



First Quarter 2024 CFO Video Update/Earnings Call Prepared Remarks

May 1-2, 2024

**For more information contact:
Investor and Rating Agency Relations**

[Investors.aflac.com](https://investors.aflac.com)

800.235.2667

aflacir@aflac.com

Because technical difficulties during the call, on replays and on transcripts can make prepared remarks indiscernible, we are providing copies of prepared remarks for Aflac Incorporated's quarterly earnings call on the following pages.

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

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

- difficult conditions in global capital markets and the economy, including 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

NON-U.S. GAAP FINANCIAL MEASURES

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 earnings release as follows:

Adjusted earnings are adjusted revenues less benefits and adjusted expenses. Adjusted earnings per share (basic or diluted) are the adjusted earnings for the period divided by the weighted average outstanding shares (basic or diluted) for the period presented. The adjustments to both revenues and expenses account for certain items that cannot be predicted or that are outside management's control. Adjusted revenues are U.S. GAAP total revenues excluding adjusted net investment gains and losses. Adjusted expenses are U.S. GAAP total acquisition and operating expenses including the impact of interest cash flows from derivatives associated with notes payable but excluding any nonrecurring or other items not associated with the normal course of the Company's insurance operations and that do not reflect the Company's underlying business performance. Management uses adjusted earnings and adjusted earnings per diluted share to evaluate the financial performance of the Company's insurance operations on a consolidated basis and believes that a presentation of these financial measures is vitally important to an understanding of the underlying profitability drivers and trends of the Company's insurance business. The most comparable U.S. GAAP financial measures for adjusted earnings and adjusted earnings per share (basic or diluted) are net earnings and net earnings per share, respectively.

Adjusted 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 return on equity is adjusted earnings divided by average shareholders' equity, excluding accumulated other comprehensive income (AOCI). Management uses adjusted return on equity to evaluate the financial performance of the Company's insurance operations on a consolidated basis and believes that a presentation of this financial measure is vitally important to an understanding of the underlying profitability drivers and trends of the Company's insurance business. The Company considers adjusted return on equity important as it excludes components of AOCI, which fluctuate due to market movements that are outside management's control. The most comparable U.S. GAAP financial measure for adjusted return on equity is return on average equity (ROE) as determined using net earnings and average total shareholders' equity.

Adjusted return on equity excluding foreign currency impact is adjusted earnings excluding the current period foreign currency impact divided by average shareholders' equity, excluding AOCI. The Company considers adjusted return on equity excluding foreign currency

impact important as it excludes changes in foreign currency and components of AOCI, which fluctuate due to market movements that are outside management's control. The most comparable U.S. GAAP financial measure for adjusted return on equity excluding foreign currency impact is ROE as determined using net earnings and average total shareholders' equity.

Amortized hedge costs/income represent costs/income incurred or recognized as a result of using foreign currency derivatives to hedge certain foreign exchange risks in the Company's Japan segment or in Corporate and other. These amortized hedge costs/ income are estimated at the inception of the derivatives based on the specific terms of each contract and are recognized on a straight-line basis over the term of the hedge. The Company believes that amortized hedge costs/income measure the periodic currency risk management costs/income related to hedging certain foreign currency exchange risks and are an important component of net investment income. There is no comparable U.S. GAAP financial measure for amortized hedge costs/ income.

Adjusted book value is the U.S. GAAP book value (representing total shareholders' equity), less AOCI as recorded on the U.S. GAAP balance sheet. Adjusted book value per common share is adjusted book value at the period end divided by the ending outstanding common shares for the period presented. The Company considers adjusted book value and adjusted book value per common share important as they exclude AOCI, which fluctuates due to market movements that are outside management's control. The most comparable U.S. GAAP financial measures for adjusted book value and adjusted book value per common share are total book value and total book value per common share, respectively.

Adjusted book value including unrealized foreign currency translation gains and losses is adjusted book value plus unrealized foreign currency translation gains and losses. Adjusted book value including unrealized foreign currency translation gains and losses per common share is adjusted book value plus unrealized foreign currency translation gains and losses at the period end divided by the ending outstanding common shares for the period presented. The Company considers adjusted book value including unrealized foreign currency translation gains and losses, and its related per share financial measure, important as they exclude certain components of AOCI, which fluctuate due to market movements that are outside management's control; however, it includes the impact of foreign currency as a result of the significance of Aflac's Japan operation. The most comparable U.S. GAAP financial measures for adjusted book value including unrealized foreign currency translation gains and losses and adjusted book value including unrealized foreign currency translation gains and losses per common share are total book value and total book value per common share, respectively.

Adjusted net investment income is 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 most comparable U.S. GAAP financial measure for adjusted net investment income is net investment income.

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 cash flows 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 cash flows 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.

Max K. Brodén
Q1 2024 CFO Video Update
May 1, 2024

Thank you for joining me as I provide a financial update on Aflac Incorporated's results for the first quarter of 2024.

For the quarter, adjusted earnings per diluted share increased 7.1% year over year to \$1.66, with a \$0.08 negative impact from FX in the quarter. In this quarter, remeasurement gains totaled \$56 million, and variable investment income ran \$11 million, or \$0.01 per share, below our long-term return expectations.

Adjusted book value per share including foreign currency translation gains and losses increased 8.7%, and the adjusted ROE was 13.7%, an acceptable spread to our cost of capital. Overall, we view these results in the quarter as solid.

Starting with our Japan segment, net earned premiums for the quarter declined 6.0%. This decline reflects a ¥6.2 billion negative impact from paid up policies. In addition, there is a ¥7 billion negative impact from internal reinsurance transactions¹ and a ¥1.4 billion positive impact from deferred profit liability. Lapses were somewhat elevated, but within our expectations. At the same time, policies in force declined 2.3%.

Japan's total benefit ratio came in at 67.0% for the quarter, flat year over year, and the third sector benefit ratio was 57.5%, down approximately 20 basis points year over year. We continue to experience favorable actual to expected on our well-priced, large and mature in-force block. We estimate the impact from remeasurement gains to be 144 basis points favorable to the benefit ratio in Q1 2024. Long-term experience trends, as it relates to treatment of cancer and hospitalization, continue to be in place, leading to continued favorable underwriting experience.

Persistency remained solid with a rate of 93.4%, which was down 50 basis points year over year, but flat quarter over quarter. We tend to experience some elevation in lapses as customers update and refresh their coverage. This change in persistency is not out of line with expectations.

Our expense ratio in Japan was 18.0%, down 170 basis points year over year, driven primarily by good expense control and to some extent, by expense allowance from reinsurance transactions.

Adjusted net investment income in yen terms was up 19.3%, mainly by lower hedge costs and favorable impact from FX on USD investments in yen terms as well as a higher return on our alternatives portfolio compared to first quarter 2023. This was offset by the transfer of assets due to reinsurance in the previous year leading to a lower asset base and lower floating rate income.

The pretax margin for Japan in the quarter was 32.8%, up 460 basis points year over year; a very good result.

¹ Excludes the impact from reinsurance novated to Aflac Re in December 2023 whereby Aflac Re assumed the duties, obligations and liabilities through a reinsurance of business ALIJ previously ceded to an external reinsurer.

Turning to U.S. results, net earned premium was up 3.3%. Persistency increased 80 basis points year over year to 78.7%. This is a function of a poor persistency quarter falling out of the metric and stabilization across numerous product categories.

Our total benefit ratio came in at 46.5%, 90 basis points higher than Q1 2023, driven by product mix and lower remeasurement gains than a year ago. We estimate that remeasurement gains impacted the benefit ratio by 200 basis points in the quarter. Claims utilization has stabilized, but as we incorporate more recent experience into our reserve models, we have released some reserves.

Our expense ratio in the U.S. was 38.7%, down 90 basis points year over year, primarily driven by platforms improving scale and lower acquisition expenses.

Our growth initiatives – group life & disability, network dental and vision and direct to consumer – increased our total expense ratio by 230 basis points. We would expect this impact to decrease going forward as these businesses grow to scale and improve their profitability.

Adjusted net investment income in the U.S. was up 4.6%, mainly driven by higher yields on both our alternatives and fixed-rate portfolios.

Profitability in the U.S. segment was solid, with a pretax margin of 21.0%, driven primarily by net earned premiums growth and improved net investment income year over year.

Our total commercial real estate watchlist remains approximately \$1.2 billion, with around \$600 million of these in active foreclosure proceedings. As a result of these current low valuation marks, we increased our CECL reserves associated with these loans by \$10 million in this quarter. We also moved one property into real estate owned, which resulted in a \$3.7 million gain. We continue to believe that the current distressed market does not reflect the true intrinsic economic value of our portfolio, which is why we are confident in our ability to take ownership of these quality assets, manage them through this cycle and maximize our recoveries.

Our portfolio of first lien senior secured middle market loans continue to perform well, with losses well below our expectations for this point in the cycle.

In our corporate segment, we recorded a pretax loss of \$3 million. Adjusted net investment income was \$43 million higher than last year due to higher volume of investable assets at Aflac Re and a lower volume of tax credit investments at Aflac Inc. These tax credit investments impacted the corporate net investment income line for U.S. GAAP purposes negatively by \$32 million with an associated credit to the tax line. The net impact to our bottom line was a positive \$4 million in the quarter. To date, these investments are performing well and in line with expectations.

We are continuing to build out our reinsurance platform, and I am pleased with the outcome and performance.

Our capital position remains strong, and we ended the quarter with an SMR above 1,100% in Japan, and our combined RBC, while not finalized, we estimate to be greater than 650%. Unencumbered holding company liquidity stood at \$3.7 billion, \$2.0 billion above our minimum balance. These are strong capital ratios, which we actively monitor, stress and manage to withstand credit cycles as well as external shocks. U.S. Statutory impairments were a release of \$3 million, and Japan FSA

impairments were ¥3.6 billion, or roughly \$24 million in Q1. This is well within our expectations and with limited impact to both earnings and capital.

Adjusted leverage remains at a comfortable 20.4%, at the low end of our leverage corridor of 20% to 25%. In the quarter we issued ¥123.6 billion in multiple tranches with an average coupon of 1.72%. As we hold approximately 60% of our debt denominated in yen, our leverage will fluctuate with movements in the yen/dollar rate. This is intentional and part of our enterprise hedging program – protecting the economic value of Aflac Japan in U.S. dollar terms.

We repurchased \$750 million of our own stock and paid dividends of \$288 million in Q1, offering good relative IRR on these capital deployments. We will continue to be flexible and tactical in how we manage the balance sheet and deploy capital in order to drive strong risk-adjusted ROE with a meaningful spread to our cost of capital.

I look forward to discussing our results in further detail on tomorrow's earnings call. Thank you for your time and attention.

Daniel P. Amos
Q1 2024 Earnings Call
May 2, 2024

Thank you, David. Good morning, and we're glad you are joining us at this earlier hour. The first quarter marked a good start to the year in terms of earnings, but proved to be challenging for sales.

Aflac Incorporated delivered another solid earnings results. Net earnings per diluted share for the quarter were \$3.25. On an adjusted basis, earnings per diluted share were up 7.1% to \$1.66.

Beginning with Japan, our latest medical insurance launched in September 2023. We are encouraged by the success that independent corporate and individual agencies have had in marketing this product, especially to younger individuals. However, we clearly need to make better progress and plan on doing so.

Cancer insurance sales, however, were modestly better year over year. We entered the final stage of our new cancer insurance launch in April 2023 through the Japan Post channel. While we saw a significant and understandable year-over-year increase in cancer insurance sales through Japan Post channel, we expect to see improvement with the start of its new fiscal year as they cross sell Aflac cancer insurance along with a new Japan Post Insurance life insurance product.

Being where consumers want to buy insurance remains an important element of our growth strategy in Japan. Our broad network of distribution channels, including agencies, alliance partners and banks, continually optimize opportunities to help provide financial protection to Japanese consumers. We will continue to work hard to support each channel.

In addition, we are initiating sales campaigns around Aflac's 50th anniversary in Japan starting this quarter. Let me be clear, we have not lowered our sales outlook for 2024 and still expect to achieve it.

With the launch of a new policy this quarter, Koide-san and his team are working hard to achieve that objective. In addition, we have maintained disciplined underwriting and expense management to continue driving strong pretax profit margin of 32.8%.

Turning to the U.S., as you have seen in prior years, the first quarter tends to generate the lowest sales of the year. We have focused on driving more profitable growth by exercising a stronger underwriting discipline. We are deliberately avoiding sales opportunities to certain less profitable accounts. While this appears to have a temporary impact on sales in the first quarter, we are seeing positive results in net earned premium growth, which grew 3.3%. At the same time, we have increased benefits in certain cases to improve value for the policyholder. We believe persistency will continue to improve as customers realize the value of their policies and the related benefits. We are pleased with the 80 basis point improvement in persistency this quarter.

I believe that the need for the products we offer is as strong, or stronger, than it has ever been before in both Japan and the United States. We continue to work to restore our momentum and reinforce our leading position as we aim to exceed \$1.8 billion of sales by the end of 2025.

We have also continued our disciplined approach to expense management. We are beginning to see progress on our expense ratio as group life and disability and consumer markets continue to grow to scale. We are continuing to focus on optimizing our dental and vision platform, and expect to see stronger second half sales this year.

At the same time, we have maintained a strong pretax margin of 21%. Overall, I am very pleased with what Virgil and his team are doing to balance profitable growth, enhance the value proposition for our policyholders and curb the expense ratio.

I'd like to end on addressing our ongoing commitment to prudent liquidity and capital management. I am very pleased with how Max has led the team to take proactive steps in recent years to defend our cash flow and deployable capital against a weakening yen, as well as the establishment of our reinsurance platform in Bermuda.

As an insurance company, our primary responsibility is to fulfill the promises we make to our policyholders, while being responsive to the needs of our shareholders. We remain committed to maintaining strong capital ratios on behalf of our policyholders. We balance this financial strength with tactical capital deployment. We intend to continue prudently managing our liquidity and capital to preserve the strength of our capital and cash flows. This supports both our dividend track record and tactical share repurchase.

We treasure our track record of 41 consecutive years of dividend growth and remain committed to extending it. I am pleased that the Board set us on a path to continue this record when it increased the first quarter 2024 dividend 19% to \$0.50 and declared the second quarter dividend of \$0.50. We repurchased a record \$750 million in shares in the first quarter, and intend to continue our balanced, tactical approach of investing in growth and driving long-term operating efficiencies.

Our management team, employees and sales distribution continue to be dedicated stewards of our business, being there for our policyholders when they need us most – just as we promise. This underpins our goal of providing customers with the best value in supplemental insurance products in the United States and Japan.

In 2024, we celebrate our 50th year of doing business in Japan and 50th year as a publicly traded company on the NYSE. We are reminded that one thing has not changed since our founding in 1955: families and individuals still seek to protect themselves from financial hardship that not even the best health insurance covers. Today's complex health care environment has produced incredible medical advancements that come with incredible costs. It's more important than ever to have a partner. We believe our approach to offering relevant products makes us that partner.

We believe in the underlying strengths of our business and our potential for continued growth in Japan and the U.S. – two of the largest life insurance markets in the world. Aflac is well-positioned as we work toward achieving long-term growth while also ensuring we deliver on our promise to policyholders.

I will now turn the program over to Max to cover more details of the financial results.