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, 2023

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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	☑	Accelerated filer	☐
Non-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 30, 2023, was $41,323,668,872.

The number of shares of the registrant's common stock outstanding at February 15, 2024, with $.10 par value, was 577,008,328.

Documents Incorporated By Reference

Certain information contained in the Notice and Proxy Statement for the Company's 2024 Annual Meeting of Shareholders is incorporated by reference into Part III hereof.

Aflac Incorporated
Annual Report on Form 10-K
For the Year Ended December 31, 2023

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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 68-year history, the Company's supplemental insurance policies have given policyholders the opportunity to focus on recovery, not financial stress.

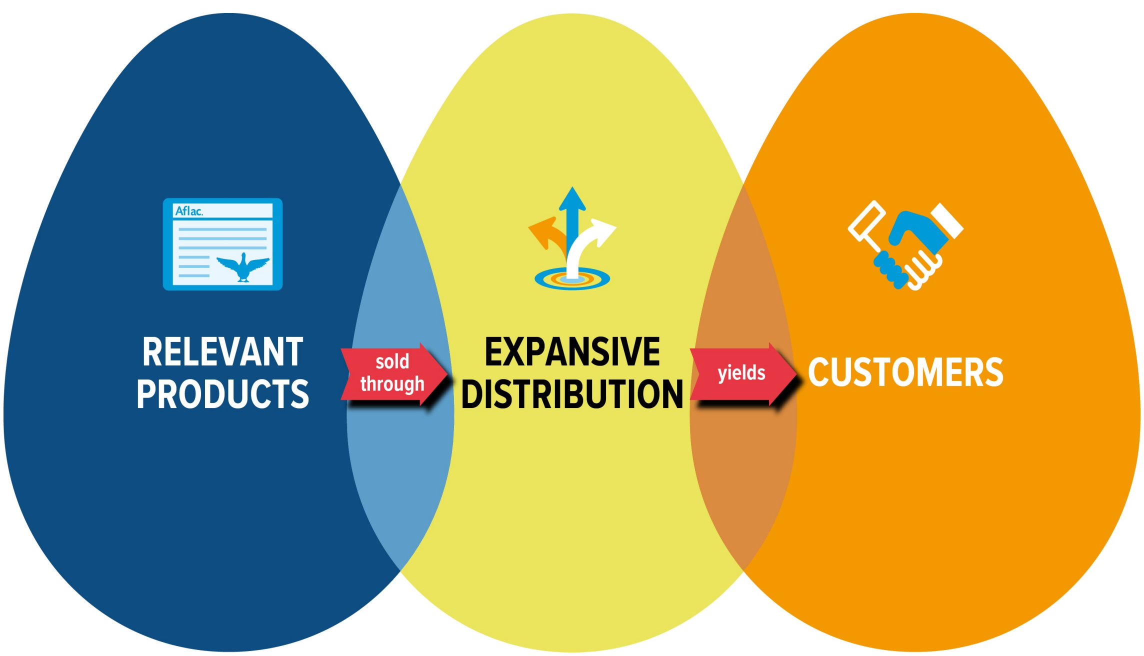
The Company has continued to develop and expand its product offerings over time. In Japan, the Company is cultivating an innovation-driven culture to meet the rapidly changing customer and societal needs. In the U.S., the Company continues to make broad-based investments in digital enhancements and innovation 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. 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



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 his international debut in Japan in 2003. In the time since his 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 (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 protection 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.

Income Support Insurance Aflac Japan's Income Support Insurance provides fixed-benefit amounts in the event that a policyholder is unable to work due to significant illness or injury.

Other

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

Work Leave Insurance Aflac Japan’s Work Leave Insurance offers benefits for relatively short-term hospitalization and home care associated with work leave of less than a year. It is a product that meets the growing need for leave benefits, especially for employees of small and medium-sized companies.

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

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. In November 2022, Aflac Japan refreshed its WAYS and Child Endowment products and began to actively promote sales of these products after having curtailed sales of both products beginning in 2013.

Distribution Channels

Traditional Sales Channel This distribution channel includes individual agencies, independent corporate agencies and affiliated corporate agencies. Aflac Japan was represented by approximately 7,000 sales agencies at the end of 2023, with approximately 113,000 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. Additionally, in April 2022, approximately 10,000 employees of Japan Post Co. were transferred to Japan Post Insurance. Japan Post Group has informed Aflac Japan that the transferred employees' responsibilities will include sales of Japan Post Insurance products and Aflac Japan cancer products but will not include sales of other financial products. See the Aflac Japan Segment subsection of Item 7. MD&A for additional information about this alliance.

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, 2023, 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.

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

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.

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.

Dental and Vision

Dental and Vision Insurance Aflac U.S. offers network dental and vision products on a group basis and fixed-benefit coverage on both an individual and group basis. Aflac Vision Now^{SM} is an individually issued policy which provides fixed 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.

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 2023, the Aflac U.S. sales force included an average of approximately 6,200 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 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 (NYSDFS) will commence full-scope, risk-focused financial examinations on their respective state domiciled insurance entities. The examinations will cover the reporting period January 1, 2020 – December 31, 2023. In 2023, the NYSDFS 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 Heath 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.

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 an organization, many 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 and the right to opt out of sales or use of their data. Examples of these types of legislation include the California Consumer Privacy Act (CCPA), the California Privacy Rights Act (CPRA), the UK General Data Protection Regulation (UK GDPR), the UK Data Protection Act of 2018 (UK DPA) and most recently, effective in 2023, the Connecticut Data Privacy Act (CDPA), the Utah Consumer Privacy Act (UCPA), the Virginia Consumer Data Protection Act (VCDPA) and the Colorado Privacy Act (CPA).

  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 guidelines on managing risks associated with the use of artificial intelligence, the NAIC adopted a Model Bulletin on the Use of Artificial Intelligence Systems by Insurers and the Cybersecurity & Infrastructure Security Agency (CISA) published additional security guidelines related to ransomware.

  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.

- *Tri-Agency Proposed Rule*

  In July 2023, the U.S. Department of Labor, U.S. Department of the Treasury and U.S. Department of Health and Human Services issued a proposed joint rule that, as written, would impose significant limitations on the structure of benefits for hospital indemnity and other fixed indemnity plans, including those sold by Aflac U.S. The current benefit structure for these products allows the Company to vary the amount of benefits by the services or items received, severity of illness or injury, or any other characteristics particular to a course of treatment. If finalized in its current form, the proposed rule would eliminate Aflac U.S.'s ability to vary the amount of benefits provided by these products. The timing and substance of the final regulations, if any, is not known, and any such final rule could be the subject of litigation.

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 selfregulatory 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.

In 2022, the Company established Aflac Re, 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.

In 2020, the Company purchased newly issued common stock of Trupanion, Inc., a provider of medical insurance for pets in the United States and Canada, resulting in the Company owning approximately 9% of the outstanding common stock of Trupanion, Inc. The shares were registered for resale and, pursuant to the Shareholder Agreement, subject to certain exceptions, the Company agreed that it would not transfer its shares of Trupanion, Inc. common stock during a restricted period that ended on November 13, 2023. The Company also entered into an alliance agreement with Trupanion, Inc. to sell pet insurance in worksites in the U.S., subject to certain exceptions. In December 2023, the Company and Trupanion announced their decision not to pursue joint development of pet insurance in Japan.

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 $1.9 billion in both 2023 and 2022. The Company believes its employee relations are generally satisfactory.

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

	2023
Aflac Japan	**6,859**
Aflac U.S.	**4,968**
Corporate and other	**958**
Total	**12,785**

Talent

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

Aflac Japan seeks diverse 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. 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, including historically black colleges and universities, and civic organizations to attract diverse 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 2023, Aflac Japan was certified, for the sixth 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.

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 diverse 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.

Diversity, Equity & Inclusion

The Company’s corporate culture reflects its commitment to diversity, equity and inclusion at all levels of the Company. For example:

- As of December 31, 2023, women account for 54% of Aflac Japan employees and 33% of those in leadership roles. Women also held 20% of senior management roles. Aflac Japan's goal is to further increase the percentage of women in line manager positions by 2025.

- As of December 31, 2023, 49% 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 51% of leadership roles located in the U.S. and 37% of senior management roles. In 2023, 57% of new hires located in the U.S. were people of color and 68% 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’ 152 employees as of December 31, 2023, 120 have a disability. Aflac Heartful Services supports these employees with the assistance of advisors for long-term career support.

- Both Aflac Japan and Aflac U.S. have created diversity councils that include employees from various levels that meet regularly to discuss activities and initiatives. The councils are designed to create avenues in which employees can communicate and appreciate one another’s cultural differences.

- Women and/or people of color comprise approximately 64% of the Parent Company’s board of directors.

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 a human capital 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 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[(1)]	AGE
Daniel P. Amos	Chairman, Aflac Incorporated and Aflac, since 2001; Chief Executive Officer, Aflac Incorporated and Aflac, since 1990; President, Aflac Incorporated, since 2024 and from 2018 until 2020	72
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; Senior Vice President, Financial Planning and Analysis, Aflac Incorporated, from 2018 until 2019	59
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; Director, Corporate Financial Planning and Analysis, Aflac Incorporated, in 2019; Director, Corporate HR and Executive Compensation, Aflac Incorporated, from 2018 until 2019	60
Max K. Brodén	Executive Vice President, Chief Financial Officer, Aflac Incorporated, since 2020; Executive Vice President, Aflac, since 2020; Treasurer, Aflac, since 2017; Treasurer, Aflac Incorporated from 2017 until 2021; Senior Vice President, Aflac Incorporated and Aflac, from 2017 until 2020	45
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	58
Masatoshi Koide	President and Representative Director, Aflac Japan, since 2018	63
Charles D. Lake II	President, Aflac International, since 2014; Chairman and Representative Director, Aflac Japan, since 2018	62
Virgil R. Miller	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	55
Albert A. Riggieri	Senior Vice President, Global Chief Risk Officer, Aflac Incorporated, since 2018; Chief Actuary, Aflac Incorporated, from 2018 until 2023	68
Frederic J. Simard	Senior Vice President, Chief Financial Officer, Aflac U.S., since 2023; 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	55
Audrey B. Tillman	Executive Vice President, General Counsel, Aflac Incorporated and Aflac, since 2014	59

[(1)] *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.*

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 were 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. Although economies have proved resilient in the face of interest rate increases, tighter financial conditions for a prolonged period may result in continued weakening of economic conditions. Japan remains an exception to the major central bank tightening trend. Armed conflicts in Ukraine and the Middle East, as well as political polarization in the U.S., exacerbate uncertainty. Geopolitical events have contributed to volatility in energy and other commodity prices. The failure of several large U.S. banks and UBS's acquisition of Credit Suisse in early 2023 did not trigger a wider financial crisis at the time, but sustained high interest rates and economic decline could continue pressuring the financial health of other financial institutions. 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 rising 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 holding is appropriate. The Company has identified assets impacted or expected to be impacted by rising interest rates and economic contraction, 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. While interest rates have increased in the U.S. and other regions, interest rates in Japan remain low, and the difference between U.S. and Japan rates has increased. The Company may need to adjust its investment strategy and/or be forced to liquidate investments to pay claims. In addition, the increase in the difference between interest rates in the U.S. and Japan contributed to a weakening of the yen over 2023, which had the effect of suppressing the Company's current period results in relation to the comparable prior period. The increase in the difference between U.S. dollar and yen interest rates also contributes to increasing 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 increases, 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 increases in interest rates or 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 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.

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, 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. While interest rates have increased in the U.S. and other regions, 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 and from investments made prior to the start of recent rate increases. 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.

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. As discussed in Item 1. Business, beginning in November 2022, Aflac Japan refreshed its first sector savings-type products WAYS and Child Endowment and began to actively promote sales of those products, which had been curtailed since 2013 due to persistent low interest rates in Japan. The continuing negative interest rate imposed by the Bank of Japan (BoJ) on excess bank reserves 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 that could be paid under local regulations, including in Japan. For Aflac Japan, rising interest rates and widening credit spreads, which go to 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 to SMR. 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 60% of the Company's total adjusted revenues in 2023, compared with 64% in 2022 and 68% in 2021. The percentage of the Company's total assets attributable to Aflac Japan was 80% at both December 31, 2023 and 2022. 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 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 SMR. Further, unhedged U.S. dollar-denominated securities held by Aflac Japan are exposed to foreign exchange fluctuations, which also impact SMR. 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, including SMR, 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 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. and Japan.

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, 2023, the Company had agreements with 360 banks to market Aflac's products in Japan. Sales through these banks represented 3.3% of Aflac Japan's new annualized premium sales in 2023. 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, including affiliates. In addition, Aflac Japan has entered into reinsurance transactions with Aflac Re. Aflac Re is a newly formed entity with 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.

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. Sales of Aflac Japan cancer products in the Japan Post Group channel experienced a material decline beginning in August 2019. While Japan Post Group resumed proactive sales of cancer insurance policies in April 2021, the Company can provide no assurance regarding the ultimate timing or extent of any recovery in such sales. It is uncertain what long-term effect these developments will have on the Company's results of operations or financial condition, but any such effects could be material. See the Aflac Japan Segment section of Item 7. MD&A for additional information.

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 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, including in connection with the current presidential administration's continuing interest in raising revenue from the corporate sector in the U.S. 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.

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, in which Aflac U.S. conducts significant portions of its business, have made changes to their privacy or cybersecurity laws or regulations in recent years. Further, 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.

In addition, 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's 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.

In July 2023, new regulations were proposed by the U.S. Departments of Labor, Treasury and Health and Human Services related to (i) short-term, limited-duration insurance, (ii) fixed indemnity and hospital indemnity excepted benefits, (iii) specified disease or illness excepted benefits, and (iv) tax treatments of fixed amounts received through employment-based accident or health insurance. The timing and substance of the final regulations, if any, is not known, but if passed in the proposed form, these regulations could materially affect sales of Aflac U.S.

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 2024 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 Standard Boards (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

Due to the ever-changing cybersecurity landscape, the Company's board of directors has adopted 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 Audit and Risk Committee. The incident response plan directs the executive officers to report certain incidents immediately and directly to the Lead Non-Management Director 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 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 Systems Control. The GSCISO and his direct reports have an average of approximately 23 years of experience in the field of cybersecurity.

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., Puerto Rico, 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

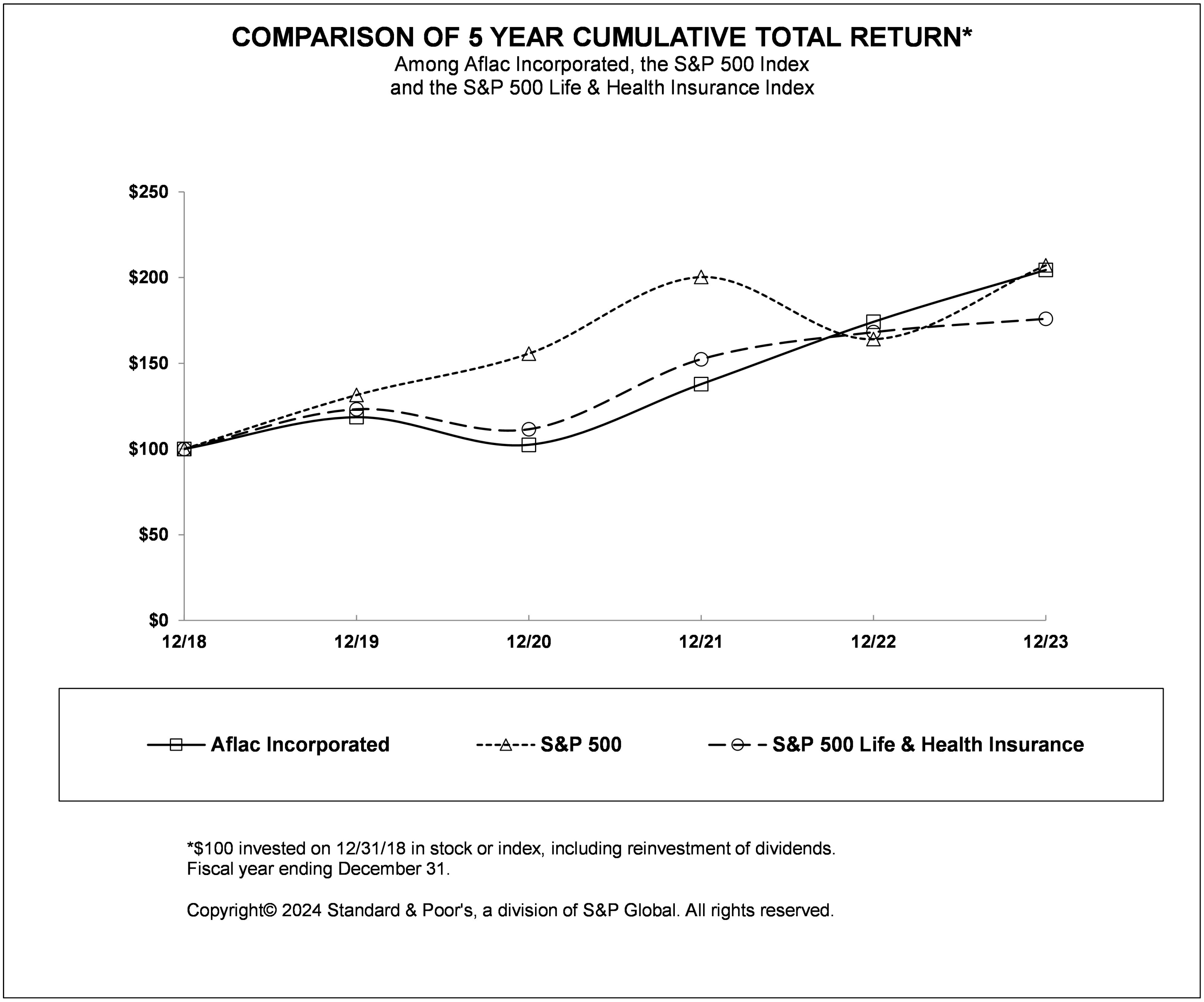
As of February 15, 2024, there were 81,925 holders of record of the Company's common stock.

Dividends

For a summary of dividends paid to shareholders in 2023 and 2022 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,

	2018	2019	2020	2021	2022	2023
Aflac Incorporated	100.00	118.56	102.46	137.87	174.21	204.50
S&P 500	100.00	131.49	155.68	200.37	164.08	207.21
S&P 500 Life & Health Insurance	100.00	123.18	111.51	152.41	168.18	176.00

Issuer Purchases of Equity Securities

During the year ended December 31, 2023, the Parent Company repurchased shares of its common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31	2,440,300	$ 72.15	2,440,300	114,201,523
February 1 - February 28	3,542,907	69.48	3,200,100	111,001,423
March 1 - March 31	4,711,768	64.20	4,707,900	106,293,523
April 1 - April 30	2,608,037	66.00	2,607,869	103,685,654
May 1 - May 31	4,322,919	66.50	4,321,165	99,364,489
June 1 - June 30	3,537,309	68.15	3,531,796	95,832,693
July 1 - July 31	2,478,733	71.10	2,478,733	93,353,960
August 1 - August 31	3,700,973	75.48	3,700,973	89,652,987
September 1 - September 30	3,215,602	76.19	3,209,947	86,443,040
October 1 - October 31	3,275,099	78.29	3,275,099	83,167,941
November 1 - November 30	2,833,510	81.54	2,832,717	80,335,224
December 1 - December 31	2,593,669	82.14	2,589,843	77,745,381
Total	39,260,826 (1)	$ 71.99	38,896,442	77,745,381 (2)

(1) *During the year ended December 31, 2023, 364,384 shares were purchased in connection with income tax withholding obligations related to the vesting of restricted-share-based awards during the period.*

(2) *The total remaining shares available for purchase at December 31, 2023, 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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All relevant prior-year amounts have been adjusted for the adoption of Accounting Standards Update (ASU) 2018-12 Financial Services - Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI) on January 1, 2023. See Note 1 of the Notes to the Consolidated Financial Statements for additional information. The Company has elected to omit certain elements of discussion of the year ended December 31, 2021 in this MD&A. 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, 2022, filed on February 24, 2023, for reference to discussions of the year ended December 31, 2021, the earliest of the three years presented, that have not been adjusted for the adoption of LDTI. Amounts reported in this MD&A may not foot due to rounding.

EXECUTIVE SUMMARY

Performance Highlights

For the full year of 2023, total revenues were down 2.3% to $18.7 billion, compared with $19.1 billion for the full year of 2022. Net earnings were $4.7 billion, or $7.78 per diluted share, for the full year of 2023, compared with $4.4 billion, or $6.93 per diluted share, for the full year of 2022. Net earnings for 2023 included an after-tax loss of $119 million, or $.20 per diluted share, related to novation of a reinsurance treaty with a third party that had been ceded back to the Company as of year end.

Net earnings in 2023 included net investment gains of $590 million, compared with net investment gains of $363 million in 2022. Net investment gains in 2023 included an increase in credit loss allowances of $139 million; $441 million of net gains from certain derivative and foreign currency gains or losses; $88 million of net gains on equity securities; and $200 million of net gains from sales and redemptions.

The average yen/dollar exchange rate(1) in 2023 was 140.57, or 7.4% weaker than the rate of 130.17 in 2022.

Adjusted earnings(2) for the full year of 2023 were $3.7 billion, or $6.23 per diluted share, compared with $3.6 billion, or $5.67 per diluted share, in 2022. The weaker yen/dollar exchange rate negatively impacted adjusted earnings per diluted share by $.19. Adjusted earnings for 2023 included an after-tax loss of $119 million, or $.20 per diluted share, related to novation of a reinsurance treaty with a third party that had been ceded back to the Company as of year end.

In 2023, Aflac Incorporated repurchased $2.8 billion, or 38.9 million of its common shares. At December 31, 2023, the Company had 77.7 million remaining shares authorized for repurchase.

Shareholders' equity was $22.0 billion, or $38.00 per share, at December 31, 2023, compared with $20.1 billion, or $32.73 per share, at December 31, 2022. Shareholders' equity at December 31, 2023 included a cumulative decrease of $2.6 billion from the effect of changes in discount rate assumptions on insurance contracts, compared with a corresponding cumulative decrease of $2.1 billion at December 31, 2022, and a net unrealized gain on investment securities and derivatives of $1.1 billion, compared with a net unrealized loss of $729 million at December 31, 2022. Shareholders' equity at December 31, 2023 also included an unrealized foreign currency translation loss of $4.1 billion, compared with an unrealized foreign currency translation loss of $3.6 billion at December 31, 2022. The annualized return on average shareholders' equity in 2023 was 22.1%.

Shareholders' equity excluding accumulated other comprehensive income (AOCI)(2) (adjusted book value) was $27.5 billion, or $47.55 per share at December 31, 2023, compared with $26.6 billion, or $43.18 per share, at December 31, 2022. The annualized adjusted return on equity excluding foreign currency impact(2) in 2023 was 14.2%.

(1) Yen/U.S. dollar exchange rates are based on the published MUFG Bank, Ltd. telegraphic transfer middle rate (TTM).
(2) 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. However, due to the aging population and decline in birthrate, new opportunities for customer demographics are not as readily available. 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.

2024 OUTLOOK

The Company’s strategy to drive long-term shareholder value is to pursue growth through product development and distribution expansion and to achieve efficiencies by modernizing its technology and streamlining its operations.

The Company's objectives in 2024 are to maintain strong pretax margins with increased sales production through product refreshment in its Aflac Japan segment and to begin realizing benefits from its buy to build initiatives and other platform investments, manage expenses and strengthen 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 diverse distribution in Japan and the U.S. will provide support toward these objectives.

In November 2023, the board of directors announced a 19.0% increase in the quarterly cash dividend, effective with the first quarter of 2024. 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 intends to maintain a minimum SMR of 500% for Aflac Japan and a target combined RBC over time of approximately 400% for Aflac U.S., 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, while expense reduction efforts are expected to reduce expense ratios. The Company 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 2024, the Company expects Aflac Japan to generate a benefit ratio in the range of 66% to 68% and an expense ratio in the range of 19% to 21%.

Aflac U.S. Segment

For Aflac U.S., the Company expects growth in life and disability as well as dental and vision to increase benefit ratios and decrease expense ratios over time. For 2024, the Company expects Aflac U.S. to generate a benefit ratio in the range of 45% to 47% and an expense ratio in the range of 38% to 40%.

Corporate and other

The Company expects Corporate and other results to reflect stable net investment income in 2024, as compared with 2023, 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 2024 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 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 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.

- **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 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 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 return on average equity (ROE) as determined using 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.

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		
	2023	2022	2021	**2023**	2022	2021
Net earnings	**$ 4,659**	$ 4,418	$ 4,231	**$ 7.78**	$ 6.93	$ 6.25
Items impacting net earnings:						
Adjusted net investment (gains) losses [1]	**(914)**	(447)	(462)	**(1.53)**	(.70)	(.68)
Other and non-recurring (income) loss	**(39)**	(1)	73	**(.07)**	.00	.11
Income tax (benefit) expense on items excluded from adjusted earnings [2]	**26**	(357)	83	**.04**	(.56)	.12
Adjusted earnings	**3,733**	3,614	3,925	**6.23**	5.67	5.80
Current period foreign currency impact [3]	**113**	N/A	N/A	**.19**	N/A	N/A
Adjusted earnings excluding current period foreign currency impact	**$ 3,847**	$ 3,614	$ 3,925	**$ 6.43**	$ 5.67	$ 5.80

[1] See reconciliation of net investment (gains) losses to adjusted net investment (gains) losses below.
[2] Includes release of $452 in deferred taxes in 2022.
[3] Prior period foreign currency impact reflected as "N/A" to isolate change for current period only.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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)	**2023**	2022	2021
Net investment (gains) losses	**$ (590)**	$ (363)	$ (468)
Items impacting net investment (gains) losses:			
Amortized hedge costs	**(157)**	(112)	(76)
Amortized hedge income	**121**	68	57
Net interest cash flows from derivatives associated with certain investment strategies	**(328)**	(90)	(30)
Interest rate component of the change in fair value of foreign currency swaps on notes payable	**41**	50	55
Adjusted net investment (gains) losses	**$ (914)**	$ (447)	$ (462)

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 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. In May 2021, the Parent Company used a portion of the net proceeds from its April 2021 issuance of various series of senior notes to redeem $700 million of its 3.625% senior notes due June 2023. The pretax expense due to the early redemption of these notes was $48 million.

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 is both unusual and non-recurring and is unrelated to other recurring benefit costs associated with the plan; therefore, the Company has 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 Benefit Solutions, Inc. in 2019. The impairment of these intangible assets are not related to the ongoing operations of the business and occur infrequently; therefore, the Company has excluded the impairment from adjusted earnings.

In 2021, other items excluded from adjusted earnings included integration costs related to the Company's acquisition of Zurich North America's U.S. Corporate Life and Pensions business; these costs primarily consisted of expenditures for legal, accounting, consulting, integration of systems and processes and other similar services. These integration costs were excluded from adjusted earnings for one year following the acquisition and amounted to $26 million for the year ended December 31, 2021.

Income Taxes

The Company's combined U.S. and Japanese effective income tax rate on pretax earnings was 11.5% in 2023, 9.3% in 2022 and 18.7% in 2021. In 2023, the combined effective tax rate differed from the U.S. statutory rate primarily due to historic and solar tax credits and the exclusion of foreign currency translation gains and losses held in the Delaware Statutory Trust. In 2022, the combined effective tax rate differed from the U.S. statutory rate primarily due to the impact of the tax accounting method change discussed below, as well as historic and solar tax credits. In 2021, the combined effective tax rate differed from the U.S. statutory rate primarily due to historic and solar tax credits. Total income taxes were $603 million in 2023, $451 million in 2022 and $977 million in 2021. Japanese income taxes on Aflac Japan's results account for most of the Company's consolidated income tax expense.

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 $174 million in 2023 and $452 million in 2022.

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into U.S. law, which among other things, imposed a 1% excise tax on the Company’s repurchases of its common stock. Effective January 1, 2023, charges associated with the excise tax are recognized in equity consistent with other costs related to treasury stock.

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 Company expects that its effective tax rate on adjusted earnings for future periods will be approximately 20%. 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.

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.

Reconciliation of Book Value to Adjusted Book Value

The following table is a reconciliation of items impacting adjusted book value and adjusted book value per diluted share 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)	**2023**	2022
U.S. GAAP book value	**$ 21,985**	$ 20,140
Items impacting U.S. GAAP book value:		
Unrealized foreign currency translation gains (losses)	**(4,069)**	(3,564)
Unrealized gains (losses) on securities and derivatives	**1,117**	(729)
Effect of changes in discount rate assumptions	**(2,560)**	(2,100)
Pension liability adjustment	**(8)**	(36)
Total accumulated other comprehensive income	**(5,520)**	(6,429)
Adjusted book value	**27,505**	26,569
Number of shares outstanding at end of period	**578,479**	615,256
U.S. GAAP book value per common share	**$ 38.00**	$ 32.73
Items impacting U.S. GAAP book value per common share:		
Unrealized foreign currency translation gains (losses) per common share	**(7.03)**	(5.79)
Unrealized gains (losses) on securities and derivatives per common share	**1.93**	(1.18)
Effect of changes in discount rate assumptions per common share	**(4.43)**	(3.41)
Pension liability adjustment per common share	**(.01)**	(.06)
Total accumulated other comprehensive income per common share	**(9.54)**	(10.45)
Adjusted book value per common share	**47.55**	43.18

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

Reconciliation of Return on Equity to Adjusted Return on Equity (Excluding the Impact of Foreign Currency)

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

	2023	2022
U.S. GAAP return on equity - net earnings [(1)]	**22.1 %**	23.8 %
Impact of excluding unrealized foreign currency translation gains (losses)	**(3.1)**	(2.5)
Impact of excluding unrealized gains (losses) on securities and derivatives	**.2**	4.1
Impact of excluding effect of changes in discount rate assumptions	**(1.9)**	(8.2)
Impact of excluding pension liability adjustment	**.0**	(.1)
Impact of excluding accumulated other comprehensive income	**(4.9)**	(6.8)
U.S. GAAP return on equity less accumulated other comprehensive income	**17.2**	17.0
Differences between adjusted earnings and net earnings [(2)]	**(3.4)**	(3.1)
Adjusted return on equity - reported	**13.8**	13.9
Impact of foreign currency [(3)]	**(.4)**	N/A
Adjusted return on equity, excluding impact of foreign currency	**14.2**	13.9

(1) U.S. GAAP return on equity is calculated by dividing net earnings (annualized) by average shareholders' equity.
(2) See separate reconciliation of net earnings to adjusted earnings above.
(3) Impact of foreign currency is calculated by restating all foreign currency components of the income statement to the weighted average foreign currency exchange rate for the comparable prior year period. The impact is the difference of the restated adjusted earnings compared to reported adjusted earnings. For comparative purposes, only current period income is restated using the weighted average prior period exchange rate, which eliminates the foreign currency impact for the current period. This allows for equal comparison of this financial measure.

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 followed by a discussion of the significant drivers of changes in yen operating results compared to the previous year.

Aflac Japan Summary of Operating Results

	In Dollars			In Yen		
(In millions of dollars and billions of yen)	**2023**	2022	2021	**2023**	2022	2021
Net earned premiums [1]	**$ 8,047**	$ 9,186	$11,301	**¥ 1,128**	¥ 1,198	¥ 1,240
Net investment income: [2]						
Yen-denominated investment income	**985**	1,140	1,262	**138**	149	139
U.S. dollar-denominated investment income	**1,755**	1,641	1,845	**247**	215	203
Net investment income	**2,739**	2,782	3,107	**385**	365	341
Amortized hedge costs related to certain foreign currency exposure management strategies	**157**	112	76	**20**	13	8
Adjusted net investment income	**2,582**	2,669	3,031	**366**	351	333
Other income (loss)	**35**	35	41	**5**	4	5
Total adjusted revenues	**10,664**	11,890	14,373	**1,498**	1,554	1,577
Benefits and claims:						
Benefits and claims, excluding reserve remeasurement	**5,409**	6,282	7,738	**757**	820	849
Reserve remeasurement (gains) losses	**(96)**	(91)	(62)	**(13)**	(13)	(7)
Total benefits and claims, net	**5,313**	6,191	7,675	**744**	807	842
Adjusted expenses:						
Amortization of deferred policy acquisition costs	**326**	338	393	**46**	44	43
Insurance commissions	**491**	563	706	**69**	73	77
Insurance and other expenses	**1,299**	1,517	1,843	**182**	198	203
Total adjusted expenses	**2,117**	2,417	2,942	**297**	316	323
Total benefits and adjusted expenses	**7,430**	8,609	10,618	**1,041**	1,123	1,165
Pretax adjusted earnings	**$ 3,234**	$ 3,281	$ 3,756	**¥ 457**	¥ 431	¥ 412
Weighted-average yen/dollar exchange rate	**140.57**	130.17	109.07	**—**	—	—
Percentage change over previous period:						
Net earned premiums	**(12.4)%**	(18.7)%	(10.8)%	**(5.9)%**	(3.4)%	(8.4)%
Adjusted net investment income	**(3.3)**	(11.9)	14.0	**4.0**	5.5	17.6
Total adjusted revenues	**(10.3)**	(17.3)	(6.5)	**(3.6)**	(1.5)	(3.9)
Total benefits and claims, net	**(14.2)**	(19.3)	(13.3)	**(7.8)**	(4.2)	(10.9)
Total adjusted expenses	**(12.4)**	(17.8)	(9.7)	**(6.1)**	(2.2)	(7.0)
Pretax adjusted earnings	**(1.4)**	(12.6)	15.1	**6.0**	4.6	18.4

[1] *Includes a gain (loss) of $20, $(42) and $(11) in 2023, 2022 and 2021, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.*

[2] *Net interest cash flows from derivatives associated with certain investment strategies of $(294), $(86) and $(33) in 2023, 2022 and 2021, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income.*

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

In 2023, net earned premiums decreased primarily due to approximately ¥37 billion related to internal reinsurance transactions with Aflac Re and approximately ¥32 billion in limited-pay products reaching premium paid-up status. Adjusted net investment income increased in 2023, as compared to 2022, primarily due to an increase in floating rate income earned from U.S. dollar-denominated investments, which was driven by higher yields, partially offset by lower income from make whole payments and an increase in amortized hedge cost. In 2023, total adjusted revenues decreased primarily due to the decrease in net earned premiums and partially offset by an increase in adjusted net investment income. In 2023, total benefits and claims decreased primarily due to lower third sector incurred claims and annual assumption updates as well as an approximately ¥26 billion decrease due to internal reinsurance transactions with Aflac Re. Total adjusted expenses decreased in 2023 primarily due to approximately ¥9 billion of impacts related to internal reinsurance transactions with Aflac Re and decreases related to expense control efforts. In 2023, pretax adjusted earnings increased primarily due to the decrease in total benefits and claims and total adjusted expenses, partially offset by the decrease in total adjusted revenues.

In 2022, net earned premiums decreased primarily due to limited-pay products reaching premium paid-up status and terminations net of new issues. Adjusted net investment income increased in 2022 primarily due to higher floating rate income earned from U.S. dollar-denominated investments that were driven by stronger dollar exchange rates, increasing interest rates, and higher income from make whole payments received on called securities, which were partially offset by lower income from alternative assets and higher hedge costs. In 2022, total adjusted revenues decreased primarily due to the decrease in net earned premiums. In 2022, total benefits and claims decreased primarily due to a larger reserve release related to "deemed hospitalization" benefits. Total adjusted expenses decreased primarily due to lower general operating expenses. In 2022, pretax adjusted earnings increased primarily due to the decrease in total benefits and claims and total adjusted expenses, partially offset by the decrease in total adjusted revenues.

When comparing 2021 results prior to and subsequent to adoption of LDTI, net earned premiums decreased primarily due to approximately a ¥60 billion increase in the deferred profit liability on limited-pay products as a result of the reclassification of the change in deferred profit liability from the benefits and claims, net line item to the net earned premiums line item. Total benefits and claims decreased approximately ¥31 billion, which included a ¥7 billion reserve remeasurement gain. See Note 1 of the Notes to the Consolidated Financial Statements for more information regarding the adoption of LDTI.

Annualized premiums in force at December 31, 2023, were ¥1.25 trillion, compared with ¥1.30 trillion in 2022 and ¥1.36 trillion in 2021. The decrease in annualized premiums in force in yen of 4.2% in 2023 was driven primarily by limited-pay products reaching premium paid-up status. The decrease in annualized premiums in force in yen of 4.4% in 2022 and 4.7% in 2021 was driven primarily by limited-pay products reaching premium paid-up status and lower sales as a result of pandemic conditions. Annualized premiums in force, translated into dollars at respective year-end exchange rates, were $8.8 billion in 2023, $9.8 billion in 2022 and $11.8 billion in 2021. As of December 31, 2023, 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**		
	2023	2022	2021	**2023**	2022	2021
Adjusted net investment income	**4.0 %**	5.5 %	17.6 %	**(1.4)%**	(5.0)%	15.6 %
Total adjusted revenues	**(3.6)**	(1.5)	(3.9)	**(4.8)**	(3.7)	(4.2)
Pretax adjusted earnings	**6.0**	4.6	18.4	**1.8**	(3.5)	16.8

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

The following table presents a summary of operating ratios in yen terms for Aflac Japan for the years ended December 31.

Ratios to total adjusted revenues:	**2023**	2022	2021
Total benefits and claims, net	**49.7 %**	51.9 %	53.4 %
Adjusted expenses:			
Amortization of deferred policy acquisition costs	**3.1**	2.8	2.7
Insurance commissions	**4.6**	4.7	4.9
Insurance and other expenses	**12.2**	12.8	12.8
Total adjusted expenses	**19.8**	20.3	20.5
Pretax adjusted earnings	**30.5**	27.7	26.1
Ratios to total premiums:			
Total benefits and claims, net	**66.0 %**	67.4 %	67.9 %
Adjusted expenses:			
Amortization of deferred policy acquisition costs	**4.1**	3.7	3.5

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

In 2023, the total benefits and claims to total premiums ratio decreased primarily due to a decrease in the third sector benefit ratio from annual updates to reserve assumptions, internal reinsurance activity, and the continued change in the mix of first and third sector business. The total adjusted expense ratio decreased in 2023, primarily due to the decrease in total adjusted revenues and an offsetting decrease in total adjusted expenses due to the internal reinsurance transactions with Aflac Re and expense control efforts. In total, the pretax adjusted profit margin increased in 2023, primarily due to the lower benefit ratio, the lower expense ratio and an offsetting decrease in total adjusted revenues.

In 2022, the total benefits and claims to total premiums ratio decreased slightly primarily due to a larger reserve release related to "deemed hospitalization" benefits. The total adjusted expense ratio was essentially flat in 2022. In total, the pretax adjusted profit margin increased in 2022 primarily due to the lower benefit ratio, the lower expense ratio and an offsetting decrease in total adjusted revenues.

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

	2023	2022	2021
Premium persistency	**93.4 %**	94.1 %	94.3 %

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)	**2023**	2022	2021	**2023**	2022	2021
New annualized premium sales	**$ 432**	$ 416	$ 499	**¥ 60.7**	¥ 54.8	54.8
Increase (decrease) over prior period	**3.8 %**	(16.7)%	4.6 %	**10.9 %**	.0 %	7.7 %

In 2023, the increase in new annualized premium sales on a yen basis was primarily driven by sales of Aflac Japan's new cancer insurance product and updated first sector products, all of which were launched in the second half of 2022 and at Japan Post, Dai-ichi Life and other financial institutions in the first half of 2023, and sales of Aflac Japan's new medical insurance product launched in September 2023.

In 2022, new annualized premium sales on a yen basis were essentially flat, compared with 2021, reflecting constrained sales in the first half of the year due to ongoing pandemic conditions offset by a new cancer product launch in certain distribution channels and first sector product updates in the second half of the year.

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

	2023	2022	2021
Cancer	**64.1 %**	56.5 %	49.2 %
Medical and other health:			
Medical	**20.2**	26.6	37.2
Income support	**.4**	1.3	0.5
Life insurance:			
Traditional life [(1)]	**6.5**	8.1	9.0
WAYS	**6.8**	3.5	.8
Child endowment	**.4**	.3	.3
Other	**1.6**	3.7	3.0
Total	**100.0 %**	100.0 %	100.0 %

[(1)] *Includes term and whole life*

The foundation of Aflac Japan's product portfolio has been, and continues to be, third sector products, which include cancer, medical, income support, and other products such as nursing care and work leave insurance. 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. Moreover, in November 2022, Aflac Japan refreshed its first sector savings-type products WAYS and Child Endowment and began to actively promote sales of these products after having curtailed sales of both products beginning in 2013. The refreshment of these first sector products 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.

Sales of Aflac Japan cancer insurance products in the Japan Post Group channel experienced a material decline beginning in August 2019. Japan Post Group resumed proactive sales of cancer insurance policies in April 2021 and Aflac Japan continues to strengthen the strategic alliance. In April 2023, Japan Post Group began selling Aflac Japan's new cancer insurance product that was first launched in other channels in August 2022. In April 2022, approximately 10,000 employees of Japan Post Co. were transferred to Japan Post Insurance. Japan Post Group has informed Aflac Japan that the transferred employees' responsibilities will include sales of Japan Post Insurance products and Aflac Japan cancer products but will not include sales of other financial products. For additional information, see the risk factor entitled "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," in Part I, Item 1A. Risk Factors.

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.

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

	2023	2022	2021
Independent corporate and individual	**46.7 %**	49.5 %	51.1 %
Affiliated corporate [(1)]	**50.0**	46.5	43.7
Bank	**3.3**	4.0	5.2
Total	**100.0 %**	100.0 %	100.0 %

[(1)] Includes Japan Post Group, Dai-ichi Life and Daido Life

In 2023, Aflac Japan recruited 24 new sales agencies. At December 31, 2023, Aflac Japan was represented by approximately 7,000 sales agencies, with approximately 113,000 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, 2023, 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

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.

As previously reported, on February 28, 2019, the Parent Company entered into a Shareholders Agreement with Japan Post Holdings, J&A Alliance Holdings Corporation, a Delaware corporation, solely in its capacity as trustee of J&A Alliance Trust, a New York voting trust (Trust), and General Incorporated Association J&A Alliance, a Japanese general incorporated association (the Shareholders Agreement). According to a Form 13F filed by Japan Post Holdings with the SEC on January 5, 2024, Japan Post Holdings owned 52.3 million Aflac Incorporated common shares as of December 31, 2023.

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 strictly 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.

In light of the fact that the shares acquired by the Trust, like all Aflac Incorporated common shares, will be eligible for 10-for-1 voting rights after being held for 48 consecutive months, the Shareholders Agreement further provides for voting restrictions that effectively limit the trustee’s voting rights to no more than 20% of the voting rights in the Parent Company and further restrict the trustee’s voting rights with respect to certain change in control transactions. Japan Post Holdings will not have a board seat on the Parent Company’s board of directors and will not have rights to control, manage or intervene in the management of 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 securities and public equity securities. Aflac Japan's U.S. dollar-denominated investments include fixed maturity investments and growth assets, including alternative investments in limited partnerships or similar investment vehicles. Aflac Japan has been investing 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)	**2023**	2022	2021
Yen-denominated:			
Fixed maturity securities:			
Japan government and agencies	**$ 357**	$ 0	$ 1,208
Private placements	**510**	854	695
Other fixed maturity securities	**102**	113	171
Equity securities	**346**	398	216
Commercial mortgage and other loans:			
Other loans	**77**	0	0
Other investments	**16**	22	10
Total yen-denominated	**$ 1,408**	$ 1,387	$ 2,300
U.S. dollar-denominated:			
Fixed maturity securities:			
Other fixed maturity securities	**$ 606**	$ 559	$ 1,963
Infrastructure debt	**50**	215	52
Collateralized loan obligations	**0**	498	216
Equity securities	**0**	22	8
Commercial mortgage and other loans:			
Transitional real estate loans	**247**	1,645	1,768
Commercial mortgage loans	**0**	0	31
Middle market loans	**446**	1,203	2,428
Other loans	**0**	132	0
Other investments	**393**	391	404
Total U.S. dollar-denominated	**$ 1,742**	$ 4,666	$ 6,870
Total Aflac Japan purchases	**$ 3,150**	$ 6,053	$ 9,170

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.

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

	2023	2022	2021
Total purchases for the period (in millions) [(1)]	**$2,741**	$5,640	$8,756
New money yield [(1),(2)]	**5.18 %**	4.48 %	3.50 %
Return on average invested assets [(3)]	**2.90**	2.78	2.72
Portfolio book yield, including U.S. dollar-denominated investments, end of period [(1),(2)]	**3.18 %**	3.06 %	2.60 %

(1) *Includes fixed maturity securities, commercial mortgage and other loans, equity securities, and excludes alternative investments in limited partnerships*
(2) *Reported on a gross yield basis; excludes investment expenses, external management fees, and amortized hedge costs*
(3) *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 2023 was primarily due to increases in U.S. and Japan interest rates. The increase in the Aflac Japan new money yield in 2022 was primarily due to increases in U.S. interest rates.

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 followed by a discussion of the significant drivers of changes in operating results compared to the previous year.

Aflac U.S. Summary of Operating Results

(In millions)	**2023**	2022	2021
Net earned premiums	**$ 5,675**	$ 5,570	$ 5,614
Adjusted net investment income [(1)]	**820**	755	754
Other income	**128**	161	121
Total adjusted revenues	**6,623**	6,486	6,489
Benefits and claims:			
Benefits and claims, excluding reserve remeasurement	**2,715**	2,679	2,724
Reserve remeasurement (gains) losses	**(283)**	(124)	(85)
Total benefits and claims, net	**2,431**	2,555	2,639
Adjusted expenses:			
Amortization of deferred policy acquisition costs	**490**	455	442
Insurance commissions	**561**	553	550
Insurance and other expenses	**1,640**	1,564	1,502
Total adjusted expenses	**2,691**	2,573	2,494
Total benefits and adjusted expenses	**5,122**	5,127	5,132
Pretax adjusted earnings	**$ 1,501**	$ 1,359	$ 1,356
Percentage change over previous period:			
Net earned premiums	**1.9 %**	(.8)%	(2.5)%
Adjusted net investment income	**8.6**	.1	7.0
Total adjusted revenues	**2.1**	.0	(1.2)
Total benefits and claims, net	**(4.9)**	(3.2)	(4.6)
Total adjusted expenses	**4.6**	3.2	(1.5)
Pretax adjusted earnings	**10.4**	.2	6.9

[(1)] Net interest cash flows from derivatives associated with certain investment strategies of $(34), $(4) and $2 in 2023, 2022 and 2021, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

In 2023, Aflac U.S. net earned premiums increased primarily due to higher net earned premiums from growth initiatives, including group life and disability, network dental and vision, and consumer markets businesses. Adjusted net investment income increased in 2023 primarily due to increases in U.S. interest rates which increased yields on the Company's floating rate and short term investment portfolios. In 2023, total adjusted revenues increased primarily due to the increase in net earned premiums and adjusted net investment income. Total benefits and claims decreased in 2023 primarily due to a reserve remeasurement gain related to assumption updates and favorable experience. In 2023, total adjusted expenses increased due to an increase in employee-related expenses, a $31 million write-off of certain capitalized software development costs, as well as a slight increase in expenses related to ongoing investments in the U.S. platform. Pretax adjusted earnings increased in 2023, driven primarily by lower benefits and claims and the increase in adjusted revenues, partially offset by higher adjusted expenses.

In 2022, Aflac U.S. net earned premiums decreased, primarily due to lower persistency. Adjusted net investment income in 2022 was basically flat. In 2022, total adjusted revenues were flat. In 2022, total benefits and claims decreased primarily due to a reserve remeasurement gain related to assumption updates and favorable experience. In 2022, total adjusted expenses increased due to ongoing investments in the U.S. platform. The increase in pretax adjusted earnings in 2022 was driven primarily by lower benefits and claims offset by higher adjusted expenses and slightly lower revenue.

When comparing 2021 results prior to and subsequent to adoption of LDTI, total benefits and claims increased approximately $192 million due to a change in LFPB. See Note 1 of the Notes to the Consolidated Financial Statements for more information on the adoption of LDTI.

Annualized premiums in force increased 3.3% in 2023, were essentially flat in 2022 and decreased 1.6% in 2021. Annualized premiums in force at December 31 were $6.2 billion in 2023, compared with $6.0 billion in both 2022 and 2021.

The following table presents a summary of operating ratios for Aflac U.S. for the years ended December 31.

Ratios to total adjusted revenues:	**2023**	2022	2021
Total benefits and claims	**36.7 %**	39.4 %	40.7 %
Adjusted expenses:			
Amortization of deferred policy acquisition costs	**7.4**	7.0	6.8
Insurance commissions	**8.5**	8.5	8.5
Insurance and other expenses	**24.8**	24.1	23.1
Total adjusted expenses	**40.6**	39.7	38.4
Pretax adjusted earnings	**22.7**	21.0	20.9
Ratios to total premiums:			
Total benefits and claims	**42.8 %**	45.9 %	47.0
Adjusted expenses:			
Amortization of deferred policy acquisition costs	**8.6**	8.2	7.9

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

In 2023, the total benefits and claims to total premiums ratio decreased primarily due to reserve remeasurement gains related to assumption updates and favorable experience. The total adjusted expense ratio increased in 2023, primarily due to an increase in employee-related expenses, the $31 million write-off of certain capitalized software development costs, as well as a slight increase in expenses related to ongoing investments in the U.S. platform. In total, the pretax adjusted profit margin increased in 2023, primarily due to the lower benefit ratio.

In 2022, the total benefits and claims to total premiums ratio decreased primarily due to reserve remeasurement gains. The adjusted expense ratio increased in 2022, primarily due to higher planned spending reflecting ongoing investments in the U.S. platform. In total, the pretax adjusted profit margin was essentially flat in 2022.

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

	2023	2022	2021
Premium persistency	**78.6 %**	77.3 %	79.7 %

Aflac U.S. Sales

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

(In millions)	**2023**	2022	2021
New annualized premium sales	**$ 1,558**	$ 1,483	$ 1,278
Increase (decrease) over prior period	**5.0 %**	16.1 %	16.9 %

New annualized premium sales for accident insurance decreased 3.6%; disability sales increased 4.8%; critical care insurance sales (including cancer insurance) increased 7.6%; hospital indemnity insurance sales decreased .6%; dental/vision sales increased 15.4%; and life sales increased 22.2% in 2023, compared with 2022. The increase in sales for Aflac U.S. in 2023 and 2022 reflects continued improvement from investment in growth initiatives as well as productivity gains.

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.

	2023	2022	2021
Accident	**20.9 %**	22.8 %	25.1 %
Disability	**25.6**	25.5	23.1
Critical care [1]	**20.7**	20.1	21.3
Hospital indemnity	**14.5**	15.3	16.4
Dental/vision	**6.3**	5.8	5.1
Life	**12.0**	10.5	9.0
Total	**100.0 %**	100.0 %	100.0 %

[1] *Includes cancer, critical illness and hospital intensive care products*

In 2023, the Aflac U.S. sales force included an average of approximately 6,200 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.

In July 2023, the U.S. Department of Labor, U.S. Department of the Treasury and U.S. Department of Health and Human Services issued a proposed joint rule that, as written, would impose significant limitations on the structure of benefits for hospital indemnity and other fixed indemnity plans, including those sold by Aflac U.S. The current benefit structure for these products allows the Company to vary the amount of benefits by the services or items received, severity of illness or injury, or any other characteristics particular to a course of treatment. If finalized in its current form, the proposed rule would eliminate Aflac U.S.'s ability to vary the amount of benefits provided by these products. In addition, the proposed rule also proposes to change the tax treatment of all fixed indemnity products. Under the proposal, if premiums are paid on a pretax basis (either by the employer or by employee pretax salary reduction), then the entire amount of the benefit would be taxable income regardless of the amount of the employee's unreimbursed medical expenses. Currently, only the benefits received in excess of unreimbursed medical or medical-related costs are subject to tax. The comment period for the proposed rule closed on September 11, 2023. Aflac U.S. has filed comments opposing the proposed rule. The timing and substance of the final regulations, if any, is not known, and any such final rule could be the subject of litigation.

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 and growth assets, including public equity securities and alternative investments in limited partnerships. Aflac U.S. has been investing 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)	2023	2022	2021
Fixed maturity securities:			
Other fixed maturity securities	**$ 587**	$ 579	$ 756
Infrastructure debt	**83**	137	91
Collateralized loan obligations	**0**	199	65
Equity securities	**11**	33	213
Commercial mortgage and other loans:			
Transitional real estate loans	**78**	342	525
Commercial mortgage loans	**33**	0	276
Middle market loans	**85**	301	190
Other loans	**30**	110	14
Other investments	**44**	44	45
Total Aflac U.S. Purchases	**$ 951**	$ 1,745	$ 2,175

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.

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

	2023	2022	2021
Total purchases for period (in millions) [(1)]	**$ 907**	$1,701	$2,130
New money yield [(1),(2)]	**7.56 %**	5.16 %	3.41 %
Return on average invested assets [(3)]	**4.88**	4.72	4.87
Portfolio book yield, end of period [(1),(2)]	**5.53 %**	5.39 %	4.94 %

(1) Includes fixed maturity securities, commercial mortgage and other loans, equity securities, and excludes alternative investments in limited partnerships
(2) Reported on a gross yield basis; excludes investment expenses and external management fees
(3) Net of investment expenses, year-to-date number reflected on a quarterly average basis

The increase in the Aflac U.S. new money yield in 2023 and 2022 was primarily due to increases in U.S. interest rates. 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 operating results for Corporate and other for the years ended December 31 followed by a discussion of the significant drivers of changes in operating results compared to the previous year.

Corporate and Other Summary of Operating Results

(In millions)	**2023**	2022	2021
Net earned premiums	**$ 400**	$ 145	$ 180
Net investment income (loss) [(1)]	**(77)**	30	(73)
Amortized hedge income related to certain foreign currency management strategies	**121**	68	57
Adjusted net investment income	**44**	98	(16)
Other income	**15**	24	11
Total adjusted revenues	**460**	267	175
Benefits and claims:			
Benefits and claims, excluding reserve remeasurement	**470**	141	161
Reserve remeasurement (gains) losses	**(3)**	0	0
Total benefits and claims, net	**467**	141	161
Adjusted expenses:			
Interest expense	**144**	162	165
Other adjusted expenses	**273**	181	142
Total adjusted expenses	**417**	343	307
Total benefits and adjusted expenses	**885**	485	469
Pretax adjusted earnings	**$ (425)**	$ (218)	$ (293)
Percentage change over previous period:			
Net earned premiums	**175.9 %**	(19.4)%	(7.2)%
Adjusted net investment income	**(55.1)**	712.5	(109.0)
Total adjusted revenues	**72.3**	52.6	(54.4)
Total benefits and claims, net	**231.2**	(12.4)	(10.6)
Total adjusted expenses	**50.0**	11.7	(3.8)
Pretax adjusted earnings	**(95.0)**	25.6	(154.8)

[(1)] *The change in value of federal historic rehabilitation and solar investments in partnerships of $343, $91 and $138 in 2023, 2022 and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $334, $83 and $115 in 2023, 2022 and 2021, 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.*

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

In 2023, net earned premiums increased due to the internal reinsurance transactions between Aflac Japan and Aflac Re. Adjusted net investment income decreased in 2023 primarily due to $252 million related to a higher volume of tax credit investments, as tax benefits are recognized in a corresponding lower income tax expense, partially offset by an increase driven by higher investment returns, $74 million related to internal reinsurance transactions between Aflac Japan and Aflac Re, and a $53 million increase in amortized hedge income. Total adjusted revenues increased in 2023 primarily due to higher total premiums offset by lower adjusted net investment income. In 2023, total benefits and claims increased primarily due to $181 million related to the internal reinsurance transactions between Aflac Japan and Aflac Re and $163 million 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, and partially offset by lower incurred claims. Total adjusted expenses increased in 2023 primarily due to higher expenses associated with the internal reinsurance transactions between Aflac Japan and Aflac Re. Pretax adjusted earnings decreased in 2023 primarily due to the increase in total adjusted revenue, which was offset by higher benefits and claims and the increase in total adjusted expenses.

In 2022, net earned premiums decreased primarily due to significant yen weakening. Adjusted net investment income increased primarily driven by higher investment returns, $47 million from a lower volume of tax credit investments, and an $11 million increase in amortized hedge income. Total adjusted revenues increased primarily due to higher adjusted net investment income. In 2022, total benefits and claims decreased due to lower incurred claims. Total adjusted expenses increased in 2022 primarily due to higher employee-related expenses. Pretax adjusted earnings increased in 2022 primarily due to the increase in total adjusted revenue, the decrease in total benefits and claims, and was partially offset by the increase in 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

	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 (1)	17,819	0	0	17,819
Equity securities	720	2	366	1,088
Commercial mortgage and other loans:				
Transitional real estate loans (1)	4,795	1,011	192	5,998
Commercial mortgage loans (1)	1,075	622	0	1,697
Middle market loans (1)	4,095	436	0	4,531
Other loans (1)	185	101	15	301
Other investments:				
Policy loans	186	28	0	214
Short-term investments (2)	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 (3)	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

(1) *Net of allowance for credit losses*
(2) *Includes securities lending collateral*
(3) *For consolidated reporting, Aflac U.S.'s investment in Aflac Re is eliminated in Corporate and other*

	2022			
(In millions)	Aflac Japan	Aflac U.S.	Corporate and Other	Total
Available-for-sale, fixed maturity securities, at fair value	$ 61,615	$ 12,231	$ 1,895	$ 75,741
Held-to-maturity, fixed maturity securities, at amortized cost (1)	19,056	0	0	19,056
Equity securities	650	51	390	1,091
Commercial mortgage and other loans:				
Transitional real estate loans (1)	5,133	1,140	182	6,455
Commercial mortgage loans (1)	1,142	633	0	1,775
Middle market loans (1)	4,557	471	0	5,028
Other loans (1)	127	96	15	238
Other investments:				
Policy loans	190	24	0	214
Short-term investments (2)	319	184	1,029	1,532
Limited partnerships	1,900	208	182	2,290
Other	0	34	0	34
Investment in affiliate (3)	0	195	(195)	0
Total investments	94,689	15,267	3,498	113,454
Cash and cash equivalents	1,601	720	1,622	3,943
Total investments and cash	$ 96,290	$ 15,987	$ 5,120	$ 117,397

(1) *Net of allowance for credit losses*
(2) *Includes securities lending collateral*
(3) *For consolidated reporting, Aflac U.S.'s investment in Aflac Re is eliminated in Corporate and other*

In recent quarters, the Company has noted a trend indicating a gradual strain in the valuations of the commercial real estate market in the United States, with specific concerns regarding office space. The Company monitors this trend and its impact on the valuations of the Company’s transitional real estate loans (TREs), commercial mortgage loans (CMLs) and related underlying commercial properties.

Within the commercial mortgage and other loans category, the Company has invested in a variety of loans including TREs and CMLs that are collateralized by commercial real estate, including some that are designed as office space. 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 positioned to manage their assets during periods of market volatility.

The Company has invested in certain TREs that are currently in default of interest or maturity payments. The Company continues to work with the borrowers to resolve these specific situations through loan continuance with potential modifications, or through the process of foreclosure or deed in lieu of foreclosure. During 2023, the Company took possession of certain commercial real estate properties securing defaulted loans through foreclosure and deed in lieu of foreclosure. 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 consolidated balance sheet.

The Company utilizes third-party asset managers to source, underwrite and manage each loan. 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

	2023		2022	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
AAA	**1.6 %**	**1.6 %**	1.6 %	1.5 %
AA	**5.7**	**5.9**	5.2	5.3
A	**68.1**	**67.2**	68.0	68.1
BBB	**22.9**	**23.5**	23.0	22.9
BB or lower	**1.7**	**1.8**	2.2	2.2
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

As of December 31, 2023, 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, 2023.

(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	**Unrealized Loss**
Autostrade Per Litalia Spa	BBB	$ 140	$ 109	$ (31)
KLM Royal Dutch Airlines	B	135	105	(30)
Urban Renaissance Agency	A	172	144	(28)
JP Morgan Chase and Co.	A	195	168	(27)
Prologis LP	A	161	137	(24)
Banco de Chile	A	141	120	(21)
Citigroup Inc	A	165	147	(18)
Vasakronan AB	A	120	102	(18)
Credit Suisse Group AG	A	71	53	(18)
Nippon Prologis REIT Inc.	A	71	54	(17)

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 purchased 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

	2023			
(In millions)	Par Value	Amortized Cost [1]	Fair Value	Unrealized Gain (Loss)
Investcorp Capital Limited	$ 240	$ 240	$ 227	$ (13)
Commerzbank	176	142	202	60
Telecom Italia SpA	141	141	182	41
KLM Royal Dutch Airlines	141	135	105	(30)
IKB Deutsche Industriebank AG	92	46	75	29
Generalitat de Catalunya	56	24	55	31
National Gas Co. Trinidad & Tobago	52	50	47	(3)
Commonwealth of the Bahamas	43	42	35	(7)
Hawaiian Electric Industries Inc	35	36	28	(8)
Walgreens Boots Alliance Inc.	29	27	27	0
Other Issuers	24	26	25	(1)
Subtotal [2]	1,029	909	1,008	99
High yield corporate bonds	710	571	662	91
Middle market loans	4,244	4,065	4,037	(28)
Grand Total	$ 5,983	$ 5,545	$ 5,707	$ 162

[1] *Net of allowance for credit losses*
[2] *Securities initially purchased as investment grade, but have subsequently been downgraded to below investment grade*

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.

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.

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.

	2023				
(In millions)	**Amortized Cost [1]**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**% of Total**
Government and agencies	**$ 40,341**	**$ 2,788**	**$ (1,700)**	**$ 41,429**	**45.6 %**
Municipalities	**2,480**	**221**	**(96)**	**2,605**	**2.8**
Mortgage- and asset-backed securities	**2,963**	**190**	**(67)**	**3,086**	**3.3**
Public utilities	**7,137**	**689**	**(196)**	**7,630**	**8.1**
Electric	5,888	567	(123)	6,332	6.7
Natural Gas	698	78	(38)	738	.8
Other	551	44	(35)	560	.6
Sovereign and supranational	**913**	**101**	**(15)**	**999**	**1.1**
Banks/financial institutions	**8,572**	**679**	**(416)**	**8,835**	**9.6**
Banking	5,127	448	(227)	5,348	5.8
Insurance	1,723	156	(63)	1,816	1.9
Other	1,722	75	(126)	1,671	1.9
Other corporate	**26,102**	**3,220**	**(959)**	**28,363**	**29.5**
Basic Industry	2,241	338	(83)	2,496	2.5
Capital Goods	3,259	334	(127)	3,466	3.7
Communications	2,823	466	(46)	3,243	3.2
Consumer Cyclical	2,010	246	(36)	2,220	2.3
Consumer Non-Cyclical	5,963	693	(227)	6,429	6.7
Energy	2,177	410	(38)	2,550	2.5
Other	1,163	90	(87)	1,166	1.3
Technology	3,496	271	(143)	3,623	3.9
Transportation	2,970	372	(172)	3,170	3.4
Total fixed maturity securities	**$ 88,508**	**$ 7,888**	**$ (3,449)**	**$ 92,947**	**100.0 %**

[1] *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

	2023		2022	
(In millions)	**Amortized Cost [(1)]**	**Fair Value**	Amortized Cost [(1)]	Fair Value
Publicly issued securities:				
Fixed maturity securities	**$ 72,218**	**$ 75,622**	$ 77,176	$ 79,090
Equity securities	**838**	**838**	882	882
Total publicly issued	**73,056**	**76,460**	78,058	79,972
Privately issued securities: [(2)]				
Fixed maturity securities [(3)]	**16,290**	**17,325**	17,349	17,861
Equity securities	**250**	**250**	209	209
Total privately issued	**16,540**	**17,575**	17,558	18,070
Total investment securities	**$ 89,596**	**$ 94,035**	$ 95,616	$ 98,042

(1) Net of allowance for credit losses
(2) Primarily consists of securities owned by Aflac Japan
(3) Excludes Rule 144A securities

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

Reverse-Dual Currency Securities[(1)]

(Amortized cost, in millions)	**2023**	2022
Privately issued reverse-dual currency securities	**$ 3,740**	$ 4,049
Publicly issued collateral structured as reverse-dual currency securities	**1,232**	1,383
Total reverse-dual currency securities	**$ 4,972**	$ 5,432
Reverse-dual currency securities as a percentage of total investment securities	**5.5 %**	5.7 %

(1) 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.
- The unrealized and realized gains and losses impact on adjusted earnings of derivatives in cash flow, fair value, net investments in foreign operations, or 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 (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.

	2023	2022	2021
Aflac Japan:			
FX Forwards			
FX forward (sell USD, buy yen) notional at end of period (in billions) [(1)]	**$0.0**	$4.1	$6.4
Amortized hedge income (cost) for period (in millions)	**$(88)**	$(44)	$(55)
FX Options			
FX option notional at the end of period (in billions) [(1)]	**$24.7**	$13.5	$11.6
Amortized hedge income (cost) for period (in millions)	**$(69)**	$(68)	$(22)
Corporate and other (Parent Company):			
FX Forwards			
FX forward (buy USD, sell yen) notional at end of period (in billions)[(1)]	**$2.6**	$5.0	$5.0
Amortized hedge income (cost) for period (in millions)	**$126**	$71	$62
FX Options			
FX option notional at the end of period (in billions) [(1)]	**$0.5**	$2.6	$1.9
Amortized hedge income (cost) for period (in millions)	**$(5)**	$(3)	$(5)

[(1)] *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.

	2023		2022	
(In millions)	Amortized Cost [(1)]	Fair Value	Amortized Cost [(1)]	Fair Value
Available-for-sale securities:				
Fixed maturity securities	**$ 10,924**	**$ 12,918**	$ 14,321	$ 15,191
Equity securities	**22**	**22**	33	33
Commercial mortgage and other loans:				
Transitional real estate loans (floating rate)	**4,795**	**4,829**	5,133	5,088
Commercial mortgage and other loans	**1,075**	**948**	1,031	896
Middle market loans (floating rate)	**4,095**	**4,065**	4,557	4,545
Other loans	**112**	**111**	238	233
Other investments	**2,361**	**2,361**	1,899	1,899
Total U.S. Dollar Program	**23,384**	**25,254**	27,212	27,885
Available-for-sale securities:				
Fixed maturity securities - economically converted to yen	**2,081**	**2,902**	2,209	2,795
Total U.S. dollar-denominated investments in Aflac Japan	**$ 25,465**	**$ 28,156**	$ 29,421	$ 30,680

[(1)] *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, 2023, there were no collars in Aflac Japan, and none of the Company's foreign currency options hedging Aflac Japan's U.S. dollar-denominated assets were in-the-money.

As of December 31, 2023, the fair value of Aflac Japan's unhedged U.S. dollar-denominated portfolio was $484 million (excluding certain U.S. dollar-denominated assets shown in the table above as a result of consolidation that have been economically converted to yen using derivatives).

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)	2023	2022	2021
Net cash inflows (outflows)	**$ (598)**	$ (757)	$ 66

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 $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, compared with $11.6 billion as of December 31, 2022, with hedging instruments comprised of $4.0 billion of yen-denominated debt and $7.6 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, 2023 and 2022, 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, while Aflac Japan's U.S. dollar exposure remains reduced as a result of Aflac Japan's U.S. Dollar Program that economically creates yen assets. Among other objectives, this strategy is intended to offset the enterprise-wide amortized hedge costs by generating amortized hedge income. This activity is reported in Corporate and other. The Company continually evaluates the program’s efficacy.

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. In 2022, the Company expanded the use of interest rate swaps for this hedging strategy. 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)	**2023**	2022
Japan segment:		
Future policy benefits	**$ 73,638**	$ 77,733
Other policy liabilities	**7,529**	8,355
Total Japan policy liabilities	**81,167**	86,088
U.S. segment:		
Future policy benefits	**11,234**	10,870
Other policy liabilities	**365**	317
Total U.S. policy liabilities	**11,600**	11,187
Consolidated:		
Future policy benefits	**83,718**	88,241
Other policy liabilities	**7,881**	8,669
Total consolidated policy liabilities (1)	**$ 91,599**	$ 96,910

(1) The sum of the Japan and U.S. segments exceeds the total due to reinsurance and retrocession activity.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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 year ended December 31, 2023. Aflac Japan recognized an expense of ¥.9 billion and ¥1.8 billion for LIPPC assessments for the years ended December 31, 2022 and 2021, respectively.

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, 2023, 2022 and 2021 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 an investment strategy of using debt to increase the potential ROE. 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, 2023, the Company held $4.3 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)	**2023**	2022	2021
Management fees paid by subsidiaries	**$ 151**	$ 136	$ 130
Dividends declared or paid by subsidiaries	**3,516**	3,006	2,791

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)	**2023**	2022	2021
Aflac Japan management fees paid to Parent Company	**$ 67**	$ 61	$ 59
Aflac Japan dividends declared or paid to Parent Company (in dollars)	**2,623**	2,412	2,138
Aflac Japan dividends declared or paid to Parent Company (in yen)	**¥ 374.7**	¥ 324.2	¥ 236.7

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 portfolio 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 2021, 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 2024. 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, 2023. 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 newly-created 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, 2023. The Company translated its yen-denominated obligations using the December 31, 2023, exchange rate. Actual future payments as reported in dollars will fluctuate with changes in the yen/dollar exchange rate.

(In millions)	Total Liability[(1)]	Total Payments	Short-term Payments	Long-term Payments
Future policy benefits liability *(Note 7)*[(2)]	$ 83,718	$ 193,058	$ 8,740	$ 184,318
Other policyholders' funds *(Note 7)*[(3)]	6,169	6,652	375	6,277
Long-term debt – principal *(Note 9)*	7,240	7,293	0	7,293
Long-term debt – interest *(Note 9)*	44	2,516	169	2,347
Cash collateral on loaned securities *(Note 3)*	1,503	1,503	1,503	0
Operating service agreements *(Note 15)*	N/A	284	159	125
Operating lease obligations *(Note 9)*	118	123	39	84
Finance lease obligations *(Note 9)*	6	6	3	3
Total contractual obligations	$ 98,798	$ 211,435	$ 10,988	$ 200,447

(1) *Liability amounts are those reported on the consolidated balance sheet as of December 31, 2023.*

(2) *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.*

(3) *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, 2023, 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)	**2023**	2022	2021
Operating activities	**$ 3,190**	$ 3,879	$ 5,051
Investing activities	**817**	(1,540)	(2,378)
Financing activities	**(3,723)**	(3,551)	(2,739)
Exchange effect on cash and cash equivalents	**79**	104	(24)
Net change in cash and cash equivalents	**$ 363**	$ (1,108)	$ (90)

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 17.8% in 2023, compared with 2022, and decreased 23.2% in 2022, compared with 2021.

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 re-balance 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 $400 million to Aflac Ventures, LLC (Aflac Ventures), as opportunities emerge. As of December 31, 2023, of the $400 million committed, approximately $281 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 funding from FHLB supported by acceptable forms of collateral pledged by Aflac U.S. In 2023, Aflac U.S. borrowed and repaid $223 million under this program. As of December 31, 2023, Aflac U.S. had outstanding borrowings of $505 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 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 October 2022, the Parent Company used a portion of the net proceeds from its September 2022 issuance of various series of senior notes to redeem $450 million of its 3.25% senior notes due March 2025.

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 September 2022, the Parent Company used a portion of the net proceeds from its September 2022 issuance of various series of senior notes and the August 2022 senior term loan facility to redeem $750 million of its 3.625% senior notes due November 2024.

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.

In May 2021, the Parent Company used a portion of the net proceeds from the April 2021 issuance of its various series of senior notes to redeem $700 million of its 3.625% senior notes due June 2023.

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.

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 $3.8 billion in 2023, compared with $3.4 billion in 2022 and $3.2 billion in 2021.

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)	**2023**	2022	2021
Treasury stock purchases	**$ 2,801**	$ 2,401	$ 2,301
Number of shares purchased:			
Share repurchase program	**38,896**	39,187	43,327
Other	**364**	370	437
Total shares purchased	**39,260**	39,557	43,764

Treasury Stock Issued

(In millions of dollars and thousands of shares)	**2023**	2022	2021
Stock issued from treasury:			
Cash financing	**$ 17**	$ 17	$ 26
Noncash financing	**59**	57	55
Total stock issued from treasury	**$ 76**	$ 74	$ 81
Number of shares issued	**1,164**	1,341	1,721

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, 2023, a remaining balance of 77.7 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 2023 of $1.68 per share increased 5.0% over 2022. The 2022 dividend paid of $1.60 per share increased 21.2% over 2021. The following table presents the dividend activity for the years ended December 31.

Dividends Paid to Shareholders

(In millions)	**2023**	2022	2021
Dividends paid in cash	**$ 966**	$ 979	$ 855
Dividends through issuance of treasury shares	**37**	37	32
Total dividends to shareholders	**$ 1,003**	$ 1,016	$ 887

In November 2023, the board of directors announced a 19.0% increase in the quarterly cash dividend, effective with the first quarter of 2024. The first quarter 2024 cash dividend of $.50 per share is payable on March 1, 2024, to shareholders of record at the close of business on February 21, 2024.

Regulatory Restrictions

Aflac Japan

Aflac Japan is required to meet certain financial criteria as governed by Japanese corporate law in order to provide dividends to the Parent Company. Under these criteria, dividend capacity at the Japan subsidiary is basically 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 internal reinsurance transactions with Aflac Re. 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, 2023, Aflac Japan's SMR was 1,219%, compared with 878% at December 31, 2022. The Company is committed to maintaining strong capital levels, consistent with maintaining current insurance financial strength and credit ratings.

The FSA is considering the introduction of an economic value-based solvency regime based on the Insurance Capital Standards (ICS) for insurance companies in Japan. The FSA continues to conduct field testing with insurance companies in Japan for the purpose of investigating the impact of the introduction of such regulations. Final specifications are expected to be decided in 2024, and a new capital regime to replace the current solvency regime is expected to be introduced in Aflac Japan's 2025 fiscal year.

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, 2023 was 710%, compared with 732% as of December 31, 2022. 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 Company intends to maintain a target combined RBC over time of approximately 400% for Aflac U.S., consistent with the Company's risk management practices.

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

	2023	2022
Aflac	**699 %**	692 %
CAIC	**651**	1,056
TOIC	**2,270**	4,321
Aflac New York	**836**	859

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 2024 in excess of $1.1 billion 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, 2023 and 2022, 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, 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 93% of the Company's assets and 80% of its liabilities are reported as of December 31, 2023, and thus has a direct effect on net earnings and shareholders' equity. Subsequent experience or use of other assumptions could produce significantly different results.

On January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2018-12, Financial Services - Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI). The update significantly changes how insurers account for long-duration contracts and amends existing recognition, measurement, presentation, and disclosure requirements applicable to the Company related to liabilities for future policy benefits and DAC. As part of this adoption, the Company measures together all payments under an insurance contract including future expected claims and unpaid policy claims and related expenses, as an integrated reserve. This resulted in unpaid policy claims on long-duration insurance contracts and accrued claim adjustment expenses that were presented separately in the Company’s consolidated balance sheets pre-adoption to now be presented as part of liabilities for future policy benefits.

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, and interest 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 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, or an asset class, or an 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

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 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 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) (AOCI). 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 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, 2023 would increase by $12.7 billion, and if interest rates increased by 100 basis points the Company's LFPB balance as of December 31, 2023 would decrease by $9.9 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.

Aflac Japan holds certain U.S. dollar-denominated assets in a 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 $174 million in 2023 and $452 million in 2022.

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 2023 income tax expense of $43 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 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.

The Parent Company

The Company is exposed to currency risk as an economic event when yen funds are actually 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.

In addition to yen payments and internal reinsurance, 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)		**2023**			2022	
Yen/dollar exchange rates	**126.83**	**141.83** [(1)]	**156.83**	117.70	132.70 [(1)]	147.70
Yen-denominated financial instruments:						
Assets:						
Securities available-for-sale: [(2)]						
Fixed maturity securities [(3)]	**$ 44,357**	**$ 39,665**	**$ 35,872**	$ 48,591	$ 43,102	$ 38,730
Fixed maturity securities - consolidated variable interest entities [(4)]	**587**	**525**	**475**	636	564	506
Securities held-to-maturity: [(2)]						
Fixed maturity securities	**19,926**	**17,819**	**16,115**	21,485	19,056	17,121
Equity securities	**840**	**751**	**679**	755	670	602
Cash and cash equivalents	**1,131**	**1,011**	**915**	1,077	955	858
Derivatives	**223**	**337**	**893**	731	617	977
Other financial instruments	**415**	**371**	**335**	247	219	196
Subtotal	**67,479**	**60,479**	**55,284**	73,522	65,183	58,990
Liabilities:						
Notes payable	**4,709**	**4,211**	**3,807**	4,838	4,290	3,854
Derivatives	**1,374**	**1,430**	**1,894**	1,386	1,698	2,205
Subtotal	**6,083**	**5,641**	**5,701**	6,224	5,988	6,059
Net yen-denominated financial instruments	**61,396**	**54,838**	**49,583**	67,298	59,195	52,931
Other yen-denominated assets	**12,262**	**10,965**	**9,916**	8,524	7,560	6,793
Other yen-denominated liabilities	**95,457**	**85,361**	**77,197**	98,377	87,261	78,403
Consolidated yen-denominated net assets (liabilities) subject to foreign currency fluctuation[(2)]	**$ (21,799)**	**$ (19,558)**	**$ (17,698)**	$ (22,555)	$ (20,506)	$ (18,679)

(1) *Actual period-end exchange rate*

(2) *Net of allowance for credit losses*

(3) *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*

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

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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

	2023		2022	
(In millions)	**Fair Value**	**+100 Basis Points**	Fair Value	+100 Basis Points
Assets:				
Debt securities:				
Fixed maturity securities:				
Yen-denominated	**$ 59,847**	**$ 51,412**	$ 64,876	$ 57,535
U.S. dollar-denominated	**33,100**	**31,099**	32,075	29,551
Total debt securities	**$ 92,947**	**$ 82,511**	$ 96,951	$ 87,086
Commercial mortgage and other loans	**$ 12,217**	**$ 12,150**	$ 13,212	$ 13,136
Derivatives	**$ 337**	**$ 352**	$ 617	$ 669
Liabilities:				
Notes payable [(1)]	**$ 6,930**	**$ 6,502**	$ 6,826	$ 6,368
Derivatives	**1,430**	**1,506**	1,698	1,542

(1) Excludes lease obligations

There are various factors that affect the fair value of the Company's investment 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.

(In years)	**2023**	2022
Yen-denominated debt securities	**12**	13
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)	**2023**	2022
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**	7

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)

	2023		2022		2021	
	U.S.	**Japan**	U.S.	Japan	U.S.	Japan
Policies issued during year:						
Required interest on policy reserves	**5.38 %**	**2.90 %** [1]	4.21 %	2.49 % [1]	2.82 %	2.17 % [1]
New money yield on investments	**7.34**	**4.99**	4.92	4.29	3.19	3.34
Policies in force at year-end:						
Required interest on policy reserves	**4.45**	**2.91** [1]	4.45	2.98 [1]	4.48	3.06 [1]
Portfolio book yield, end of period	**5.31**	**2.99**	5.15	2.87	4.72	2.44

[1] Represents investments for Aflac Japan that support policy obligations and therefore excludes Aflac Japan's annuity products
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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 and the impact of environmental, social and governance-related factors. 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, 2023

No.	Consolidated Corporate/Sovereign Exposure	Total Consolidated Book Value	% of Total Fixed Maturity Securities	Credit Rating
1	**Japan National Government** [(1)]	**$ 39,151**	**44.23 %**	**A+**
2	**MUFG Bank, Ltd.**	**318**	**.36**	
	MUFG Bank, Ltd.	212	.24	A
	MUFG Bank, Ltd.	106	.12	A-
3	**Bank of America NA**	**317**	**.36**	
	Bank Of America Corp	176	.20	A-
	Bank Of America Corp	141	.16	BBB+
4	**E.On International Finance Bv**	**300**	**.34**	**BBB**
5	**Banobras**	**261**	**.29**	**BBB-**
6	**Nordea Bank AB**	**244**	**.28**	**A-**
7	**Investcorp SA**	**240**	**.27**	**BB**
8	**AXA**	**239**	**.27**	**A-**
9	**Walt Disney Co.**	**234**	**.26**	**A-**
10	**Deutsche Telekom AG**	**231**	**.26**	**BBB+**
11	**CFE**	**225**	**.25**	**BBB**
12	**Japan Expressway Holding and Debt**	**224**	**.25**	**A+**
13	**Thermo Fisher Scientific Inc**	**214**	**.24**	**A-**
14	**Investor AB**	**212**	**.24**	**AA-**
15	**Czech (Republic Of)**	**212**	**.24**	**AA-**
	Subtotal	**$ 42,622**	**48.15 %**	
	Total fixed maturity securities	**$ 88,513**	**100.00 %**	

[(1)] *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.

	2023		2022	
(In millions)	**Amortized Cost**	**% of Total**	Amortized Cost	% of Total
Japan	**$ 42,840**	**48.4 %**	**$ 46,539**	**49.2 %**
United States and Canada	**27,926**	**31.6**	**28,547**	**30.2**
United Kingdom	**2,951**	**3.3**	**3,014**	**3.2**
Germany	**1,949**	**2.1**	**2,074**	**2.0**
France	**1,687**	**1.9**	**1,870**	**2.0**
Peripheral Eurozone	**1,675**	**1.9**	**1,788**	**1.9**
Portugal	71	.1	75	.1
Italy	932	1.1	997	1.1
Ireland	109	.1	118	.1
Spain	563	.6	598	.6
Nordic Region	**1,543**	**1.8**	**1,670**	**1.8**
Sweden	857	1.0	914	1.0
Norway	281	.3	322	.3
Denmark	257	.3	276	.3
Finland	148	.2	158	.2
Other Europe	**2,436**	**2.8**	**2,519**	**2.8**
Netherlands	1,117	1.3	1,125	1.3
Switzerland	553	.6	578	.6
Czech Republic	374	.4	399	.4
Austria	100	.1	106	.1
Belgium	151	.2	160	.2
Poland	141	.2	151	.2
Asia excluding Japan	**1,678**	**1.9**	**1,895**	**2.0**
Africa and Middle East	**872**	**1.0**	**1,002**	**1.1**
Latin America	**1,560**	**1.8**	**1,935**	**2.0**
Australia	**1,283**	**1.4**	**1,417**	**1.5**
All Others	**113**	**.1**	**261**	**.3**
Total fixed maturity securities	**$ 88,513**	**100.0 %**	**$ 94,531**	**100.0 %**

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 $320 million or approximately 29% of its total investment in equity securities as of December 31, 2023. If equity prices experienced a hypothetical broad-based decline of 10%, the fair value of the Company's equity investments would decline by approximately $109 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, 2023.

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, 2023, 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, 2023, 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, 2023, 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, 2023 and 2022, 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, 2023, and the related notes and financial statement schedules II, III, and IV (collectively, the consolidated financial statements), and our report dated February 22, 2024 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 22, 2024

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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023, 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 22, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), effective January 1, 2023 with a transition date of January 1, 2021.

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, 2023, 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 $69,578 million; fixed maturity securities available-for-sale – consolidated variable interest entities, at fair value of $3,712 million; and, fixed maturity securities held-to-maturity, at amortized cost of $17,819 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 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 $83,718 million as of December 31, 2023.

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
- 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 22, 2024

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

(In millions, except for share and per-share amounts)	**2023**	2022	2021
Revenues:			
Net earned premiums, principally supplemental health insurance [(1)]	**$ 14,123**	$ 14,901	$ 17,095
Net investment income	**3,811**	3,656	3,818
Net investment gains (losses)	**590**	363	468
Other income (loss)	**177**	220	173
Total revenues	**18,701**	19,140	21,554
Benefits and expenses:			
Benefits and claims, excluding reserve remeasurement	**8,594**	9,102	10,623
Reserve remeasurement (gains) losses	**(383)**	(215)	(147)
Total benefits and claims, net	**8,211**	8,887	10,476
Acquisition and operating expenses:			
Amortization of deferred policy acquisition costs	**816**	792	835
Insurance commissions	**1,052**	1,117	1,256
Insurance and other expenses [(2)]	**3,165**	3,249	3,541
Interest expense	**195**	226	238
Total acquisition and operating expenses	**5,228**	5,384	5,870
Total benefits and expenses	**13,439**	14,271	16,346
Earnings before income taxes	**5,262**	4,869	5,208
Income tax expense (benefit):			
Current	**1,663**	1,181	1,095
Deferred	**(1,060)**	(730)	(118)
Income taxes	**603**	451	977
Net earnings	**$ 4,659**	$ 4,418	$ 4,231
Net earnings per share:			
Basic	**$ 7.81**	$ 6.96	$ 6.28
Diluted	**7.78**	6.93	6.25
Weighted-average outstanding common shares used in computing earnings per share (In thousands):			
Basic	**596,173**	634,816	673,617
Diluted	**598,745**	637,655	676,729
Cash dividends per share	**$ 1.68**	$ 1.60	$ 1.32

[(1)] Includes a gain (loss) of $20, $(42) and $(11) in 2023, 2022 and 2021, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

[(2)] Includes expense of $48 in 2021 for the early extinguishment of debt.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance 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)	**2023**	2022	2021
Net earnings	**$ 4,659**	$ 4,418	$ 4,231
Other comprehensive income (loss) before income taxes:			
Unrealized foreign currency translation gains (losses) during period	**(366)**	(1,034)	(861)
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	**2,493**	(12,603)	(929)
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	**(166)**	(453)	(31)
Unrealized gains (losses) on derivatives during period	**6**	4	5
Effect of changes in discount rate assumptions during period	**(582)**	17,384	3,466
Pension liability adjustment during period	**35**	165	148
Total other comprehensive income (loss) before income taxes	**1,420**	3,463	1,798
Income tax expense (benefit) related to items of other comprehensive income (loss)	**511**	1,481	573
Other comprehensive income (loss), net of income taxes	**909**	1,982	1,225
Total comprehensive income (loss)	**$ 5,568**	$ 6,400	$ 5,456

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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)	**2023**	2022
Assets:		
Investments and cash:		
Fixed maturity securities available-for-sale, at fair value (no allowance for credit losses in 2023 and 2022, amortized cost $67,807 in 2023 and $72,246 in 2022)	**$ 69,578**	$ 71,936
Fixed maturity securities available-for-sale - consolidated variable interest entities, at fair value (amortized cost $2,882 in 2023 and $3,223 in 2022)	**3,712**	3,805
Fixed maturity securities held-to-maturity, at amortized cost, net of allowance for credit losses of $5 in 2023 and $7 in 2022 (fair value $19,657 in 2023 and $21,210 in 2022)	**17,819**	19,056
Equity securities, at fair value	**1,088**	1,091
Commercial mortgage and other loans, net of allowance for credit losses of $274 in 2023 and $192 in 2022 (includes $10,150 in 2023 and $10,832 in 2022 of consolidated variable interest entities)	**12,527**	13,496
Other investments (includes $2,381 in 2023 and $1,909 in 2022 of consolidated variable interest entities)	**4,530**	4,070
Cash and cash equivalents	**4,306**	3,943
Total investments and cash	**113,560**	117,397
Receivables	**848**	647
Accrued investment income	**731**	745
Deferred policy acquisition costs	**9,132**	9,239
Property and equipment, at cost less accumulated depreciation	**445**	530
Other	**2,008**	3,180
Total assets	**$ 126,724**	$ 131,738
Liabilities and shareholders' equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	**$ 83,718**	$ 88,241
Unpaid policy claims	**261**	201
Unearned premiums	**1,451**	1,825
Other policyholders' funds	**6,169**	6,643
Total policy liabilities	**91,599**	96,910
Income taxes	**154**	698
Payables for return of cash collateral on loaned securities	**1,503**	1,809
Notes payable and lease obligations	**7,364**	7,442
Other	**4,119**	4,739
Total liabilities	**104,739**	111,598
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2023 and 2022; issued 1,355,398 shares in 2023 and 1,354,079 shares in 2022	**136**	135
Additional paid-in capital	**2,771**	2,641
Retained earnings	**47,993**	44,367
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(4,069)**	(3,564)
Unrealized gains (losses) on fixed maturity securities	**1,139**	(702)
Unrealized gains (losses) on derivatives	**(22)**	(27)
Effect of changes in discount rate assumptions	**(2,560)**	(2,100)
Pension liability adjustment	**(8)**	(36)
Treasury stock, at average cost	**(23,395)**	(20,574)
Total shareholders' equity	**21,985**	20,140
Total liabilities and shareholders' equity	**$ 126,724**	$ 131,738

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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
Balance at December 31, 2020	$ 135	$ 2,410	$ 37,984	$ 8,934	$ (15,904)	$ 33,559
Cumulative effect of change in accounting principle - Accounting Standards Update (ASU) 2018-12, net of income taxes	0	0	(324)	(18,570)	0	(18,894)
Balance at January 1, 2021	135	2,410	37,660	(9,636)	(15,904)	14,665
Net earnings	0	0	4,231	0	0	4,231
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(876)	0	(876)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(759)	0	(759)
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	4	0	4
Effect of changes in discount rate assumptions during period, net of income taxes	0	0	0	2,738	0	2,738
Pension liability adjustment during period, net of income taxes	0	0	0	118	0	118
Dividends to shareholders [(1)] ($1.39 per share)	0	0	(928)	0	0	(928)
Exercise of stock options	0	18	0	0	0	18
Share-based compensation	0	61	0	0	0	61
Purchases of treasury stock	0	0	0	0	(2,322)	(2,322)
Treasury stock reissued	0	40	0	0	41	81
Balance at December 31, 2021	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 [(1)] ($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
Balance at December 31, 2022	$ 135	$ 2,641	$ 44,367	$ (6,429)	$ (20,574)	$ 20,140

[(1)] Dividends to shareholders are recorded in the period in which they are declared.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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
Balance at December 31, 2022	$ 135	$ 2,641	$ 44,367	$ (6,429)	$ (20,574)	$ 20,140
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 [(1)] ($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
Balance at December 31, 2023	$ 136	$ 2,771	$ 47,993	$ (5,520)	$ (23,395)	$ 21,985

[(1)] *Dividends to shareholders are recorded in the period in which they are declared.*

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

See the accompanying Notes to the Consolidated Financial Statements.

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

(In millions)	2023	2022	2021
Cash flows from operating activities:			
Net earnings	**$ 4,659**	$ 4,418	$ 4,231
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Change in receivables and advance premiums	**(133)**	5	72
Capitalization of deferred policy acquisition costs	**(1,086)**	(1,054)	(1,063)
Amortization of deferred policy acquisition costs	**816**	792	835
Increase in policy liabilities	**(552)**	726	774
Change in income tax liabilities	**(967)**	(509)	96
Net investment (gains) losses	**(590)**	(363)	(468)
Other, net	**1,043**	(136)	574
Net cash provided (used) by operating activities	**3,190**	3,879	5,051
Cash flows from investing activities:			
Proceeds from investments sold or matured:			
Available-for-sale fixed maturity securities	**3,811**	4,418	4,157
Equity securities	**404**	570	264
Held-to-maturity fixed maturity securities	**3**	3	4
Commercial mortgage and other loans	**1,641**	2,190	4,099
Costs of investments acquired:			
Available-for-sale fixed maturity securities	**(2,801)**	(3,514)	(5,813)
Equity securities	**(357)**	(461)	(492)
Commercial mortgage and other loans	**(996)**	(3,897)	(5,282)
Other investments, net	**(417)**	(227)	(1,066)
Settlement of derivatives, net	**79**	(61)	199
Cash received (pledged or returned) as collateral, net	**(401)**	(673)	1,511
Other, net	**(149)**	112	41
Net cash provided (used) by investing activities	**817**	(1,540)	(2,378)
Cash flows from financing activities:			
Purchases of treasury stock	**(2,801)**	(2,401)	(2,301)
Proceeds from borrowings	**204**	1,277	1,153
Principal payments under debt obligations	**0**	(1,416)	(700)
Dividends paid to shareholders	**(966)**	(979)	(855)
Change in investment-type contracts, net	**(160)**	(83)	(36)
Treasury stock reissued	**17**	17	26
Other, net	**(17)**	34	(26)
Net cash provided (used) by financing activities	**(3,723)**	(3,551)	(2,739)
Effect of exchange rate changes on cash and cash equivalents	**79**	104	(24)
Net change in cash and cash equivalents	**363**	(1,108)	(90)
Cash and cash equivalents, beginning of period	**3,943**	5,051	5,141
Cash and cash equivalents, end of period	**$ 4,306**	$ 3,943	$ 5,051
Supplemental disclosures of cash flow information:			
Income taxes paid	**$ 1,569**	$ 961	$ 880
Interest paid	**185**	211	213
Noncash interest	**10**	14	24
Noncash real estate acquired in satisfaction of debt	**217**	0	0
Noncash financing activities:			
Lease obligations	**75**	102	46
Treasury stock issued for:			
Associate stock bonus	**17**	14	19
Shareholder dividend reinvestment	**37**	37	32
Share-based compensation grants	**5**	6	4

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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 Benefit 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 Aflac'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, and business activities, including reinsurance activities, not included in Aflac Japan or Aflac U.S. are included in Corporate and other.

In 2022, the Company established Aflac Re Bermuda Ltd. (Aflac Re), 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. Financial results from Aflac Re 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™ (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: 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 in earnings the realized currency exchange gains and losses resulting from foreign currency transactions.

The Parent Company has designated a majority of its yen-denominated liabilities (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 Company's net investment in Aflac Japan. Outstanding principal and related accrued interest on these Parent Company liabilities and the fair value of these derivatives are translated into U.S. dollars at end-of-period exchange rates. Currency translation adjustments and changes in the fair value of these derivatives 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.

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 through 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 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 focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. 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. 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, equity 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.

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 $265 million at both December 31, 2023 and December 31, 2022. A significant majority of the goodwill balance is attributable to the following business combinations within the Aflac U.S. segment, which represents the reporting unit for goodwill impairment testing: (i) CAIC acquisition in 2009, (ii) Empoweredbenefits, LLC acquisition in 2015, (iii) ABS acquisition in 2019, and (iv) acquisition of Zurich's business in 2020.

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 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 primarily of discounted advance premiums on deposit from policyholders in conjunction with their purchase of certain Aflac Japan limited-pay insurance products. These 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 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. 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) 2023-02 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 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.

All relevant prior-year amounts have been adjusted for the adoption of ASU 2018-12. See Note 6 and Note 7 for expanded disclosures for DAC and future policy benefits, respectively, required as a result of the amended guidance.

Transition Impact to Shareholder's Equity

The following table presents the cumulative transition impact as of January 1, 2021 to the Company's shareholders' equity as a result of the adoption of ASU 2018-12, using the modified retrospective transition method.

(In millions - Unaudited)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2020	$ 135	$ 2,410	$ 37,984	$ 8,934	$ (15,904)	$ 33,559
Cumulative effect of change in accounting principle, ASU 2018-12, net of income taxes	0	0	(324)	(18,570)	0	(18,894)
Balance at January 1, 2021	$ 135	$ 2,410	$ 37,660	$ (9,636)	$ (15,904)	$ 14,665

The following table presents the transition impacts as of January 1, 2021 to the Company's AOCI and RE as a result of the adoption of ASU 2018-12 by reporting segment and disaggregated by product type, using the modified retrospective transition method.

(In millions - Unaudited)	Impact to Retained Earnings	Impact to AOCI
Transition impacts:		
Aflac Japan		
Cancer	$ 0	$ 14,529
Medical and other health	1	2,382
Life insurance	0	3,314
Other [(1)]	398	433
Aflac U.S.		
Accident	0	92
Disability	0	149
Critical care	4	2,258
Hospital indemnity	0	223
Dental/vision	0	65
Life insurance	5	149
Other	2	218
Reinsurance	0	(305)
Transition impact before income taxes	410	23,507
Less: income taxes	86	4,937
Total transition impact, net of income taxes	$ 324	$ 18,570

[(1)] *Impact to retained earnings is driven primarily by capping the Transition Date NPR on Care products.*

Transition Impact on the Liability for Future Policy Benefits

The Company adopted ASU 2018-12 using the modified retrospective transition method. The tables below present the disaggregated transition impacts to the Company's LFPB as a result of adoption, split between the changes in the present value of expected future net premiums and the present value of expected future policy benefits as of the Transition Date and the LFPB rollforward for the year ended December 31, 2021. The locked-in discount rates on the policies held at the Transition Date reflect the locked-in rates in existence immediately before the Transition Date. See Note 7 for additional information.

Under the modified retrospective transition method, the NPR for future policy benefits existing as of the Transition Date considers the carryover basis of those liabilities, which equals the future policy benefits and unpaid policy claims balance as of December 31, 2020. If the revised Transition Date NPR for a cohort is greater than 100%, the Company capped the Transition Date NPR at 100% and increased the LFPB with an offsetting decrease to opening retained earnings.

The LFPB recorded in the consolidated balance sheets includes the deferred profit liability for limited-payment contracts. This deferred profit liability is not included in the Transition Date and LFPB rollforwards. For products with limited-payment features, to the extent the transition date adjustment related to updating cash flow assumptions is favorable, the Company increased the deferred profit liability.

The following table presents the transition impacts to the present value of expected future net premiums, gross of internal and external ceded reinsurance, by reporting segment and disaggregated by product type due to the cumulative effect of the change in accounting principle as a result of the adoption of ASU 2018-12 using the modified retrospective transition method.

	Transition Impact at January 1, 2021										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future net premiums:											
Balance at December 31, 2020	$ 25,601	$ 21,270	$ 12,440	$ 2,080	$ 3,350	$ 1,921	$ 5,898	$ 1,376	$ 281	$ 710	$ 154
Impact to retained earnings from capping Transition Date NPR	0	(1)	0	(398)	0	0	(4)	0	0	(5)	(2)
Impact of deferred profit liability	15	7	36	26	0	0	0	0	0	0	0
Beginning balance at original discount rate	25,616	21,276	12,476	1,708	3,350	1,921	5,894	1,376	281	705	152
Effect of change in discount rate assumptions	3,982	2,598	908	148	479	197	1,048	154	41	78	27
Balance at January 1, 2021	$ 29,598	$ 23,874	$ 13,384	$ 1,856	$ 3,829	$ 2,118	$ 6,942	$ 1,530	$ 322	$ 783	$ 179

The following table presents the changes in the present value of expected future net premiums, gross of internal and external reinsurance, by reporting segment and disaggregated by product type for the year ended December 31, 2021.

	December 31, 2021										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future net premiums:											
Balance at January 1, 2021	$ 29,598	$ 23,874	$ 13,384	$ 1,856	$ 3,829	$ 2,118	$ 6,942	$ 1,530	$ 322	$ 783	$ 179
Beginning balance at original discount rate (1)	25,616	21,276	12,476	1,708	3,350	1,921	5,894	1,376	281	705	152
Effect of changes in cash flow assumptions	32	88	40	1	(163)	(129)	(302)	0	(26)	31	0
Effect of actual variances from expected experience	(134)	(449)	(135)	(11)	(109)	(38)	(290)	(32)	(14)	34	(3)
Adjusted beginning of period balance	25,514	20,915	12,381	1,698	3,078	1,754	5,302	1,344	241	770	149
Issuances	1,116	1,132	284	55	365	345	552	263	39	112	0
Interest accrual	586	439	202	27	116	61	210	45	10	25	6
Net premiums collected (2)	(2,206)	(1,692)	(1,609)	(151)	(552)	(393)	(665)	(268)	(47)	(124)	(19)
Foreign currency translation	(2,539)	(2,111)	(1,194)	(167)	0	0	0	0	0	0	0
Other	(1)	(2)	0	(1)	(8)	(7)	(8)	(4)	(2)	(3)	(1)
Ending balance at original discount rate	22,470	18,681	10,064	1,461	2,999	1,760	5,391	1,380	241	780	135
Effect of changes in discount rate assumptions	3,423	2,493	783	125	284	102	632	87	23	54	18
Balance at December 31, 2021	$ 25,893	$ 21,174	$ 10,847	$ 1,586	$ 3,283	$ 1,862	$ 6,023	$ 1,467	$ 264	$ 834	$ 153

(1) *Includes the adjustment for capping the Transition Date NPR.*
(2) *Net premiums collected represent the portion of gross premiums collected from policyholders that is used to fund expected future benefit payments.*

The following table presents the transition impacts to the present value of expected future policy benefits by reporting segment and disaggregated by product type due to the cumulative effect of the change in accounting principle as a result of the adoption of ASU 2018-12 using the modified retrospective transition method.

	Transition Impact at January 1, 2021										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future policy benefits:											
Balance at December 31, 2020	$ 64,056	$ 34,638	$ 43,729	$ 7,620	$ 3,818	$ 2,919	$ 13,427	$ 2,258	$ 599	$ 1,562	$ 661
Effect of change in discount rate assumptions	18,511	4,980	4,222	581	571	346	3,306	377	106	227	245
Balance at January 1, 2021	$ 82,567	$ 39,618	$ 47,951	$ 8,201	$ 4,389	$ 3,265	$ 16,733	$ 2,635	$ 705	$ 1,789	$ 906

The following table presents the changes in the present value of expected future policy benefits by reporting segment and disaggregated by product type for the year ended December 31, 2021.

	December 31, 2021										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future policy benefits:											
Balance at January 1, 2021	$ 82,567	$ 39,618	$ 47,951	$ 8,201	$ 4,389	$ 3,265	$ 16,733	$ 2,635	$ 705	$ 1,789	$ 906
Beginning balance at original discount rate	64,056	34,638	43,729	7,620	3,818	2,919	13,427	2,258	599	1,562	661
Effect of changes in cash flow assumptions	24	85	31	(11)	(178)	(143)	(326)	(3)	(29)	31	0
Effect of actual variances from expected experience	(149)	(458)	(139)	(15)	(115)	(41)	(304)	(36)	(15)	34	(3)
Adjusted beginning of period balance	63,931	34,265	43,621	7,594	3,525	2,735	12,797	2,219	555	1,627	658
Issuances	1,133	1,155	287	62	372	355	563	271	40	115	0
Interest accrual	2,014	769	833	129	137	100	553	85	23	58	33
Benefit payments	(3,894)	(1,313)	(1,373)	(238)	(439)	(520)	(834)	(275)	(69)	(107)	(46)
Foreign currency translation	(6,377)	(3,478)	(4,366)	(760)	0	0	0	0	0	0	0
Other	0	0	0	0	(1)	0	0	0	0	1	0
Ending balance at original discount rate	56,807	31,398	39,002	6,787	3,594	2,670	13,079	2,300	549	1,694	645
Effect of changes in discount rate assumptions	15,940	4,623	3,718	535	355	201	2,309	252	67	149	192
Balance at December 31, 2021	72,747	36,021	42,720	7,322	3,949	2,871	15,388	2,552	616	1,843	837
Net liability for future policy benefits	46,854	14,847	31,873	5,736	666	1,009	9,365	1,085	352	1,009	684
Less: reinsurance recoverable	0	2,150	0	0	0	0	0	0	0	10	0
Net liability for future policy benefits after reinsurance recoverable	$ 46,854	$ 12,697	$ 31,873	$ 5,736	$ 666	$ 1,009	$ 9,365	$ 1,085	$ 352	$ 999	$ 684

The following table presents a reconciliation of the rollforwards by reporting segment and disaggregated by product type for the year ended December 31, 2021 to the liability for future policy benefits as of December 31, 2021 under the amended guidance. The deferred profit liability for limited-payment contracts and the deferred reinsurance gain liability is presented together with the LFPB in the consolidated balance sheets and has been included as a reconciling item in the table below.

(In millions)	December 31, 2021
Balances included in future policy benefits rollforward:	
Aflac Japan	
Cancer	$ 46,854
Medical and other health	14,847
Life insurance	31,873
Other	5,736
Aflac U.S.	
Accident	666
Disability	1,009
Critical care	9,365
Hospital indemnity	1,085
Dental/vision	352
Life insurance	1,009
Other	684
Corporate and other	30
Deferred profit liability	1,595
Deferred reinsurance gain liability	859
Total	$ 115,964

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

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 is not expected to have a significant impact on the Company’s financial position or results of operations. The Company is evaluating the impact of adoption on its disclosures.

ASU 2023-07 Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued amendments that will 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 amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact of adoption on its financial position, results of operations and 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, business activities, including reinsurance activities, not included in Aflac Japan or Aflac U.S. and intercompany eliminations are included in Corporate and other. The Company does not allocate corporate overhead expenses to business segments.

Consistent with U.S. GAAP accounting guidance for segment reporting, the Company evaluates and manages its business segments using a financial performance measure called pretax adjusted earnings.

- **Pretax adjusted earnings** are adjusted revenues less benefits and adjusted expenses. The adjustments to both revenues and expenses account for certain items that cannot be predicted or that are outside management’s control. 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 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.

Aflac Japan's adjusted revenues accounted for 60% of the Company's total adjusted revenues in 2023, compared with 64% in 2022 and 68% in 2021. The percentage of the Company's total assets attributable to Aflac Japan was 80% at both December 31, 2023 and 2022.

Information regarding operations by reportable segment and Corporate and other for the years ended December 31 follows:

(In millions)	**2023**	2022	2021
Revenues:			
Aflac Japan:			
Net earned premiums: (1)			
Cancer	**$ 4,054**	$ 4,702	$ 5,718
Medical and other health	**2,451**	2,706	3,287
Life insurance	**1,542**	1,778	2,296
Adjusted net investment income	**2,582**	2,669	3,031
Other income	**35**	35	41
Total adjusted revenue Aflac Japan	**10,664**	11,890	14,373
Aflac U.S.:			
Net earned premiums:			
Accident	**1,284**	1,314	1,362
Disability	**1,249**	1,171	1,162
Critical care	**1,743**	1,753	1,797
Hospital indemnity	**720**	722	730
Dental/vision	**214**	199	188
Life insurance	**432**	372	332
Other	**33**	39	43
Adjusted net investment income	**820**	755	754
Other income	**128**	161	121
Total adjusted revenue Aflac U.S.	**6,623**	6,486	6,489
Corporate and other (2)	**460**	267	175
Total adjusted revenues	**17,747**	18,643	21,037
Net investment gains (losses)	**590**	363	468
Reconciling items:			
Amortized hedge costs	**157**	112	76
Amortized hedge income	**(121)**	(68)	(57)
Net interest cash flows from derivatives	**328**	90	30
Total revenues	**$ 18,701**	$ 19,140	$ 21,554

(1) Includes a gain (loss) of $20, $(42) and $(11) in 2023, 2022 and 2021, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

(2) The change in value of federal historic rehabilitation and solar investments in partnerships of $343, $91 and $138 in 2023, 2022 and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $334, $83 and $115 in 2023, 2022 and 2021, respectively, have been recorded as an income tax benefit in the consolidated statements of earnings. See Note 3 for additional information on these investments.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

(In millions)	2023	2022	2021
Pretax earnings:			
Aflac Japan [1]	**$ 3,234**	$ 3,281	$ 3,756
Aflac U.S.	**1,501**	1,359	1,356
Corporate and other [2]	**(425)**	(218)	(293)
Pretax adjusted earnings	**4,310**	4,422	4,819
Other income (loss)	**39**	0	(73)
Net investment gains (losses)	**590**	363	468
Reconciling items:			
Amortized hedge costs	**157**	112	76
Amortized hedge income	**(121)**	(68)	(57)
Net interest cash flows from derivatives	**328**	90	30
Interest rate component of the change in fair value of foreign currency	**(41)**	(50)	(55)
Total earnings before income taxes	**$ 5,262**	$ 4,869	$ 5,208
Income taxes applicable to pretax adjusted earnings	**$ 577**	$ 808	$ 893
Effect of foreign currency translation on after-tax adjusted earnings	**(113)**	(262)	(35)

[1] Includes a gain (loss) of $20, $(42) and $(11) for 2023, 2022 and 2021, respectively, related to remeasurement of the deferred profit liability for limited-payment contracts.

[2] The change in value of federal historic rehabilitation and solar investments in partnerships of $343, $91 and $138 in 2023, 2022 and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $334, $83 and $115 in 2023, 2022 and 2021, respectively, have been recorded as an income tax benefit in the consolidated statements of earnings. See Note 3 for additional information on these investments.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

Yen-Translation Effects: The following table shows the yen/dollar exchange rates used for or during the periods ended December 31. Exchange effects were calculated using the same yen/dollar exchange rate for the current year as for each respective prior year.

	2023	2022	2021
Statements of Earnings:			
Weighted-average yen/dollar exchange rate [1]	**140.57**	130.17	109.79
Yen percent strengthening (weakening)	**(7.4)%**	(15.7)%	(2.7)%
Exchange effect on pretax adjusted earnings (in millions)	**$ (131)**	$ (318)	$ (43)

	2023	2022
Balance Sheets:		
Yen/dollar exchange rate at December 31 [1]	**141.83**	132.70
Yen percent strengthening (weakening)	**(6.4)%**	(13.3)%
Exchange effect on total assets (in millions)	**$ (3,984)**	$ (11,099)
Exchange effect on total liabilities (in millions)	**(6,936)**	(9,513)

[1] Rates are based on the published MUFG Bank, Ltd. telegraphic transfer middle rate (TTM)

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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)	**2023**	2022	2021
Management fees	**$ 67**	$ 61	$ 59
Profit remittances	**2,623**	2,412	2,138
Total transfers from Aflac Japan	**$ 2,690**	$ 2,473	$ 2,197

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

(In millions)	**2023**	2022
Assets:		
Aflac Japan	**$ 101,541**	$ 105,734
Aflac U.S.	**21,861**	21,002
Corporate and other	**3,322**	5,002
Total assets	**$ 126,724**	$ 131,738

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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)	**2023**	2022
Property and equipment:		
Land	**$ 168**	$ 168
Buildings	**421**	437
Equipment and furniture	**510**	587
Total property and equipment	**1,099**	1,192
Less accumulated depreciation	**654**	662
Net property and equipment	**$ 445**	$ 530

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 $848 million and $647 million as of December 31, 2023 and 2022, respectively. The allowance for credit losses related to premiums receivable was $92 million and $79 million as of December 31, 2023 and 2022, respectively. At December 31, 2023, $175 million, or 20.7% of total receivables, were related to Aflac Japan's operations, compared with $174 million, or 27.0%, at December 31, 2022.

3. INVESTMENTS

Net Investment Income

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

(In millions)	**2023**	2022	2021
Fixed maturity securities	**$ 2,873**	$ 2,926	$ 3,068
Equity securities	**28**	31	35
Commercial mortgage and other loans	**1,002**	716	570
Other investments [(1)]	**(70)**	131	356
Short-term investments and cash equivalents	**213**	78	7
Gross investment income	**4,046**	3,882	4,036
Less investment expenses	**235**	226	218
Net investment income	**$ 3,811**	$ 3,656	$ 3,818

[(1)] *The change in value of federal historic rehabilitation and solar investments in partnerships of $343, $91, and $138 in 2023, 2022, and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $334, $83, and $115 in 2023, 2022, and 2021, 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.

	2023				
(In millions)	**Amortized Cost**	**Allowance for Credit Losses**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale, carried at fair value through other comprehensive income:					
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**

	2022				
(In millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale, carried at fair value through other comprehensive income:					
Fixed maturity securities:					
Yen-denominated:					
Japan government and agencies	$ 25,418	$ 0	$ 1,259	$ 1,724	$ 24,953
Municipalities	1,034	0	124	61	1,097
Mortgage- and asset-backed securities	241	0	8	12	237
Public utilities	3,932	0	301	108	4,125
Sovereign and supranational	659	0	24	5	678
Banks/financial institutions	6,348	0	324	531	6,141
Other corporate	6,288	0	555	408	6,435
Total yen-denominated	43,920	0	2,595	2,849	43,666
U.S. dollar-denominated:					
U.S. government and agencies	169	0	0	8	161
Municipalities	1,269	0	43	89	1,223
Mortgage- and asset-backed securities	1,926	0	67	84	1,909
Public utilities	3,481	0	240	180	3,541
Sovereign and supranational	133	0	35	12	156
Banks/financial institutions	2,992	0	271	105	3,158
Other corporate	21,579	0	1,549	1,201	21,927
Total U.S. dollar-denominated	31,549	0	2,205	1,679	32,075
Total securities available-for-sale	$ 75,469	$ 0	$ 4,800	$ 4,528	$ 75,741

	2023					
(In millions)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity, carried at amortized cost:						
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**

(In millions)	2022 Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity, carried at amortized cost:						
Fixed maturity securities:						
Yen-denominated:						
Japan government and agencies	$ 18,269	$ 2	$ 18,267	$ 2,045	$ 0	$ 20,312
Municipalities	287	0	287	48	0	335
Public utilities	38	1	37	4	0	41
Sovereign and supranational	450	4	446	54	0	500
Other corporate	19	0	19	3	0	22
Total yen-denominated	19,063	7	19,056	2,154	0	21,210
Total securities held-to-maturity	$ 19,063	$ 7	$ 19,056	$ 2,154	$ 0	$ 21,210

(In millions)	**2023 Fair Value**	2022 Fair Value
Equity securities, carried at fair value through net earnings:		
Equity securities:		
Yen-denominated	**$ 751**	$ 670
U.S. dollar-denominated	**252**	374
Other currencies	**85**	47
Total equity securities	**$ 1,088**	$ 1,091

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 2023 and 2022, 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, 2023, were as follows:

(In millions)	Amortized Cost [(1)]	Fair Value
Available-for-sale:		
Due in one year or less	$ 1,422	$ 1,440
Due after one year through five years	6,690	7,358
Due after five years through 10 years	18,885	20,740
Due after 10 years	40,729	40,666
Mortgage- and asset-backed securities	2,963	3,086
Total fixed maturity securities available-for-sale	$ 70,689	$ 73,290
Held-to-maturity:		
Due in one year or less	$ 0	$ 0
Due after one year through five years	37	39
Due after five years through 10 years	9,504	10,458
Due after 10 years	8,278	9,160
Total fixed maturity securities held-to-maturity	$ 17,819	$ 19,657

(1) 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:

	2023			2022		
(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	Credit Rating	Amortized Cost	Fair Value
Japan National Government[(1)]	**A+**	**$39,151**	**$40,222**	A+	$42,618	$44,178

(1) 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)	2023	2022	2021
Net investment gains (losses):			
Sales and redemptions:			
Fixed maturity securities available-for-sale:			
Gross gains from sales	**$ 24**	$ 93	$ 64
Gross losses from sales	**(61)**	(78)	(52)
Foreign currency gains (losses)	**204**	442	1
Other investments:			
Gross gains (losses) from sales and redemptions	**33**	10	0
Total sales and redemptions	**200**	467	13
Equity securities	**88**	(341)	164
Credit losses:			
Fixed maturity securities available-for-sale	**0**	0	38
Fixed maturity securities held-to-maturity	**1**	0	1
Commercial mortgage and other loans	**(146)**	(18)	6
Impairment losses	**0**	(25)	(20)
Loan commitments	**9**	9	4
Reinsurance recoverables and other	**(3)**	(2)	(2)
Total credit losses	**(139)**	(36)	27
Derivatives and other:			
Derivative gains (losses)	**(531)**	(1,151)	(805)
Foreign currency gains (losses)	**972**	1,424	1,069
Total derivatives and other	**441**	273	264
Total net investment gains (losses)	**$ 590**	$ 363	$ 468

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 was $340 million. The unrealized holding gains, net of losses, recorded as a component of net investment gains and losses for the year ended December 31, 2021, that relate to equity securities held at the December 31, 2021, reporting date was $141 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)	2023	2022	2021
Changes in unrealized gains (losses):			
Fixed maturity securities, available-for-sale	**$ 2,327**	$ (13,056)	$ (960)
Total change in unrealized gains (losses)	**$ 2,327**	$ (13,056)	$ (960)

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)	**2023**	2022
Unrealized gains (losses) on securities available-for-sale	**$ 2,601**	$ 272
Deferred income taxes	**(1,462)**	(974)
Shareholders’ equity, unrealized gains (losses) on fixed maturity securities	**$ 1,139**	$ (702)

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.

	2023					
	Total		**Less than 12 months**		**12 months or longer**	
(In millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturity securities available-for-sale:						
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**
Total	**$ 25,402**	**$ 3,449**	**$ 4,239**	**$ 364**	**$ 21,163**	**$ 3,085**

	2022					
	Total		Less than 12 months		12 months or longer	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities available-for-sale:						
U.S. government and agencies:						
U.S. dollar-denominated	$ 159	$ 8	$ 85	$ 3	$ 74	$ 5
Japan government and agencies:						
Yen-denominated	8,856	1,724	3,733	580	5,123	1,144
Municipalities:						
U.S. dollar-denominated	854	89	735	57	119	32
Yen-denominated	286	61	150	26	136	35
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	936	84	640	42	296	42
Yen-denominated	62	12	38	6	24	6
Public utilities:						
U.S. dollar-denominated	1,852	180	1,667	144	185	36
Yen-denominated	880	108	576	61	304	47
Sovereign and supranational:						
U.S. dollar-denominated	30	12	0	0	30	12
Yen-denominated	71	5	34	4	37	1
Banks/financial institutions:						
U.S. dollar-denominated	1,147	105	786	58	361	47
Yen-denominated	3,957	531	1,760	174	2,197	357
Other corporate:						
U.S. dollar-denominated	10,529	1,201	8,636	785	1,893	416
Yen-denominated	2,090	408	1,507	273	583	135
Total	$ 31,709	$ 4,528	$ 20,347	$ 2,213	$ 11,362	$ 2,315

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 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 any available-for-sale securities with significant declines in fair value, the Company performs detailed analyses to identify whether the drivers of the declines are due to general market drivers, 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 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, 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, from time to time 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 and as a result, a credit allowance will be estimated. Based on an evaluation of its securities currently in an unrealized loss position, the Company has determined that those securities should not have a credit loss allowance as of December 31, 2023. Refer to the *Allowance for Credit Losses* section below for additional information.

As of December 31, 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.

(In millions)	**2023**		2022	
	Amortized Cost	**% of Total**	Amortized Cost	% of Total
Commercial Mortgage and other loans:				
Transitional real estate loans:				
Office	**$ 1,807**	**14.1 %**	$ 2,158	15.8 %
Retail	**473**	**3.7**	493	3.6
Apartments/Multi-Family	**2,608**	**20.4**	2,701	19.7
Industrial	**157**	**1.2**	123	.9
Hospitality	**814**	**6.4**	803	5.9
Other	**255**	**2.0**	231	1.7
Total transitional real estate loans	**6,114**	**47.8**	6,509	47.6
Commercial mortgage loans:				
Office	**359**	**2.8**	383	2.8
Retail	**301**	**2.4**	310	2.3
Apartments/Multi-Family	**586**	**4.6**	620	4.5
Industrial	**463**	**3.6**	471	3.4
Total commercial mortgage loans	**1,709**	**13.4**	1,784	13.0
Middle market loans	**4,677**	**36.5**	5,157	37.7
Other loans	**301**	**2.3 %**	238	1.7 %
Total commercial mortgage and other loans	**$ 12,801**	**100.0 %**	$ 13,688	100.0 %
Allowance for credit losses	**(274)**		(192)	
Total net commercial mortgage and other loans	**$ 12,527**		$ 13,496	

CMLs and TREs were secured by properties entirely within the U.S. (with the largest concentrations in California (21%), Texas (12%) and Florida (11%)). MMLs are issued only to companies domiciled within the U.S. and Canada.

Transitional Real Estate Loans

TREs are commercial mortgage loans that are typically relatively short-term floating rate instruments 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, 2023, the Company had $488 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. The carrying value for MMLs included $24 million and $28 million for a short-term credit facility that is reflected in other liabilities on the consolidated balance sheets, as of December 31, 2023, and 2022, respectively.

As of December 31, 2023, the Company had commitments of approximately $820 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 contracted solar and wind assets generating cash flow for loan repayment. The infrastructure loan portfolio weighted average rating is investment grade.

Credit Quality Indicators

For TREs, the Company’s key credit quality indicators include loan-to-value (LTV), which is calculated by dividing the current outstanding loan balance by the estimated property value at origination, and performance of the loan. 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 the credit ratings periodically, but not less frequently than quarterly.

The following tables present as of December 31, 2023 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)	2023	2022	2021	2020	2019	Prior	Total
Loan-to-Value Ratio:							
0%-59.99%	$ 252	$ 603	$ 506	$ 36	$ 125	$ 2	$ 1,524
60%-69.99%	91	534	667	18	420	123	1,853
70%-79.99%	14	835	898	85	3	64	1,899
80% or greater	0	217	250	80	87	204	838
Total	$ 357	$ 2,189	$ 2,321	$ 219	$ 635	$ 393	$ 6,114
Current-period gross writeoffs:	$ 0	$ 0	$ 0	$ 4	$ 12	$ 50	$ 66

Commercial Mortgage Loans

(In millions)	2023	2022	2021	2020	2019	Prior	Total	Weighted-Average DSCR
Loan-to-Value Ratio:								
0%-59.99%	$ 33	$ 0	$ 310	$ 45	$ 422	$ 599	$ 1,409	2.56
60%-69.99%	0	0	0	0	17	29	46	1.76
70%-79.99%	0	0	0	0	39	105	144	2.46
80% or greater	0	0	0	0	90	20	110	1.85
Total	$ 33	$ 0	$ 310	$ 45	$ 568	$ 753	$ 1,709	2.49
Weighted Average DSCR	2.64	0.00	3.24	2.05	2.44	2.23		
Current-period gross writeoffs:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	

Middle Market Loans

(In millions)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Credit Ratings:								
BBB	$ 7	$ 45	$ 142	$ 68	$ 38	$ 45	$ 120	$ 465
BB	35	313	413	253	176	104	398	1,692
B	64	213	601	322	432	230	275	2,137
CCC	0	20	26	51	78	128	39	342
CC	0	0	0	0	0	10	0	10
C and lower	0	0	0	0	0	12	19	31
Total	$ 106	$ 591	$ 1,182	$ 694	$ 724	$ 529	$ 851	$ 4,677
Current-period gross writeoffs:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Other Loans								
(In millions)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Credit Ratings:								
A	$ 22	$ 115	$ 0	$ 0	$ 0	$ 0	$ 0	$ 137
AA	0	5	5	0	0	0	0	10
BBB	73	0	5	0	0	0	0	78
BB	0	76	0	0	0	0	0	76
Total	95	196	10	0	0	0	0	301
Current-period gross writeoffs:	0	0	0	0	0	0	0	0

Loan Modifications to Borrowers Experiencing Financial Difficulties

The Company granted certain loan modifications to borrowers experiencing financial difficulty in its MML and TRE portfolios during the year ended December 31, 2023. The Company also granted certain loan modifications in its MML and TRE portfolios during the year ended December 31, 2022. The amount, timing, and extent of modifications granted are considered in determining any credit loss allowance recorded. For the years ended December 31, 2023 and 2022, these loan modifications did not have a material impact on the Company's results of operations.

Past Due and Nonaccrual Loans

The following table presents an aging of past due and nonaccrual loans at amortized cost, before allowance for credit losses, as of December 31.

	2023					
(In millions)	**Current**	**Less Than 90 Days Past Due**	**90 Days or More Past Due**[(1)]	**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**
Total	**$ 12,050**	**$ 141**	**$ 610**	**$ 751**	**$ 12,801**	**$ 718**

[(1)] *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, 2023, 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 $160 million had no credit loss allowance as of December 31, 2023 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, 2023, there were no MMLs on nonaccrual status without an allowance for credit losses.

As of December 31, 2022, the Company had an immaterial amount of loans on nonaccrual status.

Allowance for Credit Losses

The Company calculates its allowance for credit losses for held-to-maturity securities, loan receivables, loan commitments and reinsurance recoverable 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 and CMLs 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.

The credit allowance for held-to-maturity fixed 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 fixed maturity securities, available-for-sale fixed maturity 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 fixed 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 $16.9 billion amortized cost as of December 31, 2023 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 fair value to amortized cost, 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.

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, 2020	$ (63)	$ (32)	$ (85)	$ (35)	$ (10)	$ (38)	$ (263)
(Addition to) release of allowance for credit losses	(5)	22	(11)	4	1	26	37
Write-offs, net of recoveries	0	0	0	0	0	12	12
Change in foreign exchange	0	0	0	0	1	0	1
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)
Write-offs, 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 [(1)]	(124)	(7)	(17)	8	1	0	(139)
Write-offs, 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)

[(1)] *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.*

For the year ended December 31, 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 excess of amortized cost over the estimated fair value of the collateral of the TREs, upon consummating the foreclosures or deed in lieu of foreclosure transactions, the Company recognized a net loss of $66 million for the year ended December 31, 2023, in net investment gains (losses). Refer to the Other Investments section below for additional information.

As of December 31, 2023, the Company identified additional TREs with an amortized cost of $502 million in anticipation of potential foreclosure or deed in lieu of foreclosure transactions. As of December 31, 2023, the Company established a credit allowance of $55 million for $600 million of loans for which the fair value of the collateral was below the amortized cost.

Other Investments

The table below reflects the composition of the carrying value for other investments as of December 31.

(In millions)	**2023**	2022
Other investments:		
Policy loans	**$ 214**	$ 214
Short-term investments [(1)]	**1,304**	1,532
Limited partnerships	**2,750**	2,290
Real estate owned	**227**	0
Other	**35**	34
Total other investments	**$ 4,530**	$ 4,070

[(1)] *Includes securities lending collateral*

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, 2023, $17 million of REO was 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.

The remaining $210 million classified as held-and-used is held for the production of income and is carried at cost less accumulated depreciation. Depreciation expense was immaterial for the year ended December 31, 2023. Additionally, as of December 31, 2023, accumulated depreciation was immaterial.

As of December 31, 2022, the Company did not have REO.

As of December 31, 2023, the Company had $2.3 billion in outstanding commitments to fund alternative investments in limited partnerships.

Variable Interest Entities (VIEs)

As a condition of its involvement or investment in a VIE, the Company enters into certain protective rights and covenants that preclude changes in the structure of the VIE that would alter the creditworthiness of the Company's investment or its beneficial interest in the VIE.

For those VIEs other than certain unit trust structures, the Company's involvement is passive in nature. The Company is not, nor has it been, required to purchase any securities issued in the future by these VIEs.

The Company's ownership interest in VIEs is limited to holding the obligations issued by them. The Company has no direct or contingent obligations to fund the limited activities of these VIEs, nor does it have any direct or indirect financial guarantees related to the limited activities of these VIEs. The Company has not provided any assistance or any other type of financing support to any of the VIEs it invests in, nor does it have any intention to do so in the future. For those VIEs in which the Company holds debt obligations, the weighted-average lives of the Company's notes are very similar to the underlying collateral held by these VIEs where applicable.

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 held in the VIE.

VIEs - Consolidated

The following table presents the cost or amortized cost, fair 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

	2023		2022	
(In millions)	**Amortized Cost [1]**	**Fair Value**	Amortized Cost [1]	Fair Value
Assets:				
Fixed maturity securities, available-for-sale	**$ 2,882**	**$ 3,712**	$ 3,223	$ 3,805
Commercial mortgage and other loans	**10,150**	**9,915**	10,832	10,762
Other investments [2]	**2,381**	**2,381**	1,909	1,909
Other assets [3]	**55**	**55**	62	62
Total assets of consolidated VIEs	**$ 15,468**	**$ 16,063**	$ 16,026	$ 16,538
Liabilities:				
Other liabilities [3]	**$ 507**	**$ 507**	$ 390	$ 390
Total liabilities of consolidated VIEs	**$ 507**	**$ 507**	$ 390	$ 390

[1] *Net of allowance for credit losses*
[2] *Consists entirely of alternative investments in limited partnerships*
[3] *Consists entirely of derivatives*

The Company is substantively the only investor in the consolidated VIEs listed in the table above. As the sole investor in these VIEs, the Company has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and is therefore considered to be the primary beneficiary of the VIEs that it consolidates. The Company also participates in substantially all of the variability created by these VIEs. The activities of these VIEs are limited to holding invested assets and foreign currency swaps, as appropriate, and utilizing the cash flows from these securities to service its investment. Neither the Company nor any of its creditors are able to obtain the underlying collateral of the VIEs unless there is an event of default or other specified event. For those VIEs that contain a swap, the Company is not a direct counterparty to the swap contracts and has no control over them. The Company's loss exposure to these VIEs is limited to its original investment. The Company's consolidated VIEs do not rely on outside or ongoing sources of funding to support their activities beyond the underlying collateral and swap contracts, if applicable. With the exception of its investment in unit trust structures, the underlying collateral assets and funding of the Company's 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. As the sole investor of these VIEs, the Company is required to consolidate these trusts under U.S. GAAP.

VIEs - Not Consolidated

The table below reflects the amortized cost, fair value and balance sheet caption in which the Company's investment in VIEs not consolidated are reported as of December 31.

Investments in Variable Interest Entities Not Consolidated

	2023		2022	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Assets:				
Fixed maturity securities, available-for-sale	**$ 5,904**	**$ 6,424**	$ 3,998	$ 4,259
Other investments [(1)]	**369**	**369**	381	381
Total investments in VIEs not consolidated	**$ 6,273**	**$ 6,793**	$ 4,379	$ 4,640

[(1)] *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 from the VIEs that are irrevocably and unconditionally guaranteed by their corporate parents or sponsors. These VIEs 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 entity or the right to receive benefits from the entity. As such, the Company is not the primary beneficiary of these VIEs and is therefore not required to consolidate them.

The Company holds debt and equity investments in limited partnerships that have been determined to be VIEs. These partnerships invest in private equity and structured investments. The Company’s maximum exposure to loss on these investments is limited to the amount of its investment. 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 and 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 on 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

	2023			2022		
(In millions)	**Overnight and Continuous(1)**	**Up to 30 days**	**Total**	Overnight and Continuous(1)	Up to 30 days	Total
Securities lending transactions:						
Fixed maturity securities:						
Japan government and agencies	**$ 0**	**$ 737**	**$ 737**	$ 0	$ 1,087	$ 1,087
Public utilities	**19**	**0**	**19**	12	0	12
Banks/financial institutions	**72**	**0**	**72**	89	0	89
Other corporate	**675**	**0**	**675**	621	0	621
Total borrowings	**$ 766**	**$ 737**	**$ 1,503**	$ 722	$ 1,087	$ 1,809
Gross amount of recognized liabilities for securities lending transactions			**$ 1,503**			$ 1,809

(1) *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 $4.3 billion and $6.8 billion at December 31, 2023, and 2022, 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, 2023 and 2022, 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, 2023, 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 have historically consisted of:

- 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.

	2023			2022		
(In millions)		**Asset Derivatives**	**Liability Derivatives**		Asset Derivatives	Liability Derivatives
Hedge Designation/ Derivative Type	**Notional Amount**	**Fair Value**	**Fair Value**	Notional Amount	Fair Value	Fair Value
Cash flow hedges:						
Foreign currency swaps - VIE	**$ 18**	**$ 0**	**$ 4**	$ 18	$ 0	$ 3
Total cash flow hedges	**18**	**0**	**4**	18	0	3
Fair value hedges:						
Foreign currency options	**2,158**	**0**	**0**	7,940	45	0
Total fair value hedges	**2,158**	**0**	**0**	7,940	45	0
Net investment hedge:						
Foreign currency forwards	**2,611**	**179**	**27**	4,982	383	85
Foreign currency options	**456**	**0**	**0**	2,630	7	0
Total net investment hedge	**3,067**	**179**	**27**	7,612	390	85
Non-qualifying strategies:						
Foreign currency swaps	**1,200**	**31**	**0**	1,900	66	0
Foreign currency swaps - VIE	**3,417**	**55**	**503**	3,420	62	387
Foreign currency forwards	**7,402**	**59**	**477**	5,049	17	640
Foreign currency options	**22,557**	**2**	**0**	5,521	30	0
Interest rate swaps	**17,230**	**11**	**419**	17,730	7	583
Total non-qualifying strategies	**51,806**	**158**	**1,399**	33,620	182	1,610
Total derivatives	**$ 57,049**	**$ 337**	**$ 1,430**	$ 49,190	$ 617	$ 1,698

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 three 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.

Fair Value Hedging Relationships

(In millions)		Hedging Derivatives			Hedged Items	
Hedging Derivatives	**Hedged Items**	**Total Gains (Losses)**	**Gains (Losses) Excluded from Effectiveness Testing**[1]	**Gains (Losses) Included in Effectiveness Testing**[2]	**Gains (Losses)**[2]	**Net Investment Gains (Losses) Recognized for Fair Value Hedge**
2023:						
Foreign currency options	Fixed maturity securities	**$ (65)**	**$ (65)**	**$ 0**	**$ 0**	**$ 0**
Total gains (losses)		**$ (65)**	**$ (65)**	**$ 0**	**$ 0**	**$ 0**
2022:						
Foreign currency options	Fixed maturity securities	$ (18)	$ (18)	$ 0	$ 0	$ 0
Total gains (losses)		$ (18)	$ (18)	$ 0	$ 0	$ 0
2021:						
Foreign currency forwards	Fixed maturity securities	$ (7)	$ 0	$ (7)	$ 6	$ (1)
Foreign currency options	Fixed maturity securities	(26)	(25)	(1)	4	3
Total gains (losses)		$ (33)	$ (25)	$ (8)	$ 10	$ 2

[1] 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).

[2] 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, 2023 and 2022; 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)[1]		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets/(Liabilities)	
	2023	2022	**2023**	2022
Fixed maturity securities	**$ 1,692**	$ 2,360	**$ 164**	$ 189

[1] The balance includes hedging adjustment on discontinued hedging relationships of $164 in 2023 and $189 in 2022.

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, 2023, 2022 and 2021.

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 within 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, 2023, the Parent Company had $1.2 billion 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 held within 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.

	2023			2022			2021		
(In millions)	**Net Investment Income** [(1)]	**Net Investment Gains (Losses)**	**Other Comprehensive Income (Loss)**[(2)]	Net Investment Income [(1)]	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)[(2)]	Net Investment Income [(1)]	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)[(2)]
Qualifying hedges:									
Cash flow hedges:									
Foreign currency swaps - VIE	**$ (1)**	**$ (4)**	**$ 5**	$(1)	$ (4)	$ 4	$ (1)	$ (4)	$ 3
Total cash flow hedges	**(1)**	**(4)** [(3)]	**5**	(1)	(4) [(3)]	4	(1)	(4) [(3)]	3
Fair value hedges:									
Foreign currency forwards		**0**			0			(1)	
Foreign currency options		**(65)**			(18)			(22)	
Interest rate swaptions [(4)]	**(1)**	**0**	**1**	0	0	0	(1)	(1)	2
Total fair value hedges	**(1)**	**(65)**	**1**	0	(18)	0	(1)	(24)	2
Net investment hedge:									
Non-derivative hedging instruments		**0**	**257**		0	371		0	328
Foreign currency forwards		**234**	**313**		(80)	673		29	525
Foreign currency options		**(5)**	**0**		(1)	0		(4)	0
Total net investment hedge		**229**	**570**		(81)	1,044		25	853
Non-qualifying strategies:									
Foreign currency swaps		**4**			159			135	
Foreign currency swaps - VIE		**(201)**			9			(188)	
Foreign currency forwards		**(349)**			(650)			(707)	
Foreign currency options		**(53)**			0			(3)	
Interest rate swaps		**(88)**			(546)			(38)	
Interest rate swaptions		**0**			1			0	
Forward bond purchase commitment - VIE		**(4)**			(21)			(1)	
Total non-qualifying strategies		**(691)**			(1,048)			(802)	
Total	**$ (2)**	**$ (531)**	**$ 576**	$(1)	$ (1,151)	$1,048	$ (2)	$ (805)	$ 858

(1) Interest expense/income on cash flow hedges is 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 hedge 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.

(2) 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).

(3) 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, 2023, compared with $4 of losses during the years ended December 31, 2022 and 2021, respectively.

(4) Includes $1 of losses reclassified from accumulated other comprehensive income (loss) into earnings during the year ended December 31, 2023, compared with $1 and $2 of losses during the years ended December 31, 2022 and 2021, 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).

As of December 31, 2023, $5 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, 2023, 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 $1.2 billion and $1.3 billion as of December 31, 2023 and 2022, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2023, the Company estimates that it would be required to post a maximum of $363 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

(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	Gross Amounts Not Offset in Balance Sheet: Securities Collateral	Gross Amounts Not Offset in Balance Sheet: Cash Collateral Received	Net Amount
	2023						
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

(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	Gross Amounts Not Offset in Balance Sheet: Securities Collateral	Gross Amounts Not Offset in Balance Sheet: Cash Collateral Received	Net Amount
	2022						
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	$ 548	$ 0	$ 548	$ (167)	$ (60)	$ (320)	$ 1
OTC - cleared	7	0	7	(7)	0	0	0
Total derivative assets subject to a master netting agreement or offsetting arrangement	555	0	555	(174)	(60)	(320)	1
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	62		62				62
Total derivative assets not subject to a master netting agreement or offsetting arrangement	62		62				62
Total derivative assets	617	0	617	(174)	(60)	(320)	63
Securities lending and similar arrangements	1,788	0	1,788	0	0	(1,788)	0
Total	$ 2,405	$ 0	$ 2,405	$ (174)	$ (60)	$(2,108)	$ 63

Offsetting of Financial Liabilities and Derivative Liabilities

	2023						
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented 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**

2022							
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented 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	$ 725	$ 0	$ 725	$ (167)	$ (506)	$ (52)	$ 0
OTC - cleared	583	0	583	(7)	0	(577)	(1)
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	1,308	0	1,308	(174)	(506)	(629)	(1)
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	390		390				390
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	390		390				390
Total derivative liabilities	1,698	0	1,698	(174)	(506)	(629)	389
Securities lending and similar arrangements	1,809	0	1,809	(1,788)	0	0	21
Total	$ 3,507	$ 0	$ 3,507	$ (1,962)	$ (506)	$ (629)	$ 410

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. 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.

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.

(In millions)	2023 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
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
Liabilities:				
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

	2022			
(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
Assets:				
Securities available-for-sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies	$ 24,158	$ 956	$ 0	$ 25,114
Municipalities	0	2,320	0	2,320
Mortgage- and asset-backed securities	0	1,803	343	2,146
Public utilities	0	7,169	497	7,666
Sovereign and supranational	0	797	37	834
Banks/financial institutions	0	9,140	159	9,299
Other corporate	0	27,620	742	28,362
Total fixed maturity securities	24,158	49,805	1,778	75,741
Equity securities	822	60	209	1,091
Other investments	1,532	0	0	1,532
Cash and cash equivalents	3,943	0	0	3,943
Other assets:				
Foreign currency swaps	0	128	0	128
Foreign currency forwards	0	400	0	400
Foreign currency options	0	82	0	82
Interest rate swaps	0	7	0	7
Total other assets	0	617	0	617
Total assets	$ 30,455	$ 50,482	$ 1,987	$ 82,924
Liabilities:				
Other liabilities:				
Foreign currency swaps	$ 0	$ 390	$ 0	$ 390
Foreign currency forwards	0	725	0	725
Interest rate swaps	0	583	0	583
Total liabilities	$ 0	$ 1,698	$ 0	$ 1,698

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.

	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
Assets:					
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 [1]	35	0	35	0	35
Total assets	$ 30,381	$ 18,662	$ 1,030	$ 12,217	$ 31,909
Liabilities:					
Other policyholders' funds	$ 6,169	$ 0	$ 0	$ 6,080	$ 6,080
Notes payable (excluding leases)	7,240	0	6,178	752	6,930
Total liabilities	$ 13,409	$ 0	$ 6,178	$ 6,832	$ 13,010

[1] *Excludes policy loans of $214, equity method investments of $2,750 and REO of $227, at carrying value.*

(In millions)	2022 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
Assets:					
Securities held-to-maturity, carried at amortized cost:					
Fixed maturity securities:					
Government and agencies	$ 18,267	$20,132	$ 180	$ 0	$ 20,312
Municipalities	287	0	335	0	335
Public utilities	37	0	41	0	41
Sovereign and supranational	446	0	500	0	500
Other corporate	19	0	22	0	22
Commercial mortgage and other loans	13,496	0	0	13,212	13,212
Other investments [(1)]	34	0	34	0	34
Total assets	$ 32,586	$20,132	$ 1,112	$13,212	$ 34,456
Liabilities:					
Other policyholders' funds	$ 6,643	$ 0	$ 0	$ 6,543	$ 6,543
Notes payable (excluding leases)	7,295	0	6,024	802	6,826
Total liabilities	$ 13,938	$ 0	$ 6,024	$ 7,345	$ 13,369

[(1)] Excludes policy loans of $214 and equity method investments of $2,290, at carrying value.

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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:

1) the most appropriate comparable security(ies) of a guarantor and/or parent
2) CDS spreads of a guarantor and/or parent
3) bonds of comparable issuers with similar characteristics such as rating, geography, or sector
4) CDS spreads of an appropriate index or of comparable issuers with similar characteristics such as rating, geography, or sector
5) bond indices that are comparative in rating, industry, maturity, and region.

The following tables present the pricing sources for the fair values of the Company's fixed maturity and equity securities as of December 31.

(In millions)	2023 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available-for-sale, carried at fair value:				
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
Equity securities, carried at fair value:				
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

(In millions)	2023 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities held-to-maturity, carried at amortized cost:				
Fixed maturity securities:				
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**

(In millions)	2022 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available-for-sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies:				
Third-party pricing vendor	$ 24,158	$ 582	$ 0	$ 24,740
Internal	0	374	0	374
Total government and agencies	24,158	956	0	25,114
Municipalities:				
Third-party pricing vendor	0	2,021	0	2,021
Internal	0	299	0	299
Total municipalities	0	2,320	0	2,320
Mortgage- and asset-backed securities:				
Third-party pricing vendor	0	1,798	0	1,798
Internal	0	3	0	3
Broker/other	0	2	343	345
Total mortgage- and asset-backed securities	0	1,803	343	2,146
Public utilities:				
Third-party pricing vendor	0	3,786	0	3,786
Internal	0	3,383	0	3,383
Broker/other	0	0	497	497
Total public utilities	0	7,169	497	7,666
Sovereign and supranational:				
Third-party pricing vendor	0	232	0	232
Internal	0	565	0	565
Broker/other	0	0	37	37
Total sovereign and supranational	0	797	37	834
Banks/financial institutions:				
Third-party pricing vendor	0	4,622	0	4,622
Internal	0	4,518	105	4,623
Broker/other	0	0	54	54
Total banks/financial institutions	0	9,140	159	9,299
Other corporate:				
Third-party pricing vendor	0	22,268	0	22,268
Internal	0	5,352	200	5,552
Broker/other	0	0	542	542
Total other corporate	0	27,620	742	28,362
Total securities available-for-sale	$ 24,158	$ 49,805	$ 1,778	$ 75,741
Equity securities, carried at fair value:				
Third-party pricing vendor	$ 822	$ 60	$ 0	$ 882
Broker/other	0	0	209	209
Total equity securities	$ 822	$ 60	$ 209	$ 1,091

(In millions)	2022 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities held-to-maturity, carried at amortized cost:				
Fixed maturity securities:				
Government and agencies:				
Third-party pricing vendor	$ 20,132	$ 180	$ 0	$ 20,312
Total government and agencies	20,132	180	0	20,312
Municipalities:				
Third-party pricing vendor	0	335	0	335
Total municipalities	0	335	0	335
Public utilities:				
Third-party pricing vendor	0	41	0	41
Total public utilities	0	41	0	41
Sovereign and supranational:				
Third-party pricing vendor	0	242	0	242
Broker/other	0	258	0	258
Total sovereign and supranational	0	500	0	500
Other corporate:				
Third-party pricing vendor	0	22	0	22
Total other corporate	0	22	0	22
Total securities held-to-maturity	$ 20,132	$ 1,078	$ 0	$ 21,210

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
Interest rate derivatives	Swap yield curves Basis curves Interest rate volatility [(1)]
Foreign currency exchange rate derivatives - Non-VIEs (forwards, swaps and options)	Foreign currency forward rates Swap yield curves Basis curves Foreign currency spot rates Cross foreign currency basis curves Foreign currency volatility [(1)]
Foreign currency exchange rate derivatives - VIEs (swaps)	Foreign currency spot rates Swap yield curves Credit default swap curves Basis curves Recovery rates Foreign currency forward rates Foreign cross-currency basis curves

[(1)] *Option-based only*

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 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.

2023

	Fixed Maturity Securities					**Equity Securities**	
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate		**Total**
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

2022

	Fixed Maturity Securities					**Equity Securities**	
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate		Total
Balance, beginning of period	$ 291	$ 493	$ 43	$ 45	$ 426	$ 173	$ 1,471
Net investment gains (losses) included in earnings	(4)	4	0	1	0	4	5
Unrealized gains (losses) included in other comprehensive income (loss)	(76)	(99)	(6)	(14)	(93)	0	(288)
Purchases, issuances, sales and settlements:							
Purchases	273	35	0	132	387	59	886
Issuances	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0
Settlements	(78)	(64)	0	(23)	(187)	(7)	(359)
Transfers into Level 3	0	128	0	18	350	0	496
Transfers out of Level 3	(63)	0	0	0	(141)	(20)	(224)
Balance, end of period	$ 343	$ 497	$ 37	$ 159	$ 742	$ 209	$ 1,987
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ (4)	$ 1	$ 0	$ 0	$ 0	$ 1	$ (2)

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.

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			(c)	N/A
Banks/financial institutions	**78**	Discounted cash flow	Credit spreads	N/A			(c)	N/A
Other corporate	**648**	Discounted cash flow	Credit spreads	69 bps	-	423 bps	(b)	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) Actual or equivalent credit spreads in basis points.
(c) Category represents a single security; range not applicable.
(d) Prices do not utilize credit spreads; therefore, range is not applicable.

2022								
(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	$ 343	Consensus pricing	Offered quotes	97.38	-	106.71	(a)	102.98
Public utilities	497	Discounted cash flow	Credit spreads	128 bps	-	286 bps	(b)	192 bps
Sovereign and supranational	37	Consensus pricing	Offered quotes	N/A			(c)	N/A
Banks/financial institutions	159	Discounted cash flow	Credit spreads	67 bps	-	188 bps	(b)	113 bps
Other corporate	742	Discounted cash flow	Credit spreads	66 bps	-	647 bps	(b)	191 bps
Equity securities	209	Adjusted cost	Private financials	N/A			(d)	N/A
Total assets	$ 1,987							

(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) Actual or equivalent credit spreads in basis points.
(c) Category represents a single security; range not applicable.
(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 AND INSURANCE EXPENSES

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.

	2023											
	Aflac Japan				Aflac U.S.							
(In millions)	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**

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

	2022											
	Aflac Japan				Aflac U.S.							
(In millions)	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	$ 3,464	$ 2,372	$ 595	$ 51	$ 887	$ 604	$ 1,270	$ 399	$ 90	$ 115	$ 1	$ 9,848
Capitalization	291	161	33	12	147	117	160	80	11	40	0	1,052
Amortization expense	(188)	(112)	(35)	(3)	(130)	(108)	(126)	(61)	(13)	(20)	4	(792)
Foreign currency translation and other	(532)	(260)	(68)	(5)	0	0	0	0	0	0	(4)	(869)
Balance, end of year	$ 3,035	$ 2,161	$ 525	$ 55	$ 904	$ 613	$ 1,304	$ 418	$ 88	$ 135	$ 1	$ 9,239

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

Commissions deferred as a percentage of total acquisition costs deferred were 67% in 2023, compared with 68% in 2022 and 71% in 2021.

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 or methods used to determine amortization amounts during 2023 and 2022. 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 2023 and 2022. 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.

Personnel, compensation and benefit expenses as a percentage of insurance expenses were 61% in 2023, compared with 60% in 2022 and 57% in 2021. Advertising expense, which is included in insurance expenses in the consolidated statements of earnings, was as follows for the years ended December 31:

(In millions)	**2023**	2022	2021
Advertising expense:			
Aflac Japan	**$ 58**	$ 77	$ 91
Aflac U.S.	**130**	127	138
Total advertising expense	**$ 188**	$ 204	$ 229

Depreciation and other amortization expenses, which are included in insurance expenses in the consolidated statements of earnings, were as follows for the years ended December 31:

(In millions)	**2023**	2022	2021
Depreciation expense	**$ 35**	$ 40	$ 39
Other amortization expense	**4**	5	6
Total depreciation and other amortization expense	**$ 39**	$ 45	$ 45

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.

	2023										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future net premiums:											
Balance at December 31, 2022	$ 19,298	$ 16,714	$ 7,485	$ 1,256	$ 2,534	$ 1,635	$ 4,486	$ 1,220	$ 211	$ 724	$ 110
Beginning balance at original discount rate	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)
Adjusted beginning of period balance	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 [(1)]	(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
Ending 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 discount rate assumptions	1,057	657	230	19	(142)	(86)	(342)	(86)	(11)	(56)	5
Balance at December 31, 2023	$ 17,509	$ 14,697	$ 6,488	$ 1,088	$ 2,488	$ 1,652	$ 4,074	$ 1,107	$ 206	$ 853	$ 277
Present value of expected future policy benefits:											
Balance at December 31, 2022	$ 54,766	$ 27,419	$ 31,954	$ 5,582	$ 3,098	$ 2,445	$ 11,489	$ 2,074	$ 488	$ 1,526	$ 622
Beginning balance at original discount rate	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)
Adjusted beginning of period balance	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
Ending 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 discount rate assumptions	6,535	234	(525)	(266)	(193)	(119)	(830)	(133)	(28)	(207)	29
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
Net liability for future policy benefits	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
Net liability for future policy benefits after reinsurance recoverable	$ 28,517	$ 9,039	$ 23,243	$ 4,090	$ 621	$ 770	$ 7,216	$ 836	$ 272	$ 896	$ 521

[(1)] *Net premiums collected represent the portion of gross premiums collected from policyholders that is used to fund expected future benefit payments.*

	2022										
	Aflac Japan				Aflac U.S.						
(In millions)	Cancer	Medical and Other Health	Life Insurance	Other	Accident	Disability	Critical Care	Hospital Indemnity	Dental/ Vision	Life Insurance	Other
Present value of expected future net premiums:											
Balance at December 31, 2021	$ 25,893	$ 21,174	$ 10,847	$ 1,586	$ 3,283	$ 1,862	$ 6,023	$ 1,467	$ 264	$ 834	$ 153
Beginning balance at original discount rate	22,470	18,681	10,064	1,461	2,999	1,760	5,391	1,380	241	780	135
Effect of changes in cash flow assumptions	(639)	317	(494)	25	(52)	5	(38)	42	10	(1)	(12)
Effect of actual variances from expected experience	(284)	61	(81)	(10)	(152)	(43)	(421)	(111)	(20)	(16)	6
Adjusted beginning of period balance	21,547	19,059	9,489	1,476	2,795	1,722	4,932	1,311	231	763	129
Issuances	947	639	221	62	355	384	537	273	33	146	0
Interest accrual	459	364	146	22	105	57	193	45	9	27	5
Net premiums collected [1]	(1,734)	(1,376)	(1,229)	(123)	(496)	(382)	(612)	(261)	(42)	(131)	(17)
Foreign currency translation	(2,997)	(2,488)	(1,343)	(195)	0	0	0	0	0	0	0
Other	(1)	(3)	0	0	1	(6)	0	(3)	0	(6)	1
Ending balance at original discount rate	18,221	16,195	7,284	1,242	2,760	1,775	5,050	1,365	231	799	118
Effect of changes in discount rate assumptions	1,077	519	201	14	(226)	(140)	(564)	(145)	(20)	(75)	(8)
Balance at December 31, 2022	$ 19,298	$ 16,714	$ 7,485	$ 1,256	$ 2,534	$ 1,635	$ 4,486	$ 1,220	$ 211	$ 724	$ 110
Present value of expected future policy benefits:											
Balance at December 31, 2021	$ 72,747	$ 36,021	$ 42,720	$ 7,322	$ 3,949	$ 2,871	$ 15,388	$ 2,552	$ 616	$ 1,843	$ 837
Beginning balance at original discount rate	56,807	31,398	39,002	6,787	3,594	2,670	13,079	2,300	549	1,694	645
Effect of changes in cash flow assumptions	(721)	352	(550)	96	(70)	5	(43)	40	13	(1)	(15)
Effect of actual variances from expected experience	(333)	83	(91)	(10)	(177)	(48)	(465)	(130)	(23)	(21)	7
Adjusted beginning of period balance	55,753	31,833	38,361	6,873	3,347	2,627	12,571	2,210	539	1,672	637
Issuances	960	646	222	68	364	397	550	282	34	149	0
Interest accrual	1,599	642	670	106	128	94	539	85	21	62	32
Benefit payments	(3,050)	(1,375)	(1,248)	(202)	(456)	(483)	(823)	(277)	(62)	(103)	(45)
Foreign currency translation	(7,585)	(4,180)	(5,205)	(905)	0	0	0	0	0	0	0
Other	0	0	0	0	8	1	9	0	0	(2)	0
Ending balance at original discount rate	47,677	27,566	32,800	5,940	3,391	2,636	12,846	2,300	532	1,778	624
Effect of changes in discount rate assumptions	7,089	(147)	(846)	(358)	(293)	(191)	(1,357)	(226)	(44)	(252)	(2)
Balance at December 31, 2022	54,766	27,419	31,954	5,582	3,098	2,445	11,489	2,074	488	1,526	622
Net liability for future policy benefits	35,468	10,705	24,469	4,326	564	810	7,003	854	277	802	512
Less: reinsurance recoverable	0	1,579	0	0	0	0	0	0	0	9	0
Net liability for future policy benefits after reinsurance recoverable	$ 35,468	$ 9,126	$ 24,469	$ 4,326	$ 564	$ 810	$ 7,003	$ 854	$ 277	$ 793	$ 512

[1] *Net premiums collected represent the portion of gross premiums collected from policyholders that is used to fund expected future benefit payments.*

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.

	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 [(1)]	**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 [(1)]	**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**

[(1)] *The weighted-average interest rates are calculated using the reserve balances as the weights. No adjustments were made to observable market information.*

	2022										
	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 [(1)]	4.1 %	2.6 %	2.1 %	1.8 %	3.8 %	4.2 %	4.6 %	4.4 %	4.3 %	3.7 %	5.4 %
Weighted-average interest, current discount rate [(1)]	1.6 %	2.2 %	1.6 %	1.9 %	4.8 %	4.7 %	4.8 %	4.8 %	4.8 %	4.8 %	4.8 %
Weighted-average liability duration (years)	13.7	26.9	17.3	18.2	8.5	5.6	12.0	9.4	8.1	13.1	9.6

[(1)] *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)	2023	2022
Balances included in future policy benefits rollforward:		
Aflac Japan		
Cancer	**$ 32,652**	$ 35,468
Medical and other health	**10,560**	10,705
Life insurance	**23,243**	24,469
Other	**4,090**	4,326
Aflac U.S.		
Accident	**621**	564
Disability	**770**	810
Critical care	**7,216**	7,003
Hospital indemnity	**836**	854
Dental/vision	**272**	277
Life insurance	**911**	802
Other	**521**	512
Corporate and other	**4,225**	686
Deferred profit liability	**1,806**	1,740
Deferred reinsurance gain liability	**1,012**	692
Intercompany eliminations [(1)]	**(5,017)**	(667)
Total	**$ 83,718**	$ 88,241

[(1)] *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 net premium ratio 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-

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) (which is expected 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. dollar 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.

For the years ended December 31, 2023, 2022 and 2021, the Company recognized approximately $(460) million, $13.7 billion and $2.7 billion, respectively, in other comprehensive income (loss) net of tax due to changes in the future policy benefits estimate from updating the discount rate assumptions. There were no changes to the methods used to determine the discount rates during the years ended December 31, 2023 and 2022.

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 2023 and 2022, 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 or methods used in measuring the liability for future policy benefits in 2023 and 2022.

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. In 2022, the Company's annual assumption review process resulted in favorable changes to its morbidity assumptions due to favorable claims experience, primarily.

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)	2023	2022	2021
Net earned premiums:			
Aflac Japan			
Cancer	**$ 4,063**	$ 4,716	$ 5,731
Medical and other health	**2,631**	2,917	3,570
Life insurance	**1,532**	1,769	2,282
Other	**149**	161	186
Aflac U.S.			
Accident	**1,288**	1,317	1,366
Disability	**1,256**	1,179	1,170
Critical care	**1,749**	1,758	1,801
Hospital indemnity	**725**	725	733
Dental/vision	**214**	199	188
Life insurance	**475**	396	350
Other	**45**	38	42
Corporate and other	**400**	145	180
Reinsurance ceded	**(404)**	(419)	(504)
Total	**$ 14,123**	$ 14,901	$ 17,095

The following table summarizes the amount of interest expense related to insurance contracts recognized in total benefits and claims, net in the consolidated statements of earnings by reporting segment and disaggregated by product type for the years ended December 31.

(In millions)	2023	2022	2021
Interest expense:			
Aflac Japan			
Cancer	**$ 1,061**	$ 1,140	$ 1,428
Medical and other health	**274**	278	330
Life insurance	**501**	524	631
Other	**80**	84	102
Aflac U.S.			
Accident	**25**	23	21
Disability	**34**	37	39
Critical care	**345**	346	343
Hospital indemnity	**39**	40	40
Dental/vision	**13**	12	13
Life insurance	**37**	35	33
Other	**27**	27	27
Total	**$ 2,436**	$ 2,546	$ 3,007

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.

	2023		2022	
(In millions)	**Gross Premiums**	**Benefits and Expenses**	Gross Premiums	Benefits and Expenses
Undiscounted expected future gross premiums and expected future policy benefits and expenses:				
Aflac Japan [(1)]				
Cancer	**$ 59,169**	**$ 66,427**	$ 65,454	$ 73,009
Medical and other health	**38,583**	**39,884**	43,954	44,005
Life insurance	**12,677**	**42,541**	14,685	46,166
Other	**1,781**	**7,448**	2,012	8,175
Aflac U.S.				
Accident	**9,095**	**4,548**	9,481	4,636
Disability	**5,776**	**3,177**	5,858	3,267
Critical care	**19,886**	**20,626**	21,069	22,113
Hospital indemnity	**4,922**	**3,025**	5,164	3,338
Dental/vision	**1,162**	**726**	1,208	759
Life insurance	**2,719**	**3,260**	2,375	2,787
Other	**724**	**1,396**	333	1,147
Total	**$ 156,494**	**$ 193,058**	$ 171,593	$ 209,402

[(1)] *Prior-year amounts reflect the immaterial revision of amounts disclosed in the Company's Quarterly Reports on Form 10-Q for 2023 to correctly apply the yen/dollar exchange rate in effect for the period presented.*

	2023		2022	
(In millions)	**Gross Premiums**	**Benefits and Expenses**	Gross Premiums	Benefits and Expenses
Discounted expected future gross premiums and expected future policy benefits and expenses:				
Aflac Japan				
Cancer	**$ 48,363**	**$ 50,161**	$ 53,278	$ 54,766
Medical and other health	**30,757**	**25,257**	34,693	27,419
Life insurance	**11,240**	**29,731**	12,951	31,954
Other	**1,512**	**5,178**	1,697	5,582
Aflac U.S.				
Accident	**6,369**	**3,109**	6,510	3,098
Disability	**4,488**	**2,422**	4,468	2,445
Critical care	**12,417**	**11,290**	12,659	11,489
Hospital indemnity	**3,419**	**1,943**	3,483	2,074
Dental/vision	**807**	**478**	821	488
Life insurance	**1,914**	**1,764**	1,663	1,526
Other	**467**	**798**	228	622
Total	**$ 121,753**	**$ 132,131**	$ 132,451	$ 141,463

Loss expense as a result of net premium ratio capping for the years ended December 31, 2023, 2022 and 2021 was immaterial.

Other Policyholders' Funds

As of December 31, 2023 and December 31, 2022, 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)	**2023**	2022
Other policyholders' funds:		
Fixed annuities account balance, beginning of period [1]	**$ 6,423**	$ 7,410
Premiums received	**126**	150
Transfers from WAYS conversions	**229**	214
Surrenders and withdrawals	**(59)**	(52)
Benefit payments	**(419)**	(367)
Interest credited	**53**	57
Foreign currency translation and other	**(414)**	(989)
Fixed annuities account balance, end of period	**5,939**	6,423
Other deposit type reserves	**230**	220
Total	**$ 6,169**	$ 6,643

[1] *Aflac Japan fixed annuities*

The following table presents other policyholders’ funds balances by range of guaranteed crediting rates as of December 31.

	2023			2022		
(In millions)	**Range of Guaranteed Minimum Crediting Rates** [2]	**At Guaranteed Minimum**	**Cash Surrender Value**	Range of Guaranteed Minimum Crediting Rates [2]	At Guaranteed Minimum	Cash Surrender Value
Fixed annuities [1]	**0.5% - 2.3%**	**$5,939**	**$5,850**	0.5% - 2.3%	$6,423	$6,326

[1] *Aflac Japan fixed annuities*
[2] *Weighted-average crediting rate of 1.5% at December 31, 2023 and December 31, 2022.*

Aflac Japan’s fixed annuities have guaranteed fixed crediting rates which results in the policyholders' funds balances being able 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. 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. 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 and benefits are reported net of insurance ceded.

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 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.

The following table reconciles direct premiums and direct benefits and claims to net amounts after the effect of reinsurance which also includes the elimination of inter-segment amounts associated with affiliated reinsurance for the years ended December 31.

(In millions)	**2023**	2022	2021
Direct earned premiums	**$ 14,318**	$ 15,025	$ 17,305
Ceded to other companies:			
Ceded Aflac Japan closed blocks	**(313)**	(343)	(431)
Other	**(91)**	(76)	(73)
Assumed from other companies:			
Retrocession activities	**126**	144	180
Other	**83**	151	114
Net earned premiums	**$ 14,123**	$ 14,901	$ 17,095
Direct benefits and claims, excluding reserve remeasurement	**$ 8,599**	$ 9,171	$ 10,778
Reserve remeasurement (gains) losses	**(394)**	(196)	(149)
Total direct benefits and claims	**8,205**	8,975	10,629
Ceded benefits and change in reserves for future benefits:			
Ceded Aflac Japan closed blocks	**(283)**	(308)	(381)
Reserve remeasurement (gains) losses	**11**	(19)	2
Eliminations	**200**	18	27
Other	**(64)**	(32)	(44)
Assumed from other companies:			
Retrocession activities	**118**	146	165
Eliminations	**(196)**	(24)	(31)
Other	**220**	131	109
Total benefits and claims, net	**$ 8,211**	$ 8,887	$ 10,476

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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 $175 million and $692 million as of December 31, 2023 and 2022, 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 $183 million and $912 million as of December 31, 2023 and 2022, respectively. The allowance for credit losses related to the Company's reinsurance recoverable balance was $10 million and $8 million as of December 31, 2023 and 2022, 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, 2023, the Company's reinsurance counterparties were rated A+. The Company monitors the credit ratings periodically, but not less frequently than quarterly.

The decrease in the deferred reinsurance gain liability and reinsurance recoverable balances as of December 31, 2023 is due to the novation transaction described above.

As a part of its capital contingency plan, the Company entered into a committed reinsurance facility agreement on December 1, 2015, with reserves of approximately ¥120 billion. The Company elected not to renew the agreement beyond 2023, and it expired on December 31, 2023.

These reinsurance transactions are indemnity reinsurance 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.

9. NOTES PAYABLE AND LEASE OBLIGATIONS

A summary of notes payable and lease obligations as of December 31 follows:

(In millions)	2023	2022
1.125% senior sustainability notes due March 2026	**$ 398**	$ 397
2.875% senior notes due October 2026	**299**	298
3.60% senior notes due April 2030	**993**	992
6.90% senior notes due December 2039	**221**	221
6.45% senior notes due August 2040	**254**	254
4.00% senior notes due October 2046	**394**	394
4.750% senior notes due January 2049	**542**	541
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	**87**	93
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	**422**	450
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	**234**	250
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	**88**	95
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	**93**	99
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	**206**	220
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	**211**	225
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	**65**	70
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	**145**	155
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	**148**	158
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	**84**	90
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	**106**	114
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	**69**	73
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	**74**	79
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	**70**	75
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	**45**	49
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	**62**	66
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	**44**	47
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	**70**	75
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	**419**	448
.963% subordinated bonds due April 2049 (principal amount ¥30.0 billion)	**211**	226
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	**140**	149
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	**84**	90
1.958% subordinated bonds due December 2053 (principal amount ¥30.0 billion)	**210**	0
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.35% in 2023 and .33% in 2022, principal amount ¥11.7 billion)	**82**	88
Variable interest rate loan due August 2029 (.45% in 2023 and .43% in 2022, principal amount ¥25.3 billion)	**178**	190
Variable interest rate loan due August 2032 (.60% in 2023 and .58% in 2022, principal amount ¥70.0 billion)	**492**	524
Finance lease obligations payable through 2030	**6**	8
Operating lease obligations payable through 2049	**118**	139
Total notes payable and lease obligations	**$ 7,364**	$ 7,442

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 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.

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 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.

The aggregate contractual maturities of notes payable during each of the years after December 31, 2023, are as follows:

(In millions)	**Total Notes Payable**
2024	$ 0
2025	87
2026	700
2027	506
2028	0
Thereafter	6,000
Total	$ 7,293

Interest expense related to the Company's notes payable, which is included in interest expense in the consolidated statements of earnings, was $190 million, $217 million and $225 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Operating lease costs, included in insurance expenses in the consolidated statements of earnings, were $49 million, $52 million and $58 million for the years ended December 31, 2023, 2022 and 2021, respectively. Operating cash outflows for operating leases were $48 million, $49 million and $56 million for the years ended December 31, 2023, 2022 and 2021, respectively.

A summary of the Company's lines of credit as of December 31, 2023 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 6, 2024	$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[(1)]	uncommitted revolving	364 days	December 2, 2024	$250 million	$75 million	Three-month term SOFR plus a 10 basis point SOFR adjustment and an additional 75 basis points per annum	No later than December 3, 2024	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 1)	uncommitted revolving	364 days	November 25, 2024	¥50.0 billion	¥0.0 billion	Three-month yen TIBOR plus 75 basis points per annum	No later than November 26, 2024	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 2)	uncommitted revolving	364 days	November 25, 2024	¥50.0 billion	¥0.0 billion	Three-month yen TIBOR plus 75 basis points per annum	No later than November 26, 2024	None	General corporate purposes
Aflac New York[(1)]	uncommitted revolving	364 days	April 8, 2024	$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 April 9, 2024	None	General corporate purposes
CAIC[(1)]	uncommitted revolving	364 days	March 21, 2024	$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 March 22, 2024	None	General corporate purposes

[(1)] *Intercompany credit agreement*

(continued)

Borrower(s)	Type	Term	Expiration Date	Capacity	Amount Outstanding	Interest Rate on Borrowed Amount	Maturity Period	Commitment Fee	Business Purpose
TOIC[(1)]	uncommitted revolving	364 days	March 21, 2024	$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 March 22, 2024	None	General corporate purposes
Hatch Healthcare K.K.[(1),(2)]	uncommitted revolving	364 days	January 3, 2024	¥900 million	¥0 million	A rate per annum equal to the short-term prime lending rates of banks appearing on the website for the Bank of Japan on the first day of the applicable period	No later than January 4, 2024	None	General corporate purposes
Aflac Digital Services Co., Ltd.[(1),(2)]	uncommitted revolving	364 days	January 3, 2024	¥600 million	¥0 million	A rate per annum equal to the short-term prime lending rates of banks appearing on the website for the Bank of Japan on the first day of the applicable period	No later than January 4, 2024	None	General corporate purposes
Aflac GI Holdings LLC[(1)]	uncommitted revolving	364 days	July 16, 2024	$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 July 17, 2024	None	General corporate purposes
Aflac Incorporated[(1),(2)]	uncommitted revolving	364 days	January 2, 2024	$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 January 3, 2024	None	General corporate purposes
Aflac Re[(1),(2)]	uncommitted revolving	364 days	January 2, 2024	$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 January 3, 2024	None	General corporate purposes

[(1)] *Intercompany credit agreement*
[(2)] *Renewed in January 2024 with an expiration date of January 2, 2025*

The Company was in compliance with all of the covenants of its notes payable and lines of credit at December 31, 2023. No events of default or defaults occurred during 2023 and 2022.

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
2023:			
Current	**$ 1,275**	**$ 388**	**$ 1,663**
Deferred	**(160)**	**(900)**	**(1,060)**
Total income tax expense	**$ 1,115**	**$ (512)**	**$ 603**
2022:			
Current	$ 913	$ 268	$ 1,181
Deferred	200	(930)	(730)
Total income tax expense	$ 1,113	$ (662)	$ 451
2021:			
Current	$ 884	$ 211	$ 1,095
Deferred	251	(369)	(118)
Total income tax expense	$ 1,135	$ (158)	$ 977

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

The Japan income tax rate for the fiscal years 2023, 2022 and 2021 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 $174 million in 2023 and $452 million in 2022.

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into U.S. law, which among other things imposed a 1% excise tax on the Company’s repurchases of its common stock. Effective January 1, 2023, charges associated with the excise tax are recognized in equity consistent with other costs related to treasury stock.

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)	**2023**	2022	2021
Income taxes based on U.S. statutory rates	**$ 1,105**	$ 1,023	$ 1,094
DST functional currency change	**(174)**	(452)	0
Solar and historic tax credits, net of amortization	**(348)**	(83)	(115)
Other, net	**20**	(37)	(2)
Income tax expense	**$ 603**	$ 451	$ 977

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

Total income tax expense for the years ended December 31 was allocated as follows:

(In millions)	2023	2022	2021
Statements of earnings	$ 603	$ 451	$ 977
Other comprehensive income (loss):			
Unrealized foreign currency translation gains (losses) during period	140	547	15
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	520	(2,657)	(194)
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	(35)	(95)	(7)
Unrealized gains (losses) on derivatives during period	1	1	1
Effect of changes in discount rate assumptions during period	(122)	3,650	728
Pension liability adjustment during period	7	35	30
Total income tax expense (benefit) related to items of other comprehensive income (loss)	511	1,481	573
Total income taxes	$ 1,114	$ 1,932	$ 1,550

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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)	2023	2022
Deferred income tax liabilities:		
Deferred policy acquisition costs	$ 2,883	$ 3,056
Unrealized gains and other basis differences on investments	988	0
Foreign currency gain on Aflac Japan	2	147
Premiums receivable	85	59
Policy benefit reserves	110	1,137
Total deferred income tax liabilities	4,068	4,399
Deferred income tax assets:		
Unfunded retirement benefits	5	7
Other accrued expenses	28	27
Policy and contract claims	572	671
Foreign currency loss on Aflac Japan	0	0
Deferred compensation	45	65
Depreciation	265	248
Anticipatory foreign tax credit	2,210	1,992
Deferred foreign tax credit	1,077	822
Other basis differences in investments	0	85
Other	135	106
Total deferred income tax assets	4,337	4,023
Net deferred income tax liability	(269)	376
Current income tax (asset) liability	423	322
Total income tax liability	$ 154	$ 698

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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 2024 due to Japan's current tax year not closing until March 31, 2024. 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, notwithstanding the items noted above, 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, 2023, there were non-life operating loss carryforwards of $109 million available to offset against future taxable income, all of which do not expire. The Company has no capital loss carryforwards available to offset capital gains. The Company has no foreign tax credit carryforwards as of December 31, 2023 .

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 2016 are no longer subject to examination. Japan corporate income tax returns for years before the tax year ended March 2022 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)	**2023**	2022
Balance, beginning of year	**$ 5**	$ 5
Additions for tax positions of prior years	**0**	0
Reductions for tax positions of prior years	**(4)**	0
Balance, end of year	**$ 1**	$ 5

Included in the balance of the liability for unrecognized tax benefits at December 31, 2023 and 2022, are 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 approximately $1 million as of December 31, 2023, 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 both 2023 and 2022, compared with approximately $1 million in 2021. The Company accrued an immaterial amount for the payment of interest and penalties as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, 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

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)	2023	2022	2021
Common stock - issued:			
Balance, beginning of period	**1,354,079**	1,352,739	1,351,018
Exercise of stock options and issuance of restricted shares	**1,319**	1,340	1,721
Balance, end of period	**1,355,398**	1,354,079	1,352,739
Treasury stock:			
Balance, beginning of period	**738,823**	700,607	658,564
Purchases of treasury stock:			
Share repurchase program	**38,896**	39,187	43,327
Other	**364**	370	437
Dispositions of treasury stock:			
Shares issued to AFL Stock Plan	**(897)**	(1,009)	(1,216)
Exercise of stock options	**(88)**	(117)	(275)
Other	**(179)**	(215)	(230)
Balance, end of period	**776,919**	738,823	700,607
Shares outstanding, end of period	**578,479**	615,256	652,132

Outstanding share-based awards are excluded from the calculation of weighted-average shares used in the computation of basic 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)	2023	2022	2021
Anti-dilutive share-based awards	**51**	118	0

The weighted-average shares used in calculating EPS for the years ended December 31 were as follows:

(In thousands of shares)	2023	2022	2021
Weighted-average outstanding shares used for calculating basic EPS	**596,173**	634,816	673,617
Dilutive effect of share-based awards	**2,572**	2,839	3,112
Weighted-average outstanding shares used for calculating diluted EPS	**598,745**	637,655	676,729

Share Repurchase Program: During 2023, the Company repurchased 38.9 million shares of its common stock in the open market for $2.8 billion. The Company repurchased 39.2 million shares for $2.4 billion in 2022 and 43.3 million shares for $2.3 billion in 2021. 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, 2023, a remaining balance of 77.7 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors.

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.

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

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**
Balance at December 31, 2022	**$ (3,564)**	**$ (702)**	**$ (27)**	**$ (2,100)**	**$ (36)**	**$ (6,429)**
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**
Balance at December 31, 2023	**$ (4,069)**	**$ 1,139**	**$ (22)**	**$ (2,560)**	**$ (8)**	**$ (5,520)**

All amounts in the table above are net of tax.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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**
Balance at December 31, 2021	$ (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
Balance at December 31, 2022	$ (3,564)	$ (702)	$ (27)	$ (2,100)	$ (36)	$ (6,429)

All amounts in the table above are net of tax.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

	2021					
(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**
Balance at December 31, 2020	$ (1,109)	$ 10,361	$ (34)	$ 0	$ (284)	$ 8,934
Cumulative effect of change in accounting principle - ASU 2018-12	0	0	0	(18,570)	0	(18,570)
Balance at January 1, 2021	$ (1,109)	$ 10,361	$ (34)	$ (18,570)	$ (284)	$ (9,636)
Other comprehensive income (loss) before reclassification	(876)	(735)	(1)	2,738	90	1,216
Amounts reclassified from accumulated other comprehensive income (loss)	0	(24)	5	0	28	9
Net current-period other comprehensive income (loss)	(876)	(759)	4	2,738	118	1,225
Balance at December 31, 2021	$ (1,985)	$ 9,602	$ (30)	$ (15,832)	$ (166)	$ (8,411)

All amounts in the table above are net of tax.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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

(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[(1)]
	$ 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[(1)]
	$ (4)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	**$ 0**	Acquisition and operating expenses[(2)]
Prior service (cost) credit	**0**	Acquisition and operating expenses[(2)]
	0	Tax (expense) or benefit[(1)]
	$ 0	Net of tax
Total reclassifications for the period	**$ 127**	Net of tax

[(1)] *Based on 21% tax rate*
[(2)] *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[(1)]
	$ 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[(1)]
	$ (4)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$ (24)	Acquisition and operating expenses[(2)]
Prior service (cost) credit	0	Acquisition and operating expenses[(2)]
	5	Tax (expense) or benefit[(1)]
	$ (19)	Net of tax
Total reclassifications for the period	$ 335	Net of tax

[(1)] *Based on 21% tax rate*

[(2)] *These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see Note 14 for additional details).*

(In millions)	2021	
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	$ 31	Net investment gains (losses)
	(7)	Tax (expense) or benefit[(1)]
	$ 24	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[(1)]
	$ (5)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$ (35)	Acquisition and operating expenses[(2)]
Prior service (cost) credit	0	Acquisition and operating expenses[(2)]
	7	Tax (expense) or benefit[(1)]
	$ (28)	Net of tax
Total reclassifications for the period	$ (9)	Net of tax

[(1)] *Based on 21% tax rate*

[(2)] *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, 2023, 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, 2023, approximately 34.8 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 Company financial performance. As of December 31, 2023, 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 awards 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)	**2023**	2022	2021
Impact on earnings from continuing operations	**$ 79**	$ 69	$ 65
Impact on earnings before income taxes	**79**	69	65
Impact on net earnings	**62**	55	51
Impact on net earnings per share:			
Basic	**$ .10**	$ .09	$ .08
Diluted	**.10**	.09	.08

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, 2020	3,045	$ 30.25
Granted in 2021	0	0.00
Canceled in 2021	(4)	16.93
Exercised in 2021	(896)	28.45
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**
Outstanding at December 31, 2023	**1,051**	**$ 32.90**

(In thousands of shares)	**2023**	2022	2021
Shares exercisable, end of year	**1,051**	1,577	2,145

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 2023, 2022 or 2021. The following table presents the assumptions used in valuing options granted, if applicable, during the years ended December 31.

	2023	2022	2021
Expected term (years)	**8.0**	7.8	7.9
Expected volatility	**26.7 %**	25.8 %	25.6 %
Annual forfeiture rate	**4.2**	4.0	3.8
Risk-free interest rate	**3.0**	1.6	1.0
Dividend yield	**2.3**	2.7	3.0

The following table summarizes information about stock options outstanding and exercisable at December 31, 2023.

(In thousands of shares)	Options Outstanding			Options Exercisable	
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 - $ 24.75	0	0.0	$ 0.00	0	$ 0.00
24.75 - 28.97	217	2.1	28.96	217	28.96
28.97 - 31.21	368	1.0	30.57	368	30.57
31.21 - 36.21	317	2.8	34.68	317	34.68
36.21 - 44.59	149	3.8	40.57	149	40.57
$ 0.00 - $ 44.59	1,051	2.2	$ 32.90	1,051	$ 32.90

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 $82.50 as of December 31, 2023, for those awards that have an exercise price currently below the closing price. As of December 31, 2023, the aggregate intrinsic value of stock options outstanding was $52 million, with a weighted-average remaining term of 2.2 years. The total number of in-the-money stock options exercisable as of December 31, 2023, was 1.1 million shares. The aggregate intrinsic value of stock options exercisable at that same date was $52 million, with a weighted-average remaining term of 2.2 years.

The following table summarizes stock option activity during the years ended December 31.

(In millions)	**2023**	2022	2021
Total intrinsic value of options exercised	**$ 22**	$ 20	$ 21
Cash received from options exercised	**16**	16	26
Tax benefit realized as a result of options exercised and restricted stock releases	**20**	18	17

Performance-Based Restricted Stock Awards and Units

Under the Plan, the Company grants selected executive officers performance-based restricted stock awards (PBRS) each February whose vesting is contingent upon meeting various performance goals. PBRS are generally granted at-the-money and contingently cliff vest over a period of three years, generally subject to continued employment. In February 2023, the Company granted 354 thousand performance-based stock awards, 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 issued, with the potential for no award if company performance goals are not achieved during the three-year period. PBRS subject to accelerated vesting at the date of retirement eligibility are recognized over the implicit service period.

The Company also granted selected executive officers performance-based restricted stock units (PSUs) throughout the year whose vesting is contingent upon meeting various performance goals. PSUs are generally granted at-the-money and contingently cliff vest over a period of three years, generally subject to continued employment. In 2023, the Company granted 105 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 200% percent of the initial number of PSUs issued, with the potential for no award if the Company determined metrics are not achieved during the three-year period. PSUs subject to accelerated vesting at the date of retirement eligibility is recognized 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 2023 follows:

(In millions)	**2023**
Expected volatility (based on Aflac Inc. and peer group historical daily stock price)	**32.3 %**
Expected life from grant date (years)	**2.9**
Risk-free interest rate (based on U.S. Treasury yields at the date of grant)	**4.1 %**

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, 2020	2,580	$ 48.57
Granted in 2021	1,496	47.87
Canceled in 2021	(148)	49.00
Vested in 2021	(1,371)	45.80
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**
Restricted stock at December 31, 2023	**2,308**	**$ 62.96**

As of December 31, 2023, total compensation cost not yet recognized in the Company's financial statements related to restricted stock awards and restricted stock units was $31 million, of which $13 million (2.0 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. 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 Japanese regulatory accounting practices, was $8.1 billion at December 31, 2023, compared with $6.7 billion at December 31, 2022.

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, 2023, and 2022.

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)	2023	2022
Aflac	$ 2,881	$ 3,097
CAIC	398	360
TOIC	51	60
Aflac New York	323	339

As of December 31, 2023, 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)	2023	2022	2021
Aflac	$ 1,106	$ 1,134	$ 1,146
CAIC	(121)	(69)	(30)
TOIC	(27)	(35)	(27)
Aflac New York	54	67	83

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, 2023 and 2022, 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 $439 million at December 31, 2023, compared with $195 million at December 31, 2022.

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 2023, Aflac declared dividends of $894 million, compared with $594 million in 2022. Dividends declared by Aflac during 2024 in excess of $1.1 billion would require such approval. CAIC and TOIC did not declare dividends during 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 $67 million in 2023 and $83 million in 2022, which were authorized by the NYSDFS.

Aflac Japan is required to meet certain financial criteria as governed by Japanese corporate law in order to provide dividends to the Parent Company. Under these criteria, dividend capacity at Aflac Japan is basically 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)	**2023**	2022	2021	**2023**	2022	2021
Profit remittances	**$2,623**	$2,412	$2,138	**¥ 374.7**	¥ 324.2	¥236.7

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. In 2023, Aflac Re did not pay any dividends.

14. BENEFIT PLANS

Pension and Other Postretirement Plans

The Company has funded defined benefit plans in Japan and the U.S., however the U.S. plan was frozen to new participants effective October 1, 2013. 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 $49 million in 2023. U.S. employees who are not participants in the defined benefit plan currently receive a nonelective 401(k) employer contribution. 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 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 the Company's Supplemental Executive Retirement Plan was frozen to new participants effective January 1, 2015. In June 2023, the Company amended the Supplemental Executive Retirement Plan and the Retirement Plan for Senior Officers to freeze future benefits under these plans for all participants effective January 1, 2024.

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:

	Pension Benefits				Other Postretirement Benefits	
	Japan		U.S.			
(In millions)	**2023**	2022	**2023**	2022	**2023**	2022
Projected benefit obligation:						
Benefit obligation, beginning of year	**$ 327**	$ 432	**$ 843**	$ 1,186	**$ 32**	$ 36
Service cost	**14**	19	**7**	26	**0**	0
Interest cost	**9**	5	**41**	34	**1**	1
Actuarial (gain) loss	**7**	(61)	**37**	(374)	**(4)**	0
Benefits and expenses paid	**(13)**	(13)	**(58)**	(29)	**(4)**	(5)
Curtailment (gain) loss	**0**	0	**(106)**	0	**0**	0
Effect of foreign exchange rate changes	**(20)**	(55)	**0**	0	**0**	0
Benefit obligation, end of year	**324**	327	**764**	843	**25**	32
Plan assets:						
Fair value of plan assets, beginning of year	**335**	415	**659**	885	**0**	0
Actual return on plan assets	**17**	(46)	**39**	(205)	**0**	0
Employer contributions	**27**	34	**8**	8	**4**	5
Benefits and expenses paid	**(13)**	(13)	**(58)**	(29)	**(4)**	(5)
Effect of foreign exchange rate changes	**(22)**	(55)	**0**	0	**0**	0
Fair value of plan assets, end of year	**344**	335	**648**	659	**0**	0
Funded status of the plans[(1)]	**$ 20**	$ 8	**$ (116)**	$ (184)	**$ (25)**	$ (32)
Amounts recognized in accumulated other comprehensive income:						
Net actuarial (gain) loss	**$ 30**	$ 35	**$ (13)**	$ 10	**$ 2**	$ 8
Prior service (credit) cost	**0**	0	**(2)**	(2)	**0**	0
Total included in accumulated other comprehensive income	**$ 30**	$ 35	**$ (15)**	$ 8	**$ 2**	$ 8
Accumulated benefit obligation	**$ 213**	$ 215	**$ 764**	$ 741	**N/A**	N/A

[(1)] *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

	Pension Benefits			
	Japan		U.S.	
(In millions)	**2023**	2022	**2023**	2022
Accumulated benefit obligation	**$ 213**	$ 215	**$ 764**	$ 741
Fair value of plan assets	**344**	335	**648**	659

Information for Pension Plans with a Projected Benefit Obligation in Excess of Plan Assets

	Pension Benefits			
	Japan [(1)]		U.S.[(2)]	
(In millions)	**2023**	2022	**2023**	2022
Projected benefit obligation	**$ 324**	$ 327	**$ 764**	$ 843
Fair value of plan assets	**344**	335	**648**	659

(1) The net amount of projected benefit obligation and plan assets for the overfunded Japan pension plan was $20 and $8 at December 31, 2023 and 2022, respectively, and was classified as other assets on the statement of financial position.
(2) The net amount of projected benefit obligation and plan assets for the underfunded (including unfunded) U.S. pension plan was $116 and $184 at December 31, 2023 and 2022, respectively, and was classified as 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 Postretirement Benefits		
	Japan			U.S.					
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Weighted-average actuarial assumptions:									
Discount rate - net periodic benefit cost	**1.95 %**	.94 %	.75 %	**5.24 %** [(1)]	2.94 %	2.68 %	**5.28 %**	2.94 %	2.68 %
Discount rate - benefit obligations	**1.84**	1.95	.94	**5.04**	5.28	2.94	**5.04**	5.28	2.94
Expected long-term return on plan assets	**2.00**	2.00	2.00	**4.75**	5.50	5.75	**N/A**	N/A	N/A
Rate of compensation increase	**N/A**	N/A	N/A	**4.00**	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	**6.80** [(2)]	6.50 [(2)]	5.80 [(2)]

(1) 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.
(2) For the years 2023, 2022 and 2021, the health care cost trend rates are expected to trend down to 3.7% in 50 years, 3.7% in 51 years, and 3.7% in 52 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 14 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 not 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 is modeled to determine a best estimate of the long-term rate of return. The Company in turn use 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 $(39) million, $14 million and $25 million of other components of net periodic pension cost and postretirement costs (other than service costs) for the years ended December 31, 2023, 2022 and 2021, respectively. Total net periodic benefit cost includes the following components:

	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
(In millions)	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Service cost	**$14**	$19	$23	**$ 7**	$26	$28	**$ 0**	$ 0	$ 0
Interest cost	**9**	5	6	**41**	34	32	**1**	1	1
Expected return on plan assets	**(7)**	(8)	(8)	**(34)**	(42)	(41)	**0**	0	0
Amortization of net actuarial loss	**0**	1	2	**(2)**	21	30	**2**	2	3
Curtailment (gain) loss	**0**	0	0	**(49)**	0	0	**0**	0	0
Net periodic (benefit) cost	**$16**	$17	$23	**$(37)**	$39	$49	**$ 3**	$ 3	$ 4

Changes in Accumulated Other Comprehensive Income

The following table summarizes the amounts recognized in other comprehensive loss (income) for the years ended December 31:

	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
(In millions)	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Net actuarial loss (gain)	**$ (5)**	$(14)	$(22)	**$ 31**	$(127)	$ (90)	**$ (4)**	$ 0	$ (2)
Amortization of net actuarial loss	**0**	(1)	(2)	**2**	(21)	(30)	**(2)**	(2)	(3)
Amortization of prior service cost	**0**	0	1	**0**	0	0	**0**	0	0
Curtailment (gain) loss	**0**	0	0	**(57)**	0	0	**0**	0	0
Total	**$ (5)**	$(15)	$(23)	**$ (24)**	$(148)	$(120)	**$ (6)**	$ (2)	$ (5)

No transition obligations arose during 2023.

Benefit Payments

The following table provides expected benefit payments, which reflect expected future service, as appropriate.

	Pension Benefits		Other
(In millions)	Japan	U.S.	Postretirement Benefits
2024	$ 10	$ 34	$ 4
2025	16	35	4
2026	12	37	4
2027	12	44	3
2028	13	44	2
2029-2033	74	234	4

Funding

The Company plans to make contributions of $27 million to the Japanese funded defined benefit plan in 2024. The Company does not plan to make any contributions to the U.S. funded defined benefit plan in 2024. The Company did not make a contribution to the U.S. funded defined benefit plan in 2023. 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. 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, 2023 were as follows:

	Japan Pension	U.S. Pension
Domestic equities	6 %	0 %
International equities	11	0
Fixed income securities	63	100
Other	20	0
Total	100 %	100 %

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.

	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
Japan pension plan assets:				
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**
Total	**$ 27**	**$ 301**	**$ 16**	**$ 344**

	2022			
(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
Japan pension plan assets:				
Equities:				
Japanese equity securities	$ 0	$ 20	$ 0	$ 20
International equity securities	0	57	0	57
Fixed income securities:				
Japanese bonds	0	20	0	20
International bonds	0	210	0	210
Insurance contracts	0	28	0	28
Total	$ 0	$ 335	$ 0	$ 335

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)	**2023**	2022
U.S. pension plan assets:		
Mutual funds:		
Fixed income bond funds	**648**	$ 641
Cash and cash equivalents	**0**	18
Total	**$ 648**	$ 659

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' pension plan assets that are classified as Level 3.

(In millions)	**Alternative Investments**
Balance at December 31, 2022	$ 0
Actual return on plan assets:	
Relating to assets still held at the reporting date	0
Relating to assets sold during the period	0
Purchases, sales and settlements	16
Transfers in and/or out of Level 3	0
Balance at December 31, 2023	$ 16

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 2023, 2022, and 2021, 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 for employees who opted out of the future benefits of the U.S. defined benefit plan and for new U.S. employees. 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 $20 million in 2023 and $18 million in 2022 and $20 million in 2021. The plan trustee held approximately 2.1 million shares of the Company's common stock for plan participants at December 31, 2023.

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 $19 million in 2023 and $16 million in 2022 and $15 million in 2021.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has two outsourcing agreements with a technology and consulting corporation. The first agreement provides for mainframe computer operations, distributed mid-range server computer operations, and related support for Aflac Japan. The first agreement has a remaining term of one year and an aggregate remaining cost of ¥10.5 billion ($74 million using the December 31, 2023 exchange rate). The second agreement provides for application maintenance and development services for Aflac Japan. The second agreement has a remaining term of one year and an aggregate remaining cost of ¥0.4 billion ($3 million using the December 31, 2023 exchange rate).

The Company has an outsourcing agreement with a management consulting and technology services company to provide application maintenance and development services for Aflac Japan. The agreement has a remaining term of five years with an aggregate remaining cost of ¥18.3 billion ($129 million using the December 31, 2023 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 two years with an aggregate remaining cost of ¥3.3 billion ($24 million using the December 31, 2023, exchange rate). The second agreement has a remaining term of two years with an aggregate remaining cost of ¥4.6 billion ($32 million using the December 31, 2023 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 one year with an aggregate remaining cost of ¥1.4 billion ($10 million using the December 31, 2023 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 two years with an aggregate remaining cost of ¥1.8 billion ($12 million using the December 31, 2023 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, 2023, 2022 and 2021 were immaterial.

16. UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL DATA

In management's opinion, the following quarterly financial information fairly presents the results of operations for such periods and is prepared on a basis consistent with the Company's annual audited financial statements.

(In millions, except for per-share amounts)	**March 31, 2023**	**June 30, 2023**	**September 30, 2023**	**December 31, 2023**
Net premium income	**$3,688**	**$ 3,573**	**$3,476**	**$3,385**
Net investment income	**943**	**999**	**1,004**	**865**
Net investment gains (losses)	**123**	**555**	**423**	**(511)**
Other income (loss)	**46**	**45**	**47**	**38**
Total revenues	**4,800**	**5,172**	**4,950**	**3,777**
Total benefits and expenses	**3,458**	**3,347**	**3,145**	**3,488**
Earnings before income taxes	**1,342**	**1,825**	**1,805**	**289**
Total income tax	**154**	**191**	**236**	**21**
Net earnings	**$1,188**	**$ 1,634**	**$1,569**	**$ 268**
Net earnings per basic share	**$ 1.94**	**$ 2.72**	**$ 2.65**	**$ .46**
Net earnings per diluted share	**1.94**	**2.71**	**2.64**	**.46**

Quarterly amounts may not agree in total to the corresponding annual amounts due to rounding.

(In millions, except for per-share amounts)	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net premium income	$4,079	$ 3,764	$3,535	$3,523
Net investment income	903	937	920	896
Net investment gains (losses)	122	564	199	(521)
Other income (loss)	69	50	50	50
Total revenues	5,173	5,315	4,704	3,948
Total benefits and expenses	3,879	3,607	3,375	3,410
Earnings before income taxes	1,294	1,708	1,329	538
Total income tax	247	314	(452)	342
Net earnings	$1,047	$ 1,394	$1,781	$ 196
Net earnings per basic share	$ 1.61	$ 2.18	$ 2.83	$ .32
Net earnings per diluted share	1.60	2.17	2.82	.31

Quarterly amounts may not agree in total to the corresponding annual amounts due to rounding.
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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, 2023 and 2022.

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

During 2023, the Company executed internal controls associated with new processes supporting the implementation of Accounting Standards Update (ASU) 2018-12 for targeted improvements to the accounting for long-duration contracts, which the Company adopted on January 1, 2023 using a modified retrospective method. For additional information, see Note 1 of the Notes to the Consolidated Financial Statements.

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 2023 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 2023, the following directors or executive officers adopted or terminated a written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c):

- On November 2, 2023, Charles D. Lake II, Chairman and Representative Director of Aflac Japan and President of Aflac International, adopted a trading plan that provides for the sale of 56% of performance-based restricted stock shares to be released upon approval of the Company's board of directors and will terminate no later than May 10, 2024. The estimated number of gross shares of Aflac Incorporated common stock to be acquired is 28,682; however, the actual number of shares may vary based on achievement of designated performance metrics.

- On November 3, 2023, Joseph L. Moskowitz, a member of the Company's board of directors, adopted a trading plan that provides for the sale of 2,400 shares of Aflac Incorporated common stock and will terminate no later than November 11, 2024.

- On November 7, 2023, Masatoshi Koide, President and Representative Director of Aflac Japan, adopted a 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 May 10, 2024. The estimated number of gross shares of Aflac Incorporated common stock to be acquired is 30,338; 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 2024 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or about March 21, 2024, 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)
ITEM 10.	**DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE** **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; and Code of Business Conduct and Ethics
ITEM 11.	**EXECUTIVE COMPENSATION**	Director Compensation; Compensation Committee; Compensation Committee Report; Compensation Discussion and Analysis; 2023 Summary Compensation Table; 2023 Grants of Plan-Based Awards; 2023 Outstanding Equity Awards at Fiscal Year-End; 2023 Option Exercises and Stock Vested; Pension Benefits; Nonqualified Deferred Compensation; Potential Payments Upon Termination or Change in Control; and Compensation Committee Interlocks and Insider Participation
ITEM 12.	**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**	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
ITEM 13.	**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**	Related Person Transactions; and Director Independence
ITEM 14.	**PRINCIPAL ACCOUNTING FEES AND SERVICES**	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	82
Consolidated Statements of Earnings for each of the years in the three-year period ended December 31, 2023	86
Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2023	87
Consolidated Balance Sheets as of December 31, 2023 and 2022	88
Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2023	89
Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2023	91
Notes to the Consolidated Financial Statements	92

2. FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this report:

Schedule II -	Condensed Financial Information of Registrant as of December 31, 2023 and 2022, and for each of the years in the three-year period ended December 31, 2023	196
Schedule III -	Supplementary Insurance Information as of December 31, 2023 and 2022, and for each of the years in the three-year period ended December 31, 2023	202
Schedule IV -	Reinsurance for each of the years in the three-year period ended December 31, 2023	203

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[(1)]

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	-	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.
4.32	-	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 Employment Agreement with Eric M. Kirsch, as amended and restated, dated December 1, 2015 – incorporated by reference from Form 8-K dated December 1, 2015, Exhibit 10.1.
10.32*	-	Amendment to Aflac Employment Agreement with Eric M. Kirsch, dated November 30, 2017 – incorporated by reference from 2017 Form 10-K, Exhibit 10.42.
10.33*	-	Aflac Incorporated Letter of Agreement with Eric M. Kirsch, dated October 21, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.29.
10.34*	-	Aflac Incorporated Consulting Agreement with Eric M. Kirsch, dated October 21, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.30.
10.35*	-	Aflac Incorporated Employment Agreement with Frederick J. Crawford, effective June 30, 2015 – incorporated by reference from Form 8-K dated June 24, 2015, Exhibit 10.1.
10.36*	-	Amendment to Aflac Incorporated Employment Agreement with Frederick J. Crawford, dated April 29, 2021 – incorporated by reference from Form 10-Q for March 31, 2021, Exhibit 10.2.
10.37*	-	Amendment to Aflac Incorporated Employment Agreement with Frederick J. Crawford, dated October 24, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.33.
10.38*	-	International Assignment Letter with Frederick J. Crawford, dated December 19, 2022 – incorporated by reference from 2022 Form 10-K, Exhibit 10.34.
10.39*	-	Employment Letter of Agreement with Frederick J. Crawford, dated October 30, 2023.
10.40*	-	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.
10.41*	-	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.
10.42*	-	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.
10.43*	-	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.
10.44	-	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.
10.45**	-	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.
10.46	-	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.
10.47	-	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.
10.48	-	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.
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. 333-259379 with respect to the Aflac Incorporated shelf registration statement.
31.1	-	Certification of CEO dated February 22, 2024, 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 22, 2024, 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 22, 2024, 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
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.

(1) *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).*

(c) FINANCIAL STATEMENT SCHEDULES

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Aflac Incorporated (Parent Only)
Condensed Statements of Earnings

	Years ended December 31,		
(In millions)	**2023**	2022	2021
Revenues:			
Management and service fees from subsidiaries[1]	**$ 151**	$ 136	$ 130
Net investment income	**(174)**	3	(93)
Interest from subsidiaries[1]	**1**	2	2
Net investment gains (losses)	**301**	(228)	206
Total revenues	**279**	(87)	245
Operating expenses:			
Interest expense	**187**	215	222
Other operating expenses[2]	**295**	275	300
Total operating expenses	**482**	490	522
Earnings before income taxes and equity in earnings of subsidiaries	**(203)**	(577)	(277)
Income tax expense (benefit)	**(444)**	(208)	(144)
Earnings before equity in earnings of subsidiaries	**241**	(369)	(133)
Equity in earnings of subsidiaries[1]	**4,418**	4,787	4,364
Net earnings	**$ 4,659**	$ 4,418	$ 4,231

[1]*Eliminated in consolidation*
[2]*Includes expense of $48 in 2021 for the early extinguishment of debt*
Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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)	**2023**	2022	2021
Net earnings	**$ 4,659**	$ 4,418	$ 4,231
Other comprehensive income (loss) before income taxes:			
Unrealized foreign currency translation gains (losses) during period	**(366)**	(1,034)	(861)
Unrealized gains (losses) on fixed maturity securities during period	**2,327**	(13,056)	(960)
Unrealized gains (losses) on derivatives during period	**6**	4	5
Effect of changes in discount rate assumptions during period	**(582)**	17,384	3,466
Pension liability adjustment during period	**35**	165	148
Total other comprehensive income (loss) before income taxes	**1,420**	3,463	1,798
Income tax expense (benefit) related to items of other comprehensive income (loss)	**511**	1,481	573
Other comprehensive income (loss), net of income taxes	**909**	1,982	1,225
Total comprehensive income (loss)	**$ 5,568**	$ 6,400	$ 5,456

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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)	**2023**	2022
Assets:		
Investments and cash:		
Fixed maturity securities available-for-sale, at fair value (no allowance for credit losses in 2023 and 2022, amortized cost $1,447 in 2023 and $1,649 in 2022)	**$ 1,582**	$ 1,744
Investments in subsidiaries[1]	**24,508**	22,972
Other investments	**1,126**	1,461
Cash and cash equivalents	**1,007**	1,143
Total investments and cash	**28,223**	27,320
Due from subsidiaries[1]	**270**	267
Income taxes receivable	**251**	0
Other assets	**1,202**	964
Total assets	**$ 29,946**	$ 28,551
Liabilities and shareholders' equity:		
Liabilities:		
Employee benefit plans	**$ 329**	$ 291
Notes payable	**6,819**	7,069
Other liabilities	**813**	1,051
Total liabilities	**7,961**	8,411
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2023 and 2022; issued 1,355,398 shares in 2023 and 1,354,079 shares in 2022	**136**	135
Additional paid-in capital	**2,771**	2,641
Retained earnings	**47,993**	44,367
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(4,069)**	(3,564)
Unrealized gains (losses) on fixed maturity securities	**1,139**	(702)
Unrealized gains (losses) on derivatives	**(22)**	(27)
Effect of changes in discount rate assumptions	**(2,560)**	(2,100)
Pension liability adjustment	**(8)**	(36)
Treasury stock, at average cost	**(23,395)**	(20,574)
Total shareholders' equity	**21,985**	20,140
Total liabilities and shareholders' equity	**$ 29,946**	$ 28,551

[1] *Eliminated in consolidation*

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

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)	**2023**	2022	2021
Cash flows from operating activities:			
Net earnings	**$ 4,659**	$ 4,418	$ 4,231
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Equity in earnings of subsidiaries[1]	**(4,418)**	(4,787)	(4,364)
Cash dividends received from subsidiaries	**3,410**	2,705	2,791
Other, net	**(686)**	18	408
Net cash provided (used) by operating activities	**2,965**	2,354	3,066
Cash flows from investing activities:			
Fixed maturity securities sold	**547**	392	483
Fixed maturity securities purchased	**(345)**	(438)	(489)
Other investments sold (purchased)	**(34)**	(206)	(421)
Settlement of derivatives	**693**	718	135
Additional capitalization of subsidiaries[1]	**(203)**	(294)	(161)
Other, net	**1**	1	1
Net cash provided (used) by investing activities	**659**	173	(452)
Cash flows from financing activities:			
Purchases of treasury stock	**(2,801)**	(2,401)	(2,301)
Proceeds from borrowings	**0**	1,277	1,153
Principal payments under debt obligations	**0**	(1,416)	(700)
Dividends paid to shareholders	**(966)**	(979)	(855)
Treasury stock reissued	**17**	17	26
Proceeds from exercise of stock options	**13**	12	17
Net change in amount due to/from subsidiaries[1]	**(6)**	16	43
Other, net	**(17)**	(7)	(26)
Net cash provided (used) by financing activities	**(3,760)**	(3,481)	(2,643)
Net change in cash and cash equivalents	**(136)**	(954)	(29)
Cash and cash equivalents, beginning of period	**1,143**	2,097	2,126
Cash and cash equivalents, end of period	**$ 1,007**	$ 1,143	$ 2,097

[1] *Eliminated in consolidation*

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

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

A summary of notes payable as of December 31 follows:

(In millions)	**2023**	2022
1.125% senior sustainability notes due March 2026	**$ 398**	$ 397
2.875% senior notes due October 2026	**299**	298
3.60% senior notes due April 2030	**993**	992
6.90% senior notes due December 2039	**221**	221
6.45% senior notes due August 2040	**254**	254
4.00% senior notes due October 2046	**394**	394
4.750% senior notes due January 2049	**542**	541
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	**87**	93
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	**422**	450
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	**234**	250
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	**88**	95
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	**93**	99
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	**206**	220
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	**211**	225
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	**65**	70
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	**145**	155
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	**148**	158
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	**84**	90
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	**106**	114
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	**69**	73
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	**74**	79
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	**70**	75
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	**45**	49
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	**62**	66
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	**44**	47
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	**70**	75
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	**419**	448
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	**140**	149
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	**84**	90
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.35% in 2023 and .33% in 2022, principal amount ¥11.7 billion)	**82**	88
Variable interest rate loan due August 2029 (.45% in 2023 and .43% in 2022, principal amount ¥25.3 billion)	**178**	190
Variable interest rate loan due August 2032 (.60% in 2023 and .58% in 2022, principal amount ¥70.0 billion)	**492**	524
Total notes payable	**$ 6,819**	$ 7,069

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.

The aggregate contractual maturities of notes payable during each of the years after December 31, 2023, are as follows:

(In millions)	
2024	$ 0
2025	87
2026	700
2027	506
2028	0
Thereafter	5,577
Total	$ 6,870

For further information regarding notes payable, see Note 9 of the Notes to the Consolidated Financial Statements.

(B) Derivatives

At December 31, 2023, the Parent Company's outstanding freestanding derivative contracts were swaps, foreign currency forwards and options. The swaps are associated with its notes payable, consisting of cross-currency interest rate swaps, also referred to as foreign currency swaps, associated with certain of the Parent Company's senior notes. 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)	**2023**	2022	2021
Interest paid	**$ 184**	$ 211	$ 213
Noncash financing activities:			
Treasury stock issued for shareholder dividend reinvestment	**37**	37	32

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
2023:				
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**
Total	**$ 9,132**	**$ 83,979**	**$ 1,451**	**$ 6,169**
2022:				
Aflac Japan	$ 5,776	$ 77,733	$ 1,716	$ 6,639
Aflac U.S.	3,463	11,070	113	4
All other	0	306	(4)	0
Intercompany eliminations	0	(667)	0	0
Total	$ 9,239	$ 88,442	$ 1,825	$ 6,643

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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
2023:						
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**
Total	**$ 14,123**	**$ 3,811**	**$ 8,211**	**$ 816**	**$ 4,412**	**$ 14,237**
2022:						
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
Total	$ 14,901	$ 3,656	$ 8,887	$ 792	$ 4,592	$ 14,943
2021:						
Aflac Japan	$ 11,301	$ 3,139	$ 7,675	$ 393	$ 2,549	$ 11,600
Aflac U.S.	5,614	752	2,639	442	2,052	5,537
All other	180	(73)	161	0	434	0
Total	$ 17,095	$ 3,818	$ 10,476	$ 835	$ 5,035	$ 17,137

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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
2023:					
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 %**
2022:					
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 %
2021:					
Life insurance in force	$ 134,577	$ 7,199	$ 22,568	$ 149,946	15 %
Premiums:					
Health insurance	$ 14,689	$ 475	$ 253	$ 14,467	2 %
Life insurance	2,616	29	41	2,628	2
Total earned premiums	$ 17,305	$ 504	$ 294	$ 17,095	2 %

Prior-year amounts have been adjusted for the adoption of accounting guidance on January 1, 2023 related to accounting for long-duration insurance contracts.
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

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.

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.

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 22, 2024
(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.

/s/ ***Daniel P. Amos***	Chief Executive Officer,	February 22, 2024
(Daniel P. Amos)	Chairman of the Board of Directors	
/s/ ***Max K. Brodén***	Executive Vice President,	February 22, 2024
(Max K. Brodén)	Chief Financial Officer	
/s/ ***Robin L. Blackmon***	Senior Vice President, Financial Services;	February 22, 2024
(Robin L. Blackmon)	Chief Accounting Officer	

/s/ ***W. Paul Bowers***	Director	February 22, 2024
(W. Paul Bowers)		
/s/ ***Arthur R. Collins***	Director	February 22, 2024
(Arthur R. Collins)		
/s/ ***Miwako Hosoda***	Director	February 22, 2024
(Miwako Hosoda)		
/s/ ***Thomas J. Kenny***	Director	February 22, 2024
(Thomas J. Kenny)		
/s/ ***Georgette D. Kiser***	Director	February 22, 2024
(Georgette D. Kiser)		
/s/ ***Karole F. Lloyd***	Director	February 22, 2024
(Karole F. Lloyd)		
/s/ ***Nobuchika Mori***	Director	February 22, 2024
(Nobuchika Mori)		
/s/ ***Joseph L. Moskowitz***	Director	February 22, 2024
(Joseph L. Moskowitz)		
/s/ ***Barbara K. Rimer***	Director	February 22, 2024
(Barbara K. Rimer)		
/s/ ***Katherine T. Rohrer***	Director	February 22, 2024
(Katherine T. Rohrer)		

October 30, 2023

Re: Letter of Agreement

Dear Fred:

This Letter of Agreement, which is effective as of October 30, 2023 (the "Effective Date"), summarizes the terms and conditions of your employment with Aflac Incorporated ("Aflac") and retirement thereafter, and amends your Employment Agreement, dated April 29, 2021, as amended (including as amended by the terms of this Letter of Agreement) (the "Employment Agreement"). This Letter of Agreement shall continue in full force and effect and be binding upon the parties hereto. Except as expressly stated below in conjunction with the vesting of your restricted stock awards, no other terms of the Employment Agreement shall continue or remain operative after April 29, 2024.

Commencing as of the Effective Date, you will continue to serve as President and Chief Operating Officer through December 31, 2023, subject to the terms and conditions of your Employment Agreement. Your position will continue to be the same, and you will continue with your international assignment through December 30, 2023. Beginning January 1, 2024, your position and title will change to Executive Vice President. As Executive Vice President, you will provide services as needed for the transition of your responsibilities through your retirement date of September 30, 2024. On this basis, this Letter of Agreement provides notice to you that your Employment Agreement will not be extended by its terms effective May 1, 2024.

Your compensation and benefits for the period October 30, 2023, through September 30, 2024, will be as follows:

- **Base Salary.** Your annualized base salary will remain the same as is currently in effect.

- **Benefits.** You will be eligible to receive employee benefits as other active Aflac U.S. employees until your retirement date.

- **Management Incentive Plan.** For 2023 you will continue to be eligible to receive the discretionary bonus under Aflac's Management Incentive Plan (MIP) on the same basis as all other active participants through December 31, 2023. You will receive an amount determined under Aflac's MIP with a target level based on 200% of your base salary in 2023. For 2024, you will not be eligible to receive the discretionary bonus under the MIP.

- **Stock Options and Awards.** As of October 30, 2023, you will not be eligible to receive future equity grants during your employment with Aflac. Your 2021 Performance Restricted Stock Award will vest in February 2024 under the specified terms of that award agreement. Your 2022 and 2023 Performance Restricted Awards will vest as if you remained employed through each of the applicable vesting periods, but subject to the applicable Aflac performance criteria. In consideration of Aflac continuing to honor the 2022 and 2023 restrictive stock awards, you will agree to be subject to, and comply with, the terms of the restrictive covenants in Paragraphs 15.A to 15.G and 16 of the Employment Agreement, the paragraphs of which will survive the termination of the Employment Agreement. The 2022 and 2023 restricted stock awards will vest on the following dates:

  - Your 2022 Performance Restricted Award will vest in February 2025.
  - Your 2023 Performance Restricted Award will vest in February 2026.

- **Executive Deferred Compensation Plan.** You will be eligible to receive a final contribution to the Aflac Incorporated Executive Deferred Compensation Plan ("EDCP") equal to 15% of your Annual Compensation for 2023. Your "Annual Compensation" generally is equal to the amount of your wages, salary and cash bonuses, for services performed during a calendar year. Additionally, upon your retirement on September 30, 2024, your EDCP account will become fully vested.

- **Retirement Benefits.** You will continue to be an active participant in the Aflac 401(k) Savings and Profit Sharing Plan (401(k) Plan) through September 30, 2024, and in the EDCP through the date of your separation from service, on the same basis as all other active participants. You may take a distribution from the 401(k) Plan after your retirement, and your EDCP distributions will be based the terms of the EDCP and the elections you have made under that plan. Your healthcare benefits will end on your retirement date, but you, your spouse and dependents will be eligible for up to 18 months of COBRA continuation coverage. The Company will provide a lump-sum payment to you in the amount of $36,537 to cover the cost of the COBRA premiums for 18 months (based on 2023 COBRA rates). You will not be eligible to participate in the Retiree Medical Plan upon retirement.

- **Income Tax Assistance Associated with International Assignment.** The designated Tax Services Provider will prepare your Home Country and Host Country tax returns as required during the international assignment. The Tax Services Provider will continue to prepare your Home Country and Host Country tax returns for you and your spouse until the trailing tax due has been incurred after the overseas assignment ends.

  In connection with your international assignment, Aflac will pay for (1) tax equalization (both taxes and expenses for related services, as described below) under the terms of the Aflac tax equalization program for Japan taxes and (2) preparation of your joint tax returns due in 2024. The Japan taxes shall include and be limited to Japan municipality taxes due in 2023. The expenses shall include and be limited to expenses for the Tax Services Provider for calculating the Japan taxes, preparing and filing any Japan tax returns due in 2024, and any other tax services rendered in connection with your international assignment. You will be required to reimburse Aflac for the foreign tax filing benefit (including any refund that you may receive of U.S. taxes or Japanese taxes due to the tax amounts paid by Aflac on your behalf). Any payments and reimbursements made under this provision will be paid under the terms of Aflac’s tax equalization policy.

This Letter of Agreement is an amendment to your Employment Agreement and supersedes your Employment Agreement to the extent that there are any conflicting provisions or terms.

Sincerely,

/s/ Dan Amos
Dan Amos

Acknowledgement of Receipt and Agree:

/s/ Frederick Crawford Date: October 30, 2023
Frederick Crawford

EXHIBIT 21

Aflac Incorporated

SUBSIDIARIES

The following list sets forth the subsidiaries of Aflac Incorporated:

Company	Jurisdiction
American Family Life Assurance Company of Columbus (Aflac)	Nebraska
American Family Life Assurance Company of New York[(1)]	New York
Aflac Re Bermuda Ltd.[(1)]	Bermuda
Aflac InfoSec Services LLC[(1)]	Delaware
Empoweredbenefits, LLC[(1)]	North Carolina
Phoenicia Real Estate Holdings I LLC[(1)]	Delaware
Aflac Asset Management LLC	Delaware
Aflac Asset Management Japan Ltd.[(2)]	Japan
Global Alternatives Fund SPC[(2)]	Cayman Islands
Global Alternatives Real Estate Portfolio SP[(2)]	Cayman Islands
Global Alternatives Private Equity Portfolio SP[(2)]	Cayman Islands
Aflac International, Inc.	Georgia
Aflac Information Technology, Inc.	Georgia
Simple Technology, LLC[(3)]	Delaware
Aflac Global Ventures LLC	Delaware
Aflac Ventures Labs LLC[(4)]	Delaware
Aflac Ventures Seed Fund LLC[(4)]	Delaware
Aflac Ventures India Fund LLC[(4)]	Delaware
Aflac Ventures LLC[(4)]	Delaware
Lapetus Solutions, Inc.[(5)]	Delaware
Medical Note, Inc.[(5)]	Japan
Sensely Corporation[(5)]	California
Aflac Ventures Japan KK[(4)]	Japan
Hatch Healthcare KK[(6)]	Japan
Aflac Benefits Advisors, Inc.	Georgia
Communicorp, Inc.	Georgia
Continental American Insurance Company	Nebraska
Continental American Group, LLC[(7)]	Georgia
Aflac Holdings LLC	Nebraska
Aflac Life Insurance Japan Ltd.[(8)]	Japan
Tsusan Co., Ltd.[(9)]	Japan
Aflac Insurance Services Co., Ltd.[(9)]	Japan
Aflac Payment Services Co., Ltd.[(9)]	Japan
SUDACHI Small-amount Short-term Insurance Co., Ltd.[(9)]	Japan
Aflac Digital Services Co., Ltd.[(9)]	Japan
Aflac Pet Small-amount-and-Short-term Insurance Co., Ltd.[(9)]	Japan
Global Investment Fund I[(9)]	Delaware
Oconee Real Estate Holdings I LLC[(10)]	Delaware
Oconee Real Estate Holdings II LLC[(11)]	Delaware
Oconee Real Estate Holdings III LLC[(10)]	Delaware
Taghkanic Real Estate Holdings I LLC[(12)]	Delaware
Aflac Heartful Services Co., Ltd.[(13)]	Japan
Global Alternatives Private Equity Sub-Trust A[(14)]	Cayman Islands
Global Alternatives Real Estate Equity Sub-Trust B[(14)]	Cayman Islands
Tier One Insurance Company	Nebraska
Aflac Northern Ireland, Ltd.	Northern Ireland, U.K.

(continued)

Company	Jurisdiction
Argus Holdings, LLC	Florida
Aflac Benefits Solutions, Inc.[15]	Florida
Empowered.Insure LLC	North Carolina
Aflac GI Holdings LLC	Delaware
Wildlife Direct Lending Management MGP, LLC[16]	Delaware
Denham Sustainable Infra GP LLC[16]	Delaware
Denham Sustainable Infra Management LP[16]	Delaware
Sound Point Commercial Real Estate Finance LLC[16]	Delaware

(1) *Subsidiary of Aflac*
(2) *Subsidiary of Aflac Asset Management LLC*
(3) *Subsidiary of Aflac Information Technology, Inc.*
(4) *Subsidiary of Aflac Global Ventures LLC*
(5) *Investment of Aflac Ventures LLC*
(6) *Subsidiary of Aflac Ventures Japan KK*
(7) *Subsidiary of Continental American Insurance Company*
(8) *Subsidiary of Aflac Holdings LLC*
(9) *Subsidiary of Aflac Life Insurance Japan Ltd.*
(10) *Subsidiary of Global Investment Fund I*
(11) *86% owned by Global Investment Fund I and 14% owned by Aflac*
(12) *81% owned by Global Investment Fund I and 19% owned by Aflac*
(13) *79% owned by Aflac Life Insurance Japan Ltd., 10% owned by Aflac Insurance Services Co., Ltd., 10% owned by Aflac Payment Services Co., Ltd., and 1% owned by Tsusan Co. Ltd.*
(14) *90% owned by Aflac Life Insurance Japan Ltd. and 10% owned by Aflac*
(15) *Subsidiary of Argus Holdings, LLC*
(16) *Investment of Aflac GI Holdings LLC*

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-259379, 333-271561, and 333-273722) on Form S-3 and (No. 333-115105, 333-135327, 333-158969, 333-161269, 333-202781, 333-219888, and 333-245702) on Form S-8; of our reports dated February 22, 2024, with respect to the consolidated financial statements of Aflac Incorporated and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
February 22, 2024

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Daniel P. Amos, certify that:

1. I have reviewed this annual report on Form 10-K of Aflac Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2024

/s/ *Daniel P. Amos*
Daniel P. Amos
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Max K. Brodén, certify that:

1. I have reviewed this annual report on Form 10-K of Aflac Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2024

/s/ Max K. Brodén

Max K. Brodén

Executive Vice President, Chief Financial Officer

EXHIBIT 32

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Aflac Incorporated (the “Company”) for the annual period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Daniel P. Amos, as Chief Executive Officer of the Company, and Max K. Brodén, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ *Daniel P. Amos*

Name:	Daniel P. Amos
Title:	Chief Executive Officer
Date:	February 22, 2024

/s/ *Max K. Brodén*

Name:	Max K. Brodén
Title:	Chief Financial Officer
Date:	February 22, 2024

EXHIBIT 97

AFLAC INCORPORATED
POLICY ON RECOUPMENT OF INCENTIVE COMPENSATION

Introduction

The Compensation Committee (the "Compensation Committee") of the Board of Directors (the "Board") of Aflac Incorporated (the "Company") has adopted this Policy on Recoupment of Incentive Compensation (this "Clawback Policy"), which provides for the recoupment of compensation in certain circumstances in the event of a restatement of financial results by the Company. This Clawback Policy shall be interpreted to comply with the requirements of U.S. Securities and Exchange Commission ("SEC") rules and New York Stock Exchange ("NYSE") / listing standards implementing Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and, to the extent this Clawback Policy is in any manner deemed inconsistent with such rules, this Clawback Policy shall be treated as retroactively amended to be compliant with such rules.

Administration

This Clawback Policy shall be administered by the Compensation Committee. Any determinations made by the Compensation Committee shall be final and binding on all affected individuals. The Compensation Committee is authorized to interpret and construe this Clawback Policy and to make all determinations necessary, appropriate or advisable for the administration of this Clawback Policy, in all cases consistent with the Dodd-Frank Act. The Board or Compensation Committee may amend this Clawback Policy from time to time in its discretion.

Covered Executives

This Clawback Policy applies to any current or former "executive officer," within the meaning of Rule 10D-1 under the Securities Exchange Act of 1934, as amended, of the Company or a subsidiary of the Company (each such individual, an "Executive"). This Clawback Policy shall be binding and enforceable against all Executives and their beneficiaries, executors, administrators, and other legal representatives.

Recoupment Upon Financial Restatement

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "Financial Restatement"), the Compensation Committee shall cause the Company to recoup from each Executive, as promptly as reasonably possible, any erroneously awarded Incentive-Based Compensation, as defined below.

No-Fault Recovery

Recoupment under this Clawback Policy shall be required regardless of whether the Executive or any other person was at fault or responsible for accounting errors that contributed to the need for the Financial Restatement or engaged in any misconduct.

Compensation Subject to Recovery; Enforcement

This Clawback Policy applies to all compensation granted, earned or vested based wholly or in part upon the attainment of any financial reporting measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measures, whether or not presented within the Company's financial statements or included in a filing with the SEC, including stock price and total shareholder return ("TSR"), including but not limited to performance-based cash, stock, options or other equity-based awards paid or granted to the Executive ("Incentive-Based Compensation"). Compensation that is granted, vests or is earned based solely upon the occurrence of non-financial events, such as base salary, restricted stock or options with time- based vesting, or a bonus awarded solely at the discretion of the Board or Compensation Committee and not based on the attainment of any financial measure, is not subject to this Clawback Policy.

In the event of a Financial Restatement, the amount to be recovered will be the excess of (i) the Incentive-Based Compensation received by the Executive during the Recovery Period (as defined below) based on the erroneous data and calculated without regard to any taxes paid or withheld, over (ii) the Incentive-Based Compensation that would have been received by the Executive had it been calculated based on the restated financial information, as determined by the Compensation Committee. For purposes of this Clawback Policy, "Recovery Period" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare the Financial Restatement, as determined in accordance with the last sentence of this paragraph, or any transition period that results from a change in the Company's fiscal year (as set forth in Section 303A.14(c)(1)(i)(D) of the NYSE Listed Company Manual). The date on which the Company is required to prepare a Financial Restatement is the earlier to occur of (A) the date the Board or a Board committee (or authorized officers of the Company if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare a Financial Restatement.

For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the Compensation Committee shall determine the amount to be recovered based on a reasonable estimate of the effect of the Financial Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received and the Company shall document the determination of that estimate and provide it to the NYSE.

Incentive-Based Compensation is considered to have been received by an Executive in the fiscal year during which the applicable financial reporting measure was attained or purportedly attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

The Company may use any legal or equitable remedies that are available to the Company to recoup any erroneously awarded Incentive-Based Compensation, including but not limited to collecting from the Executive cash payments or shares of Company common stock from or forfeiting any amounts that the Company owes to the Executive. Executives shall be solely responsible for any tax consequences to them that result from the recoupment or recovery of any amount pursuant to this Clawback Policy, and the Company shall have no obligation to administer the Clawback Policy in a manner that avoids or minimizes any such tax consequences.

No Indemnification

The Company shall not indemnify any Executive or pay or reimburse the premium for any insurance policy to cover any losses incurred by such Executive under this Clawback Policy or any claims relating to the Company's enforcement of rights under this Clawback Policy.

Exceptions

The compensation recouped under this Clawback Policy shall not include Incentive-Based Compensation received by an Executive (i) prior to beginning service as an Executive or (ii) if he or she did not serve as an Executive at any time during the performance period applicable to the Incentive-Based Compensation in question. The Compensation Committee may determine not to seek recovery from an Executive in whole or part to the extent it determines in its sole discretion that such recovery would be impracticable because (A) the direct expense paid to a third party to assist in enforcing recovery would exceed the recoverable amount (after having made a reasonable attempt to recover the erroneously awarded Incentive-Based Compensation and providing corresponding documentation of such attempt to the NYSE), (B) recovery would violate the home country law that was adopted prior to November 28, 2022, as determined by an opinion of counsel licensed in the applicable jurisdiction that is acceptable to and provided to the NYSE, or (C) recovery would likely cause the Company's 401(k) plan or any other tax-qualified retirement plan to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

Other Remedies Not Precluded

The exercise by the Compensation Committee of any rights pursuant to this Clawback Policy shall be without prejudice to any other rights or remedies that the Company, the Board or the Compensation Committee may have with respect to any Executive subject to this Clawback Policy, whether arising under applicable law (including pursuant to Section 304 of the Sarbanes-Oxley Act of 2002), regulation or pursuant to the terms of any other policy of the Company, employment agreement, equity award, cash incentive award or other agreement applicable to an Executive. Notwithstanding the foregoing, there shall be no duplication of recovery of the same Incentive-Based Compensation under this Clawback Policy and any other such rights or remedies.

Acknowledgment

To the extent required by the Compensation Committee, each Executive shall be required to sign and return to the Company the acknowledgment form attached hereto as Exhibit A pursuant to which such Executive will agree to be bound by the terms of, and comply with, this Clawback Policy. For the avoidance of doubt, each Executive shall be fully bound by, and must comply with, the Clawback Policy, whether or not such Executive has executed and returned such acknowledgment form to the Company.

Effective Date and Applicability

This Clawback Policy has been approved by the Compensation Committee and adopted by the Board on November 16, 2023, and shall apply to any Incentive-Based Compensation that is received by an Executive on or after October 2, 2023.

EXHIBIT A

AFLAC INCORPORATED
POLICY ON RECOUPMENT OF INCENTIVE COMPENSATION

ACKNOWLEDGMENT FORM

Capitalized terms used but not otherwise defined in this Acknowledgment Form (this "***Acknowledgment Form***") shall have the meanings ascribed to such terms in the Policy on Recoupment of Incentive Compensation ("Clawback Policy").

By signing this Acknowledgment Form, the undersigned acknowledges, confirms and agrees that the undersigned: (i) has received and reviewed a copy of the Clawback Policy; (ii) is and will continue to be subject to the Clawback Policy and that the Clawback Policy will apply both during and after the undersigned's employment with the Company; and (iii) will abide by the terms of the Clawback Policy, including, without limitation, by reasonably promptly returning any recoverable compensation to the Company as required by the Clawback Policy, as determined by the Compensation Committee in its sole discretion.

Sign: ______________________________

Name: [Employee]

Date: