risk, and mitigating the risk of rising interest rates and hedge costs through the acquisition of floating rate assets.

*Fixed Maturity Securities by Sector*

The Company maintains diversification in investments by sector to avoid concentrations to any one sector, thus managing exposure risk. The following table shows the distribution of fixed maturities by sector classification as of December 31.

<b>2024</b>					
(In millions)	<b>Amortized Cost <sup>(1)</sup></b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>% of Total</b>
<b>Government and agencies</b>	<b>\$ 34,926</b>	<b>\$ 1,225</b>	<b>\$ (2,246)</b>	<b>\$ 33,905</b>	<b>43.6 %</b>
<b>Municipalities</b>	<b>2,271</b>	<b>152</b>	<b>(132)</b>	<b>2,291</b>	<b>2.8</b>
<b>Mortgage- and asset-backed securities</b>	<b>3,314</b>	<b>306</b>	<b>(57)</b>	<b>3,563</b>	<b>4.1</b>
<b>Public utilities</b>	<b>6,716</b>	<b>621</b>	<b>(259)</b>	<b>7,078</b>	<b>8.4</b>
Electric	5,354	502	(161)	5,694	6.7
Natural Gas	820	76	(60)	837	1.0
Other	542	43	(38)	547	.7
<b>Sovereign and supranational</b>	<b>761</b>	<b>68</b>	<b>(8)</b>	<b>821</b>	<b>1.1</b>
<b>Banks/financial institutions</b>	<b>8,647</b>	<b>687</b>	<b>(378)</b>	<b>8,956</b>	<b>10.8</b>
Banking	5,112	429	(200)	5,340	6.4
Insurance	1,780	159	(58)	1,882	2.2
Other	1,755	99	(120)	1,734	2.2
<b>Other corporate</b>	<b>23,420</b>	<b>3,064</b>	<b>(1,057)</b>	<b>25,427</b>	<b>29.2</b>
Basic Industry	2,017	325	(99)	2,243	2.5
Capital Goods	2,612	288	(133)	2,767	3.3
Communications	2,521	469	(47)	2,945	3.1
Consumer Cyclical	1,862	210	(43)	2,029	2.3
Consumer Non-Cyclical	5,500	713	(273)	5,939	6.9
Energy	2,058	387	(36)	2,409	2.6
Other	1,068	79	(77)	1,070	1.3
Technology	3,029	253	(172)	3,110	3.8
Transportation	2,753	340	(177)	2,915	3.4
<b>Total fixed maturity securities</b>	<b>\$ 80,055</b>	<b>\$ 6,123</b>	<b>\$ (4,137)</b>	<b>\$ 82,041</b>	<b>100.0 %</b>

<sup>(1)</sup> Net of allowance for credit losses

*Securities by Type of Issuance*

The Company has investments in both publicly and privately issued securities. The Company's ability to sell either type of security is a function of overall market liquidity which is impacted by, among other things, the amount of outstanding securities of a particular issuer or issuance, trading history of the issue or issuer, overall market conditions, and idiosyncratic events affecting the specific issue or issuer.

The following table details investment securities by type of issuance as of December 31.

### Investment Securities by Type of Issuance

(In millions)	2024		2023	
	Amortized Cost <sup>(1)</sup>	Fair Value	Amortized Cost <sup>(1)</sup>	Fair Value
<b>Publicly issued securities:</b>				
Fixed maturity securities	\$ 65,291	\$ 66,476	\$ 72,218	\$ 75,622
Equity securities	638	638	838	838
Total publicly issued	65,929	67,114	73,056	76,460
<b>Privately issued securities:</b> <sup>(2)</sup>				
Fixed maturity securities <sup>(3)</sup>	14,764	15,565	16,290	17,325
Equity securities	158	158	250	250
Total privately issued	14,922	15,723	16,540	17,575
Total investment securities	\$ 80,851	\$ 82,837	\$ 89,596	\$ 94,035

<sup>(1)</sup> Net of allowance for credit losses

<sup>(2)</sup> Primarily consists of securities owned by Aflac Japan

<sup>(3)</sup> Excludes Rule 144A securities

The following table details the Company's reverse dual-currency securities as of December 31.

### Reverse Dual-Currency Securities<sup>(1)</sup>

(Amortized cost, in millions)	2024	2023
Privately issued reverse dual-currency securities	\$ 3,368	\$ 3,740
Publicly issued collateral structured as reverse dual-currency securities	945	1,232
Total reverse dual-currency securities	\$ 4,313	\$ 4,972
Reverse dual-currency securities as a percentage of total investment securities	5.3 %	5.5 %

<sup>(1)</sup> Principal payments in yen and interest payments in dollars

Aflac Japan has a portfolio of privately issued securities to better match liability characteristics and secure higher yields than those available on Japanese government or other public corporate bonds. Aflac Japan's investments in yen-denominated privately issued securities consist primarily of non-Japanese issuers, are rated investment grade at purchase and have longer maturities, thereby allowing the Company to improve asset/liability matching and overall investment returns. These securities are generally either privately negotiated arrangements or issued under medium-term note programs and have standard documentation commensurate with credit ratings of the issuer, except when internal credit analysis indicates that additional protective and/or event-risk covenants were required. Many of these investments have protective covenants appropriate to the specific investment. These may include a prohibition of certain activities by the borrower, maintenance of certain financial measures, and specific conditions impacting the payment of the Company's notes.

### HEDGING ACTIVITIES

The Company uses derivative contracts to hedge foreign currency exchange rate risk and interest rate risk. The Company uses various strategies, including derivatives, to manage these risks. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk for additional information about market risk and the Company's use of derivatives.

Derivatives are designed to reduce risk on an economic basis while minimizing the impact on financial results. The Company's derivatives programs vary depending on the type of risk being hedged. See Note 4 of the Notes to the Consolidated Financial Statements for:

- A description of the Company's derivatives, hedging strategies and underlying risk exposure.
- Information about the notional amount and fair market value of the Company's derivatives.
- Impact on earnings and other comprehensive income (loss) from various qualifying and non-qualifying hedging relationships.

Foreign Currency Exchange Rate Risk Hedge Program

The Company has deployed the following hedging strategies to mitigate exposure to foreign currency exchange rate risk:

- Aflac Japan hedges U.S. dollar-denominated investments back to yen (see *Aflac Japan's U.S. Dollar-Denominated Hedge Program* below).
- Aflac Japan maintains certain unhedged U.S. dollar-denominated securities, which serve as an economic currency hedge of a portion of the Company's investment in Aflac Japan, while utilizing foreign currency options to mitigate against significant movements in the yen/U.S. dollar exchange rate (see *Aflac Japan's U.S. Dollar-Denominated Hedge Program* below).
- The Parent Company designates yen-denominated liabilities (notes payable and loans) as non-derivative hedging instruments and designates certain foreign currency forwards and options as derivative hedges of the Company's net investment in Aflac Japan (see *Enterprise Corporate Hedging Program* below).
- The Parent Company enters into forward and option contracts to accomplish a dual objective of hedging foreign currency exchange rate risk related to dividend payments by its subsidiary, ALIJ, and reducing enterprise-wide hedge costs (see *Enterprise Corporate Hedging Program* below).

The following table presents metrics related to Aflac Japan's U.S. dollar-denominated hedge program and the Parent Company's enterprise corporate hedging program, including associated amortized hedge costs/income, for the years ended December 31. See the Results of Operations section of this MD&A for the Company's definition of amortized hedge costs/income.

	2024	2023
<b>Aflac Japan:</b>		
<b>FX Forwards</b>		
FX forward (sell USD, buy yen) notional at end of period (in billions) <sup>(1)</sup>	<b>\$0.0</b>	\$0.0
Amortized hedge income (cost) for period (in millions)	<b>\$1</b>	\$(88)
<b>FX Options</b>		
FX option notional at the end of period (in billions) <sup>(1)</sup>	<b>\$24.2</b>	\$24.7
Amortized hedge income (cost) for period (in millions)	<b>\$(27)</b>	\$(69)
<b>Corporate and other (Parent Company):</b>		
<b>FX Forwards</b>		
FX forward (buy USD, sell yen) notional at end of period (in billions) <sup>(1)</sup>	<b>\$1.8</b>	\$2.6
Amortized hedge income (cost) for period (in millions)	<b>\$113</b>	\$126
<b>FX Options</b>		
FX option notional at the end of period (in billions) <sup>(1)</sup>	<b>\$0.0</b>	\$0.5
Amortized hedge income (cost) for period (in millions)	<b>\$0</b>	\$(5)

<sup>(1)</sup> Notional is reported net of any offsetting positions within Aflac Japan or the Parent Company, respectively.

Amortized hedge costs/income can fluctuate based upon many factors, including the derivative notional amount, the length of time of the derivative contract, changes in both U.S. and Japan interest rates, and supply and demand for dollar funding. Amortized hedge costs/income have fluctuated in recent periods due to changes in the previously mentioned factors.

Aflac Japan's U.S. Dollar-Denominated Hedge Program (U.S. Dollar Program)

Aflac Japan buys U.S. dollar-denominated investments, typically corporate bonds, and hedges them back to yen with foreign currency forwards and options to hedge foreign currency exchange rate risk. This economically creates yen assets that match yen liabilities during the life of the derivative and provides favorable capital treatment under the Japan SMR calculations. The currency risk being hedged is generally based on fair value of hedged investments. The following table summarizes the U.S. dollar-denominated investments held by Aflac Japan as of December 31.

(In millions)	2024		2023	
	Amortized Cost <sup>(1)</sup>	Fair Value	Amortized Cost <sup>(1)</sup>	Fair Value
<b>Available-for-sale securities:</b>				
Fixed maturity securities	\$ 9,835	\$ 12,183	\$ 10,924	\$ 12,918
<b>Equity securities</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>
<b>Commercial mortgage and other loans:</b>				
Transitional real estate loans (floating rate)	3,648	3,656	4,795	4,829
Commercial mortgage loans	915	811	1,075	948
Middle market loans (floating rate)	3,847	3,794	4,095	4,065
Other loans	174	173	112	111
<b>Other investments</b>	<b>2,862</b>	<b>2,862</b>	<b>2,361</b>	<b>2,361</b>
<b>Total U.S. Dollar Program</b>	<b>21,303</b>	<b>23,501</b>	<b>23,384</b>	<b>25,254</b>
<b>Available-for-sale securities:</b>				
Fixed maturity securities - economically converted to yen	1,645	2,406	2,081	2,902
<b>Total U.S. dollar-denominated investments in Aflac Japan</b>	<b>\$ 22,948</b>	<b>\$ 25,907</b>	<b>\$ 25,465</b>	<b>\$ 28,156</b>

<sup>(1)</sup> Net of allowance for credit losses

The U.S. Dollar Program includes all U.S. dollar-denominated investments in Aflac Japan other than the investments in certain consolidated VIEs where the instrument is economically converted to yen as a result of a derivative in the consolidated VIE. The Company uses one-sided foreign currency put options to mitigate the settlement risk on U.S. dollar-denominated assets related to extreme foreign currency rate changes. From time to time, Aflac Japan also maintains a collar program on a portion of its U.S. Dollar Program to mitigate against more extreme moves in foreign exchange and therefore support SMR. As of December 31, 2024, none of the Company's foreign currency options hedging Aflac Japan's U.S. dollar-denominated assets were in-the-money.

Foreign exchange derivatives used for hedging are periodically settled, which results in cash receipt or payment at maturity or early termination. The following table presents the settlements associated with the Company's currency derivatives used for hedging Aflac Japan's U.S. dollar-denominated investments for the years ended December 31.

(In millions)	2024	2023
Net cash inflows (outflows)	\$ (508)	\$ (598)

#### Enterprise Corporate Hedging Program

The Company has designated certain yen-denominated liabilities and foreign currency forwards and options of the Parent Company as accounting hedges of its net investment in Aflac Japan. The Company's consolidated yen-denominated net asset position was partially hedged at \$5.9 billion as of December 31, 2024, with hedging instruments comprised of \$4.1 billion of yen-denominated debt and \$1.8 billion of foreign currency forwards, compared with \$6.8 billion as of December 31, 2023, with hedging instruments comprised of \$3.7 billion of yen-denominated debt and \$3.1 billion of foreign currency forwards and options.

The Company makes its accounting designation of net investment hedge at the beginning of each quarter. If the total of the designated Parent Company non-derivative and derivative notional is equal to or less than the Company's net investment in Aflac Japan, the hedge is deemed to be effective, and the currency exchange effect on the yen-denominated liabilities and the change in estimated fair value of the derivatives are reported in the unrealized foreign currency component of other comprehensive income. The Company's net investment hedge was effective during the years ended December 31, 2024 and 2023, respectively. For additional information on the Company's net investment hedging strategy, see Note 4 of the Notes to the Consolidated Financial Statements.

In order to economically mitigate risks associated with the enterprise-wide exposure to the yen and the level and volatility of hedge costs, the Parent Company enters into foreign currency forward and option contracts. By buying U.S. dollars and selling yen, the Parent Company is effectively lowering its overall economic exposure to the yen. In addition to reducing yen exposure from dividend payments by Aflac Japan to the Parent Company, this strategy also reduces enterprise-wide hedge costs. This activity is reported in Corporate and other. The Company continually evaluates the program's efficacy.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

As part of the Company's internal reinsurance platform, Aflac Re enters into foreign currency forwards with the Parent Company, and may enter into such forwards with third parties, to economically manage the currency mismatch between Aflac Re's assets, which are mostly denominated in U.S. dollars, and liabilities, which are mostly denominated in yen, in order to support and optimize BMA capital requirements. For additional information on the Company's internal reinsurance platform, see Note 8 of the Notes to the Consolidated Financial Statements and the Liquidity and Capital Resources section of this MD&A.

### Interest Rate Risk Hedge Program

Aflac Japan and Aflac U.S. use interest rate swaps from time to time to mitigate the risk of investment income volatility for certain variable-rate investments. Additionally, to manage interest rate risk associated with its U.S. dollar-denominated investments held by Aflac Japan, from time to time the Company utilizes interest rate swaptions.

For additional discussion of the risks associated with the foreign currency exposure refer to the Currency Risk section in Item 7A. Quantitative and Qualitative Disclosures about Market Risk, and Item 1A. specifically to the Risk Factors titled "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate" and "Lack of availability of acceptable yen-denominated investments could adversely affect the Company's results of operations, financial position or liquidity."

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on the Company's hedging activities.

## POLICY LIABILITIES

The following table presents policy liabilities by segment and in total for the years ended December 31.

(In millions)	2024	2023
Japan segment:		
Future policy benefits	\$ 60,885	\$ 73,638
Other policy liabilities	6,664	7,529
Total Japan policy liabilities	67,549	81,167
U.S. segment:		
Future policy benefits	10,584	11,234
Other policy liabilities	479	365
Total U.S. policy liabilities	11,063	11,600
Consolidated:		
Future policy benefits	70,381	83,718
Other policy liabilities	7,127	7,881
Total consolidated policy liabilities <sup>(1)</sup>	\$ 77,508	\$ 91,599

<sup>(1)</sup> The sum of the Japan and U.S. segments exceeds the total due to reinsurance and retrocession activity.

See Note 7 of the Notes to the Consolidated Financial Statements for additional information on the Company's policy liabilities.

## BENEFIT PLANS

Aflac Japan and Aflac U.S. have various benefit plans. For additional information on the Company's Japanese and U.S. plans, see Note 14 of the Notes to the Consolidated Financial Statements.



**POLICYHOLDER PROTECTION***Policyholder Protection Corporation*

The Japanese insurance industry has a policyholder protection system that provides funds for the policyholders of insolvent insurers. Legislation enacted regarding the framework of the Life Insurance Policyholder Protection Corporation (LIPPC) included government fiscal measures supporting the LIPPC. In March 2022, Japan's Diet passed legislation that extended the government's fiscal support of the LIPPC through March 2027. In March 2022, the LIPPC reached the required balance for the total life industry of ¥400 billion as specified by its Articles of Incorporation. As a result, additional contributions are not expected to be required unless the balance is reduced due to payments made by the LIPPC to the policyholders of insolvent insurers. Accordingly, Aflac Japan did not recognize an expense for LIPPC assessments for the years ended December 31, 2024 and 2023.

*Guaranty Fund Assessments*

Under U.S. state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies that write the same line or similar lines of business. The amount of the guaranty fund assessment that an insurer is assessed is based on its proportionate share of premiums in that state. See Note 15 of the Notes to the Consolidated Financial Statements for further information on guaranty fund assessments. Guaranty fund assessments for the years ended December 31, 2024 and 2023 were immaterial.

**LIQUIDITY AND CAPITAL RESOURCES**

Liquidity refers to the ability to generate sufficient cash resources to meet the payment obligations of the Company. Capital refers to the long-term financial resources available to support the operations of the businesses, fund business growth and provide for an ability to withstand adverse circumstances. Financial leverage (leverage) refers to a strategy of utilizing debt in managing the Company's capital structure and cost of capital. The Company targets and actively manages liquidity, capital and leverage in the context of a number of considerations, including:

- business investment and growth needs
- strategic growth objectives
- financial flexibility and obligations
- capital support for hedging activity
- a constantly evolving business and economic environment
- a balanced approach to capital allocation and shareholder deployment.

The governance framework supporting liquidity, capital, and leverage includes global senior management and board committees that review and approve all significant capital related decisions.

The Company's cash and cash equivalents include unrestricted cash on hand, money market instruments, and other debt instruments with a maturity of 90 days or less when purchased, all of which have minimal market, settlement or other risk exposure. The target minimum amount for the Parent Company's cash and cash equivalents is approximately \$1.8 billion to provide a capital buffer and liquidity support at the holding company. The Company remains committed to prudent liquidity and capital management. At December 31, 2024, the Company held \$6.2 billion in cash and cash equivalents for stress conditions, which includes the Parent Company's target minimum amount of \$1.8 billion.

Aflac Japan and Aflac U.S. generate cash flows from their operations and provide the primary sources of liquidity to the Parent Company through management fees and dividends, with Aflac Japan being the largest contributor. The primary uses of cash by the Parent Company are shareholder dividends, the repurchase of its common stock, interest on its outstanding indebtedness and operating expenses.

The following table presents the amounts provided to the Parent Company for the years ended December 31.

**Liquidity Provided by Subsidiaries to Parent Company**

(In millions)	2024	2023
Management fees paid by subsidiaries	\$ 163	\$ 151
Dividends declared or paid by subsidiaries	3,841	3,516

The following table details Aflac Japan remittances, which are included in the totals above, for the years ended December 31.

### Aflac Japan Remittances

(In millions of dollars and billions of yen)	2024	2023
Aflac Japan management fees paid to Parent Company	\$ 69	\$ 67
Aflac Japan dividends declared or paid to Parent Company (in dollars)	2,865	2,623
Aflac Japan dividends declared or paid to Parent Company (in yen)	¥ 441.6	¥ 374.7

The Company intends to maintain higher than historical levels of liquidity and capital at the Parent Company for stress conditions and with the goals of addressing the Company's hedge costs and related potential need for collateral and mitigating against long-term weakening of the Japanese yen. Further, the Company plans to continue to maintain a population of unhedged U.S. dollar-denominated investments at Aflac Japan and to consider whether the amount of such investments should be increased or decreased relative to the Company's view of economic equity surplus in Aflac Japan in light of potentially rising hedge costs and other factors. See the Hedging Activities subsection of this MD&A for additional information.

The Company believes that its balance of cash and cash equivalents and cash generated by operations will be sufficient to satisfy both its short-term and long-term cash requirements and plans for cash, including material cash requirements from known contractual obligations and returning capital to shareholders through share repurchases and dividends.

In addition to cash and cash equivalents, the Company also maintains credit facilities, both intercompany and with external partners, and a number of other available tools to support liquidity needs on a global basis. In September 2024, the Parent Company filed a shelf registration statement with the SEC that allows the Company to issue an indefinite amount of debt securities, in one or more series, from time to time until September 2027. The Company believes outside sources for additional debt and equity capital, if needed, will continue to be available. The Company was in compliance with all of the covenants of its notes payable and lines of credit at December 31, 2024. For additional information, see Note 9 of the Notes to the Consolidated Financial Statements.

As part of enterprise-wide capital management and optimization, the Company also utilizes the intercompany reinsurance platform to execute internal reinsurance transactions with Aflac Re. For additional information, see Note 8 of the Notes to the Consolidated Financial Statements.

The following table presents the estimated payments of the Company's material cash requirements from known contractual obligations as of December 31, 2024. The Company translated its yen-denominated obligations using the December 31, 2024, exchange rate. Actual future payments as reported in dollars will fluctuate with changes in the yen/dollar exchange rate.

(In millions)	Total Liability <sup>(1)</sup>	Total Payments	Short-term Payments	Long-term Payments
Future policy benefits liability (Note 7) <sup>(2)</sup>	\$ 70,381	\$ 173,394	\$ 8,330	\$ 165,064
Other policyholders' funds (Note 7) <sup>(3)</sup>	5,460	6,187	553	5,634
Long-term debt – principal (Note 9)	7,402	7,454	78	7,376
Long-term debt – interest (Note 9)	47	2,447	179	2,268
Cash collateral on loaned securities (Note 3)	2,037	2,037	2,037	0
Operating service agreements (Note 15)	N/A	564	173	391
Operating lease obligations (Note 9)	91	98	38	60
Finance lease obligations (Note 9)	5	5	2	3
<b>Total contractual obligations</b>	<b>\$ 85,423</b>	<b>\$ 192,186</b>	<b>\$ 11,390</b>	<b>\$ 180,796</b>

<sup>(1)</sup> Liability amounts are those reported on the consolidated balance sheet as of December 31, 2024.

<sup>(2)</sup> The estimated payments reflect future estimated cash payments to be made to policyholders and others for future policy benefits and certain related expenses using assumptions aligned with the Company's experience on policy persistency, mortality, morbidity, and other assumptions. These cash outflows are undiscounted with respect to interest, and future premium payments received from policyholders are not included. Therefore, the sum of the cash outflows exceeds the corresponding liability amount. Due to the significance of the assumptions used, actual cash outflow amounts and timing will differ, possibly materially, from these estimates.

<sup>(3)</sup> These cash outflows are undiscounted with respect to interest and, as a result, the sum of the cash outflows exceeds the corresponding liability amount.

For additional information on the Company's major contractual obligations, see the applicable Note in the Notes to the Consolidated Financial Statements as indicated in the line items in the table above.

The Company's consolidated financial statements convey its financing arrangements during the periods presented. The Company has not engaged in material intra-period short-term financings during the periods presented that are not otherwise reported in its balance sheet or disclosed therein. As of December 31, 2024, the Company had no material letters of credit, standby letters of credit, guarantees or standby repurchase obligations. The Company has not entered into transactions involving the transfer of financial assets with an obligation to repurchase financial assets that have been accounted for as a sale under applicable accounting standards, including securities lending transactions. See Notes 1, 3, and 4 of the Notes to the Consolidated Financial Statements for additional information on the Company's securities lending and derivative activities. With the exception of disclosed activities in those referenced footnotes and the Risk Factors entitled, "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate" and "Lack of availability of acceptable yen-denominated investments could adversely affect the Company's results of operations, financial position or liquidity," the Company is not aware of any trend, demand, commitment, event or uncertainty that would reasonably result in its liquidity increasing or decreasing by a material amount.

### Consolidated Cash Flows

The Company consistently generates positive cash flows from operations, and has the ability to adjust cash flow management from other sources of liquidity including reinvestment cash flows and selling investments in order to meet short-term cash needs.

The Company translates cash flows for Aflac Japan's yen-denominated items into U.S. dollars using weighted-average exchange rates. In years when the yen weakens, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported.

The following table summarizes consolidated cash flows by activity for the years ended December 31.

(In millions)	2024	2023
Operating activities	\$ 2,707	\$ 3,190
Investing activities	2,781	817
Financing activities	(3,486)	(3,723)
Exchange effect on cash and cash equivalents	(79)	79
Net change in cash and cash equivalents	\$ 1,923	\$ 363

### Operating Activities

The principal cash inflows for the Company's insurance activities come from insurance premiums and investment income. The principal cash outflows are the result of policy claims, operating expenses, income tax, as well as interest expense. As a result of policyholder aging, claims payments are expected to gradually increase over the life of a policy. Therefore, future policy benefit reserves are accumulated in the early years of a policy and are designed to help fund future claims payments.

The Company expects its future cash flows from premiums and investment portfolios to be sufficient to meet its cash needs for benefits and expenses. Consolidated cash flow from operations decreased 15.1% in 2024, compared with 2023.

### Investing Activities

The Company's investment objectives provide for liquidity primarily through the purchase of publicly traded investment-grade debt securities. Prudent portfolio management dictates that the Company attempts to match the duration of its assets with the duration of its liabilities. Currently, when the Company's fixed maturity securities mature, the proceeds may be reinvested at a yield below that required for the accretion of policy benefit liabilities on policies issued in earlier years. However, the long-term nature of the Company's business and its strong cash flows provide the Company with the ability to minimize the effect of mismatched durations and/or yields identified by various asset adequacy analyses. From time to time or when market opportunities arise, the Company disposes of selected fixed maturity securities that are available-for-sale to improve the duration matching of assets and liabilities, improve future investment yields, and/or rebalance its portfolio. As a result, dispositions before maturity can vary significantly from year to year.

As part of its overall corporate strategy, the Company has committed up to \$400 million to Aflac Ventures, LLC (Aflac Ventures), as opportunities emerge. As of December 31, 2024, of the \$400 million committed, approximately \$285 million has been deployed. Aflac Ventures is a subsidiary of Aflac Global Ventures, LLC (Aflac Global Ventures) which is reported in Corporate and other. The central mission of Aflac Global Ventures is to support the organic growth and business development needs of Aflac Japan and Aflac U.S. with an emphasis on digital applications designed to improve the customer experience, gain efficiencies, and develop new markets in an effort to enhance and defend long-term shareholder value. Investments are included in equity securities or the other investments line in the consolidated balance sheets.

As part of an arrangement with Federal Home Loan Bank of Atlanta (FHLB), Aflac U.S. obtains low-cost investment funding from FHLB supported by acceptable forms of collateral pledged by Aflac U.S. In 2024, Aflac U.S. borrowed and repaid \$466 million under this program. As of December 31, 2024, Aflac U.S. had outstanding borrowings of \$589 million reported in its balance sheet.

See Note 3 of the Notes to the Consolidated Financial Statements for details on certain investment commitments.

### Financing Activities

Cash flows from financing activities consist primarily of share repurchases, dividends to shareholders and from time to time debt issuances and redemptions.

In April 2024, ALIJ redeemed ¥30.0 billion of its .963% subordinated bonds due April 2049.

In March 2024, the Parent Company issued five series of senior notes totaling ¥75.0 billion through a private placement. The first series, which totaled ¥18.3 billion, bears interest at a fixed rate of 1.600% per annum, payable semi-annually, and will mature in March 2034. The second series, which totaled ¥15.0 billion, bears interest at a fixed rate of 1.740% per annum, payable semi-annually, and will mature in March 2036. The third series, which totaled ¥16.5 billion, bears interest at a fixed rate of 1.920% per annum, payable semi-annually, and will mature in March 2039. The fourth series, which totaled ¥5.7 billion, bears interest at a fixed rate of 2.160% per annum, payable semi-annually, and will mature in March 2044. The fifth series, which totaled ¥19.5 billion, bears interest at a fixed rate of 2.400% per annum, payable semi-annually, and will mature in March 2054. These notes are redeemable at the Parent Company's option (i) in whole at any time or (ii) in part from time to time in an amount not less than 5% of the aggregate principal amount then outstanding of the notes to be redeemed.

In March 2024, the Parent Company issued three series of senior notes totaling ¥48.6 billion through a public debt offering under its U.S. shelf registration statement. The first series, which totaled ¥13.0 billion, bears interest at a fixed rate of 1.048% per annum, payable semi-annually, and will mature in March 2029. The second series, which totaled ¥27.9 billion, bears interest at a fixed rate of 1.412% per annum, payable semi-annually, and will mature in March 2031. The third series, which totaled ¥7.7 billion, bears interest at a fixed rate of 1.682% per annum, payable semi-annually, and will mature in March 2034. These notes are redeemable at the Parent Company's option at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance. In addition, the notes maturing in March 2029, March 2031 and March 2034 are redeemable at the Parent Company's option, in whole or in part from time to time, on or after December 21, 2028, December 31, 2030 and September 21, 2033, respectively, at a redemption price equal to the aggregate principal amount of the applicable series to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In December 2023, ALIJ issued ¥30.0 billion (par value) of subordinated bonds that will mature in December 2053. The bonds bear interest at an initial rate of 1.958% per annum until December 5, 2028. Thereafter, the rate of interest of the bonds will be reset every five years to a rate of interest equal to the then-current five-year JGB rate plus (i) 1.650% per annum on and after the day immediately following December 5, 2028 to December 5, 2033, and (ii) 2.650% per annum on and after the day immediately following December 5, 2033 to December 5, 2053. The bonds are redeemable, in whole but not in part, (i) at any time upon the occurrence of certain regulatory or tax events, as specified in the indenture governing the terms of the bonds or (ii) on each interest rate reset date on or after December 5, 2028.

See Note 9 of the Notes to the Consolidated Financial Statements for further information on the debt issuances discussed above.

Cash returned to shareholders through treasury stock purchases and dividends was \$3.9 billion in 2024, compared with \$3.8 billion in 2023.

The following tables present a summary of treasury stock activity during the years ended December 31.

### Treasury Stock Purchased

(In millions of dollars and thousands of shares)	2024	2023
Treasury stock purchases	\$ 2,800	\$ 2,801
Number of shares purchased:		
Share repurchase program	30,428	38,896
Other	494	364
Total shares purchased	30,922	39,260

### Treasury Stock Issued

(In millions of dollars and thousands of shares)	2024	2023
Stock issued from treasury:		
Cash financing	\$ 14	\$ 17
Noncash financing	67	59
Total stock issued from treasury	\$ 81	\$ 76
Number of shares issued	1,042	1,164

As of December 31, 2024, a remaining balance of 47.3 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors. See Note 11 of the Notes to the Consolidated Financial Statements for additional information.

Cash dividends paid to shareholders in 2024 of \$2.00 per share increased 19.0% over 2023. The following table presents the dividend activity for the years ended December 31.

### Dividends Paid to Shareholders

(In millions)	2024	2023
Dividends paid in cash	\$ 1,087	\$ 966
Dividends through issuance of treasury shares	41	37
Total dividends to shareholders	\$ 1,128	\$ 1,003

In December 2024, the board of directors announced a 16.0% increase in the quarterly cash dividend, effective with the first quarter of 2025. The first quarter 2025 cash dividend of \$.58 per share is payable on March 3, 2025, to shareholders of record at the close of business on February 19, 2025.



## Regulatory Restrictions

### Aflac Japan

Aflac Japan is required to meet certain financial criteria as governed by the Companies Act of Japan in order to provide dividends to the Parent Company. Under these criteria, dividend capacity at Aflac Japan is defined as total equity excluding common stock and capital reserves (representing statutorily required amounts in Japan) but reduced for net after-tax unrealized losses on available-for-sale securities. These dividend capacity requirements are generally aligned with the SMR. Japan's FSA maintains its own solvency standard which is quantified through the SMR. Aflac Japan's SMR is sensitive to interest rate, credit spread, and foreign exchange rate changes; therefore, the Company continues to evaluate alternatives for reducing this sensitivity, including the reduction of subsidiary dividends paid to the Parent Company and Parent Company capital contributions. In the event of a rapid change in market risk conditions causing SMR to decline, the Company has a senior unsecured revolving credit facility in the amount of ¥100 billion as a capital contingency plan. Additionally, subject to market conditions, the Company expects that it could take action to enter into derivatives on unhedged U.S. dollar-denominated investments with foreign currency options or forwards or execute additional reinsurance transactions. See Notes 8 and 9 of the Notes to the Consolidated Financial Statements for additional information.

The Company has already undertaken various measures to mitigate the sensitivity of Aflac Japan's SMR. For example, the Company employs policy reserve matching (PRM) investment strategies, which is a Japan-specific accounting treatment that reduces SMR interest rate sensitivity since PRM-designated investments are carried at amortized cost consistent with corresponding liabilities. In order for a PRM-designated asset to be held at amortized cost, there are certain criteria that must be maintained. The primary criterion relates to maintaining the duration of designated assets and liabilities within a specified tolerance range. If the duration difference is not maintained within the specified range without rebalancing, then a certain portion of the assets must be reclassified as available-for-sale and held at fair value with any associated unrealized gain or loss recorded in surplus. To rebalance, assets may need to be sold in order to maintain the duration with the specified range, resulting in realizing a gain or loss from the sale. For U.S. GAAP, PRM investments are categorized as available-for-sale. The Company also uses foreign currency derivatives to hedge a portion of its U.S. dollar-denominated investments. See Notes 3, 4 and 8 of the Notes to the Consolidated Financial Statements for additional information on the Company's investment strategies, hedging activities, and reinsurance, respectively.

Aflac Japan's SMR remains high and reflects a strong capital and surplus position. As of December 31, 2024, Aflac Japan's SMR was 1,221%, compared with 1,219% at December 31, 2023. The Company is committed to maintaining strong capital levels, consistent with maintaining current insurance financial strength and credit ratings.

The FSA will introduce an economic value-based solvency regime based on the Insurance Capital Standards (ICS) for insurance companies in Japan. The final specifications were published in May 2024 with the new capital regime and initial ESR report becoming effective for Aflac Japan's 2025 fiscal year. As of December 31, 2024, Aflac Japan's estimated ESR was above 270%.

### Aflac U.S.

A life insurance company's statutory capital and surplus is determined according to rules prescribed by the NAIC, as modified by the insurance department in the insurance company's state of domicile. Statutory accounting rules are different from U.S. GAAP and are intended to emphasize policyholder protection and company solvency. The continued long-term growth of the Company's business may require increases in the statutory capital and surplus of its insurance operations. The Company's insurance operations may secure additional statutory capital through various sources, such as internally generated statutory earnings, reduced dividends paid to the Parent Company, capital contributions by the Parent Company from funds generated through debt or equity offerings, or reinsurance transactions. The NAIC's RBC formula is used by insurance regulators to help identify inadequately capitalized insurance companies. The RBC formula quantifies insurance risk, business risk, asset risk and interest rate risk by weighing the types and mixtures of risks inherent in the insurer's operations.

The combined RBC ratio for Aflac U.S. as of December 31, 2024 was 677%, compared with 710% as of December 31, 2023. The Company calculates its combined RBC ratio to include all U.S. regulated life insurance entities as if a single combined U.S. RBC entity net of intercompany items related to capital resources and risk.

The table below presents RBC ratios for the Company's U.S. life insurance subsidiaries as of December 31, the most recent statutory fiscal year-end for the subsidiaries for which RBC was filed.

	2024	2023
Aflac	610 %	699 %
CAIC	2,286	651
TOIC	1,419	2,270
Aflac New York	792	836

The NAIC completed its Solvency Modernization Initiative (SMI) process relating to updating the U.S. insurance solvency regulation framework. The SMI focused on key issues such as capital requirements, governance and risk management, group supervision, reinsurance, statutory accounting and financial reporting matters. The NAIC still has some ongoing initiatives related to SMI, such as monitoring the international efforts on group capital requirements as well as RBC. The NAIC utilizes a group capital calculation (GCC) that conceptually uses an RBC aggregation methodology for all entities within the insurance company holding system. The GCC is intended to be a regulatory tool used by regulators as a means to standardize group capital requirements.

Aflac, CAIC and TOIC are domiciled in Nebraska and are subject to its regulations. The NDOI imposes certain limitations and restrictions on payments of dividends, management fees, loans and advances to the Parent Company. Under Nebraska insurance law, prior approval of the NDOI is required for dividend distributions that exceed the greater of the net income from operations, which excludes net investment gains, for the previous year determined under statutory accounting principles, or 10% of statutory capital and surplus as of the previous year-end. Dividends declared by Aflac during 2025 in excess of \$912 million would be considered extraordinary and require such approval. Similar laws apply in New York, the domiciliary jurisdiction of Aflac New York.

#### Corporate and Other

Aflac Re is licensed by the BMA as a long-term insurer and is subject to the Bermuda Insurance Act of 1978 (Bermuda Insurance Act). Aflac Re is required to file an annual return for its Bermuda Solvency Capital Requirement (BSCR) which utilizes an Economic Balance Sheet (EBS) framework to determine Aflac Re's Enhanced Capital Requirement (ECR). Aflac Re is also subject to a Minimum Margin of Solvency (MMS) related to its statutory financial statements. The MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets, or 25% of ECR.

Under the EBS framework, Aflac Re is required to value assets equal to U.S. GAAP fair values, and insurance reserves are valued using technical provisions which consist of a best estimate liability plus a risk margin. The best estimate liability can be calculated by applying the standard approach or, with regulatory approval, the scenario-based approach. The standard approach uses discount rates for insurance reserves as prescribed by the BMA. The scenario-based approach uses a discount rate based on the yield of eligible assets owned by the insurer as determined using a series of prescribed stress scenarios. At December 31, 2024 and 2023, Aflac Re was in compliance with the ECR and MMS requirements.

Under the Bermuda Insurance Act, Aflac Re is prohibited from paying dividends in an amount that exceeds 25% of the prior year's statutory capital and surplus without an affidavit stating that Aflac Re will continue to meet its solvency margin. Further, Aflac Re may not reduce its total statutory capital by 15% or more without prior regulatory approval. Additionally, Aflac Re is not permitted to pay any dividends that would cause Aflac Re to fail to meet its minimum capital requirements.

#### **Other**

For information regarding commitments and contingent liabilities, see Note 15 of the Notes to the Consolidated Financial Statements.

#### **Additional Information**

Investors should note that the Company announces material financial information in its SEC filings, press releases and public conference calls. In accordance with SEC guidance, the Company may also use the Investor Relations section of the Company's website (<http://investors.aflac.com>) to communicate with investors about the Company. It is possible that the financial and other information the Company posts there could be deemed to be material information. The information on the Company's website is not part of this document. Further, the Company's references to website URLs are intended to be inactive textual references only.



### CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with U.S. GAAP. These principles are established primarily by the FASB. In this MD&A, references to U.S. GAAP issued by the FASB are derived from the FASB Accounting Standards Codification™ (ASC). The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates based on currently available information when recording transactions resulting from business operations. The estimates that the Company deems to be most critical to an understanding of its results of operations and financial condition are those related to the valuation of investments and derivatives, deferred policy acquisition costs (DAC), liabilities for future policy benefits, and income taxes. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management's analyses and judgments. Calculations of DAC and the LFPB require the use of estimates based on actuarial valuation techniques. The application of these critical accounting estimates determines the values at which 92% of the Company's assets and 78% of its liabilities are reported as of December 31, 2024, and thus has a direct effect on net earnings and shareholders' equity. Subsequent experience or use of other assumptions could produce significantly different results.

#### Valuation of Investments, Including Derivatives

The Company's investments, primarily consisting of debt and equity securities, include both publicly issued and privately issued securities. For publicly issued securities, the Company determines the fair values from quoted market prices readily available from public exchange markets and price quotes and valuations from third-party pricing vendors. For the majority of privately issued securities and derivatives associated with VIEs within the Company's investment portfolio, a third-party pricing vendor has developed valuation models that the Company utilizes to determine fair values. These models and associated processes and controls are executed by Company personnel. For the remaining privately issued securities, the Company uses non-binding price quotes from outside brokers. The Company's valuation model for private placements explicitly incorporates currency basis swap adjustments (market observable data) to assumed interest rate curves where appropriate.

The Company estimates the fair values of its securities on a monthly basis. The Company monitors the estimated fair values obtained from its pricing vendors and brokers for consistency from month to month, while considering current market conditions. The Company also periodically discusses with its pricing brokers and vendors the pricing techniques they use to monitor the consistency of their approach and periodically assess the appropriateness of the valuation level assigned to the values obtained from them. If a fair value appears unreasonable, the Company will re-examine the inputs and assess the reasonableness of the pricing data with the vendor. Additionally, the Company may compare the inputs to relevant market indices and other performance measurements. Based on management's analysis, the valuation is confirmed or may be revised if there is evidence of a more appropriate estimate of fair value based on available market data. The Company has performed verification of the inputs and calculations in any valuation models to confirm that the valuations represent reasonable estimates of fair value. Inputs used to value derivatives include, but are not limited to, interest rates, credit spreads, foreign currency forward and spot rates, foreign currency volatility, and interest rate volatility.

The Company estimates an expected lifetime credit loss on investments measured at amortized cost including held-to-maturity fixed maturity securities, loan receivables and certain loan commitments on a quarterly basis. For the Company's available-for-sale fixed maturity securities, the Company evaluates estimated credit losses only when the fair value of the available-for-sale fixed maturity security is below its amortized cost basis.

The Company's approach to estimating credit losses is complex and incorporates significant judgments. In addition to a security, an asset class, or issuer-specific credit fundamentals, it considers past events, current economic conditions and forecasts of future economic conditions. The Company's estimates are revised as conditions change and new information becomes available.

See the tabular disclosure entitled "Sensitivity of Fair Values of Financial Instruments to Interest Rate Change" in Item 7A. Quantitative and Qualitative Disclosures About Market Risk and Notes 1, 3, 4 and 5 of the Notes to the Consolidated Financial Statements for additional information.

### **Deferred Policy Acquisition Costs and Liability for Future Policy Benefits**

The majority of the supplemental health and life insurance policies the Company issues are classified as long-duration contracts. The contract provisions generally cannot be changed or canceled during the contract period; however, the Company may adjust premiums for supplemental health policies issued in the U.S. within prescribed guidelines and with the approval of state insurance regulatory authorities.

Insurance premiums for most of the Company's health and life policies, including cancer, accident, hospital, critical illness, supplemental dental and vision, term life, whole life, long-term care and disability, are recognized as earned premiums over the premium-paying periods of the contracts when due from policyholders. When earned premiums are reported, the related amounts of benefits and expenses are charged against such revenues. This association is accomplished by means of annual increases or decreases to the LFPB and the deferral and subsequent amortization of policy acquisition costs.

Premiums from the Company's products with limited-pay features, including cancer, medical and nursing care, term life, whole life, WAYS, and child endowment, are collected over a significantly shorter period than the contract term (i.e., the period during which benefits are provided). Premiums for these products are recognized as earned premiums over the premium-paying periods when due from policyholders. Any gross premium in excess of the net premium is deferred and recorded as a deferred profit liability, a component of the LFPB, which is subsequently amortized in net earned premiums such that profits are recognized in a constant relationship with insurance in force. Benefits are recorded as an expense when they are incurred. An LFPB is recorded when premiums are recognized using the net premium method.

#### Deferred Policy Acquisition Costs

Amortization of DAC is computed using the same contract groupings (also referred to as cohorts) and mortality and termination assumptions that are used in computing the LFPB and these assumptions are reviewed and updated at least annually. The effects of changes in assumptions are recognized prospectively over the remaining contract term as a revision of the future amortization pattern, while current period amortization is calculated based on the actual experience during the quarter. For additional information, see Note 6 of the Notes to the Consolidated Financial Statements.

#### Liability for Future Policy Benefits

The Company's LFPB is determined in accordance with applicable guidelines as defined under U.S. GAAP and Actuarial Standards of Practice and represent claims that are expected to occur in the future and already incurred claims (which represent claims that have been incurred and are in the process of payment as well as an estimate of those claims that have been incurred but have not yet been reported to the Company) and are measured using the net level premium method. Future policy benefits are calculated using assumptions and estimates including mortality, morbidity, termination (also referred to as lapses), expense, and discount rates. The assumptions and estimates that the Company uses depend on its judgment regarding the likelihood of future events and are inherently uncertain.

Cash flow assumptions (mortality, morbidity, and termination) are established at policy inception and are evaluated each quarter to determine if an update is needed. To facilitate a more detailed review of cash flow assumptions, experience studies are performed annually during the third quarter. Changes in cash flow assumptions are recognized in reserve remeasurement (gains) losses in the consolidated statements of earnings. Expense assumptions are established at policy inception and are not updated. Actual experience is reflected in the calculation of future policy benefits each quarter, and changes in the liability due to actual experience are recognized in reserve remeasurement (gains) losses in the consolidated statements of earnings.

Discount rates used to calculate net premiums are locked in at policy inception and represent the basis to recognize interest expense accreted on insurance reserves in benefits and claims, excluding reserve remeasurement in the consolidated statements of earnings. Discount rates used to measure the carrying value of LFPB in the consolidated balance sheets are updated each reporting period, and the differences between the liability balances calculated using the locked-in discount rates and the updated discount rates are recognized in accumulated other comprehensive income (loss). The discount rate methodology is designed to prioritize observable inputs based on market data available in the local debt markets where the respective policies were issued in the currency in which the policies are denominated. For the discount rates applicable to tenors for which the single-A debt market is not liquid or there is little or no observable market data, the Company uses various estimation techniques consistent with the fair value guidance in ASC 820 - Fair Value Measurement, which include, but are not limited to: (i) for tenors where there is less observable market data and/or the observable market data is available for similar instruments, estimating tenor-specific single-A credit spreads and

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

applying them to risk-free government rates; (ii) for tenors where there is very limited or no observable single-A or similar market data, interpolation and extrapolation techniques.

If interest rates decreased by 100 basis points, the Company's LFPB balance as of December 31, 2024 would increase by \$9.6 billion, and if interest rates increased by 100 basis points, the Company's LFPB balance as of December 31, 2024 would decrease by \$7.6 billion.

For additional information on future policy benefits, see Note 7 of the Notes to the Consolidated Financial Statements.

### Income Taxes

Income tax provisions are generally based on pretax earnings reported for financial statement purposes, which differ from those amounts used in preparing the Company's income tax returns. Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the Company expects the temporary differences to reverse. The evaluation of a tax position in accordance with U.S. GAAP is a two-step process. Under the first step, the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination by taxing authorities. The second step is measurement, whereby a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. A valuation allowance is established for deferred tax assets when it is more likely than not that an amount will not be realized. The determination of a valuation allowance for deferred tax assets requires management to make certain judgments and assumptions.

In evaluating the ability to recover deferred tax assets, the Company's management considers all available evidence, including taxable income in open carry back years, the existence of cumulative losses in the most recent years, forecasted earnings, future taxable income exclusive of reversing temporary differences and carryforwards, future taxable temporary difference reversals, and prudent and feasible tax planning strategies. In the event the Company determines it is not more likely than not that it will be able to realize all or part of its deferred tax assets in the future, a valuation allowance would be charged to earnings in the period such determination is made. Likewise, if it is later determined that it is more likely than not that those deferred tax assets would be realized, the previously provided valuation allowance would be reversed. Future economic conditions and market volatility, including increases in interest rates or widening credit spreads, can adversely impact the Company's tax planning strategies and in particular the Company's ability to utilize tax benefits on previously recognized capital losses. The Company's judgments and assumptions are subject to change given the inherent uncertainty in predicting future performance and specific industry and investment market conditions.

An increase or decrease in the Company's effective tax rate by one percentage point would have resulted in an increase or decrease in the Company's 2024 income tax expense of \$49 million.

For additional information on income taxes, see Note 10 of the Notes to the Consolidated Financial Statements presented in this report.

### New Accounting Pronouncements

On January 1, 2023, the Company adopted LDTI employing a modified retrospective transition method, which required the amended guidance be applied as of the beginning of the earliest period presented beginning on the January 1, 2021 transition date (Transition Date). The Transition Date impact from adoption resulted in a decrease in AOCI of approximately \$18.6 billion and a decrease in retained earnings of approximately \$0.3 billion.

For information on new accounting pronouncements and the impact, if any, on the Company's financial position or results of operations, see Note 1 of the Notes to the Consolidated Financial Statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed primarily to the following types of market risks: currency risk, interest rate risk, credit risk and equity risk. Fluctuations in these factors could impact the Company's consolidated results of operations or financial condition. The Company regularly monitors its market risks and uses a variety of strategies to manage its exposure to these market risks.

### Currency Risk

#### Aflac Japan

The functional currency of Aflac Japan's insurance operations is the Japanese yen. Aflac Japan's premiums and a significant portion of its investment income are received in yen, and its claims and most expenses are paid in yen. Aflac Japan purchases yen-denominated assets and U.S. dollar-denominated assets, which may be hedged to yen, to support yen-denominated policy liabilities. These and other yen-denominated financial statement items are, however, translated into U.S. dollars for financial reporting purposes. Most of Aflac Japan's cash and liabilities are yen-denominated.

The Company engages in hedging activities to mitigate certain currency risks from holding U.S. dollar-denominated investments in Aflac Japan; however, this hedging program also has some inherent risks. There is a risk that in a scenario of long-term yen weakening there could be significant derivative losses that create corresponding liquidity requirements to support interim derivative settlements. Further, the derivatives used for hedging are shorter in duration than the hedged investments, so there is rollover risk. In unfavorable market environments, the rollover of derivatives throughout the hedging period could result in increased hedge costs. Additionally, as discussed in detail in the Risk Factors section titled "Lack of availability of acceptable yen-denominated investments could adversely affect the Company's results of operations, financial position or liquidity," there is a risk that losses realized on derivative settlements during periods of yen weakening may not be recouped through realization of the corresponding holding currency gains on the hedged U.S. dollar-denominated investments if these investments are not ultimately sold and the U.S. dollar proceeds converted to yen.

The Company has taken steps to refine the strategy to mitigate currency exposure of Aflac Japan from U.S. dollar-denominated investments while balancing the consideration of the economic equity surplus in Aflac Japan. This refinement in strategy resulted in an increased amount of the unhedged U.S. dollar-denominated investments held in Aflac Japan while at the same time mitigating hedge cost increases. Generally, Aflac Japan's exposure to the currency risk increases when its portfolio of unhedged U.S. dollar-denominated investments increases. As the value of the U.S. dollar-denominated investment portfolio in Aflac Japan fluctuates and the Company's business model evolves, the Company periodically reevaluates this size of the unhedged portfolio and may accordingly adjust up or down its currency hedging targets. See Part I, Item 1A. Risk Factors for the risk factor titled "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate" for additional information.

#### Corporate and Other

The Company is exposed to currency risk when yen funds are converted into U.S. dollars. This occurs when yen-denominated funds are paid as dividends and management fees from Aflac Japan to the Parent Company and with quarterly settlements of internal reinsurance transactions. The exchange rates prevailing at the time of yen payments will differ from the exchange rates prevailing at the time the yen profits were earned. The Company may use a portion of the yen dividend and management fee payments to service Aflac Incorporated's yen-denominated notes payable with the remainder converted into U.S. dollars. Internal reinsurance transactions create foreign currency exposure at Aflac Re, primarily due to yen-denominated reinsurance liabilities to Aflac Japan while a majority of Aflac Re's assets are denominated in U.S. dollars, which may require Aflac Re to convert U.S. dollars to yen or enter foreign exchange derivatives with the Parent Company to manage yen-denominated liabilities.

In addition to yen payments and internal reinsurance transactions, certain investment activities for Aflac Japan expose the Company to economic currency risk when yen are converted into U.S. dollars. As noted above, the Company invests a portion of its yen cash flows in U.S. dollar-denominated assets. This requires that the Company convert the yen cash flows to U.S. dollars before investing. As previously discussed, for certain of its U.S. dollar-denominated securities, the Company enters into foreign currency forward and option contracts to hedge the currency risk on the fair value of hedged investments. Additionally, the Parent Company enters into forward contracts to accomplish a dual objective of hedging foreign currency rate risk to dividend payments by Aflac Japan, and reducing enterprise-wide hedge costs. The Company also balances the volume of hedging instruments between forwards and options in an attempt to manage and balance the risks associated with collateral, hedge costs and cash settlements. If the markets experience a significant strengthening of yen, this could cause cash strain at the Parent Company as a result of cash collateral and potentially cash settlement requirements. Based on the timing and severity of exchange rate fluctuations combined with the level of outstanding activity in this program, the cash strain at the Parent Company could be significant.

Aside from the activities discussed above, the Company generally does not convert yen into U.S. dollars; however, it does translate financial statement amounts from yen into U.S. dollars for financial reporting purposes. Therefore, reported amounts are affected by foreign currency fluctuations. The Company reports unrealized foreign currency translation gains

and losses in AOCI. In periods when the yen weakens against the dollar, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into U.S. dollars causes more U.S. dollars to be reported. The weakening of the yen relative to the U.S. dollar will generally adversely affect the value of the Company's yen-denominated investments in U.S. dollar terms. The Company also considers the economic equity surplus in Aflac Japan and related exposure to foreign currency. The Company manages this currency risk by investing a portion of Aflac Japan's investment portfolio in U.S. dollar-denominated securities and by the Parent Company's issuance of yen-denominated debt. As a result, the effect of currency fluctuations on the Company's net assets is reduced.

The following table demonstrates the effect of foreign currency fluctuations by presenting the dollar values of the Company's yen-denominated assets and liabilities, and its consolidated yen-denominated net asset exposure at selected exchange rates as of December 31.

**Dollar Value of Yen-Denominated Assets and Liabilities  
at Selected Exchange Rates**

(In millions)	2024			2023		
<b>Yen/dollar exchange rates</b>	<b>143.18</b>	<b>158.18 <sup>(1)</sup></b>	<b>173.18</b>	126.83	141.83 <sup>(1)</sup>	156.83
<b>Yen-denominated financial instruments:</b>						
<b>Assets:</b>						
Securities available-for-sale: <sup>(2)</sup>						
Fixed maturity securities <sup>(3)</sup>	\$ 35,805	\$ 32,409	\$ 29,603	\$ 44,357	\$ 39,665	\$ 35,872
Fixed maturity securities - consolidated variable interest entities <sup>(4)</sup>	514	465	425	587	525	475
Securities held-to-maturity: <sup>(2)</sup>						
Fixed maturity securities	17,638	15,966	14,583	19,926	17,819	16,115
Equity securities	534	484	442	840	751	679
Cash and cash equivalents	894	809	739	1,131	1,011	915
Derivatives	111	240	384	223	337	893
Other financial instruments	382	346	315	415	371	335
Subtotal	55,878	50,719	46,491	67,479	60,479	55,284
<b>Liabilities:</b>						
Notes payable	4,808	4,351	3,973	4,709	4,211	3,807
Derivatives	811	933	1,065	1,374	1,430	1,894
Subtotal	5,619	5,284	5,038	6,083	5,641	5,701
Net yen-denominated financial instruments	50,259	45,435	41,453	61,396	54,838	49,583
Other yen-denominated assets	12,040	10,898	9,954	12,262	10,965	9,916
Other yen-denominated liabilities	80,551	72,913	66,599	95,457	85,361	77,197
Consolidated yen-denominated net assets (liabilities) subject to foreign currency fluctuation <sup>(2)</sup>	\$ (18,252)	\$ (16,580)	\$ (15,192)	\$ (21,799)	\$ (19,558)	\$ (17,698)

<sup>(1)</sup> Actual period-end exchange rate

<sup>(2)</sup> Net of allowance for credit losses

<sup>(3)</sup> Does not include the U.S. dollar-denominated corporate bonds for which the Company has entered into foreign currency derivatives as discussed in the Aflac Japan Investment subsection of MD&A

<sup>(4)</sup> Does not include U.S. dollar-denominated bonds that have corresponding cross-currency swaps in consolidated VIEs

The Company is required to consolidate certain VIEs. Some of the consolidated VIEs in Aflac Japan's portfolio use foreign currency swaps to convert foreign denominated cash flows to yen, the functional currency of Aflac Japan, in order to minimize cash flow fluctuations. Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There may also be periodic exchanges of payments at specified intervals based on the agreed upon rates and notional amounts. Prior to consolidation, the Company's beneficial interest in these VIEs was a yen-denominated available-for-sale fixed maturity security. Upon consolidation, the original yen-denominated investment was derecognized and the underlying fixed maturity securities and cross-currency swaps were recognized. The combination of a U.S. dollar-denominated investment and cross-currency swap economically creates a yen-denominated investment and has no impact on the Company's net investment hedge position.



Similarly, the combination of the U.S. corporate bonds and the foreign currency forwards and options that the Company has entered into, as discussed in the Aflac Japan Investment subsection of MD&A, economically creates a yen-denominated investment that qualifies for inclusion as a component of the Company's investment in Aflac Japan for net investment hedge purposes.

For additional information regarding the Company's Aflac Japan net investment hedge, see the Hedging Activities subsection of Item 7. MD&A.

### Interest Rate Risk

The Company's primary interest rate exposure is to the impact of changes in interest rates on the fair value of its investments in debt securities. Significant increases in interest rates cause declines in the values of the Company's investment portfolio which also has a secondary impact on the Company's overall evaluation of its deferred tax asset position. The Company monitors its investment portfolio on a quarterly basis utilizing a full valuation methodology, measuring price volatility, and sensitivity of the fair values of its investments to interest rate changes on the debt securities the Company owns. For example, if the current duration of a debt security is 10 years, then the fair value of that security will increase by approximately 10% if market interest rates decrease by 100 basis points, assuming all other factors remain constant. Likewise, the fair value of the debt security will decrease by approximately 10% if market interest rates increase by 100 basis points, assuming all other factors remain constant.

The estimated effect of potential increases in interest rates on the fair values of debt securities the Company owns; derivatives and notes payable as of December 31 follows:

### Sensitivity of Fair Values of Financial Instruments to Interest Rate Changes

	2024		2023	
(In millions)	Fair Value	+100 Basis Points	Fair Value	+100 Basis Points
<b>Assets:</b>				
Debt securities:				
Fixed maturity securities:				
Yen-denominated	\$ 49,646	\$ 44,699	\$ 59,847	\$ 51,412
U.S. dollar-denominated	32,369	30,677	33,100	31,099
Other currencies	26	23	0	0
Total debt securities	\$ 82,041	\$ 75,399	\$ 92,947	\$ 82,511
Commercial mortgage and other loans	\$ 10,653	\$ 10,598	\$ 12,217	\$ 12,150
Derivatives	\$ 240	\$ 225	\$ 337	\$ 352
<b>Liabilities:</b>				
Notes payable <sup>(1)</sup>	\$ 7,027	\$ 6,601	\$ 6,930	\$ 6,502
Derivatives	933	957	1,430	1,506

<sup>(1)</sup> Excludes lease obligations

There are various factors that affect the fair value of the Company's investments in debt securities. Included in those factors are changes in the prevailing interest rate environment, which directly affect the balance of unrealized gains or losses for a given period in relation to a prior period. Decreases in market yields generally improve the fair value of debt securities, while increases in market yields generally have a negative impact on the fair value of the Company's debt securities. However, the Company does not expect to realize a majority of any unrealized gains or losses. For additional information on unrealized losses on debt securities, see Note 3 of the Notes to the Consolidated Financial Statements.

The Company attempts to match the duration of its assets with the duration of its liabilities. The following table presents the approximate duration of yen-denominated assets and liabilities of Aflac Japan, along with premiums, as of December 31.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

(In years)	2024	2023
Yen-denominated debt securities	11	12
Policy benefits and related expenses to be paid in future years	14	14
Premiums to be received in future years on policies in force	10	10

The following table presents the approximate duration of U.S. dollar-denominated assets and liabilities of Aflac U.S., along with premiums, as of December 31.

(In years)	2024	2023
U.S. dollar-denominated debt securities	7	7
Policy benefits and related expenses to be paid in future years	8	8
Premiums to be received in future years on policies in force	6	6

The following table shows a comparison of average required interest rates for future policy benefits and investment yields, based on amortized cost, for the years ended December 31.

**Comparison of Interest Rates for Future Policy Benefits  
and Investment Yields**  
(Net of Investment Expenses)

	2024		2023	
	U.S.	Japan	U.S.	Japan
<b>Policies issued during year:</b>				
Required interest on policy reserves	5.28 %	3.32 % <sup>(1)</sup>	5.38 %	2.90 % <sup>(1)</sup>
New money yield on investments	6.68	5.92	7.34	4.99
<b>Policies in force at year-end:</b>				
Required interest on policy reserves	4.46	2.88 <sup>(1)</sup>	4.45	2.91 <sup>(1)</sup>
Portfolio book yield, end of period	5.36	3.03	5.31	2.99

<sup>(1)</sup> Represents investments for Aflac Japan that support policy obligations and therefore excludes Aflac Japan's annuity products

Aflac Japan investment yields above include U.S. dollar-denominated investment yields prior to factoring in amortized hedge costs. The Company continues to monitor the spread between its new money yield and the required interest assumption for newly issued products in both the U.S. and Japan and will re-evaluate those assumptions as necessary. Currently, when investments the Company owns mature, the proceeds may be reinvested at a yield below that of the interest required for the accretion of policy benefit liabilities on policies issued in earlier years. Overall, adequate profit margins exist in Aflac Japan's aggregate block of business because of changes in the mix of business and favorable experience from mortality, morbidity and expenses.

Periodically, the Company may enter into derivative transactions to hedge interest rate risk, depending on general economic conditions. For additional information on interest rate derivatives, see the Hedging Activities subsection of Item 7. MD&A and Note 4 of the Notes to the Consolidated Financial Statements.

### Credit Risk

A significant portion of the Company's investment portfolio consists of debt securities and loans that expose it to the credit risk of the underlying issuer or borrower. The Company carefully evaluates this risk on every new investment and closely monitors the credit risk of its existing investment portfolio. The Company incorporates the needs of its products and liabilities, the overall requirements of the business, and other factors in addition to its underwriting of the credit risk for each investment in the portfolio.

Evaluating the underlying risks in the Company's credit portfolio involves a multitude of factors including but not limited to its assessment of the issuer's or borrower's business activities, assets, products, market position, financial condition, and future prospects, including sustainability of the issuer's or borrower's business. The Company incorporates the assessment of the NRSROs in assigning credit ratings and incorporates the rating methodologies of its external managers in assigning loan ratings to portfolio holdings. The Company performs extensive internal assessments of the credit risks for all its portfolio holdings and potential new investments, which includes using analyses provided by the Company's



specialist external managers. For assets managed by external asset managers, the Company provides investment and credit risk parameters that must be used when making investment decisions and requires ongoing monitoring and reporting from the asset managers on significant changes in credit risks within the portfolio.

### Investment Concentrations

The Company's 15 largest exposures from investments in fixed maturity securities were as follows:

#### Largest Global Fixed Maturity Security Investment Positions

(In millions)

December 31, 2024

No.	Consolidated Corporate/Sovereign Exposure	Total Consolidated Book Value	% of Total Fixed Maturity Securities	Credit Rating
1	Japan National Government <sup>(1)</sup>	\$ 33,822	42.25 %	A+
2	MUFG Bank, Ltd.	285	.36	
	MUFG Bank, Ltd.	190	.24	A
	MUFG Bank, Ltd.	95	.12	A-
3	Bank of America NA	284	.36	
	Bank Of America Corp	158	.20	A-
	Bank Of America Corp	126	.16	BBB+
4	E.On International Finance Bv	270	.34	BBB+
5	Banobras	234	.29	BBB-
6	Walt Disney Co.	221	.28	A
7	Investcorp SA	221	.28	BB
8	Nordea Bank AB	220	.27	A-
9	AXA	219	.27	A-
10	Deutsche Telekom AG	209	.26	BBB+
11	CFE	202	.25	BBB
12	Berkshire Hathaway Inc	201	.25	AA
13	Japan Expressway Holding and Debt	201	.25	A+
14	Barclay's Bank PLC	193	.24	BBB
15	Exelon Corp	191	.24	A
Subtotal		\$ 36,973	46.19 %	
Total fixed maturity securities		\$ 80,060	100.00 %	

<sup>(1)</sup> JGBs or JGB-backed securities

As previously disclosed, the Company owns long-dated debt instruments in support of its long-dated policyholder obligations. Some of the Company's largest global investment holdings are positions that were purchased many years ago and increased in size due to merger and consolidation activity among the issuing entities. In addition, many of the Company's largest holdings are yen-denominated, therefore strengthening of the yen can increase its position in dollars, and weakening of the yen can decrease its position in dollars. The Company's global investment guidelines establish concentration limits for its investment portfolios.

*Geographical Exposure*

The following table indicates the geographic exposure of the Company's debt securities as of December 31.

	2024		2023	
(In millions)	Amortized Cost	% of Total	Amortized Cost	% of Total
<b>Japan</b>	<b>\$ 37,115</b>	<b>46.5 %</b>	<b>\$ 42,840</b>	<b>48.4 %</b>
<b>United States and Canada</b>	<b>27,146</b>	<b>34.0</b>	<b>27,926</b>	<b>31.6</b>
<b>United Kingdom</b>	<b>2,756</b>	<b>3.4</b>	<b>2,951</b>	<b>3.3</b>
<b>Germany</b>	<b>1,755</b>	<b>2.2</b>	<b>1,949</b>	<b>2.1</b>
<b>France</b>	<b>1,645</b>	<b>2.1</b>	<b>1,687</b>	<b>1.9</b>
<b>Peripheral Eurozone</b>	<b>1,353</b>	<b>1.6</b>	<b>1,675</b>	<b>1.9</b>
Portugal	0	.0	71	.1
Italy	724	.9	932	1.1
Ireland	110	.1	109	.1
Spain	519	.6	563	.6
<b>Nordic Region</b>	<b>1,451</b>	<b>1.8</b>	<b>1,543</b>	<b>1.8</b>
Sweden	833	1.0	857	1.0
Norway	254	.3	281	.3
Denmark	231	.3	257	.3
Finland	133	.2	148	.2
<b>Other Europe</b>	<b>2,005</b>	<b>2.4</b>	<b>2,436</b>	<b>2.8</b>
Netherlands	896	1.1	1,117	1.3
Switzerland	516	.6	553	.6
Czech Republic	335	.4	374	.4
Austria	14	.0	100	.1
Belgium	118	.1	151	.2
Poland	126	.2	141	.2
<b>Asia excluding Japan</b>	<b>1,218</b>	<b>1.5</b>	<b>1,678</b>	<b>1.9</b>
<b>Africa and Middle East</b>	<b>565</b>	<b>.7</b>	<b>872</b>	<b>1.0</b>
<b>Latin America</b>	<b>1,419</b>	<b>1.8</b>	<b>1,560</b>	<b>1.8</b>
<b>Australia</b>	<b>1,520</b>	<b>1.9</b>	<b>1,283</b>	<b>1.4</b>
<b>All Others</b>	<b>112</b>	<b>.1</b>	<b>113</b>	<b>.1</b>
<b>Total fixed maturity securities</b>	<b>\$ 80,060</b>	<b>100.0 %</b>	<b>\$ 88,513</b>	<b>100.0 %</b>

The primary factor considered when determining the domicile of investment exposure is the legal country risk location of the issuer. However, other factors such as the location of the parent guarantor, the location of the company's headquarters or major business operations (including location of major assets), location of primary market (including location of revenue generation) and specific country risk publicly recognized by rating agencies can influence the assignment of the country (or geographic) risk location. When the issuer is a special financing vehicle or a branch or subsidiary of a global company, then the Company considers any guarantees and/or legal, regulatory and corporate relationships of the issuer relative to its ultimate parent in determining the proper assignment of country risk.

### *Derivative Counterparties*

The Company is a direct counterparty to the majority of derivative instruments and is exposed to credit risk in the event of nonperformance by the counterparties in those contracts. For the foreign currency swaps associated with the Company's VIE investments for which it is the primary beneficiary, the Company bears the risk of foreign exchange and/or credit loss due to counterparty default even though it is not a direct counterparty to those contracts. The risk of counterparty default for the Company's VIE and senior note and subordinated debenture swaps, foreign currency swaps, certain foreign currency forwards, foreign currency options and interest rate swaptions is mitigated by collateral posting requirements that counterparties to those transactions must meet. If collateral posting agreements are not in place or the counterparty defaults on its collateral posting obligations, the counterparty risk associated with foreign currency forwards and foreign currency options is the risk that at expiry of the contract, the counterparty is unable to deliver the agreed upon amount of yen at the agreed upon price or delivery date, thus exposing the Company to additional unhedged exposure to U.S. dollars in the Aflac Japan investment portfolio. See Note 4 of the Notes to the Consolidated Financial Statements for additional information.

### *Equity Risk*

Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from the relative price of alternative investments and general market conditions. The Company's three largest equity exposures had a fair value of \$222 million or approximately 28% of its total investment in equity securities as of December 31, 2024. If equity prices experienced a hypothetical broad-based decline of 10%, the fair value of the Company's equity investments would decline by approximately \$80 million.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under this framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

KPMG LLP (PCAOB Firm ID 185), an independent registered public accounting firm, has issued an attestation report from the firm's location in Atlanta, Georgia on the effectiveness of internal control over the Company's financial reporting as of December 31, 2024, which is included herein.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Aflac Incorporated:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Aflac Incorporated and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement schedules II, III, and IV (collectively, the consolidated financial statements), and our report dated February 26, 2025 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Atlanta, Georgia  
February 26, 2025

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Aflac Incorporated:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Aflac Incorporated and subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement schedules II, III, and IV (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Fair value of certain privately issued securities*

As discussed in Note 5 to the consolidated financial statements, the Company invests in certain privately issued securities that require judgment in the estimation of fair values. The fair values of privately issued securities are estimated using a discounted cash flow valuation model, developed by a third-party pricing vendor, and take into consideration unique characteristics of the securities and other market information to determine an issuer-specific credit curve to estimate expected cash flows. Judgment is required to determine the inputs and assumptions used in the valuation models, including the determination of the most appropriate comparable securities to develop an issuer-specific credit curve when it cannot be developed from the specific security features. As of December 31, 2024, the values of certain privately issued securities are included within the financial statement captions of fixed maturity securities available-for-sale, at fair value of \$61,841 million; fixed maturity securities available-for-sale – consolidated variable interest entities, at fair value of \$3,428 million; and, fixed maturity securities held-to-maturity, at amortized cost of \$15,966 million.

We identified the assessment of the fair values of certain privately issued securities as a critical audit matter. Due to the complexity of the valuation models, subjective auditor judgment, and specialized valuation skills and knowledge were needed to evaluate the valuation models, the methodology used to estimate fair value and the Company's determination of the most appropriate comparable securities to develop an issuer-specific credit curve, when necessary.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls, with the assistance of valuation professionals, over the Company's process to estimate the fair values of certain privately issued securities. This included controls over the Company's determination of comparable securities, when appropriate, to develop an issuer-specific credit curve to be used in the valuation models to estimate fair values. We involved valuation professionals with specialized skills and knowledge to assist in assessing the estimated fair values of such securities, which included

- Evaluating the Company's valuation methodology for compliance with U.S. generally accepted accounting principles
- Assessing the Company's model developed by a third party to estimate the fair values of privately issued securities by determining that differences in fair values between that model and an internally developed model above pre-established tolerances, if any, were investigated by the Company
- Evaluating, for a selection of privately issued securities, the comparable securities used to develop an issuer-specific credit curve by assessing whether the determination of comparable securities was reasonable based on the Company's methodology and our knowledge of the securities and the markets for such securities
- Developing an independent estimate of fair value for a selection of privately issued securities based on independently developed valuation models and assumptions, as applicable, using market data sources and comparing our independent estimate to the Company's fair value.

#### *Valuation of the liability for future policy benefits*

As discussed in Note 1 and Note 7 to the consolidated financial statements, the liability for future policy benefits (LFPB) is determined as the present value of expected future policy benefits to be paid to or on behalf of policyholders and certain related expenses less the present value of expected future net premiums receivable under the Company's insurance contracts. Future policy benefits are calculated using assumptions and estimates including mortality, morbidity, termination, and discount rates. Cash flow assumptions (mortality, morbidity, and termination) are established at policy inception and are evaluated each quarter to determine if an update is needed. Discount rates used to calculate net premiums are locked in at policy inception and represent the basis to recognize interest expense accreted on insurance reserves in benefits and claims, excluding reserve remeasurement in the consolidated statements of earnings. Discount rates used to measure the carrying value of the LFPB in the consolidated balance sheets are updated each reporting period, and the difference between the liability balances calculated using the locked-in discount rates and the updated discount rates is recognized in accumulated other comprehensive income (loss) (AOCI). The Company's LFPB was \$70,381 million as of December 31, 2024.

We identified the evaluation of certain assumptions used in estimating the LFPB as a critical audit matter. A high level of auditor effort, including specialized skills and knowledge, and subjective auditor judgment was involved in the evaluation of actuarial methodologies, certain cash flow assumptions (mortality, morbidity, and termination), and the discount rate curve assumptions for Japan.

The following are the primary procedures we performed to address this critical audit matter. With the assistance of valuation and actuarial professionals, we evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's LFPB. This included controls related to actuarial methodologies and the development of certain cash flow assumptions (mortality, morbidity, and termination) and the discount rate curve. We involved valuation professionals with specialized skills and knowledge to assist in assessing the methodology and assumptions used by the Company to develop the discount rate curve for Japan by developing an independent discount rate curve and comparing it to that used by the Company. We also involved actuarial professionals with specialized skills and knowledge, who assisted in

- Assessing the actuarial methodologies used by the Company to estimate the LFPB for consistency with generally accepted actuarial methodologies
- Evaluating certain of the Company's cash flow assumptions (mortality, morbidity, and termination) by assessing them in comparison to the Company's relevant historical experience data and anticipated trends



Item 8. Financial Statements and Supplementary Data

- Evaluating the Company's LFPB estimate by recalculating the projected cash flows for a selection of policies and comparing the results to the Company's estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 1963.

Atlanta, Georgia  
February 26, 2025

**Aflac Incorporated and Subsidiaries**  
**Consolidated Statements of Earnings**  
Years Ended December 31,

(In millions, except for share and per-share amounts)	2024	2023	2022
<b>Revenues:</b>			
Net earned premiums, principally supplemental health insurance <sup>(1)</sup>	\$ 13,440	\$ 14,123	\$ 14,901
Net investment income	4,116	3,811	3,656
Net investment gains (losses)	1,271	590	363
Other income (loss)	100	177	220
Total revenues	18,927	18,701	19,140
<b>Benefits and expenses:</b>			
Benefits and claims, excluding reserve remeasurement	8,008	8,594	9,102
Reserve remeasurement (gains) losses	(558)	(383)	(215)
Total benefits and claims, net	7,450	8,211	8,887
<b>Acquisition and operating expenses:</b>			
Amortization of deferred policy acquisition costs	851	816	792
Insurance commissions	998	1,052	1,117
Insurance and other expenses	3,014	3,165	3,249
Interest expense	197	195	226
Total acquisition and operating expenses	5,060	5,228	5,384
Total benefits and expenses	12,510	13,439	14,271
Earnings before income taxes	6,417	5,262	4,869
<b>Income tax expense (benefit):</b>			
Current	1,330	1,663	1,181
Deferred	(356)	(1,060)	(730)
Income taxes	974	603	451
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418
<b>Net earnings per share:</b>			
Basic	\$ 9.68	\$ 7.81	\$ 6.96
Diluted	9.63	7.78	6.93
<b>Weighted-average outstanding common shares used in computing earnings per share (In thousands):</b>			
Basic	562,492	596,173	634,816
Diluted	565,015	598,745	637,655
<b>Cash dividends per share</b>	<b>\$ 2.00</b>	<b>\$ 1.68</b>	<b>\$ 1.60</b>

<sup>(1)</sup> Includes a gain (loss) of \$(81), \$20 and \$(42) in 2024, 2023 and 2022, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

See the accompanying Notes to the Consolidated Financial Statements.

**Aflac Incorporated and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
Years Ended December 31,

(In millions)	2024	2023	2022
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418
<b>Other comprehensive income (loss) before income taxes:</b>			
Unrealized foreign currency translation gains (losses) during period	(769)	(366)	(1,034)
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	(1,224)	2,493	(12,603)
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	(197)	(166)	(453)
Unrealized gains (losses) on derivatives during period	3	6	4
Effect of changes in discount rate assumptions during period	5,780	(582)	17,384
Pension liability adjustment during period	23	35	165
Total other comprehensive income (loss) before income taxes	3,616	1,420	3,463
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,074	511	1,481
Other comprehensive income (loss), net of income taxes	2,542	909	1,982
Total comprehensive income (loss)	\$ 7,985	\$ 5,568	\$ 6,400

See the accompanying Notes to the Consolidated Financial Statements.

**Aflac Incorporated and Subsidiaries**  
**Consolidated Balance Sheets**  
December 31,

(In millions, except for share and per-share amounts)	2024	2023
<b>Assets:</b>		
Investments and cash:		
Fixed maturity securities available-for-sale, at fair value (no allowance for credit losses in 2024 and 2023, amortized cost \$61,455 in 2024 and \$67,807 in 2023)	\$ 61,841	\$ 69,578
Fixed maturity securities available-for-sale - consolidated variable interest entities, at fair value (amortized cost \$2,634 in 2024 and \$2,882 in 2023)	3,428	3,712
Fixed maturity securities held-to-maturity, at amortized cost, net of allowance for credit losses of \$5 in 2024 and \$5 in 2023 (fair value \$16,772 in 2024 and \$19,657 in 2023)	15,966	17,819
Equity securities, at fair value	796	1,088
Commercial mortgage and other loans, net of allowance for credit losses of \$355 in 2024 and \$274 in 2023 (includes \$8,693 in 2024 and \$10,150 in 2023 of consolidated variable interest entities)	10,869	12,527
Other investments (includes \$2,176 in 2024 and \$2,381 in 2023 of consolidated variable interest entities)	5,958	4,530
Cash and cash equivalents	6,229	4,306
Total investments and cash	105,087	113,560
Receivables	779	848
Accrued investment income	710	731
Deferred policy acquisition costs	8,758	9,132
Property and equipment, at cost less accumulated depreciation	387	445
Other	1,845	2,008
Total assets	\$ 117,566	\$ 126,724
<b>Liabilities and shareholders' equity:</b>		
Liabilities:		
Policy liabilities:		
Future policy benefits	\$ 70,381	\$ 83,718
Unpaid policy claims	381	261
Unearned premiums	1,286	1,451
Other policyholders' funds	5,460	6,169
Total policy liabilities	77,508	91,599
Income taxes	573	154
Payables for return of cash collateral on loaned securities	2,037	1,503
Notes payable and lease obligations	7,498	7,364
Other	3,852	4,119
Total liabilities	91,468	104,739
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Common stock of \$.10 par value. In thousands: authorized 1,900,000 shares in 2024 and 2023; issued 1,356,763 shares in 2024 and 1,355,398 shares in 2023	136	136
Additional paid-in capital	2,894	2,771
Retained earnings	52,277	47,993
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	(4,998)	(4,069)
Unrealized gains (losses) on fixed maturity securities	24	1,139
Unrealized gains (losses) on derivatives	(20)	(22)
Effect of changes in discount rate assumptions	2,006	(2,560)
Pension liability adjustment	10	(8)
Treasury stock, at average cost	(26,231)	(23,395)
Total shareholders' equity	26,098	21,985
Total liabilities and shareholders' equity	\$ 117,566	\$ 126,724

See the accompanying Notes to the Consolidated Financial Statements.

**Aflac Incorporated and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**

(In millions, except for per share amounts)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
<b>Balance at December 31, 2021</b>	\$ 135	\$ 2,529	\$ 40,963	\$ (8,411)	\$ (18,185)	\$ 17,031
Net earnings	0	0	4,418	0	0	4,418
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(1,579)	0	(1,579)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(10,304)	0	(10,304)
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	3	0	3
Effect of changes in discount rate assumptions during period, net of income taxes	0	0	0	13,732	0	13,732
Pension liability adjustment during period, net of income taxes	0	0	0	130	0	130
Dividends to shareholders <sup>(1)</sup> (\$1.62 per share)	0	0	(1,014)	0	0	(1,014)
Exercise of stock options	0	12	0	0	0	12
Share-based compensation	0	62	0	0	0	62
Purchases of treasury stock	0	0	0	0	(2,425)	(2,425)
Treasury stock reissued	0	38	0	0	36	74
<b>Balance at December 31, 2022</b>	<b>135</b>	<b>2,641</b>	<b>44,367</b>	<b>(6,429)</b>	<b>(20,574)</b>	<b>20,140</b>
Net earnings	0	0	4,659	0	0	4,659
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(505)	0	(505)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	1,841	0	1,841
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	5	0	5
Effect of changes in discount rate assumptions during period, net of income taxes	0	0	0	(460)	0	(460)
Pension liability adjustment during period, net of income taxes	0	0	0	28	0	28
Dividends to shareholders <sup>(1)</sup> (\$1.76 per share)	0	0	(1,033)	0	0	(1,033)
Exercise of stock options	0	13	0	0	0	13
Share-based compensation	1	74	0	0	0	75
Purchases of treasury stock	0	0	0	0	(2,854)	(2,854)
Treasury stock reissued	0	43	0	0	33	76
<b>Balance at December 31, 2023</b>	<b>\$ 136</b>	<b>\$ 2,771</b>	<b>\$ 47,993</b>	<b>\$ (5,520)</b>	<b>\$ (23,395)</b>	<b>\$ 21,985</b>

<sup>(1)</sup> Dividends to shareholders are recorded in the period in which they are declared.  
See the accompanying Notes to the Consolidated Financial Statements.

(continued)

**Aflac Incorporated and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity (continued)**

(In millions, except for per share amounts)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
<b>Balance at December 31, 2023</b>	\$ 136	\$ 2,771	\$ 47,993	\$ (5,520)	\$ (23,395)	\$ 21,985
Net earnings	0	0	5,443	0	0	5,443
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(929)	0	(929)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(1,115)	0	(1,115)
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	2	0	2
Effect of changes in discount rate assumptions during period, net of income taxes	0	0	0	4,566	0	4,566
Pension liability adjustment during period, net of income taxes	0	0	0	18	0	18
Dividends to shareholders <sup>(1)</sup> (\$2.08 per share)	0	0	(1,159)	0	0	(1,159)
Exercise of stock options	0	9	0	0	0	9
Share-based compensation	0	65	0	0	0	65
Purchases of treasury stock	0	0	0	0	(2,868)	(2,868)
Treasury stock reissued	0	49	0	0	32	81
<b>Balance at December 31, 2024</b>	\$ 136	\$ 2,894	\$ 52,277	\$ (2,978)	\$ (26,231)	\$ 26,098

<sup>(1)</sup> Dividends to shareholders are recorded in the period in which they are declared.  
See the accompanying Notes to the Consolidated Financial Statements.

**Aflac Incorporated and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
Years Ended December 31,

(In millions)	2024	2023	2022
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Change in receivables and advance premiums	51	(133)	5
Capitalization of deferred policy acquisition costs	(1,056)	(1,086)	(1,054)
Amortization of deferred policy acquisition costs	851	816	792
Increase in policy liabilities	(302)	(552)	726
Change in income tax liabilities	(393)	(967)	(509)
Net investment (gains) losses	(1,271)	(590)	(363)
Other, net	(616)	1,043	(136)
Net cash provided (used) by operating activities	2,707	3,190	3,879
<b>Cash flows from investing activities:</b>			
Proceeds from investments sold or matured:			
Available-for-sale fixed maturity securities	7,205	3,811	4,418
Equity securities	782	404	570
Held-to-maturity fixed maturity securities	3	3	3
Commercial mortgage and other loans	2,435	1,641	2,190
Costs of investments acquired:			
Available-for-sale fixed maturity securities	(5,542)	(2,801)	(3,514)
Equity securities	(411)	(357)	(461)
Commercial mortgage and other loans	(1,376)	(996)	(3,897)
Other investments, net	(972)	(417)	(227)
Settlement of derivatives, net	(184)	79	(61)
Cash received (pledged or returned) as collateral, net	780	(401)	(673)
Other, net	61	(149)	112
Net cash provided (used) by investing activities	2,781	817	(1,540)
<b>Cash flows from financing activities:</b>			
Purchases of treasury stock	(2,800)	(2,801)	(2,401)
Proceeds from borrowings	823	204	1,277
Principal payments under debt obligations	(194)	0	(1,416)
Dividends paid to shareholders	(1,087)	(966)	(979)
Change in investment-type contracts, net	(214)	(160)	(83)
Treasury stock reissued	14	17	17
Other, net	(28)	(17)	34
Net cash provided (used) by financing activities	(3,486)	(3,723)	(3,551)
Effect of exchange rate changes on cash and cash equivalents	(79)	79	104
Net change in cash and cash equivalents	1,923	363	(1,108)
Cash and cash equivalents, beginning of period	4,306	3,943	5,051
Cash and cash equivalents, end of period	\$ 6,229	\$ 4,306	\$ 3,943
<b>Supplemental disclosures of cash flow information:</b>			
Income taxes paid	\$ 1,367	\$ 1,569	\$ 961
Interest paid	180	185	211
Noncash interest	17	10	14
Noncash real estate acquired in satisfaction of debt	468	217	0
<b>Noncash financing activities:</b>			
Lease obligations	33	75	102
Treasury stock issued for:			
Associate stock bonus	20	17	14
Shareholder dividend reinvestment	41	37	37
Share-based compensation grants	6	5	6

See the accompanying Notes to the Consolidated Financial Statements.



**Aflac Incorporated and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Description of Business**

Aflac Incorporated (the Parent Company) and its subsidiaries (collectively, the Company) primarily sell supplemental health and life insurance in Japan and the United States (U.S.). The Company's insurance business is marketed and administered through Aflac Life Insurance Japan Ltd. (ALIJ) in Japan and through American Family Life Assurance Company of Columbus (Aflac), American Family Life Assurance Company of New York (Aflac New York), Continental American Insurance Company (CAIC), Tier One Insurance Company (TOIC) and Aflac Benefits Solutions, Inc. (ABS) in the U.S. The Company's operations consist of two reportable business segments: Aflac Japan, which includes ALIJ, and Aflac U.S., which includes Aflac, Aflac New York, CAIC, TOIC and ABS. Aflac New York is a wholly owned subsidiary of Aflac. Most of the Aflac U.S. policies are individually underwritten and marketed through independent agents. With the exception of dental and vision products administered by ABS, and certain group life insurance products, Aflac U.S. markets and administers group products through CAIC, branded as Aflac Group Insurance. Additionally, Aflac U.S. markets its consumer markets products through TOIC. The Company's insurance operations in the U.S. and Japan service the two markets for the Company's insurance business. The Parent Company, other operating business units that are not individually reportable, reinsurance activities, including internal reinsurance activity with Aflac Re Bermuda Ltd. (Aflac Re), and other business activities not included in Aflac Japan or Aflac U.S., as well as intercompany eliminations, are included in Corporate and other.

### **Basis of Presentation**

The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). In these Notes to the Consolidated Financial Statements, references to U.S. GAAP issued by the FASB are derived from the FASB Accounting Standards Codification<sup>TM</sup> (ASC). The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates based on currently available information when recording transactions resulting from business operations. The most significant items on the Company's balance sheet that involve a greater degree of accounting estimates and actuarial determinations subject to changes in the future are the valuation of investments and derivatives, deferred policy acquisition costs (DAC), liabilities for future policy benefits and income taxes. These accounting estimates and actuarial determinations are sensitive to market conditions, investment yields, interest rates, mortality, morbidity, commission and other acquisition expenses and terminations by policyholders. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised and reflected in the consolidated financial statements. Although some variability is inherent in these estimates, the Company believes the amounts provided are reasonable and reflective of the best estimates of management.

The consolidated financial statements include the accounts of the Parent Company, its subsidiaries, and those entities required to be consolidated under applicable accounting standards. All material intercompany accounts and transactions have been eliminated.

### **Significant Accounting Policies**

**Foreign Currency Translation and Remeasurement:** The functional currency of Aflac Japan is the Japanese yen. The Company translates its yen-denominated financial statement accounts into U.S. dollars as follows. Assets and liabilities are translated at end-of-period exchange rates. Realized gains and losses on security transactions are translated at the exchange rate on the trade date of each transaction. Other revenues, expenses, and cash flows are translated using average exchange rates for the period. The resulting currency translation adjustments are reported in accumulated other comprehensive income. The Company includes the foreign currency gains and losses resulting from the remeasurement of foreign currency and realized foreign currency exchange gains and losses in the net investment gains (losses) line item in the consolidated statements of earnings.

The Parent Company has designated a majority of its yen-denominated liabilities (yen-denominated notes payable and yen-denominated loans) as non-derivative hedges and foreign currency forwards and options as derivative hedges of the foreign currency exposure of the Parent Company's net investment in Aflac Japan. The gains or losses on hedging derivative instruments and the foreign currency transaction gains or losses on the non-derivative hedging instruments that are designated as, and are effective as, an economic hedge of the net investment in Aflac Japan are recorded as

unrealized foreign currency translation gains (losses) in other comprehensive income and are included in accumulated other comprehensive income.

**Insurance Revenue and Expense Recognition:** Substantially all of the supplemental health and life insurance policies the Company issues are classified as long-duration contracts. The contract provisions generally cannot be changed or canceled during the contract period; however, the Company may adjust premiums for supplemental health policies issued in the U.S. within prescribed guidelines and with the approval of state insurance regulatory authorities.

Insurance premiums for most of the Company's health and life policies, including cancer, accident, hospital, critical illness, supplemental dental and vision, term life, whole life, long-term care and disability, are recognized as earned premiums over the premium-paying periods of the contracts when due from policyholders. When earned premiums are reported, the related amounts of benefits and expenses are charged against such revenues. This association is accomplished by means of annual increases or decreases to the liability for future policy benefits (LFPB) and the deferral and subsequent amortization of policy acquisition costs.

Premiums from the Company's products with limited-pay features, including cancer, medical and nursing care, term life, whole life, WAYS, and child endowment, are collected over a significantly shorter period than the contract term (i.e., the period during which benefits are provided). Premiums for these products are recognized as earned premiums over the premium-paying periods when due from policyholders. Any gross premium in excess of the net premium is deferred and recorded as a deferred profit liability, which is subsequently amortized in net earned premiums such that profits are recognized in a constant relationship with insurance in force. Net premium is calculated as gross premium multiplied by the net premium ratio (NPR) and represents the portion of gross premium required to provide for benefits and expenses. Benefits are recorded as an expense when they are incurred. An LFPB is recorded when premiums are recognized using the net premium method.

Policyholders also have an option to pay discounted advanced premiums for certain of the Company's products. Advanced premiums are deferred and recognized when due from policyholders over the otherwise required contractual premium payment period.

Benefit expense is bifurcated between benefits and claims and reserve remeasurement (gains) losses. The NPR is used to measure benefit expense and is calculated as the ratio of the present value of actual and future expected benefits and expenses to the present value of actual and future expected gross premiums. A revised NPR is calculated as of the beginning of each reporting period using updated future cash flow expectations.

Reserve remeasurement (gains) losses represent the difference between two reserve measures both calculated as of the beginning of the current reporting period using the same locked-in discount rates. One reserve measure uses the NPR as of the end of the prior reporting period, and the second uses the revised NPR. Benefits and claims represent the difference in the liability balance calculated as of the beginning of the current reporting period and the end of the current reporting period both using the revised NPR and the locked-in discount rates. The locked-in interest accretion rate utilized for accretion of interest expense on insurance reserves is the original discount rate used at contract issue date.

Advertising expense is reported as incurred in insurance and other expenses in the consolidated statements of earnings. For the years ended December 31, 2024, 2023 and 2022, advertising expense was \$181 million, \$188 million and \$204 million, respectively.

**Cash and Cash Equivalents:** Cash and cash equivalents include cash on hand, money market instruments, and other debt instruments with a maturity of 90 days or less when purchased.

**Investments:** The Company's debt securities consist of fixed maturity securities, which are classified as either held-to-maturity or available-for-sale. Securities classified as held-to-maturity are securities that the Company has the ability and intent to hold to maturity or redemption and are carried at amortized cost.

All other fixed maturity debt securities are classified as available-for-sale and are carried at fair value. If the fair value is higher than the amortized cost for debt securities, the excess is an unrealized gain, and if lower than cost, the difference is an unrealized loss. The net unrealized gains and losses on securities available-for-sale, less related deferred income taxes, are recorded in other comprehensive income and included in accumulated other comprehensive income.

Amortized cost of debt securities is based on the Company's purchase price adjusted for accrual of discount, or amortization of premium, and recognition of impairment charges, if any. The amortized cost of debt securities the

## Item 8. Financial Statements and Supplementary Data

Company purchases at a discount or premium will equal the face or par value at maturity or the call date, if applicable. Interest is reported as income when earned and is adjusted for amortization of any premium or discount.

The Company has investments in marketable equity securities which are carried at fair value. Changes in the fair value of equity securities are recorded in earnings as a component of net investment gains (losses).

The Company has investments in variable interest entities (VIEs). Criteria for evaluating VIEs for consolidation focus on determining if the Company has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the VIE or (2) the right to receive benefits from the VIE. The Company is the primary beneficiary of certain VIEs, and therefore consolidates these entities in its financial statements. While the consolidated VIEs generally operate within a defined set of contractual terms, there are certain powers that are retained by the Company that are considered significant in the conclusion that the Company is the primary beneficiary. These powers vary by structure but generally include the initial selection of the underlying collateral; the ability to obtain the underlying collateral in the event of default; and, the ability to appoint or dismiss key parties in the structure. In particular, the Company's powers surrounding the underlying collateral were considered to be the most significant powers because these most significantly impact the economics of the VIE. The Company has no obligation to provide any continuing financial support to any of the entities in which it is the primary beneficiary. The Company's maximum loss is limited to its original investment and, in certain cases, to any unfunded commitment held in the VIE. Neither the Company nor any of its creditors have the ability to obtain the underlying collateral, nor does the Company have control over the instruments held in the VIEs, unless there is an event of default. For those entities where the Company is the primary beneficiary, the consolidated entity's assets are segregated on the balance sheet by the caption "consolidated variable interest entities," and consist of fixed maturity securities, loan receivables, limited partnerships and derivative instruments.

For the mortgage- and asset-backed securities held in the Company's fixed maturity portfolio, the Company recognizes income using a constant effective yield, which is based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in mortgage- and asset-backed securities is adjusted to the amount that would have existed had the new effective yield been applied at the time of acquisition. This adjustment is reflected in net investment income.

The Company uses the specific identification method to determine the gain or loss from securities transactions and report the realized gain or loss in the consolidated statements of earnings as net investment gain or loss. Securities transactions are accounted for based on values as of the trade date of the transaction.

The Company lends fixed maturity and public equity securities to financial institutions in short-term security-lending transactions. These securities continue to be carried as investment assets on the Company's balance sheet during the terms of the loans and are not reported as sales. The Company receives cash or other securities as collateral for such loans. For loans involving unrestricted cash or securities as collateral, the collateral is reported as an asset with a corresponding liability for the return of the collateral. For loans where the Company receives as collateral securities that the Company is not permitted to sell or repledge, the collateral is not reported as an asset.

Commercial mortgage and other loans include transitional real estate loans (TREs), commercial mortgage loans (CMLs), middle market loans (MMLs), and other loans. The Company's investments in TREs, CMLs, MMLs, and other loans are accounted for as loan receivables and are recorded at amortized cost on the acquisition date. The Company has the intent and ability to hold these loan receivables for the foreseeable future or until they mature and therefore, they are considered held for investment and are carried at amortized cost in the commercial mortgage and other loans line in its consolidated balance sheets. The amortized cost of the loan receivables reflects allowances for expected lifetime credit losses estimated as of each reporting date. Income on commercial mortgage and other loans is recognized using the interest method.

Other investments include policy loans, limited partnerships, real estate owned (REO), and short-term investments with maturities at the time of purchase of one year or less, but greater than 90 days. Limited partnerships are accounted for using the equity method of accounting. Under the equity method of accounting, the Company reports its proportionate share of the investee's earnings or losses as a component of net investment income in its consolidated statements of earnings. The underlying investments held by the Company's limited partnerships primarily consist of private equity and real estate. REO consists of property held-and-used for the production of income and property held-for-sale. REO is obtained through foreclosure or deed in lieu of foreclosure of certain of the Company's loan receivables. When held for the production of income, REO is recorded at fair value upon acquisition, which establishes the property's initial cost basis. Thereafter, it is carried at cost less accumulated depreciation and written down to fair value for impairment losses.

Depreciation is recorded on a straight-line basis over the estimated useful life of the asset and is reported in net investment income. A review for impairment is performed whenever events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized in net investment gains (losses) when the carrying value of the property exceeds the expected undiscounted cash flows generated from the property, at which point the carrying value is written down to an estimated fair value. Real estate held-for-sale is initially recorded at fair value less costs to sell and is subsequently measured at the lower of its initial carrying amount or fair value less costs to sell. Properties held-for-sale are not depreciated. Net operating income earned on REO is reported as a component of net investment income. Short-term investments are stated at amortized cost, which approximates fair value.

The Company designates nonaccrual status for a nonperforming loan or debt security or a loan or debt security that is not generating its stated interest rate because of nonpayment of periodic interest or principal by the borrower. The Company applies the cash basis method to record any payments received on nonaccrual assets. The Company resumes the accrual of interest on fixed maturity securities and loans that are currently making contractual payments or for those that are not current where the borrower has paid timely (less than 30 days outstanding).

**Credit Losses:** The Company estimates expected lifetime credit losses on financial assets measured at amortized cost including short-term receivables, premiums receivable, held-to-maturity fixed maturity securities, loan receivables, loan commitments and reinsurance recoverables. For available-for-sale fixed maturity securities, the Company evaluates estimated credit losses only when the fair value of the available-for-sale fixed maturity security is below its amortized cost basis. Credit loss changes are recorded as a component of net investment gains (losses) for the Company's held-to-maturity and available-for-sale securities, loan receivables, including collateral dependent assets, loan commitments and reinsurance recoverables, whereas credit losses on premium receivables are recorded in net earned premiums in the consolidated statement of earnings. The Company's off-balance sheet credit exposure is primarily attributable to loan commitments that are not unconditionally cancellable. The Company considers the contractual period of exposure to credit risk, the likelihood that funding will occur, the risk of loss, and the current conditions and expectations of future economic conditions to develop the estimate of expected credit losses. The Company records the estimate of expected credit losses for certain loan commitments within other liabilities in the consolidated balance sheet.

Write-offs and partial write-offs are recorded as a reduction to the amortized cost of the loan or fixed maturity security balance and a corresponding reduction to the credit allowance.

The Company has elected not to measure an allowance on accrued interest income for all asset types, because the uncollectible accrued interest receivable is written off in a timely manner. The Company writes off accrued interest when it is more than ninety days past due by reducing interest income, which is a component of net investment income, in the consolidated statement of earnings.

The Company records due premium receivable net of current expected credit losses in the receivables line item in the consolidated balance sheet, utilizing an aging methodology based on historical loss information, adjusted for current conditions and reasonable and supportable forecasts. Changes in the estimated credit losses related to premium receivable are recorded in net earned premiums in the consolidated statement of earnings.

**Derivatives and Hedging:** Freestanding derivative instruments are reported in the consolidated balance sheet at fair value within other assets and other liabilities, with changes in value reported in earnings and/or other comprehensive income. These freestanding derivatives include foreign currency forwards, foreign currency options, foreign currency swaps, interest rate swaps and interest rate swaptions. The Company does not use derivatives for trading purposes.

The Company may purchase certain investments or enter into contracts that contain embedded derivatives. The Company assesses whether an embedded derivative is clearly and closely related to its host contract. If the Company determines that the embedded derivative is not clearly and closely related to the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from that contract, held at fair value, and reported with the host instrument in the consolidated balance sheets, with changes in fair value reported in earnings. If the Company has elected the fair value option, the embedded derivative is not bifurcated, and the entire investment is held at fair value with changes in fair value reported in earnings.

See Note 5 for a discussion on how the Company determines the fair value of its derivatives. Accruals on derivatives are typically recorded in other assets or other liabilities in the consolidated balance sheets.

To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk attributable to the hedged item. At the inception of hedging relationships the Company formally documents all

relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking the respective hedging relationship, and the methodology that will be used to assess the effectiveness of the hedge relationship at and subsequent to hedge inception. The Company documents the designation of each hedge as either (i) a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or the hedge of a forecasted transaction ("cash flow hedge"); (ii) a hedge of the exposure to changes in the fair value of a recognized asset or liability, attributable to a particular risk ("fair value hedge"); or (iii) a hedge of foreign currency exposure of a net investment in a foreign operation ("net investment hedge"). The documentation process includes linking derivatives and non-derivative financial instruments that are designated in hedge relationships with specific assets or groups of assets or liabilities in the statement of financial position or to specific forecasted transactions and defining the effectiveness testing methods to be used. At the hedge inception and on an ongoing quarterly basis, the Company also formally assesses whether the derivatives and non-derivative financial instruments used in hedging activities have been, and are expected to continue to be, highly effective in offsetting their designated risk. The assessment of hedge effectiveness determines the accounting treatment of changes in fair value.

Hedge effectiveness is assessed using qualitative and quantitative methods. Qualitative methods may include the comparison of critical terms of the derivative to the hedged item, and quantitative methods may include regression, dollar offset, or other statistical analysis of changes in fair value or cash flows associated with the hedge relationship.

For derivative instruments that are designated in cash flow hedge relationships, the gain or loss on the portion of the hedging instrument included in the assessment of effectiveness is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Amounts reclassified are recorded in the line item of the consolidated statements of earnings in which gain or loss on the hedged item is recorded. The Company includes all components of each derivative's gain or loss in the assessment of hedge effectiveness.

For derivative instruments that are designated in fair value hedge relationships, the gain or loss on the hedged item and the portion of the hedging instrument included in the assessment of effectiveness are recorded in the line item of the consolidated statements of earnings in which gain or loss on the hedged item is recorded. When assessing the effectiveness of the Company's fair value hedges, the Company excludes the changes in fair value related to the difference between the spot and forward rates on its foreign currency forwards, the change in fair value of cross-currency swaps not resulting from fluctuations in spot currency rates, and the time value component of foreign exchange options and interest rate swaptions. For interest rate swaptions and cross-currency interest rate swaps designated in fair value hedges of interest rate risk, the excluded component is recognized in other comprehensive income (loss) and amortized into earnings (net investment income) over its legal term.

For derivative and/or non-derivative hedging instruments designated in net investment hedge relationships with the Company's investment in Aflac Japan, the Company makes its net investment hedge designation at the beginning of each quarter. When the hedging instrument is a foreign currency derivative, the Company assesses hedge effectiveness using the spot-rate method. According to that method, the change in fair value of the hedging instrument due to fluctuations in the spot exchange rate is recorded in the unrealized foreign currency component of other comprehensive income and reclassified to earnings only when the hedged net investment is sold, or when a liquidation of the respective net investment in the foreign entity is substantially completed. If and when a sale or liquidation occurs, the changes in fair value of the derivative deferred in the unrealized foreign currency component of other comprehensive income will be released in the same income statement line item where the gain (loss) on the hedged net investment would be recorded upon sale. All other changes in fair value of the hedging instrument are considered the "excluded component" and are accounted for in net investment gains (losses). Should these designated net investment hedge positions exceed the Company's net investment in Aflac Japan, the foreign exchange effect on the portion that exceeds its investment in Aflac Japan would be recognized in current earnings within net investment gains (losses).

The Company discontinues hedge accounting prospectively when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated cash flows or fair value of a hedged item; (2) the derivative is de-designated as a hedging instrument; or (3) the derivative expires or is sold, terminated or exercised.

When hedge accounting is discontinued on a cash flow hedge or fair value hedge, the derivative is carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized in current period earnings. For discontinued cash flow hedges, including those where the derivative is sold, terminated or exercised, amounts previously deferred in other comprehensive income (loss) are reclassified into earnings when earnings are impacted by the cash flow of the hedged item.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are generally reported within other gains (losses), which is a component of net investment gains (losses). The fluctuations in estimated fair value of derivatives that have not been designated for hedge accounting can result in volatility in net earnings.

The Company receives and pledges cash or other securities as collateral on open derivative positions. Cash received as collateral is reported as an asset with a corresponding liability for the return of the collateral. Cash pledged as collateral is recorded as a reduction to cash, and a corresponding receivable is recognized for the return of the cash collateral. The Company generally can repledge or resell collateral obtained from counterparties, although the Company does not typically exercise such rights. Securities received as collateral are not recognized unless the Company was to exercise its right to sell that collateral or exercise remedies on that collateral upon a counterparty default. Securities that the Company has pledged as collateral continue to be carried as investment assets on its balance sheet.

The Company does not offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement.

For additional information on the Company's derivative instruments, see Note 4.

**Deferred Policy Acquisition Costs:** Certain direct and incremental costs of acquiring insurance contracts are deferred and amortized on a grouped-contract basis over the expected term of the related contracts, using a constant-level basis. For life and health products issued in Japan, the constant-level basis used is units in force, which is a proxy for face amount, and insurance in force, respectively. For life and health products issued in the U.S., the constant-level basis used is face amount and number of policies in force, respectively. Amortization is computed using the same contract groupings (also referred to as cohorts) and mortality and termination assumptions that are used in computing the LFPB, and these assumptions are reviewed and updated at least annually. The effects of changes in assumptions are recognized prospectively over the remaining contract term as a revision of the future amortization pattern, while current period amortization is calculated based on the actual experience during the quarter. Deferred costs include the excess of current-year commissions over ultimate renewal-year commissions and certain incremental direct policy issue, underwriting and sales expenses directly related to successful policy acquisition.

For some products, policyholders can elect to modify product benefits, features, rights or coverages by exchanging a contract for a new contract or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. These transactions are known as internal replacements. The Company performs a two-stage analysis of the internal replacements to determine if the modification is substantive to the base policy. The stages of evaluation are as follows: 1) determine if the modification is integrated with the base policy, and 2) if it is integrated, determine if the resulting contract is substantially changed.

For internal replacement transactions where the resulting contract is substantially unchanged, unamortized deferred acquisition costs from the original policy continue to be amortized over the expected life of the cohort, and the costs of replacing the policy are accounted for as policy maintenance costs and expensed as incurred.

For an internal replacement transaction that results in a policy that is substantially changed, the policy is treated as lapsed for amortization purposes, and the costs of acquiring the new policy are capitalized and amortized in accordance with the Company's accounting policies for deferred acquisition costs.

Riders can be considered internal replacements that are either integrated or non-integrated resulting in either substantially changed or substantially unchanged treatment. Riders are evaluated based on the specific facts and circumstances of the rider and are considered an expansion of the existing benefits with additional premium required. Non-integrated riders to existing contracts do not change the Company's profit expectations for the related products and are treated as a new policy establishment for incremental coverage.



**Property and Equipment:** The costs of buildings, furniture and equipment are depreciated principally on a straight-line basis over their estimated useful lives (maximum of 50 years for buildings and 20 years for furniture and equipment). Expenditures for maintenance and repairs are expensed as incurred; expenditures for betterments are capitalized and depreciated. Classes of property and equipment as of December 31 were as follows:

(In millions)	2024	2023
<b>Property and equipment:</b>		
Land	\$ 168	\$ 168
Buildings	392	421
Equipment and furniture	478	510
Total property and equipment	1,038	1,099
Less accumulated depreciation	651	654
Net property and equipment	\$ 387	\$ 445

Depreciation and other amortization expenses, which are included in insurance and other expenses in the consolidated statements of earnings, were \$40 million in 2024, compared with \$39 million in 2023 and \$45 million in 2022.

**Goodwill:** Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The amount of goodwill recognized is also impacted by measurement differences resulting from certain assets and liabilities not recorded at fair value (e.g. income taxes, employee benefits). Goodwill is not amortized, but is tested for impairment at a level of a reporting unit at least annually, in the same reporting period each year. Goodwill is included in the other assets line item in the consolidated balance sheets and was \$263 million at December 31, 2024, compared with \$265 million at December 31, 2023. A significant majority of the goodwill balance is attributable to business combinations within the Aflac U.S. segment, which represents the reporting unit for goodwill impairment testing.

**Policy Liabilities:** For long-duration insurance contracts, the Company calculates an integrated reserve that represents all payments under the contract including future expected claims and unpaid policy claims and related expenses. The LFPB is measured using the net level premium method.

Long-duration insurance contracts issued by the Company are grouped into annual calendar-year cohorts based on the contract issue date, reportable segment, legal entity and product type. Limited-pay contracts are grouped into separate cohorts from other traditional products in the same manner and are further separated based on their premium payment structures.

The LFPB is determined as the present value of expected future policy benefits to be paid to or on the behalf of policyholders and certain related expenses less the present value of expected future net premiums receivable under the Company's insurance contracts, where expected future net premiums receivable are future gross premiums receivable under the contract multiplied by the NPR.

Future policy benefits are calculated using assumptions and estimates including mortality, morbidity, termination (also referred to as lapses), expense and discount rates. The assumptions and estimates that the Company uses depend on its judgment regarding the likelihood of future events and are inherently uncertain.

Cash flow assumptions (mortality, morbidity, and termination) are established at policy inception and are evaluated each quarter to determine if an update is needed. To facilitate a more detailed review of cash flow assumptions, experience studies are performed annually during the third quarter. Changes in cash flow assumptions are the result of applying the updated best estimate assumptions as of the beginning of the reporting period and are recognized in reserve remeasurement (gains) losses in the consolidated statements of earnings. Expense assumptions are established at policy inception and determined for each issue-year cohort as a percentage of paid claims. These expense assumptions are locked in and remain unchanged over the term of the insurance policy. Actual experience is reflected in the calculation of future policy benefits each quarter, and changes in the liability due to actual experience are recognized in reserve remeasurement (gains) losses in the consolidated statements of earnings.

Discount rates used to calculate net premiums are locked in at policy inception and represent the basis to recognize interest expense accreted on insurance reserves in benefits and claims, excluding reserve remeasurement in the consolidated statements of earnings. Discount rates used to measure the carrying value of the LFPB in the consolidated balance sheets are updated each reporting period, and the difference between the liability balances calculated using the



locked-in discount rates and the updated discount rates is recognized in accumulated other comprehensive income (loss) (AOCI).

The Company has designed its discount rate methodology for the U.S. and Japan insurance business. The methodology incorporates constructing a current discount rate curve separately for discounting cash flows used to calculate the U.S. and Japan LFPBs, reflective of the characteristics of the insurance liabilities, such as currency and tenor. Discount rates comprising each curve are determined by reference to upper-medium grade (low credit risk) fixed-income instrument yields that reflect the duration characteristics of the corresponding insurance liabilities. The Company uses for these yields single-A rated fixed income instruments with credit ratings based on international rating standards. Where only local ratings are available, the Company selects the fixed-income instruments with local ratings that are equivalent to a single-A rating based on international rating standards. The methodology is designed to prioritize observable inputs based on market data available in the local debt markets where the respective policies were issued in the currency in which the policies are denominated. For the discount rates applicable to tenors for which the single-A debt market is not liquid or there is little or no observable market data, the Company uses various estimation techniques consistent with the fair value guidance in ASC 820 - Fair Value Measurement, which include, but are not limited to: (i) for tenors where there is less observable market data and/or the observable market data is available for similar instruments, estimating tenor-specific single-A credit spreads and applying them to risk-free government rates; (ii) for tenors where there is very limited or no observable single-A or similar market data, interpolation and extrapolation techniques.

The locked-in discount rate used for the computation of interest accretion on LFPBs is determined separately for each issue-year cohort as a single discount rate, calculated as the weighted-average of monthly upper-medium grade (low credit risk) fixed-income instrument forward curves in the calendar year, determined using the methodology described above and weighted using issued annualized premiums for each issue month. The single discount rate for each issue-year cohort is determined by solving for a rate that produces an equivalent net premium ratio to the forward curve and will remain unchanged after the calendar year of issue.

Unearned premiums consist of unearned premiums and advance premiums. Unearned premiums represent the portion of premium related to the unexpired coverage as of a balance sheet date and are deferred and recognized in net earned premiums when earned. Advance premiums consist primarily of discounted advance premiums on deposit from policyholders in conjunction with their purchase of certain Aflac Japan limited-payment insurance products. Advanced premiums are deferred upon collection and recognized as earned premiums over the contractual premium payment period.

The other policyholders' funds liability consists primarily of the fixed annuity line of business in Aflac Japan which has fixed benefits and premiums.

For internal replacements that are determined to be substantially changed, policy liabilities related to the original policy that was replaced are immediately released, and policy liabilities are established for the new insurance contract. The policy reserves are evaluated based on the new policy features, and changes are recognized at the date of contract change/modification. For internal replacements that are substantially unchanged, no changes to the reserves are recognized. For modifications that are not integrated with the base policy, new coverage is recognized as a separately issued contract within the current cohort.

**Reinsurance:** The Company enters into reinsurance agreements in the normal course of business. For each reinsurance agreement, the Company determines if the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Reinsurance premiums and benefits paid or provided are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums, benefits and acquisition costs are reported net of insurance ceded.

**Income Taxes:** Income tax provisions are generally based on pretax earnings reported for financial statement purposes, which differ from those amounts used in preparing the Company's income tax returns. Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the Company expects the temporary differences to reverse. The Company records deferred tax assets for tax positions taken based on its assessment of whether the tax position is more likely than not to be sustained upon examination by taxing authorities. A valuation allowance is established for deferred tax assets when it is more likely than not that an amount will not be realized.

**Policyholder Protection Corporation and State Guaranty Association Assessments:** In Japan, the government has required the insurance industry to contribute to a policyholder protection corporation. The Company recognizes a charge for its estimated share of the industry's obligation once it is determinable. The Company reviews the estimated liability for policyholder protection corporation contributions on an annual basis and reports any adjustments in Aflac Japan's expenses.

In the U.S., each state has a guaranty association that supports insolvent insurers operating in those states. The Company's policy is to accrue assessments when the entity to which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. See Note 15 for further discussion of the guaranty fund assessments charged to the Company.

**Treasury Stock:** Treasury stock is reflected as a reduction of shareholders' equity at cost. The Company uses the weighted-average purchase cost to determine the cost of treasury stock that is reissued. The Company includes any gains and losses in additional paid-in capital when treasury stock is reissued.

**Share-Based Compensation:** The Company measures compensation cost related to its share-based payment transactions at fair value on the grant date, and the Company recognizes those costs in the financial statements over the vesting period during which the employee provides service in exchange for the award. The Company has made an entity-wide accounting policy election to estimate the number of awards that are expected to vest and the corresponding forfeitures.

**Earnings Per Share:** The Company computes basic earnings per share (EPS) by dividing net earnings by the weighted-average number of unrestricted shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the weighted-average number of shares outstanding for the period plus the shares representing the dilutive effect of share-based awards.

**Reclassifications:** Certain reclassifications have been made to prior-year amounts to conform to current-year reporting classifications. These reclassifications had no impact on net earnings or total shareholders' equity.

### **New Accounting Pronouncements**

#### Recently Adopted Accounting Pronouncements

#### **Accounting Standards Update (ASU) 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures**

In November 2023, the FASB issued amendments that add certain segment disclosures related to significant segment expenses and require that a public entity disclose the title and position of the Chief Operating Decision Maker (CODM) and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.

The Company adopted this guidance for the annual period beginning January 1, 2024. The adoption of this guidance did not have an impact on the Company's financial position or results of operations. See Note 2 for expanded disclosures required as a result of the amended guidance.

#### **ASU 2023-02 Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**

In March 2023, the FASB issued amendments to permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit).

The Company early adopted this guidance on July 1, 2023. The adoption of this guidance did not have a significant impact on the Company's financial position, results of operations or disclosures.

**ASU 2022-02 Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures**

In March 2022, the FASB issued amendments that eliminated the accounting guidance for troubled debt restructurings (TDRs) for creditors, required enhanced disclosures for creditors about loan modifications when a borrower is experiencing financial difficulty, and required public business entities to include current-period gross write-offs in the vintage disclosure tables. As a result of eliminating the TDR guidance for creditors, all loan modifications will follow the existing loan refinancing or restructuring guidance.

The Company adopted this guidance on January 1, 2023 on a prospective basis. The adoption did not have an impact on the Company's financial position or results of operations.

**ASU 2018-12 Financial Services - Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts**, as clarified and amended by:

**ASU 2019-09 Financial Services - Insurance: Effective Date**

**ASU 2020-11 Financial Services - Insurance: Effective Date and Early Application**

In August 2018, the FASB issued amendments that significantly changed how insurers account for long-duration contracts. The Company adopted the standard on January 1, 2023 using a modified retrospective transition method which resulted in applying the amended guidance as of the beginning of the earliest period presented on the January 1, 2021 transition date (Transition Date). The modified retrospective transition method generally results in applying the guidance to contracts on the basis of existing carrying values as of the Transition Date. On the Transition Date, the Company calculated the ratio of the present value of expected future policy benefits and expenses less existing carrying values to the present value of expected future gross premiums (Transition Date NPR) using updated assumptions and the discount rate immediately before the Transition Date. The Company capped the Transition Date NPR at 100% for any cohorts with a Transition Date NPR greater than 100%. The Company calculated the LFPB using the Transition Date NPR (capped at 100% if required) and two different discount rates: (i) the discount rate used immediately before the Transition Date, and (ii) the discount rate determined by reference to the Transition Date market level yields for upper-medium grade (low credit risk) fixed income instruments (as of December 31, 2020). For cohorts with their Transition Date NPR capped at 100%, the Company recorded as an adjustment (decrease) to opening retained earnings any difference between the LFPB calculated using the discount rate immediately before the Transition Date and the existing carrying value as of the Transition Date. For all cohorts on the Transition Date, the Company recorded in AOCI net of tax, the difference in the LFPB calculated using the two different discount rates (i.e., the discount rate used immediately before the Transition Date and the updated discount rate as of the Transition Date).

Upon adoption, the Company adjusted opening equity for the Transition Date impacts to AOCI and retained earnings and adjusted prior periods then presented (years 2021 and 2022) following the updated standard. Based upon the modified retrospective transition method, the Transition Date impact from adoption resulted in a decrease in AOCI of approximately \$18.6 billion and a decrease in retained earnings (RE) of approximately \$0.3 billion.

The adoption of ASU 2018-12 did not have an impact on the Company's balance for deferred policy acquisition costs upon adoption.

All relevant prior-year amounts have been adjusted for the adoption of ASU 2018-12.

In conjunction with the adoption of ASU 2018-12, the Company changed its practice of recording the change in the deferred profit liability on products with limited-payment features from the benefits and claims, net line item to the net earned premiums line item in the consolidated statements of earnings. This reclassification had no impact on net earnings. The change in presentation has been made for all comparative periods presented.

[Accounting Pronouncements Pending Adoption](#)

**ASU 2023-09 Income Taxes (Topic 740) - Improvements to Income Tax Disclosures**

In December 2023, the FASB issued amendments that require enhanced income tax disclosures including (1) disclosure of specific categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures.

The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The adoption of this guidance has no impact on the Company's financial position or results of operations. The Company is evaluating the impact of adoption on its disclosures.

#### **ASU 2024-03 Income Statement (Topic 220) - Disaggregation of Income Statement Expenses**

In November 2024, the FASB issued amendments that require disaggregated disclosure, in the notes to the financial statements, of specified information about certain costs and expenses including (1) the amounts of employee compensation, depreciation, and intangible asset amortization; (2) certain expense, gain, or loss amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements; (3) qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and (4) the total amount of selling expenses and, in annual reporting periods, the Company's definition of selling expenses.

The amendments are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. The adoption of this guidance has no impact on the Company's financial position or results of operations. The Company is evaluating the impact of adoption on its disclosures.

Recent accounting guidance not discussed above is not applicable, did not have, or is not expected to have a material impact to the Company's business.

## **2. BUSINESS SEGMENT AND SELECTED FOREIGN CURRENCY TRANSLATION ITEMS**

The Company consists of two reportable insurance business segments: Aflac Japan and Aflac U.S., both of which sell supplemental health and life insurance. In addition, the Parent Company, other operating business units that are not individually reportable, reinsurance activities, including internal reinsurance activity with Aflac Re, and other business activities not included in Aflac Japan or Aflac U.S., as well as intercompany eliminations, are included in Corporate and other. The Company does not allocate corporate overhead expenses to business segments.

The Company's reportable segments are regularly reviewed by the Company's CODM, Senior Executive Vice President and Chief Financial Officer, in deciding how to allocate resources and in assessing performance. The Company's CODM reviews and approves the annual budget and operating forecast, which allocates resources to segments and serves as a key benchmark for tracking performance and accountability of each segment's operating results. The Company's CODM evaluates the performance of the segments using, in comparison to the annual budget, operating forecast and historical results, a financial performance measure called pretax adjusted earnings and believes this financial performance measure to be vitally important for understanding the underlying profitability drivers and trends of the Company's insurance business.

- **Pretax adjusted earnings** are adjusted revenues less benefits and adjusted expenses. The adjustments to both revenues and expenses account for certain items that are outside management's control because they tend to be driven by general economic conditions and events or are related to infrequent activities not directly associated with insurance operations. The Company excludes income taxes related to operations to arrive at pretax adjusted earnings.
  - Adjusted revenues are U.S. GAAP total revenues excluding net investment gains and losses, except for amortized hedge costs/income related to foreign currency exposure management strategies and net interest cash flows from derivatives associated with certain investment strategies, which are reclassified from net investment gains (losses) and included in adjusted earnings as a component of adjusted net investment income when analyzing operations.
  - 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 non-recurring 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.

Aflac Japan's adjusted revenues accounted for 55% of the Company's total adjusted revenues in 2024, compared with 60% in 2023 and 64% in 2022. The percentage of the Company's total assets attributable to Aflac Japan was 77% at December 31, 2024, compared with 80% at December 31, 2023.

Item 8. Financial Statements and Supplementary Data

Information regarding operations by reportable segment and Corporate and other for the years ended December 31 is presented in the following tables.

(In millions)	2024	2023	2022
<b>Revenues:</b>			
Aflac Japan:			
Net earned premiums <sup>(1)</sup>	\$ 6,930	\$ 8,047	\$ 9,186
Adjusted net investment income	2,701	2,582	2,669
Other income	28	35	35
Total adjusted revenue Aflac Japan	9,659	10,664	11,890
Aflac U.S.:			
Net earned premiums	5,829	5,675	5,570
Adjusted net investment income	847	820	755
Other income	63	128	161
Total adjusted revenue Aflac U.S.	6,739	6,623	6,486
Corporate and other <sup>(2)</sup>	1,007	460	267
Total adjusted revenues	17,405	17,747	18,643
Net investment gains (losses)	1,271	590	363
Reconciling items:			
Amortized hedge costs	26	157	112
Amortized hedge income	(113)	(121)	(68)
Net interest (income) expense from derivatives associated with certain investment strategies	338	328	90
Total revenues	\$ 18,927	\$ 18,701	\$ 19,140

<sup>(1)</sup> Includes a gain (loss) of \$(81), \$20 and \$(42) in 2024, 2023 and 2022, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

<sup>(2)</sup> The change in value of federal historic rehabilitation and solar investments in partnerships of \$165, \$343 and \$91 in 2024, 2023 and 2022, respectively, is included as a reduction to net investment income. Tax credits on these investments of \$164, \$334 and \$83 in 2024, 2023 and 2022, respectively, have been recorded as an income tax benefit in the consolidated statements of earnings. See Note 3 for additional information on these investments.

## Item 8. Financial Statements and Supplementary Data

(In millions)	2024	2023	2022
<b>Adjusted revenues:</b>			
Aflac Japan <sup>(1)</sup>	\$ 9,659	\$ 10,664	\$ 11,890
Aflac U.S.	6,739	6,623	6,486
Corporate and other <sup>(2)</sup>	1,007	460	267
Total adjusted revenues	17,405	17,747	18,643
<b>Benefits and adjusted expenses:</b>			
Aflac Japan:			
Benefits and claims, excluding reserve remeasurement	4,761	5,409	6,282
Reserve remeasurement (gains) losses	(444)	(96)	(91)
Total benefits and claims, net	4,317	5,313	6,191
Adjusted expenses:			
Amortization of deferred policy acquisition costs	321	326	338
Insurance commissions	435	491	563
Insurance and other expenses	1,092	1,300	1,517
Total benefits and adjusted expenses Aflac Japan	6,165	7,430	8,609
Aflac U.S.:			
Benefits and claims, excluding reserve remeasurement	2,821	2,715	2,679
Reserve remeasurement (gains) losses	(95)	(284)	(124)
Total benefits and claims, net	2,726	2,431	2,555
Adjusted expenses:			
Amortization of deferred policy acquisition costs	530	490	455
Insurance commissions	563	561	553
Insurance and other expenses	1,501	1,640	1,564
Total benefits and adjusted expenses Aflac U.S.	5,320	5,122	5,127
Corporate and other	975	885	485
Total adjusted expenses	\$ 12,460	\$ 13,437	\$ 14,221
<b>Pretax earnings:</b>			
Aflac Japan <sup>(1)</sup>	\$ 3,494	\$ 3,234	\$ 3,281
Aflac U.S.	1,419	1,501	1,359
Corporate and other <sup>(2)</sup>	32	(425)	(218)
Pretax adjusted earnings	4,945	4,310	4,422
Other income (loss)	(23)	39	0
Net investment gains (losses)	1,271	590	363
Reconciling items:			
Amortized hedge costs	26	157	112
Amortized hedge income	(113)	(121)	(68)
Net interest (income) expense from derivatives associated with certain investment strategies	338	328	90
Impact of interest from derivatives associated with notes payable	(27)	(41)	(50)
Total earnings before income taxes	\$ 6,417	\$ 5,262	\$ 4,869
Income taxes applicable to pretax adjusted earnings	\$ 873	\$ 577	\$ 808
Effect of foreign currency translation on after-tax adjusted earnings	(103)	(113)	(262)

<sup>(1)</sup> Includes a gain (loss) of \$(81), \$20 and \$(42) for 2024, 2023 and 2022, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

<sup>(2)</sup> The change in value of federal historic rehabilitation and solar investments in partnerships of \$165, \$343 and \$91 in 2024, 2023 and 2022, respectively, is included as a reduction to net investment income. Tax credits on these investments of \$164, \$334 and \$83 in 2024, 2023 and 2022, respectively, have been recorded as an income tax benefit in the consolidated statements of earnings. See Note 3 for additional information on these investments.



**Internal Reinsurance:** Aflac Re is a Bermuda domiciled insurer that reinsures certain policies issued by Aflac Japan and is reported as a part of Corporate and other. Under these internal reinsurance transactions, Aflac Japan's net earned premiums are reduced by the amount of premiums ceded to Aflac Re. Aflac Re recorded net earned premiums of \$568 million in 2024, \$258 million in 2023 and \$1 million in 2022 related to these reinsurance transactions with Aflac Japan. These internal reinsurance transactions have no financial statement impact on a consolidated basis, except for the effect of foreign currency accounting. For additional information on these internal reinsurance transactions, see Note 8.

**Transfers of funds from Aflac Japan:** Aflac Japan makes payments to the Parent Company for management fees and remittances of earnings. Information on transfers for each of the years ended December 31 is shown below. See Note 13 for information concerning restrictions on transfers from Aflac Japan.

(In millions)	2024	2023	2022
Management fees	\$ 69	\$ 67	\$ 61
Profit remittances	2,865	2,623	2,412
Total transfers from Aflac Japan	\$ 2,934	\$ 2,690	\$ 2,473

**Total Assets:** The Company's total assets as of December 31 were as follows:

(In millions)	2024	2023
<b>Assets:</b>		
Aflac Japan	\$ 90,210	\$ 101,541
Aflac U.S.	21,930	21,861
Corporate and other	5,426	3,322
Total assets	\$ 117,566	\$ 126,724

**Receivables:** Receivables consist primarily of monthly insurance premiums due from individual policyholders or their employers for payroll deduction of premiums, net of allowance for credit losses. Total receivables were \$779 million and \$848 million as of December 31, 2024 and 2023, respectively. The allowance for credit losses related to premiums receivable was \$108 million and \$92 million as of December 31, 2024 and 2023, respectively. At December 31, 2024, \$197 million, or 25.3% of total receivables, were related to Aflac Japan's operations, compared with \$175 million, or 20.7%, at December 31, 2023.

#### Selected Foreign Currency Translation Items

**Yen-Translation Effects:** The following table shows the yen/dollar exchange rates used for or during the periods ended December 31. For comparison, exchange effects for the current year were calculated using the yen/dollar exchange rate that was used in the prior year.

	2024	2023	2022
<b>Statements of Earnings:</b>			
Weighted-average yen/dollar exchange rate <sup>(1)</sup>	150.97	140.57	130.17
Yen percent strengthening (weakening)	(6.9)%	(7.4)%	(15.7)%
Exchange effect on pretax adjusted earnings (in millions)	\$ (125)	\$ (131)	\$ (318)
	2024	2023	
<b>Balance Sheets:</b>			
Yen/dollar exchange rate at December 31 <sup>(1)</sup>	158.18	141.83	
Yen percent strengthening (weakening)	(10.3)%	(6.4)%	
Exchange effect on total assets (in millions)	\$ (6,127)	\$ (3,984)	
Exchange effect on total liabilities (in millions)	(9,624)	(6,936)	

<sup>(1)</sup> Rates are based on the published MUFG Bank, Ltd. telegraphic transfer middle rate (TTM).



**3. INVESTMENTS****Net Investment Income**

The components of net investment income for the years ended December 31 were as follows:

(In millions)	2024	2023	2022
Fixed maturity securities	<b>\$ 2,894</b>	\$ 2,873	\$ 2,926
Equity securities	<b>24</b>	28	31
Commercial mortgage and other loans	<b>1,046</b>	1,002	716
Other investments <sup>(1)</sup>	<b>130</b>	(70)	131
Short-term investments and cash equivalents	<b>258</b>	213	78
Gross investment income	<b>4,352</b>	4,046	3,882
Less investment expenses	<b>236</b>	235	226
Net investment income	<b>\$ 4,116</b>	\$ 3,811	\$ 3,656

<sup>(1)</sup> The change in value of federal historic rehabilitation and solar investments in partnerships of \$165, \$343 and \$91 in 2024, 2023, and 2022, respectively, is included as a reduction to net investment income. Tax credits on these investments of \$164, \$334, and \$83 in 2024, 2023, and 2022, respectively, have been recorded as an income tax benefit in the consolidated statement of earnings.

## Investment Holdings

The amortized cost and allowance for credit losses for the Company's investments in fixed maturity securities and the fair values of these investments as well as the fair value of the Company's investments in equity securities are shown in the following tables.

(In millions)	2024				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities available-for-sale, carried at fair value through other comprehensive income:</b>					
Fixed maturity securities:					
Yen-denominated:					
Japan government and agencies	\$ 19,409	\$ 0	\$ 465	\$ 2,234	\$ 17,640
Municipalities	869	0	65	79	855
Mortgage- and asset-backed securities	327	0	4	23	308
Public utilities	2,746	0	202	108	2,840
Sovereign and supranational	330	0	16	8	338
Banks/financial institutions	5,376	0	267	342	5,301
Other corporate	5,329	0	568	305	5,592
Total yen-denominated	34,386	0	1,587	3,099	32,874
U.S. dollar-denominated:					
U.S. government and agencies	208	0	1	3	206
Municipalities	1,167	0	65	53	1,179
Mortgage- and asset-backed securities	2,987	0	302	34	3,255
Public utilities	3,938	0	418	151	4,205
Sovereign and supranational	57	0	21	0	78
Banks/financial institutions	3,271	0	420	36	3,655
Other corporate	18,050	0	2,493	752	19,791
Total U.S. dollar-denominated	29,678	0	3,720	1,029	32,369
Other currencies:					
Other corporate	25	0	1	0	26
Total other currencies	25	0	1	0	26
Total securities available-for-sale	\$ 64,089	\$ 0	\$ 5,308	\$ 4,128	\$ 65,269

2023					
(In millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities available-for-sale, carried at fair value through other comprehensive income:</b>					
Fixed maturity securities:					
Yen-denominated:					
Japan government and agencies	\$ 23,067	\$ 0	\$ 1,040	\$ 1,696	\$ 22,411
Municipalities	968	0	115	58	1,025
Mortgage- and asset-backed securities	215	0	6	11	210
Public utilities	3,757	0	325	82	4,000
Sovereign and supranational	373	0	24	7	390
Banks/financial institutions	5,896	0	320	365	5,851
Other corporate	5,898	0	699	294	6,303
Total yen-denominated	40,174	0	2,529	2,513	40,190
U.S. dollar-denominated:					
U.S. government and agencies	191	0	2	4	189
Municipalities	1,246	0	65	38	1,273
Mortgage- and asset-backed securities	2,748	0	184	56	2,876
Public utilities	3,346	0	360	114	3,592
Sovereign and supranational	122	0	33	8	147
Banks/financial institutions	2,676	0	359	51	2,984
Other corporate	20,186	0	2,518	665	22,039
Total U.S. dollar-denominated	30,515	0	3,521	936	33,100
Total securities available-for-sale	\$ 70,689	\$ 0	\$ 6,050	\$ 3,449	\$ 73,290

2024						
(In millions)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities held-to-maturity, carried at amortized cost:</b>						
Fixed maturity securities:						
Yen-denominated:						
Japan government and agencies	\$ 15,311	\$ 2	\$ 15,309	\$ 759	\$ 9	\$ 16,059
Municipalities	235	0	235	22	0	257
Public utilities	32	0	32	1	0	33
Sovereign and supranational	377	3	374	31	0	405
Other corporate	16	0	16	2	0	18
Total yen-denominated	15,971	5	15,966	815	9	16,772
Total securities held-to-maturity	\$ 15,971	\$ 5	\$ 15,966	\$ 815	\$ 9	\$ 16,772

2023						
(In millions)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities held-to-maturity, carried at amortized cost:</b>						
Fixed maturity securities:						
Yen-denominated:						
Japan government and agencies	\$ 17,085	\$ 2	\$ 17,083	\$ 1,746	\$ 0	\$ 18,829
Municipalities	266	0	266	41	0	307
Public utilities	34	0	34	4	0	38
Sovereign and supranational	421	3	418	44	0	462
Other corporate	18	0	18	3	0	21
Total yen-denominated	17,824	5	17,819	1,838	0	19,657
Total securities held-to-maturity	\$ 17,824	\$ 5	\$ 17,819	\$ 1,838	\$ 0	\$ 19,657

2024		2023
(In millions)	Fair Value	Fair Value
<b>Equity securities, carried at fair value through net earnings:</b>		
Equity securities:		
Yen-denominated	\$ 484	\$ 751
U.S. dollar-denominated	312	252
Other currencies	0	85
Total equity securities	\$ 796	\$ 1,088

The methods of determining the fair values of the Company's investments in fixed maturity securities and equity securities are described in Note 5.

During 2024 and 2023, the Company did not reclassify any investments from the held-to-maturity category to the available-for-sale category.

**Contractual and Economic Maturities**

The contractual and economic maturities of the Company's investments in fixed maturity securities at December 31, 2024, were as follows:

(In millions)	Amortized Cost <sup>(1)</sup>	Fair Value
<b>Available-for-sale:</b>		
Due in one year or less	\$ 1,369	\$ 1,536
Due after one year through five years	7,522	8,424
Due after five years through 10 years	17,302	18,495
Due after 10 years	34,582	33,251
Mortgage- and asset-backed securities	3,314	3,563
Total fixed maturity securities available-for-sale	\$64,089	\$ 65,269
<b>Held-to-maturity:</b>		
Due in one year or less	\$ 0	\$ 0
Due after one year through five years	34	34
Due after five years through 10 years	8,516	9,045
Due after 10 years	7,416	7,693
Total fixed maturity securities held-to-maturity	\$15,966	\$ 16,772

<sup>(1)</sup> Net of allowance for credit losses

Economic maturities are used for certain debt instruments with no stated maturity where the expected maturity date is based on the combination of features in the financial instrument such as the right to call or prepay obligations or changes in coupon rates.

**Investment Concentrations**

The Company's process for investing in credit-related investments begins with an independent approach to underwriting each issuer's fundamental credit quality. The Company evaluates independently those factors that it believes could influence an issuer's ability to make payments under the contractual terms of the Company's instruments. This includes a thorough analysis of a variety of items including the issuer's country of domicile (including political, legal, and financial considerations); the industry in which the issuer competes (with an analysis of industry structure, end-market dynamics, and regulation); company specific issues (such as management, assets, earnings, cash generation, and capital needs); and contractual provisions of the instrument (such as financial covenants and position in the capital structure). The Company further evaluates the investment considering broad business and portfolio management objectives, including asset/liability needs, portfolio diversification, and expected income.

Investment exposures that individually exceeded 10% of shareholders' equity as of December 31 were as follows:

(In millions)	2024			2023		
	Credit Rating	Amortized Cost	Fair Value	Credit Rating	Amortized Cost	Fair Value
Japan National Government <sup>(1)</sup>	A+	\$33,822	\$32,844	A+	\$39,151	\$40,222

<sup>(1)</sup> Japan Government Bonds (JGBs) or JGB-backed securities

**Net Investment Gains and Losses**

Information regarding pretax net gains and losses from investments for the years ended December 31 follows:

(In millions)	2024	2023	2022
<b>Net investment gains (losses):</b>			
Sales and redemptions:			
Fixed maturity securities available-for-sale:			
Gross gains from sales	\$ 80	\$ 24	\$ 93
Gross losses from sales	(634)	(61)	(78)
Foreign currency gains (losses)	806	204	442
Other investments:			
Gross gains (losses) from sales and redemptions	7	33	10
Total sales and redemptions	259	200	467
Equity securities	140	88	(341)
Credit losses:			
Fixed maturity securities held-to-maturity	0	1	0
Commercial mortgage and other loans	(207)	(146)	(18)
Impairment losses	(55)	0	(25)
Loan commitments	1	9	9
Reinsurance recoverables and other	5	(3)	(2)
Total credit losses	(256)	(139)	(36)
Derivatives and other:			
Derivative gains (losses)	(363)	(531)	(1,151)
Foreign currency gains (losses)	1,491	972	1,424
Total derivatives and other	1,128	441	273
Total net investment gains (losses)	\$ 1,271	\$ 590	\$ 363

The unrealized holding gains, net of losses, recorded as a component of net investment gains and losses for the year ended December 31, 2024, that relate to equity securities held at the December 31, 2024, reporting date were \$118 million. The unrealized holding gains, net of losses, recorded as a component of net investment gains and losses for the year ended December 31, 2023, that relate to equity securities held at the December 31, 2023, reporting date were \$63 million. The unrealized holding losses, net of gains, recorded as a component of net investment gains and losses for the year ended December 31, 2022, that relate to equity securities held at the December 31, 2022, reporting date were \$340 million.

**Unrealized Investment Gains and Losses**

Information regarding changes in unrealized gains and losses from investments recorded in AOCI for the years ended December 31 follows:

(In millions)	2024	2023	2022
<b>Changes in unrealized gains (losses):</b>			
Fixed maturity securities, available-for-sale	\$ (1,421)	\$ 2,327	\$(13,056)
Total change in unrealized gains (losses)	\$ (1,421)	\$ 2,327	\$(13,056)

Effect on Shareholders' Equity

The net effect on shareholders' equity of unrealized gains and losses from fixed maturity securities at December 31 was as follows:

(In millions)	2024	2023
Unrealized gains (losses) on securities available-for-sale	\$ 1,180	\$ 2,601
Deferred income taxes	(1,156)	(1,462)
Shareholders' equity, unrealized gains (losses) on fixed maturity securities	\$ 24	\$ 1,139

Gross Unrealized Loss Aging

The following tables show the fair values and gross unrealized losses of the Company's available-for-sale investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31.

(In millions)	2024					
	Total		Less than 12 months		12 months or longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Fixed maturity securities available-for-sale:</b>						
U.S. government and agencies:						
U.S. dollar-denominated	\$ 106	\$ 3	\$ 59	\$ 1	\$ 47	\$ 2
Japan government and agencies:						
Yen-denominated	8,136	2,234	2,070	57	6,066	2,177
Municipalities:						
U.S. dollar-denominated	666	53	67	3	599	50
Yen-denominated	341	79	96	2	245	77
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	567	34	173	2	394	32
Yen-denominated	196	23	12	0	184	23
Public utilities:						
U.S. dollar-denominated	1,570	151	699	19	871	132
Yen-denominated	1,020	108	368	11	652	97
Sovereign and supranational:						
Yen-denominated	47	8	0	0	47	8
Banks/financial institutions:						
U.S. dollar-denominated	625	36	376	7	249	29
Yen-denominated	3,197	342	471	22	2,726	320
Other corporate:						
U.S. dollar-denominated	6,097	752	2,036	59	4,061	693
Yen-denominated	1,733	305	289	14	1,444	291
Total	\$ 24,301	\$ 4,128	\$ 6,716	\$ 197	\$ 17,585	\$ 3,931



(In millions)	2023					
	Total		Less than 12 months		12 months or longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Fixed maturity securities available-for-sale:</b>						
U.S. government and agencies:						
U.S. dollar-denominated	\$ 123	\$ 4	\$ 53	\$ 1	\$ 70	\$ 3
Japan government and agencies:						
Yen-denominated	8,393	1,696	1,657	303	6,736	1,393
Municipalities:						
U.S. dollar-denominated	703	38	31	1	672	37
Yen-denominated	301	58	34	0	267	58
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	925	56	340	6	585	50
Yen-denominated	58	11	0	0	58	11
Public utilities:						
U.S. dollar-denominated	1,120	114	228	4	892	110
Yen-denominated	1,028	82	444	13	584	69
Sovereign and supranational:						
U.S. dollar-denominated	35	8	0	0	35	8
Yen-denominated	60	7	0	0	60	7
Banks/financial institutions:						
U.S. dollar-denominated	655	51	159	4	496	47
Yen-denominated	3,673	365	186	4	3,487	361
Other corporate:						
U.S. dollar-denominated	6,380	665	799	19	5,581	646
Yen-denominated	1,948	294	308	9	1,640	285
<b>Total</b>	<b>\$25,402</b>	<b>\$3,449</b>	<b>\$ 4,239</b>	<b>\$ 364</b>	<b>\$21,163</b>	<b>\$3,085</b>

#### [\*Analysis of Securities in Unrealized Loss Positions\*](#)

The unrealized losses on the Company's available-for-sale securities have been primarily related to general market factors such as changes in interest rates, foreign exchange rates, and/or the levels of credit spreads rather than specific concerns with the issuer's ability to pay interest and repay principal.

For available-for-sale securities in an unrealized loss position, the Company performs detailed analyses to identify whether the drivers of the decline in fair value are due to general market factors, such as the recent rise in interest rates, or due to credit-related factors. Identifying the drivers of the declines in fair value helps to align and allocate the Company's resources to the review and monitoring of securities with real credit-related concerns that could impact ultimate collection of principal and interest. For any significant declines in fair value determined to be non-interest rate or market-related, the Company performs a more focused review of the related issuers' specific credit profile.

For corporate issuers, the Company evaluates their assets and business profile, including industry dynamics and competitive positioning, financial statements and other available financial data. For non-corporate issuers, the Company analyzes all sources of credit support, including issuer-specific factors. The Company utilizes information available in the public domain and, for certain private placement issuers, from consultations with the issuers directly. The Company also considers ratings from Nationally Recognized Statistical Rating Organizations (NRSROs), as well as the specific characteristics of the security it owns including seniority in the issuer's capital structure, covenant protections, or other relevant features. From these reviews, the Company evaluates the issuers' continued ability to service the Company's investment through payment of interest and principal.

Assuming no credit-related factors develop, unrealized gains and losses on available-for-sale securities are expected to diminish as investments near maturity. Based on its credit analysis, the Company believes that the issuers of its available-for-sale investments in the sectors shown in the table above have the ability to service their obligations to the Company. Further, the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity.

However, if the Company identifies certain available-for-sale securities where the amortized cost basis exceeds the present value of the cash flows expected to be collected due to credit-related factors, an allowance for credit losses is recognized. Based on an evaluation of its securities currently in an unrealized loss position, the Company has determined that those securities should not have an allowance for credit losses as of December 31, 2024. Refer to the *Allowance for Credit Losses* section below for additional information.

As of December 31, 2024 and 2023, the Company had an immaterial amount of fixed maturity securities on nonaccrual status.

### Commercial Mortgage and Other Loans

The Company classifies its TREs, CMLs, MMLs, and other loans as held-for-investment and includes them in the commercial mortgage and other loans line on the consolidated balance sheets. The Company carries them on the balance sheet at amortized cost less an estimated allowance for credit losses.

The following table reflects the composition of the carrying value for commercial mortgage and other loans by property type as of December 31.

	2024		2023	
(In millions)	Amortized Cost	% of Total	Amortized Cost	% of Total
<b>Commercial Mortgage and other loans:</b>				
<b>Transitional real estate loans:</b>				
Office	\$ 1,361	12.1 %	\$ 1,807	14.1 %
Retail	349	3.1	473	3.7
Apartments/Multi-Family	2,201	19.6	2,608	20.4
Industrial	117	1.1	157	1.2
Hospitality	556	5.0	814	6.4
Other	318	2.8	255	2.0
<b>Total transitional real estate loans</b>	<b>4,902</b>	<b>43.7</b>	<b>6,114</b>	<b>47.8</b>
<b>Commercial mortgage loans:</b>				
Office	300	2.7	359	2.8
Retail	214	1.9	301	2.4
Apartments/Multi-Family	572	5.1	586	4.6
Industrial	436	3.9	463	3.6
Other	15	.1	0	.0
<b>Total commercial mortgage loans</b>	<b>1,537</b>	<b>13.7</b>	<b>1,709</b>	<b>13.4</b>
<b>Middle market loans</b>	<b>4,423</b>	<b>39.4</b>	<b>4,677</b>	<b>36.5</b>
<b>Other loans</b>	<b>362</b>	<b>3.2</b>	<b>301</b>	<b>2.3</b>
<b>Total commercial mortgage and other loans</b>	<b>\$ 11,224</b>	<b>100.0 %</b>	<b>\$ 12,801</b>	<b>100.0 %</b>
<b>Allowance for credit losses</b>	<b>(355)</b>		<b>(274)</b>	
<b>Total net commercial mortgage and other loans</b>	<b>\$ 10,869</b>		<b>\$ 12,527</b>	

CMLs and TREs are secured by properties entirely within the U.S. (with the largest concentrations in California (21%), Texas (13%) and Florida (10%)). MMLs are issued only to companies domiciled within the U.S. and Canada.

### *Transitional Real Estate Loans*

TREs are relatively short-term floating rate commercial mortgage loans that are secured by a first lien on the property. These loans provide funding for properties undergoing a change in their physical characteristics and/or economic profile and do not typically require any principal repayment prior to the maturity date.

As of December 31, 2024, the Company had \$273 million in outstanding commitments to fund TREs. These commitments are contingent on the final underwriting and due diligence to be performed.

### *Commercial Mortgage Loans*

CMLs are typically fixed rate loans on commercial real estate with partial repayment of principal over the life of the loan with the remaining outstanding principal being repaid upon maturity. This loan portfolio is generally considered higher quality investment grade loans.

### *Middle Market Loans*

MMLs are typically first lien senior secured cash flow loans to small to mid-size companies for working capital, refinancing, acquisition, and recapitalization. These loans are generally considered to be below investment grade.

As of December 31, 2024, the Company had commitments of approximately \$739 million to fund future MMLs. These commitments are contingent upon the availability of MMLs that meet the Company's underwriting criteria.

### *Other Loans*

Other loans are primarily infrastructure loans. Infrastructure loans are typically senior secured, financing operating portfolios of renewable and conventional energy generation assets characterized by predictable, often contractual cash flows for loan repayment. The infrastructure loan portfolio weighted average rating is investment grade.

As of December 31, 2024, the Company had commitments of approximately \$1 million to fund future other loans. These commitments are contingent upon the availability of other loans that meet the Company's underwriting criteria.

### *Credit Quality Indicators*

For TREs, the Company's key credit quality indicators include performance of the loan and loan-to-value (LTV), which is calculated by dividing the current outstanding loan balance by the estimated property value, primarily using values at origination. Given that TREs involve properties undergoing a repositioning of their commercial profile, LTV provides the most insight into the credit risk of the loan. The Company monitors the performance of the loans periodically, but not less frequently than quarterly. The monitoring process also focuses on higher risk loans, which include those that are delinquent or for which foreclosure or deed in lieu of foreclosure is anticipated.

For CMLs, the Company's key credit quality indicators include LTV and debt service coverage ratios (DSCR). DSCR is the most recently available net operating income of the underlying property compared to the required debt service of the loan.

For MMLs and held-to-maturity fixed maturity securities, the Company's key credit quality indicator is credit ratings. The Company's held-to-maturity portfolio is composed of investment grade securities that are senior unsecured instruments, while its MMLs generally have below-investment-grade ratings but are typically senior secured instruments. The Company monitors the credit ratings periodically, but not less frequently than quarterly.

For other loans, the Company's key credit quality indicator is credit ratings. The Company monitors these credit ratings periodically, but not less frequently than quarterly.

## Item 8. Financial Statements and Supplementary Data

The following tables present as of December 31, 2024 the amortized cost basis of TREs, CMLs, MMLs, and other loans by year of origination and credit quality indicator.

Transitional Real Estate Loans																							
(In millions)	2024	2023	2022	2021	2020	Prior	Total																
Loan-to-Value Ratio:																							
0%-59.99%	\$	0	\$	0	\$	314	\$	357	\$	36	\$	11	\$	718									
60%-69.99%		0		116		500		599		18		390		1,623									
70%-79.99%		0		14		903		660		24		58		1,659									
80% or greater		0		0		259		271		104		268		902									
Total	\$	0	\$	130	\$	1,976	\$	1,887	\$	182	\$	727	\$	4,902									
Current-period gross writeoffs:									\$	0	\$	0	\$	0	\$	5	\$	0	\$	57	\$	62	
Commercial Mortgage Loans																							
(In millions)	2024	2023	2022	2021	2020	Prior	Total	Weighted-Average DSCR															
Loan-to-Value Ratio:																							
0%-59.99%	\$	0	\$	32	\$	0	\$	266	\$	58	\$	920	\$	1,276	2.78								
60%-69.99%		0		0		0		25		0		47		72	2.11								
70%-79.99%		13		0		0		0		0		87		100	1.19								
80% or greater		0		0		0		0		0		89		89	0.57								
Total	\$	13	\$	32	\$	0	\$	291	\$	58	\$	1,143	\$	1,537	2.52								
Weighted Average DSCR		1.21		2.62		0.00		3.16		2.52		2.37											
Current-period gross writeoffs:									\$	0	\$	0	\$	0	\$	0	\$	0	\$	19	\$	19	
Middle Market Loans																							
(In millions)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total															
Credit Ratings:																							
BBB	\$	12	\$	27	\$	4	\$	84	\$	43	\$	95	\$	11	\$	276							
BB		394		45		413		396		282		339		68		1,937							
B		220		41		238		486		264		501		41		1,791							
CCC		0		0		5		61		74		142		17		299							
CC		0		0		13		0		0		24		5		42							
C and lower		0		0		0		6		0		68		4		78							
Total	\$	626	\$	113	\$	673	\$	1,033	\$	663	\$	1,169	\$	146	\$	4,423							
Current-period gross writeoffs:									\$	0	\$	0	\$	0	\$	27	\$	0	\$	0	\$	50	
Other Loans																							
(In millions)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total															
Credit Ratings:																							
A	\$	0	\$	0	\$	82	\$	0	\$	0	\$	0	\$	0	\$	82							
AA		0		0		8		3		0		0		0		11							
BBB		130		66		0		0		0		0		0		196							
BB		0		0		73		0		0		0		0		73							
Total	\$	130	\$	66	\$	163	\$	3	\$	0	\$	0	\$	0	\$	362							
Current-period gross writeoffs:									\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	

*Past Due and Nonaccrual Loans*

The following tables present an aging of past due and nonaccrual loans at amortized cost, before allowance for credit losses, as of December 31.

2024						
(In millions)	Current	Less Than 90 Days Past Due	90 Days or More Past Due <sup>(1)</sup>	Total Past Due	Total Loans	Nonaccrual Status
Transitional real estate loans	\$ 4,364	\$ 195	\$ 343	\$ 538	\$ 4,902	\$ 378
Commercial mortgage loans	1,537	0	0	0	1,537	0
Middle market loans	4,295	63	65	128	4,423	108
Other loans	362	0	0	0	362	0
<b>Total</b>	<b>\$ 10,558</b>	<b>\$ 258</b>	<b>\$ 408</b>	<b>\$ 666</b>	<b>\$ 11,224</b>	<b>\$ 486</b>

<sup>(1)</sup> As of December 31, 2024, there were no loans that were 90 days or more past due that continued to accrue interest.

2023						
(In millions)	Current	Less Than 90 Days Past Due	90 Days or More Past Due <sup>(1)</sup>	Total Past Due	Total Loans	Nonaccrual Status
Transitional real estate loans	\$ 5,481	\$ 108	\$ 525	\$ 633	\$ 6,114	\$ 633
Commercial mortgage loans	1,676	33	0	33	1,709	0
Middle market loans	4,592	0	85	85	4,677	85
Other loans	301	0	0	0	301	0
<b>Total</b>	<b>\$ 12,050</b>	<b>\$ 141</b>	<b>\$ 610</b>	<b>\$ 751</b>	<b>\$ 12,801</b>	<b>\$ 718</b>

<sup>(1)</sup> As of December 31, 2023, there were no loans that were 90 days or more past due that continued to accrue interest.

For the year ended December 31, 2024, the Company recognized \$2 million of interest income for TREs, CMLs, MMLs, or other loans on nonaccrual status. For the years ended December 31, 2023 and 2022, the Company recognized no interest income for TREs, CMLs, MMLs, or other loans on nonaccrual status. Of these loans, TREs with an amortized cost of \$140 million and \$160 million had no credit loss allowance as of December 31, 2024 and December 31, 2023, respectively, because these loans are collateral dependent assets for which the estimated fair values of the collateral were in excess of amortized cost. As of December 31, 2024, MMLs with an amortized cost of \$5 million were on nonaccrual status without an allowance for credit losses. As of December 31, 2023, there were no MMLs on nonaccrual status without an allowance for credit losses.

*Loan Modifications to Borrowers Experiencing Financial Difficulties*

The Company granted certain loan modifications to borrowers experiencing financial difficulty during 2024 and 2023. The types of modifications granted may include interest rate reductions, principal forgiveness, other-than-insignificant payment delays, term extensions or a combination of these types of modifications. The amount, timing, and extent of modifications granted are considered in determining any credit loss allowance recorded.

Loans that have both been modified and are paid or written off during the period, resulting in an amortized cost balance of zero at the end of the period, are not included in the disclosures below.

Item 8. Financial Statements and Supplementary Data

The following table presents the amortized cost basis of modified loans to borrowers experiencing financial difficulty and the financial effect of the modifications, disaggregated by loan classification and type of modification, for the year ended December 31.

2024			
(In millions)	Amortized Cost <sup>(1)</sup>	% of Total	Financial Effect
<b>Transitional Real Estate Loans:</b>			
Other-than-insignificant payment delays	\$ 125	2.7 %	Delay in payments of 24 months on average
Other-than-insignificant payment delays and interest rate reduction	278	5.9	Delay in payments of 44 months on average and reduction in the weighted-average contractual interest rate from 8.0% to 6.6%
Other-than-insignificant payment delays, principal forgiveness and interest rate reduction	81	1.7	Delay in payments of 33 months on average, \$1.3 million of principal forgiven, and reduction in the weighted-average contractual interest rate from 8.2% to 7.3%

<sup>(1)</sup> Net of allowance for credit losses

Additionally, an immaterial percentage of MMLs with an amortized cost of \$15 million were modified in the form of interest rate reductions and maturity extensions during the year ended December 31, 2024.

Loan modifications to borrowers experiencing financial difficulty for the year ended December 31, 2023, were immaterial.

The following table presents an aging of loans that received modifications in the 12 months preceding the period presented, at amortized cost.

December 31, 2024			
(In millions)	Current	Less Than 90 Days Past Due	90 Days or More Past Due
Transitional real estate loans	\$ 403	\$ 81	\$ 0
Middle market loans	15	0	0
<b>Total</b>	<b>\$ 418</b>	<b>\$ 81</b>	<b>\$ 0</b>

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans that were granted a modification in the past 12 months, as of December 31, 2024, and subsequently defaulted in the year ended December 31, 2024, were immaterial. There were no modified loans to borrowers experiencing financial difficulties in the past 12 months, as of December 31, 2023, that subsequently defaulted in the year ended December 31, 2023.

As of December 31, 2024, the Company had \$14 million of outstanding commitments to lend additional funds to borrowers experiencing financial difficulty that were granted a loan modification.

### Allowance for Credit Losses

The Company calculates its allowance for credit losses for held-to-maturity securities, loan receivables and loan commitments by grouping assets with similar risk characteristics when there is not a specific expectation of a loss for an individual asset. For held-to-maturity securities, MMLs, and MML commitments, the Company groups assets by credit ratings, industry, and country.

The Company groups CMLs and TREs and respective loan commitments by property type, property location and the property's LTV and DSCR. On a quarterly basis, CMLs and TREs within a portfolio segment that share similar risk characteristics are pooled for calculation of credit loss allowance. On an ongoing basis, TREs, CMLs and other loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality), such as collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is probable), are evaluated individually for credit loss. For example, the credit loss allowance for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of the collateral dependent loans, which are evaluated individually for credit loss, is recorded as a change in the credit loss allowance as a component of net investment gains (losses) in the consolidated statements of earnings.

The credit allowance for held-to-maturity securities and loan receivables is estimated using a probability-of-default (PD) / loss-given-default (LGD) method, discounted for the time value of money. For held-to-maturity securities, available-for-sale securities and loan receivables, the Company includes the change in present value due to the passage of time in the change in the allowance for credit losses. The Company's methodology for estimating credit losses utilizes the contractual maturity date of the financial asset, adjusted when necessary to reflect the expected timing of repayment (such as prepayment options, renewal options, call options, or extension options). The Company applies reasonable and supportable forecasts of macroeconomic variables that impact the determination of PD / LGD over a two-year period for held-to-maturity securities and MMLs. The Company reverts to historical loss information over one year, following the two-year forecast period. For the CML and TRE portfolio, the Company applies reasonable and supportable forecasts of macroeconomic variables as well as national and local real-estate market factors to estimate future credit losses where the market factors revert back to historical levels over time with the period being dependent on current market conditions, projected market conditions and difference in the current and historical market levels for each factor. The Company continuously monitors the estimation methodology, due to changes in portfolio composition, changes in underwriting practices and significant events or conditions and makes adjustments as necessary.

The Company's held-to-maturity portfolio includes Japan Government and Agency securities of \$15.2 billion amortized cost as of December 31, 2024 that meet the requirements for zero-credit-loss expectation and therefore these asset classes have been excluded from the current expected credit loss measurement.

An investment in an available-for-sale security may be impaired if the fair value falls below amortized cost. The Company regularly reviews its available-for-sale portfolio for declines in fair value. The Company's available-for-sale impairment model focuses on the ultimate collection of the cash flows from its investments and whether the Company has the intent to sell or if it is more likely than not the Company would be required to sell the security prior to recovery of its amortized cost. The determination of the amount of impairments under this model is based upon the Company's periodic evaluation and assessment of known and inherent risks associated with the respective securities. Such evaluations and assessments are revised as conditions change and new information becomes available.

When determining the Company's intention to sell a security prior to recovery of its amortized cost basis, the Company evaluates facts and circumstances such as, but not limited to, future cash flow needs, decisions to reposition its security portfolio, and risk profile of individual investment holdings. The Company performs ongoing analyses of its liquidity needs, which includes cash flow testing of its policy liabilities, debt maturities, projected dividend payments, and other cash flow and liquidity needs.

The Company's methodology for estimating credit losses for available-for-sale securities utilizes the discounted cash flow model, based on past events, current market conditions and future economic conditions, as well as industry analysis and credit ratings of the securities. In addition, the Company evaluates the specific issuer's probability of default and expected recovery of its position in the event of default based on the underlying financial condition and assets of the borrower as well as seniority and/or security of other debt holders in the issuer when developing management's best estimate of expected cash flows.



## Item 8. Financial Statements and Supplementary Data

The following table presents the roll forward of the allowance for credit losses by portfolio segment for loans and by accounting classification for securities.

(In millions)	Transitional Real Estate Loans	Commercial Mortgage Loans	Middle Market Loans	Other Loans and Loan Commitments	Held-to- Maturity Securities	Available- for-Sale Securities	Total
Balance at December 31, 2021	\$ (68)	\$ (10)	\$ (96)	\$ (31)	\$ (8)	0	\$ (213)
(Addition to) release of allowance for credit losses	14	1	(39)	7	0	0	(17)
Writeoffs, net of recoveries	0	0	6	0	0	0	6
Change in foreign exchange	0	0	0	0	1	0	1
Balance at December 31, 2022	(54)	(9)	(129)	(24)	(7)	0	(223)
(Addition to) release of allowance for credit losses <sup>(1)</sup>	(124)	(7)	(17)	8	1	0	(139)
Writeoffs, net of recoveries	66	0	0	0	0	0	66
Change in foreign exchange	0	0	0	0	1	0	1
Balance at December 31, 2023	(112)	(16)	(146)	(16)	(5)	0	(295)
(Addition to) release of allowance for credit losses	(148)	(17)	(44)	(1)	0	0	(210)
Writeoffs, net of recoveries	61	19	50	0	0	0	130
Change in foreign exchange	0	0	0	0	0	0	0
Balance at December 31, 2024	\$ (199)	\$ (14)	\$ (140)	\$ (17)	\$ (5)	0	\$ (375)

<sup>(1)</sup> Includes an allowance for credit losses of \$4 recognized on financial assets accounted for as purchased financial assets with credit deterioration that is not recorded in earnings upon recognition.

As of December 31, 2024, the Company identified TREs with an amortized cost of \$390 million in anticipation of potential foreclosure or deed in lieu of foreclosure transactions. As of December 31, 2024, the Company established a credit allowance of \$57 million related to these loans.

### Other Investments

The table below reflects the composition of the carrying value for other investments as of December 31.

(In millions)	2024	2023
<b>Other investments:</b>		
Policy loans	\$ 203	\$ 214
Short-term investments <sup>(1)</sup>	1,599	1,304
Limited partnerships <sup>(2)</sup>	3,435	2,750
Real estate owned	682	227
Other	39	35
<b>Total other investments</b>	<b>\$ 5,958</b>	<b>\$ 4,530</b>

<sup>(1)</sup> Includes securities lending collateral

<sup>(2)</sup> Includes tax credit investments and asset classes such as private equity and real estate funds

The Parent Company invests in partnerships that specialize in rehabilitating historic structures or the installation of solar equipment in order to receive federal historic rehabilitation and solar tax credits. These investments are classified as limited partnerships and included in other investments in the consolidated balance sheets. The change in value of each investment is recorded as a reduction to net investment income. Tax credits generated by these investments are recorded as an income tax benefit in the consolidated statements of earnings.

REO consists of office buildings or other commercial properties obtained through foreclosure or deed in lieu of foreclosure of certain of the Company's TREs. As of December 31, 2024, all REO was classified as held-and-used for the production of income and is carried at cost less accumulated depreciation. As of December 31, 2023, \$210 million of REO was classified as held-and-used with the remaining \$17 million classified as held-for-sale, which is carried at the lower of depreciated cost or fair value less cost to sell and is not further depreciated once classified as such. Depreciation expense was \$13 million and an immaterial amount for the years ended December 31, 2024 and 2023, respectively. Additionally, as of December 31, 2024 and 2023, accumulated depreciation was \$14 million and an immaterial amount, respectively.

The Company had \$2.8 billion and \$2.3 billion in outstanding commitments to fund investments in limited partnerships, which includes \$2.1 billion and \$2.0 billion of unfunded commitments related to VIEs that are non-consolidated as of December 31, 2024 and 2023, respectively.

### Variable Interest Entities (VIEs)

In the normal course of its activities, the Company invests in legal entities that are VIEs. The Company's variable interests in VIEs are limited to the debt and equity instruments issued by them. With the exception of commitments to limited partnerships and to certain loan investments made in the normal course of business, the Company has not provided any direct or contingent obligations to fund the limited activities of these VIEs, or support related to the limited activities of these VIEs and does not have any intention to do so in the future, nor has it provided any direct or indirect financial guarantees.

The Company's risk of loss related to its interests in any of its VIEs is limited to the carrying value of the related investments, and in certain cases, to any unfunded commitments held in the VIE.

For those VIEs other than certain unit trust structures, the Company's involvement is passive in nature.

### VIEs - Consolidated

If the Company determines that it is the VIE's primary beneficiary, it consolidates the VIE. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company except to the extent of the unfunded commitments referenced above, as the Company's obligation to each VIE is limited to the amount of its committed investment.

The following table presents carrying value and balance sheet caption in which the assets and liabilities of consolidated VIEs are reported as of December 31.

### Investments in Consolidated Variable Interest Entities

(In millions)	2024	2023
<b>Assets:</b>		
Fixed maturity securities, available-for-sale	\$ 3,428	\$ 3,712
Commercial mortgage and other loans	8,693	10,150
Other investments <sup>(1)</sup>	2,176	2,381
Other assets <sup>(2)</sup>	53	55
Total assets of consolidated VIEs	\$ 14,350	\$ 16,298
<b>Liabilities:</b>		
Other liabilities <sup>(2)</sup>	\$ 604	\$ 507
Total liabilities of consolidated VIEs	\$ 604	\$ 507

<sup>(1)</sup> Consists entirely of alternative investments in limited partnerships, which represent VIEs where the Company is not the primary beneficiary and, therefore, are not consolidated

<sup>(2)</sup> Consists entirely of derivatives

The Company is the sole investor in the consolidated VIEs listed in the table above. The Company invests in fixed maturity securities issued by VIEs that in turn hold U.S. dollar-denominated fixed maturity securities coupled with foreign currency swap agreements. The weighted-average lives of the Company's investments in these VIEs are very similar to the underlying collateral held by these VIEs. The activities of these VIEs are limited to holding invested assets and foreign currency swaps and utilizing the cash flows from these securities to service the VIEs' debt. Neither the Company nor any of its creditors are able to obtain the underlying collateral of these VIEs unless there is an event of default or other specified event. The Company is not a direct counterparty to the foreign currency swap contracts and has no control over them. The Company's loss exposure to these VIEs is limited to its original investment. These consolidated VIEs do not rely on outside or ongoing sources of funding to support their activities beyond the underlying collateral and foreign currency swap contracts, if applicable. The underlying collateral assets and funding of these consolidated VIEs are generally static in nature.

*Investments in Unit Trust Structures*

The Company also utilizes unit trust structures in its Aflac Japan segment to invest in various asset classes, which include CMLs, MMLs, TREs, other loans and limited partnerships. As the sole investor of these VIEs, the Company is required to consolidate these trusts under U.S. GAAP. The limited partnership investments are comprised of private equity and real estate funds. The Company's loss exposure to these VIEs is limited to its original investments, together with any unfunded portion of the Company's commitments made in the normal course of business to fund certain loan investments and limited partnership investments, as described in the Commercial Mortgage and Other Loans and Other Investments sections of this note. Excluding these commitments, the Company does not provide financial or other support to consolidated VIEs.

*VIEs - Not Consolidated*

The table below reflects the carrying value and balance sheet caption in which the Company's investments in VIEs that are not consolidated are reported as of December 31.

**Investments in Variable Interest Entities Not Consolidated**

(In millions)	2024	2023
<b>Assets:</b>		
Fixed maturity securities, available-for-sale	\$ 6,243	\$ 6,424
Other investments <sup>(1)</sup>	1,124	369
Total investments in VIEs not consolidated	\$ 7,367	\$ 6,793

<sup>(1)</sup> Consists entirely of alternative investments in limited partnerships

Certain investments in VIEs that the Company is not required to consolidate are investments that are in the form of debt obligations issued by the VIEs. These fixed maturity securities include structured securities, primarily asset-backed securities. The Company's involvement in the related VIEs is limited to that of a passive investor in asset-backed securities issued by the VIEs. The Company also invests in VIEs that are the primary financing vehicles used by their corporate sponsors to raise financing in the capital markets. The variable interests created by these VIEs are principally or solely a result of the debt instruments issued by them. The Company does not have the power to direct the activities that most significantly impact the entity's economic performance, nor does it have the obligation to absorb losses of the VIE entity or the right to receive benefits from the entity that could be significant to the entity. As such, the Company is not the primary beneficiary of these VIEs and therefore is not required to consolidate them.

The Company also holds equity investments in limited partnerships that have been determined to be VIEs. These partnerships primarily invest in private equity and real estate funds. The Company's maximum exposure to loss on these investments is limited to the amount of its investment and any unfunded commitments. As described in the Other Investments section of this note, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to unconsolidated VIEs. The Company is not the primary beneficiary of these VIEs and is therefore not required to consolidate them. The Company classifies these investments as other investments in the consolidated balance sheets.

**Securities Lending and Pledged Securities**

The Company lends fixed maturity securities and, from time to time, public equity securities to financial institutions in short-term securities lending transactions. These short-term securities lending arrangements increase investment income with minimal risk. The Company receives cash or other securities as collateral for such loans. The Company's securities lending policy requires that the fair value of the securities received as collateral be 102% or more of the fair value of the loaned securities and that unrestricted cash received as collateral be 100% or more of the fair value of the loaned securities. The securities loaned continue to be carried as investment assets on the Company's balance sheet during the terms of the loans and are not reported as sales. For loans involving unrestricted cash or securities as collateral, the collateral is reported as an asset with a corresponding liability for the return of the collateral. For loans where the Company receives as collateral securities that the Company is not permitted to sell or repledge, the collateral is not reflected in the consolidated financial statements.

Details of collateral by loaned security type and remaining maturity of the agreements as of December 31 were as follows:

Securities Lending Transactions Accounted for as Secured Borrowings							
Remaining Contractual Maturity of the Agreements							
2024				2023			
(In millions)	Overnight and Continuous <sup>(1)</sup>	Up to 30 days	Total	Overnight and Continuous <sup>(1)</sup>	Up to 30 days	Total	
Securities lending transactions:							
Fixed maturity securities:							
Japan government and agencies	\$ 0	\$ 1,027	\$ 1,027	\$ 0	\$ 737	\$ 737	
Public utilities	34	0	34	19	0	19	
Banks/financial institutions	193	0	193	72	0	72	
Other corporate	783	0	783	675	0	675	
Total borrowings	\$ 1,010	\$ 1,027	\$ 2,037	\$ 766	\$ 737	\$ 1,503	
Gross amount of recognized liabilities for securities lending transactions			\$ 2,037				\$ 1,503

<sup>(1)</sup> The related loaned security, under the Company's U.S. securities lending program, can be returned to the Company at the transferee's discretion; therefore, they are classified as Overnight and Continuous.

In connection with securities lending, in addition to cash collateral received, the Company received from counterparties securities collateral of \$3.0 billion and \$4.3 billion at December 31, 2024, and 2023, respectively, which may not be sold or re-pledged, unless the counterparty is in default. Such securities collateral is not reflected on the consolidated financial statements.

The Company did not have any repurchase agreements or repurchase-to-maturity transactions outstanding as of December 31, 2024 and 2023, respectively.

Certain fixed maturity securities can be pledged as collateral as part of derivative transactions, or pledged to support state deposit requirements on certain investment programs. For additional information regarding pledged securities related to derivative transactions, see Note 4.

At December 31, 2024, debt securities with a fair value of \$20 million were on deposit with regulatory authorities in the U.S. (including U.S. territories). The Company retains ownership of all securities on deposit and receives the related investment income.

For general information regarding the Company's investment accounting policies, see Note 1.

#### 4. DERIVATIVE INSTRUMENTS

The Company's freestanding derivative financial instruments include:

- foreign currency forwards and options used in hedging foreign exchange risk on U.S. dollar-denominated investments in Aflac Japan's portfolio, with options used on a standalone basis and/or in a collar strategy;
- foreign currency forwards and options used to economically hedge certain portions of forecasted cash flows denominated in yen and hedge the Company's long term exposure to a weakening yen;
- cross-currency interest rate swaps, also referred to as foreign currency swaps, associated with certain senior notes and subordinated debentures;
- foreign currency swaps that are associated with VIE bond purchase commitments, and investments in special-purpose entities, including VIEs where the Company is the primary beneficiary;
- interest rate swaps used to economically hedge interest rate fluctuations in certain variable-rate investments;
- interest rate swaptions used to hedge changes in the fair value associated with interest rate fluctuations for certain U.S. dollar-denominated available-for-sale fixed-maturity securities; and
- bond purchase commitments at the inception of investments in consolidated VIEs.

Some of the Company's derivatives are designated as cash flow hedges, fair value hedges or net investment hedges; however, other derivatives do not qualify for hedge accounting or the Company elects not to designate them as accounting hedges.

### Derivative Types

Foreign currency forwards and options are executed for the Aflac Japan segment in order to hedge the currency risk on the carrying value of certain U.S. dollar-denominated investments. The average maturity of these forwards and options can change depending on factors such as market conditions and types of investments being held. In situations where the maturity of the forwards and options is shorter than the underlying investment being hedged, the Company may enter into new forwards and options near maturity of the existing derivative in order to continue hedging the underlying investment. In forward transactions, Aflac Japan agrees with another party to buy a fixed amount of yen and sell a corresponding amount of U.S. dollars at a specified future date. The Company also uses one-sided foreign currency put options to mitigate the settlement risk on U.S. dollar-denominated assets related to extreme foreign currency rate changes. From time to time, Aflac Japan also executes foreign currency option transactions in a collar strategy, where Aflac Japan agrees with another party to simultaneously purchase put options and sell call options. In the purchased put transactions, Aflac Japan obtains the option to buy a fixed amount of yen and sell a corresponding amount of U.S. dollars at a specified future date. In the sold call transactions, Aflac Japan agrees to sell a fixed amount of yen and buy a corresponding amount of U.S. dollars at a specified future date. The combination of purchasing the put option and selling the call option results in no net premium being paid (i.e. a costless or zero-cost collar).

From time to time, the Company may also enter into foreign currency forwards and options to hedge the currency risk associated with the net investment in Aflac Japan. In these forward transactions, the Company agrees with another party to buy a fixed amount of U.S. dollars and sell a corresponding amount of yen at a specified price at a specified future date. In the option transactions, the Company may use a combination of foreign currency options to protect expected future cash flows by simultaneously purchasing yen put options (options that protect against a weakening yen) and selling yen call options (options that limit participation in a strengthening yen). The combination of these two actions create a zero-cost collar. Additionally, the Company enters into purchased options to hedge cash flows from the net investment in Aflac Japan.

The Company enters into foreign currency swaps pursuant to which it exchanges an initial principal amount in one currency for an initial principal amount of another currency, with an agreement to re-exchange the principal amounts at a future date. There may also be periodic exchanges of payments at specified intervals based on the agreed upon rates and notional amounts. Foreign currency swaps are used primarily in the consolidated VIEs in the Company's Aflac Japan portfolio to convert foreign-denominated cash flows to yen, the functional currency of Aflac Japan, in order to minimize cash flow fluctuations. The Company also uses foreign currency swaps to economically convert certain of its U.S. dollar-denominated senior note and subordinated debenture principal and interest obligations into yen-denominated obligations.

In order to reduce investment income volatility from its variable-rate investments, the Company enters into receive-fixed, pay-floating interest rate swaps. These derivatives are cleared and settled through a central clearinghouse.

Swaptions are used to mitigate the adverse impact resulting from significant changes in the fair value of U.S. dollar-denominated available-for-sale securities due to fluctuation in interest rates. In a payer swaption, the Company pays a premium to obtain the right, but not the obligation, to enter into a swap contract where it will pay a fixed rate and receive a floating rate. Interest rate swaption collars are combinations of two swaption positions. In order to maximize the efficiency of the collars while minimizing cost, a collar strategy is used whereby the Company purchases a long payer swaption (the Company purchases an option that allows it to enter into a swap where the Company will pay the fixed rate and receive the floating rate of the swap) and sells a short receiver swaption (the Company sells an option that provides the counterparty with the right to enter into a swap where the Company will receive the fixed rate and pay the floating rate of the swap). The combination of purchasing the long payer swaption and selling the short receiver swaption results in no net premium being paid (i.e. a costless or zero-cost collar).

Bond purchase commitments result from repackaged bond structures that are consolidated VIEs whereby there is a delay in the trade date and settlement date of the bond within the structure to ensure completion of all necessary legal agreements to support the consolidated VIE that issues the repackaged bond. Since the Company has a commitment to purchase the underlying bond at a specified price, the agreement meets the definition of a derivative where the value is derived based on the current market value of the bond compared to the fixed purchase price to be paid on the settlement date.

### Derivative Balance Sheet Classification

The table below summarizes the balance sheet classification of the Company's derivative fair value amounts, as well as the gross asset and liability fair value amounts, at December 31. The fair value amounts presented do not include income accruals. Derivative assets are included in other assets, while derivative liabilities are included in other liabilities within the Company's consolidated balance sheets. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and are not reflective of exposure or credit risk.

(In millions)	2024			2023		
	Asset Derivatives		Liability Derivatives	Asset Derivatives		Liability Derivatives
Hedge Designation/ Derivative Type	Notional Amount	Fair Value	Fair Value	Notional Amount	Fair Value	Fair Value
<b>Cash flow hedges:</b>						
Foreign currency swaps - VIE	\$ 18	\$ 0	\$ 6	\$ 18	\$ 0	\$ 4
<b>Total cash flow hedges</b>	<b>18</b>	<b>0</b>	<b>6</b>	<b>18</b>	<b>0</b>	<b>4</b>
<b>Fair value hedges:</b>						
Foreign currency options	0	0	0	2,158	0	0
<b>Total fair value hedges</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,158</b>	<b>0</b>	<b>0</b>
<b>Net investment hedge:</b>						
Foreign currency forwards	1,809	185	0	2,611	179	27
Foreign currency options	0	0	0	456	0	0
<b>Total net investment hedge</b>	<b>1,809</b>	<b>185</b>	<b>0</b>	<b>3,067</b>	<b>179</b>	<b>27</b>
<b>Non-qualifying strategies:</b>						
Foreign currency swaps	450	2	0	1,200	31	0
Foreign currency swaps - VIE	3,042	53	598	3,417	55	503
Foreign currency forwards	0	0	0	7,402	59	477
Foreign currency options	24,195	0	0	22,557	2	0
Interest rate swaps	17,230	0	329	17,230	11	419
<b>Total non-qualifying strategies</b>	<b>44,917</b>	<b>55</b>	<b>927</b>	<b>51,806</b>	<b>158</b>	<b>1,399</b>
<b>Total derivatives</b>	<b>\$ 46,744</b>	<b>\$ 240</b>	<b>\$ 933</b>	<b>\$ 57,049</b>	<b>\$ 337</b>	<b>\$ 1,430</b>

### Cash Flow Hedges

For certain variable-rate U.S. dollar-denominated available-for-sale securities held by Aflac Japan via consolidated VIEs, foreign currency swaps are used to swap the U.S. Dollar (USD) variable rate interest and principal payments to fixed rate Japanese Yen (JPY) interest and principal payments. The Company has designated foreign currency swaps as a hedge of the variability in cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset ("cash flow" hedge). The remaining maximum length of time for which these cash flows are hedged is approximately two years. The derivatives in the Company's consolidated VIEs that are not designated as accounting hedges are discussed in the Non-qualifying Strategies section of this note.

### Fair Value Hedges

The Company designates and accounts for certain foreign currency forwards, options, and interest rate swaptions as fair value hedges when they meet the requirements for hedge accounting. The Company recognizes gains and losses on these derivatives as well as the offsetting gain or loss on the related hedged items in current earnings.

Foreign currency forwards and options hedge the foreign currency exposure of certain U.S. dollar-denominated available-for-sale fixed-maturity investments held in Aflac Japan. The change in the fair value of the foreign currency forwards related to the changes in the difference between the spot rate and the forward price is excluded from the assessment of hedge effectiveness. The change in fair value of the foreign currency option related to the time value of the option is recognized in current earnings and is excluded from the assessment of hedge effectiveness.



Interest rate swaptions hedge the interest rate exposure of certain U.S. dollar-denominated available-for-sale securities held in Aflac Japan. For these hedging relationships, the Company excludes time value from the assessment of hedge effectiveness and recognizes changes in the intrinsic value of the swaptions in current earnings within net investment income. The change in the time value of the swaptions is recognized in other comprehensive income (loss) and amortized into earnings (net investment income) over its legal term.

The following table presents the gains and losses on derivatives and the related hedged items in fair value hedges for the years ended December 31. The Company had no fair value hedges during the year ended December 31, 2024.

### Fair Value Hedging Relationships

(In millions)		Hedging Derivatives			Hedged Items	Net Investment Gains (Losses) Recognized for Fair Value Hedge
Hedging Derivatives	Hedged Items	Total Gains (Losses)	Gains (Losses) Excluded from Effectiveness Testing <sup>(1)</sup>	Gains (Losses) Included in Effectiveness Testing <sup>(2)</sup>	Gains (Losses) <sup>(2)</sup>	
<b>2023:</b>						
Foreign currency options	Fixed maturity securities	\$ (65)	\$ (65)	\$ 0	\$ 0	\$ 0
Total gains (losses)		\$ (65)	\$ (65)	\$ 0	\$ 0	\$ 0
<b>2022:</b>						
Foreign currency options	Fixed maturity securities	(18)	(18)	0	0	0
Total gains (losses)		\$ (18)	\$ (18)	\$ 0	\$ 0	\$ 0

<sup>(1)</sup> Gains (losses) excluded from effectiveness testing includes the forward point on foreign currency forwards and time value change on foreign currency options which are reported in the consolidated statements of earnings as net investment gains (losses). It also includes the change in the fair value of the interest rate swaptions related to the time value of the swaptions which is recognized as a component of other comprehensive income (loss).

<sup>(2)</sup> Gains and losses on foreign currency forwards and options and related hedged items are reported in the consolidated statements of earnings as net investment gains (losses). For interest rate swaptions and related hedged items, gains and losses included in the hedge assessment, premium amortization and time value amortization while the hedge items are still outstanding are reported within net investment income. The time value gains and losses for interest rate swaptions when the related hedged items are redeemed are reported in net investment gains (losses) consistent with the impact of the hedged item. For the years ended December 31, 2023 and 2022, gains and losses included in the hedge assessment on interest rate swaptions and related hedged items were immaterial.

The following table shows the carrying amounts of assets designated and qualifying as hedged items in fair value hedges of interest rate risk and the related cumulative hedge adjustment included in the carrying amount. The Company had no fair value hedges of interest rate risk as of December 31, 2024 and 2023; therefore, the amounts presented in the table below are related to previous fair value hedges of interest rate risk that were discontinued.

(In millions)	Carrying Amount of the Hedged Assets/(Liabilities) <sup>(1)</sup>		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets/(Liabilities)	
	2024	2023	2024	2023
Fixed maturity securities	\$ 1,294	\$ 1,692	\$ 137	\$ 164

<sup>(1)</sup> The balance includes hedging adjustment on discontinued hedging relationships of \$137 in 2024 and \$164 in 2023.

### Net Investment Hedge

The Company's investment in Aflac Japan is affected by changes in the yen/dollar exchange rate. To mitigate this exposure, the Parent Company's yen-denominated liabilities (see Note 9) have been designated as non-derivative hedges and certain foreign currency forwards and options have been designated as derivative hedges of the foreign currency exposure of the Company's net investment in Aflac Japan.

The Company's net investment hedge was effective during the years ended December 31, 2024, 2023 and 2022.



### Non-qualifying Strategies

For the Company's derivative instruments in consolidated VIEs that do not qualify for hedge accounting treatment, all changes in their fair value are reported in current period earnings in net investment gains (losses). The amount of gain or loss recognized in earnings for the Company's VIEs is attributable to the derivatives in those investment structures. While the change in value of the swaps is recorded in current period earnings, the change in value of the available-for-sale fixed maturity securities associated with these swaps is recorded in other comprehensive income.

As of December 31, 2024, the Parent Company had \$450 million notional amount of cross-currency interest rate swap agreements related to certain of its U.S. dollar-denominated senior notes to effectively convert a portion of the interest on the notes from U.S. dollar to Japanese yen. Changes in the values of these swaps are recorded in current period earnings.

The Company uses foreign currency forwards and options to economically mitigate the currency risk of some of its U.S. dollar-denominated loan receivables and U.S. government fixed maturity securities held in the Aflac Japan segment. These arrangements are not designated as accounting hedges, as the foreign currency remeasurement of the loan receivables impacts current period earnings, and substantially offsets gains and losses from foreign currency forwards within net investment gains (losses). The Company also has certain foreign currency forwards on U.S. dollar-denominated available-for-sale securities where hedge accounting is not being applied.

The Company uses interest rate swaps to economically convert the variable rate investment income to a fixed rate on certain variable-rate investments.

## Impact of Derivatives and Hedging Instruments

The following table summarizes the impact to earnings and other comprehensive income (loss) from all derivatives and hedging instruments for the years ended December 31.

(In millions)	2024			2023			2022		
	Net Investment Income	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)	Net Investment Income	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)	Net Investment Income	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)
<b>Qualifying hedges:</b>									
<b>Cash flow hedges:</b>									
Foreign currency swaps - VIE	\$ (1)	\$ (4)	\$ 2	\$(1)	\$ (4)	\$ 5	\$ (1)	\$ (4)	\$ 4
<b>Total cash flow hedges</b>	<b>(1)</b>	<b>(4) <sup>(1)</sup></b>	<b>2</b>	<b>(1)</b>	<b>(4) <sup>(1)</sup></b>	<b>5</b>	<b>(1)</b>	<b>(4) <sup>(1)</sup></b>	<b>4</b>
<b>Fair value hedges:</b>									
Foreign currency options		0			(65)			(18)	
Interest rate swaptions <sup>(2)</sup>	(1)	0	1	(1)	0	1	0	0	0
<b>Total fair value hedges</b>	<b>(1)</b>	<b>0</b>	<b>1</b>	<b>(1)</b>	<b>(65)</b>	<b>1</b>	<b>0</b>	<b>(18)</b>	<b>0</b>
<b>Net investment hedge:</b>									
Non-derivative hedging instruments		0	426		0	257		0	371
Foreign currency forwards		138	258		234	313		(80)	673
Foreign currency options		0	0		(5)	0		(1)	0
<b>Total net investment hedge</b>		<b>138</b>	<b>684</b>		<b>229</b>	<b>570</b>		<b>(81)</b>	<b>1,044</b>
<b>Non-qualifying strategies:</b>									
Foreign currency swaps		2			4			159	
Foreign currency swaps - VIE		(215)			(201)			9	
Foreign currency forwards		17			(349)			(650)	
Foreign currency options		(107)			(53)			0	
Interest rate swaps		(194)			(88)			(546)	
Interest rate swaptions		0			0			1	
Forward bond purchase commitment - VIE		0			(4)			(21)	
<b>Total non-qualifying strategies</b>		<b>(497)</b>			<b>(691)</b>			<b>(1,048)</b>	
<b>Total</b>	<b>\$ (2)</b>	<b>\$ (363)</b>	<b>\$ 687</b>	<b>\$(2)</b>	<b>\$ (531)</b>	<b>\$ 576</b>	<b>\$ (1)</b>	<b>\$ (1,151)</b>	<b>\$1,048</b>

<sup>(1)</sup> Impact of cash flow hedges reported as net investment gains (losses) includes \$4 of losses reclassified from accumulated other comprehensive income (loss) into earnings during the year ended December 31, 2024, compared with \$4 of losses during the years ended December 31, 2023 and 2022, respectively.

<sup>(2)</sup> Includes \$1 of losses reclassified from accumulated other comprehensive income (loss) into earnings during the year ended December 31, 2024, compared with \$1 of losses during the years ended December 31, 2023 and 2022, respectively, related to fair value hedges excluded component. Impact shown net of effect of hedged items (see Fair Value Hedges section of this Note 4 for further detail).

Interest expense/income on cash flow hedges are recorded in net investment income. For interest rate swaptions classified as fair value hedges, the change in the time value of the swaptions is recognized in other comprehensive income (loss) and amortized into net investment income over its legal term. If the swaption is early terminated but the hedged item is still outstanding, the amortization of disposal amount of the swaptions is recorded in net investment income over the remaining life of the hedged items. Gains and losses on cash flow hedges and the change in the fair value of interest rate swaptions related to the time value of the swaptions in fair value hedges are recorded as unrealized gains (losses). Gains and losses on net investment hedges related to changes in foreign currency spot rates are recorded in the unrealized foreign currency translation gains (losses) line in the consolidated statements of comprehensive income (loss).

As of December 31, 2024, \$4 million of deferred losses on derivative instruments recorded in accumulated other comprehensive income are expected to be reclassified into earnings during the next twelve months.

### **Credit Risk Assumed through Derivatives**

For the foreign currency swaps associated with the Company's VIE investments for which it is the primary beneficiary, the Company bears the risk of loss due to counterparty default even though it is not a direct counterparty to those contracts.

The Company is a direct counterparty to the foreign currency swaps that it has entered into in connection with certain of its senior notes and subordinated debentures; foreign currency forwards; and foreign currency options, and therefore the Company is exposed to credit risk in the event of nonperformance by the counterparties in those contracts. The risk of counterparty default for the Company's foreign currency swaps, certain foreign currency forwards, and foreign currency options is mitigated by collateral posting requirements that counterparties to those transactions must meet.

As of December 31, 2024, all of the Company's derivative agreement counterparties were investment grade.

The Company engages in over-the-counter (OTC) bilateral derivative transactions directly with unaffiliated third parties under International Swaps and Derivatives Association, Inc. (ISDA) agreements and other documentation. Most of the ISDA agreements also include Credit Support Annexes (CSAs) provisions, which generally provide for two-way collateral postings at the first dollar of exposure. The Company mitigates the risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring counterparty credit exposure and collateral value while generally requiring that collateral be posted at the outset of the transaction. In addition, a significant portion of the derivative transactions have provisions that give the counterparty the right to terminate the transaction upon a downgrade of the Company's financial strength rating. The actual amount of payments that the Company could be required to make depends on market conditions, the fair value of outstanding affected transactions, and other factors prevailing at and after the time of the downgrade.

The Company also engages in OTC cleared derivative transactions through regulated central clearing counterparties. These positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to these derivatives.

Collateral posted by the Company to third parties for derivative transactions can generally be repledged or resold by the counterparties. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position by counterparty was approximately \$804 million and \$1.2 billion as of December 31, 2024 and 2023, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2024, the Company estimates that it would be required to post a maximum of \$475 million of additional collateral to these derivative counterparties. The Company is generally allowed to sell or repledge collateral obtained from its derivative counterparties, although it does not typically exercise such rights. See the Offsetting tables below for collateral posted or received as of the reported balance sheet dates.

### **Offsetting of Financial Instruments and Derivatives**

Most of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Parent Company or its subsidiaries and the respective counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements with the master netting arrangements generally provide that the Company will receive or pledge financial collateral at the first dollar of exposure.

The Company has securities lending agreements with unaffiliated financial institutions that post collateral to the Company in return for the use of its fixed maturity and public equity securities (see Note 3). When the Company has entered into securities lending agreements with the same counterparty, the agreements generally provide for net settlement in the event of default by the counterparty. This right of set-off allows the Company to keep and apply collateral received if the counterparty failed to return the securities borrowed from the Company as contractually agreed.

The tables below summarize the Company's derivatives and securities lending transactions as of December 31, and as reflected in the tables, in accordance with U.S. GAAP, the Company's policy is to not offset these financial instruments in the consolidated balance sheets.

### Offsetting of Financial Assets and Derivative Assets

2024							
(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet			Net Amount
				Financial Instruments	Securities Collateral	Cash Collateral Received	
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	\$ 187	\$ 0	\$ 187	\$ 0	\$ (45)	\$ (135)	\$ 7
Total derivative assets subject to a master netting agreement or offsetting arrangement							
	187	0	187	0	(45)	(135)	7
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	53		53				53
Total derivative assets not subject to a master netting agreement or offsetting arrangement							
	53		53				53
Total derivative assets	240	0	240	0	(45)	(135)	60
Securities lending and similar arrangements							
	2,001	0	2,001	0	0	(2,001)	0
Total	\$ 2,241	\$ 0	\$ 2,241	\$ 0	\$ (45)	\$(2,136)	\$ 60

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2023							
(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet			
				Financial Instruments	Securities Collateral	Cash Collateral Received	Net Amount
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	\$ 271	\$ 0	\$ 271	\$ (85)	\$ (53)	\$ (130)	\$ 3
OTC - cleared	11	0	11	(11)	0	0	0
Total derivative assets subject to a master netting agreement or offsetting arrangement							
	282	0	282	(96)	(53)	(130)	3
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	55		55				55
Total derivative assets not subject to a master netting agreement or offsetting arrangement							
	55		55				55
Total derivative assets							
	337	0	337	(96)	(53)	(130)	58
Securities lending and similar arrangements							
	1,480	0	1,480	0	0	(1,480)	0
Total							
	\$ 1,817	\$ 0	\$ 1,817	\$ (96)	\$ (53)	\$(1,610)	\$ 58

## Offsetting of Financial Liabilities and Derivative Liabilities

2024							
(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet			Net Amount
				Financial Instruments	Securities Collateral	Cash Collateral Pledged	
Derivative liabilities:							
Derivative liabilities subject to a master netting agreement or offsetting arrangement							
OTC - cleared	\$ 329	\$ 0	\$ 329	\$ 0	\$ 0	\$ (329)	\$ 0
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	329	0	329	0	0	(329)	0
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	604		604				604
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	604		604				604
Total derivative liabilities	933	0	933	0	0	(329)	604
Securities lending and similar arrangements							
	2,037	0	2,037	(2,001)	0	0	36
Total	\$ 2,970	\$ 0	\$ 2,970	\$ (2,001)	\$ 0	\$ (329)	\$ 640

2023							
(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet			
				Financial Instruments	Securities Collateral	Cash Collateral Pledged	Net Amount
Derivative liabilities:							
Derivative liabilities subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	\$ 504	\$ 0	\$ 504	\$ (85)	\$ (381)	\$ (37)	\$ 1
OTC - cleared	419	0	419	(11)	(19)	(389)	0
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	923	0	923	(96)	(400)	(426)	1
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	507		507				507
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	507		507				507
Total derivative liabilities	1,430	0	1,430	(96)	(400)	(426)	508
Securities lending and similar arrangements	1,503	0	1,503	(1,480)	0	0	23
Total	\$ 2,933	\$ 0	\$ 2,933	\$ (1,576)	\$ (400)	\$ (426)	\$ 531

For additional information on the Company's financial instruments, see Notes 1, 3 and 5.

## 5. FAIR VALUE MEASUREMENTS

### Fair Value Hierarchy

U.S. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs create three valuation hierarchy levels, as follows:

- Level 1 valuations reflect quoted market prices for identical assets or liabilities in active markets.
- Level 2 valuations reflect quoted market prices for similar assets or liabilities in an active market, quoted market prices for identical or similar assets or liabilities in non-active markets or model-derived valuations in which all significant valuation inputs are observable in active markets.
- Level 3 valuations reflect valuations in which one or more of the significant inputs are not observable in an active market.



Item 8. Financial Statements and Supplementary Data

The following tables present the fair value hierarchy levels of the Company's assets and liabilities that are measured and carried at fair value on a recurring basis as of December 31.

2024				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets:</b>				
Securities available-for-sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies	\$ 17,088	\$ 758	\$ 0	\$ 17,846
Municipalities	0	2,034	0	2,034
Mortgage- and asset-backed securities	0	2,407	1,156	3,563
Public utilities	0	6,398	647	7,045
Sovereign and supranational	0	393	23	416
Banks/financial institutions	0	8,946	10	8,956
Other corporate	0	25,178	231	25,409
Total fixed maturity securities	17,088	46,114	2,067	65,269
Equity securities	639	0	157	796
Other investments	1,599	0	0	1,599
Cash and cash equivalents	6,229	0	0	6,229
Other assets:				
Foreign currency swaps	0	55	0	55
Foreign currency forwards	0	185	0	185
Total other assets	0	240	0	240
Total assets	\$ 25,555	\$ 46,354	\$ 2,224	\$ 74,133
<b>Liabilities:</b>				
Other liabilities:				
Foreign currency swaps	\$ 0	\$ 604	\$ 0	\$ 604
Interest rate swaps	0	329	0	329
Total liabilities	\$ 0	\$ 933	\$ 0	\$ 933

2023				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets:</b>				
Securities available-for-sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies	\$ 21,700	\$ 900	\$ 0	\$ 22,600
Municipalities	0	2,298	0	2,298
Mortgage- and asset-backed securities	0	2,314	772	3,086
Public utilities	0	7,339	253	7,592
Sovereign and supranational	0	507	30	537
Banks/financial institutions	0	8,757	78	8,835
Other corporate	0	27,694	648	28,342
Total fixed maturity securities	21,700	49,809	1,781	73,290
Equity securities	840	0	248	1,088
Other investments	1,304	0	0	1,304
Cash and cash equivalents	4,306	0	0	4,306
Other assets:				
Foreign currency swaps	0	86	0	86
Foreign currency forwards	0	238	0	238
Foreign currency options	0	2	0	2
Interest rate swaps	0	11	0	11
Total other assets	0	337	0	337
Total assets	\$ 28,150	\$ 50,146	\$ 2,029	\$ 80,325
<b>Liabilities:</b>				
Other liabilities:				
Foreign currency swaps	\$ 0	\$ 507	\$ 0	\$ 507
Foreign currency forwards	0	504	0	504
Interest rate swaps	0	419	0	419
Total liabilities	\$ 0	\$ 1,430	\$ 0	\$ 1,430

Item 8. Financial Statements and Supplementary Data

The following tables present the carrying amount and fair value categorized by fair value hierarchy level for the Company's financial instruments that are not carried at fair value as of December 31.

2024					
(In millions)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets:</b>					
Securities held-to-maturity, carried at amortized cost:					
Fixed maturity securities:					
Government and agencies	\$ 15,309	\$ 15,916	\$ 143	\$ 0	\$ 16,059
Municipalities	235	0	257	0	257
Public utilities	32	0	33	0	33
Sovereign and supranational	374	0	405	0	405
Other corporate	16	0	18	0	18
Commercial mortgage and other loans	10,869	0	0	10,653	10,653
Other investments <sup>(1)</sup>	39	0	39	0	39
Total assets	\$ 26,874	\$ 15,916	\$ 895	\$ 10,653	\$ 27,464
<b>Liabilities:</b>					
Other policyholders' funds	\$ 5,460	\$ 0	\$ 0	\$ 5,389	\$ 5,389
Notes payable (excluding leases)	7,402	0	6,352	675	7,027
Total liabilities	\$ 12,862	\$ 0	\$ 6,352	\$ 6,064	\$ 12,416

<sup>(1)</sup> Excludes policy loans of \$203, equity method investments of \$3,435, and REO of \$682, at carrying value.

2023					
(In millions)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets:</b>					
Securities held-to-maturity, carried at amortized cost:					
Fixed maturity securities:					
Government and agencies	\$ 17,083	\$18,662	\$ 167	\$ 0	\$ 18,829
Municipalities	266	0	307	0	307
Public utilities	34	0	38	0	38
Sovereign and supranational	418	0	462	0	462
Other corporate	18	0	21	0	21
Commercial mortgage and other loans	12,527	0	0	12,217	12,217
Other investments <sup>(1)</sup>	35	0	35	0	35
<b>Total assets</b>	<b>\$ 30,381</b>	<b>\$18,662</b>	<b>\$ 1,030</b>	<b>\$12,217</b>	<b>\$31,909</b>
<b>Liabilities:</b>					
Other policyholders' funds	\$ 6,169	\$ 0	\$ 0	\$ 6,080	\$ 6,080
Notes payable (excluding leases)	7,240	0	6,178	752	6,930
<b>Total liabilities</b>	<b>\$ 13,409</b>	<b>\$ 0</b>	<b>\$ 6,178</b>	<b>\$ 6,832</b>	<b>\$13,010</b>

<sup>(1)</sup> Excludes policy loans of \$214, equity method investments of \$2,750, and REO of \$227, at carrying value.

## Fair Value of Financial Instruments

### Fixed maturity and equity securities

The fair values of the Company's public fixed maturity securities are generally based on prices provided by third-party pricing vendors. The Company utilizes internally generated valuations or broker quotes for privately issued fixed maturity securities or fixed maturity securities where there is no price available from a third-party pricing vendor.

The fair values of the Company's public equity securities are generally based on price quotes, including quoted market prices readily available from independent public exchange markets or established security dealer associations. The Company determines the fair values of privately issued equity securities using the following approaches or techniques: price quotes and valuations from third-party pricing vendors, in-house valuations and non-binding price quotes the Company obtains from outside brokers.

The pricing data and market quotes the Company obtains from outside sources, including third-party pricing services, are reviewed internally for reasonableness. If a fair value appears unreasonable, the Company will re-examine the inputs and assess the reasonableness of the pricing data with the provider. Additionally, the Company may compare the inputs to relevant market indices and other performance measurements. Based on management's analysis, the valuation is confirmed or may be revised if there is evidence of a more appropriate estimate of fair value based on available market data. The Company has performed verification of the inputs and calculations in any valuation models, including independent validations and back testing, to confirm that the valuations represent reasonable estimates of fair value. For the periods presented, the Company has not adjusted the quotes or prices it obtains from the pricing services and brokers it uses.

For internally generated valuations, the Company utilizes valuation models developed by a third-party pricing vendor. The models and associated processes and controls are executed by Company personnel.

These models are discounted cash flow (DCF) valuation models but also use information from related markets, specifically public bond markets and the credit default swap (CDS) market, to estimate expected cash flows. The models take into consideration any unique characteristics of the securities and make various adjustments to arrive at an appropriate issuer-specific loss adjusted credit curve using the most appropriate comparable security(ies) of the issuer and issuer-specific CDS spreads. This credit curve is then used with the relevant recovery rates to estimate expected cash flows and modeling of additional features, including illiquidity adjustments, if necessary, to price the security by discounting those loss adjusted cash flows. In cases where a credit curve cannot be developed from market information for the specific issuer, the valuation methodology takes into consideration other market observable inputs, including:

- the most appropriate comparable security(ies) of a guarantor and/or parent
- CDS spreads of a guarantor and/or parent
- bonds of comparable issuers with similar characteristics such as rating, geography, or sector
- CDS spreads of an appropriate index or of comparable issuers with similar characteristics such as rating, geography, or sector
- bond indices that are comparative in rating, industry, maturity, and region.

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The following tables present the pricing sources for the fair values of the Company's fixed maturity and equity securities as of December 31.

2024				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Securities available-for-sale, carried at fair value:</b>				
<b>Fixed maturity securities:</b>				
Government and agencies:				
Third-party pricing vendor	\$ 17,088	\$ 446	\$ 0	\$ 17,534
Internal	0	312	0	312
Total government and agencies	17,088	758	0	17,846
Municipalities:				
Third-party pricing vendor	0	1,791	0	1,791
Internal	0	243	0	243
Total municipalities	0	2,034	0	2,034
Mortgage- and asset-backed securities:				
Third-party pricing vendor	0	2,352	0	2,352
Internal	0	55	37	92
Broker/other	0	0	1,119	1,119
Total mortgage- and asset-backed securities	0	2,407	1,156	3,563
Public utilities:				
Third-party pricing vendor	0	3,628	0	3,628
Internal	0	2,770	0	2,770
Broker/other	0	0	647	647
Total public utilities	0	6,398	647	7,045
Sovereign and supranational:				
Third-party pricing vendor	0	78	0	78
Internal	0	315	0	315
Broker/other	0	0	23	23
Total sovereign and supranational	0	393	23	416
Banks/financial institutions:				
Third-party pricing vendor	0	4,975	0	4,975
Internal	0	3,971	5	3,976
Broker/other	0	0	5	5
Total banks/financial institutions	0	8,946	10	8,956
Other corporate:				
Third-party pricing vendor	0	20,051	0	20,051
Internal	0	5,127	116	5,243
Broker/other	0	0	115	115
Total other corporate	0	25,178	231	25,409
Total securities available-for-sale	\$ 17,088	\$ 46,114	\$ 2,067	\$ 65,269
<b>Equity securities, carried at fair value:</b>				
Third-party pricing vendor	\$ 639	\$ 0	\$ 0	\$ 639
Internal	0	0	26	26
Broker/other	0	0	131	131
Total equity securities	\$ 639	\$ 0	\$ 157	\$ 796

2024				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Securities held-to-maturity, carried at amortized cost:</b>				
<b>Fixed maturity securities:</b>				
Government and agencies:				
Third-party pricing vendor	\$ 15,916	\$ 143	\$ 0	\$ 16,059
Total government and agencies	15,916	143	0	16,059
Municipalities:				
Third-party pricing vendor	0	257	0	257
Total municipalities	0	257	0	257
Public utilities:				
Third-party pricing vendor	0	33	0	33
Total public utilities	0	33	0	33
Sovereign and supranational:				
Third-party pricing vendor	0	198	0	198
Internal	0	207	0	207
Total sovereign and supranational	0	405	0	405
Other corporate:				
Third-party pricing vendor	0	18	0	18
Total other corporate	0	18	0	18
Total securities held-to-maturity	\$ 15,916	\$ 856	\$ 0	\$ 16,772



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2023				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Securities available-for-sale, carried at fair value:</b>				
Fixed maturity securities:				
Government and agencies:				
Third-party pricing vendor	\$ 21,692	\$ 808	\$ 0	\$ 22,500
Internal	0	60	0	60
Broker/other	8	32	0	40
Total government and agencies	21,700	900	0	22,600
Municipalities:				
Third-party pricing vendor	0	1,426	0	1,426
Internal	0	256	0	256
Broker/other	0	616	0	616
Total municipalities	0	2,298	0	2,298
Mortgage- and asset-backed securities:				
Third-party pricing vendor	0	2,277	0	2,277
Internal	0	27	105	132
Broker/other	0	10	667	677
Total mortgage- and asset-backed securities	0	2,314	772	3,086
Public utilities:				
Third-party pricing vendor	0	4,570	0	4,570
Internal	0	2,677	0	2,677
Broker/other	0	92	253	345
Total public utilities	0	7,339	253	7,592
Sovereign and supranational:				
Third-party pricing vendor	0	118	0	118
Internal	0	330	0	330
Broker/other	0	59	30	89
Total sovereign and supranational	0	507	30	537
Banks/financial institutions:				
Third-party pricing vendor	0	5,085	0	5,085
Internal	0	3,008	69	3,077
Broker/other	0	664	9	673
Total banks/financial institutions	0	8,757	78	8,835
Other corporate:				
Third-party pricing vendor	0	18,088	4	18,092
Internal	0	4,210	230	4,440
Broker/other	0	5,396	414	5,810
Total other corporate	0	27,694	648	28,342
Total securities available-for-sale	\$ 21,700	\$ 49,809	\$ 1,781	\$ 73,290
<b>Equity securities, carried at fair value:</b>				
Third-party pricing vendor	\$ 800	\$ 0	\$ 0	\$ 800
Internal	0	0	216	216
Broker/other	40	0	32	72
Total equity securities	\$ 840	\$ 0	\$ 248	\$ 1,088

2023				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Securities held-to-maturity, carried at amortized cost:</b>				
<b>Fixed maturity securities:</b>				
Government and agencies:				
Third-party pricing vendor	\$ 18,662	\$ 167	\$ 0	\$ 18,829
Total government and agencies	18,662	167	0	18,829
Municipalities:				
Third-party pricing vendor	0	307	0	307
Total municipalities	0	307	0	307
Public utilities:				
Third-party pricing vendor	0	38	0	38
Total public utilities	0	38	0	38
Sovereign and supranational:				
Third-party pricing vendor	0	226	0	226
Internal	0	236	0	236
Total sovereign and supranational	0	462	0	462
Other corporate:				
Third-party pricing vendor	0	21	0	21
Total other corporate	0	21	0	21
Total securities held-to-maturity	\$ 18,662	\$ 995	\$ 0	\$ 19,657

The following is a discussion of the determination of fair value of the Company's remaining financial instruments.

### Derivatives

The Company uses derivative instruments to manage the risk associated with certain assets. However, the derivative instrument may not be classified in the same fair value hierarchy level as the associated asset. The significant inputs to pricing derivatives are generally observable in the market or can be derived by observable market data. When these inputs are observable, the derivatives are classified as Level 2.

The Company uses present value techniques to value non-option based derivatives. It also uses option pricing models to value option based derivatives. Key inputs are as follows:

Instrument Type	Level 2
<b>Interest rate derivatives</b>	Swap yield curves Basis curves Interest rate volatility <sup>(1)</sup>
<b>Foreign currency exchange rate derivatives - Non-VIEs (forwards, swaps and options)</b>	Foreign currency forward rates Swap yield curves Basis curves Foreign currency spot rates Foreign cross-currency basis curves Foreign currency volatility <sup>(1)</sup>
<b>Foreign currency exchange rate derivatives - VIEs (swaps)</b>	Foreign currency spot rates Swap yield curves Credit default swap curves Basis curves Recovery rates Foreign currency forward rates Foreign cross-currency basis curves

<sup>(1)</sup> Option-based only

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The fair values of the foreign currency forwards and options are based on observable market inputs, therefore they are classified as Level 2.

The Parent Company has cross-currency swap agreements related to certain of its U.S. dollar-denominated senior notes to effectively convert a portion of the interest on the notes from U.S. dollar to Japanese yen. Their fair values are based on observable market inputs, therefore they are classified as Level 2.

To determine the fair value of its interest rate derivatives, the Company uses inputs that are generally observable in the market or can be derived from observable market data. Interest rate swaps are cleared trades. In a cleared swap contract, the clearinghouse provides benefits to the counterparties similar to contracts listed for investment traded on an exchange since it maintains a daily margin to mitigate counterparties' credit risk. These derivatives are priced using observable inputs, accordingly, they are classified as Level 2.

For derivatives associated with VIEs where the Company is the primary beneficiary, the Company is not the direct counterparty to the swap contracts. Nevertheless, the Company has full transparency into the contracts to properly value the swaps for reporting purposes. For these derivatives, the Company utilizes valuation models developed by independent valuation analytics providers. The models are market standard DCF models and all associated processes and controls are executed by Company personnel. These models take into consideration any unique characteristics of the derivatives in determining the appropriate valuation methodology to estimate expected cash flows. The fair values of these swaps are based on observable market inputs and are classified as Level 2 within the fair value hierarchy.

For forward bond purchase commitments with VIEs, the fair value of the derivative is based on the difference in the fixed purchase price and the current market value of the related bond prior to the settlement date. Since the bond is typically a public bond with readily available pricing, the derivatives associated with the forward purchase commitment are classified as Level 2 within the fair value hierarchy.

### *Commercial mortgage and other loans*

Commercial mortgage and other loans include TREs, CMLs, MMLs and other loans. The Company's loan receivables do not have readily determinable market prices and generally lack market liquidity. Fair values for loan receivables are determined based on the present value of expected future cash flows discounted at the applicable U.S. Treasury or floating-rate benchmark yield plus an appropriate spread that considers other risk factors, such as credit and liquidity risk. The spreads are a significant component of the pricing inputs and are generally considered unobservable. Therefore, these investments are classified as Level 3 within the fair value hierarchy.

### *Other investments*

Other investments includes short-term investments that are measured at fair value where amortized cost approximates fair value.

### *Other policyholders' funds*

The largest component of the other policyholders' funds liability is the Company's annuity line of business in Aflac Japan. The Company's annuities have fixed benefits and premiums. For this product, the Company estimates the fair value to be equal to the cash surrender value. This is analogous to the value paid to policyholders on the valuation date if they were to surrender their policy. The Company periodically checks the cash value against discounted cash flow projections for reasonableness. The Company considers its inputs for this valuation to be unobservable and have accordingly classified this valuation as Level 3.

### *Notes payable*

The fair values of the Company's publicly issued notes payable are determined by utilizing available sources of observable inputs from third-party pricing vendors and are classified as Level 2. The Company's private placement notes payable are valued using the same internal models that the Company uses for its yen-denominated and U.S. dollar-denominated private placement investment portfolio. The fair values for these private placements are deemed Level 2 valuations, as they are model-derived valuations that are generated internally with all significant valuation inputs being observed in active markets. The fair values of the Company's yen-denominated loans approximate their carrying values and are classified as Level 3.

**Transfers between Hierarchy Levels and Level 3 Rollforward**

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

The following tables present the changes in fair value of the Company's investments carried at fair value classified as Level 3 as of December 31.

<b>2024</b>							
(In millions)	<b>Fixed Maturity Securities</b>					<b>Equity Securities</b>	<b>Total</b>
	<b>Mortgage- and Asset- Backed Securities</b>	<b>Public Utilities</b>	<b>Sovereign and Supranational</b>	<b>Banks/ Financial Institutions</b>	<b>Other Corporate</b>		
Balance, beginning of period	\$ 772	\$ 253	\$ 30	\$ 78	\$ 648	\$ 248	\$ 2,029
Net investment gains (losses) included in earnings	3	1	0	0	0	(9)	(5)
Unrealized gains (losses) included in other comprehensive income (loss)	2	(19)	(3)	(9)	(1)	0	(30)
Purchases, issuances, sales and settlements:							
Purchases	377	179	0	9	193	3	761
Issuances	0	0	0	0	0	0	0
Sales	0	0	0	0	0	(1)	(1)
Settlements	(93)	(33)	(4)	(9)	(4)	(84)	(227)
Transfers into Level 3	205	499	0	0	5	0	709
Transfers out of Level 3	(110)	(233)	0	(59)	(610)	0	(1,012)
Balance, end of period	\$ 1,156	\$ 647	\$ 23	\$ 10	\$ 231	\$ 157	\$ 2,224
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	\$ 2	\$ 0	\$ 0	\$ 0	\$ 0	\$ (10)	\$ (8)

<b>2023</b>							
(In millions)	<b>Fixed Maturity Securities</b>					<b>Equity Securities</b>	<b>Total</b>
	<b>Mortgage- and Asset- Backed Securities</b>	<b>Public Utilities</b>	<b>Sovereign and Supranational</b>	<b>Banks/ Financial Institutions</b>	<b>Other Corporate</b>		
Balance, beginning of period	\$ 343	\$ 497	\$ 37	\$ 159	\$ 742	\$ 209	\$ 1,987
Net investment gains (losses) included in earnings	0	0	0	0	0	35	35
Unrealized gains (losses) included in other comprehensive income (loss)	1	(2)	(3)	10	17	0	23
Purchases, issuances, sales and settlements:							
Purchases	430	46	0	0	183	10	669
Issuances	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0
Settlements	(154)	(17)	(4)	(7)	(4)	0	(186)
Transfers into Level 3	155	18	0	3	39	0	215
Transfers out of Level 3	(3)	(289)	0	(87)	(329)	(6)	(714)
Balance, end of period	\$ 772	\$ 253	\$ 30	\$ 78	\$ 648	\$ 248	\$ 2,029
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40	\$ 40

## Fair Value Sensitivity

Level 3 Significant Unobservable Input Sensitivity

The following tables summarize the significant unobservable inputs used in the valuation of the Company's Level 3 investments carried at fair value as of December 31. Included in the tables are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.

2024								
(In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range			Weighted Average	
Assets:								
Securities available-for-sale, carried at fair value:								
Fixed maturity securities:								
Mortgage- and asset-backed securities	\$ 1,156	Consensus pricing	Offered quotes	84.08	-	104.60	(a)	99.07
Public utilities	647	Discounted cash flow	Credit spreads	100 bps	-	375 bps	(c)	162 bps
Sovereign and supranational	23	Consensus pricing	Offered quotes	N/A			(b)	N/A
Banks/financial institutions	10	Adjusted cost	Private financials	N/A			(d)	N/A
Other corporate	231	Discounted cash flow	Credit spreads	91 bps	-	294 bps	(c)	173 bps
Equity securities	157	Adjusted cost	Private financials	N/A			(d)	N/A
Total assets	\$ 2,224							

(a) Represents prices for securities where the Company receives unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques.

(b) Category represents a single security; range not applicable.

(c) Actual or equivalent credit spreads in basis points.

(d) Prices do not utilize credit spreads; therefore, range is not applicable.

2023								
(In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range			Weighted Average	
Assets:								
Securities available-for-sale, carried at fair value:								
Fixed maturity securities:								
Mortgage- and asset-backed securities	\$ 772	Consensus pricing	Offered quotes	84.81	-	105.89	(a)	99.39
Public utilities	253	Consensus pricing	Offered quotes	94.34	-	102.99	(a)	96.46
Sovereign and supranational	30	Consensus pricing	Offered quotes	N/A			(b)	N/A
Banks/financial institutions	78	Discounted cash flow	Credit spreads	N/A			(b)	N/A
Other corporate	648	Discounted cash flow	Credit spreads	69 bps	-	423 bps	(c)	206 bps
Equity securities	248	Adjusted cost	Private financials	N/A			(d)	N/A
Total assets	\$ 2,029							

(a) Represents prices for securities where the Company receives unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques.

(b) Category represents a single security; range not applicable.

(c) Actual or equivalent credit spreads in basis points.

(d) Prices do not utilize credit spreads; therefore, range is not applicable.

The following is a discussion of the significant unobservable inputs or valuation techniques used in determining the fair value of securities classified as Level 3.

#### *Credit Spreads*

The Company holds certain assets that are of a unique, specialized, and/or securitized nature that do not trade on a regular basis in an active market, which makes their fair values difficult to estimate. Most of these assets are managed by external asset managers and the Company utilizes these managers for their expertise when evaluating various inputs used to determine the fair values for these assets, including identifying the appropriate credit or risk spread over risk-free interest rates that incorporates the unique nature or structure of the asset in the valuations. For those assets of a similar nature but not managed by external asset managers, the Company internally estimates the spreads and risk adjustments over risk-free interest rates that reflect the unique nature or structure of the asset as well as the current pricing environment and market conditions for comparable or related investments. Credit or risk spreads are an important input needed to complete the discounted cash flow analyses used to estimate an investment's fair value. Credit or risk spreads underlying these fair values are a significant, unobservable input whose derivation is based on the Company's evaluation of a combination of the external manager's expertise and knowledge, the current pricing environment, and market conditions for the specific asset.

#### *Offered Quotes*

In circumstances where the Company's valuation model price is overridden because it implies a value that is not consistent with current market conditions, the Company will solicit bids from a limited number of brokers. The Company also receives unadjusted prices from brokers for certain of its mortgage and asset-backed securities. These quotes are non-binding but are reflective of valuation best estimates at that particular point in time. Offered quotes are an unobservable input in the determination of fair value of mortgage- and asset-backed securities, certain banks/financial institutions, certain other corporate, and equity securities investments.

#### *Private Financials*

The Company invests in the debt and equity securities of private companies operating in the cancer, healthtech, insurtech, finance, internet of things, big data and analytics sectors. Due to their private and often small, startup nature, these companies rely on capital provided by institutional and private equity investors for their ongoing operations. They do not have public securities that trade on a regular basis in an active market, which makes their fair values difficult to estimate. The Company values these investments on a cost basis with appropriate adjustments made based on monitoring private financial information provided by these companies. Adjustments to valuations are generally made as new funding tranches are executed or if the financial information provided significantly changes indicating the need for impairment. This private financial information is unobservable and is a significant determinant in the fair value of these corporate venture investments.

For additional information on the Company's investments and financial instruments, see Notes 1, 3 and 4.

## 6. DEFERRED POLICY ACQUISITION COSTS

The following tables present a rollforward of deferred policy acquisition costs by reporting segment and disaggregated by product type for the years ended December 31.

2024													
(In millions)	Aflac Japan				Aflac U.S.								
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other	Total	
Deferred policy acquisition costs:													
Balance, beginning of year	\$ 2,971	\$ 2,041	\$ 491	\$ 56	\$ 917	\$ 625	\$ 1,336	\$ 436	\$ 86	\$ 172	\$ 1	\$ 9,132	
Capitalization	300	103	36	4	141	129	165	89	12	77	0	1,056	
Amortization expense	(184)	(100)	(34)	(3)	(143)	(118)	(153)	(73)	(12)	(30)	(1)	(851)	
Foreign currency translation and other	(311)	(211)	(52)	(5)	0	0	0	0	0	0	0	(579)	
Balance, end of year	\$ 2,776	\$ 1,833	\$ 441	\$ 52	\$ 915	\$ 636	\$ 1,348	\$ 452	\$ 86	\$ 219	\$ 0	\$ 8,758	
2023													
(In millions)	Aflac Japan				Aflac U.S.								
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other	Total	
Deferred policy acquisition costs:													
Balance, beginning of year	\$ 3,035	\$ 2,161	\$ 525	\$ 55	\$ 904	\$ 613	\$ 1,304	\$ 418	\$ 88	\$ 135	\$ 1	\$ 9,239	
Capitalization	317	123	33	8	151	125	173	84	10	61	1	1,086	
Amortization expense	(184)	(105)	(34)	(3)	(138)	(113)	(141)	(66)	(12)	(24)	4	(816)	
Foreign currency translation and other	(197)	(138)	(33)	(4)	0	0	0	0	0	0	(5)	(377)	
Balance, end of year	\$ 2,971	\$ 2,041	\$ 491	\$ 56	\$ 917	\$ 625	\$ 1,336	\$ 436	\$ 86	\$ 172	\$ 1	\$ 9,132	

Commissions deferred as a percentage of total acquisition costs deferred were 69% in 2024, compared with 67% in 2023 and 68% in 2022.

The Company uses the following constant level bases to amortize deferred policy acquisition costs:

Policy Type	Constant-level Basis
Life Products (U.S.)	Face Amount
Health Products (U.S.)	Number of Policies in Force
Health & Life Products (Japan)	Units in Force



Face amount is the stated dollar amount that the policy's beneficiaries receive upon the death of the insured. For life and health products issued in Japan, the constant-level basis used is units in force, which is a proxy for face amount and insurance in force, respectively. Future DAC amortization is impacted by persistency.

There were no changes to the inputs, judgments or methods used to determine amortization amounts during 2024 and 2023. The Company updated the assumptions used to determine amortization using the same assumptions as those used for measuring the liability for future policy benefits during 2024 and 2023. The Company recognizes the effects of changes in assumptions prospectively over the remaining contract term as a revision of the future amortization pattern. See Note 1 for additional information on deferred policy acquisition costs.

## 7. POLICY LIABILITIES

### Future Policy Benefits

The liability for future policy benefits is determined as the present value of expected future policy benefits to be paid to or on the behalf of policyholders and certain related expenses less the present value of expected future net premiums receivable under the Company's insurance contracts. Future net premiums receivable are future gross premiums receivable under the contract multiplied by the NPR.

The following tables present the changes in the present value of expected future net premiums and the present value of expected future policy benefits by reporting segment and disaggregated by product type for the years ended December 31. The present value of expected future net premiums and the present value of expected future policy benefits are presented gross of internal and external ceded reinsurance.

(In millions)	2024										
	Aflac Japan				Aflac U.S.						
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
<b>Present value of expected future net premiums:</b>											
Balance at December 31, 2023	\$ 17,509	\$ 14,697	\$ 6,488	\$ 1,088	\$ 2,488	\$ 1,652	\$ 4,074	\$ 1,107	\$ 206	\$ 853	\$ 277
Beginning balance at original discount rate	16,452	14,040	6,258	1,069	2,630	1,738	4,416	1,193	217	909	272
Effect of changes in cash flow assumptions	(625)	(154)	(190)	(19)	65	(47)	(106)	(21)	(17)	(5)	(8)
Effect of actual variances from expected experience	(71)	(164)	(97)	(14)	66	12	(100)	21	(12)	(29)	13
Adjusted beginning of period balance	15,756	13,722	5,971	1,036	2,761	1,703	4,210	1,193	188	875	277
Issuances	983	361	478	16	307	364	543	231	52	226	592
Interest accrual	378	302	110	17	106	66	173	46	9	37	25
Net premiums collected <sup>(1)</sup>	(1,453)	(1,135)	(862)	(101)	(479)	(401)	(578)	(244)	(39)	(157)	(53)
Foreign currency translation	(1,655)	(1,405)	(613)	(104)	0	0	0	0	0	0	0
Other	(1)	0	0	0	(8)	(6)	(8)	(5)	(1)	(5)	(17)
Ending balance at original discount rate	14,008	11,845	5,084	864	2,687	1,726	4,340	1,221	209	976	824
Effect of changes in discount rate assumptions	176	(28)	72	(18)	(190)	(91)	(439)	(99)	(13)	(67)	2
Balance at December 31, 2024	\$ 14,184	\$ 11,817	\$ 5,156	\$ 846	\$ 2,497	\$ 1,635	\$ 3,901	\$ 1,122	\$ 196	\$ 909	\$ 826
<b>Present value of expected future policy benefits:</b>											
Balance at December 31, 2023	\$ 50,161	\$ 25,257	\$ 29,731	\$ 5,178	\$ 3,109	\$ 2,422	\$ 11,290	\$ 1,943	\$ 478	\$ 1,764	\$ 798
Beginning balance at original discount rate	43,626	25,023	30,256	5,444	3,302	2,541	12,120	2,076	506	1,971	769
Effect of changes in cash flow assumptions	(815)	(228)	(302)	(7)	109	(73)	(112)	(31)	(28)	(3)	(12)
Effect of actual variances from expected experience	(117)	(193)	(110)	(24)	91	(16)	(144)	21	(16)	(43)	(7)
Adjusted beginning of period balance	42,694	24,602	29,844	5,413	3,502	2,452	11,864	2,066	462	1,925	750
Issuances	1,004	373	488	22	311	381	559	237	55	231	597
Interest accrual	1,356	570	582	93	133	98	515	84	20	78	50
Benefit payments	(2,773)	(1,033)	(1,510)	(208)	(560)	(465)	(925)	(314)	(60)	(108)	(104)
Foreign currency translation	(4,425)	(2,555)	(3,074)	(555)	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Ending balance at original discount rate	37,856	21,957	26,330	4,765	3,386	2,466	12,013	2,073	477	2,126	1,293
Effect of changes in discount rate assumptions	2,925	(1,351)	(2,065)	(540)	(259)	(136)	(1,312)	(176)	(36)	(279)	(5)
Balance at December 31, 2024	40,781	20,606	24,265	4,225	3,127	2,330	10,701	1,897	441	1,847	1,288
Net liability for future policy benefits	26,597	8,789	19,109	3,379	630	695	6,800	775	245	938	462
Less: reinsurance recoverable	5,085	1,245	0	0	0	0	0	0	0	18	0
Net liability for future policy benefits after reinsurance recoverable	\$ 21,512	\$ 7,544	\$ 19,109	\$ 3,379	\$ 630	\$ 695	\$ 6,800	\$ 775	\$ 245	\$ 920	\$ 462

<sup>(1)</sup> Net premiums collected represent the portion of gross premiums collected from policyholders that is used to fund expected future benefit payments.

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2023												
(In millions)	Aflac Japan				Aflac U.S.							
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/Vision	Life Insurance	Other	
<b>Present value of expected future net premiums:</b>												
<b>Balance at December 31, 2022</b>	\$ 19,298	\$ 16,714	\$ 7,485	\$ 1,256	\$ 2,534	\$ 1,635	\$ 4,486	\$ 1,220	\$ 211	\$ 724	\$ 110	
<b>Beginning balance at original discount rate</b>	18,221	16,195	7,284	1,242	2,760	1,775	5,050	1,365	231	799	118	
Effect of changes in cash flow assumptions	(165)	(470)	43	(12)	(16)	(51)	(494)	(142)	(9)	61	(9)	
Effect of actual variances from expected experience	(315)	(137)	(42)	(15)	(58)	(29)	(223)	(73)	(17)	(25)	(2)	
<b>Adjusted beginning of period balance</b>	17,741	15,588	7,285	1,215	2,686	1,695	4,333	1,150	205	835	107	
Issuances	1,034	418	335	26	323	376	493	249	44	181	169	
Interest accrual	412	334	124	20	102	62	179	45	8	31	6	
Net premiums collected <sup>(1)</sup>	(1,564)	(1,261)	(1,017)	(112)	(473)	(390)	(580)	(247)	(39)	(137)	(17)	
Foreign currency translation	(1,170)	(1,038)	(469)	(80)	0	0	0	0	0	0	0	
Other	(1)	(1)	0	0	(8)	(5)	(9)	(4)	(1)	(1)	7	
<b>Ending balance at original discount rate</b>	16,452	14,040	6,258	1,069	2,630	1,738	4,416	1,193	217	909	272	
Effect of changes in discount rate assumptions	1,057	657	230	19	(142)	(86)	(342)	(86)	(11)	(56)	5	
<b>Balance at December 31, 2023</b>	\$ 17,509	\$ 14,697	\$ 6,488	\$ 1,088	\$ 2,488	\$ 1,652	\$ 4,074	\$ 1,107	\$ 206	\$ 853	\$ 277	
<b>Present value of expected future policy benefits:</b>												
<b>Balance at December 31, 2022</b>	\$ 54,766	\$ 27,419	\$ 31,954	\$ 5,582	\$ 3,098	\$ 2,445	\$ 11,489	\$ 2,074	\$ 488	\$ 1,526	\$ 622	
<b>Beginning balance at original discount rate</b>	47,677	27,566	32,800	5,940	3,391	2,636	12,846	2,300	532	1,778	624	
Effect of changes in cash flow assumptions	(147)	(507)	65	(27)	(11)	(59)	(592)	(194)	(14)	72	(13)	
Effect of actual variances from expected experience	(385)	(154)	(51)	(15)	(75)	(59)	(271)	(99)	(22)	(32)	(4)	
<b>Adjusted beginning of period balance</b>	47,145	26,905	32,814	5,898	3,305	2,518	11,983	2,007	496	1,818	607	
Issuances	1,059	432	341	32	331	392	505	258	46	185	169	
Interest accrual	1,473	608	625	100	127	96	524	84	21	68	33	
Benefit payments	(2,987)	(1,153)	(1,415)	(206)	(464)	(465)	(893)	(274)	(59)	(105)	(48)	
Foreign currency translation	(3,064)	(1,769)	(2,109)	(380)	0	0	0	0	0	0	0	
Other	0	0	0	0	3	0	1	1	2	5	8	
<b>Ending balance at original discount rate</b>	43,626	25,023	30,256	5,444	3,302	2,541	12,120	2,076	506	1,971	769	
Effect of changes in discount rate assumptions	6,535	234	(525)	(266)	(193)	(119)	(830)	(133)	(28)	(207)	29	
<b>Balance at December 31, 2023</b>	50,161	25,257	29,731	5,178	3,109	2,422	11,290	1,943	478	1,764	798	
<b>Net liability for future policy benefits</b>	32,652	10,560	23,243	4,090	621	770	7,216	836	272	911	521	
Less: reinsurance recoverable	4,135	1,521	0	0	0	0	0	0	0	15	0	
<b>Net liability for future policy benefits after reinsurance recoverable</b>	\$ 28,517	\$ 9,039	\$ 23,243	\$ 4,090	\$ 621	\$ 770	\$ 7,216	\$ 836	\$ 272	\$ 896	\$ 521	

<sup>(1)</sup> Net premiums collected represent the portion of gross premiums collected from policyholders that is used to fund expected future benefit payments.

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The following tables present the weighted-average interest rates and weighted-average liability duration (calculated using the original discount rate) by reporting segment and disaggregated by product type as of December 31.

2024											
	Aflac Japan				Aflac U.S.						
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Weighted-average interest, original discount rate <sup>(1)</sup>	3.9 %	2.5 %	2.1 %	1.8 %	4.0 %	4.3 %	4.6 %	4.5 %	4.3 %	3.8 %	5.4 %
Weighted-average interest, current discount rate <sup>(1)</sup>	2.2 %	2.8 %	2.1 %	2.5 %	5.3 %	5.2 %	5.3 %	5.3 %	5.3 %	5.3 %	5.3 %
Weighted-average liability duration (years)	12.6	23.5	16.1	16.7	7.7	5.6	11.1	9.0	7.6	13.5	9.1

<sup>(1)</sup> The weighted-average interest rates are calculated using the reserve balances as the weights. No adjustments were made to observable market information.

2023											
	Aflac Japan				Aflac U.S.						
	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Weighted-average interest, original discount rate <sup>(1)</sup>	3.9 %	2.6 %	2.1 %	1.8 %	3.9 %	4.2 %	4.6 %	4.4 %	4.3 %	3.7 %	5.4 %
Weighted-average interest, current discount rate <sup>(1)</sup>	1.8 %	2.3 %	1.7 %	2.1 %	5.3 %	5.3 %	5.3 %	5.3 %	5.3 %	5.3 %	5.3 %
Weighted-average liability duration (years)	13.1	24.9	16.3	17.3	8.1	5.6	11.3	9.3	7.9	13.6	9.4

<sup>(1)</sup> The weighted-average interest rates are calculated using the reserve balances as the weights. No adjustments were made to observable market information.

The following table presents a reconciliation of the disaggregated rollforwards above to the ending future policy benefits presented in the consolidated balance sheets as of December 31. The deferred profit liability for limited-payment contracts and the deferred reinsurance gain liability are presented together with the liability for future policy benefits in the consolidated balance sheets and have been included as reconciling items in the table below.

(In millions)	2024	2023
<b>Balances included in future policy benefits rollforward:</b>		
<b>Aflac Japan</b>		
Cancer	\$ 26,597	\$ 32,652
Medical and other health	8,789	10,560
Life insurance	19,109	23,243
Other	3,379	4,090
<b>Aflac U.S.</b>		
Accident	630	621
Disability	695	770
Critical care	6,800	7,216
Hospital indemnity	775	836
Dental/vision	245	272
Life insurance	938	911
Other	462	521
<b>Corporate and other</b>	<b>5,072</b>	<b>4,225</b>
<b>Deferred profit liability</b>	<b>1,844</b>	<b>1,806</b>
<b>Deferred reinsurance gain liability</b>	<b>806</b>	<b>1,012</b>
<b>Intercompany eliminations <sup>(1)</sup></b>	<b>(5,760)</b>	<b>(5,017)</b>
<b>Total</b>	<b>\$ 70,381</b>	<b>\$ 83,718</b>

<sup>(1)</sup> Elimination entry necessary due to the internal reinsurance transactions with Aflac Re and to recapture a portion of policy liabilities ceded externally as a result of the reinsurance retrocession transaction. See Note 8 for additional details.

Discount rates are determined using upper-medium grade (low credit risk) fixed-income instrument yields that reflect the duration characteristics of the liability. Locked-in discount rates are determined separately for each issue-year cohort as a single discount rate, calculated as the weighted-average of monthly upper-medium grade (low credit risk) fixed-income instrument forward curves in the calendar year, where the weights are the annualized premiums issued for each month of the cohort. The single discount rate for each issue-year cohort is determined by solving for a rate that produces an equivalent NPR to the forward curve and will remain unchanged after the calendar year of issue.

Discount rates are updated each reporting period and require estimation techniques (e.g., interpolation, extrapolation) for determination of points on the curve for which there is limited or no observable market data. The Company constructs a current discount rate curve separately for discounting cash flows used to calculate each of the Japan and U.S. liabilities for future policy benefits, reflective of the characteristics of the corresponding insurance liabilities, such as currency and tenor.

In the Aflac Japan segment, all long-duration insurance policies are denominated in yen. A significant portion of policies are characterized by tenors exceeding the availability of liquid market data in Japan for single-A rated (as a proxy for upper-medium grade) corporate yen-denominated debt. The discount rate curve is designed to prioritize the observable inputs where available, while past the last liquid point, the data is derived based on estimation techniques consistent with the fair value guidance in ASC 820. The Aflac Japan segment curve utilizes liquid market indices tracking publicly traded yen-denominated single-A corporate debt for the initial 10-year tenor. For the bonds within these market indices where only local ratings are available, the Company prioritizes the bonds with local ratings that are equivalent to a single-A rating based on international rating standards.

For the discount rates applicable to tenors for which the Japan single-A debt market is not liquid but there is sufficient observable market data and/or the observable market data is available for similar instruments (between 10 and 30 years), the Company estimates tenor-specific single-A credit spreads and applies them to risk-free government rates. Lastly, for the tenors where there is limited or no observable single-A or similar market data or risk-free government rates (beyond 30 years), the discount curve is derived by extrapolation of risk-free rates beyond their last liquid point following the Smith-

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Wilson method and grading of the estimated forward credit spread anchored by the ultimate forward rate. The ultimate forward rate is based on the economic value-based solvency regime, which is consistent with the International Association of Insurance Supervisors (IAIS) Insurance Capital Standards (ICS) (to be introduced in Japan in 2025), and is adjusted for credit and inflation components.

For the Aflac U.S. segment where all long-duration insurance policies are denominated in U.S. dollars and substantially all have cash flow duration within 30 years, for which the U.S. upper-medium grade fixed-income market is liquid and observable, the Company uses data from a liquid fixed-income market index tracking single-A U.S. corporate debt. For the insignificant portion of the policies with cash flow tenors exceeding 30 years, the discount curve beyond that tenor is extrapolated following the Smith-Wilson method from year 30 to the same ultimate forward rate calculated for the Japan discount curve at year 60 and held constant thereafter. The use of the same ultimate rate for U.S. and Japan segments is based on the assumption of long-term global economic convergence.

There were no changes to the methods used to determine the discount rates during the years ended December 31, 2024 and 2023.

Mortality rate assumptions are based on industry tables and adjusted for the Company's actual or expected experience where credible or appropriate. These assumptions typically vary by age, gender, and other demographic characteristics such as smoking status.

Morbidity assumptions are based on the Company's internal data and consider emerging experience. These assumptions are reflective of the coverage and benefits provided and generally vary by age, gender, duration, and any other material policyholder characteristics. In cases where a calendar-year trend is significant, future cash flow projections may include a trend adjustment.

In Japan, separate lapse assumptions are set based on actual or expected experience. These lapse and total termination rate assumptions vary by line of business and with policyholder characteristics such as duration. In the U.S., the majority of the future cash flows are modeled using total termination rates (which include both lapse and mortality) and are adjusted for actual experience. Policy provisions, such as reaching premium paid-up status, are taken into account when setting assumptions.

In 2024 and 2023, the variance of actual experience from expected experience was primarily due to favorable variances in morbidity assumptions as compared to actual experience. There were no changes to the inputs, judgments or methods used in measuring the liability for future policy benefits in 2024 and 2023.

The Company performs an annual review of its assumptions during the third quarter. In 2024, the Company's annual assumption review process resulted in favorable changes largely due to recent favorable Japan morbidity experience. In 2023, the Company's annual assumption review process resulted in favorable changes to its morbidity and termination assumptions, largely due to reflecting more recent favorable U.S. morbidity experience.

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The following table summarizes the amount of net earned premiums recognized in the consolidated statements of earnings by reporting segment and disaggregated by product type for the years ended December 31.

(In millions)	2024	2023	2022
<b>Net earned premiums:</b>			
<b>Aflac Japan</b>			
Cancer	\$ 3,545	\$ 4,063	\$ 4,716
Medical and other health	2,181	2,631	2,917
Life insurance	1,225	1,532	1,769
Other	134	149	161
<b>Aflac U.S.</b>			
Accident	1,265	1,288	1,317
Disability	1,327	1,256	1,179
Critical care	1,763	1,749	1,758
Hospital indemnity	727	725	725
Dental/vision	202	214	199
Life insurance	565	475	396
Other	110	45	38
<b>Corporate and other</b>	<b>680</b>	<b>400</b>	<b>145</b>
<b>Reinsurance ceded</b>	<b>(284)</b>	<b>(404)</b>	<b>(419)</b>
<b>Total</b>	<b>\$ 13,440</b>	<b>\$ 14,123</b>	<b>\$ 14,901</b>

The following table summarizes the amount of interest expense related to insurance contracts recognized in benefits and claims, excluding reserve remeasurement in the consolidated statements of earnings by reporting segment and disaggregated by product type for the years ended December 31.

(In millions)	2024	2023	2022
<b>Interest expense:</b>			
<b>Aflac Japan</b>			
Cancer	\$ 978	\$ 1,061	\$ 1,140
Medical and other health	268	274	278
Life insurance	472	501	524
Other	76	80	84
<b>Aflac U.S.</b>			
Accident	27	25	23
Disability	32	34	37
Critical care	342	345	346
Hospital indemnity	38	39	40
Dental/vision	11	13	12
Life insurance	41	37	35
Other	25	27	27
<b>Total</b>	<b>\$ 2,310</b>	<b>\$ 2,436</b>	<b>\$ 2,546</b>



The following tables summarize the amount of undiscounted expected future gross premiums and expected future policy benefits and expenses and discounted (discounted at the current period discount rate) expected future gross premiums and expected future policy benefits and expenses by reporting segment and disaggregated by product type as of December 31. These tables are presented gross of internal and external ceded reinsurance. Future gross premiums represent the expected amount of future premiums to be received. For limited-payment policies, the premiums are collected over a shorter period than the policy term over which benefits are provided. As a result, once the policy reaches premium paid-up status, the future gross premiums can be significantly less than the future benefit payments. Further, benefits and expenses are generally greater in the later years of a policy. These are the primary factors that result in future gross premiums lower than future benefit and expense payments for certain lines of business of the Company.

	2024		2023	
(In millions)	Gross Premiums	Benefits and Expenses	Gross Premiums	Benefits and Expenses
<b>Undiscounted expected future gross premiums and expected future policy benefits and expenses:</b>				
<b>Aflac Japan</b>				
Cancer	\$ 51,712	\$ 56,881	\$ 59,169	\$ 66,427
Medical and other health	33,250	34,864	38,583	39,884
Life insurance	10,915	37,520	12,677	42,541
Other	1,477	6,479	1,781	7,448
<b>Aflac U.S.</b>				
Accident	8,862	4,687	9,095	4,548
Disability	5,727	3,094	5,776	3,177
Critical care	19,624	20,340	19,886	20,626
Hospital indemnity	4,859	3,017	4,922	3,025
Dental/vision	1,118	679	1,162	726
Life insurance	2,966	3,559	2,719	3,260
Other	2,143	2,273	724	1,396
<b>Total</b>	<b>\$ 142,653</b>	<b>\$ 173,393</b>	<b>\$ 156,494</b>	<b>\$ 193,058</b>

	2024		2023	
(In millions)	Gross Premiums	Benefits and Expenses	Gross Premiums	Benefits and Expenses
<b>Discounted expected future gross premiums and expected future policy benefits and expenses:</b>				
<b>Aflac Japan</b>				
Cancer	\$ 40,170	\$ 40,781	\$ 48,363	\$ 50,161
Medical and other health	25,171	20,606	30,757	25,257
Life insurance	9,367	24,265	11,240	29,731
Other	1,204	4,225	1,512	5,178
<b>Aflac U.S.</b>				
Accident	6,057	3,127	6,369	3,109
Disability	4,404	2,330	4,488	2,422
Critical care	11,900	10,701	12,417	11,290
Hospital indemnity	3,312	1,897	3,419	1,943
Dental/vision	761	441	807	478
Life insurance	2,050	1,847	1,914	1,764
Other	1,290	1,288	467	798
<b>Total</b>	<b>\$ 105,686</b>	<b>\$ 111,508</b>	<b>\$ 121,753</b>	<b>\$ 132,131</b>

Loss expense as a result of NPR capping for the years ended December 31, 2024, 2023 and 2022 was immaterial.

### Other Policyholders' Funds

As of December 31, 2024 and 2023, the largest component of the other policyholders' funds liability was the Company's annuity line of business in Aflac Japan. The Company's annuities have fixed benefits and premiums.

The following table presents the changes in other policyholders' funds for the years ended December 31.

(In millions)	2024	2023
<b>Other policyholders' funds:</b>		
<b>Fixed annuities account balance, beginning of period <sup>(1)</sup></b>	<b>\$ 5,939</b>	<b>\$ 6,423</b>
Premiums received	104	126
Transfers from WAYS conversions	249	229
Surrenders and withdrawals	(58)	(59)
Benefit payments	(446)	(419)
Interest credited	49	53
Foreign currency translation and other	(616)	(414)
<b>Fixed annuities account balance, end of period</b>	<b>5,221</b>	<b>5,939</b>
Other deposit type reserves	239	230
<b>Total</b>	<b>\$ 5,460</b>	<b>\$ 6,169</b>

<sup>(1)</sup> Aflac Japan fixed annuities

The following table presents other policyholders' funds balances by range of guaranteed crediting rates as of December 31.

	2024			2023		
(In millions)	Range of Guaranteed Minimum Crediting Rates <sup>(2)</sup>	At Guaranteed Minimum	Cash Surrender Value	Range of Guaranteed Minimum Crediting Rates <sup>(2)</sup>	At Guaranteed Minimum	Cash Surrender Value
Fixed annuities <sup>(1)</sup>	0.5% - 2.2%	\$5,221	\$5,150	0.5% - 2.3%	\$5,939	\$5,850

<sup>(1)</sup> Aflac Japan fixed annuities

<sup>(2)</sup> Weighted-average crediting rate of 1.5% at December 31, 2024 and December 31, 2023.

Aflac Japan's fixed annuities have guaranteed fixed crediting rates which results in the policyholders' funds balances being sufficient to cover all guaranteed benefit amounts. The reserves are adequate to fully fund future benefits at any given time.

See Note 1 for additional information on policy liabilities.

**8. REINSURANCE**

The Company periodically enters into fixed quota-share coinsurance agreements in the normal course of business, primarily to provide additional capacity for future growth, optimize capital, limit losses, and minimize exposure to significant risks. For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. These reinsurance transactions are indemnity reinsurance agreements that do not relieve the Company from its obligations to policyholders. In the event that the reinsurer is unable to meet their obligations, the Company remains liable for the reinsured claims.

The following table reconciles direct earned premiums, direct benefits and claims, excluding reserve remeasurement gains and losses, and reserve remeasurement gains and losses to net amounts after the effect of reinsurance for the years ended December 31.

(In millions)	2024	2023	2022
<b>Earned premiums:</b>			
Direct	\$ 13,562	\$ 14,318	\$ 15,025
Ceded	(284)	(404)	(419)
Assumed	162	209	295
<b>Net earned premiums</b>	<b>\$ 13,440</b>	<b>\$ 14,123</b>	<b>\$ 14,901</b>
<b>Benefits and claims, excluding reserve remeasurement:</b>			
Direct	\$ 8,098	\$ 8,599	\$ 9,171
Ceded	(153)	(147)	(322)
Assumed	63	142	253
<b>Benefits and claims, excluding reserve remeasurement</b>	<b>\$ 8,008</b>	<b>\$ 8,594</b>	<b>\$ 9,102</b>
<b>Reserve remeasurement (gains) losses:</b>			
Direct	\$ (558)	\$ (394)	\$ (196)
Ceded	0	11	(19)
<b>Reserve remeasurement (gains) losses</b>	<b>\$ (558)</b>	<b>\$ (383)</b>	<b>\$ (215)</b>
<b>Total benefits and claims, net</b>	<b>\$ 7,450</b>	<b>\$ 8,211</b>	<b>\$ 8,887</b>

The Company has recorded a deferred reinsurance gain liability related to reinsurance transactions which represents ceded reserves in excess of consideration paid, or consideration received in excess of assumed reserves. The remaining consolidated deferred reinsurance gain liability of \$146 million and \$175 million as of December 31, 2024 and 2023, respectively, is included in future policy benefits in the consolidated balance sheets and is being amortized into income over the expected lives of the policies.

The Company has also recorded a reinsurance recoverable for reinsurance transactions. The reinsurance recoverable, which is included in other assets in the consolidated balance sheets, is reported net of allowance for credit losses and had a remaining balance of \$163 million and \$183 million as of December 31, 2024 and 2023, respectively. The allowance for credit losses related to the Company's reinsurance recoverable balance was \$4 million and \$10 million as of December 31, 2024 and 2023, respectively. The credit allowance for the reinsurance recoverable balance is estimated using a PD / LGD method and the key credit quality indicator is the credit rating of the Company's reinsurance counterparty. The Company uses external credit ratings focused on the reinsurer's financial strength and credit worthiness. As of December 31, 2024, the Company's reinsurance counterparties were rated A+. The Company monitors the credit ratings periodically, but not less frequently than quarterly.

Aflac Re is a Bermuda domiciled insurer that reinsures certain policies issued by ALIJ. The inter-segment amounts associated with these internal reinsurance transactions are eliminated in consolidation.

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In October 2024, ALIJ entered into a coinsurance transaction whereby it ceded 30% of the liabilities associated with certain cancer insurance policies and riders to Aflac Re. This transaction transferred approximately \$1.8 billion of reserves associated with these policies. Approximately \$1.7 billion of assets were transferred from ALIJ to Aflac Re as consideration for assuming the reinsurance risk. This internal reinsurance transaction with Aflac Re has no financial statement impact on a consolidated basis, except for the effect of foreign currency accounting.

In December 2023, the Company entered into a novation agreement under which Aflac Re assumed the duties, obligations and liabilities through reinsurance of business ALIJ previously ceded to an external reinsurer and recorded a pretax loss of \$151 million in 2023.

In October 2023, ALIJ entered into a coinsurance transaction whereby it ceded 30% of the liabilities associated with certain cancer insurance policies and riders to Aflac Re. This transaction transferred approximately \$1.9 billion of reserves associated with these policies. Approximately \$1.7 billion of assets were transferred from ALIJ to Aflac Re as consideration for assuming the reinsurance risk. This internal reinsurance transaction with Aflac Re has no financial statement impact on a consolidated basis, except for the effect of foreign currency accounting.

In January 2023, ALIJ entered into a coinsurance transaction whereby it ceded 28% of the liabilities associated with certain cancer insurance policies and riders to Aflac Re. This transaction transferred approximately \$2.1 billion of reserves associated with these policies. Approximately \$1.9 billion of assets were transferred from ALIJ to Aflac Re as consideration for assuming the reinsurance risk. This internal reinsurance transaction with Aflac Re has no financial statement impact on a consolidated basis, except for the effect of foreign currency accounting.

In January 2023, ALIJ also entered into an external coinsurance transaction to cede 1.5% of the liabilities associated with the same cancer insurance policies and riders, in connection with which ALIJ transferred cash consideration to the reinsurer.

**9. NOTES PAYABLE AND LEASE OBLIGATIONS**

A summary of notes payable and lease obligations as of December 31 follows:

(In millions)	2024	2023
1.125% senior sustainability notes due March 2026	\$ 399	\$ 398
2.875% senior notes due October 2026	299	299
3.60% senior notes due April 2030	994	993
6.90% senior notes due December 2039	221	221
6.45% senior notes due August 2040	255	254
4.00% senior notes due October 2046	394	394
4.750% senior notes due January 2049	542	542
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	79	87
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	378	422
1.048% senior notes due March 2029 (principal amount ¥13.0 billion)	81	0
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	211	234
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	79	88
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	84	93
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	184	206
1.412% senior notes due March 2031 (principal amount ¥27.9 billion)	176	0
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	189	211
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	58	65
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	130	145
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	133	148
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	76	84
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	95	106
1.682% senior notes due March 2034 (principal amount ¥7.7 billion)	48	0
1.600% senior notes due March 2034 (principal amount ¥18.3 billion)	115	0
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	62	69
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	66	74
1.740% senior notes due March 2036 (principal amount ¥15.0 billion)	94	0
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	63	70
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	41	45
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	56	62
1.920% senior notes due March 2039 (principal amount ¥16.5 billion)	103	0
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	39	44
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	63	70
2.160% senior notes due March 2044 (principal amount ¥5.7 billion)	35	0
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	375	419
.963% subordinated bonds paid April 2024 (principal amount ¥30.0 billion)	0	211
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	125	140
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	75	84
1.958% subordinated bonds due December 2053 (principal amount ¥30.0 billion)	188	210
2.400% senior notes due March 2054 (principal amount ¥19.5 billion)	122	0
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.84% in 2024 and .35% in 2023, principal amount ¥11.7 billion)	74	82
Variable interest rate loan due August 2029 (.94% in 2024 and .45% in 2023, principal amount ¥25.3 billion)	160	178
Variable interest rate loan due August 2032 (1.09% in 2024 and .60% in 2023, principal amount ¥70.0 billion)	441	492
Finance lease obligations payable through 2030	5	6
Operating lease obligations payable through 2049	91	118
<b>Total notes payable and lease obligations</b>	<b>\$ 7,498</b>	<b>\$ 7,364</b>

Amounts in the table above are reported net of debt issuance costs and issuance premiums or discounts, if applicable, that are being amortized over the life of the notes.

## Item 8. Financial Statements and Supplementary Data

In March 2024, the Parent Company issued five series of senior notes totaling ¥75.0 billion through a private placement. The first series, which totaled ¥18.3 billion, bears interest at a fixed rate of 1.600% per annum, payable semi-annually, and will mature in March 2034. The second series, which totaled ¥15.0 billion, bears interest at a fixed rate of 1.740% per annum, payable semi-annually, and will mature in March 2036. The third series, which totaled ¥16.5 billion, bears interest at a fixed rate of 1.920% per annum, payable semi-annually, and will mature in March 2039. The fourth series, which totaled ¥5.7 billion, bears interest at a fixed rate of 2.160% per annum, payable semi-annually, and will mature in March 2044. The fifth series, which totaled ¥19.5 billion, bears interest at a fixed rate of 2.400% per annum, payable semi-annually, and will mature in March 2054. These notes are redeemable at the Parent Company's option (i) in whole at any time or (ii) in part from time to time in an amount not less than 5% of the aggregate principal amount then outstanding of the notes to be redeemed.

In March 2024, the Parent Company issued three series of senior notes totaling ¥48.6 billion through a public debt offering under its U.S. shelf registration statement. The first series, which totaled ¥13.0 billion, bears interest at a fixed rate of 1.048% per annum, payable semi-annually, and will mature in March 2029. The second series, which totaled ¥27.9 billion, bears interest at a fixed rate of 1.412% per annum, payable semi-annually, and will mature in March 2031. The third series, which totaled ¥7.7 billion, bears interest at a fixed rate of 1.682% per annum, payable semi-annually, and will mature in March 2034. These notes are redeemable at the Parent Company's option at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance. In addition, the notes maturing in March 2029, March 2031 and March 2034 are redeemable at the Parent Company's option, in whole or in part from time to time, on or after December 21, 2028, December 31, 2030 and September 21, 2033, respectively, at a redemption price equal to the aggregate principal amount of the applicable series to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.

In December 2023, ALIJ issued ¥30.0 billion (par value) of subordinated bonds that will mature in December 2053. The bonds bear interest at an initial rate of 1.958% per annum until December 5, 2028. Thereafter, the rate of interest of the bonds will be reset every five years to a rate of interest equal to the then-current five-year JGB rate plus (i) 1.650% per annum on and after the day immediately following December 5, 2028 to December 5, 2033, and (ii) 2.650% per annum on and after the day immediately following December 5, 2033 to December 5, 2053. The bonds are redeemable, in whole but not in part, (i) at any time upon the occurrence of certain regulatory or tax events, as specified in the indenture governing the terms of the bonds or (ii) on each interest rate reset date on or after December 5, 2028.

In September 2022, the Parent Company issued four series of senior notes totaling ¥73.0 billion through a public debt offering under its U.S. shelf registration statement. The first series, which totaled ¥33.4 billion, bears interest at a fixed rate of 1.075% per annum, payable semi-annually, and will mature in September 2029. The second series, which totaled ¥21.1 billion, bears interest at a fixed rate of 1.320% per annum, payable semi-annually, and will mature in December 2032. The third series, which totaled ¥6.5 billion, bears interest at a fixed rate of 1.594% per annum, payable semi-annually, and will mature in September 2037. The fourth series, which totaled ¥12.0 billion, bears interest at a fixed rate of 2.144% per annum, payable semi-annually, and will mature in September 2052. These notes are redeemable at the Parent Company's option at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance. In addition, the notes maturing in September 2029, December 2032 and September 2037 are redeemable at the Parent Company's option, in whole or in part from time to time, on or after June 14, 2029, June 14, 2032 and March 14, 2037, respectively, at a redemption price equal to the aggregate principal amount of the applicable series to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.

In August 2022, the Parent Company renewed a senior term loan facility with a commitment amount totaling ¥107.0 billion. The first tranche of the facility, which totaled ¥11.7 billion, bears interest at a rate per annum equal to the Tokyo interbank market rate (TIBOR), or alternate TIBOR, if applicable, plus the applicable TIBOR margin and will mature in August 2027. The applicable margin ranges between .225% and .625%, depending on the Parent Company's debt ratings as of the date of determination. The second tranche, which totaled ¥25.3 billion, bears interest at a rate per annum equal to TIBOR, or alternate TIBOR, if applicable, plus the applicable TIBOR margin and will mature in August 2029. The applicable margin ranges between .325% and .725%, depending on the Parent Company's debt ratings as of the date of determination. The third tranche, which totaled ¥70.0 billion, bears interest at a rate per annum equal to TIBOR, or alternate TIBOR, if applicable, plus the applicable TIBOR margin and will mature in August 2032. The applicable margin ranges between .475% and 1.025%, depending on the Parent Company's debt ratings as of the date of determination.

## Item 8. Financial Statements and Supplementary Data

In April 2021, the Parent Company issued five series of senior notes totaling ¥82.0 billion through a public debt offering under its then existing U.S. shelf registration statement. The first series, which totaled ¥30.0 billion, bears interest at a fixed rate of .633% per annum, payable semi-annually, and will mature in April 2031. The second series, which totaled ¥12.0 billion, bears interest at a fixed rate of .844% per annum, payable semi-annually, and will mature in April 2033. The third series, which totaled ¥10.0 billion, bears interest at a fixed rate of 1.039% per annum, payable semi-annually, and will mature in April 2036. The fourth series, which totaled ¥10.0 billion, bears interest at a fixed rate of 1.264% per annum, payable semi-annually, and will mature in April 2041. The fifth series, which totaled ¥20.0 billion, bears interest at a fixed rate of 1.560% per annum, payable semi-annually, and will mature in April 2051. The notes are redeemable at the Parent Company's option (i) at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance or (ii) on or after the date that is six months prior to the stated maturity date of the series, in whole or in part, at a redemption price equal to the aggregate principal amount to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.

In March 2021, the Parent Company issued \$400 million of senior sustainability notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 1.125% per annum, payable semi-annually, and will mature in March 2026. The Company intends, but is not contractually committed, to allocate an amount at least equivalent to the net proceeds from this issuance exclusively to existing or future investments in, or financing of, assets, businesses or projects that meet the eligibility criteria of the Company's sustainability bond framework described in the offering documentation in connection with such notes. These notes are redeemable at the Parent Company's option in whole at any time or in part from time to time at a redemption price equal to the greater of: (i) the aggregate principal amount of the notes to be redeemed or (ii) the amount equal to the sum of the present values of the remaining scheduled payments for principal of and interest on the notes to be redeemed, not including any portion of the payments of interest accrued as of such redemption date, discounted to such redemption date on a semiannual basis at the yield to maturity for a U.S. Treasury security with a maturity comparable to the remaining term of the notes, plus 10 basis points, plus in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to, but excluding, such redemption date.

In April 2020, the Parent Company issued \$1.0 billion of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 3.60% per annum, payable semi-annually, and will mature in April 2030. These notes are redeemable at the Parent Company's option in whole at any time or in part from time to time at a redemption price equal to the greater of: (i) the aggregate principal amount of the notes to be redeemed or (ii) the amount equal to the sum of the present values of the remaining scheduled payments for principal of and interest on the notes to be redeemed, not including any portion of the payments of interest accrued as of such redemption date, discounted to such redemption date on a semiannual basis at the yield to maturity for a U.S. Treasury security with a maturity comparable to the remaining term of the notes, plus 45 basis points, plus in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to, but excluding, such redemption date.

In March 2020, the Parent Company issued four series of senior notes totaling ¥57.0 billion through a public debt offering under its then existing U.S. shelf registration statement. The first series, which totaled ¥12.4 billion, bears interest at a fixed rate of .300% per annum, payable semi-annually and will mature in September 2025. The second series, which totaled ¥13.3 billion, bears interest at a fixed rate of .550% per annum, payable semi-annually, and will mature in March 2030. The third series, which totaled ¥20.7 billion, bears interest at a fixed rate of .750% per annum, payable semi-annually and will mature in March 2032. The fourth series, which totaled ¥10.6 billion, bears interest at a fixed rate of .830% per annum, payable semi-annually, and will mature in March 2035. These notes may only be redeemed before maturity, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance.

In December 2019, the Parent Company issued four series of senior notes totaling ¥38.0 billion through a public debt offering under its then existing U.S. shelf registration statement. The first series, which totaled ¥12.6 billion, bears interest at a fixed rate of .500% per annum, payable semi-annually, and will mature in December 2029. The second series, which totaled ¥9.3 billion, bears interest at a fixed rate of .843% per annum, payable semi-annually, and will mature in December 2031. The third series, which totaled ¥9.8 billion, bears interest at a fixed rate of .934% per annum, payable semi-annually, and will mature in December 2034. The fourth series, which totaled ¥6.3 billion, bears interest at a fixed rate of 1.122% per annum, payable semi-annually, and will mature in December 2039. The notes are redeemable at the Parent Company's option (i) at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance or (ii) on or after the date that is six months prior to the stated maturity date of the series, in whole or in part, at a redemption price equal to the aggregate principal amount to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.



In April 2019, ALIJ issued ¥30.0 billion (par value) of perpetual subordinated bonds. These bonds bear interest at a fixed rate of .963% per annum and then at six-month Euro Yen LIBOR plus an applicable spread on and after the day immediately following April 18, 2024. The bonds will be callable on each interest payment date on and after April 18, 2024. In November 2019, ALIJ amended the bonds to change their duration from perpetual to a stated maturity date of April 16, 2049 and to remove provisions that permitted ALIJ to defer payments of interest under certain circumstances. In April 2024, ALIJ redeemed ¥30.0 billion of its .963% subordinated bonds due April 2049.

In October 2018, the Parent Company issued \$550 million of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 4.750% per annum, payable semi-annually, and will mature in January 2049. These notes are redeemable at the Parent Company's option in whole at any time or in part from time to time at a redemption price equal to the greater of: (i) the aggregate principal amount of the notes to be redeemed or (ii) the amount equal to the sum of the present values of the remaining scheduled payments for principal of and interest on the notes to be redeemed, not including any portion of the payments of interest accrued as of such redemption date, discounted to such redemption date on a semiannual basis at the yield to maturity for a U.S. Treasury security with a maturity comparable to the remaining term of the notes, plus 25 basis points, plus in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to, but excluding, such redemption date.

In October 2018, the Parent Company issued three series of senior notes totaling ¥53.4 billion through a public debt offering under its then existing U.S. shelf registration statement. The first series, which totaled ¥29.3 billion, bears interest at a fixed rate of 1.159% per annum, payable semi-annually, and will mature in October 2030. The second series, which totaled ¥15.2 billion, bears interest at a fixed rate of 1.488% per annum, payable semi-annually, and will mature in October 2033. The third series, which totaled ¥8.9 billion, bears interest at a fixed rate of 1.750% per annum, payable semi-annually, and will mature in October 2038. These notes may only be redeemed before maturity, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance.

In October 2017, the Parent Company issued ¥60.0 billion of subordinated debentures through a U.S. public debt offering. The debentures bear interest at an initial rate of 2.108% per annum through October 22, 2027, or earlier redemption. Thereafter, the rate of interest of the debentures will be reset every five years to a rate of interest equal to the then-current JPY 5-year Swap Offered Rate plus 205 basis points. The debentures are payable semi-annually in arrears and will mature in October 2047. The debentures are redeemable (i) at any time, in whole but not in part, upon the occurrence of certain tax events or certain rating agency events, as specified in the indenture governing the terms of the debentures or (ii) on or after October 23, 2027, in whole or in part, at a redemption price equal to their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption.

In January 2017, the Parent Company issued ¥60.0 billion of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of .932% per annum, payable semi-annually, and will mature in January 2027. These notes may only be redeemed before maturity, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance.

In September 2016, the Parent Company issued two series of senior notes totaling \$700 million through a U.S. public debt offering. The first series, which totaled \$300 million, bears interest at a fixed rate of 2.875% per annum, payable semi-annually and will mature in October 2026. The second series, which totaled \$400 million, bears interest at a fixed rate of 4.00% per annum, payable semi-annually, and will mature in October 2046.

In 2010 and 2009, the Parent Company issued senior notes through U.S. public debt offerings; the details of these notes are as follows. In August 2010, the Parent Company issued \$450 million of senior notes that will mature in August 2040. In December 2009, the Parent Company issued \$400 million of senior notes that will mature in December 2039. These senior notes pay interest semiannually and are redeemable at the Parent Company's option in whole at any time or in part from time to time at a redemption price equal to the greater of: (i) the principal amount of the notes or (ii) the present value of the remaining scheduled payments of principal and interest to be redeemed, discounted to the redemption date, plus accrued and unpaid interest. In December 2016, the Parent Company completed a tender offer in which it extinguished \$176 million principal of its 6.90% senior notes due December 2039 and \$193 million principal of its 6.45% senior notes due August 2040. The pretax loss due to the early redemption of these notes was \$137 million.

For the Company's yen-denominated notes and loans, the principal amount as stated in dollar terms will fluctuate from period to period due to changes in the yen/dollar exchange rate. The Company has designated the majority of its yen-denominated notes payable as a non-derivative hedge of the foreign currency exposure of the Company's investment in Aflac Japan.

## Item 8. Financial Statements and Supplementary Data

The aggregate contractual maturities of notes payable during each of the years after December 31, 2024, are as follows:

(In millions)	Total Notes Payable
2025	\$ 79
2026	700
2027	453
2028	0
2029	533
Thereafter	5,690
Total	\$ 7,455

Interest expense related to the Company's notes payable, which is included in interest expense in the consolidated statements of earnings, was \$194 million, \$190 million and \$217 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Operating lease costs, included in insurance and other expenses in the consolidated statements of earnings, were \$43 million, \$49 million and \$52 million for the years ended December 31, 2024, 2023 and 2022, respectively. Operating cash outflows for operating leases were \$41 million, \$48 million and \$49 million for the years ended December 31, 2024, 2023 and 2022, respectively.

## Item 8. Financial Statements and Supplementary Data

A summary of the Company's lines of credit as of December 31, 2024 follows:

Borrower(s)	Type	Term	Expiration Date	Capacity	Amount Outstanding	Interest Rate on Borrowed Amount	Maturity Period	Commitment Fee	Business Purpose
Aflac Incorporated and Aflac	uncommitted bilateral	364 days	December 5, 2025	\$100 million	\$0 million	The rate quoted by the bank and agreed upon at the time of borrowing	Up to 3 months	None	General corporate purposes
Aflac Incorporated	unsecured revolving	5 years	May 9, 2027, or the date commitments are terminated pursuant to an event of default	¥100.0 billion	¥0.0 billion	A rate per annum equal to (a) Tokyo Interbank Market Rate (TIBOR) plus, the alternative applicable TIBOR margin during the availability period from the closing date to the commitment termination date or (b) the TIBOR rate offered by the agent to major banks in yen for the applicable period plus, the applicable alternative TIBOR margin during the term out period	No later than May 10, 2027	.28% to .45%, depending on the Parent Company's debt ratings as of the date of determination	General corporate purposes, including a capital contingency plan for the operations of the Parent Company
Aflac Incorporated and Aflac	unsecured revolving	5 years	November 15, 2027, or the date commitments are terminated pursuant to an event of default	\$1.0 billion	\$0.0 billion	A rate per annum equal to, at the Company's option, either, (a) Secured Overnight Financing Rate (SOFR) for U.S. dollar-denominated borrowings or TIBOR for Japanese yen-denominated borrowings, in either case adjusted for certain costs, or (b) a base rate determined by reference to the highest of (1) the federal funds rate plus 1/2 of 1%, (2) the rate of interest for such day announced by the agent as its prime rate, or (3) SOFR for an interest period of one month plus 1.00%, in each case plus an applicable margin	No later than November 15, 2027	.08% to .20%, depending on the Parent Company's debt ratings as of the date of determination	General corporate purposes, including a capital contingency plan for the operations of the Parent Company
Aflac Incorporated and Aflac	uncommitted bilateral	None specified	None specified	\$50 million	\$0 million	A rate per annum equal to, at the Parent Company's option, either (a) a rate determined by reference to SOFR for the interest period relevant to such borrowing or (b) the base rate determined by reference to the highest of (1) the lender's USD short-term commercial loan rate and (2) the federal funds rate plus 1/2 of 1%	Up to 3 months	None	General corporate purposes
Aflac <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$250 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 2, 2025	None	General corporate purposes
Aflac Incorporated <sup>(1)</sup> (Tranche 1)	uncommitted revolving	364 days	November 25, 2025	¥50.0 billion	¥0.0 billion	Three-month yen TIBOR plus 75 basis points per annum	No later than November 26, 2025	None	General corporate purposes
Aflac Incorporated <sup>(1)</sup> (Tranche 2)	uncommitted revolving	364 days	November 25, 2025	¥50.0 billion	¥0.0 billion	Three-month yen TIBOR plus 75 basis points per annum	No later than November 26, 2025	None	General corporate purposes
Aflac New York <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$25 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 2, 2025	None	General corporate purposes
CAIC <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$15 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 2, 2025	None	General corporate purposes

<sup>(1)</sup> Intercompany credit agreement

(continued)

## Item 8. Financial Statements and Supplementary Data

Borrower(s)	Type	Term	Expiration Date	Capacity	Amount Outstanding	Interest Rate on Borrowed Amount	Maturity Period	Commitment Fee	Business Purpose
TOIC <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$0.3 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 2, 2025	None	General corporate purposes
Aflac GI Holdings LLC <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$30 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 2, 2025	None	General corporate purposes
Aflac Incorporated <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$400 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 97 basis points per annum for U.S. dollar-denominated borrowings or three-month TIBOR plus 97 basis points per annum for Japanese yen-denominated borrowings	No later than December 2, 2025	None	General corporate purposes
Aflac Re <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$400 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 68 basis points per annum for U.S. dollar-denominated borrowings or three-month TIBOR plus 68 basis points per annum for Japanese yen-denominated borrowings	No later than December 2, 2025	None	General corporate purposes
Aflac Asset Management LLC <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$25 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 68 basis points per annum for U.S. dollar-denominated borrowings or three-month TIBOR plus 68 basis points per annum for Japanese yen-denominated borrowings	No later than December 2, 2025	None	General corporate purposes
Aflac Global Ventures LLC <sup>(1)</sup>	uncommitted revolving	364 days	December 1, 2025	\$2 million	\$0 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 68 basis points per annum for U.S. dollar-denominated borrowings or three-month TIBOR plus 68 basis points per annum for Japanese yen-denominated borrowings	No later than December 2, 2025	None	General corporate purposes

<sup>(1)</sup> Intercompany credit agreement

The Company was in compliance with all of the covenants of its notes payable and lines of credit at December 31, 2024. No events of default or defaults occurred during 2024 and 2023.

**10. INCOME TAXES**

The components of income tax expense (benefit) applicable to pretax earnings for the years ended December 31 were as follows:

(In millions)	Foreign	U.S.	Total
<b>2024:</b>			
Current	\$ 1,196	\$ 134	\$ 1,330
Deferred	159	(515)	(356)
<b>Total income tax expense</b>	<b>\$ 1,355</b>	<b>\$ (381)</b>	<b>\$ 974</b>
<b>2023:</b>			
Current	\$ 1,275	\$ 388	\$ 1,663
Deferred	(160)	(900)	(1,060)
<b>Total income tax expense</b>	<b>\$ 1,115</b>	<b>\$ (512)</b>	<b>\$ 603</b>
<b>2022:</b>			
Current	\$ 913	\$ 268	\$ 1,181
Deferred	200	(930)	(730)
<b>Total income tax expense</b>	<b>\$ 1,113</b>	<b>\$ (662)</b>	<b>\$ 451</b>

The Japan income tax rate for the fiscal years 2024, 2023 and 2022 was 28.0%.

Aflac Japan holds certain U.S. dollar-denominated assets in a Delaware Statutory Trust (DST). These assets are mostly comprised of various U.S. dollar-denominated commercial mortgage loans. The functional currency of the DST for U.S. tax purposes was historically the Japanese yen. In 2022, the Company requested a change in tax accounting method through the Internal Revenue Service's automatic consent procedures to change the functional currency of the DST for U.S. tax purposes to the U.S. dollar. As a result, foreign currency translation gains or losses on assets held in the DST are no longer recognized for U.S. tax purposes. The Company historically recorded a deferred tax liability for foreign currency translation gains on the DST assets, which was released in the third quarter of 2022 as a result of the functional currency change. The release of the deferred tax liability resulted in the Company recognizing an income tax benefit of \$208 million in 2024, \$174 million in 2023 and \$452 million in 2022.

Income tax expense in the accompanying statements of earnings varies from the amount computed by applying the expected U.S. tax rate of 21% to pretax earnings. The principal reasons for the differences and the related tax effects for the years ended December 31 were as follows:

(In millions)	2024	2023	2022
Income taxes based on U.S. statutory rates	\$ 1,348	\$ 1,105	\$ 1,023
DST functional currency change	(208)	(174)	(452)
Solar and historic tax credits, net of amortization	(164)	(348)	(83)
Other, net	(2)	20	(37)
<b>Income tax expense</b>	<b>\$ 974</b>	<b>\$ 603</b>	<b>\$ 451</b>

(In millions)	2024	2023	2022
Statements of earnings	\$ 974	\$ 603	\$ 451
Other comprehensive income (loss):			
Unrealized foreign currency translation gains (losses) during period	160	140	547
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	(265)	520	(2,657)
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	(41)	(35)	(95)
Unrealized gains (losses) on derivatives during period	1	1	1
Effect of changes in discount rate assumptions during period	1,214	(122)	3,650
Pension liability adjustment during period	5	7	35
Total income tax expense (benefit) related to items of other comprehensive income (loss)	1,074	511	1,481
Total income taxes	\$ 2,048	\$ 1,114	\$ 1,932

The income tax effects of the temporary differences that gave rise to deferred income tax assets and liabilities as of December 31 were as follows:

(In millions)	2024	2023
<b>Deferred income tax liabilities:</b>		
Deferred policy acquisition costs	\$ 2,637	\$ 2,883
Unrealized gains and other basis differences on investments	615	988
Foreign currency gain on Aflac Japan	1	2
Premiums receivable	43	85
Policy benefit reserves	2,509	110
Other	54	0
Total deferred income tax liabilities	5,859	4,068
<b>Deferred income tax assets:</b>		
Unfunded retirement benefits	4	5
Other accrued expenses	32	28
Policy and contract claims	514	572
Deferred compensation	31	45
Depreciation	255	265
Anticipatory foreign tax credit	3,262	2,210
Deferred foreign tax credit and carryforward	1,428	1,077
Other	0	135
Total deferred income tax assets	5,526	4,337
Net deferred income tax (asset) liability	333	(269)
<b>Current income tax (asset) liability</b>	<b>240</b>	<b>423</b>
Total income tax liability	\$ 573	\$ 154

The application of U.S. GAAP requires the Company to evaluate the recoverability of deferred tax assets and establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. The Company has determined no valuation allowance against its anticipatory foreign tax credits is necessary. The anticipatory foreign tax credit represents the foreign tax credit the Company will generate from the reversal of Japan deferred tax liabilities in the future. Deferred foreign tax credits are foreign tax credits generated in the current tax year by the Japanese life company, but are unable to be utilized until 2025 due to Japan's current tax year not closing until March 31, 2025. Based upon a review of the Company's anticipated future taxable income, and including all other available evidence, both positive and negative, the Company's management has concluded that it is more likely than not that all other deferred tax assets will be realized.

Under U.S. income tax rules, only 35% of non-life operating losses can be offset against life insurance taxable income each year. For current U.S. income tax purposes, as of December 31, 2024, there were non-life operating loss carryforwards of \$26 million available to offset against future taxable income, which expire after December 31, 2040, and there were life operating loss carryforwards available to offset against future taxable income of \$92 million, which do not expire. The Company has no capital loss carryforwards available to offset capital gains. The Company has a foreign tax credit carryforward of \$314 million as of December 31, 2024, which expires after December 31, 2034.

The Company files federal income tax returns in the U.S. and Japan as well as state or prefecture income tax returns in various jurisdictions in the two countries. There are currently no other open Federal, State, or local U.S. income tax audits. U.S. federal income tax returns for years before 2021 are no longer subject to examination. Japan corporate income tax returns for years before the tax year ended March 2023 are no longer subject to examination. Management believes it has established adequate tax liabilities and final resolution of all open audits is not expected to have a material impact on the Company's consolidated financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years ended December 31:

(In millions)	2024	2023
Balance, beginning of year	\$ 1	\$ 5
Additions for tax positions of prior years	0	0
Reductions for tax positions of prior years	(1)	(4)
Balance, end of year	\$ 0	\$ 1

Included in the balance of the liability for unrecognized tax benefits at December 31, 2024 and 2023, were no tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate, but would accelerate the payment of cash to the taxing authority to an earlier period. The Company has accrued an immaterial amount as of December 31, 2024, for permanent uncertainties, which if reversed would not have a material effect on the annual effective rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company recognized an immaterial amount of interest and penalties in 2024, 2023 and 2022. The Company accrued an immaterial amount for the payment of interest and penalties as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, there were no material uncertain tax positions for which the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.



## 11. SHAREHOLDERS' EQUITY

**Share Data:** The following table is a reconciliation of the number of shares of the Company's common stock for the years ended December 31.

(In thousands of shares)	2024	2023	2022
<b>Common stock - issued:</b>			
Balance, beginning of period	1,355,398	1,354,079	1,352,739
Exercise of stock options and issuance of restricted shares	1,365	1,319	1,340
Balance, end of period	1,356,763	1,355,398	1,354,079
<b>Treasury stock:</b>			
Balance, beginning of period	776,919	738,823	700,607
Purchases of treasury stock:			
Share repurchase program	30,428	38,896	39,187
Other	494	364	370
Dispositions of treasury stock:			
Shares issued to AFL Stock Plan	(751)	(897)	(1,009)
Exercise of stock options	(104)	(88)	(117)
Other	(187)	(179)	(215)
Balance, end of period	806,799	776,919	738,823
Shares outstanding, end of period	549,964	578,479	615,256

**Share Repurchase Program:** In November 2022, the Company's board of directors authorized the purchase of an additional 100 million shares of its common stock. As of December 31, 2024, a remaining balance of 47.3 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors.

During 2024, the Company repurchased 30.4 million shares of its common stock in the open market for \$2.8 billion. The Company repurchased 38.9 million shares for \$2.8 billion in 2023 and 39.2 million shares for \$2.4 billion in 2022.

**Voting Rights:** In accordance with the Parent Company's articles of incorporation, shares of common stock are generally entitled to one vote per share until they have been held by the same beneficial owner for a continuous period of 48 months, at which time they become entitled to 10 votes per share.

**EPS:** A reconciliation of basic and diluted weighted-average shares outstanding used in the computation of basic and diluted EPS for the years ended December 31 is as follows:

(In thousands of shares)	2024	2023	2022
Weighted-average outstanding shares used for calculating basic EPS	562,492	596,173	634,816
Dilutive effect of share-based awards	2,523	2,572	2,839
Weighted-average outstanding shares used for calculating diluted EPS	565,015	598,745	637,655

Outstanding share-based awards are excluded from the calculation of weighted-average shares used in the computation of basic EPS, but are included in the calculation of weighted-average shares used in the computation of diluted EPS. Anti-dilutive share-based awards are excluded from the computation of diluted EPS.

The following table presents the approximate number of share-based awards to purchase shares, on a weighted-average basis, that were considered to be anti-dilutive and were excluded from the calculation of diluted EPS at December 31:

(In thousands)	2024	2023	2022
Anti-dilutive share-based awards	17	51	118

### Reclassifications from Accumulated Other Comprehensive Income

The tables below are reconciliations of accumulated other comprehensive income by component for the years ended December 31.

#### Changes in Accumulated Other Comprehensive Income

2024						
(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Effect of Changes in Discount Rate Assumptions	Pension Liability Adjustment	Total
<b>Balance at December 31, 2023</b>	<b>\$ (4,069)</b>	<b>\$ 1,139</b>	<b>\$ (22)</b>	<b>\$ (2,560)</b>	<b>\$ (8)</b>	<b>\$ (5,520)</b>
Other comprehensive income (loss) before reclassification	(929)	(959)	(3)	4,566	20	2,695
Amounts reclassified from accumulated other comprehensive income (loss)	0	(156)	5	0	(2)	(153)
Net current-period other comprehensive income (loss)	(929)	(1,115)	2	4,566	18	2,542
<b>Balance at December 31, 2024</b>	<b>\$ (4,998)</b>	<b>\$ 24</b>	<b>\$ (20)</b>	<b>\$ 2,006</b>	<b>\$ 10</b>	<b>\$ (2,978)</b>

All amounts in the table above are net of tax.

2023						
(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Effect of Changes in Discount Rate Assumptions	Pension Liability Adjustment	Total
<b>Balance at December 31, 2022</b>	<b>\$ (3,564)</b>	<b>\$ (702)</b>	<b>\$ (27)</b>	<b>\$ (2,100)</b>	<b>\$ (36)</b>	<b>\$ (6,429)</b>
Other comprehensive income (loss) before reclassification	(505)	1,972	1	(460)	28	1,036
Amounts reclassified from accumulated other comprehensive income (loss)	0	(131)	4	0	0	(127)
Net current-period other comprehensive income (loss)	(505)	1,841	5	(460)	28	909
<b>Balance at December 31, 2023</b>	<b>\$ (4,069)</b>	<b>\$ 1,139</b>	<b>\$ (22)</b>	<b>\$ (2,560)</b>	<b>\$ (8)</b>	<b>\$ (5,520)</b>

All amounts in the table above are net of tax.

2022						
(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Effect of Changes in Discount Rate Assumptions	Pension Liability Adjustment	Total
<b>Balance at December 31, 2021</b>	\$ (1,985)	\$ 9,602	\$ (30)	\$ (15,832)	\$ (166)	\$ (8,411)
Other comprehensive income (loss) before reclassification	(1,579)	(9,946)	(1)	13,732	111	2,317
Amounts reclassified from accumulated other comprehensive income (loss)	0	(358)	4	0	19	(335)
Net current-period other comprehensive income (loss)	(1,579)	(10,304)	3	13,732	130	1,982
<b>Balance at December 31, 2022</b>	\$ (3,564)	\$ (702)	\$ (27)	\$ (2,100)	\$ (36)	\$ (6,429)

All amounts in the table above are net of tax.

The tables below summarize the amounts reclassified from each component of accumulated other comprehensive income into net earnings for the years ended December 31.

### Reclassifications Out of Accumulated Other Comprehensive Income

2024		
(In millions)		
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statements of Earnings
Unrealized gains (losses) on available-for-sale securities	\$ 197	Net investment gains (losses)
	(41)	Tax (expense) or benefit <sup>(1)</sup>
	\$ 156	Net of tax
Unrealized gains (losses) on derivatives	\$ (5)	Net investment gains (losses)
	(1)	Net investment income
	(6)	Total before tax
	1	Tax (expense) or benefit <sup>(1)</sup>
	\$ (5)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	\$ 1	Acquisition and operating expenses <sup>(2)</sup>
Prior service (cost) credit	1	Acquisition and operating expenses <sup>(2)</sup>
	0	Tax (expense) or benefit <sup>(1)</sup>
	\$ 2	Net of tax
Total reclassifications for the period	\$ 153	Net of tax

<sup>(1)</sup> Based on 21% tax rate

<sup>(2)</sup> These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see Note 14 for additional details).

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(In millions)		2023
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statements of Earnings
Unrealized gains (losses) on available-for-sale securities	\$ 166	Net investment gains (losses)
	(35)	Tax (expense) or benefit <sup>(1)</sup>
	\$ 131	Net of tax
Unrealized gains (losses) on derivatives	\$ (4)	Net investment gains (losses)
	(1)	Net investment income
	(5)	Total before tax
	1	Tax (expense) or benefit <sup>(1)</sup>
	\$ (4)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	\$ 0	Acquisition and operating expenses <sup>(2)</sup>
Prior service (cost) credit	0	Acquisition and operating expenses <sup>(2)</sup>
	0	Tax (expense) or benefit <sup>(1)</sup>
	\$ 0	Net of tax
Total reclassifications for the period	\$ 127	Net of tax

<sup>(1)</sup> Based on 21% tax rate<sup>(2)</sup> These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see Note 14 for additional details).

(In millions)		2022
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statements of Earnings
Unrealized gains (losses) on available-for-sale securities	\$ 453	Net investment gains (losses)
	(95)	Tax (expense) or benefit <sup>(1)</sup>
	\$ 358	Net of tax
Unrealized gains (losses) on derivatives	\$ (4)	Net investment gains (losses)
	(1)	Net investment income
	(5)	Total before tax
	1	Tax (expense) or benefit <sup>(1)</sup>
	\$ (4)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	\$ (24)	Acquisition and operating expenses <sup>(2)</sup>
Prior service (cost) credit	0	Acquisition and operating expenses <sup>(2)</sup>
	5	Tax (expense) or benefit <sup>(1)</sup>
	\$ (19)	Net of tax
Total reclassifications for the period	\$ 335	Net of tax

<sup>(1)</sup> Based on 21% tax rate<sup>(2)</sup> These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see Note 14 for additional details).

## 12. SHARE-BASED COMPENSATION

As of December 31, 2024, the Company has outstanding share-based awards under the Aflac Incorporated Long-Term Incentive Plan (As Amended and Restated February 14, 2017), as further amended on August 9, 2022 (the Plan). Share-based awards are designed to reward employees for their long-term contributions to the Company and provide incentives for them to remain with the Company. The number and frequency of share-based awards are based on competitive practices, operating results of the Company, government regulations, and other factors.

The Plan allows for a maximum number of shares issuable over its term of 75 million shares including 38 million shares that may be awarded in respect of awards other than options or stock appreciation rights. If any awards granted under the Plan are forfeited or are terminated before being exercised or settled for any reason other than tax forfeiture, then the shares underlying the awards will again be available under the Plan.

The Plan allows awards to Company employees for incentive stock options (ISOs), non-qualifying stock options (NQSOs), restricted stock, restricted stock units, and stock appreciation rights. Non-employee directors are eligible for grants of NQSOs, restricted stock, and stock appreciation rights. As of December 31, 2024, approximately 33.6 million shares were available for future grants under this plan. The ISOs and NQSOs have a term of 10 years, and the share-based awards generally vest upon time-based conditions or time and performance-based conditions. Time-based vesting generally occurs after three years. Performance-based vesting conditions generally include the attainment of goals related to the Company's financial performance. As of December 31, 2024, the only performance-based awards issued and outstanding were restricted stock awards and units.

Stock options and stock appreciation rights granted under the amended Plan have an exercise price of at least the fair market value of the underlying stock on the grant date and have an expiration date no later than 10 years from the grant date. Time-based restricted stock awards, restricted stock units and stock options generally vest on a ratable basis over three years. The Compensation Committee of the board of directors has the discretion to determine vesting schedules.

Share-based awards granted to U.S.-based grantees are settled with authorized but unissued Company stock, while those issued to Japan-based grantees are settled with treasury shares.

### Summary of Share-Based Compensation Expense

Share-based compensation expense consists primarily of expenses for stock options, restricted stock awards (including performance based restricted stock awards), and restricted stock units granted to employees.

The following table presents the impact of the expense recognized in connection with share-based awards for the years ended December 31.

(In millions, except for per-share amounts)	2024	2023	2022
Impact on earnings from continuing operations	\$ 72	\$ 79	\$ 69
Impact on earnings before income taxes	72	79	69
Impact on net earnings	57	62	55
<b>Impact on net earnings per share:</b>			
Basic	\$ .10	\$ .10	\$ .09
Diluted	.10	.10	.09

## Stock Options

The following table summarizes stock option activity under the employee stock option plan.

(In thousands of shares)	Stock Option Shares	Weighted-Average Exercise Price Per Share
Outstanding at December 31, 2021	2,145	\$ 31.02
Granted in 2022	0	0.00
Canceled in 2022	(8)	32.43
Exercised in 2022	(560)	28.11
Outstanding at December 31, 2022	1,577	32.05
Granted in 2023	0	0.00
Canceled in 2023	0	24.75
Exercised in 2023	(526)	30.35
<b>Outstanding at December 31, 2023</b>	<b>1,051</b>	<b>32.90</b>
<b>Granted in 2024</b>	<b>0</b>	<b>0.00</b>
<b>Canceled in 2024</b>	<b>(3)</b>	<b>31.21</b>
<b>Exercised in 2024</b>	<b>(425)</b>	<b>31.40</b>
<b>Outstanding at December 31, 2024</b>	<b>623</b>	<b>\$ 33.92</b>

(In thousands of shares)	2024	2023	2022
Shares exercisable, end of year	623	1,051	1,577

The Company estimates the fair value of each stock option granted using the Black-Scholes-Merton multiple option approach. Expected volatility is based on historical periods generally commensurate with the estimated terms of the options. The Company uses historical data to estimate option exercise and termination patterns within the model. Separate groups of employees that have similar historical exercise patterns are stratified and considered separately for valuation purposes. The expected term of options granted is derived from the output of the Company's option model and represents the weighted-average period of time that options granted are expected to be outstanding. The Company bases the risk-free interest rate on the Treasury note rate with a term comparable to that of the estimated term of the options. There were no options granted in 2024, 2023 or 2022. The following table presents the assumptions used in valuing options granted, if applicable, during the years ended December 31.

	2024	2023	2022
Expected term (years)	8.0	8.0	7.8
Expected volatility	26.8 %	26.7 %	25.8 %
Annual forfeiture rate	4.4	4.2	4.0
Risk-free interest rate	4.0	3.0	1.6
Dividend yield	2.4	2.3	2.7

The following table summarizes information about stock options outstanding and exercisable at December 31, 2024.

(In thousands of shares)				Options Exercisable	
Options Outstanding					
Range of Exercise Prices Per Share	Stock Option Shares Outstanding	Wgtd.-Avg. Remaining Contractual Life (Yrs.)	Wgtd.-Avg. Exercise Price Per Share	Stock Option Shares Exercisable	Wgtd.-Avg. Exercise Price Per Share
\$ 0.00 - \$ 28.97	173	1.1	\$ 28.96	173	\$ 28.96
28.97 - 31.21	76	0.5	30.30	76	30.30
31.21 - 36.21	252	1.9	34.84	252	34.84
36.21 - 44.59	122	2.9	41.33	122	41.33
<b>\$ 0.00 - \$ 44.59</b>	<b>623</b>	<b>1.7</b>	<b>\$ 33.92</b>	<b>623</b>	<b>\$ 33.92</b>

The aggregate intrinsic value in the following table represents the total pretax intrinsic value, and is based on the difference between the exercise price of the stock options and the quoted closing common stock price of \$103.44 as of December 31, 2024, for those awards that have an exercise price currently below the closing price. As of December 31, 2024, the aggregate intrinsic value of stock options outstanding was \$43 million, with a weighted-average remaining term of 1.7 years. The total number of in-the-money stock options exercisable as of December 31, 2024, was 623 thousand shares. The aggregate intrinsic value of stock options exercisable at that same date was \$43 million, with a weighted-average remaining term of 1.7 years.

The following table summarizes stock option activity during the years ended December 31.

(In millions)	2024	2023	2022
Total intrinsic value of options exercised	\$ 25	\$ 22	\$ 20
Cash received from options exercised	13	16	16
Tax benefit realized as a result of options exercised and restricted stock releases	28	20	18

### Performance-Based Restricted Stock Awards and Units

Under the Plan, each February, the Company grants selected executive officers performance-based restricted stock awards (PBRs) and performance-based restricted stock units (PSU) with vesting contingent upon meeting various performance goals. PBRs and PSU are generally granted at-the-money and contingently cliff vest over a period of three years, generally subject to continued employment. In February 2024, the Company granted 303 thousand performance-based stock awards and units, which are contingent on the achievement of the Company's financial performance metrics and its market-based conditions. On the date of grant, the Company estimated the fair value of restricted stock awards with market-based conditions using a Monte Carlo simulation model. The model discounts the value of the stock at the assumed vesting date based on a risk-free interest rate. Based on estimates of actual performance versus the vesting thresholds, the calculated fair value percentage pay-out estimate will be updated each quarter. Actual performance, including modification for relative total shareholder return, may result in the ultimate award of 0% to 200% percent of the initial number of PBRs and PSU issued, with the potential for no award if company performance goals are not achieved during the three-year period. PBRs and PSU subject to accelerated vesting at the date of retirement eligibility are expensed over the implicit service period.

The Company also granted selected executive officers PSU throughout the year with vesting contingent upon meeting various performance goals. PSU are generally granted at-the-money and contingently cliff vest over a period of three years, generally subject to continued employment. In 2024, the Company granted 93 thousand performance-based stock units, which are contingent on the achievement of certain Company determined metrics. Based on estimates of actual performance versus the vesting thresholds, the calculated fair value percentage pay-out estimate will be updated each quarter. Actual performance may result in the ultimate award of 0% to 150% percent of the initial number of PSU issued, with the potential for no award if the Company determined metrics are not achieved during the three-year period. Compensation expense for PSU subject to accelerated vesting at the date of retirement eligibility is expensed over the implicit service period.

The Company uses third-party analyses to assist in developing the assumptions used in, as well as calibrating, a Monte Carlo simulation model. The Company is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

Key assumptions used to value PBRs granted during 2024 follows:

(In millions)	2024
Expected volatility (based on Aflac Inc. and peer group historical daily stock price)	21.8 %
Expected life from grant date (years)	2.9
Risk-free interest rate (based on U.S. Treasury yields at the date of grant)	4.3 %



### Restricted Stock Awards and Units

The value of restricted stock awards and restricted stock units is based on the fair market value of the Company's common stock at the date of grant. The following table summarizes restricted stock activity during the years ended December 31.

(In thousands of shares)	Shares	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock at December 31, 2021	2,557	\$ 49.38
Granted in 2022	1,119	66.72
Canceled in 2022	(96)	54.59
Vested in 2022	(1,166)	49.64
Restricted stock at December 31, 2022	2,414	56.21
Granted in 2023	1,171	70.74
Canceled in 2023	(112)	60.62
Vested in 2023	(1,165)	52.77
<b>Restricted stock at December 31, 2023</b>	<b>2,308</b>	<b>62.96</b>
<b>Granted in 2024</b>	<b>1,300</b>	<b>80.90</b>
<b>Canceled in 2024</b>	<b>(48)</b>	<b>74.68</b>
<b>Vested in 2024</b>	<b>(1,461)</b>	<b>47.22</b>
<b>Restricted stock at December 31, 2024</b>	<b>2,099</b>	<b>\$ 73.65</b>

As of December 31, 2024, total compensation cost not yet recognized in the Company's financial statements related to restricted stock awards and restricted stock units was \$34 million, of which \$14 million (1.8 million shares) was related to restricted stock awards with a performance-based vesting condition. The Company expects to recognize these amounts over a weighted-average period of approximately 1.7 years. There are no other contractual terms covering restricted stock awards once vested.

### 13. STATUTORY ACCOUNTING AND DIVIDEND RESTRICTIONS

The Company's insurance subsidiaries are required to report their results of operations and financial position to insurance regulatory authorities on the basis of statutory accounting practices prescribed or permitted by such authorities.

Aflac Japan must report its results of operations and financial position to the Japanese Financial Services Agency (FSA) on a Japanese regulatory accounting basis as prescribed by the FSA. Japanese regulatory accounting practices differ in many respects from U.S. GAAP. For example, under Japanese regulatory accounting practices, policy acquisition costs are expensed immediately; policy benefit and claim reserving methods and assumptions are different; premiums are recognized on a cash basis; different consolidation criteria apply to VIEs; reinsurance is recognized on a different basis; and investments can have a separate accounting classification and treatment referred to as policy reserve matching bonds (PRM). Capital and surplus of Aflac Japan, based on current Japanese regulatory accounting practices, was \$8.1 billion at both December 31, 2024 and 2023.

Aflac, CAIC and TOIC report statutory financial statements that are prepared on the basis of accounting practices prescribed or permitted by the Nebraska Department of Insurance (NDOI). The NDOI recognizes statutory accounting principles and practices prescribed or permitted by the state of Nebraska for determining and reporting the financial condition and results of operations of an insurance company, and for determining a company's solvency under Nebraska insurance law.

Aflac New York reports statutory financial statements that are prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (NYSDFS). The NYSDFS recognizes statutory accounting principles and practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company, and for determining a company's solvency under New York insurance law.

Statutory Accounting Principles (SAP) as detailed by the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* have been adopted by both the state of Nebraska and the state of New York as a component of those prescribed or permitted practices. Statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis. Additionally, the Director of the NDOI and the Superintendent of the NYSDFS each have the right to permit other specific practices which deviate from prescribed practices. Aflac, CAIC, TOIC and Aflac New York had no permitted practices as of December 31, 2024, and 2023.

The table below represents statutory capital and surplus based on statutory accounting practices for the Company's U.S. life insurance subsidiaries as of December 31.

(In millions)	2024		2023	
Aflac	\$	2,682	\$	2,881
CAIC		375		398
TOIC		51		51
Aflac New York		316		323

As of December 31, 2024, the capital and surplus for each of the Company's U.S. life insurance subsidiaries exceeded the required company action level capital and surplus.

The table below represents net income (loss) based on statutory accounting practices for the Company's U.S. life insurance subsidiaries as of December 31.

(In millions)	2024		2023		2022
Aflac	\$	912	\$	1,106	\$ 1,134
CAIC		(94)		(121)	(69)
TOIC		(20)		(27)	(35)
Aflac New York		46		54	67

Aflac Re is licensed by the BMA as a long-term insurer and is subject to the Bermuda Insurance Act of 1978 (Bermuda Insurance Act). Aflac Re is required to file an annual return for its Bermuda Solvency Capital Requirement (BSCR) which utilizes an Economic Balance Sheet (EBS) framework to determine Aflac Re's Enhanced Capital Requirement (ECR). Aflac Re is also subject to a Minimum Margin of Solvency (MMS) related to its statutory financial statements. The MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets, or 25% of ECR.

Under the EBS framework, Aflac Re is required to value assets equal to U.S. GAAP fair values, and insurance reserves are valued using technical provisions which consist of a best estimate liability plus a risk margin. The best estimate liability can be calculated by applying the standard approach or, with regulatory approval, the scenario-based approach. The standard approach uses discount rates for insurance reserves as prescribed by the BMA. The scenario-based approach uses a discount rate based on the yield of eligible assets owned by the insurer as determined using a series of prescribed stress scenarios. At December 31, 2024 and 2023, Aflac Re was in compliance with the ECR and MMS requirements. Statutory capital and surplus of Aflac Re, based on Bermuda statutory accounting practices, was \$581 million at December 31, 2024, compared with \$439 million at December 31, 2023.

The Parent Company depends on its subsidiaries for cash flow, primarily in the form of dividends and management fees. Consolidated retained earnings in the accompanying financial statements largely represent the undistributed earnings of the Company's insurance subsidiaries. Amounts available for dividends, management fees and other payments to the Parent Company by its insurance subsidiaries may fluctuate due to different accounting methods required by regulatory authorities. These payments are also subject to various regulatory restrictions and approvals related to safeguarding the interests of insurance policyholders. The Company's U.S. life insurance entities must maintain adequate risk-based capital (RBC) for U.S. regulatory authorities, Aflac Japan must maintain adequate solvency margins for Japanese regulatory authorities, and Aflac Re must maintain minimum capital requirements for Bermuda regulatory authorities.

The maximum amount of dividends that can be paid to the Parent Company by Aflac, CAIC and TOIC without prior approval of Nebraska's director of insurance is the greater of the net income from operations, which excludes net investment gains, for the previous year determined under statutory accounting principles, or 10% of statutory capital and

surplus as of the previous year-end. In 2024, Aflac declared dividends of \$976 million, compared with \$894 million in 2023. Dividends declared by Aflac during 2025 in excess of \$912 million would require such approval. CAIC and TOIC did not declare dividends in 2024 or 2023. From time to time, Aflac New York pays dividends to Aflac, the parent company of Aflac New York. Aflac New York may not pay dividends to Aflac without the prior approval of the NYSDFS. Aflac New York declared dividends of \$54 million in 2024 and \$67 million in 2023, which were authorized by the NYSDFS.

Aflac Japan is required to meet certain financial criteria as governed by the Companies Act of Japan in order to provide dividends to the Parent Company. Under these criteria, dividend capacity at Aflac Japan is defined as retained earnings excluding capital reserves, which represent equity generated by capital profits that are statutorily required in Japan, less net after-tax unrealized losses on available-for-sale securities based on the previous fiscal year-end. Profits remitted by Aflac Japan to the Parent Company were as follows for the years ended December 31:

		In Dollars			In Yen		
(In millions of dollars and billions of yen)	2024	2023	2022	2024	2023	2022	
Profit remittances	<b>\$2,865</b>	\$ 2,623	\$ 2,412	<b>¥ 441.6</b>	¥ 374.7	¥324.2	

Under the Bermuda Insurance Act, Aflac Re is prohibited from paying dividends in an amount that exceeds 25% of the prior year's statutory capital and surplus without an affidavit stating that Aflac Re will continue to meet its solvency margin. Further, Aflac Re may not reduce its total statutory capital by 15% or more without prior regulatory approval. Additionally, Aflac Re is not permitted to pay any dividends that would cause Aflac Re to fail to meet its minimum capital requirements. Aflac Re did not declare dividends in 2024 or 2023.

## 14. BENEFIT PLANS

### Pension and Other Postretirement Plans

The Company has funded defined benefit plans in Japan and the U.S.; however, future benefits under the U.S. plan were frozen effective January 1, 2024, which resulted in the Company recognizing a curtailment gain of \$49 million in 2023. As part of the U.S. plan freeze, the company offered lump sum payments to certain participants. The lump sum payments were distributed in the fourth quarter of 2024 and resulted in a settlement charge of \$18 million in 2024 due to the payments being greater than the settlement threshold. In January 2025, the Company purchased a nonparticipating single premium group annuity contract from an external insurer to settle its obligations under the U.S. defined pension plan and paid to the insurer the related annuity premium. Effective April 1, 2025, the external insurer will begin making annuity payments to plan participants.

The Company also maintains non-qualified, unfunded supplemental retirement plans that provide defined pension benefits in excess of limits imposed by federal tax law for certain Japanese, U.S. and former employees. However, future benefits under the Company's Supplemental Executive Retirement Plan and Retirement Plan for Senior Officers were frozen effective January 1, 2024, provided that actively employed participants may continue to accrue service toward eligibility for early retirement benefits or delayed early retirement benefits.

The Company provides certain health care benefits for eligible U.S. retired employees, their beneficiaries and covered dependents (other postretirement benefits). The health care plan is contributory and unfunded. Effective January 1, 2014, employees eligible for benefits included the following: (1) active employees whose age plus service, in years, equaled or exceeded 80 (rule of 80); (2) active employees who were age 55 or older and have met the 15 years of service requirement; (3) active employees who would meet the rule of 80 in the next five years; (4) active employees who were age 55 or older and who would meet the 15 years of service requirement within the next five years; and (5) current retirees. For certain employees and former employees, additional coverage is provided for all medical expenses for life.

Information with respect to the Company's benefit plans' assets and obligations as of December 31 was as follows:

(In millions)	Pension Benefits				Other	
	Japan		U.S.		Postretirement Benefits	
	2024	2023	2024	2023	2024	2023
<b>Projected benefit obligation:</b>						
Benefit obligation, beginning of year	\$ 324	\$ 327	\$ 764	\$ 843	\$ 25	\$ 32
Service cost	14	14	0	7	0	0
Interest cost	8	9	36	41	1	1
Actuarial (gain) loss	(18)	7	(7)	37	2	(4)
Benefits and expenses paid	(16)	(13)	(32)	(58)	(5)	(4)
Curtailment (gain) loss	0	0	0	(106)	0	0
Settlement	0	0	(177)	0	0	0
Effect of foreign exchange rate changes	(30)	(20)	0	0	0	0
Benefit obligation, end of year	282	324	584	764	23	25
<b>Plan assets:</b>						
Fair value of plan assets, beginning of year	344	335	648	659	0	0
Actual return on plan assets	27	17	(8)	39	0	0
Employer contributions	27	27	8	8	5	4
Benefits and expenses paid	(16)	(13)	(32)	(58)	(5)	(4)
Settlement	0	0	(177)	0	0	0
Effect of foreign exchange rate changes	(37)	(22)	0	0	0	0
Fair value of plan assets, end of year	345	344	439	648	0	0
<b>Funded status of the plans<sup>(1)</sup></b>	<b>\$ 63</b>	<b>\$ 20</b>	<b>\$ (145)</b>	<b>\$ (116)</b>	<b>\$ (23)</b>	<b>\$ (25)</b>
<b>Amounts recognized in accumulated other comprehensive income:</b>						
Net actuarial (gain) loss	\$ (10)	\$ 30	\$ 1	\$ (13)	\$ 4	\$ 2
Prior service (credit) cost	0	0	(1)	(2)	0	0
Total included in accumulated other comprehensive income	\$ (10)	\$ 30	\$ 0	\$ (15)	\$ 4	\$ 2
Accumulated benefit obligation	\$ 184	\$ 213	\$ 584	\$ 764	N/A	N/A

<sup>(1)</sup> Underfunded amounts are recognized in other liabilities in the consolidated balance sheets and overfunded amounts are recognized in other assets in the consolidated balance sheets

## Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets

(In millions)	Pension Benefits			
	Japan		U.S.	
	2024	2023	2024	2023
Accumulated benefit obligation	\$ 184	\$ 213	\$ 584	\$ 764
Fair value of plan assets	345	344	439	648

## Information for Pension Plans with a Projected Benefit Obligation in Excess of Plan Assets

(In millions)	Pension Benefits			
	Japan <sup>(1)</sup>		U.S. <sup>(2)</sup>	
	2024	2023	2024	2023
Projected benefit obligation	\$ 282	\$ 324	\$ 584	\$ 764
Fair value of plan assets	345	344	439	648

<sup>(1)</sup> The net amount of projected benefit obligation and plan assets for the overfunded Japan pension plan was \$63 and \$20 at December 31, 2024 and 2023, respectively, and was classified as other assets on the statement of financial position.

<sup>(2)</sup> The net amount of projected benefit obligation and plan assets for the underfunded (including unfunded) U.S. pension plan was \$145 and \$116 at December 31, 2024 and 2023, respectively, and was classified as other liabilities on the statement of financial position.

Information for other postretirement benefit plans with an accumulated postretirement benefit obligation in excess of plan assets has been disclosed in the note on "Obligations and Funded Status" because all the other postretirement benefit plans are unfunded or underfunded.

	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
<b>Weighted-average actuarial assumptions:</b>									
Discount rate - net periodic benefit cost	1.84 %	1.95 %	.94 %	5.33 % <sup>(1)</sup>	5.24 % <sup>(2)</sup>	2.94 %	5.04 %	5.28 %	2.94 %
Discount rate - benefit obligations	2.31	1.84	1.95	5.60	5.04	5.28	5.60	5.04	5.28
Expected long-term return on plan assets	2.00	2.00	2.00	4.75	4.75	5.50	N/A	N/A	N/A
Rate of compensation increase	5.90	N/A	N/A	N/A	4.00	4.00	N/A	N/A	N/A
Health care cost trend rates	N/A	N/A	N/A	N/A	N/A	N/A	6.30 <sup>(3)</sup>	6.80 <sup>(3)</sup>	6.50 <sup>(3)</sup>

<sup>(1)</sup> An interim valuation was required due to the U.S. pension plan settlement. The rate shown is the rate used on the interim valuation date of November 1, 2024.

<sup>(2)</sup> An interim valuation was required due to the U.S. pension plan curtailment. The rate shown is the rate used on the interim valuation date of June 12, 2023.

<sup>(3)</sup> For the years 2024, 2023 and 2022, the health care cost trend rates are expected to trend down to 3.7% in 49 years, 3.7% in 50 years, and 3.7% in 51 years, respectively.

The Company determines its discount rate assumption for its U.S. pension retirement obligations based on indices for AA corporate bonds with an average duration of approximately 11 years, and determination of the U.S. pension plan discount rate utilizes the 85-year extrapolated yield curve. In Japan, the discount rate assumption is determined using the yield curve equivalent approach, and participant salary and future salary increases are factors in determining pension benefit cost or the related pension benefit obligation.

The Company bases its assumption for the long-term rate of return on assets on historical trends (10-year or longer historical rates of return for the Japanese plan assets and 15-year historical rates of return for the U.S. plan assets), expected future market movement, as well as the portfolio mix of securities in the asset portfolio including, but not limited to, style, class and equity and fixed income allocations. In addition, the Company's consulting actuaries evaluate its assumptions for long-term rates of return under Actuarial Standards of Practice (ASOP). Under the ASOP, the actual portfolio type, mix and class are modeled to determine a best estimate of the long-term rate of return. The Company in turn uses those results to further validate its own assumptions.

*Components of Net Periodic Benefit Cost*

Pension and other postretirement benefit expenses are included in acquisition and operating expenses in the consolidated statements of earnings, which includes \$24 million, \$(39) million and \$14 million of other components of net periodic pension cost and postretirement costs (other than service costs) for the years ended December 31, 2024, 2023 and 2022, respectively. Total net periodic benefit cost includes the following components:

(In millions)	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Service cost	\$ 14	\$ 14	\$ 19	\$ 0	\$ 7	\$ 26	\$ 0	\$ 0	\$ 0
Interest cost	8	9	5	36	41	34	1	1	1
Expected return on plan assets	(7)	(7)	(8)	(30)	(34)	(42)	0	0	0
Amortization of net actuarial (gain) loss	0	0	1	(1)	(2)	21	0	2	2
Amortization of prior service cost (credit)	0	0	0	(1)	0	0	0	0	0
Curtailment (gain) loss	0	0	0	0	(49)	0	0	0	0
Settlement (gain) loss	0	0	0	18	0	0	0	0	0
Net periodic benefit cost (credit)	\$ 15	\$ 16	\$ 17	\$ 22	\$ (37)	\$ 39	\$ 1	\$ 3	\$ 3

*Changes in Accumulated Other Comprehensive Income*

The following table summarizes the amounts recognized in other comprehensive loss (income) for the years ended December 31:

(In millions)	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Net actuarial (gain) loss	\$ (40)	\$ (5)	\$(14)	\$ 31	\$ 31	\$(127)	\$ 2	\$ (4)	\$ 0
Amortization of net actuarial gain (loss)	0	0	(1)	1	2	(21)	0	(2)	(2)
Amortization of prior service cost	0	0	0	1	0	0	0	0	0
Curtailment (gain) loss	0	0	0	0	(57)	0	0	0	0
Settlement (gain) loss	0	0	0	(18)	0	0	0	0	0
Total	\$ (40)	\$ (5)	\$(15)	\$ 15	\$ (24)	\$(148)	\$ 2	\$ (6)	\$ (2)

No transition obligations arose during 2024.

*Benefit Payments*

The following table provides expected benefit payments, which reflect expected future service, as appropriate.

(In millions)	Pension Benefits		Other
	Japan	U.S.	
2025	\$ 16	\$ 37	\$ 4
2026	10	37	4
2027	11	43	3
2028	11	42	2
2029	12	42	2
2030-2034	72	212	3

### Funding

The Company plans to make contributions of \$23 million to the Japanese funded defined benefit plan in 2025. The Company does not plan to make any contributions to the U.S. funded defined benefit plan in 2025. The Company did not make a contribution to the U.S. funded defined benefit plan in 2024. The funding policy for the Company's non-qualified supplemental defined benefit pension plans and other postretirement benefits plan is to contribute the amount of the benefit payments made during the year.

### Plan Assets

The investment objective of the Company's Japanese and U.S. funded defined benefit plans is to preserve the purchasing power of the plan's assets and earn a reasonable inflation-adjusted rate of return over the long term. In January 2025, the assets of the U.S. defined benefit plan were moved to cash in anticipation of plan termination. Furthermore, the Company seeks to accomplish these objectives in a manner that allows for the adequate funding of plan benefits and expenses. In order to achieve these objectives, the Company's goal is to maintain a conservative, well-diversified and balanced portfolio of high-quality equity, fixed-income and money market securities. As a part of its strategy, the Company has established strict policies covering quality, type and concentration of investment securities. For the Company's Japanese plan, these policies include limitations on investments in derivatives including futures, options and swaps, and low-liquidity investments such as real estate, venture capital investments, and privately issued securities. For the Company's U.S. plan, these policies prohibit investments in precious metals, limited partnerships, venture capital, and direct investments in real estate. The Company is also prohibited from trading on margin.

The plan fiduciaries for the Company's funded defined benefit plans have developed guidelines for asset allocations reflecting a percentage of total assets by asset class, which are reviewed on an annual basis. Asset allocation targets as of December 31, 2024 were as follows:

	Japan Pension	U.S. Pension
Domestic equities	8 %	0 %
International equities	10	0
Fixed income securities	45	99
Other	37	1
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

The following tables present the fair value of Aflac Japan's pension plan assets that are measured at fair value on a recurring basis as of December 31.

<b>2024</b>				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Japan pension plan assets:</b>				
<b>Equities:</b>				
Japanese equity securities	\$ 0	\$ 29	\$ 0	\$ 29
International equity securities	0	36	0	36
<b>Fixed income securities:</b>				
Japanese bonds	0	0	0	0
International bonds	0	154	0	154
Insurance contracts	0	64	0	64
Alternative investments	0	0	62	62
Cash and cash equivalents	0	0	0	0
<b>Total</b>	<b>\$ 0</b>	<b>\$ 283</b>	<b>\$ 62</b>	<b>\$ 345</b>



2023				
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Japan pension plan assets:</b>				
Equities:				
Japanese equity securities	\$ 0	\$ 21	\$ 0	\$ 21
International equity securities	0	38	0	38
Fixed income securities:				
Japanese bonds	0	22	0	22
International bonds	0	194	0	194
Insurance contracts	0	26	0	26
Alternative investments	0	0	16	16
Cash and cash equivalents	27	0	0	27
<b>Total</b>	<b>\$ 27</b>	<b>\$ 301</b>	<b>\$ 16</b>	<b>\$ 344</b>

The following table presents the fair value of Aflac U.S.'s pension plan assets that are measured at fair value on a recurring basis as of December 31. All of these assets are classified as Level 1 in the fair value hierarchy.

(In millions)	2024	2023
<b>U.S. pension plan assets:</b>		
Mutual funds:		
Fixed income bond funds	435	\$ 648
Cash and cash equivalents	4	0
<b>Total</b>	<b>\$ 439</b>	<b>\$ 648</b>

The fair values of the Company's pension plan investments categorized as Level 1, consisting of mutual funds, are based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Company. The fair values of the Company's pension plan investments classified as Level 2 are based on quoted prices for similar assets in markets that are not active, other inputs that are observable, such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates, or other market-corroborated inputs. The fair values of the Company's pension plan investments classified as Level 3 are based on certain inputs that are not observable in an active market including the difference between contract rates and market rates, the difference of interest spread on contract and interest spread on market and the appraisal value of collateralized real estate.

The following table presents the changes in fair value of Aflac Japan's pension plan assets that are classified as Level 3 for the years ended December 31.

(In millions)	2024	2023
<b>Alternative investments:</b>		
Balance, beginning of period	\$ 16	\$ 0
Actual return on plan assets:		
Relating to assets still held at the reporting date	2	0
Relating to assets sold during the period	0	0
Purchases, sales and settlements	44	16
Transfers in and/or out of Level 3	0	0
<b>Balance, end of period</b>	<b>\$ 62</b>	<b>\$ 16</b>

#### **401(k) Plan**

The Company sponsors a 401(k) plan in which it matches a portion of U.S. employees' contributions. The plan provides for salary reduction contributions by employees and, in 2024, 2023, and 2022, provided matching contributions by the Company of 100% of each employee's contributions which were not in excess of 4% of the employee's annual cash compensation. The Company also provides a nonelective contribution to the 401(k) plan of 4% of annual cash compensation. Effective January 1, 2024, the nonelective 401(k) employer contribution was extended to U.S. employees who were participants in the defined benefit plan prior to the freeze of future benefits on January 1, 2024.

The 401(k) contributions by the Company, included in acquisition and operating expenses in the consolidated statements of earnings, were \$21 million in 2024 and \$20 million in 2023 and \$18 million in 2022. The plan trustee held approximately 1.9 million shares of the Company's common stock for plan participants at December 31, 2024.

#### **Stock Bonus Plan**

Aflac U.S. maintains a stock bonus plan for eligible U.S. sales associates. Plan participants receive shares of Aflac Incorporated common stock based on their new annualized premium sales and their first-year persistency of substantially all new insurance policies. The cost of this plan, which was capitalized as deferred policy acquisition costs, amounted to \$21 million in 2024 and \$19 million in 2023 and \$16 million in 2022.

### **15. COMMITMENTS AND CONTINGENT LIABILITIES**

The Company has an outsourcing agreement with a technology and consulting corporation that provides for mainframe computer operations, distributed mid-range server computer operations, and related support for Aflac Japan. The agreement has a remaining term of four years with an aggregate remaining cost of ¥43.4 billion (\$274 million using the December 31, 2024 exchange rate).

The Company has three outsourcing agreements with a management consulting and technology services company. The first agreement provides for application maintenance and development services for Aflac Japan. The first agreement has a remaining term of four years with an aggregate remaining cost of ¥14.7 billion (\$93 million using the December 31, 2024 exchange rate). The second agreement provides for policy administrative services for Aflac Japan. The second agreement has a remaining term of four years with an aggregate remaining cost of ¥6.8 billion (\$43 million using the December 31, 2024 exchange rate). The third agreement provides for comprehensive project-related support services for Aflac Japan. The third agreement has a remaining term of two years with an aggregate remaining cost of ¥2.3 billion (\$15 million using the December 31, 2024 exchange rate).

The Company has two outsourcing agreements with information technology and data services companies to provide application maintenance and development services for Aflac Japan. The first agreement has a remaining term of less than a year with an aggregate remaining cost of ¥1.1 billion (\$7 million using the December 31, 2024, exchange rate). The second agreement has a remaining term of less than a year with an aggregate remaining cost of ¥1.8 billion (\$11 million using the December 31, 2024 exchange rate).

The Company has an enterprise agreement with an information technology and data services company to license software for Aflac Japan. The agreement has a remaining term of two years with an aggregate remaining cost of ¥1.5 billion (\$10 million using the December 31, 2024 exchange rate).

The Company has an outsourcing agreement with an information technology and software company to provide application maintenance and development services for Aflac Japan. The agreement has a remaining term of one year with an aggregate remaining cost of ¥.9 billion (\$6 million using the December 31, 2024 exchange rate).

The Company has an outsourcing agreement with an information technology and data services company to provide cloud hosting services for the Company. The agreement has a remaining term of three years with an aggregate remaining cost of \$54 million.

The Company has a comprehensive agreement with a cloud-based software company to license software for Aflac Japan. The agreement has a remaining term of five years with an aggregate remaining cost of ¥8.0 billion (\$51 million using the December 31, 2024 exchange rate).

The Company is a defendant in various lawsuits and receives various regulatory inquiries considered to be in the normal course of business. Members of the Company's senior legal and financial management teams review litigation and regulatory inquiries on a quarterly and annual basis. The final results of any litigation or regulatory inquiries cannot be predicted with certainty. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, the Company believes the outcome of pending litigation will not have a material adverse effect on its financial position, results of operations, or cash flows.

See Note 3 for details on certain investment commitments.

### **Guaranty Fund Assessments**

The U.S. insurance industry has a policyholder protection system that is monitored and regulated by state insurance departments. These life and health insurance guaranty associations are state entities (in all 50 states as well as Puerto Rico and the District of Columbia) created to protect policyholders of an insolvent insurance company. All insurance companies (with limited exceptions) licensed to sell life or health insurance in a state must be members of that state's guaranty association. Under state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies that write the same line or similar lines of business.

Guaranty fund assessments for the years ended December 31, 2024, 2023 and 2022 were immaterial.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in, or disagreements with, accountants on accounting and financial disclosure matters during the years ended December 31, 2024 and 2023.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

#### Internal Control Over Financial Reporting

##### (a) Management's Annual Report on Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting is incorporated herein by reference from Part II, Item 8. of this report.

##### (b) Attestation Report of the Registered Public Accounting Firm

The Attestation Report of the Registered Public Accounting Firm on the Company's internal control over financial reporting is incorporated herein by reference from Part II, Item 8. of this report.

##### (c) Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter of 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION

#### Insider Trading Arrangements

During the fourth quarter of 2024, the following directors or executive officers adopted or terminated a contract, instruction or written plan for the purchase or sale of the Parent Company's securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement as defined in Regulation S-K Item 408(c):

- On December 4, 2024, Masatoshi Koide, President and Representative Director of Aflac Japan, adopted a Rule 10b5-1 trading plan that provides for the sale of 50% of performance-based restricted stock shares to be released upon approval of the Company's board of directors and will terminate no later than June 30, 2025. The estimated number of gross shares of Aflac Incorporated common stock to be acquired is 21,805; however, the actual number of shares may vary based on achievement of designated performance metrics.
- On December 4, 2024, Joseph L. Moskowitz, a member of the Company's board of directors, adopted a Rule 10b5-1 trading plan that provides for the sale of 4,000 shares of Aflac Incorporated common stock and will terminate no later than November 10, 2025.
- On December 5, 2024, Charles D. Lake II, Chairman and Representative Director of Aflac Japan and President of Aflac International, adopted a Rule 10b5-1 trading plan that provides for the sale of 55.95% of performance-based restricted stock shares to be released upon approval of the Company's board of directors and will terminate no later than June 30, 2025. The estimated number of gross shares of Aflac Incorporated common stock to be acquired is 20,614; however, the actual number of shares may vary based on achievement of designated performance metrics.

### ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

**PART III**

Pursuant to General Instruction G to Form 10-K, Items 10 through 14 are incorporated by reference from the Company's definitive Notice and Proxy Statement relating to the Company's 2025 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or about March 20, 2025, pursuant to Regulation 14A under the Exchange Act. The Audit Committee Report and Compensation Committee Report to be included in such proxy statement shall be deemed to be furnished in this report and shall not be incorporated by reference into any filing under the Securities Act of 1933 as a result of such furnishing in Items 10. and 11. respectively.

Refer to the Information Contained in the Proxy  
Statement under Captions (filed electronically)

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<b>ITEM 10.</b>	<b>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</b>  Information about the Company's Executive Officers - see Part I, Item 1 herein	Proposal 1 Election of Directors; Delinquent Section 16(a) Reports; Audit and Risk Committee; Audit and Risk Committee Report; Director Nominating Process; Code of Business Conduct and Ethics; and Insider Trading Policy and Compliance Procedures
<b>ITEM 11.</b>	<b>EXECUTIVE COMPENSATION</b>	Director Compensation; Compensation Committee; Compensation Committee Report; Compensation Discussion and Analysis; 2024 Summary Compensation Table; 2024 Grants of Plan-Based Awards; 2024 Outstanding Equity Awards at Fiscal Year-End; 2024 Option Exercises and Stock Vested; Pension Benefits; Nonqualified Deferred Compensation; Potential Payments Upon Termination or Change in Control; Compensation Committee Interlocks and Insider Participation; and Equity Granting Policies
<b>ITEM 12.</b>	<b>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</b>	Beneficial Ownership of the Company's Securities; Security Ownership of Directors; Proposal 1 Election of Directors; Security Ownership of Management; and Equity Compensation Plan Information
<b>ITEM 13.</b>	<b>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</b>	Related Person Transactions; and Director Independence
<b>ITEM 14.</b>	<b>PRINCIPAL ACCOUNTING FEES AND SERVICES</b>	Proposal 3 Ratification of Auditors; and Audit and Risk Committee

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

Page(s)

Included in Part II, Item 8. of this report:

Aflac Incorporated and Subsidiaries:

Report of Independent Registered Public Accounting Firm	80
Consolidated Statements of Earnings for each of the years in the three-year period ended December 31, 2024	84
Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2024	85
Consolidated Balance Sheets as of December 31, 2024 and 2023	86
Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2024	87
Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2024	89
Notes to the Consolidated Financial Statements	90

2. FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this report:

Schedule II -	Condensed Financial Information of Registrant as of December 31, 2024 and 2023, and for each of the years in the three-year period ended December 31, 2024	192
Schedule III -	Supplementary Insurance Information as of December 31, 2024 and 2023, and for each of the years in the three-year period ended December 31, 2024	199
Schedule IV -	Reinsurance for each of the years in the three-year period ended December 31, 2024	200

3. EXHIBIT INDEX

An "Exhibit Index" has been filed as part of this Report beginning on the following page and is incorporated herein by this reference.

Schedules other than those listed above are omitted because they are not required, are not material, are not applicable, or the required information is shown in the financial statements or notes thereto.

In reviewing the agreements included as exhibits to this annual report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

(b) EXHIBIT INDEX<sup>(1)</sup>

- 3.0 - Articles of Incorporation, as amended – incorporated by reference from Form 10-Q for June 30, 2008, Exhibit 3.0.
- 3.1 - Bylaws of Aflac Incorporated, as amended and restated – incorporated by reference from Form 8-K dated November 17, 2023, Exhibit 3.1.
- 4.0 - There are no instruments with respect to long-term debt not being registered in which the total amount of securities authorized exceeds 10% of the total assets of Aflac Incorporated and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of any long-term debt instrument to the Securities and Exchange Commission upon request.
- 4.1 - Description of common stock securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 – incorporated by reference from 2019 Form 10-K, Exhibit 4.1.
- 4.2 - Indenture, dated as of May 21, 2009, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee – incorporated by reference from Form 8-K dated May 21, 2009, Exhibit 4.1.
- 4.3 - Second Supplemental Indenture, dated as of December 17, 2009, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 6.900% Senior Note due 2039) – incorporated by reference from Form 8-K dated December 14, 2009, Exhibit 4.1.
- 4.4 - Third Supplemental Indenture, dated as of August 9, 2010, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 6.45% Senior Note due 2040) – incorporated by reference from Form 8-K dated August 4, 2010, Exhibit 4.1.
- 4.5 - Twelfth Supplemental Indenture, dated as of September 19, 2016, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 2.875% Senior Note due 2026) – incorporated by reference from Form 8-K dated September 19, 2016, Exhibit 4.1.
- 4.6 - Thirteenth Supplemental Indenture, dated as of September 19, 2016, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 4.000% Senior Note due 2046) – incorporated by reference from Form 8-K dated September 19, 2016, Exhibit 4.2.
- 4.7 - Fourteenth Supplemental Indenture, dated as of January 25, 2017, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of .932% Senior Note due 2027) – incorporated by reference from Form 8-K dated January 25, 2017, Exhibit 4.1.
- 4.8 - Fifteenth Supplemental Indenture, dated as of October 18, 2018, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.159% Senior Note due 2030) – incorporated by reference from Form 8-K dated October 18, 2018, Exhibit 4.1.
- 4.9 - Sixteenth Supplemental Indenture, dated as of October 18, 2018, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.488% Senior Note due 2033) – incorporated by reference from Form 8-K dated October 18, 2018, Exhibit 4.2.
- 4.10 - Seventeenth Supplemental Indenture, dated as of October 18, 2018, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.750% Senior Note due 2038) – incorporated by reference from Form 8-K dated October 18, 2018, Exhibit 4.3.
- 4.11 - Eighteenth Supplemental Indenture, dated as of October 31, 2018, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 4.750% Senior Note due 2049) – incorporated by reference from Form 8-K dated October 31, 2018, Exhibit 4.1.
- 4.12 - Nineteenth Supplemental Indenture, dated as of December 17, 2019, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.500% Senior Note due 2029) – incorporated by reference from Form 8-K dated December 17, 2019, Exhibit 4.1.
- 4.13 - Twentieth Supplemental Indenture, dated as of December 17, 2019, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.843% Senior Note due 2031) – incorporated by reference from Form 8-K dated December 17, 2019, Exhibit 4.2.
- 4.14 - Twenty-First Supplemental Indenture, dated as of December 17, 2019, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.934% Senior Note due 2034) – incorporated by reference from Form 8-K dated December 17, 2019, Exhibit 4.3.
- 4.15 - Twenty-Second Supplemental Indenture, dated as of December 17, 2019, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.122% Senior Note due 2039) – incorporated by reference from Form 8-K dated December 17, 2019, Exhibit 4.4.
- 4.16 - Twenty-Third Supplemental Indenture, dated as of March 12, 2020, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.300% Senior Note due 2025) – incorporated by reference from Form 8-K dated March 12, 2020, Exhibit 4.1.



- 4.17 - Twenty-Fourth Supplemental Indenture, dated as of March 12, 2020, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.550% Senior Note due 2030) – incorporated by reference from Form 8-K dated March 12, 2020, Exhibit 4.2.
- 4.18 - Twenty-Fifth Supplemental Indenture, dated as of March 12, 2020, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.750% Senior Note due 2032) – incorporated by reference from Form 8-K dated March 12, 2020, Exhibit 4.3.
- 4.19 - Twenty-Sixth Supplemental Indenture, dated as of March 12, 2020, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.830% Senior Note due 2035) – incorporated by reference from Form 8-K dated March 12, 2020, Exhibit 4.4.
- 4.20 - Twenty-Seventh Supplemental Indenture, dated as of April 1, 2020, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 3.600% Senior Note due 2030) – incorporated by reference from Form 8-K dated April 1, 2020, Exhibit 4.1.
- 4.21 - Twenty-Eighth Supplemental Indenture, dated as of March 8, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.125% Senior Sustainability Note due 2026) – incorporated by reference from Form 8-K dated March 8, 2021, Exhibit 4.1.
- 4.22 - Twenty-Ninth Supplemental Indenture, dated as of April 15, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.633% Senior Note due 2031) – incorporated by reference from Form 8-K dated April 15, 2021, Exhibit 4.1.
- 4.23 - Thirtieth Supplemental Indenture, dated as of April 15, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 0.844% Senior Note due 2033) – incorporated by reference from Form 8-K dated April 15, 2021, Exhibit 4.2.
- 4.24 - Thirty-First Supplemental Indenture, dated as of April 15, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.039% Senior Note due 2036) – incorporated by reference from Form 8-K dated April 15, 2021, Exhibit 4.3.
- 4.25 - Thirty-Second Supplemental Indenture, dated as of April 15, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.264% Senior Note due 2041) – incorporated by reference from Form 8-K dated April 15, 2021, Exhibit 4.4.
- 4.26 - Thirty-Third Supplemental Indenture, dated as of April 15, 2021, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.560% Senior Note due 2051) – incorporated by reference from Form 8-K dated April 15, 2021, Exhibit 4.5.
- 4.27 - Thirty-Fourth Supplemental Indenture, dated as of September 14, 2022, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.075% Senior Note due 2029) – incorporated by reference from Form 8-K dated September 14, 2022, Exhibit 4.1.
- 4.28 - Thirty-Fifth Supplemental Indenture, dated as of September 14, 2022, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.320% Senior Note due 2032) – incorporated by reference from Form 8-K dated September 14, 2022, Exhibit 4.2.
- 4.29 - Thirty-Sixth Supplemental Indenture, dated as of September 14, 2022, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.594% Senior Note due 2037) – incorporated by reference from Form 8-K dated September 14, 2022, Exhibit 4.3.
- 4.30 - Thirty-Seventh Supplemental Indenture, dated as of September 14, 2022, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 2.144% Senior Note due 2052) – incorporated by reference from Form 8-K dated September 14, 2022, Exhibit 4.4.
- 4.31 - Thirty-Eighth Supplemental Indenture, dated as of March 21, 2024, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.048% Senior Note due 2029) – incorporated by reference from Form 8-K dated March 21, 2024, Exhibit 4.1.
- 4.32 - Thirty-Ninth Supplemental Indenture, dated as of March 21, 2024, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.412% Senior Note due 2031) – incorporated by reference from Form 8-K dated March 21, 2024, Exhibit 4.2.
- 4.33 - Fortieth Supplemental Indenture, dated as of March 21, 2024, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 1.682% Senior Note due 2034) – incorporated by reference from Form 8-K dated March 21, 2024, Exhibit 4.3.
- 4.34 - Subordinated Indenture, dated as of September 26, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee – incorporated by reference from Form 8-K dated September 26, 2012, Exhibit 4.1.
- 4.35 - Second Supplemental Indenture, dated as of October 23, 2017, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 2.108% Subordinated Debenture due 2047) - incorporated by reference from Form 8-K dated October 23, 2017, Exhibit 4.1.

- 10.0\* - American Family Corporation Retirement Plan for Senior Officers, as amended and restated October 1, 1989 – incorporated by reference from 1993 Form 10-K, Exhibit 10.2.
- 10.1\* - Amendment to American Family Corporation Retirement Plan for Senior Officers, dated December 8, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.1.
- 10.2\* - Second Amendment to the American Family Corporation Retirement Plan for Senior Officers, dated November 16, 2012 – incorporated by reference from Form 10-Q for September 30, 2016, Exhibit 10.2.
- 10.3\* - Third Amendment to the American Family Corporation Retirement Plan for Senior Officers, dated October 18, 2016 – incorporated by reference from Form 10-Q for September 30, 2016, Exhibit 10.3.
- 10.4\* - Fourth Amendment to the American Family Corporation Retirement Plan for Senior Officers – incorporated by reference from Form 8-K dated June 13, 2023, Exhibit 10.2.
- 10.5\* - Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 – incorporated by reference from 2008 Form 10-K, Exhibit 10.5.
- 10.6\* - First Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 – incorporated by reference from 2012 Form 10-K, Exhibit 10.3.
- 10.7\* - Second Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 – incorporated by reference from 2014 Form 10-K, Exhibit 10.4.
- 10.8\* - Third Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 – incorporated by reference from Form 8-K dated June 13, 2023, Exhibit 10.1.
- 10.9\* - Aflac Incorporated Executive Deferred Compensation Plan, as amended and restated, effective January 1, 2020 – incorporated by reference from 2019 Form 10-K, Exhibit 10.11.
- 10.10\* - First Amendment to the Aflac Incorporated Executive Deferred Compensation Plan, as amended and restated, effective January 1, 2020 – incorporated by reference from Form 10-Q for June 30, 2020, Exhibit 10.1.
- 10.11\* - Second Amendment to the Aflac Incorporated Executive Deferred Compensation Plan, as amended and restated, effective January 1, 2020 – incorporated by reference from Form 10-Q for September 30, 2022, Exhibit 10.1.
- 10.12\* - Aflac Incorporated 2018 Management Incentive Plan – incorporated by reference from the 2017 Proxy Statement, Appendix B.
- 10.13\* - Aflac Incorporated 2023 Management Incentive Plan – incorporated by reference from Form 8-K dated February 10, 2023, Exhibit 10.1.
- 10.14\* - 1999 Aflac Associate Stock Bonus Plan, amended and restated as of February 1, 2021 – incorporated by reference from Form 10-Q for March 31, 2021, Exhibit 10.1.
- 10.15\* - 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from the 2012 Proxy Statement, Appendix A.
- 10.16\* - Form of Non-Employee Director Stock Option Agreement (NQSO) under the 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from Form 10-Q for March 31, 2016, Exhibit 10.13.
- 10.17\* - U.S. Form of Employee Stock Option Agreement (Non-Qualifying Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from Form 10-Q for March 31, 2016, Exhibit 10.21.
- 10.18\* - Japan Form of Employee Stock Option Agreement (Non-Qualifying Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from Form 10-Q for March 31, 2016, Exhibit 10.22.
- 10.19\* - U.S. Form of Employee Stock Option Agreement (Incentive Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from Form 10-Q for March 31, 2016, Exhibit 10.23.
- 10.20\* - Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 8-K dated May 1, 2017, Exhibit 10.1.
- 10.21\* - First Amendment to the Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 10-Q for September 30, 2022, Exhibit 10.2.
- 10.22\* - Form of Non-Employee Director Stock Option Agreement (Non-Qualifying Stock Option) under the Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 10-Q for June 30, 2017, Exhibit 10.33.
- 10.23\* - Form of Non-Employee Director Restricted Stock Award Agreement under the Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 10-Q for June 30, 2017, Exhibit 10.34.

- 10.24\* - U.S. Form of Employee Restricted Stock Award Agreement under the Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 8-K dated February 11, 2022, Exhibit 10.1.
- 10.25\* - Japan Form of Employee Restricted Stock Award Agreement under the Aflac Incorporated Long-Term Incentive Plan, as amended and restated February 14, 2017 – incorporated by reference from Form 8-K dated February 11, 2022, Exhibit 10.2.
- 10.26\* - Aflac Incorporated Retirement Plan for Directors Emeritus, as amended and restated, dated February 9, 2010 – incorporated by reference from 2009 Form 10-K, Exhibit 10.26.
- 10.27\* - Amendment to Aflac Incorporated Retirement Plan for Directors Emeritus, as amended and restated, dated August 10, 2010 – incorporated by reference from Form 10-Q for September 30, 2010, Exhibit 10.27.
- 10.28\* - Aflac Life Insurance Japan Ltd. Officer Retirement Plan – incorporated by reference from 2019 Form 10-K, Exhibit 10.43.
- 10.29\* - Aflac Incorporated Executive Officer Severance Plan – incorporated by reference from Form 10-Q for March 31, 2023, Exhibit 10.2.
- 10.30\* - Aflac Incorporated Employment Agreement with Daniel P. Amos, as amended and restated, dated August 20, 2015 – incorporated by reference from Form 10-Q for September 30, 2015, Exhibit 10.29.
- 10.31\* - Aflac Incorporated Employment Agreement with Audrey Boone Tillman, dated June 11, 2015 – incorporated by reference from Form 10-Q for March 31, 2018, Exhibit 10.6.
- 10.32\* - Amendment to Aflac Incorporated Employment Agreement with Audrey Boone Tillman, dated October 24, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.34.
- 10.33\* - Amendment to Aflac Incorporated Employment Agreement with Audrey Boone Tillman, dated November 1, 2024.
- 10.34\* - Aflac Incorporated Employment Agreement with Max K. Brodén, dated April 29, 2021 – incorporated by reference from Form 10-Q for March 31, 2021, Exhibit 10.3.
- 10.35\* - Amendment to Aflac Incorporated Employment Agreement with Max K. Brodén, dated October 24, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.37.
- 10.36\* - Amendment to Aflac Incorporated Employment Agreement with Max K. Brodén, dated November 1, 2024.
- 10.37 - Agency Services Agreement, dated March 1, 2008, by and between Japan Post Network Co., Ltd. and Aflac – incorporated by reference from Form 10-Q for March 31, 2020, Exhibit 10.2.
- 10.38\*\* - Amendment Agreement to Agency Services Agreement, dated June 27, 2016, by and between Japan Post Co., Ltd. and Aflac – incorporated by reference from Form 10-Q for March 31, 2020, Exhibit 10.3.
- 10.39 - Basic Agreement regarding the “Strategic Alliance Based on Capital Relationship”, dated December 19, 2018, by and among Japan Post Holdings Co., Ltd., Aflac Incorporated and Aflac Life Insurance Japan Ltd. – incorporated by reference from Form 8-K dated December 19, 2018, Exhibit 10.1.
- 10.40 - Letter Agreement, dated December 19, 2018, by and between Japan Post Holdings Co., Ltd. and Aflac Incorporated – incorporated by reference from Form 8-K dated December 19, 2018, Exhibit 10.2.
- 10.41 - Shareholders Agreement, dated February 28, 2019, by and between Aflac Incorporated, Japan Post Holdings Co., Ltd., J&A Alliance Holdings Corporation (solely in its capacity as trustee of J&A Alliance Trust), and General Incorporated Association J&A Alliance – incorporated by reference from Form 10-Q for March 31, 2019, Exhibit 10.50.
- 19\*\*\* - Aflac Incorporated's Insider Trading Policy and Compliance Procedures
- 21 - Subsidiaries.
- 23 - Consent of independent registered public accounting firm, KPMG LLP, to Form S-8 Registration Statement No. 333-158969 with respect to the Aflac Incorporated 401(k) Savings and Profit Sharing Plan.
- Consent of independent registered public accounting firm, KPMG LLP, to Form S-8 Registration Statement Nos. 333-135327, 333-161269, 333-202781, and 333-245702 with respect to the Aflac Incorporated Executive Deferred Compensation Plan.
- Consent of independent registered public accounting firm, KPMG LLP, to Form S-8 Registration Statement No. 333-115105 and 333-219888 with respect to the Aflac Incorporated Long-Term Incentive Plan.
- Consent of independent registered public accounting firm, KPMG LLP, to Form S-3 Registration Statement No. 333-273722 with respect to the AFL Stock Plan.
- Consent of independent registered public accounting firm, KPMG LLP, to Form S-3 Registration Statement No. 333-271561 with respect to the resale of Aflac Incorporated common stock by J&A Alliance Holdings Corporation in its capacity as the trustee of J&A Alliance Trust.

- Consent of independent registered public accounting firm, KPMG LLP, to Form S-3 Registration Statement No. 333-281977 with respect to the Aflac Incorporated shelf registration statement.
- 31.1 - Certification of CEO dated February 26, 2025, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
- 31.2 - Certification of CFO dated February 26, 2025, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
- 32 - Certification of CEO and CFO dated February 26, 2025, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 97\* - Aflac Incorporated Policy on Recoupment of Incentive Compensation – incorporated by reference from 2023 Form 10-K, Exhibit 97.
- 101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH - Inline XBRL Taxonomy Extension Schema.
- 101.CAL - Inline XBRL Taxonomy Extension Calculation Linkbase.
- 101.DEF - Inline XBRL Taxonomy Extension Definition Linkbase.
- 101.LAB - Inline XBRL Taxonomy Extension Label Linkbase.
- 101.PRE - Inline XBRL Taxonomy Extension Presentation Linkbase.
- 104 - Cover Page Interactive Data File - formatted as Inline XBRL and contained in Exhibit 101.

<sup>(1)</sup> Copies of any exhibit are available upon request by calling the Company's Investor Relations Department at 800.235.2667 - option 3

\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of this report.

\*\* Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

\*\*\* Portions of this exhibit have been redacted.

**SCHEDULE II**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Aflac Incorporated (Parent Only)**  
**Condensed Statements of Earnings**

	Years ended December 31,		
(In millions)	2024	2023	2022
<b>Revenues:</b>			
Management and service fees from subsidiaries <sup>(1)</sup>	\$ 163	\$ 151	\$ 136
Net investment income	31	(174)	3
Interest from subsidiaries <sup>(1)</sup>	1	1	2
Net investment gains (losses)	503	301	(228)
Total revenues	698	279	(87)
<b>Operating expenses:</b>			
Interest expense	189	187	215
Other operating expenses	282	295	275
Total operating expenses	471	482	490
Earnings before income taxes and equity in earnings of subsidiaries	227	(203)	(577)
Income tax expense (benefit)	(126)	(444)	(208)
Earnings before equity in earnings of subsidiaries	353	241	(369)
Equity in earnings of subsidiaries <sup>(1)</sup>	5,090	4,418	4,787
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418

<sup>(1)</sup>Eliminated in consolidation

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

**SCHEDULE II**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Aflac Incorporated (Parent Only)**  
**Condensed Statements of Comprehensive Income (Loss)**

	Years ended December 31,		
(In millions)	2024	2023	2022
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418
<b>Other comprehensive income (loss) before income taxes:</b>			
Unrealized foreign currency translation gains (losses) during period	(769)	(366)	(1,034)
Unrealized gains (losses) on fixed maturity securities during period	(1,421)	2,327	(13,056)
Unrealized gains (losses) on derivatives during period	3	6	4
Effect of changes in discount rate assumptions during period	5,780	(582)	17,384
Pension liability adjustment during period	23	35	165
Total other comprehensive income (loss) before income taxes	3,616	1,420	3,463
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,074	511	1,481
Other comprehensive income (loss), net of income taxes	2,542	909	1,982
Total comprehensive income (loss)	\$ 7,985	\$ 5,568	\$ 6,400

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

**SCHEDULE II**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Aflac Incorporated (Parent Only)**  
**Condensed Balance Sheets**

	December 31,	
(In millions, except for share and per-share amounts)	2024	2023
<b>Assets:</b>		
Investments and cash:		
Fixed maturity securities available-for-sale, at fair value (no allowance for credit losses in 2024 and 2023, amortized cost \$1,702 in 2024 and \$1,447 in 2023)	\$ 1,713	\$ 1,582
Investments in subsidiaries <sup>(1)</sup>	27,890	24,508
Other investments	1,239	1,126
Cash and cash equivalents	2,308	1,007
Total investments and cash	33,150	28,223
Due from subsidiaries <sup>(1)</sup>	242	270
Income taxes receivable	71	251
Other assets	1,121	1,202
Total assets	\$ 34,584	\$ 29,946
<b>Liabilities and shareholders' equity:</b>		
Liabilities:		
Employee benefit plans	\$ 347	\$ 329
Notes payable and lease obligations	7,219	6,819
Other liabilities	920	813
Total liabilities	8,486	7,961
Shareholders' equity:		
Common stock of \$.10 par value. In thousands: authorized 1,900,000 shares in 2024 and 2023; issued 1,356,763 shares in 2024 and 1,355,398 shares in 2023	136	136
Additional paid-in capital	2,894	2,771
Retained earnings	52,277	47,993
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	(4,998)	(4,069)
Unrealized gains (losses) on fixed maturity securities	24	1,139
Unrealized gains (losses) on derivatives	(20)	(22)
Effect of changes in discount rate assumptions	2,006	(2,560)
Pension liability adjustment	10	(8)
Treasury stock, at average cost	(26,231)	(23,395)
Total shareholders' equity	26,098	21,985
Total liabilities and shareholders' equity	\$ 34,584	\$ 29,946

<sup>(1)</sup>Eliminated in consolidation

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.



**SCHEDULE II**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Aflac Incorporated (Parent Only)**  
**Condensed Statements of Cash Flows**

	Years ended December 31,		
(In millions)	2024	2023	2022
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 5,443	\$ 4,659	\$ 4,418
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Equity in earnings of subsidiaries <sup>(1)</sup>	(5,090)	(4,418)	(4,787)
Cash dividends received from subsidiaries	4,274	3,410	2,705
Other, net	(292)	(686)	18
Net cash provided (used) by operating activities	4,335	2,965	2,354
<b>Cash flows from investing activities:</b>			
Fixed maturity securities sold	572	547	392
Fixed maturity securities purchased	(695)	(345)	(438)
Other investments sold (purchased)	(243)	(34)	(206)
Settlement of derivatives	469	693	718
Additional capitalization of subsidiaries <sup>(1)</sup>	(84)	(203)	(294)
Other, net	0	1	1
Net cash provided (used) by investing activities	19	659	173
<b>Cash flows from financing activities:</b>			
Purchases of treasury stock	(2,800)	(2,801)	(2,401)
Proceeds from borrowings	823	0	1,277
Principal payments under debt obligations	0	0	(1,416)
Dividends paid to shareholders	(1,087)	(966)	(979)
Treasury stock reissued	14	17	17
Proceeds from exercise of stock options	9	13	12
Net change in amount due to/from subsidiaries <sup>(1)</sup>	(5)	(6)	16
Other, net	(7)	(17)	(7)
Net cash provided (used) by financing activities	(3,053)	(3,760)	(3,481)
Net change in cash and cash equivalents	1,301	(136)	(954)
Cash and cash equivalents, beginning of period	1,007	1,143	2,097
Cash and cash equivalents, end of period	\$ 2,308	\$ 1,007	\$ 1,143

<sup>(1)</sup> Eliminated in consolidation

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

**SCHEDULE II**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Aflac Incorporated (Parent Only)**  
**Notes to Condensed Financial Statements**

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Aflac Incorporated and Subsidiaries included in Part II, Item 8. of this report.

**(A) Notes Payable and Lease Obligations**

A summary of notes payable and lease obligations as of December 31 follows:

(In millions)	2024	2023
1.125% senior sustainability notes due March 2026	\$ 399	\$ 398
2.875% senior notes due October 2026	299	299
3.60% senior notes due April 2030	994	993
6.90% senior notes due December 2039	221	221
6.45% senior notes due August 2040	255	254
4.00% senior notes due October 2046	394	394
4.750% senior notes due January 2049	542	542
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	79	87
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	378	422
1.048% senior notes due March 2029 (principal amount ¥13.0 billion)	81	0
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	211	234
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	79	88
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	84	93
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	184	206
1.412% senior notes due March 2031 (principal amount ¥27.9 billion)	176	0
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	189	211
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	58	65
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	130	145
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	133	148
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	76	84
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	95	106
1.682% senior notes due March 2034 (principal amount ¥7.7 billion)	48	0
1.600% senior notes due March 2034 (principal amount ¥18.3 billion)	115	0
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	62	69
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	66	74
1.740% senior notes due March 2036 (principal amount ¥15.0 billion)	94	0
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	63	70
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	41	45
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	56	62
1.920% senior notes due March 2039 (principal amount ¥16.5 billion)	103	0
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	39	44
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	63	70
2.160% senior notes due March 2044 (principal amount ¥5.7 billion)	35	0
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	375	419
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	125	140
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	75	84
2.400% senior notes due March 2054 (principal amount ¥19.5 billion)	122	0
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.84% in 2024 and .35% in 2023, principal amount ¥11.7 billion)	74	82
Variable interest rate loan due August 2029 (.94% in 2024 and .45% in 2023, principal amount ¥25.3 billion)	160	178
Variable interest rate loan due August 2032 (1.09% in 2024 and .60% in 2023, principal amount ¥70.0 billion)	441	492
Operating lease obligations payable through 2032	5	0
<b>Total notes payable and lease obligations</b>	<b>\$ 7,219</b>	<b>\$ 6,819</b>

Amounts in the table above are reported net of debt issuance costs and issuance premiums or discounts, if applicable, that are being amortized over the life of the notes.

In March 2024, the Parent Company issued five series of senior notes totaling ¥75.0 billion through a private placement. The first series, which totaled ¥18.3 billion, bears interest at a fixed rate of 1.600% per annum, payable semi-annually, and will mature in March 2034. The second series, which totaled ¥15.0 billion, bears interest at a fixed rate of 1.740% per annum, payable semi-annually, and will mature in March 2036. The third series, which totaled ¥16.5 billion, bears interest at a fixed rate of 1.920% per annum, payable semi-annually, and will mature in March 2039. The fourth series, which totaled ¥5.7 billion, bears interest at a fixed rate of 2.160% per annum, payable semi-annually, and will mature in March 2044. The fifth series, which totaled ¥19.5 billion, bears interest at a fixed rate of 2.400% per annum, payable semi-annually, and will mature in March 2054. These notes are redeemable at the Parent Company's option (i) in whole at any time or (ii) in part from time to time in an amount not less than 5% of the aggregate principal amount then outstanding of the notes to be redeemed.

In March 2024, the Parent Company issued three series of senior notes totaling ¥48.6 billion through a public debt offering under its U.S. shelf registration statement. The first series, which totaled ¥13.0 billion, bears interest at a fixed rate of 1.048% per annum, payable semi-annually, and will mature in March 2029. The second series, which totaled ¥27.9 billion, bears interest at a fixed rate of 1.412% per annum, payable semi-annually, and will mature in March 2031. The third series, which totaled ¥7.7 billion, bears interest at a fixed rate of 1.682% per annum, payable semi-annually, and will mature in March 2034. These notes are redeemable at the Parent Company's option at any time, in whole but not in part, upon the occurrence of certain changes affecting U.S. taxation, as specified in the indenture governing the terms of the issuance. In addition, the notes maturing in March 2029, March 2031 and March 2034 are redeemable at the Parent Company's option, in whole or in part from time to time, on or after December 21, 2028, December 31, 2030 and September 21, 2033, respectively, at a redemption price equal to the aggregate principal amount of the applicable series to be redeemed plus accrued and unpaid interest on the principal amount to be redeemed to, but excluding, the date of redemption.

The aggregate contractual maturities of notes payable during each of the years after December 31, 2024, are as follows:

(In millions)	
2025	\$ 79
2026	700
2027	453
2028	0
2029	533
Thereafter	5,500
<b>Total</b>	<b>\$ 7,265</b>

For further information regarding notes payable and lease obligations, see Note 9 of the Notes to the Consolidated Financial Statements.

## **(B) Derivatives**

At December 31, 2024, the Parent Company's outstanding freestanding derivative contracts were swaps, foreign currency forwards and options. The cross-currency swap agreements relate to certain of the Parent Company's U.S. dollar-denominated senior notes to effectively convert a portion of the interest on the notes from U.S. dollar to Japanese yen. The foreign currency forwards and options are designated as derivative hedges of the foreign currency exposure of the Company's net investment in Aflac Japan. The Parent Company also enters into foreign currency forward contracts with Aflac Re to economically manage the currency mismatch between Aflac Re's assets which are mostly denominated in U.S. dollars and its liabilities which are mostly denominated in yen. The Parent Company does not use derivative financial instruments for trading purposes, nor does it engage in leveraged derivative transactions. For further information regarding these derivatives, see Notes 1 and 4 of the Notes to the Consolidated Financial Statements.

## **(C) Income Taxes**

The Parent Company and its eligible U.S. subsidiaries file a consolidated U.S. federal income tax return. Income tax liabilities or benefits are recorded by each principal subsidiary based upon separate return calculations, and any difference between the consolidated provision and the aggregate amounts recorded by the subsidiaries is reflected in the Parent Company financial statements. For further information on income taxes, see Note 10 of the Notes to the Consolidated Financial Statements.

#### (D) Dividend Restrictions

See Note 13 of the Notes to the Consolidated Financial Statements for information regarding dividend restrictions.

#### (E) Supplemental Disclosures of Cash Flow Information

(In millions)	2024	2023	2022
Interest paid	\$ 180	\$ 184	\$ 211
<b>Noncash financing activities:</b>			
Treasury stock issued for shareholder dividend reinvestment	41	37	37

**SCHEDULE III**  
**SUPPLEMENTARY INSURANCE INFORMATION**

**Aflac Incorporated and Subsidiaries**  
Years ended December 31,

(In millions)	Deferred Policy Acquisition Costs	Future Policy Benefits & Unpaid Policy Claims	Unearned Premiums	Other Policyholders' Funds
<b>2024:</b>				
Aflac Japan	\$ 5,102	\$ 60,890	\$ 1,199	\$ 5,460
Aflac U.S.	3,656	10,960	103	0
All other	0	4,817	22	0
Intercompany eliminations	0	(5,905)	(38)	0
<b>Total</b>	<b>\$ 8,758</b>	<b>\$ 70,762</b>	<b>\$ 1,286</b>	<b>\$ 5,460</b>
<b>2023:</b>				
Aflac Japan	\$ 5,559	\$ 73,641	\$ 1,358	\$ 6,169
Aflac U.S.	3,573	11,492	107	0
All other	0	3,967	12	0
Intercompany eliminations	0	(5,121)	(26)	0
<b>Total</b>	<b>\$ 9,132</b>	<b>\$ 83,979</b>	<b>\$ 1,451</b>	<b>\$ 6,169</b>

Segment amounts may not agree in total to the corresponding consolidated amounts due to rounding.

Years Ended December 31,

(In millions)	Net Earned Premiums	Net Investment Income	Total Benefits and Claims, net	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
<b>2024:</b>						
Aflac Japan	\$ 6,930	\$ 3,032	\$ 4,317	\$ 321	\$ 1,527	\$ 7,866
Aflac U.S.	5,829	883	2,726	530	2,064	5,905
All other	681	201	407	0	618	0
<b>Total</b>	<b>\$ 13,440</b>	<b>\$ 4,116</b>	<b>\$ 7,450</b>	<b>\$ 851</b>	<b>\$ 4,209</b>	<b>\$ 13,771</b>
<b>2023:</b>						
Aflac Japan	\$ 8,047	\$ 3,033	\$ 5,313	\$ 326	\$ 1,790	\$ 8,571
Aflac U.S.	5,675	854	2,431	490	2,201	5,666
All other	400	(77)	467	0	421	0
<b>Total</b>	<b>\$ 14,123</b>	<b>\$ 3,811</b>	<b>\$ 8,211</b>	<b>\$ 816</b>	<b>\$ 4,412</b>	<b>\$ 14,237</b>
<b>2022:</b>						
Aflac Japan	\$ 9,186	\$ 2,867	\$ 6,191	\$ 338	\$ 2,080	\$ 9,474
Aflac U.S.	5,570	759	2,555	455	2,117	5,469
All other	145	30	141	0	395	0
<b>Total</b>	<b>\$ 14,901</b>	<b>\$ 3,656</b>	<b>\$ 8,887</b>	<b>\$ 792</b>	<b>\$ 4,592</b>	<b>\$ 14,943</b>

Segment amounts may not agree in total to the corresponding consolidated amounts due to rounding.

See the accompanying Report of Independent Registered Public Accounting Firm.

**SCHEDULE IV  
REINSURANCE**

**Aflac Incorporated and Subsidiaries**  
Years Ended December 31,

(In millions)	Gross Amount	Ceded to Other Companies	Assumed from Other companies	Net Amount	Percentage of Amount Assumed to Net
<b>2024:</b>					
Life insurance in force	\$ 187,553	\$ 13,481	\$ 21,192	\$ 195,264	11 %
Premiums:					
Health insurance	\$ 11,784	\$ 233	\$ 135	\$ 11,686	1 %
Life insurance	1,778	51	27	1,754	2
Total earned premiums	\$ 13,562	\$ 284	\$ 162	\$ 13,440	1 %
<b>2023:</b>					
Life insurance in force	\$ 163,601	\$ 15,592	\$ 28,716	\$ 176,725	16 %
Premiums:					
Health insurance	\$ 12,335	\$ 352	\$ 167	\$ 12,150	1 %
Life insurance	1,983	52	42	1,973	2
Total earned premiums	\$ 14,318	\$ 404	\$ 209	\$ 14,123	1 %
<b>2022:</b>					
Life insurance in force	\$ 132,880	\$ 11,755	\$ 34,599	\$ 155,724	22 %
Premiums:					
Health insurance	\$ 12,900	\$ 384	\$ 235	\$ 12,751	2 %
Life insurance	2,125	35	60	2,150	3
Total earned premiums	\$ 15,025	\$ 419	\$ 295	\$ 14,901	2 %

Premiums by type may not agree in total to the corresponding consolidated amounts due to rounding.  
See the accompanying Report of Independent Registered Public Accounting Firm.

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.



## Glossary of Selected Terms

Throughout this Annual Report on Form 10-K, the Company may use certain performance metrics and other terms which are defined below.

**Adjusted Net Investment Income** – Net Investment Income adjusted for i) amortized hedge cost/income related to foreign currency exposure management strategies and certain derivative activity and ii) net interest cash flows from foreign currency and interest rate derivatives associated with certain investment strategies, which are reclassified from net investment gains and (losses) to net investment income. The Company considers adjusted net investment income important because it provides a more comprehensive understanding of the costs and income associated with the Company's investments and related hedging strategies. The metric is used in segment reporting as a component of segment profitability.

**Affiliated Corporate Agency** – Agency in Japan directly affiliated with a specific corporation that sells insurance policies primarily to its employees.

**Annualized Premiums in Force** – The amount of gross premium that a policyholder must pay over a full year in order to keep coverage. The growth of net earned premiums (defined below) is directly affected by the change in premiums in force and by the change in weighted-average yen/dollar exchange rates.

**Average Weekly Producer** – The total number of writing agents who have produced greater than \$0.00 during the production week - excluding any manual adjustments - divided by the number of weeks in the time period. The Company believes this metric allows sales management to monitor progress and needs, as well as serve as a leading indicator of future production capacity.

**Capital Buffer** – Established dollar amount of liquidity at the Parent Company reserved for injecting capital into the insurance entities or general liquidity support for general expenses at the Parent Company.

**Earnings Per Basic Share** – Net earnings divided by weighted-average number of shares outstanding for the period.

**Earnings Per Diluted Share** – Net earnings divided by the weighted-average number of shares outstanding for the period plus the weighted-average shares for the dilutive effect of share-based awards outstanding.

**Economic Solvency Ratio (ESR)** – An economic value-based soundness indicator that demonstrates whether the insurance company has sufficient capital to cover future risks. Assets and liabilities are evaluated at economic value, the risk amount incurred in a stressed

environment is measured, and the capital sufficiency for this risk is assessed. The ESR level, which is the basis for supervisory intervention by the authorities, is set at 100%.

**Group Insurance** – Insurance issued to a group, such as an employer or trade association, that covers employees or association members and their dependents through certificates of coverage.

**Individual Insurance** – Insurance issued to an individual with the policy designed to cover that person and his or her dependents.

**In force Policies** – A count of policies that are active contracts at the end of a period.

**Liquidity Support** – Internally defined and established dollar amount of liquidity reserved for supporting potential collateral and settlements of derivatives at the Parent Company and short-term funding needs.

**Net Investment Income** – The income derived from interest and dividends on invested assets, after deducting investment expenses.

**Net Earned Premiums** – is a financial measure that appears on the Company's consolidated statements of earnings and in its segment reporting. This measure reflects collected or due premiums that have been earned ratably on policies in force during the reporting period, reduced by premiums that have been ceded to third parties and increased by premiums assumed through reinsurance.

**New Annualized Premium Sales** – (sometimes referred to as new sales or sales) An operating measure that is not reflected on the Company's financial statements. New annualized premium sales generally represent annual premiums on policies and riders the Company sold and incremental increases from policy conversions that would be collected over a 12-month period assuming the policies remain in force for that entire period. For Aflac Japan, new annualized premium sales are determined by applications submitted during the reporting period. For Aflac U.S., new annualized premium sales are determined by applications that are issued during the reporting period. Policy conversions are defined as the positive difference in the annualized premium when a policy upgrades in the current reporting period. The Company believes that this metric is a key indicator of the Company's future source of earnings.

**New Money Yield** – Gross yields earned on purchases of fixed maturities, loan receivables, and equities. Purchases exclude capitalized interest, securities lending/repurchase agreements, short-term/cash activity, and alternatives. New money yield for equities is based on the assumed dividend yield at the time of purchase. The new money yield for Aflac Japan excludes the

impact of any derivatives and associated amortized hedge costs associated with USD-denominated investments. Management uses this metric as a leading indicator of future investment earning potential.

**Operating Ratios** – Used to evaluate the Company's financial condition and profitability. Examples include: (1) Ratios to total adjusted revenues, which present expenses as a percentage of total revenues and (2) Ratios to total premium, including benefit ratio.

**Premium Persistency** – Percentage of premiums remaining in force at the end of a period, usually one year, and presented on a trailing 12-month basis. For example, 95% persistency would mean that 95% of the premiums in force at the beginning of the period were still in force at the end of the period. The Company believes that this metric is a key driver of in force levels, which is a key measure of the size of the Company's business and future sources of earnings.

**Pretax Adjusted Earnings** – Earnings as adjusted earnings before the application of income taxes. This measure is used in the Company's segment reporting.

**Pretax Adjusted Profit Margin** – Adjusted earnings divided by adjusted revenues, before taxes are applied. This measure is used in the Company's segment reporting.

**Return on Average Invested Assets** – Net investment income as a percentage of average invested assets during the period. Management uses this metric to demonstrate how the Company's actual net investment income results represent an overall return on the portfolio to provide a more comparative metric as the size of the Company's investment portfolio changes over time.

**Risk-based Capital (RBC) Ratio** – Statutory adjusted capital divided by statutory required capital. This insurance ratio is based on rules prescribed by the National Association of Insurance Commissioners (NAIC) and provides an indication of the amount of statutory capital the insurance company maintains, relative to the inherent risks in the insurer's operations.

**Solvency Margin Ratio (SMR)** – Solvency margin total divided by one half of the risk total. This insurance ratio is prescribed by the Japan Financial Services Agency (FSA) and is used for all life insurance companies in Japan to measure the adequacy of the company's ability to pay policyholder claims in the event actual risks exceed expected levels.

**Statutory Earnings** – Earnings determined according to accounting rules prescribed by the National Association of Insurance Commissioners (NAIC), as modified by the insurance department in the insurance company's state of domicile. These statutory accounting rules are

different from U.S. GAAP and are intended to emphasize policyholder protection and company solvency.

**Weighted-Average Foreign Currency Exchange Rate** – Japan segment operating earnings for the period (excluding hedge costs) in yen divided by Japan segment operating earnings for the period (excluding hedge costs) in dollars. Management uses this metric to evaluate and determine consolidated results on foreign currency effective basis.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### Aflac Incorporated

By: /s/ **Daniel P. Amos** February 26, 2025  
(Daniel P. Amos)  
Chief Executive Officer,  
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ <b>Daniel P. Amos</b></u> (Daniel P. Amos)	Chief Executive Officer, Chairman of the Board of Directors	<u>February 26, 2025</u>
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<u>/s/ <b>Max K. Brodén</b></u> (Max K. Brodén)	Senior Executive Vice President, Chief Financial Officer	<u>February 26, 2025</u>
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<u>/s/ <b>Robin L. Blackmon</b></u> (Robin L. Blackmon)	Senior Vice President, Financial Services; Chief Accounting Officer	<u>February 26, 2025</u>
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<u>/s/ <b>W. Paul Bowers</b></u> (W. Paul Bowers)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Arthur R. Collins</b></u> (Arthur R. Collins)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Miwako Hosoda</b></u> (Miwako Hosoda)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Thomas J. Kenny</b></u> (Thomas J. Kenny)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Georgette D. Kiser</b></u> (Georgette D. Kiser)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Karole F. Lloyd</b></u> (Karole F. Lloyd)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Nobuchika Mori</b></u> (Nobuchika Mori)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Joseph L. Moskowitz</b></u> (Joseph L. Moskowitz)	Director	<u>February 26, 2025</u>
<u>/s/ <b>Katherine T. Rohrer</b></u> (Katherine T. Rohrer)	Director	<u>February 26, 2025</u>