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, 2022

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

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 Symbols(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 (Section 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. ☑

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, 2022, was $34,906,869,651.

The number of shares of the registrant's common stock outstanding at February 16, 2023, with $.10 par value, was 612,208,648.

Documents Incorporated By Reference

Certain information contained in the Notice and Proxy Statement for the Company's 2023 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, 2022

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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 those caused by COVID-19
- 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
- concentration of the Company's investments in any particular single-issuer or sector
- major public health issues, including COVID-19 and any resulting or coincidental economic effects, on the Company's business and financial results
- the Company's ability to attract and retain qualified sales associates, brokers, employees, and distribution partners
- deviations in actual experience from pricing and reserving assumptions
- ability to continue to develop and implement improvements in information technology systems 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 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 (such as COVID-19), tornadoes, hurricanes, earthquakes, tsunamis, war or other military action, terrorism or other acts of violence, and damage incidental to such events
- ability to protect the Aflac brand and the Company's reputation
- ability to effectively manage key executive succession
- changes in accounting standards
- level and outcome of litigation
- allegations or determinations of worker misclassification in the United States

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 more than 50 million people worldwide. 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 the United States (U.S.) and Japan. When a policyholder or insured gets sick or hurt, the Company pays cash benefits fairly and promptly for eligible claims. Throughout its 67-year history, the Company's supplemental insurance policies have given policyholders the opportunity to focus on recovery, not financial stress.

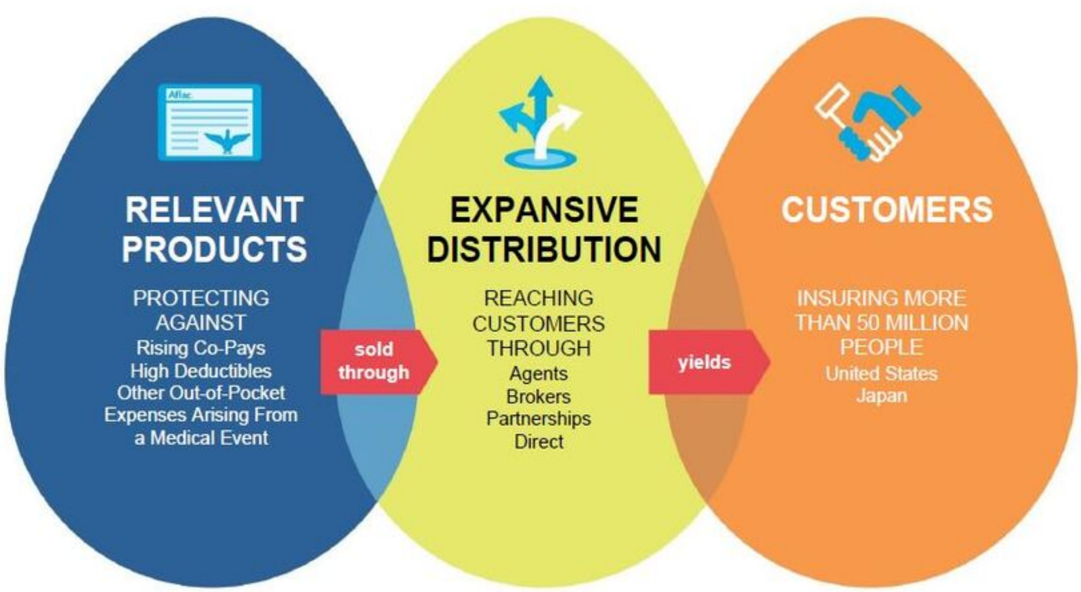
The Company has continued to develop and expand its product offerings over time. In Japan, the Company is cultivating an innovation-driven culture to meet the rapidly changing customer and societal needs. Through acquisitions completed in 2019 and 2020, the Company expanded its U.S. product offerings to network dental and vision and employer paid group life and disability. The Company has also been investing in new distribution opportunities through acquisitions and partnerships. In recent years, the Company has pivoted to digital sales methods and accelerated related digital investments. For information on the reporting segments see the Result of Operations by Segment section of Item 7. Management 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



Item 1. Business

In 1999, the Company had been running commercials for nearly a decade, but its brand awareness was hovering at about 10%. An innovative marketing campaign with something unique and memorable that would build brand awareness was needed. The Aflac Duck's first commercial in the U.S., "Park Bench," aired on January 1, 2000 and taught consumers how to pronounce "Aflac." The Aflac Duck made his international debut in Japan in 2003. In the two decades 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), formerly Argus Dental & Vision, Inc., which provides a platform for Aflac Dental and Vision in the U.S.

In November 2020, the Company, through its insurance subsidiaries Aflac and Aflac New York, acquired Zurich North America's U.S. Corporate Life and Pensions business, which consists of group life, disability and absence management products. Aflac and Aflac New York agreed to reinsure on an indemnity basis Zurich North America's U.S. in-force group life and disability policies with annualized earned premium of over $100 million. Aflac also acquired assets needed to support the group life and disability business, along with an absence management platform.

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 in this report.

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. In addition, since 2020, the pandemic has accelerated digitization and significantly heightened customer awareness of potential financial and health care burdens. Aflac Japan has responded to this consumer need by enhancing existing products and developing new products, such as a nursing care product introduced in 2021 and work leave insurance introduced in 2022. 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.

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.

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 7,400 sales agencies at the end of 2022, with approximately 110,000 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 40,000 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. 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 MD&A for more 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, 2022, 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. The FSA updated its guidelines regarding cybersecurity in February 2022.

- *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 the MD&A.

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

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℠ 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.

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 Aflac'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 Aflac. 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 2020, the NDOI and New York State Department of Financial Services (NYSDFS) conducted full-scope, risk-focused financial examinations on their respective state domiciled insurance entities. The examinations covered the reporting period January 1, 2016 – December 31, 2019. There were no material findings contained in the NDOI or NYSDFS final exam reports. In 2023, the NYSDFS will commence a routine market conduct examination on Aflac New York of the five-year period ended December 31, 2022.

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 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 the risk factor entitled, "Extensive regulation and changes in legislation can impact profitability and growth" for more 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. Treasury Department 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, going into effect 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. 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 enhanced security guidelines of the software supply chain and NYSDFS published increased 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.

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

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 and a printing subsidiary.

Investments of Aflac U.S., as well as certain sub-advised assets of Aflac Japan, are managed by the Company’s U.S. asset management subsidiary, Aflac Asset Management LLC (AAM), and investments of Aflac Japan are managed pursuant to an investment advisory agreement between Aflac Japan and the Company's asset management subsidiary in Japan, Aflac Asset Management Japan Ltd. (AAMJ). AAMJ is licensed as a discretionary asset manager under the Japan Financial Instruments and Exchange Act and is subject to rules of the Japan Investment Advisors Association, a self-regulatory organization with mandatory membership for Japan investment managers. Effective January 19, 2021, 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 Bermuda Ltd. (Aflac Re Bermuda), a Bermuda domiciled insurer that reinsures certain policies issued by ALIJ. Aflac Re Bermuda 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 has agreed that it will not transfer its shares of Trupanion, Inc. common stock during a restricted period ending 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, and to explore on an exclusive basis potential distribution opportunities for pet insurance in Japan. On November 10, 2022, the Company and Trupanion announced a joint venture between ALIJ and Trupanion to provide pet insurance in Japan.

For additional information on the Company's other operations, see the "Corporate and Other" subsection of the MD&A and Note 8 in 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.” As of December 31, 2022, Aflac Japan had 6,996 employees, Aflac U.S. had 4,839 employees, and the Company's other operations had 1,047 employees. The Company's compensation and benefit expense totaled approximately $1.9 billion in 2022, compared with approximately $2.0 billion in 2021. The Company believes its employee relations are generally satisfactory.

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 new 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 2022, Aflac Japan was certified, for the fifth 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 wide-ranging initiatives including a walking campaign, online seminars focused on improving health literacy, efforts to improve lifestyle habits such as support for smoke-free efforts, promotion of cancer screening, as well as COVID-19 control measures, including flexible working arrangements, workplace environment improvements and vaccination support.

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, 2022, women account for 54% of Aflac Japan employees and 33% of those in leadership roles. Women also held 19% 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, 2022, 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 50% of leadership roles located in the U.S. and 31% of senior management roles. In 2022, 62% of new hires located in the U.S. were people of color and 69% were women.

- Established in 2009, Aflac Heartful Services Co., Ltd. (Aflac Heartful Services), a subsidiary of Aflac Japan, promotes the hiring of employees with disabilities. Aflac Heartful Services has established a barrier-free work environment and provides, among other things, specialized training, specially-trained supervisors and development opportunities to support those with disabilities. Of Aflac Heartful Services’ 154 employees as of December 31, 2022, 124 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 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, from 2017 until 2018; President, Aflac Incorporated, from 2018 until 2020	71
Steven K. Beaver	Senior Vice President, Chief Financial Officer, Aflac U.S., since 2019; Senior Vice President, Financial Planning and Analysis, Aflac Incorporated, from 2018 until 2019; Senior Vice President, Global Strategic Projects, Corporate Financial Planning and Analysis, Aflac Incorporated, from 2017 until 2018	58
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	44
Frederick J. Crawford	President and Chief Operating Officer, Aflac Incorporated, since 2020; Executive Vice President, Chief Financial Officer, Aflac Incorporated, from 2015 until 2020	59
J. Todd Daniels	Executive Vice President, Chief Financial Officer, Aflac Japan, since 2018; Executive Vice President, Global Chief Risk Officer and Chief Actuary, Aflac Incorporated, from 2016 until 2018	52
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	57
June Howard	Chief Accounting Officer, Aflac Incorporated and Aflac, since 2010; Senior Vice President, Financial Services, Aflac Incorporated and Aflac, since 2010	56
Masatoshi Koide	President and Representative Director, Aflac Japan, since 2018; President and Chief Operating Officer, Aflac Japan from 2017 until 2018	62
Charles D. Lake, II	President, Aflac International, since 2014; Chairman and Representative Director, Aflac Japan, since 2018; Chairman, Aflac Japan, from 2008 until 2018	61
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; Senior Vice President, Chief Administrative Officer, Aflac U.S., from 2016 until 2018	54
Albert A. Riggieri	Senior Vice President, Global Chief Risk Officer and Chief Actuary, Aflac Incorporated, since 2018; Senior Vice President, Corporate Actuary, Aflac, from 2016 until 2018	67
Audrey B. Tillman	Executive Vice President, General Counsel, Aflac Incorporated and Aflac, since 2014	58

[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, including those caused by COVID-19, 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. Economies globally experienced significant inflation in 2022, with inflation rates and impact varying by country. Central bank and government efforts to control inflation, through reductions in stimulus and asset purchases as well as interest rate increases, have resulted in a decline in economic activity globally. Supply chain issues remaining from the COVID-19 pandemic, as well as geopolitical events, have contributed to inflation and volatility in energy prices. Although some markets have proven resilient in the face of inflation control measures, continued weakening of global financial markets impacts the creditworthiness and value of the Company's existing investment portfolio, influences opportunities for new investments, and may contribute to generally weak economic fundamentals, which can have a negative impact on its 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, including mortgages, consumer discretionary spending, issuers with higher leverage, and emerging markets issuers as the most exposed to rising interest rates, an economic downturn and the continuing effects of the COVID-19 global pandemic. These investments are experiencing and may continue to experience higher credit losses, credit rating downgrades and/or defaults and the Company has examined in each case whether a reduction in size of the holding is appropriate. In addition, volatility in oil prices could have a continued adverse impact on issuers in the energy sector. While 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, such as middle market loans, commercial mortgages and transitional real estate, 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. A prolonged period of low interest rates in other countries, particularly Japan, remains a risk that could result in new investments generating lower yields than in prior periods. 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 2022, 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 more information. See the “Investments” and “Results of Operations by Segment” sections of Item 7, MD&A, for more 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" Item 7, MD&A, for more 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 more information.

Broad economic factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, inflation, and strain with the U.S. supply chain 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.

See the risk factor entitled "Major public health issues, including COVID-19 and any resulting or coincidental economic effects, could have an adverse impact on the Company's financial condition and results of operations and other aspects of its business" for more information.

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 company's assets, strategy, or management, shifts in the dynamics of the industries in which they compete, their 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.

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. and Japan. 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 more 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 the Company's products were priced and the related reserving assumptions were established. 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 currently are rising in the U.S. and other regions, interest rates in Japan remain low, 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 rise in interest rates decreases the fair value of the Company's debt securities.

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 they were sold and issued 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 2013, Aflac Japan began to curtail sales of first sector savings-type products 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.

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. However, rising interest rates negatively impact the fair values of the Company's fixed maturity investments which results in reductions to the Company's overall equity. 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.

The Company's floating rate investments typically bear interest based on the U.S. Dollar (USD) London Interbank Offered Rate (LIBOR), although the Company's more recent loan acquisitions bear interest based on the Secured Overnight Financing Rate (SOFR). Investments bearing interest based on LIBOR are expected to transition to a rate based on SOFR or another reference rate prior to the USD LIBOR cessation date of June 30, 2023. The upcoming cessation of USD LIBOR as an interest rate benchmark may create uncertainty in the valuation of USD LIBOR-based loans, derivatives, and other financial contracts. The Company is unable to predict with certainty how the upcoming cessation of USD LIBOR may impact markets, pricing, liquidity and other factors or the Company's activities.

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

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

The Company's operations in Japan, including net investment gains and losses on Aflac Japan's investment portfolio, accounted for 69% of the Company's total revenues in 2022, compared with 69% in 2021 and 68% in 2020. The Japanese operations accounted for 80% of the Company's total assets at December 31, 2022, compared with 82% at December 31, 2021.

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 more 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 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 for which a portion of dollar currency risk is mitigated by entering into currency hedges. 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. Further, 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. These strategies will continue to increase the Company's exposure to U.S. interest rates, credit spreads and other risks. The Company has increased U.S. dollar risk exposure in Japan 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.

Investing in U.S. dollar-denominated investments in Aflac Japan also creates an unmatched foreign currency exposure and related capital ratio volatility, as Aflac Japan's 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.

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 more 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 the 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 more 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 more 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 financial instruments 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.

Where valuation and interest rates are based on USD LIBOR, the upcoming cessation of USD LIBOR as an interest rate benchmark may create uncertainty in valuation of USD LIBOR-based loans, derivatives and other financial contracts in the pricing of such assets in markets for their sale and disposition.

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 more 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 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 in this report for more 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) provisions, 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, 2022, the Company had agreements with 359 banks to market Aflac's products in Japan. Sales through these banks represented 4.0% of Aflac Japan's new annualized premium sales in 2022. 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 a reinsurance transaction with Aflac Re Bermuda. (For additional information on this transaction, see Note 16 of the Notes to the Consolidated Financial Statements.) Aflac Re Bermuda 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.

The concentration of the Company's investment portfolios in any particular single-issuer or sector of the economy may have an adverse effect on the Company's financial position or results of operations.

Negative events or developments affecting any particular single issuer, industry, group of related industries, asset class or geographic sector may have an adverse impact on a particular holding or set of holdings, which may increase risk of loss from defaults due to non-payment of interest or principal. To the extent the Company has concentrated positions, it could have an adverse effect on the Company's results of operations and financial position. See the "Investments" section of Item 7, MD&A, and the "Credit Risk" section of Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for more information.

Operational-Related Risk Factors

Major public health issues, including COVID-19 and any resulting or coincidental economic effects, could have an adverse impact on the Company's financial condition and results of operations and other aspects of its business.

Due to the evolving nature of the COVID-19 pandemic, the COVID-19 pandemic and any resulting or coincidental economic effects could continue to impact the Company's business, financial condition, results of operations, capital position, liquidity or prospects in a number of ways. The pandemic may cause changes to estimates of future earnings, capital deployment and other guidance the Company has provided to the markets in the "2023 Outlook" section of Item 7, MD&A.

Policies issued by Aflac Japan and Aflac U.S. are primarily sold and enrolled in person through face-to-face interaction. Likewise, recruiting of new agents and brokers largely occurs through in-person contact. The ability of individual agents and agencies, strategic alliance partners, brokers and other distribution partners to make sales in Japan and the U.S. and the ability to conduct agent and broker recruiting has been reduced by efforts to mitigate the effects of the pandemic, and by cultural and workplace changes that were caused by or are coincidental with the pandemic and may be long-term in nature, including social distancing techniques and remote working by employees. These efforts and changes may hinder sales of the Company’s products in Japan and the U.S. The Company cannot predict with certainty the continuing impact of these events on its distribution channels and financial results, but the impact to date has varied between Aflac Japan and Aflac U.S. For example, most Aflac U.S. business customers, and most of the independent agents in its agency channel, are small businesses who may lack the financial resources to weather an economic downturn and may be disproportionately negatively impacted by the economic uncertainty surrounding COVID-19. These factors may continue to negatively impact sales beyond 2022. See the risk factors 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” and “Difficult conditions in global capital markets and the economy, including those caused by COVID-19, could have a material adverse effect on the Company's investments, capital position, revenue, profitability, and liquidity and harm the Company's business” for more information.

Further, the Company's operations, as well as those of its vendors, service providers and counterparties, may also be adversely affected by the COVID-19 pandemic or the mitigation efforts and cultural and workplace changes outlined above. During 2022, the Company implemented return to work plans for Aflac Japan and Aflac U.S. that are adaptable and based upon multiple factors including government orders, guidelines issued by public health authorities, the location and job responsibilities of specific Company personnel, rates of COVID-19 vaccinations, cases and deaths in various localities and other factors. The Company may nevertheless experience operational disruptions.

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, including without limitation in regard to the effects of COVID-19. See the risk factor entitled “If future policy benefits, claims or expenses exceed those anticipated in establishing premiums and reserves, the Company's financial results would be adversely affected” and the "Executive Summary" section of Item 7, MD&A, for more information.

For more information on the effects of the COVID-19 pandemic on markets and investments, see the risk factor entitled, “Difficult conditions in global capital markets and the economy, including those caused by COVID-19, could have a material adverse effect on the Company's investments, capital position, revenue, profitability, and liquidity and harm the Company's business.”

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 on April 1, 2021 and the Company anticipates a gradual improvement of cancer insurance sales through the Japan Post Group channel over the intermediate term, 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 more 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. As a result, the Company would incur a charge to earnings in the period in which it determines such a shortfall exists, which 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. 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, 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.

Aflac'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. 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 addition, 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. See the “Government Regulation” subsections of Item 1, Business, for more information.

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 as a result of climate change, 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, 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. Additionally, the Company's business operations 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. 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 would have on the Company’s business. In addition, while 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.

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. See Note 1 of the Notes to the Consolidated Financial Statements for more information.

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 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.

Item 2. Properties

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 and the United Kingdom.

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 considered to be in the normal course of business. Members of the Company's senior legal and financial management teams review litigation on a quarterly and annual basis. The final results of any litigation 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

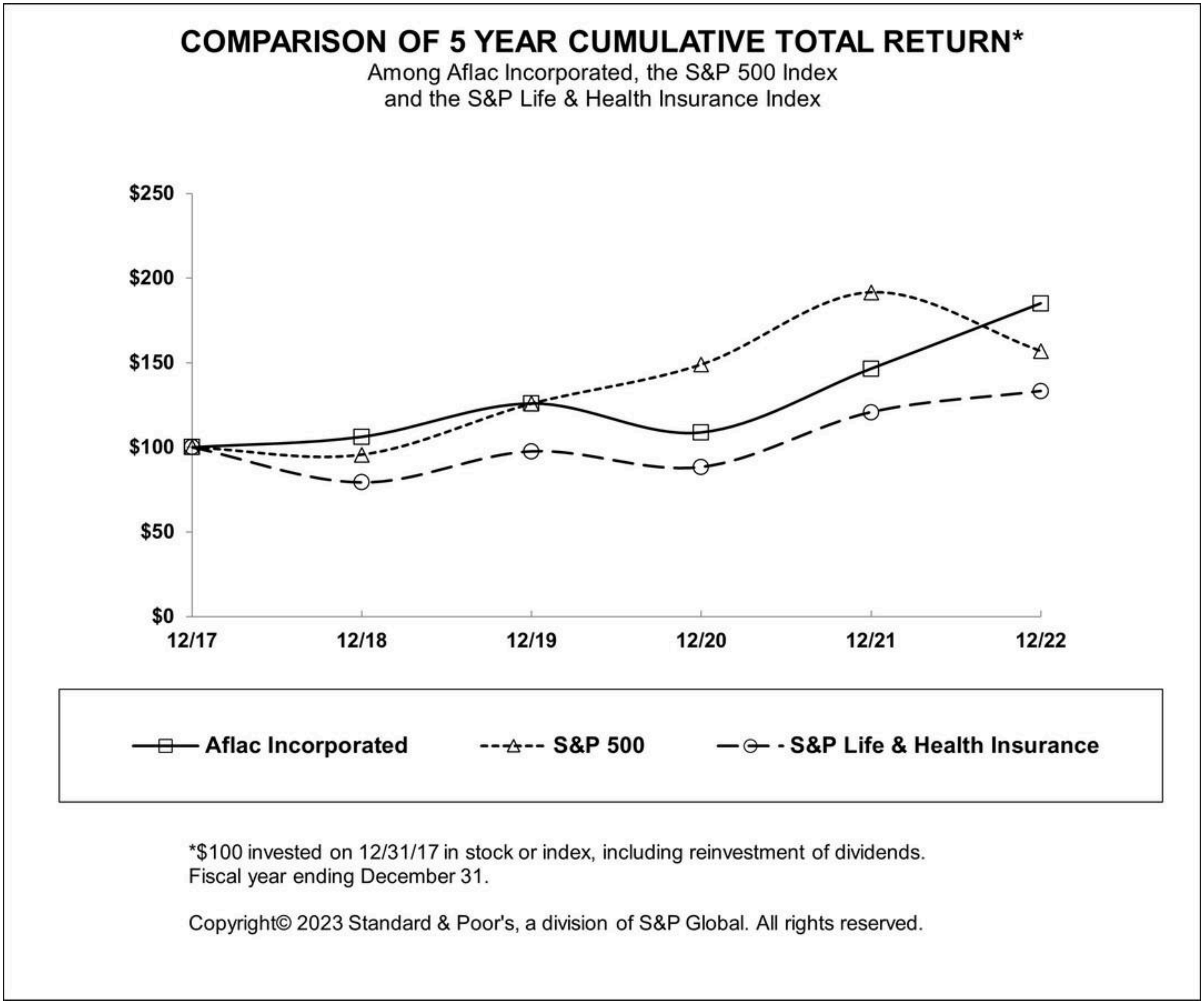
As of February 16, 2023, there were 84,297 holders of record of the Company's common stock.

Dividends

For a summary of dividends paid to shareholders in 2022 and 2021 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 Index (S&P 500) and the Standard & Poor's Life and Health Insurance Index (S&P Life and Health). The Standard & Poor's Life and Health Insurance Index includes: Aflac Incorporated, Globe Life Inc., Lincoln National Corporation, MetLife Inc., Principal Financial Group Inc. and Prudential Financial Inc.



Performance Graphic Index
December 31,

	2017	2018	2019	2020	2021	2022
Aflac Incorporated	100.00	106.21	125.92	108.82	146.43	185.03
S&P 500	100.00	95.62	125.72	148.85	191.58	156.89
S&P Life & Health Insurance	100.00	79.23	97.60	88.35	120.76	133.25

Issuer Purchases of Equity Securities

During the year ended December 31, 2022, 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	1,933,400		$ 61.87	1,933,400	53,895,617	
February 1 - February 28	3,183,212		63.58	2,845,206	51,050,411	
March 1 - March 31	3,233,866		61.93	3,228,600	47,821,811	
April 1 - April 30	2,592,239		62.98	2,589,500	45,232,311	
May 1 - May 31	4,284,400		57.22	4,284,400	40,947,911	
June 1 - June 30	4,315,931		56.12	4,310,888	36,637,023	
July 1 - July 31	3,670,800		55.40	3,670,800	32,966,223	
August 1 - August 31	3,983,200		61.37	3,983,200	28,983,023	
September 1 - September 30	3,406,571		59.47	3,403,200	25,579,823	
October 1 - October 31	2,817,100		60.01	2,817,100	22,762,723	
November 1 - November 30	2,867,949		69.91	2,856,100	119,906,623	
December 1 - December 31	3,268,609		70.89	3,264,800	116,641,823	
Total	39,557,277	(1)	$ 61.29	39,187,194	116,641,823	(2)

(1) During the year ended December 31, 2022, 370,083 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, 2022, consisted of 16,641,823 shares related to a 100,000,000 share repurchase authorization by the board of directors announced in August 2020 and 100,000,000 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 Statements" 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:

The Company elected to omit discussion on the earliest of the three years covered by the consolidated financial statements presented in Item 8. Financial Statements and Supplementary Data. Readers should refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 23, 2022, for reference to discussion of the year ended December 31, 2020, the earliest of the three years presented. Amounts reported in this MD&A may not foot due to rounding.

EXECUTIVE SUMMARY

Market Conditions

The impact of the COVID-19 global pandemic on the Company continues to evolve and the continued path of the global economic recovery remains uncertain given the potential longer-term impacts that have resulted from or are coincidental with the pandemic. For example, economic conditions have acted as headwinds to sales and earned premiums in 2022. Further, continued widening of the differential between U.S. and Japan interest rates has contributed to a weakening of the yen, which has the effect of suppressing the Company's current period results in relation to the comparable prior period. For additional information see the Result of Operations by Segment section of this MD&A.

Performance Highlights

For the full year of 2022, total revenues were down 11.8% to $19.5 billion, compared with $22.1 billion for the full year of 2021. Net earnings were $4.2 billion, or $6.59 per diluted share, for the full year of 2022, compared with $4.3 billion, or $6.39 per diluted share, for the full year of 2021, reflecting an income tax benefit of $452 million from the release of a deferred tax liability.

Results for 2022 included pretax net investment gains of $363 million, compared with net investment gains of $468 million in 2021. Net investment gains in 2022 included an increase in credit loss allowances of $36 million; $273 million of net gains from certain derivative and foreign currency gains or losses; $341 million of net losses on equity securities; and $467 million of net gains from sales and redemptions.

The average yen/dollar exchange rate[(1)] in 2022 was 130.17, or 15.7% weaker than the rate of 109.79 in 2021.

Adjusted earnings[(2)] for the full year of 2022 were $3.4 billion, or $5.33 per diluted share, compared with $4.0 billion, or $5.94 per diluted share, in 2021. The weaker yen/dollar exchange rate negatively impacted adjusted earnings per diluted share by $.34.

Total investments and cash at December 31, 2022 were $117.4 billion, compared with $143.0 billion at December 31, 2021. The decline in the portfolio was principally driven by the weaker yen and higher interest rates. In 2022, Aflac Incorporated repurchased $2.4 billion, or 39.2 million of its common shares. At December 31, 2022, the Company had 116.6 million remaining shares authorized for repurchase.

Shareholders’ equity was $22.4 billion, or $36.35 per share, at December 31, 2022, compared with $33.3 billion, or $50.99 per share, at December 31, 2021. Shareholders’ equity at December 31, 2022 included a net unrealized loss on investment securities and derivatives of $729 million, compared with a net unrealized gain of $9.6 billion at December 31, 2021. Shareholders’ equity at December 31, 2022 also included an unrealized foreign currency translation loss of $3.6 billion, compared with an unrealized foreign currency translation loss of $2.0 billion at December 31, 2021. The annualized return on average shareholders’ equity in 2022 was 15.1%.

Shareholders’ equity excluding accumulated other comprehensive income (AOCI) (adjusted book value)[(2)] was $26.8 billion, or $43.51 per share at December 31, 2022, compared with $25.9 billion, or $39.65 per share, at December 31, 2021. The annualized adjusted return on equity excluding foreign currency impact[(2)] in 2022 was 13.7%.

[(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, including those caused by

COVID-19, 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.

2023 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 2023 are to maintain strong pre-tax 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.

The Company announced a 5.0% increase in the first quarter 2023 dividend compared to the prior quarter, and it 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 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 continue to result in moderately lower benefit ratios in the Aflac Japan segment. 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 reduced sales compared to years prior to the COVID-19 pandemic. For the 2023 through 2024 period, the Company expects a decline in Aflac Japan net earned premiums in the low single digit range after adjusting for the impact of deferred profit liability reclassification and an expected new internal reinsurance program, with a benefit ratio in the range of 66% to 68% and an expense ratio in the range of 20% to 22%.

Aflac U.S. Segment

For Aflac U.S., the Company expects benefit ratios to normalize in 2023 and for expense ratios to decline over the next five years as the Company begins to realize the benefits from investments into U.S. platforms, continues to scale its acquisitions, and focuses on earned premium growth. For the 2023 through 2024 period, the Company expects Aflac U.S. net earned premium growth of 3% to 5% on a compound annual growth rate basis, with a benefit ratio in the range of 47% to 50% and an expense ratio in the range of 37% to 40%.

Corporate and other

The Company expects Corporate and other results to reflect stable net investment income in 2023 compared to 2022, assuming that U.S. interest rates remain stable.

For important disclosures applicable to statements made in this 2023 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 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	
	2022	2021	**2022**	2021
Net earnings	**$ 4,201**	$ 4,325	**$ 6.59**	$ 6.39
Items impacting net earnings:				
Adjusted net investment (gains) losses [(1)]	**(447)**	(462)	**(.70)**	(.68)
Other and non-recurring (income) loss	**(1)**	73	**.00**	.11
Income tax (benefit) expense on items excluded from adjusted earnings [(2)]	**(357)**	83	**(.56)**	.12
Adjusted earnings	**3,397**	4,019	**5.33**	5.94
Current period foreign currency impact [(3)]	**215**	N/A	**.34**	N/A
Adjusted earnings excluding current period foreign currency impact	**$ 3,613**	$ 4,019	**$ 5.67**	$ 5.94

[(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.

Reconciling Items

Net Investment Gains and Losses

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

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

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 consist of expenditures for legal, accounting, consulting, integration of systems and processes and other similar services. These integration costs are 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 8.8% in 2022 and 18.7% in 2021. In 2022, the combined effective tax rate differs 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 differs from the U.S. statutory rate primarily due to historic and solar tax credits. Total income taxes were $403 million in 2022 and $997 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 its functional currency on 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 will no longer be 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 and subsequently adjusted for foreign currency impacts in the fourth quarter of 2022. This change in functional currency resulted in the Company recognizing an income tax benefit of $452 million ($0.71 per basic and diluted share, respectively) in 2022.

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into U.S. law. Effective January 1, 2023, the law imposes a 15% corporate alternative minimum tax rate and a 1% excise tax on the Company’s repurchases of its common stock. The Company does not anticipate any impacts from the new corporate minimum tax rate since its current tax rate is above the 15% minimum rate. Further, the Company expects the charges associated with the excise tax to be 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 adjusted effective tax rate 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 more 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.

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 retrocession activities, not included in Aflac Japan or Aflac U.S. are included in Corporate and other. See the Item 1. Business section of this Form 10-K 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

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

AFLAC JAPAN SEGMENT

Aflac Japan Pretax Adjusted Earnings

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

Aflac Japan Summary of Operating Results

(In millions)	**2022**	2021
Net earned premiums	**$ 9,548**	$ 11,853
Net investment income: [1]		
Yen-denominated investment income	**1,140**	1,262
U.S. dollar-denominated investment income	**1,641**	1,845
Net investment income	**2,782**	3,107
Amortized hedge costs related to certain foreign currency exposure management strategies	**112**	76
Adjusted net investment income	**2,669**	3,031
Other income (loss)	**35**	41
Total adjusted revenues	**12,252**	14,925
Benefits and claims, net	**6,565**	7,963
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**547**	653
Insurance commissions	**563**	706
Insurance and other expenses	**1,520**	1,849
Total adjusted expenses	**2,630**	3,208
Total benefits and adjusted expenses	**9,195**	11,171
Pretax adjusted earnings	**$ 3,056**	$ 3,754
Weighted-average yen/dollar exchange rate	**130.17**	109.79

	In Dollars		**In Yen**	
Percentage change over previous period:	**2022**	2021	**2022**	2021
Net earned premiums	**(19.4)%**	(6.4)%	**(4.2)%**	(3.9)%
Adjusted net investment income	**(11.9)**	14.0	**5.5**	17.6
Total adjusted revenues	**(17.9)**	(2.9)	**(2.2)**	(.2)
Pretax adjusted earnings	**(18.6)**	15.0	**(3.1)**	18.5

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

In yen terms, Aflac Japan's net earned premiums decreased in 2022, mainly due to limited-pay products reaching premium paid-up status and a slightly declining in force. Adjusted net investment income, in yen terms, increased in 2022 primarily due to increases in floating rate income earned from U.S. dollar-denominated investment 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. The decrease in pretax adjusted earnings in yen was primarily due to a decrease in revenues and an increase in the benefit ratio resulting from a wider scope of "deemed hospitalization" that was in effect through most of the third quarter of 2022.

Annualized premiums in force at December 31, 2022, were ¥1.30 trillion, compared with ¥1.36 trillion in 2021. 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 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 $9.8 billion in 2022 and $11.8 billion in 2021. As of December 31, 2022, Aflac Japan exceeded 23 million individual policies in force in Japan. Aflac Japan continued to be the number one seller of cancer insurance policies in Japan throughout 2022, with more than 14 million cancer policies in force as of December 31, 2022.

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	
	2022	2021	**2022**	2021
Adjusted net investment income	**5.5 %**	17.6 %	**(5.0)%**	15.6 %
Total adjusted revenues	**(2.2)**	(.2)	**(4.3)**	(.5)
Pretax adjusted earnings	**(3.1)**	18.5	**(11.3)**	16.9

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:	**2022**	2021
Benefits and claims, net	**53.6 %**	53.3 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**4.5**	4.4
Insurance commissions	**4.6**	4.7
Insurance and other expenses	**12.4**	12.4
Total adjusted expenses	**21.5**	21.5
Pretax adjusted earnings	**24.9**	25.2
Ratios to total premiums:		
Benefits and claims, net	**68.9 %**	67.2 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**5.7**	5.5

In 2022, the benefit ratio to total premiums increased, compared with 2021, primarily due to a decrease in total premiums and higher third sector benefits due substantially to an increase in medical hospitalization claims as a result of a wider scope of "deemed hospitalization" related to COVID-19, partially offset by the continued change in mix of first and third sector business. In 2022, the adjusted expense ratio was flat, compared with 2021, reflecting the decrease in total adjusted revenues and an offsetting decrease in total adjusted expenses. In total for 2022, the pretax adjusted profit margin decreased when compared with 2021, primarily due to lower adjusted revenues, a higher benefit ratio and a flat expense ratio.

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

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.

	2022	2021
Cancer	**56.5 %**	49.2 %
Medical and other health:		
Medical	**26.6**	37.2
Income support	**1.3**	.5
Life insurance:		
Traditional life [(1)]	**8.1**	9.0
WAYS	**3.5**	.8
Child endowment	**.3**	.3
Other	**3.7**	3.0
Total	**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 nursing care insurance products. With continued cost pressure on Japan’s health care system, the Company expects the need for third sector products will continue to rise in the future and that the medical and cancer insurance products Aflac Japan provides will continue to be an important part of its product portfolio. 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 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 on April 1, 2021 and Aflac Japan continues to strengthen the strategic alliance. 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. The Company expects continued collaboration to further position both companies for long-term growth and a gradual improvement of Japan Post Group cancer insurance sales in the intermediate term. For example, in 2021 and 2022, Aflac Japan observed an increase in the number of proposals to potential customers in the Japan Post Group channel, and the Japan Post Group continues to conduct a nationwide campaign to improve certain sales process practices. 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.

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

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

In 2022, Aflac Japan recruited 38 new sales agencies. At December 31, 2022, Aflac Japan was represented by approximately 7,400 sales agencies, with approximately 110,000 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, 2022, Aflac Japan had agreements to sell its products at 359 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 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. According to a Schedule 13G/A filed by Japan Post Holdings with the SEC on January 6, 2021, the Trust had beneficially acquired 7.45% of the outstanding Aflac Incorporated common shares as of December 31, 2020. Japan Post Holdings is the sole beneficiary of the Trust. According to a Form 13F filed by Japan Post Holdings with the SEC on November 2, 2022, Japan Post Holdings owned 52.3 million Aflac Incorporated common shares as of September 30, 2022.

On May 1, 2020, 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. Notwithstanding the filing of the Form S-3, the Trust continues to be subject to a lockup period for a period expiring four years after the Trust acquired 7% of the Parent Company's outstanding shares. After expiration of such period, 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)	**2022**	2021
Yen-denominated:		
Fixed maturity securities:		
Japan government and agencies	**$ 0**	$ 1,208
Private placements	**854**	695
Other fixed maturity securities	**113**	171
Equity securities	**398**	216
Other investments	**22**	10
Total yen-denominated	**$ 1,387**	$ 2,300
U.S. dollar-denominated:		
Fixed maturity securities:		
Other fixed maturity securities	**$ 559**	$ 1,963
Infrastructure debt	**347**	52
Collateralized loan obligations	**498**	216
Equity securities	**22**	8
Commercial mortgage and other loans:		
Transitional real estate loans	**1,645**	1,768
Commercial mortgage loans	**0**	31
Middle market loans	**1,203**	2,428
Other investments	**391**	404
Total U.S. dollar-denominated	**$ 4,666**	$ 6,870
Total Aflac Japan purchases	**$ 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 more 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.

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

Aflac U.S. Summary of Operating Results

(In millions)	**2022**	2021
Net earned premiums	**$ 5,570**	$ 5,614
Adjusted net investment income [(1)]	**755**	754
Other income	**161**	121
Total adjusted revenues	**6,486**	6,489
Benefits and claims	**2,442**	2,447
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**605**	517
Insurance commissions	**553**	550
Insurance and other expenses	**1,562**	1,498
Total adjusted expenses	**2,720**	2,564
Total benefits and adjusted expenses	**5,162**	5,011
Pretax adjusted earnings	**$ 1,324**	$ 1,478
Percentage change over previous period:		
Net earned premiums	**(.8)%**	(2.5)%
Adjusted net investment income	**.1**	7.0
Total adjusted revenues	**.0**	(1.2)
Pretax adjusted earnings	**(10.4)**	16.6

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

In 2022, Aflac U.S. net earned premiums decreased, primarily due to lower persistency. Other income increased in 2022 due to an increase in fee income. The decrease in pretax adjusted earnings was driven primarily by an increase in deferred policy acquisition cost (DAC) amortization associated with lower persistency and an increase in planned spending reflecting, in part, platform and growth investments.

Annualized premiums in force were essentially flat in 2022 and decreased 1.6% in 2021. Annualized premiums in force at December 31 were $6.0 billion in 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:	**2022**	2021
Benefits and claims	**37.7 %**	37.7 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**9.3**	8.0
Insurance commissions	**8.5**	8.5
Insurance and other expenses	**24.1**	23.1
Total adjusted expenses	**41.9**	39.5
Pretax adjusted earnings	**20.4**	22.8
Ratios to total premiums:		
Benefits and claims	**43.8 %**	43.6 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**10.9**	9.2

The benefit ratio to total premiums increased slightly in 2022, compared with 2021, reflecting higher incurred claims, mostly offset by reserve releases related to lower persistency. The adjusted expense ratio increased in 2022, compared with 2021, primarily due to higher DAC amortization associated with lower persistency and higher planned spending reflecting ongoing investments in the U.S. platform. The pretax adjusted profit margin decreased in 2022 when compared with 2021, primarily due to the higher adjusted expense ratio.

Aflac U.S. Sales

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

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

New annualized premium sales for accident insurance increased 5.2%; disability sales increased 28.1%; critical care insurance sales (including cancer insurance) increased 9.6%; hospital indemnity insurance sales increased 8.1%; dental/vision sales increased 32.3%; and life sales increased 36.5% in 2022, compared with 2021. The increase in sales for Aflac U.S. in 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.

	2022	2021
Accident	**22.8 %**	25.1 %
Disability	**25.5**	23.1
Critical care [(1)]	**20.1**	21.3
Hospital indemnity	**15.3**	16.4
Dental/vision	**5.8**	5.1
Life	**10.5**	9.0
Total	**100.0 %**	100.0%

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

In 2022, 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. Aflac U.S. believes that during 2021 and 2022, constraints in the labor market limited its recruiting of new sales agents, and that limitations on face-to-face sales opportunities during the COVID-19 pandemic suppressed the development of newly recruited agents into business producers and the productivity of veteran agents and brokers. Aflac U.S. believes that the above factors have acted as a headwind to sales and to growth in the number of average weekly producers. Aflac U.S. remains focused on mitigating and reversing these trends as the U.S. economy continues to recover from the pandemic.

Aflac U.S. remains focused on supporting its agency channel, most of which are small businesses, by offering financial support and an extended value proposition. The Aflac U.S. sales team has pivoted to accommodate preferred enrollment conditions which include realizing sales at the worksite through in-person enrollment, an enrollment call center, video enrollment through co-browsing and self-enrollment. The traditional agent sales team is also using virtual recruiting and training through video conferencing in order to maintain or increase the recruiting pipeline. The Aflac U.S. broker sales team is focused on product enhancements, as well as leveraging technology based solutions to drive enrollment.

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)	**2022**	2021
Fixed maturity securities:		
Other fixed maturity securities	**$ 635**	$ 770
Infrastructure debt	**191**	91
Collateralized loan obligations	**199**	65
Equity securities	**33**	213
Commercial mortgage and other loans:		
Transitional real estate loans	**342**	525
Commercial mortgage loans	**0**	276
Middle market loans	**301**	190
Other investments	**44**	45
Total Aflac U.S. Purchases	**$ 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.

	2022	2021
Total purchases for period (in millions) [(1)]	**$ 1,701**	$ 2,130
New money yield [(1),(2)]	**5.16 %**	3.41 %
Return on average invested assets [(3)]	**4.72**	4.87
Portfolio book yield, end of period [(1),(2)]	**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 for the year ended December 31, 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 more 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 investment income. The following table presents a summary operating results for Corporate and other for the years ended December 31.

Corporate and Other Summary of Operating Results

(In millions)	**2022**	2021
Net earned premiums	**$ 145**	$ 180
Net investment income (loss) [(1)]	**30**	(73)
Amortized hedge income related to certain foreign currency management strategies	**68**	57
Adjusted net investment income	**98**	(16)
Other income	**24**	11
Total adjusted revenues	**267**	175
Benefits and claims, net	**146**	166
Adjusted expenses:		
Interest expense	**162**	165
Other adjusted expenses	**182**	142
Total adjusted expenses	**344**	307
Total benefits and adjusted expenses	**490**	473
Pretax adjusted earnings	**$ (223)**	$ (298)

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

In 2022, total adjusted revenues increased compared with 2021, primarily due to higher adjusted net investment income from higher interest rates and an increase in amortized hedge income, partially offset by the impact of federal tax credit investments and a reduction in net earned premiums as a result of significant yen weakening. Total adjusted expenses increased, as compared to 2021, primarily due to higher expenses associated with employee compensation and benefits and travel. These results also reflect the impact of foreign currency on net earned premiums and the corresponding benefits.

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 sheet. 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 statement 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. The Company is also a signatory to the Principles for Responsible Investment, a global framework for incorporating environmental, social and governance (ESG) considerations into investment and ownership decisions.

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

	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)	1,269	729	15	2,013
Middle market loans (1)	4,557	471	0	5,028
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 Bermuda is eliminated in Corporate and other*

	2021			
(In millions)	Aflac Japan	Aflac U.S.	Corporate and Other	Total
Available for sale, fixed maturity securities, at fair value	$ 81,793	$ 14,910	$ 1,993	$ 98,696
Held to maturity, fixed maturity securities, at amortized cost (1)	22,000	0	0	22,000
Equity securities	714	226	663	1,603
Commercial mortgage and other loans:				
Transitional real estate loans (1)	4,226	1,020	45	5,291
Commercial mortgage loans (1)	1,217	669	8	1,894
Middle market loans (1)	4,297	304	0	4,601
Other investments:				
Policy loans	216	20	0	236
Short-term investments (2)	590	302	834	1,726
Limited partnerships	1,534	169	155	1,858
Other	0	22	0	22
Total investments	116,587	17,642	3,698	137,927
Cash and cash equivalents	2,053	681	2,317	5,051
Total investments and cash	$ 118,640	$ 18,323	$ 6,015	$ 142,978

(1) *Net of allowance for credit losses*
(2) *Includes securities lending collateral*

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

	2022		2021	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
AAA	**1.6 %**	**1.5 %**	1.0 %	.9 %
AA	**5.2**	**5.3**	5.1	5.2
A	**68.0**	**68.1**	68.9	68.5
BBB	**23.0**	**22.9**	22.5	22.8
BB or lower	**2.2**	**2.2**	2.5	2.6
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

As of December 31, 2022, 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, 2022.

(In millions)	Credit Rating	Amortized Cost	Fair Value	Unrealized Loss
Autostrade Per Litalia Spa	BBB	$ 149	$ 108	$ (41)
JP Morgan Chase and Co.	A	210	171	(39)
KLM Royal Dutch Airlines	B	135	96	(39)
Investcorp Capital Limited	BB	329	291	(38)
Prologis LP	A	172	142	(30)
Urban Renaissance Agency	A	184	154	(30)
GLP Pte Ltd.	BBB	113	83	(30)
Banco de Chile	A	150	127	(23)
Citigroup Inc	A	176	154	(22)
Morgan Stanley	A	135	113	(22)

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

	2022			
(In millions)	Par Value	Amortized Cost [(1)]	Fair Value	Unrealized Gain (Loss)
Investcorp Capital Limited	$ 329	$ 329	$ 291	$ (38)
Pemex Project Funding Master Trust	226	226	230	4
Commerzbank	188	145	209	64
Telecom Italia SpA	151	151	178	27
KLM Royal Dutch Airlines	151	135	96	(39)
Apache Corporation	138	110	130	20
Howmet Aerospace Inc.	100	70	97	27
IKB Deutsche Industriebank AG	98	47	75	28
Generalitat de Catalunya	60	24	58	34
National Gas Co. Trinidad & Tobago	52	50	48	(2)
Other Issuers	84	85	69	(16)
Subtotal [(2)]	1,577	1,372	1,481	109
High yield corporate bonds	785	666	697	31
Middle market loans	4,732	4,562	4,554	(8)
Grand Total	$ 7,094	$ 6,600	$ 6,732	$ 132

[(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.

	2022				
(In millions)	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total
Government and agencies	**$ 43,854**	**$ 3,304**	**$ (1,732)**	**$ 45,426**	**46.4 %**
Municipalities	**2,590**	**215**	**(150)**	**2,655**	**2.7**
Mortgage- and asset-backed securities	**2,167**	**75**	**(96)**	**2,146**	**2.3**
Public utilities	**7,450**	**545**	**(288)**	**7,707**	**7.9**
Electric	6,036	456	(197)	6,294	6.4
Natural Gas	249	28	(10)	267	.3
Other	565	35	(48)	553	.6
Utility/Energy	600	26	(33)	593	.6
Sovereign and supranational	**1,238**	**113**	**(17)**	**1,334**	**1.3**
Banks/financial institutions	**9,340**	**595**	**(636)**	**9,299**	**9.9**
Banking	5,633	434	(364)	5,704	6.0
Insurance	1,703	119	(81)	1,740	1.8
Other	2,004	42	(191)	1,855	2.1
Other corporate	**27,886**	**2,107**	**(1,609)**	**28,384**	**29.5**
Basic Industry	2,452	263	(112)	2,602	2.6
Capital Goods	3,394	180	(226)	3,350	3.6
Communications	2,866	284	(109)	3,039	3.0
Consumer Cyclical	2,206	184	(71)	2,320	2.3
Consumer Non-Cyclical	6,238	383	(362)	6,259	6.7
Energy	2,664	330	(85)	2,909	2.8
Other	1,371	81	(146)	1,306	1.5
Technology	3,534	122	(257)	3,399	3.7
Transportation	3,161	280	(241)	3,200	3.3
Total fixed maturity securities	**$ 94,525**	**$ 6,954**	**$ (4,528)**	**$ 96,951**	**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

(In millions)	2022 Amortized Cost [1]	2022 Fair Value	2021 Amortized Cost [1]	2021 Fair Value
Publicly issued securities:				
Fixed maturity securities	**$ 77,176**	**$ 79,090**	$ 88,552	$ 103,034
Equity securities	**882**	**882**	950	950
Total publicly issued	**78,058**	**79,972**	89,502	103,984
Privately issued securities: [2]				
Fixed maturity securities [3]	**17,349**	**17,861**	18,817	22,531
Equity securities	**209**	**209**	653	653
Total privately issued	**17,558**	**18,070**	19,470	23,184
Total investment securities	**$ 95,616**	**$ 98,042**	$ 108,972	$ 127,168

[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)	2022	2021
Privately issued reverse-dual currency securities	**$ 4,049**	$ 4,784
Publicly issued collateral structured as reverse-dual currency securities	**1,383**	1,596
Total reverse-dual currency securities	**$ 5,432**	$ 6,380
Reverse-dual currency securities as a percentage of total investment securities	**5.7 %**	5.9 %

[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 more 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.

	2022	2021
Aflac Japan:		
FX Forwards		
FX forward (sell USD, buy yen) notional at end of period (in billions) [(1)]	**$4.1**	$6.4
Weighted average remaining tenor (in months) [(2)]	**.7**	2.6
Amortized hedge income (cost) for period (in millions)	**$(44)**	$(55)
FX Options		
FX option notional at the end of period (in billions) [(1)]	**$13.5**	$11.6
Weighted average remaining tenor (in months) [(2)]	**6.4**	6.0
Amortized hedge income (cost) for period (in millions)	**$(68)**	$(22)
Corporate and other (Parent Company):		
FX Forwards		
FX forward (buy USD, sell yen) notional at end of period (in billions)[(1)]	**$5.0**	$5.0
Weighted average remaining tenor (in months)[(2)]	**10.8**	11.5
Amortized hedge income (cost) for period (in millions)	**$71**	$62
FX Options		
FX option notional at the end of period (in billions) [(1)]	**$2.6**	$1.9
Weighted average remaining tenor (in months) [(2)]	**9.0**	7.3
Amortized hedge income (cost) for period (in millions)	**$(3)**	$(5)

[(1)] *Notional is reported net of any offsetting positions within Aflac Japan or the Parent Company, respectively.*
[(2)] *Tenor based on period reporting date to settlement date*

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.

	2022		2021	
(In millions)	**Amortized Cost (1)**	**Fair Value**	**Amortized Cost (1)**	**Fair Value**
Available-for-sale securities:				
Fixed maturity securities	**$ 14,321**	**$ 15,191**	$ 17,615	$ 20,478
Equity securities	**33**	**33**	24	24
Commercial mortgage and other loans:				
Transitional real estate loans (floating rate)	**5,133**	**5,088**	4,226	4,293
Commercial mortgage and other loans	**1,269**	**1,129**	1,217	1,265
Middle market loans (floating rate)	**4,557**	**4,545**	4,297	4,352
Other investments	**1,899**	**1,899**	1,534	1,534
Total U.S. Dollar Program	**27,212**	**27,885**	28,913	31,946
Available-for-sale securities:				
Fixed maturity securities - economically converted to yen	**2,209**	**2,795**	2,236	3,328
Total U.S. dollar-denominated investments in Aflac Japan	**$ 29,421**	**$ 30,680**	$ 31,149	$ 35,274

(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, 2022, 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.

In 2021, the Company moved to a strategy that contains one-sided put options, fewer foreign currency forwards and no collars in order to reduce its exposure to pricing volatility and the related risk of negative settlements should there be a material weakening in the yen. Depending on further developments, including the possibility of further market volatility, there may be additional costs associated with maintaining the options program. The Company is continually evaluating other adjustments, including the possibility of changing the level of hedging employed with the U.S. dollar-denominated investments.

As of December 31, 2022, the fair value of Aflac Japan's unhedged U.S. dollar-denominated portfolio was $10.3 billion (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)	**2022**	2021
Net cash inflows (outflows)	**$ (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 $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, compared with $10.2 billion as of December 31, 2021, with hedging instruments comprised of $3.3 billion of yen-denominated debt and $6.9 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, 2022 and 2021, 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 exchange 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.

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)	2022	2021
Japan segment:		
Future policy benefits	**$ 71,150**	$ 81,176
Unpaid policy claims	**2,610**	2,903
Other policy liabilities	**7,835**	9,534
Total Japan policy liabilities	**81,594**	93,613
U.S. segment:		
Future policy benefits	**9,960**	9,865
Unpaid policy claims	**1,952**	1,933
Other policy liabilities	**117**	119
Total U.S. policy liabilities	**12,029**	11,916
Consolidated:		
Future policy benefits	**80,749**	90,588
Unpaid policy claims	**4,561**	4,836
Other policy liabilities	**7,948**	9,648
Total consolidated policy liabilities (1)	**$ 93,258**	$ 105,072

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

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

BENEFIT PLANS

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

POLICYHOLDER PROTECTION

Policyholder Protection Corporation

The Japanese insurance industry has a policyholder protection system that provides funds for the policyholders of insolvent insurers. Legislation enacted regarding the framework of the Life Insurance Policyholder Protection Corporation (LIPPC) included government fiscal measures supporting the LIPPC. In March 2022, Japan's Diet passed legislation that extended the government's fiscal support of the LIPPC through March 2027. In March 2022, the LIPPC reached the required balance for the total life industry of ¥400 billion as specified by its Articles of Incorporation. As a result, additional contributions are not expected to be required unless the balance is reduced due to payments made by the LIPPC to the policyholders of insolvent insurers. Aflac Japan recognized an expense of ¥.9 billion and ¥1.8 billion for LIPPC assessments in 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.

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 has 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. This amount excludes $400 million of proceeds from the issuance of senior sustainability notes in 2021, unallocated proceeds of which contribute to total cash but are not intended to support holding company liquidity. The Company remains committed to prudent liquidity and capital management. At December 31, 2022, the Company held $3.9 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)	2022	2021
Management fees paid by subsidiaries	$ 136	$ 130
Dividends declared or paid by subsidiaries	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)	2022	2021
Aflac Japan management fees paid to Parent Company	$ 61	$ 59
Aflac Japan dividends declared or paid to Parent Company (in dollars)	2,412	2,138
Aflac Japan dividends declared or paid to Parent Company (in yen)	¥ 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 Activity subsection of this MD&A for more 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. Additionally, as of December 31, 2022, the Parent Company and Aflac had four lines of credit with third parties and ten intercompany lines of credit. The Company was in compliance with all of the covenants of its notes payable and lines of credit at December 31, 2022. For additional information, see Note 9 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, 2022. The Company translated its yen-denominated obligations using the December 31, 2022, 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]	$ 80,749	$ 193,394	$ 7,763	$ 185,631
Unpaid policy claims liability *(Note 7)*[3]	4,561	4,555	2,862	1,693
Other policyholders' funds *(Note 7)*[4]	6,123	7,533	352	7,181
Long-term debt – principal *(Note 9)*	7,295	7,103	0	7,103
Long-term debt – interest *(Note 9)*	44	2,705	165	2,540
Cash collateral on loaned securities *(Note 3)*	1,809	1,809	1,809	0
Operating service agreements *(Note 15)*	N/A	386	175	211
Operating lease obligations *(Note 9)*	139	144	44	100
Finance lease obligations *(Note 9)*	8	8	3	5
Total contractual obligations	$ 100,728	$ 217,637	$ 13,173	$ 204,464

[1] Liability amounts are those reported on the consolidated balance sheet as of December 31, 2022.

[2] The estimated payments reflect future estimated cash payments to be made to policyholders and others for future policy benefits. These projected cash outflows are based on assumptions for future policy persistency, mortality, morbidity, and other assumptions comparable with the Company's experience, consider future premium receipts on current policies in force and assume market growth and interest crediting consistent with assumptions used in amortizing deferred acquisition costs. These cash outflows are undiscounted with respect to interest and, as a result, 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] The estimated payments include assumptions as to the timing of policyholders reporting claims for prior periods and the amount of those claims. Actual amounts and timing of unpaid policy claims payments may differ significantly from the estimates above.

[4] 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 more 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, 2022, 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 more 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)	**2022**	2021
Operating activities	**$ 3,879**	$ 5,051
Investing activities	**(1,540)**	(2,378)
Financing activities	**(3,551)**	(2,739)
Exchange effect on cash and cash equivalents	**104**	(24)
Net change in cash and cash equivalents	**$ (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 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. 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 2022, Aflac U.S. borrowed and repaid $599 million under this program. As of December 31, 2022, Aflac U.S. had outstanding borrowings of $609 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 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 $3.4 billion in 2022, compared with $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)	**2022**	2021
Treasury stock purchases	**$ 2,401**	$ 2,301
Number of shares purchased:		
Share repurchase program	**39,187**	43,327
Other	**370**	437
Total shares purchased	**39,557**	43,764

Treasury Stock Issued

(In millions of dollars and thousands of shares)	**2022**	2021
Stock issued from treasury:		
Cash financing	**$ 17**	$ 26
Noncash financing	**57**	55
Total stock issued from treasury	**$ 74**	$ 81
Number of shares issued	**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, 2022, a remaining balance of 116.6 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.

In August 2022, the IRA was signed into U.S. law. Effective January 1, 2023, the law imposes a 1% excise tax on the Company's repurchase of its common stock.

Cash dividends paid to shareholders in 2022 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)	**2022**	2021
Dividends paid in cash	**$ 979**	$ 855
Dividends through issuance of treasury shares	**37**	32
Total dividends to shareholders	**$ 1,016**	$ 887

In November 2022, the board of directors announced a 5.0% increase in the quarterly cash dividend, effective with the first quarter of 2023. The first quarter 2023 cash dividend of $.42 per share is payable on March 1, 2023, to shareholders of record at the close of business on February 15, 2023.

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, accumulated other comprehensive income amounts, 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 considers different ways to offset significant declines in SMR, 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 one senior unsecured revolving credit facility in the amount of ¥100 billion and a committed reinsurance facility in the amount of approximately ¥120 billion as a capital contingency plan. Additionally, the Company could take action to enter into derivatives on unhedged U.S. dollar-denominated investments with foreign currency options or forwards. 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 re-classified 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 ratio remains high and reflects a strong capital and surplus position. As of December 31, 2022, Aflac Japan's SMR was 878%, compared with 1,012% at December 31, 2021. 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 is currently conducting field testing with insurance companies in Japan for the purpose of investigating the impact of the introduction of regulations. The FSA published provisional specifications in June 2022. 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 2025.

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, 2022 was 732%, compared with 659% as of December 31, 2021. 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.

	2022	2021
Aflac	**692 %**	635 %
CAIC	**1,056**	832
TOIC	**4,321**	5,829
Aflac New York	**859**	1,089

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. In 2021, the NAIC concluded its analysis of bond factor changes and formally adopted the new factors as proposed by Moody's Analytics. This initiative expanded the RBC bond factors from six designations to 20 designations to more closely align with rating scales used by rating agencies. The adopted changes did not have a significant impact on the combined RBC ratio for Aflac U.S.

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 2023 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.

Privacy and Cybersecurity Governance

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 monitoring existing and emerging 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, are responsible for the operation of the global information security program and communicates quarterly with the Audit and Risk Committee on the program, including with respect to the state of the program, compliance with applicable regulations, current and evolving threats, and recommendations for changes in the information security program. The global information security program also 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 Global Security and Chief Information Security Officer 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.

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 unpaid policy claims, 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. 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, 2022, and thus has a direct effect on net earnings and shareholders' equity. Subsequent experience or use of other assumptions could produce significantly different results.

Valuation of Investments, Including Derivatives

The Company's investments, primarily consisting of debt and equity securities, include both publicly issued and privately issued securities. For publicly issued securities, the Company determines the fair values from quoted market prices readily available from public exchange markets and price quotes and valuations from third party pricing vendors. For the majority of privately issued securities and derivatives associated with VIEs within the Company's investment portfolio, a third party pricing vendor has developed valuation models that the Company utilizes to determine fair values. Starting in June 2021 and July 2022, respectively, these models and associated processes and controls were transitioned to and executed by Company personnel. For the remaining privately issued securities, the Company uses non-binding price quotes from outside brokers. The Company has refined its valuation model for private placements to explicitly incorporate 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 Policy Liabilities

Insurance premiums for most of the Company's health and life policies, including cancer, accident, hospital, critical illness, dental, 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, so that profits are recognized in proportion to earned premiums during the period the policies are expected to remain in force. This association is accomplished by means of annual additions to the liability for future policy benefits and the deferral and subsequent amortization of policy acquisition costs.

Premiums from the Company's products with limited-pay features, including term life, whole life, WAYS, and child endowment, are collected over a significantly shorter period than the period over which benefits are provided. Premiums for these products are recognized as earned premiums over the premium-paying periods of the contracts when due from policyholders. Any gross premium in excess of the net premium is deferred and recorded in earnings, such that profits are recognized in a constant relationship with insurance in force. Benefits are recorded as an expense when they are incurred. A liability for future policy benefits is recorded when premiums are recognized using the net premium method.

Deferred Policy Acquisition Costs

The calculation of DAC and the liability for future policy benefits requires the use of estimates based on sound actuarial valuation techniques. For new policy issues, the Company reviews its actuarial assumptions and deferrable acquisition costs each year and revise them when necessary to more closely reflect recent experience and studies of actual acquisition costs. For policies in force, the Company evaluates DAC by major product groupings to determine that they are recoverable from future revenues, and any amounts determined not to be recoverable are charged against net earnings. See Note 6 of the Notes to the Consolidated Financial Statements for a detail of the DAC activity for the past two years.

Policy Liabilities

The Company's policy liabilities, which are determined in accordance with applicable guidelines as defined under U.S. GAAP and Actuarial Standards of Practice, include two components that involve analysis and judgment: future policy benefits and unpaid policy claims, which accounted for 87% and 5% of total policy liabilities as of December 31, 2022, respectively.

Future policy benefits provide for claims that will occur in the future and are generally calculated as the present value of future expected benefits to be incurred less the present value of future expected net benefit premiums. The Company calculates future policy benefits based on assumptions of morbidity, mortality, persistency and interest. These assumptions are generally established and considered locked at the time a policy is issued. The assumptions used in the calculations are closely related to those used in developing the gross premiums for a policy. As required by U.S. GAAP, the Company also includes a provision for adverse deviation, which is intended to accommodate adverse fluctuations in actual experience. These assumptions may only be unlocked in certain circumstances based on the results of periodic DAC recoverability and premium deficiency testing.

Unpaid policy claims include those 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. The Company computes unpaid policy claims on a non-discounted basis using statistical analyses of historical claims payments, adjusted for current trends and changed conditions. The Company updates the assumptions underlying the estimate of unpaid policy claims regularly and incorporates its historical experience as well as other data that provides information regarding the Company's outstanding liability.

The Company's insurance products provide fixed-benefit amounts per occurrence that are not subject to medical-cost inflation. Furthermore, the Company's business is widely dispersed in both the U.S. and Japan. This geographic dispersion and the nature of the Company's benefit structure mitigate the risk of a significant unexpected increase in claims payments due to localized epidemics and events of a catastrophic nature. Claims incurred under the Company's policies are generally reported and paid in a relatively short time frame. The unpaid claims liability is sensitive to morbidity assumptions, in particular, severity and frequency of claims. Severity is the ultimate size of a claim, and frequency is the number of claims incurred. The Company's claims experience is primarily related to the demographics of its policyholders.

As a part of its established financial reporting and accounting practices and controls, the Company performs detailed annual actuarial reviews of its policyholder liabilities (gross premium valuation analysis) and reflects the results of those reviews in its results of operations and financial condition as required by U.S. GAAP. For Aflac Japan, the Company’s annual reviews in 2022 and 2021 indicated no need to strengthen liabilities associated with policies in Japan. For Aflac U.S., the Company's annual reviews in 2022 and 2021 indicated no need to strengthen liabilities associated with policies in the U.S.

The table below reflects the growth of the future policy benefits liability for the years ended December 31.

Future Policy Benefits

(In millions of dollars and billions of yen)	**2022**	2021
Aflac U.S.	**$ 9,960**	$ 9,865
Growth rate	**1.0 %**	2.0 %
Aflac Japan	**$ 71,150**	$ 81,176
Growth rate	**(12.4)%**	(8.4)%
Consolidated	**$ 80,749**	$ 90,588
Growth rate	**(10.9)%**	(7.4)%
Yen/dollar exchange rate (end of period)	**132.70**	115.02
Aflac Japan	**¥ 9,442**	¥ 9,337
Growth rate	**1.1 %**	1.8 %

The growth of the future policy benefits liability in yen for Aflac Japan and in dollars for Aflac U.S. has been due to the aging of the Company's in-force block of business and the addition of new business.

The following table summarizes certain significant assumptions made in establishing reserves for the Company's products and the net impact that could result from changes in these assumptions should they occur. Under U.S. GAAP, the Company's reserves for its limited pay and long duration contracts are primarily calculated using locked-in assumptions. As such, the adverse hypothetical impacts illustrated in the table below are those that would increase the Company's best estimate reserves, but would not result in a premium deficiency requiring strengthening of reserves or write-off of DAC. The favorable hypothetical impacts in the table below would decrease the Company's best estimate reserves but they would not result in an immediate decrease to its U.S. GAAP reserves (given that the Company would be required to leave the current assumptions locked in); rather, the positive impacts would be recognized in net earnings over the life of the policies in force.

The information below is for illustrative purposes and includes the impacts of changes in a single assumption and not changes in any combination of assumptions. As a result of emerging experience, changes in current assumptions and the related impact that could result in the listed financial statement balances that are in excess of the amounts illustrated may occur in future periods.

Assumption	**Current Assumption**	**Assumption Change**	**Increase (Decrease) in Best Estimate Reserves (in millions)** [(1)]
Investment return	Expected portfolio book yields over the life of the business	Increase 25 basis points / Decrease 25 basis points	$(2,102) to $2,277
Expected future claim payments / base mortality	Pricing expectations adjusted to best estimate based on Company experience	Increase / Decrease Expected Future Claim Payments: +5% to -5%	$4,994 to $(4,994)
Total termination rates	Pricing expectations adjusted to best estimate based on Company experience	Increase / Decrease Expected Total Termination Rates: +5% to -5%	$(434) to $600

[(1)] *Best estimate reserves are equal to the present value of claims, cash values, expenses, and commissions minus the present value of gross premiums, using current best estimate assumptions.*

In computing the estimate of unpaid policy claims, the Company considers many factors, including the benefits and amounts available under the policy; the volume and demographics of the policies exposed to claims; and internal business practices, such as incurred date assignment and current claim administrative practices. The Company monitors these conditions closely and makes adjustments to the liability as actual experience emerges. Claim levels are generally stable from period to period; however, fluctuations in claim levels may occur. In calculating the unpaid policy claim liability, the Company does not calculate a range of estimates. The following table shows the expected sensitivity of the unpaid policy claims liability as of December 31, 2022, to changes in severity and frequency of claims.

Sensitivity of Unpaid Policy Claims Liability

(In millions)	Total Severity				
Total Frequency	Decrease by 2%	Decrease by 1%	Unchanged	Increase by 1%	Increase by 2%
Increase by 2%	$ (1)	$ 24	$ 49	$ 74	$ 99
Increase by 1%	(25)	0	24	49	74
Unchanged	(49)	(24)	0	24	49
Decrease by 1%	(73)	(49)	(24)	0	24
Decrease by 2%	(97)	(73)	(49)	(25)	(1)

Other policy liabilities, which accounted for 9% of total policy liabilities as of December 31, 2022, consisted primarily of annuity and unearned premium reserves, and discounted advance premiums on deposit from policyholders in conjunction with their purchase of certain Aflac Japan insurance products. These advanced premiums are deferred upon collection and recognized as earned premiums over the contractual premium payment period. Advanced premiums represented 11% and 15% of the December 31, 2022 and 2021 other policy liabilities balances, respectively. See the Aflac Japan segment subsection of this MD&A for further information.

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 its functional currency on 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 will no longer be 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 and subsequently adjusted for foreign currency impacts in the fourth quarter of 2022. This change in functional currency resulted in the Company recognizing an income tax benefit of $452 million ($0.71 per basic and diluted share, respectively) 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 2022 income tax expense of $42 million.

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

Future Adoption of Accounting Standard for Long-Duration Insurance Contracts

In August 2018, the FASB issued 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. Issues addressed in the new guidance include: 1) a requirement to review and, if there is a change, update cash flow assumptions for the liability for future policy benefits (LFPB) at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures. The Company has no products with market risk benefits.

Since the initial issuance, the FASB has deferred the ASU effective date for two years, such that the amendments are now effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The amended guidance is to be applied as of the beginning of the earliest period presented, beginning on the January 1, 2021 transition date (Transition Date).

The Company will conclude implementation efforts and adopt the amendments as of January 1, 2023. The adoption will have a significant impact on the Company's financial position, results of operations, and disclosures. The requirement to update assumptions for the LFPB will have a significant impact on the Company's results of operations, systems, processes and controls and the requirement to update discount rates will have a significant impact on its AOCI and equity.

There are two permitted transition methods upon adoption and the Company has selected the modified retrospective transition method. The new guidance requires that discount rates used for the discounting of insurance liabilities be initially adjusted on the adoption date and subsequently at each reporting period to the market levels for the upper-medium-grade (low credit risk) fixed income instrument yields (single-A in the currency of the underlying insurance contract) reflecting the duration of the Company's insurance liabilities.

The primary impact on transition under the modified retrospective method is driven by updating discount rates that increase reserves and lower AOCI by the corresponding amount, net of tax. The Transition Date impact from adoption will result in a decrease in AOCI of approximately $18.6 billion and a decrease in retained earnings of approximately $-0.3 billion. The impact to AOCI results from updating discount rate assumptions from the rates locked in for reserves held as of the Transition Date to rates 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). The decrease in AOCI as of January 1, 2023 will be reduced to approximately $2.1 billion due to rising interest rates and a weakening of the yen.

As discussed in detail in Note 1 of the Notes to the Consolidated Financial Statements, the Company has designed its discount rate methodology for both the U.S. and Japan insurance business. Under the provisions of the new ASU, discount rates are updated each reporting period.

The impact to the Company's reported financial statements under U.S. GAAP is greatly influenced by the nature of the Company's business model. Adoption of the new guidance reflects the Company's concentration in Japan third-sector business, in particular cancer insurance, with respect to which the duration of liabilities is materially longer than asset durations, while Japan's aggregate block of business continues to see favorable experience from mortality, morbidity, and expenses. The long duration of the Company's third-sector insurance liabilities in Japan coupled with limited-to-no-liquidity of the Japanese long-dated fixed-income market creates challenges in application of the market-based discount rate guidance and requires the Company to apply significant judgments in the discount rate methodologies for its Japanese third-sector liabilities. Under the modified retrospective method, the impact of a low discount rate applied to long-duration third sector liabilities is recognized at adoption, while associated favorable morbidity margins are recognized over time thus driving a pronounced timing impact to U.S. GAAP equity. In addition, with respect to the Japan segment, the Company maintains a large portfolio of assets designated as held-to-maturity (HTM) as a strategy to reduce capital (solvency margin ratio or SMR) volatility. In a low interest rate environment, such as presently exists in Japan, assets designated as HTM that were purchased in a higher interest rate environment have significant embedded gains not reflected in AOCI (HTM securities are carried at amortized cost under U.S. GAAP), which serves as an economic offset to a low discount rate applied to policy liabilities. At December 31, 2022, the Company's HTM portfolio was $19.1 billion at amortized cost and had $2.2 billion in net unrealized gains. As of December 31, 2020 (just prior to the January 1, 2021 Transition Date), the Company's HTM portfolio was $24.5 billion at amortized cost and had $5.9 billion in net unrealized gains. After adoption of ASU 2018-12, the Company also expects net earnings and net earnings per share to reflect larger quarterly fluctuations in periods that the future cash flow assumptions are updated, which are used to calculate the liability for future policy benefits. See Note 1 of Notes to the Consolidated Financial Statements for additional information on the impacts to the Company's consolidated statements of earnings for the years ended December 31, 2022, and 2021, as restated under LDTI.

The following table presents the expected impacts from the adoption of ASU 2018-12 to the Company's previously reported operating ratios for the years ended December 31.

	As Reported		As Adjusted	
	2022	**2021**	**2022**	**2021**
Aflac Japan: [1]				
Ratios to total premiums:				
Benefits and claims, net	**68.8 %**	**67.0 %**	**67.4 %**	**67.9 %**
Ratios to total adjusted revenues:				
Total adjusted expenses	**21.5**	**21.6**	**20.3**	**20.5**
Aflac U.S.:				
Ratios to total premiums:				
Benefits and claims, net	**43.8 %**	**43.6 %**	**45.9 %**	**47.0 %**
Ratios to total adjusted revenues:				
Total adjusted expenses	**41.9**	**39.5**	**39.7**	**38.4**

[1] *Includes the impact of the deferred profit liability reclassification discussed in Note 1 of the Notes to the Consolidated Financial Statements.*

For the year ended December 31, 2022, as restated under the new ASU, benefit ratios are lower for Aflac Japan and higher for Aflac U.S., while expense ratios are modestly lower due to amortizing deferred acquisition costs at a slower rate. This results in a modestly higher pretax profit margin for Aflac Japan and a slightly higher pretax profit margin for Aflac U.S.

For the year ended December 31, 2021, as restated under the new ASU, benefit ratios are higher for Aflac Japan and Aflac U.S., while expense ratios are modestly lower due to amortizing deferred acquisition costs at a slower rate. This results in a slightly higher pretax profit margin for Aflac Japan and a modestly lower pretax profit margin for Aflac U.S.

Prior to adoption of the ASU, pandemic-related low claim experience is recognized in earnings in the reporting period when low claims are experienced, whereas under the new ASU, this pandemic-related low claim experience is recognized in line with experience-related remeasurement and potentially through annual assumptions updates, i.e., partially during the reporting period with the remainder recognized over the remaining expected life of each cohort.

The Company has created a robust governance framework to support implementation of the updated standard. As part of its implementation, the Company has made relevant policy elections, which are outlined in Note 1 of the Notes to the Consolidated Financial Statements. The Company has also completed the modernization of its actuarial technology platform to enhance its modeling, data management, experience study and analytical capabilities, increase the end-to-end automation of key reporting and analytical processes and optimize its control framework. The Company has also put in place internal controls related to the new processes created as part of implementing the updated standard.

The adoption of this new accounting guidance will not impact financial statements for Aflac Japan under FSA requirements or for Aflac U.S. under applicable statutory requirements. Therefore, adoption of the updated standard does not impact the Company's overall cash flows, subsidiaries' dividend capacity or their ability to meet applicable regulatory capital standards, nor does it affect the Company's existing debt covenants or strategies for capital deployment.

New Accounting Pronouncements

During the last three years, various accounting standard-setting bodies have been active in soliciting comments and issuing statements, interpretations and exposure drafts. 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 weakening yen 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 additional discussion in the Risk Factors section titled "The Company is exposed to foreign currency fluctuations in the yen/dollar exchange rate."

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 its reinsurance retrocession 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 the reinsurance retrocessions, 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)		**2022**			2021	
Yen/dollar exchange rates	**117.70**	**132.70** (1)	**147.70**	100.02	115.02 (1)	130.02
Yen-denominated financial instruments:						
Assets:						
Securities available for sale: (2)						
Fixed maturity securities (3)	**$ 48,591**	**$ 43,102**	**$ 38,730**	$ 65,733	$ 57,160	$ 50,566
Fixed maturity securities - consolidated variable interest entities (4)	**636**	**564**	**506**	951	827	731
Securities held to maturity: (2)						
Fixed maturity securities	**21,485**	**19,056**	**17,121**	25,299	22,000	19,462
Equity securities	**755**	**670**	**602**	856	744	659
Cash and cash equivalents	**1,077**	**955**	**858**	1,239	1,078	953
Derivatives	**731**	**617**	**977**	941	936	2,120
Other financial instruments	**247**	**219**	**196**	261	227	200
Subtotal	**73,522**	**65,183**	**58,990**	95,280	82,972	74,691
Liabilities:						
Notes payable	**4,838**	**4,290**	**3,854**	4,150	3,603	3,193
Derivatives	**1,386**	**1,698**	**2,205**	1,125	1,619	3,035
Subtotal	**6,224**	**5,988**	**6,059**	5,275	5,222	6,228
Net yen-denominated financial instruments	**67,298**	**59,195**	**52,931**	90,005	77,750	68,463
Other yen-denominated assets	**7,891**	**6,999**	**6,288**	9,268	8,059	7,130
Other yen-denominated liabilities	**94,340**	**83,680**	**75,186**	113,564	98,754	87,361
Consolidated yen-denominated net assets (liabilities) subject to foreign currency fluctuation (2)	**$ (19,151)**	**$ (17,486)**	**$ (15,967)**	$ (14,291)	$ (12,945)	$ (11,768)

(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*

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 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 could cause declines in the values of the Company's investment portfolio which will also have 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, excluding credit default swaps, and notes payable as of December 31 follows:

Sensitivity of Fair Values of Financial Instruments to Interest Rate Changes

	2022		2021	
(In millions)	**Fair Value**	**+100 Basis Points**	Fair Value	+100 Basis Points
Assets:				
Debt securities:				
Fixed maturity securities:				
Yen-denominated	**$ 64,876**	**$ 57,535**	$ 84,856	$ 74,186
Dollar-denominated	**32,075**	**29,551**	40,709	37,168
Total debt securities	**$ 96,951**	**$ 87,086**	$ 125,565	$ 111,354
Commercial mortgage and other loans	**$ 13,212**	**$ 13,136**	$ 11,996	$ 11,881
Derivatives	**$ 617**	**$ 669**	$ 936	$ 958
Liabilities:				
Notes payable [(1)]	**$ 6,826**	**$ 6,368**	$ 8,539	$ 7,882
Derivatives	**1,698**	**1,542**	1,619	1,419

[(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 Aflac Japan's yen-denominated assets and liabilities, along with premiums, as of December 31.

(In years)	2022	2021
Yen-denominated debt securities	**13**	14
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 Aflac U.S. dollar-denominated assets and liabilities, along with premiums, as of December 31.

(In years)	2022	2021
Dollar-denominated debt securities	**7**	8
Policy benefits and related expenses to be paid in future years	**8**	8
Premiums to be received in future years on policies in force	**7**	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)

	2022		2021	
	U.S.	**Japan**	U.S.	Japan
Policies issued during year:				
Required interest on policy reserves	**3.00 %**	**1.22 %** [(1)]	3.00 %	.96 % [(1)]
New money yield on investments	**4.92**	**4.29**	3.19	3.34
Policies in force at year-end:				
Required interest on policy reserves	**4.99**	**2.98** [(1)]	5.10	3.05 [(1)]
Portfolio book yield, end of period	**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*

Aflac Japan investment yields above includes 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.

The Company holds investments and has issued debt with interest rates based on USD LIBOR, and also holds derivatives that reference USD LIBOR. The upcoming cessation of USD LIBOR as an interest rate benchmark may create uncertainty in the valuation of USD LIBOR-based loans, as well as for other USD LIBOR-based derivatives and assets. This may adversely impact both pricing and liquidity in such instruments. The Company has prepared for the expected discontinuation of USD LIBOR by identifying, assessing and monitoring risks associated with USD LIBOR transition. Preparation included taking steps to update operational processes (including to support alternative reference rates) and models, as well as evaluating legacy contracts for any changes that may be required, including the determination of applicable fallbacks.

Periodically, the Company may enter into derivative transactions to hedge interest rate risk, depending on general economic conditions. In 2022, the Company expanded the use of interest rate swaps in its hedging strategy, which is designed to help manage the Company's sensitivity to interest rates. For additional information on interest rate derivatives, see the Hedging Activities subsection of MD&A and Note 4 of the accompanying 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 fixed-maturity security global investment exposures were as follows:

Largest Global Fixed Maturity Security Investment Positions
(In millions)
December 31, 2022

No.	Consolidated Corporate/Sovereign Exposure	Total Consolidated Book Value	% of Total Fixed Maturity Securities	Credit Rating
1	**Japan National Government** [(1)]	**$ 42,618**	**45.09 %**	**A+**
2	**Bank of America NA**	**339**	**.36**	
	MUFG Bank, Ltd.	226	.24	A
	MUFG Bank, Ltd.	113	.12	A-
3	**MUFG Bank, Ltd.**	**339**	**.36**	
	Bank Of America Corp	188	.20	A
	Bank Of America Corp	151	.16	BBB+
4	**Investcorp SA**	**329**	**.35**	**BB**
5	**E.On International Finance Bv**	**320**	**.34**	**BBB**
6	**Banobras**	**279**	**.30**	**BBB-**
7	**Nordea Bank AB**	**258**	**.27**	**A-**
8	**AXA**	**252**	**.27**	**A**
9	**Walt Disney Co.**	**246**	**.26**	**A-**
10	**Deutsche Telekom AG**	**246**	**.26**	**BBB+**
11	**CFE**	**240**	**.25**	**BBB**
12	**Japan Expressway Holding and Debt**	**240**	**.25**	**A+**
13	**AT&T Inc.**	**239**	**.25**	**BBB**
14	**Petroleos Mexicanos (Pemex)**	**226**	**.24**	**BB-**
15	**Czech (Republic Of)**	**226**	**.24**	**AA-**
	Subtotal	**$ 46,397**	**49.08 %**	
	Total fixed maturity securities	**$ 94,525**	**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.

	2022		2021	
(In millions)	**Amortized Cost**	**% of Total**	Amortized Cost	% of Total
Japan	**$ 46,539**	**49.2 %**	**$ 54,701**	**50.9 %**
United States and Canada	**28,547**	**30.2**	**30,971**	**28.8**
United Kingdom	**3,014**	**3.2**	**3,473**	**3.2**
Germany	**2,074**	**2.0**	**2,448**	**2.3**
France	**1,870**	**2.0**	**2,112**	**2.0**
Peripheral Eurozone	**1,788**	**1.9**	**1,916**	**1.8**
Portugal	75	.1	87	.1
Italy	997	1.1	1,090	1.0
Ireland	118	.1	99	.1
Spain	598	.6	640	.6
Nordic Region	**1,670**	**1.8**	**1,770**	**1.6**
Sweden	914	1.0	905	.8
Norway	322	.3	366	.3
Denmark	276	.3	317	.3
Finland	158	.2	182	.2
Other Europe	**2,519**	**2.8**	**2,728**	**2.6**
Netherlands	1,125	1.3	1,259	1.2
Switzerland	578	.6	532	.5
Czech Republic	399	.4	461	.4
Austria	106	.1	122	.1
Belgium	160	.2	180	.2
Poland	151	.2	174	.2
Asia excluding Japan	**1,895**	**2.0**	**2,198**	**2.0**
Africa and Middle East	**1,002**	**1.1**	**1,134**	**1.1**
Latin America	**1,935**	**2.0**	**2,056**	**1.9**
Australia	**1,417**	**1.5**	**1,578**	**1.5**
All Others	**261**	**.3**	**292**	**.3**
Total fixed maturity securities	**$ 94,531**	**100.0 %**	**$ 107,377**	**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, 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 accompanying Notes to the Consolidated Financial Statements for more 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 largest equity exposure as of December 31, 2022 is the investment in Trupanion, Inc., which has a cost basis of $200 million and a fair value of $173 million. Excluding Trupanion Inc., the Company's three largest equity exposures had a fair value of $240 million or approximately 24% of its total investment in equity securities as of December 31, 2022. 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

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 (COSO). 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, 2022.

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, 2022, 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, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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, 2022 and 2021, 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, 2022, and the related notes and financial statement schedules II, III, and IV (collectively, the consolidated financial statements), and our report dated February 23, 2023 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 23, 2023

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, 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, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

Fair value of certain privately issued securities

As discussed in Note 5 to the consolidated financial statements, the Company invests in certain privately issued securities that require significant judgment in the estimation of fair value. The fair value of privately issued securities are estimated using discounted cash flow valuation models, 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, 2022, the value of privately issued securities are included within the financial statement captions of fixed maturity securities available for sale, at fair value of $71,936 million; fixed maturity securities available for sale – consolidated variable interest entities, at fair value of $3,805 million; and, fixed maturity securities held to maturity, at amortized cost of $19,056 million.

We identified the assessment of the fair value 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 value 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 value. 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 value of privately issued securities by determining that differences in fair value between that model and the 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.

Estimate of unpaid policy claims

As discussed in Note 1 to the consolidated financial statements, unpaid policy claims are estimates computed primarily on an undiscounted basis using statistical analyses of historical claims experience adjusted for current trends and changed conditions. The estimates are evaluated by the Company and, as new claim experience emerges, the estimates are adjusted as necessary. As of December 31, 2022, the Company recorded a liability for unpaid policy claims of $4,561 million.

We identified the assessment of the estimate of unpaid policy claims as a critical audit matter. Specialized actuarial skills and knowledge and subjective auditor judgment were needed to evaluate the actuarial methodologies and assumptions used to estimate the unpaid policy claims liability and determine that the Company’s methodologies are consistent with generally accepted actuarial methodologies.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness, with the assistance of actuarial professionals, of certain internal controls over the Company’s process to estimate the unpaid policy claims liability. This included controls related to the evaluation of the actuarial methodologies and assumptions used in the calculation of the unpaid policy claims liability. We involved actuarial professionals with specialized skills and knowledge to assist in assessing the unpaid policy claims liability, which included

- Assessing the actuarial methodologies and assumptions utilized by the Company by comparing them to generally accepted actuarial methodologies and historical results.
- Evaluating the Company’s estimate of the unpaid policy claims liability by comparing to historical results and our expectations of changes in the estimate.
- Developing an independent range for the estimate of unpaid policy claims for certain products to evaluate the Company’s recorded liability and assessing any movement of the recorded liability within our range.

- Evaluating the Company's historical ability to estimate unpaid policy claims by comparing the unpaid policy claims liability for certain products recorded by the Company at various historical periods to an independent range developed using claims paid through December 31, 2022.

Disclosure of the expected impact from the adoption of ASU 2018-12 Financial Services - Insurance: Targeted Improvement to the Accounting for Long-Duration Contracts

As discussed in Note 1 to the consolidated financial statements, the Company disclosed the expected transition impact and the adjusted liability for future policy benefits (LFPB) balance as of December 31, 2021 and 2022 as a result of ASU 2018-12 Financial Services – Insurance: Targeted Improvement to the Accounting for Long-Duration Contracts (the standard). The Company plans to adopt the standard on January 1, 2023 using the modified retrospective transition method. The standard requires the Company to estimate the LFPB balance using current cash flow assumptions and a discount rate that is the current upper-medium grade (low credit risk) fixed-income instrument yield (current discount rate). The difference in the LFPB balance using the discount rate used immediately before January 1, 2021 (the transition date) and the current discount rate as of the transition date is recorded in accumulated other comprehensive income (AOCI) net of tax at transition. All payments under an insurance contract will be measured together as an integrated reserve. The Company estimates the transition date impact from the adoption will result in a decrease in AOCI of approximately $18.6 billion and has disclosed adjusted LFPB balances of $115,964 million and $88,241 million as of December 31, 2021 and 2022, respectively.

We identified the assessment of the disclosure of the Company's expected impacts of adoption of the standard on the adjusted LFPB balance at transition and as of December 31, 2021 and 2022 using updated assumptions and a current discount rate (collectively, the LFPB balances) 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 terminations) and projections, and the methodology and assumptions used to develop separate U.S. and Japan discount rate curves.

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 and actuarial professionals, over the Company's process to estimate the LFPB balances, including controls related to the actuarial methodologies, cash flow assumptions and projections, and the development of the discount rate curves. We involved valuation professionals with specialized skills and knowledge to assist in assessing the methodology and assumptions used by the Company to develop separate discount rate curves for the U.S. and Japan by developing independent discount rate curves and comparing them to those used by the Company. We involved actuarial professionals with specialized skills and knowledge to assist in assessing the LFPB balances, which included

- Evaluating the Company's estimate of the LFPB balances for compliance with the standard.
- Assessing the actuarial methodologies used by the Company to estimate the LFPB balances by evaluating the Company's calculation of the LFPB balances for compliance with generally accepted actuarial methodologies.
- Assessing the reasonableness of certain cash flow assumptions by comparing them to the Company's historical experience.
- Testing the Company's estimate of the LFPB balances 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 23, 2023

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

(In millions, except for share and per-share amounts)	**2022**	2021	2020
Revenues:			
Net earned premiums, principally supplemental health insurance	**$ 15,263**	$ 17,647	$ 18,622
Net investment income	**3,656**	3,818	3,638
Net investment gains (losses)	**363**	468	(270)
Other income (loss)	**220**	173	157
Total revenues	**19,502**	22,106	22,147
Benefits and expenses:			
Benefits and claims, net	**9,153**	10,576	11,796
Acquisition and operating expenses:			
Amortization of deferred policy acquisition costs	**1,152**	1,170	1,214
Insurance commissions	**1,117**	1,256	1,316
Insurance and other expenses [(1)]	**3,250**	3,544	3,420
Interest expense	**226**	238	242
Total acquisition and operating expenses	**5,745**	6,208	6,192
Total benefits and expenses	**14,898**	16,784	17,988
Earnings before income taxes	**4,604**	5,322	4,159
Income tax expense (benefit):			
Current	**1,181**	1,095	794
Deferred	**(778)**	(98)	(1,413)
Income taxes	**403**	997	(619)
Net earnings	**$ 4,201**	$ 4,325	$ 4,778
Net earnings per share:			
Basic	**$ 6.62**	$ 6.42	$ 6.69
Diluted	**6.59**	6.39	6.67
Weighted-average outstanding common shares used in computing earnings per share (In thousands):			
Basic	**634,816**	673,617	713,702
Diluted	**637,655**	676,729	716,192
Cash dividends per share	**$ 1.60**	$ 1.32	$ 1.12

[(1)] *Includes expense of $48 in 2021 and $15 in 2020 for the early extinguishment of debt.*
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)	**2022**	2021	2020
Net earnings	**$ 4,201**	$ 4,325	$ 4,778
Other comprehensive income (loss) before income taxes:			
Unrealized foreign currency translation gains (losses) during period	**(1,080)**	(889)	510
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	**(12,603)**	(929)	1,061
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	**(453)**	(31)	159
Unrealized gains (losses) on derivatives during period	**4**	5	(1)
Pension liability adjustment during period	**165**	148	(7)
Total other comprehensive income (loss) before income taxes	**(13,967)**	(1,696)	1,722
Income tax expense (benefit) related to items of other comprehensive income (loss)	**(2,169)**	(155)	251
Other comprehensive income (loss), net of income taxes	**(11,798)**	(1,541)	1,471
Total comprehensive income (loss)	**$ (7,597)**	$ 2,784	$ 6,249

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)	2022	2021
Assets:		
Investments and cash:		
Fixed maturity securities available for sale, at fair value, (no allowance for credit losses in 2022 and 2021, amortized cost $72,246 in 2022 and $82,105 in 2021)	**$ 71,936**	$ 94,206
Fixed maturity securities available for sale - consolidated variable interest entities, at fair value (amortized cost $3,223 in 2022 and $3,264 in 2021)	**3,805**	4,490
Fixed maturity securities held to maturity, at amortized cost, net of allowance for credit losses of $7 in 2022 and $8 in 2021 (fair value $21,210 in 2022 and $26,869 in 2021)	**19,056**	22,000
Equity securities, at fair value	**1,091**	1,603
Commercial mortgage and other loans, net of allowance for credit losses of $192 in 2022 and $174 in 2021 (includes $10,832 in 2022 and $9,740 in 2021 of consolidated variable interest entities)	**13,496**	11,786
Other investments (includes $1,909 in 2022 and $1,535 in 2021 of consolidated variable interest entities)	**4,070**	3,842
Cash and cash equivalents	**3,943**	5,051
Total investments and cash	**117,397**	142,978
Receivables	**647**	672
Accrued investment income	**745**	737
Deferred policy acquisition costs	**8,593**	9,525
Property and equipment, at cost less accumulated depreciation	**530**	538
Other	**3,105**	3,092
Total assets	**$ 131,017**	$ 157,542
Liabilities and shareholders' equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	**$ 80,749**	$ 90,588
Unpaid policy claims	**4,561**	4,836
Unearned premiums	**1,825**	2,576
Other policyholders' funds	**6,123**	7,072
Total policy liabilities	**93,258**	105,072
Income taxes	**1,296**	4,339
Payables for return of cash collateral on loaned securities	**1,809**	2,162
Notes payable and lease obligations	**7,442**	7,956
Other	**4,847**	4,760
Total liabilities	**108,652**	124,289
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2022 and 2021; issued 1,354,079 shares in 2022 and 1,352,739 shares in 2021	**135**	135
Additional paid-in capital	**2,641**	2,529
Retained earnings	**44,568**	41,381
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(3,640)**	(2,013)
Unrealized gains (losses) on fixed maturity securities	**(702)**	9,602
Unrealized gains (losses) on derivatives	**(27)**	(30)
Pension liability adjustment	**(36)**	(166)
Treasury stock, at average cost	**(20,574)**	(18,185)
Total shareholders' equity	**22,365**	33,253
Total liabilities and shareholders' equity	**$ 131,017**	$ 157,542

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, 2019	$ 135	$ 2,313	$ 34,291	$ 6,615	$ (14,395)	$ 28,959
Cumulative effect of change in accounting principle - Accounting Standards Update (ASU) 2016-13, net of income taxes [(1)]	0	0	(56)	0	0	(56)
Cumulative effect of change in accounting principle - ASU 2019-04, net of income taxes [(1)]	0	0	0	848	0	848
Balance at January 1, 2020	135	2,313	34,235	7,463	(14,395)	29,751
Net earnings	0	0	4,778	0	0	4,778
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	514	0	514
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	965	0	965
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	(1)	0	(1)
Pension liability adjustment during period, net of income taxes	0	0	0	(7)	0	(7)
Dividends to shareholders [(2)] ($1.45 per share)	0	0	(1,029)	0	0	(1,029)
Exercise of stock options	0	12	0	0	0	12
Share-based compensation	0	53	0	0	0	53
Purchases of treasury stock	0	0	0	0	(1,565)	(1,565)
Treasury stock reissued	0	32	0	0	56	88
Balance at December 31, 2020	135	2,410	37,984	8,934	(15,904)	33,559
Net earnings	0	0	4,325	0	0	4,325
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(904)	0	(904)
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
Pension liability adjustment during period, net of income taxes	0	0	0	118	0	118
Dividends to shareholders [(2)] ($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	$ 41,381	$ 7,393	$ (18,185)	$ 33,253

(1) See Note 1 of the Notes to the Consolidated Financial Statements for the adoption of accounting guidance on January 1, 2020.
(2) Dividends to shareholders are recorded in the period in which they are declared.
See the accompanying Notes to the Consolidated Financial Statements.

(continued)

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

(In millions, except for per share amounts)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2021	$ 135	$ 2,529	$ 41,381	$ 7,393	$ (18,185)	$ 33,253
Net earnings	0	0	4,201	0	0	4,201
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(1,627)	0	(1,627)
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
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	$ 44,568	$ (4,405)	$ (20,574)	$ 22,365

[(1)] Dividends to shareholders are recorded in the period in which they are declared.
See the accompanying Notes to the Consolidated Financial Statements.

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

(In millions)	**2022**	2021	2020
Cash flows from operating activities:			
Net earnings	**$ 4,201**	$ 4,325	$ 4,778
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Change in receivables and advance premiums	**2**	75	58
Capitalization of deferred policy acquisition costs	**(1,054)**	(1,063)	(1,142)
Amortization of deferred policy acquisition costs	**1,152**	1,170	1,214
Increase in policy liabilities	**661**	976	2,023
Change in income tax liabilities	**(558)**	118	(1,419)
Net investment (gains) losses	**(363)**	(468)	270
Other, net	**(162)**	(82)	176
Net cash provided (used) by operating activities	**3,879**	5,051	5,958
Cash flows from investing activities:			
Proceeds from investments sold or matured:			
Available-for-sale fixed maturity securities	**4,418**	4,157	3,725
Equity securities	**570**	264	234
Held-to-maturity fixed maturity securities	**3**	4	4
Commercial mortgage and other loans	**2,190**	4,099	2,085
Costs of investments acquired:			
Available-for-sale fixed maturity securities	**(3,514)**	(5,813)	(4,772)
Equity securities	**(461)**	(492)	(498)
Commercial mortgage and other loans	**(3,897)**	(5,282)	(3,263)
Other investments, net	**(227)**	(1,066)	(860)
Settlement of derivatives, net	**(61)**	199	18
Cash received (pledged or returned) as collateral, net	**(673)**	1,511	(1,027)
Other, net	**112**	41	(265)
Net cash provided (used) by investing activities	**(1,540)**	(2,378)	(4,619)
Cash flows from financing activities:			
Purchases of treasury stock	**(2,401)**	(2,301)	(1,537)
Proceeds from borrowings	**1,277**	1,153	1,545
Principal payments under debt obligations	**(1,416)**	(700)	(350)
Dividends paid to shareholders	**(979)**	(855)	(769)
Change in investment-type contracts, net	**(83)**	(36)	(11)
Treasury stock reissued	**17**	26	34
Other, net	**34**	(26)	(27)
Net cash provided (used) by financing activities	**(3,551)**	(2,739)	(1,115)
Effect of exchange rate changes on cash and cash equivalents	**104**	(24)	21
Net change in cash and cash equivalents	**(1,108)**	(90)	245
Cash and cash equivalents, beginning of period	**5,051**	5,141	4,896
Cash and cash equivalents, end of period	**$ 3,943**	$ 5,051	$ 5,141
Supplemental disclosures of cash flow information:			
Income taxes paid	**$ 961**	$ 880	$ 800
Interest paid	**211**	213	210
Noncash interest	**14**	24	32
Noncash financing activities:			
Lease obligations	**102**	46	56
Treasury stock issued for:			
Associate stock bonus	**14**	19	19
Shareholder dividend reinvestment	**37**	32	29
Share-based compensation grants	**6**	4	6

See the accompanying Notes to the Consolidated Financial Statements.

Aflac Incorporated and Subsidiaries
Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aflac Incorporated (the Parent Company) and its subsidiaries (collectively, the Company) primarily sell supplemental health and life insurance in the United States (U.S.) and Japan. The Company's insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac) in the U.S. and through Aflac Life Insurance Japan Ltd. (ALIJ) in Japan. The Company’s operations consist of two reportable business segments: Aflac U.S., which includes Aflac, and Aflac Japan, which includes ALIJ. American Family Life Assurance Company of New York (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 Aflac Benefits Solutions Inc. (ABS), formerly known as Argus Dental & Vision, Inc., and certain group life insurance products, Aflac U.S. markets and administers group products through Continental American Insurance Company (CAIC), branded as Aflac Group Insurance. Additionally, Aflac U.S. markets its consumer markets products through Tier One Insurance Company (TOIC). The Company's insurance operations in the U.S. and Japan service the two markets for the Company's insurance business. Aflac Japan's revenues, including net gains and losses on its investment portfolio, accounted for 69% of the Company's total revenues in 2022, compared with 69% in 2021 and 68% in 2020. The percentage of the Company's total assets attributable to Aflac Japan was 80% at December 31, 2022, compared with 82% at December 31, 2021.

In 2022, the Company established Aflac Re Bermuda Ltd. (Aflac Re Bermuda), a Bermuda domiciled insurer that reinsures certain policies issued by ALIJ. Aflac Re Bermuda 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, through its insurance subsidiaries Aflac and Aflac New York, acquired Zurich North America’s U.S. Corporate Life and Pensions business (Zurich), which consists of group life, disability and absence management products. Aflac and Aflac New York will reinsure on an indemnity basis Zurich's in-force group life and disability policies. Aflac also acquired assets needed to support the group life and disability business, along with an absence management platform.

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 unpaid policy claims, and income taxes. These accounting estimates and actuarial determinations are sensitive to market conditions, investment yields, 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 operating results. 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.

Market Conditions: The impact of the Coronavirus Disease 2019 (COVID-19) global pandemic on the Company continues to evolve and the continued path of the global economic recovery remains uncertain given the potential longer-term impacts that have resulted from or are coincidental with the pandemic. For example, economic conditions have acted as headwinds to sales and earned premiums in 2022. Further, continued widening of the differential between U.S. and Japan interest rates has contributed to a weakening of the yen, which has the effect of suppressing the Company's current period results in relation to the comparable prior period.

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, dental, 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, so that profits are recognized in proportion to earned premiums during the period the policies are expected to remain in force. This association is accomplished by means of annual additions to the liability for future policy benefits 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 period over which benefits are provided. Premiums for these products are recognized as earned premiums over the premium-paying periods of the contracts when due from policyholders. Any gross premium in excess of the net premium is deferred and recorded in earnings, such that profits are recognized in a constant relationship with insurance in force. Benefits are recorded as an expense when they are incurred. A liability for future policy benefits is recorded when premiums are recognized using the net premium method.

At the policyholder's option, customers can also pay discounted advanced premiums for certain of the Company's products. Advanced premiums are deferred and recognized when due from policyholders over the regularly scheduled premium payment period.

The calculation of DAC and the liability for future policy benefits requires the use of estimates based on sound actuarial valuation techniques. For new policy issues, the Company reviews its actuarial assumptions and deferrable acquisition costs each year and revises them when necessary to more closely reflect recent experience and studies of actual acquisition costs. For policies in force, the Company evaluates DAC by major product groupings to determine that they are recoverable from future revenues, and any amounts determined not to be recoverable are charged against net earnings. The Company has not had any material charges to earnings for DAC that was determined not to be recoverable in any of the years presented in this Form 10-K.

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 and 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) and middle market loans (MMLs). The Company's investments in TREs, CMLs, and MMLs 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.

Other investments include policy loans, limited partnerships, 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. Short-term investments are stated at amortized cost, which approximates fair value.

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 and losses for the Company’s held-to-maturity and available-for-sale securities, loan receivables, 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 are 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, nor does the Company engage in leveraged derivative transactions.

From time to time, the Company purchases certain investments that contain an embedded derivative. The Company assesses whether this embedded derivative is clearly and closely related to the asset that serves as its host contract. If the Company deems that the embedded derivative's terms are not clearly and closely related to the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the derivative is separated from that contract, held at fair value, and reported with the host instrument in the consolidated balance sheet, 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 within 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 and qualify as cash flow hedges, 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 and qualify as fair value hedges, 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 the forward rate on its foreign currency forwards, the fair value not resulting from fluctuations in spot currency rates on the final notional exchange on cross currency swaps, and the time value of money of foreign exchange options and interest rate swaptions. For interest rate swaptions and cross-currency interest rate swaps designated under fair value hedges of interest rate risk, the change in the time value of money is recognized in other comprehensive income (loss) and amortized into earnings (net investment income) over its legal term.

As discussed in Note 4, from time to time the Company designates net investment hedges of its net investment in Aflac Japan. The Company makes its net investment hedge designation at the beginning of each quarter. The qualifying hedging instruments are non-derivative instruments that are not reported at fair value that represent yen-denominated liabilities, namely yen-denominated debt issued by the Company and foreign currency derivatives that include foreign currency forwards and options. For derivative and non-derivative hedging instruments designated as net investment hedges, the Company follows 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.

Deferred Policy Acquisition Costs: Certain direct and incremental costs of acquiring insurance contracts are deferred and amortized with interest over the premium payment periods in proportion to the ratio of annual earned premium to total anticipated earned premium. Anticipated earned premium is estimated by using the same mortality, persistency and interest assumptions used in computing liabilities for future policy benefits. In this manner, the related acquisition expenses are matched with revenues. Deferred costs include the excess of current-year commissions over ultimate renewal-year commissions and certain incremental direct policy issue, underwriting and sales expenses. All of these incremental costs are 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 new policy, 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, unamortized deferred acquisition costs on the original policy are immediately expensed, 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.

The Company measures the recoverability of DAC and the adequacy of its policy reserves annually by performing gross premium valuations on its business.

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 line item “Other” assets in the consolidated balance sheets and was $265 million as of December 31, 2022, compared with $268 million at December 31, 2021. 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: Future policy benefits represent insurance claims that are expected to occur in the future and are computed following a net level premium method using estimated future investment yields, persistency and recognized morbidity and mortality tables modified to reflect the Company's experience, including a provision for adverse deviation. These assumptions are generally established and considered locked at policy inception. These assumptions may only be unlocked in certain circumstances based on the results of periodic DAC recoverability and premium deficiency testing.

Unpaid policy claims are estimates computed primarily on an undiscounted basis using statistical analyses of historical claims experience adjusted for current trends and changed conditions. The ultimate liability may vary significantly from such estimates. The Company regularly adjusts these estimates as new claims experience emerges and reflects the changes in operating results in the year such adjustments are made.

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.

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. Further, the policy reserves are evaluated based on the new policy features, and changes are recognized at the date of contract change/modification. However, for internal replacements that are considered substantially unchanged, no changes to the reserves are recognized.

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 DAC 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 of the Notes to the Consolidated Financial Statements 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

ASU 2020-04 Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting, as clarified and amended by:

ASU 2021-01 Reference Rate Reform: Relief Extended to Derivatives Impacted by Discounting Transition
ASU 2022-06 Reference Rate Reform: Deferral of the Sunset Date of Topic 848

In March 2020, the FASB issued amendments that provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the reference rate reform if certain criteria are met. The amendments in this ASU only apply to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform.

An entity may elect to apply the amendments as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued.

In January 2021, the FASB issued a standard to permit entities to apply optional expedients in ASC 848 to derivative instruments modified because of discounting transition. Discounting transition refers to the changing of interest rates used for margining, discounting, or contract price alignment of derivative instruments to transition to alternative rates. The amendment is effective immediately.

In December 2022, the FASB issued amendments that defer the sunset date for applying the reference rate reform relief in ASC 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the optional expedients and exceptions. These amendments are effective immediately.

This standard was adopted on April 1, 2020. The adoption of the new guidance did not have an impact on the Company's financial statements. The Company will continue to evaluate the impacts of reference rate reform on contract modifications and hedging relationships through December 31, 2024.

ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments

In April 2019, the FASB issued Codification improvements to clarify and correct certain areas of guidance amended as part of ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities; ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments; and ASU 2017-12, Derivative and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.

The most significant of these improvements to the Company was related to the Codification improvement to ASU 2017-12 and the clarification that a one-time reclassification of assets that are eligible to be hedged under the last-of-layer method (i.e., certain pre-payable securities) from held-to-maturity to available-for-sale is allowed under the new hedge accounting guidance and would not impact the Company's ability to continue to classify other bonds as held-to-maturity.

The other amendments related to ASU 2017-12 and 2016-01 are either not significant, or were previously implemented as part of the related ASU adoptions.

Applicable amendments related to ASU 2016-13 are discussed within the recent adoption of that update below.

This standard was adopted on January 1, 2020. The adoption of this guidance resulted in a reclassification of $6.9 billion (at amortized cost) of pre-payable fixed-maturity securities from the held-to-maturity to the available-for-sale category. The reclassification resulted in recording in beginning 2020 accumulated other comprehensive income a net unrealized gain of $848 million on an after-tax basis, based on the securities' fair values on the reclassification date. The reclassification impacted the adoption of ASU 2016-13 (see ASU 2016-13 below for additional details).

ASU 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, as clarified and amended by:

ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments
ASU 2019-05 Financial Instruments - Credit Losses (Topic 326), Targeted Transition Relief
ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments - Credit Losses

In June 2016, the FASB issued amendments that require a financial asset (or a group of financial assets) measured at amortized cost to be presented net of an allowance for credit losses (Credit Losses ASU) in order to reflect the amount expected to be collected on the financial asset(s).

This standard was adopted on January 1, 2020. The Company recorded a cumulative effect adjustment with a decrease to beginning 2020 retained earnings of $56 million, net of taxes. See Note 3 of the Notes to the Consolidated Financial Statements for credit loss disclosures. The following line items in the consolidated balance sheets were most significantly impacted by the adoption of the new accounting standard:

- Fixed maturity securities held to maturity, at amortized cost
- Commercial mortgage and other loans
- Reinsurance recoverable, included within Other asset

Accounting Pronouncements Pending Adoption

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 will significantly change how insurers account for long-duration contracts. The amendments will change existing recognition, measurement, presentation, and disclosure requirements. Issues addressed in the new guidance include: 1) a requirement to review and, if there is a change, update assumptions for the liability for future policy benefits (LFBP) at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures.

In November 2019, the FASB issued an amendment extending the effective date for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be small reporting companies as defined by the SEC, by one year.

In November 2020, the FASB issued an amendment providing an additional year deferral for all insurance entities due to the impact of COVID-19. The amendments are now effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early application of the amendments is permitted.

The Company will conclude implementation efforts and adopt the amendments as of January 1, 2023. The adoption will have a significant impact on the Company's financial position, results of operations, and disclosures. The requirement to update assumptions for the LFPB will have a significant impact on the Company's results of operations, systems, processes and controls, and the requirement to update discount rates will have a significant impact on its equity.

As part of working toward implementation of the updated standard, the Company has made key accounting policy decisions, including establishing processes to identify insurance policy groupings (cohorts) for LFPB measurement and DAC amortization purposes, applicable discount rates, development of liability cash flow and claim expense assumptions, and DAC amortization methodology.

The Company did not early adopt the updated standard and has selected the modified retrospective transition method, which requires 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 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 calculates the ratio of expected benefits less existing carrying values to gross premiums (net premium ratio) using updated assumptions and the discount rate immediately before the Transition Date. For any cohorts that have a net premium ratio greater than 100% on the Transition Date, the net premium ratio is capped at 100%. The Company uses the net premium ratio calculated on the Transition Date (and capped at 100% if required) to calculate the LFPB using 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 net premium ratio capped at 100% on the Transition Date, 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 is recorded as an adjustment (decrease) to opening retained earnings. For all cohorts on the Transition Date, 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) is recorded in accumulated other comprehensive income (AOCI) net of tax at transition.

Upon adoption, opening equity will be adjusted for the Transition Date impacts to AOCI and retained earnings and prior periods presented (years 2021 and 2022) will be restated following the updated standard. Based upon the modified retrospective transition method, the Transition Date impact from adoption will result in a decrease in AOCI of approximately $18.6 billion and a decrease in retained earnings of approximately $0.3 billion. The decrease in AOCI as of January 1, 2023 will be reduced to approximately $2.1 billion due to rising interest rates and a weakening of the yen.

The Company has designed its discount rate methodology for both the U.S. and Japan insurance business. The methodology incorporates constructing a discount rate curve separately for discounting cash flows used to calculate the U.S. and Japan LFPB, with each curve intended to be reflective of the currency, tenor and characteristics of the insurance liabilities. 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, 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. Discount rates are updated each reporting period.

Long duration insurance contracts issued by the Company will be grouped into annual calendar-year cohorts based on the contract issue date, reportable segment, legal entity and product type. Limited pay contracts will be grouped into separate cohorts from other traditional products in the same manner and will be further separated based on their premium payment structures. Riders will be combined with base policies with similar insurance coverage types and the same contract issue years.

In addition to the policy elections related to cohorts and LFPB discount rates directly impacting Transition Date AOCI, the Company has also made the following accounting policy elections relevant to the post-Transition Date accounting:

- All payments under an insurance contract including future expected claims and already incurred claims (i.e., claim liabilities) and related expenses will be measured together as an integrated reserve. This will result in the following presentation changes in the consolidated balance sheet: (i) unpaid policy claims on long-duration insurance contracts and accrued claim adjustment expenses presented separately pre-adoption will be presented as part of LFPB; and (ii) liabilities for fixed annuity benefits will be excluded from the integrated reserve, as they are outside the scope of the amended standard, and will be presented in other policyholders' funds.

- The Company will update the net premium ratio each quarter to reflect actual gross premiums and benefits in the quarter and updated expected future cash flows based on the actual ending insurance in force. Cash flow assumptions will also be evaluated each quarter to determine if an update is needed. To facilitate a more detailed review of cash flow assumptions, experience studies will be performed annually in the consistent quarter year-to-year to substantiate assumptions, including mortality, morbidity, and terminations in future periods.

- Locked-in discount rates used for the computation of interest accretion on LFPB for policies issued on or after January 1, 2021 will be determined 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 over 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 will remain unchanged after the calendar year of issue. Locked-in discount rates on the policies held at Transition Date reflect the locked-in rates in existence immediately before the Transition Date.

- For DAC amortization, the Company has elected to group insurance policies into cohorts that are consistent with the groupings used in estimating the associated LFPB. DAC will be amortized on a constant level basis for the grouped contracts over the expected remaining term of the related contracts. For both life and health products issued by Aflac Japan, the constant-level basis used will be units in force, which is a proxy for face amount and insurance in force, respectively. For life products issued by Aflac U.S., the constant level basis used will be face amount of policies in force; for health products issued by Aflac U.S., the constant level basis used will be the number of policies in force.

- The Company has made an entity-wide election to use locked-in claim expense assumptions determined for each issue-year cohort as a percentage of paid claims; these assumptions remain unchanged over the term of the insurance policy. Under the amended guidance, certain insurance commissions and expenses must be excluded from the expense assumption, which will result in an increase in the deferred profit liability on limited-payment products compared to current guidance. In conjunction with the adoption of the updated standard effective January 1, 2023, the Company will change 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 statement of earnings. This reclassification will have no impact on net earnings. The change in presentation will be made for all comparative periods presented and has been reflected in the consolidated statements of earnings and consolidated balance sheets as of and for the years ended December 31, 2022 and 2021 as adjusted under the amended guidance and presented below as part of this Note 1.

The Company has created a governance framework and a plan to support implementation of the updated standard. As part of its implementation plan, the Company has completed the modernization of its actuarial technology platform to enhance its modeling, data management, experience study and analytical capabilities, increase the end-to-end automation of key reporting and analytical processes and optimize its control framework. The Company has also put in place internal controls related to the new processes created as part of implementing the updated standard.

The Company continues testing its reporting and disclosure capabilities under the new ASU for post-Transition Date accounting periods.

The Company currently has no products with market risk benefits.

Impacts on Previously Reported Results

Impacts from the adoption of ASU 2018-12 to the Company's previously reported results are expected to be as follows:

Consolidated Statement of Earnings
Year Ended December 31, 2022

(In millions)	As Reported	Adoption Impacts	As Adjusted
Revenues:			
Net earned premiums, principally supplemental health insurance [(1)]	**$ 15,263**	**$ (362)**	**$ 14,901**
Net investment income	**3,656**	**0**	**3,656**
Net investment gains (losses)	**363**	**0**	**363**
Other income (loss)	**220**	**0**	**220**
Total revenues	**19,502**	**(362)**	**19,140**
Benefits and expenses:			
Benefits and claims, excluding reserve remeasurement [(1),(2)]	**9,153**	**(51)**	**9,102**
Reserve remeasurement (gains) losses [(3)]	**0**	**(215)**	**(215)**
Total benefits and claims, net	**9,153**	**(266)**	**8,887**
Acquisition and operating expenses:			
Amortization of deferred policy acquisition costs [(4)]	**1,152**	**(360)**	**792**
Insurance commissions	**1,117**	**0**	**1,117**
Insurance and other expenses [(5)]	**3,250**	**(1)**	**3,249**
Interest expense	**226**	**0**	**226**
Total acquisition and operating expenses	**5,745**	**(361)**	**5,384**
Total benefits and expenses	**14,898**	**(627)**	**14,271**
Earnings before income taxes	**4,604**	**265**	**4,869**
Income taxes [(6)]	**403**	**48**	**451**
Net earnings	**$ 4,201**	**$ 217**	**$ 4,418**

(1) *Adjustment reflects a $324 increase in the deferred profit liability on limited-payment products under the updated standard combined with the reclassification of a $38 increase in deferred profit liability previously reported in benefits and claims and reclassified to net earned premiums in conjunction with adoption of the updated standard.*

(2) *Adjustment reflects 2022 activity for the effect of calculating benefits using revised net premium ratios and best estimate future cash flow projections, excluding reserve remeasurement impacts.*

(3) *Adjustment reflects the reserve remeasurement on the liability for future policy benefits due to applying revised net premium ratios based on updated historical actuals and revised assumptions to past periods each quarter under the updated standard.*

(4) *Adjustment reflects a decrease in DAC amortization due to DAC assets being amortized over the expected life of a contract and no interest accretion recorded under the updated standard.*

(5) *Adjustment reflects 2022 activity for the change in accrued claim adjustment expenses that are included in benefits and claims as a component of the integrated reserve under the updated standard.*

(6) *Adjustment reflects an increase in income tax expense associated with the increase in pretax earnings.*

Consolidated Statement of Earnings
Year Ended December 31, 2021

(In millions)	As Reported	Adoption Impacts	As Adjusted
Revenues:			
Net earned premiums, principally supplemental health insurance [(1)]	**$ 17,647**	**$ (552)**	**$ 17,095**
Net investment income	**3,818**	**0**	**3,818**
Net investment gains (losses)	**468**	**0**	**468**
Other income (loss)	**173**	**0**	**173**
Total revenues	**22,106**	**(552)**	**21,554**
Benefits and expenses:			
Benefits and claims, excluding reserve remeasurement [(1)(2)]	**10,576**	**47**	**10,623**
Reserve remeasurement (gains) losses [(3)]	**0**	**(147)**	**(147)**
Total benefits and claims, net	**10,576**	**(100)**	**10,476**
Acquisition and operating expenses:			
Amortization of deferred policy acquisition costs [(4)]	**1,170**	**(335)**	**835**
Insurance commissions	**1,256**	**0**	**1,256**
Insurance and other expenses [(5)]	**3,544**	**(3)**	**3,541**
Interest expense	**238**	**0**	**238**
Total acquisition and operating expenses	**6,208**	**(338)**	**5,870**
Total benefits and expenses	**16,784**	**(438)**	**16,346**
Earnings before income taxes	**5,322**	**(114)**	**5,208**
Income taxes [(6)]	**997**	**(20)**	**977**
Net earnings	**$ 4,325**	**$ (94)**	**$ 4,231**

[(1)] *Adjustment reflects a $489 increase in the deferred profit liability on limited-payment products under the updated standard combined with the reclassification of a $63 increase in deferred profit liability previously reported in benefits and claims and reclassified to net earned premiums in conjunction with adoption of the updated standard.*
[(2)] *Adjustment reflects 2021 activity for the effect of calculating benefits using revised net premium ratios and best estimate future cash flow projections, excluding reserve remeasurement impacts.*
[(3)] *Adjustment reflects the reserve remeasurement on the liability for future policy benefits due to applying revised net premium ratios based on updated historical actuals and revised assumptions to past periods each quarter under the updated standard.*
[(4)] *Adjustment reflects a decrease in DAC amortization due to DAC assets being amortized over the expected life of a contract and no interest accretion recorded under the updated standard.*
[(5)] *Adjustment reflects 2021 activity for the change in accrued claim adjustment expenses that are included in benefits and claims as a component of the integrated reserve under the updated standard.*
[(6)] *Adjustment reflects a decrease in income tax expense associated with the decrease in pretax earnings.*

Consolidated Balance Sheet
December 31, 2022

(In millions)	As Reported	Adoption Impacts	As Adjusted
Assets:			
Investments and cash:			
Fixed maturity securities available for sale, at fair value	$ 71,936	$ 0	$ 71,936
Fixed maturity securities available for sale - consolidated variable interest entities, at fair value	3,805	0	3,805
Fixed maturity securities held to maturity, at amortized cost, net of allowance for credit losses	19,056	0	19,056
Equity securities, at fair value	1,091	0	1,091
Commercial mortgage and other loans, net of allowance for credit losses	13,496	0	13,496
Other investments	4,070	0	4,070
Cash and cash equivalents	3,943	0	3,943
Total investments and cash	117,397	0	117,397
Receivables	647	0	647
Accrued investment income	745	0	745
Deferred policy acquisition costs (1)	8,593	646	9,239
Property and equipment	530	0	530
Other (2)	3,105	75	3,180
Total assets	$ 131,017	$ 721	$ 131,738
Liabilities and shareholders' equity:			
Liabilities:			
Policy liabilities:			
Future policy benefits (3),(4),(5)	$ 80,749	$ 7,492	$ 88,241
Unpaid policy claims (3),(6)	4,561	(4,360)	201
Unearned premiums	1,825	0	1,825
Other policyholders' funds (6)	6,123	520	6,643
Total policy liabilities	93,258	3,652	96,910
Income taxes (7)	1,296	(598)	698
Payables for return of cash collateral on loaned securities	1,809	0	1,809
Notes payable and lease obligations	7,442	0	7,442
Other (4)	4,847	(108)	4,739
Total liabilities	108,652	2,946	111,598
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock	135	0	135
Additional paid-in capital	2,641	0	2,641
Retained earnings (8)	44,568	(201)	44,367
Accumulated other comprehensive income (loss):			
Unrealized foreign currency translation gains (losses) (9)	(3,640)	76	(3,564)
Unrealized gains (losses) on fixed maturity securities	(702)	0	(702)
Unrealized gains (losses) on derivatives	(27)	0	(27)
Effect of changes in discount rate assumptions (10)	0	(2,100)	(2,100)
Pension liability adjustment	(36)	0	(36)
Treasury stock	(20,574)	0	(20,574)
Total shareholders' equity	22,365	(2,225)	20,140
Total liabilities and shareholders' equity	$ 131,017	$ 721	$ 131,738

(1) Adjustment reflects an increase in DAC assets as a result of DAC being amortized over the expected life of a contract and no interest accretion recorded under the updated standard.
(2) Adjustment reflects the discounting of reinsurance recoverables under the updated standard.
(3) Adjustment for the reclassification of unpaid policy claims for long-duration contracts to future policy benefits as a component of the integrated reserve.
(4) Adjustment for the reclassification of accrued claim adjustment expenses from other liabilities to future policy benefits as a component of the integrated reserve.
(5) Adjustment reflects the impacts of adopting the standard and post-adoption impacts including calculating benefit reserves using revised net premium ratios and an increase in the deferred profit liability on limited-payment products
(6) Adjustment for the reclassification of the claims liability for certain fixed annuity benefits from unpaid policy claims to other policyholders' funds.
(7) Adjustment reflects the tax effects from adoption and post-adoption activity under the updated standard.
(8) Adjustment reflects the cumulative impact from adoption and post-adoption activity under the updated standard, including the increase in 2022 net earnings of $217.
(9) Adjustment reflects foreign currency translation related to the updated standard, as applicable.
(10) Adjustment reflects the cumulative impact from adoption and post-adoption activity under the updated standard, including an increase of $13,732 in 2022 due to changes in the discount rate assumptions.

Consolidated Balance Sheet

December 31, 2021

(In millions)	As Reported	Adoption Impacts	As Adjusted
Assets:			
Investments and cash:			
Fixed maturity securities available for sale, at fair value	$ 94,206	$ 0	$ 94,206
Fixed maturity securities available for sale - consolidated variable interest entities, at fair value	4,490	0	4,490
Fixed maturity securities held to maturity, at amortized cost, net of allowance for credit losses	22,000	0	22,000
Equity securities, at fair value	1,603	0	1,603
Commercial mortgage and other loans, net of allowance for credit losses	11,786	0	11,786
Other investments	3,842	0	3,842
Cash and cash equivalents	5,051	0	5,051
Total investments and cash	142,978	0	142,978
Receivables	672	0	672
Accrued investment income	737	0	737
Deferred policy acquisition costs (1)	9,525	323	9,848
Property and equipment	538	0	538
Other (2)	3,092	285	3,377
Total assets	$ 157,542	$ 608	$ 158,150
Liabilities and shareholders' equity:			
Liabilities:			
Policy liabilities:			
Future policy benefits (3),(4),(5)	$ 90,588	$ 25,376	$ 115,964
Unpaid policy claims (3),(6)	4,836	(4,685)	151
Unearned premiums	2,576	0	2,576
Other policyholders' funds (6)	7,072	568	7,640
Total policy liabilities	105,072	21,259	126,331
Income taxes (7)	4,339	(4,309)	30
Payables for return of cash collateral on loaned securities	2,162	0	2,162
Notes payable and lease obligations	7,956	0	7,956
Other (4)	4,760	(120)	4,640
Total liabilities	124,289	16,830	141,119
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock	135	0	135
Additional paid-in capital	2,529	0	2,529
Retained earnings (8)	41,381	(418)	40,963
Accumulated other comprehensive income (loss):			
Unrealized foreign currency translation gains (losses) (9)	(2,013)	28	(1,985)
Unrealized gains (losses) on fixed maturity securities	9,602	0	9,602
Unrealized gains (losses) on derivatives	(30)	0	(30)
Effect of changes in discount rate assumptions (10)	0	(15,832)	(15,832)
Pension liability adjustment	(166)	0	(166)
Treasury stock	(18,185)	0	(18,185)
Total shareholders' equity	33,253	(16,222)	17,031
Total liabilities and shareholders' equity	$ 157,542	$ 608	$ 158,150

(1) Adjustment reflects an increase in DAC assets as a result of DAC being amortized over the expected life of a contract and no interest accretion recorded under the updated standard.
(2) Adjustment reflects the discounting of reinsurance recoverables under the updated standard.
(3) Adjustment for the reclassification of unpaid policy claims for long-duration contracts to future policy benefits as a component of the integrated reserve.
(4) Adjustment for the reclassification of accrued claim adjustment expenses from other liabilities to future policy benefits as a component of the integrated reserve.
(5) Adjustment reflects the impacts of adopting the standard and post-adoption impacts including calculating benefit reserves using revised net premium ratios and an increase in the deferred profit liability on limited-payment products
(6) Adjustment for the reclassification of the claims liability for certain fixed annuity benefits from unpaid policy claims to other policyholders' funds.
(7) Adjustment reflects the tax effects from adoption and post-adoption activity under the updated standard.
(8) Adjustment reflects the impacts from adoption of ($324) as a result of capping the net premium ratio at 100% for cohorts that are in a loss position at transition and post-adoption activity under the updated standard, including the decrease in 2021 net earnings of $(94).
(9) Adjustment reflects foreign currency translation related to the updated standard, as applicable.
(10) Adjustment reflects the impacts from adoption of ($18,570) and post-adoption activity under the updated standard, including $2,738 in 2021 due to changes in the discount rate assumptions.

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 FOREIGN INFORMATION

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, and business activities, including reinsurance activities, not included in Aflac Japan or Aflac U.S. 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. 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. 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. 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. The Company excludes income taxes related to operations to arrive at pretax adjusted earnings. Information regarding operations by reportable segment and Corporate and other for the years ended December 31 follows:

(In millions)	**2022**	2021	2020
Revenues:			
Aflac Japan:			
Net earned premiums:			
Cancer	**$ 4,791**	$ 5,829	$ 6,119
Medical and other health	**2,775**	3,400	3,596
Life insurance	**1,982**	2,624	2,955
Adjusted net investment income [(1),(2)]	**2,669**	3,031	2,659
Other income	**35**	41	42
Total adjusted revenue Aflac Japan	**12,252**	14,925	15,371
Aflac U.S.:			
Net earned premiums:			
Accident	**1,314**	1,362	1,449
Disability	**1,171**	1,162	1,165
Critical care	**1,753**	1,797	1,856
Hospital indemnity	**722**	730	747
Dental/vision	**199**	188	196
Life insurance	**372**	332	298
Other	**39**	43	47
Adjusted net investment income [(3)]	**755**	754	705
Other income	**161**	121	102
Total adjusted revenue Aflac U.S.	**6,486**	6,489	6,565
Corporate and other [(4), (5)]	**267**	175	384
Total adjusted revenues	**19,005**	21,589	22,320
Net investment gains (losses) [(1),(2),(3),(4)]	**497**	517	(173)
Total revenues	**$ 19,502**	$ 22,106	$ 22,147

(1) Amortized hedge costs of $112, $76 and $206 in 2022, 2021 and 2020, respectively, related to certain foreign currency exposure management strategies have been reclassified from net investment gains (losses) and reported as a deduction from net investment income when analyzing operations.

(2) Net interest cash flows from derivatives associated with certain investment strategies of $(86), $(33) and $9 in 2022, 2021 and 2020, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income when analyzing operations.

(3) Net interest cash flows from derivatives associated with certain investment strategies of $(4), $2 and $3 in 2022, 2021 and 2020, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income when analyzing operations.

(4) Amortized hedge income of $68, $57 and $97 in 2022, 2021 and 2020, respectively, related to certain foreign currency exposure management strategies has been reclassified from net investment gains (losses) and reported as an increase to net investment income when analyzing operations.

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

(In millions)	2022	2021	2020
Pretax earnings:			
Aflac Japan [(1),(2)]	**$ 3,056**	$ 3,754	$ 3,263
Aflac U.S. [(3)]	**1,324**	1,478	1,268
Corporate and other [(4),(5),(6)]	**(223)**	(298)	(115)
Pretax adjusted earnings [(7)]	**4,157**	4,934	4,416
Net investment gains (losses) [(1),(2),(3),(4),(5)]	**447**	462	(229)
Other income (loss)	**0**	(74)	(28)
Total earnings before income taxes	**$ 4,604**	$ 5,322	$ 4,159
Income taxes applicable to pretax adjusted earnings	**$ 760**	$ 915	$ 864
Effect of foreign currency translation on after-tax adjusted earnings	**(215)**	(38)	31

[(1)] *Amortized hedge costs of $112, $76 and $206 in 2022, 2021 and 2020, respectively, related to certain foreign currency exposure management strategies have been reclassified from net investment gains (losses) and reported as a deduction from net investment income when analyzing operations.*

[(2)] *Net interest cash flows from derivatives associated with certain investment strategies of $(86), $(33) and $9 in 2022, 2021 and 2020, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income when analyzing operations.*

[(3)] *Net interest cash flows from derivatives associated with certain investment strategies of $(4), $2 and $3 in 2022, 2021 and 2020, respectively, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income when analyzing operations.*

[(4)] *Amortized hedge income of $68, $57 and $97 in 2022, 2021 and 2020, respectively, related to certain foreign currency exposure management strategies has been reclassified from net investment gains (losses) and reported as an increase to net investment income when analyzing operations.*

[(5)] *A gain of $50, $55 and $56 in 2022, 2021 and 2020, respectively, related to the interest rate component of the change in fair value of foreign currency swaps on notes payable has been reclassified from net investment gains (losses) and included in adjusted earnings when analyzing operations.*

[(6)] *The change in value of federal historic rehabilitation and solar investments in partnerships of $91 and $138 in 2022 and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $83 and $115 in 2022 and 2021, respectively, have been recorded as an income tax benefit in the consolidated statement of earnings. See Note 3 of the Notes to the Consolidated Financial Statements for additional information on these investments.*

[(7)] *Includes $167, $170 and $167 of interest expense on debt in 2022, 2021 and 2020, respectively.*

Assets as of December 31 were as follows:

(In millions)	2022	2021
Assets:		
Aflac Japan	**$ 105,173**	$ 128,536
Aflac U.S.	**20,779**	23,106
Corporate and other	**5,065**	5,900
Total assets	**$ 131,017**	$ 157,542

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.

	2022	2021	2020
Statements of Earnings:			
Weighted-average yen/dollar exchange rate [(1)]	**130.17**	109.79	106.86
Yen percent strengthening (weakening)	**(15.7)%**	(2.7)%	2.1 %
Exchange effect on pretax adjusted earnings (in millions)	**$ (263)**	$ (47)	$ 38

	2022	2021
Balance Sheets:		
Yen/dollar exchange rate at December 31[1]	**132.70**	115.02
Yen percent strengthening (weakening)	**(13.3)%**	(10.0)%
Exchange effect on total assets (in millions)	**$ (10,936)**	$ (9,635)
Exchange effect on total liabilities (in millions)	**(9,589)**	(7,566)

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

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)	2022	2021	2020
Management fees	**$ 61**	$ 59	$ 71
Profit remittances	**2,412**	2,138	1,215
Total transfers from Aflac Japan	**$ 2,473**	$ 2,197	$ 1,286

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)	2022	2021
Property and equipment:		
Land	**$ 168**	$ 168
Buildings	**437**	491
Equipment and furniture	**587**	542
Total property and equipment	**1,192**	1,201
Less accumulated depreciation	**662**	663
Net property and equipment	**$ 530**	$ 538

Receivables: Receivables consist primarily of monthly insurance premiums due from individual policyholders or their employers for payroll deduction of premiums, net of current expected credit losses. At December 31, 2022, $174 million, or 27.0% of total receivables, were related to Aflac Japan's operations, compared with $195 million, or 29.0%, at December 31, 2021.

3. INVESTMENTS

Net Investment Income

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

(In millions)	**2022**	2021	2020
Fixed maturity securities	**$ 2,926**	$ 3,068	$ 3,113
Equity securities	**31**	35	29
Commercial mortgage and other loans	**716**	570	545
Other investments [(1)]	**131**	356	145
Short-term investments and cash equivalents	**78**	7	18
Gross investment income	**3,882**	4,036	3,850
Less investment expenses	**226**	218	212
Net investment income	**$ 3,656**	$ 3,818	$ 3,638

[(1)] *The change in value of federal historic rehabilitation and solar investments in partnerships of $91 in 2022 and $138 in 2021 is included as a reduction to net investment income. Tax credits on these investments of $83 in 2022 and $115 in 2021 have been recorded as an income tax benefit in the consolidated statement of earnings.*

Investment Holdings

The amortized cost for the Company's investments in fixed maturity securities, the cost for equity securities and the fair values of these investments at December 31 are shown in the following tables.

	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**

(In millions)	2021 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	$ 30,335	$ 0	$ 3,343	$ 61	$ 33,617
Municipalities	1,192	0	322	5	1,509
Mortgage- and asset-backed securities	300	0	19	1	318
Public utilities	4,462	0	906	2	5,366
Sovereign and supranational	760	0	82	0	842
Banks/financial institutions	6,963	0	787	72	7,678
Other corporate	7,148	0	1,535	26	8,657
Total yen-denominated	51,160	0	6,994	167	57,987
U.S. dollar-denominated:					
U.S. government and agencies	196	0	8	1	203
Municipalities	1,340	0	189	2	1,527
Mortgage- and asset-backed securities	897	0	33	2	928
Public utilities	3,781	0	909	5	4,685
Sovereign and supranational	222	0	57	6	273
Banks/financial institutions	3,169	0	747	3	3,913
Other corporate	24,604	0	4,629	53	29,180
Total U.S. dollar-denominated	34,209	0	6,572	72	40,709
Total securities available for sale	$ 85,369	$ 0	$ 13,566	$ 239	$ 98,696

(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)	2021 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	$ 21,089	$ 3	$ 21,086	$ 4,613	$ 0	$ 25,699
Municipalities	335	0	335	101	0	436
Public utilities	44	1	43	12	0	55
Sovereign and supranational	518	4	514	136	0	650
Other corporate	22	0	22	7	0	29
Total yen-denominated	22,008	8	22,000	4,869	0	26,869
Total securities held to maturity	$ 22,008	$ 8	$ 22,000	$ 4,869	$ 0	$ 26,869

(In millions)	**2022** **Fair Value**	2021 Fair Value
Equity securities, carried at fair value through net earnings:		
Equity securities:		
Yen-denominated	**$ 670**	$ 744
U.S. dollar-denominated	**374**	817
Other currencies	**47**	42
Total equity securities	**$ 1,091**	$ 1,603

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 2022 and 2021, the Company did not reclassify any investments from the held-to-maturity category to the available-for-sale category. During 2020, as a result of the adoption of ASU 2019-04 discussed in Note 1, the Company reclassified $6.9 billion (at amortized cost) of pre-payable fixed-maturity securities from the held-to-maturity category to the available-for-sale category. This reclassification resulted in recording in accumulated other comprehensive income a net unrealized gain of $848 million on an after-tax basis.

Contractual and Economic Maturities

The contractual and economic maturities of the Company's investments in fixed maturity securities at December 31, 2022, were as follows:

(In millions)	Amortized Cost [(1)]	Fair Value
Available for sale:		
Due in one year or less	$ 1,777	$ 1,894
Due after one year through five years	6,806	7,080
Due after five years through 10 years	15,467	16,498
Due after 10 years	49,252	48,123
Mortgage- and asset-backed securities	2,167	2,146
Total fixed maturity securities available for sale	$ 75,469	$ 75,741
Held to maturity:		
Due in one year or less	$ 0	$ 0
Due after one year through five years	40	42
Due after five years through 10 years	10,132	11,212
Due after 10 years	8,884	9,956
Mortgage- and asset-backed securities	0	0
Total fixed maturity securities held to maturity	$ 19,056	$ 21,210

[(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:

	2022			2021		
(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	Credit Rating	Amortized Cost	Fair Value
Japan National Government[(1)]	**A+**	**$42,618**	**$44,178**	A+	$50,186	$57,862

[(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)	2022	2021	2020
Net investment gains (losses):			
Sales and redemptions:			
Fixed maturity securities available for sale:			
Gross gains from sales	**$ 93**	$ 64	$ 31
Gross losses from sales	**(78)**	(52)	(47)
Foreign currency gains (losses)	**442**	1	(69)
Other investments:			
Gross gains from sales	**10**	0	0
Total sales and redemptions	**467**	13	(85)
Equity securities	**(341)**	164	184
Credit losses:			
Fixed maturity securities available for sale	**0**	38	(38)
Fixed maturity securities held to maturity	**0**	1	1
Commercial mortgage and other loans	**(18)**	6	(93)
Impairment losses	**(25)**	(20)	(49)
Loan commitments	**9**	4	(21)
Reinsurance recoverables and other	**(2)**	(2)	0
Total credit losses	**(36)**	27	(200)
Derivatives and other:			
Derivative gains (losses)	**(1,151)**	(805)	399
Foreign currency gains (losses)	**1,424**	1,069	(568)
Total derivatives and other	**273**	264	(169)
Total net investment gains (losses)	**$ 363**	$ 468	$ (270)

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 still held at the December 31, 2022, reporting date was $340 million.

Unrealized Investment Gains and Losses

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

(In millions)	2022	2021	2020
Changes in unrealized gains (losses):			
Fixed maturity securities, available for sale	**$ (13,056)**	$ (960)	$ 2,399
Total change in unrealized gains (losses)	**$ (13,056)**	$ (960)	$ 2,399

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)	2022	2021
Unrealized gains (losses) on securities available for sale	**$ 272**	$ 13,330
Deferred income taxes	**(974)**	(3,728)
Shareholders’ equity, unrealized gains (losses) on fixed maturity securities	**$ (702)**	$ 9,602

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.

	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

	2021					
	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	$ 1	$ 1	$ 0	$ 1	$ 1	$ 0
Japan government and agencies:						
Yen-denominated	2,868	61	445	3	2,423	58
Municipalities:						
U.S. dollar-denominated	82	2	79	2	3	0
Yen-denominated	187	5	53	0	134	5
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	278	2	278	2	0	0
Yen-denominated	33	1	0	0	33	1
Public utilities:						
U.S. dollar-denominated	130	5	70	2	60	3
Yen-denominated	26	2	0	0	26	2
Sovereign and supranational:						
U.S. dollar-denominated	37	6	6	1	31	5
Banks/financial institutions:						
U.S. dollar-denominated	292	3	274	3	18	0
Yen-denominated	2,074	72	1,011	16	1,063	56
Other corporate:						
U.S. dollar-denominated	1,365	53	458	8	907	45
Yen-denominated	541	26	274	4	267	22
Total	$ 7,914	$ 239	$ 2,948	$ 42	$ 4,966	$ 197

Analysis of Securities in Unrealized Loss Positions

The unrealized losses on the Company's fixed maturity securities investments 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 of its fixed maturity 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 fixed maturity securities are expected to diminish as investments near maturity. Based on its credit analysis, the Company believes that the issuers of its fixed maturity investments in the sectors shown in the table above have the ability to service their obligations to the Company, and 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 fixed maturity 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. Refer to the *Allowance for Credit Losses* section below for additional information.

Commercial Mortgage and Other Loans

The Company classifies its TREs, CMLs and MMLs 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)	**2022**		2021	
	Amortized Cost	**% of Total**	Amortized Cost	% of Total
Commercial Mortgage and other loans				
Transitional real estate loans:				
Office	**$ 2,158**	**15.8 %**	$ 2,001	16.7 %
Retail	**493**	**3.6**	267	2.2
Apartments/Multi-Family	**2,701**	**19.7**	1,893	15.8
Industrial	**123**	**.9**	94	.8
Hospitality	**803**	**5.9**	876	7.3
Other	**231**	**1.7**	228	1.9
Total transitional real estate loans	**6,509**	**47.6**	5,359	44.7
Commercial mortgage loans:				
Office	**388**	**2.8**	398	3.3
Retail	**310**	**2.3**	332	2.8
Apartments/Multi-Family	**630**	**4.6**	649	5.4
Industrial	**694**	**5.1**	525	4.4
Total commercial mortgage loans	**2,022**	**14.8**	1,904	15.9
Middle market loans	**5,157**	**37.6**	4,697	39.4
Total commercial mortgage and other loans	**$ 13,688**	**100.0 %**	$ 11,960	100.0 %
Allowance for credit losses	**(192)**		(174)	
Total net commercial mortgage and other loans	**$ 13,496**		$ 11,786	

CMLs and TREs were secured by properties entirely within the U.S. (with the largest concentrations in California (22%), Texas (12%) and Florida (10%)). 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. This loan portfolio is generally considered to be investment grade. As of December 31, 2022, the Company had $811 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 $28 million and $11 million for a short term credit facility that is reflected in other liabilities on the consolidated balance sheets, as of December 31, 2022, and 2021, respectively.

As of December 31, 2022, the Company had commitments of approximately $771 million to fund future MMLs. These commitments are contingent upon the availability of MMLs that meet the Company's underwriting criteria.

Credit Quality Indicators

For TREs, the Company’s key credit quality indicator is loan-to-value (LTV). Given that TRE loans involve properties undergoing renovation or construction, loan-to-value 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.

For CMLs, the Company’s key credit quality indicators include LTV and debt service coverage ratios (DSCR). LTV is calculated by dividing the current outstanding loan balance by the most recent estimated property value. DSCR is the most recently available 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 the Company’s reinsurance recoverable balance, 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, 2022, the Company's reinsurance counterparties are rated A+. The Company monitors the credit ratings periodically, but not less frequently than quarterly.

The following tables present as of December 31, 2022 the amortized cost basis of TREs, CMLs and MMLs by year of origination and credit quality indicator.

Transitional Real Estate Loans

(In millions)	2022	2021	2020	2019	2018	Prior	Total
Loan-to-Value Ratio:							
0%-59.99%	$ 532	$ 596	$ 36	$ 153	$ 61	$ 0	$ 1,378
60%-69.99%	679	769	138	485	425	50	2,546
70%-79.99%	787	940	97	389	146	1	2,360
80% or greater	64	161	0	0	0	0	225
Total	$ 2,062	$ 2,466	$ 271	$ 1,027	$ 632	$ 51	$ 6,509

Commercial Mortgage Loans

(In millions)	2022	2021	2020	2019	2018	Prior	Total	Weighted-Average DSCR
Loan-to-Value Ratio:								
0%-59.99%	$ 228	$ 310	$ 46	$ 510	$ 151	$ 492	$ 1,737	2.16
60%-69.99%	0	15	0	46	0	135	196	2.03
70%-79.99%	0	0	0	40	0	24	64	2.21
80% or greater	0	0	0	0	0	25	25	1.41
Total	$ 228	$ 325	$ 46	$ 596	$ 151	$ 676	$ 2,022	2.14
Weighted Average DSCR	0.00	2.83	1.92	2.50	2.02	2.26		

Middle Market Loans

(In millions)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
Credit Ratings:								
BBB	$ 63	$ 144	$ 70	$ 37	$ 19	$ 0	$ 133	$ 466
BB	333	451	300	203	80	44	362	1,773
B	252	678	411	483	240	218	311	2,593
CCC	0	15	20	85	59	78	53	310
CC	0	0	0	0	14	0	1	15
C and lower	0	0	0	0	0	0	0	0
Total	$ 648	$ 1,288	$ 801	$ 808	$ 412	$ 340	$ 860	$ 5,157

Allowance for Credit Losses

The Company calculates its allowance for credit losses for held-to-maturity fixed 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 fixed 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. The credit allowance for the reinsurance recoverable balance is estimated using a probability-of-default (PD) / loss-given-default (LGD) method.

The credit allowance for held-to-maturity fixed maturity securities and loan receivables is estimated using a PD / 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 fixed maturity portfolio includes Japan Government and Agency securities of $18.1 billion amortized cost as of December 31, 2022 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 fixed maturity security may be impaired if the fair value falls below amortized cost. The Company regularly reviews its fixed maturity security investments portfolio for declines in fair value. The Company's debt 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 fixed maturity 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 fixed maturity 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 Company granted certain loan modifications in its MML and TRE portfolios during the year ended December 31, 2022. As of December 31, 2022 these loan modifications did not have a material impact on the Company’s results of operations.

The Company had no troubled debt restructurings (TDRs) during the years ended December 31, 2022, and 2021.

The Company designates nonaccrual status for a nonperforming debt security or a loan that is not generating its stated interest rate because of nonpayment of periodic interest by the borrower. The Company applies the cash basis method to record any payments received on non-accrual 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).

As of December 31, 2022 and 2021, the Company had an immaterial amount of loans and fixed maturity securities on nonaccrual status.

The following table presents the roll forward of the allowance for credit losses by portfolio segment for the years ended December 31.

(In millions)	Transitional Real Estate Loans	Commercial Mortgage Loans	Middle Market Loans	Held to Maturity Securities	Available for Sale Securities	Reinsurance Recoverables
Balance at December 31, 2019 [1]	$ (22)	$ (3)	$ (20)	$ 0	$ 0	$ 0
Transition impact to retained earnings	(2)	(8)	(33)	(10)	0	(11)
(Addition to) release of allowance for credit losses	(39)	(21)	(41)	0	(75)	(1)
Write-offs, net of recoveries	0	0	9	0	37	0
Balance at December 31, 2020	(63)	(32)	(85)	(10)	(38)	(12)
(Addition to) release of allowance for credit losses	(5)	22	(11)	1	26	(2)
Write-offs, net of recoveries	0	0	0	0	12	0
Change in foreign exchange	0	0	0	1	0	1
Balance at December 31, 2021	(68)	(10)	(96)	(8)	0	(13)
(Addition to) release of allowance for credit losses	14	1	(39)	0	0	2
Write-offs, net of recoveries	0	0	6	0	0	0
Change in foreign exchange	0	0	0	1	0	3
Balance at December 31, 2022	$ (54)	$ (9)	$ (129)	$ (7)	$ 0	$ (8)

[1] *U.S. GAAP guidance adopted as of January 1, 2020 has superseded these losses, included for comparative purposes only.*

For assets that are subject to the credit loss measurement, the change in credit loss allowance will be significantly impacted by purchases and sales in those assets during the period as well as entering into new non-cancelable loan commitments. The estimate of credit losses for loan commitments was $24 million and $31 million as of December 31, 2022, and 2021, respectively.

Other Investments

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

(In millions)	**2022**	2021
Other investments:		
Policy loans	**$ 214**	$ 236
Short-term investments [1]	**1,532**	1,726
Limited partnerships	**2,290**	1,858
Other	**34**	22
Total other investments	**$ 4,070**	$ 3,842

[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 sheet. 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 statement of earnings.

As of December 31, 2022, the Company had $2.1 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

	2022		2021	
(In millions)	**Amortized Cost (1)**	**Fair Value**	Amortized Cost (1)	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 3,223**	**$ 3,805**	$ 3,264	$ 4,490
Commercial mortgage and other loans	**10,832**	**10,762**	9,740	9,910
Other investments (2)	**1,909**	**1,909**	1,535	1,535
Other assets (3)	**62**	**62**	78	78
Total assets of consolidated VIEs	**$ 16,026**	**$ 16,538**	$ 14,617	$ 16,013
Liabilities:				
Other liabilities (3)	**$ 390**	**$ 390**	$ 414	$ 414
Total liabilities of consolidated VIEs	**$ 390**	**$ 390**	$ 414	$ 414

(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

	2022		2021	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 3,998**	**$ 4,259**	$ 4,779	$ 5,864
Other investments [(1)]	**381**	**381**	323	323
Total investments in VIEs not consolidated	**$ 4,379**	**$ 4,640**	$ 5,102	$ 6,187

[(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 alternative 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 security-lending transactions. These short-term security-lending arrangements increase investment income with minimal risk. The Company receives cash or other securities as collateral for such loans. The Company's security 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						
	2022			2021		
(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	$ 1,087	$ 1,087	$ 0	$ 920	$ 920
Public utilities	12	0	12	40	0	40
Sovereign and supranational	0	0	0	2	0	2
Banks/financial institutions	89	0	89	88	0	88
Other corporate	621	0	621	1,112	0	1,112
Total borrowings	$ 722	$ 1,087	$ 1,809	$ 1,242	$ 920	$ 2,162
Gross amount of recognized liabilities for securities lending transactions			$ 1,809			$ 2,162

[(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 $6.8 billion at December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022, debt securities with a fair value of $15 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) In 2021, the Company moved to a strategy that contains one-sided put options, fewer foreign currency forwards and no collars in order to reduce its exposure to pricing volatility and the related risk of negative settlements should there be a material weakening in the yen.

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.

	2022			2021		
(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**	**$ 3**	$ 18	$ 0	$ 2
Total cash flow hedges	**18**	**0**	**3**	18	0	2
Fair value hedges:						
Foreign currency forwards	**0**	**0**	**0**	62	0	5
Foreign currency options	**7,940**	**45**	**0**	8,829	5	0
Total fair value hedges	**7,940**	**45**	**0**	8,891	5	5
Net investment hedge:						
Foreign currency forwards	**4,982**	**383**	**85**	4,996	341	0
Foreign currency options	**2,630**	**7**	**0**	1,949	0	0
Total net investment hedge	**7,612**	**390**	**85**	6,945	341	0
Non-qualifying strategies:						
Foreign currency swaps	**1,900**	**66**	**0**	2,250	59	13
Foreign currency swaps - VIE	**3,420**	**62**	**387**	3,151	78	412
Foreign currency forwards	**5,049**	**17**	**640**	15,953	450	1,133
Foreign currency options	**5,521**	**30**	**0**	2,746	3	0
Interest rate swaps	**17,730**	**7**	**583**	3,500	0	54
Total non-qualifying strategies	**33,620**	**182**	**1,610**	27,600	590	1,612
Total derivatives	**$ 49,190**	**$ 617**	**$ 1,698**	$ 43,454	$ 936	$ 1,619

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 four 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**
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
2020:						
Foreign currency forwards	Fixed maturity securities	$ (14)	$ (8)	$ (6)	$ 7	$ 1
Foreign currency options	Fixed maturity securities	(9)	(8)	(1)	1	0
Total gains (losses)		$ (23)	$ (16)	$ (7)	$ 8	$ 1

[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 statement 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 statement 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 and losses consistent with the impact of the hedged item. For the years ended December 31, 2022 and 2021, 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 as of December 31.

(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)	
	2022	2021	**2022**	2021
Fixed maturity securities	**$ 2,360**	$ 3,038	**$ 189**	$ 205

[1] *The balance includes hedging adjustment on discontinued hedging relationships of $189 in 2022 and $205 in 2021.*

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, 2022, 2021 and 2020.

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 through current period earnings, the change in value of the available-for-sale fixed maturity securities associated with these swaps is recorded through other comprehensive income.

As of December 31, 2022, the Parent Company had $1.9 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 through current period earnings. For additional information regarding these swaps, see Note 9.

The Company uses foreign exchange 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 exchange forwards within net investment gains (losses). The Company also has certain foreign exchange 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.

	2022			2021			2020		
(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)	$ 4	$(1)	$ (4)	$ 3	$ (1)	$ 0	$ (2)
Total cash flow hedges	(1)	(4) [(3)]	4	(1)	(4) [(3)]	3	(1)	0 [(3)]	(2)
Fair value hedges:									
Foreign currency forwards [(3)]		0			(1)			(7)	
Foreign currency options [(3)]		(18)			(22)			(8)	
Interest rate swaptions [(3)]	0	0	0	(1)	(1)	2	(1)	0	1
Total fair value hedges	0	(18)	0	(1)	(24)	2	(1)	(15)	1
Net investment hedge:									
Non-derivative hedging instruments		0	371		0	328		0	(135)
Foreign currency forwards		(80)	673		29	525		149	(282)
Foreign currency options		(1)	0		(4)	0		(5)	0
Total net investment hedge		(81)	1,044		25	853		144	(417)
Non-qualifying strategies:									
Foreign currency swaps		159			135			29	
Foreign currency swaps - VIE		9			(188)			(122)	
Foreign currency forwards		(650)			(707)			311	
Foreign currency options		0			(3)			(3)	
Interest rate swaps		(546)			(38)			49	
Interest rate swaptions		1			0			0	
Forward bond purchase commitment - VIE		(21)			(1)			6	
Total non-qualifying strategies		(1,048)			(802)			270	
Total	$ (1)	$ (1,151)	$1,048	$(2)	$ (805)	$ 858	$ (2)	$ 399	$ (418)

(1) *Interest expense/income on cash flow hedges are recorded in net investment income. For interest rate swaptions classified as fair value hedges, the change in the time value of the swaptions is recognized in other comprehensive income (loss) and amortized into net investment income over its legal term. If the swaption is early terminated but the 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 statement 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, 2022, compared with $4 of losses and an immaterial amount during the years ended December 31, 2021 and 2020, respectively. In addition, $1 of losses were reclassified from accumulated other comprehensive income (loss) into earnings during the year ended December 31, 2022, compared with $2 of losses and an immaterial amount during the years ended December 31, 2021 and 2020, 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, 2022, $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, 2022, 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 $1.3 billion and $904 million as of December 31, 2022 and 2021, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2022, the Company estimates that it would be required to post a maximum of $167 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. For additional information on the Company's accounting policy for securities lending, see Note 1.

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

	2022						
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Financial Instruments	Securities Collateral	Cash Collateral Received	Net Amount
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	$ 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

2021							
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	**Gross Amount of Recognized Assets**	**Gross Amount Offset in Balance Sheet**	**Net Amount of Assets Presented in Balance Sheet**	**Financial Instruments**	**Securities Collateral**	**Cash Collateral Received**	**Net Amount**
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	$ 858	$ 0	$ 858	$ (471)	$ (53)	$ (334)	$ 0
Total derivative assets subject to a master netting agreement or offsetting arrangement	858	0	858	(471)	(53)	(334)	0
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	78		78				78
Total derivative assets not subject to a master netting agreement or offsetting arrangement	78		78				78
Total derivative assets	936	0	936	(471)	(53)	(334)	78
Securities lending and similar arrangements	2,124	0	2,124	0	0	(2,124)	0
Total	$ 3,060	$ 0	$ 3,060	$ (471)	$ (53)	$(2,458)	$ 78

Offsetting of Financial Liabilities and Derivative Liabilities

	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**

	2021						
				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	$ 1,151	$ 0	$ 1,151	$ (471)	$ (662)	$ (14)	$ 4
OTC - cleared	54	0	54	0	0	(35)	19
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	1,205	0	1,205	(471)	(662)	(49)	23
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	414		414				414
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	414		414				414
Total derivative liabilities	1,619	0	1,619	(471)	(662)	(49)	437
Securities lending and similar arrangements	2,162	0	2,162	(2,124)	0	0	38
Total	$ 3,781	$ 0	$ 3,781	$ (2,595)	$ (662)	$ (49)	$ 475

For additional information on the Company's financial instruments, see the accompanying 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)	2022 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**

	2021			
(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	$ 32,532	$ 1,288	$ 0	$ 33,820
Municipalities	0	3,036	0	3,036
Mortgage- and asset-backed securities	0	955	291	1,246
Public utilities	0	9,558	493	10,051
Sovereign and supranational	0	1,072	43	1,115
Banks/financial institutions	0	11,546	45	11,591
Other corporate	0	37,411	426	37,837
Total fixed maturity securities	32,532	64,866	1,298	98,696
Equity securities	1,340	90	173	1,603
Other investments	1,726	0	0	1,726
Cash and cash equivalents	5,051	0	0	5,051
Other assets:				
Foreign currency swaps	0	137	0	137
Foreign currency forwards	0	791	0	791
Foreign currency options	0	8	0	8
Total other assets	0	936	0	936
Total assets	$ 40,649	$ 65,892	$ 1,471	$ 108,012
Liabilities:				
Other liabilities:				
Foreign currency swaps	$ 0	$ 427	$ 0	$ 427
Foreign currency forwards	0	1,138	0	1,138
Interest rate swaps	0	54	0	54
Total liabilities	$ 0	$ 1,619	$ 0	$ 1,619

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.

	2022				
(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	**$ 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	**$ 6,123**	**$ 0**	**$ 0**	**$ 6,022**	**$ 6,022**
Notes payable (excluding leases)	**7,295**	**0**	**6,024**	**802**	**6,826**
Total liabilities	**$ 13,418**	**$ 0**	**$ 6,024**	**$ 6,824**	**$ 12,848**

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

(In millions)	2021 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	$ 21,086	$25,469	$ 230	$ 0	$ 25,699
Municipalities	335	0	436	0	436
Public utilities	43	0	55	0	55
Sovereign and supranational	514	0	650	0	650
Other corporate	22	0	29	0	29
Commercial mortgage and other loans	11,786	0	0	11,996	11,996
Other investments [(1)]	22	0	22	0	22
Total assets	$ 33,808	$25,469	$ 1,422	$11,996	$ 38,887
Liabilities:					
Other policyholders' funds	$ 7,072	$ 0	$ 0	$ 6,957	$ 6,957
Notes payable (excluding leases)	7,839	0	8,280	259	8,539
Total liabilities	$ 14,911	$ 0	$ 8,280	$ 7,216	$ 15,496

[(1)] Excludes policy loans of $236 and equity method investments of $1,858, at carrying value

Fair Value of Financial Instruments

Fixed maturity and equity securities

The Company determines the fair values of fixed maturity securities and public and privately-issued equity securities using the following approaches or techniques: price quotes and valuations from third party pricing vendors (including quoted market prices readily available from public exchange markets), in-house valuations and non-binding price quotes the Company obtains from outside brokers.

A third party pricing vendor has developed valuation models to determine fair values of privately issued securities and derivatives associated with VIEs. Starting in June 2021 and July 2022, respectively, these models and associated processes and controls were transitioned to and executed by Company personnel. These models are discounted cash flow (DCF) valuation models but also use information from related markets, specifically the credit default swap (CDS) market, to estimate expected cash flows. These models take into consideration any unique characteristics of the securities or derivatives and make various adjustments to arrive at an appropriate issuer-specific loss adjusted credit curve. 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 or derivative by discounting those loss adjusted cash flows. In cases where a credit curve cannot be developed from the specific security features, the valuation methodology takes into consideration other market observable inputs, including:

1) the most appropriate comparable security(ies) of the issuer
2) issuer-specific CDS spreads
3) bonds or CDS spreads of comparable issuers with similar characteristics such as rating, geography, or sector
4) bond indices that are comparative in rating, industry, maturity and region.

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 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.

For the periods presented, the Company has not adjusted the quotes or prices it obtains from the pricing services and brokers it uses.

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

	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
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

	2021			
(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
Securities available for sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies:				
Third party pricing vendor	$ 32,532	$ 808	$ 0	$ 33,340
Internal	0	480	0	480
Total government and agencies	32,532	1,288	0	33,820
Municipalities:				
Third party pricing vendor	0	2,222	0	2,222
Internal	0	814	0	814
Total municipalities	0	3,036	0	3,036
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	955	0	955
Broker/other	0	0	291	291
Total mortgage- and asset-backed securities	0	955	291	1,246
Public utilities:				
Third party pricing vendor	0	4,527	0	4,527
Internal	0	5,031	0	5,031
Broker/other	0	0	493	493
Total public utilities	0	9,558	493	10,051
Sovereign and supranational:				
Third party pricing vendor	0	273	0	273
Internal	0	799	0	799
Broker/other	0	0	43	43
Total sovereign and supranational	0	1,072	43	1,115
Banks/financial institutions:				
Third party pricing vendor	0	5,237	0	5,237
Internal	0	6,309	0	6,309
Broker/other	0	0	45	45
Total banks/financial institutions	0	11,546	45	11,591
Other corporate:				
Third party pricing vendor	0	29,495	0	29,495
Internal	0	7,916	0	7,916
Broker/other	0	0	426	426
Total other corporate	0	37,411	426	37,837
Total securities available for sale	$ 32,532	$ 64,866	$ 1,298	$ 98,696
Equity securities, carried at fair value:				
Third party pricing vendor	$ 1,340	$ 90	$ 0	$ 1,430
Broker/other	0	0	173	173
Total equity securities	$ 1,340	$ 90	$ 173	$ 1,603

(In millions)	2021 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	$ 25,469	$ 230	$ 0	$ 25,699
Total government and agencies	25,469	230	0	25,699
Municipalities:				
Third party pricing vendor	0	436	0	436
Total municipalities	0	436	0	436
Public utilities:				
Third party pricing vendor	0	55	0	55
Total public utilities	0	55	0	55
Sovereign and supranational:				
Third party pricing vendor	0	313	0	313
Broker/other	0	337	0	337
Total sovereign and supranational	0	650	0	650
Other corporate:				
Third party pricing vendor	0	29	0	29
Total other corporate	0	29	0	29
Total securities held to maturity	$ 25,469	$ 1,400	$ 0	$ 26,869

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 Basic 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 its interest rate swaptions, the Company estimates their fair values using observable market data, including interest rate curves and volatility. Their fair values are also 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. Prior to October 1, 2021, these derivatives were classified as Level 3 because certain significant inputs were determined to be unobservable, primarily due to the long duration of the swaps which required extrapolation beyond the observable limits of the curve(s). However, due to the natural aging of the swap portfolio and the continued evolution of capital market inputs, especially the availability of long-term interest rates with tenors beyond 30 years, the Company has concluded that all significant inputs are now observable. As a result, effective October 1, 2021, the Company transferred the derivatives associated with its consolidated VIEs to Level 2 of 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 of the fair value hierarchy.

Commercial mortgage and other loans

Commercial mortgage and other loans include TREs, CMLs and MMLs. 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 have been assigned a 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. Effective October 1, 2021, the foreign exchange swaps discussed above were transferred from Level 3 to Level 2 because the significant inputs used for their valuation that were previously unobservable are now observable.

The following tables present the changes in fair value of the Company's investments and derivatives carried at fair value classified as Level 3 as of December 31. Derivative assets and liabilities are presented as a net value.

	2022							
	Fixed Maturity Securities					**Equity Securities**	**Derivatives**	
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate		Foreign Currency Swaps	**Total**
Balance, beginning of period	$ 291	$ 493	$ 43	$ 45	$ 426	$ 173	$ 0	$ 1,471
Net investment gains (losses) included in earnings	(4)	4	0	1	0	4	0	5
Unrealized gains (losses) included in other comprehensive income (loss)	(76)	(99)	(6)	(14)	(93)	0	0	(288)
Purchases, issuances, sales and settlements:								
Purchases	273	35	0	132	387	59	0	886
Issuances	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Settlements	(78)	(64)	0	(23)	(187)	(7)	0	(359)
Transfers into Level 3	0	128	0	18	350	0	0	496
Transfers out of Level 3	(63)	0	0	0	(141)	(20)	0	(224)
Balance, end of period	$ 343	$ 497	$ 37	$ 159	$ 742	$ 209	$ 0	$ 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	$ 0	$ (2)

2021								
	Fixed Maturity Securities					**Equity Securities**	**Derivatives**	
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate		Foreign Currency Swaps	Total
Balance, beginning of period	$ 224	$ 422	$ 48	$ 24	$ 299	$ 102	$ (98)	$ 1,021
Net investment gains (losses) included in earnings	0	0	0	0	2	21	(158)	(135)
Unrealized gains (losses) included in other comprehensive income (loss)	(25)	(21)	(5)	(2)	(11)	0	(1)	(65)
Purchases, issuances, sales and settlements:								
Purchases	169	167	0	23	90	41	0	490
Issuances	0	0	0	0	0	17	0	17
Sales	0	(2)	(23)	0	0	(8)	0	(33)
Settlements	0	(21)	0	0	(17)	0	0	(38)
Transfers into Level 3	0	0	23	0	84	0	0	107
Transfers out of Level 3	(77)	(52)	0	0	(21)	0	257	107
Balance, end of period	$ 291	$ 493	$ 43	$ 45	$ 426	$ 173	$ 0	$ 1,471
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ (24)	$ (23)	$ (4)	$ (2)	$ (27)	$ 21	$ (158)	$ (217)

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.

2022							
(In millions)	**Fair Value**	**Valuation Technique(s)**	**Unobservable Input**	**Range**			
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)
Public utilities	**497**	Discounted cash flow	Credit spreads	128 bps	-	286 bps	(b)
Sovereign and supranational	**37**	Consensus pricing	Offered quotes		N/A		(c)
Banks/financial institutions	**159**	Discounted cash flow	Credit spreads	67 bps	-	188 bps	(b)
Other corporate	**742**	Discounted cash flow	Credit spreads	66 bps	-	647 bps	(b)
Equity securities	**209**	Adjusted cost	Private financials		N/A		(d)
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.

2021							
(In millions)	**Fair Value**	**Valuation Technique(s)**	**Unobservable Input**	**Range**			
Assets:							
Securities available for sale, carried at fair value:							
Fixed maturity securities:							
Mortgage- and asset-backed securities	$ 291	Consensus pricing	Offered quotes	104.79	-	111.36	(a)
Public utilities	493	Discounted cash flow	Credit spreads	118 bps	-	260 bps	(b)
Sovereign and supranational	43	Consensus pricing	Offered quotes		N/A		(c)
Banks/financial institutions	45	Consensus pricing	Offered quotes	100.00	-	103.00	(a)
Other corporate	426	Discounted cash flow	Credit spreads	121 bps	-	560 bps	(b)
Equity securities	173	Adjusted cost	Private financials		N/A		(d)
Total assets	$ 1,471						

(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 the accompanying Notes 1, 3 and 4.

6. DEFERRED POLICY ACQUISITION COSTS AND INSURANCE EXPENSES

Consolidated policy acquisition costs deferred were $1.1 billion in 2022, compared with $1.1 billion in 2021 and $1.2 billion in 2020. The following table presents a rollforward of deferred policy acquisition costs by segment for the years ended December 31.

	2022		2021	
(In millions)	**Japan**	**U.S.**	Japan	U.S.
Deferred policy acquisition costs:				
Balance, beginning of year	**$ 6,233**	**$ 3,292**	$ 6,991	$ 3,450
Capitalization	**498**	**556**	593	470
Amortization	**(547)**	**(605)**	(653)	(517)
Foreign currency translation and other	**(829)**	**(5)**	(698)	(111)
Balance, end of year	**$ 5,355**	**$ 3,238**	$ 6,233	$ 3,292

Commissions deferred as a percentage of total acquisition costs deferred were 68% in 2022, compared with 71% in 2021 and 77% in 2020.

Personnel, compensation and benefit expenses as a percentage of insurance expenses were 60% in 2022, compared with 57% in 2021 and 59% in 2020. 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)	**2022**	2021	2020
Advertising expense:			
Aflac Japan	**$ 77**	$ 91	$ 72
Aflac U.S.	**127**	138	112
Total advertising expense	**$ 204**	$ 229	$ 184

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)	**2022**	2021	2020
Depreciation expense	**$ 40**	$ 39	$ 36
Other amortization expense	**5**	6	5
Total depreciation and other amortization expense	**$ 45**	$ 45	$ 41

7. POLICY LIABILITIES

Policy liabilities consist of future policy benefits, unpaid policy claims, unearned premiums, and other policyholders' funds, which accounted for 86%, 5%, 2% and 7% of total policy liabilities at December 31, 2022, respectively. The Company regularly reviews the adequacy of its policy liabilities in total and by component.

The liability for future policy benefits as of December 31 consisted of the following:

	Liability Amounts		Interest Rate Assumptions
(In millions)	**2022**	2021	
Health insurance			
Japan	**$ 42,936**	$ 49,421	0.6 - 6.75 %
U.S.	**8,972**	8,949	3.0 - 8.0
Intercompany eliminations [(1)]	**(367)**	(456)	2.0
Life insurance			
Japan	**28,218**	31,756	0.6 - 4.0
U.S.	**990**	918	2.5 - 6.0
Total	**$ 80,749**	$ 90,588	

(1) *Elimination entry necessary due to recapture of a portion of policy liabilities ceded externally, as a result of the reinsurance retrocession transaction as described in Note 8 of the Notes to the Consolidated Financial Statements*

The weighted-average interest rates reflected in the consolidated statements of earnings for future policy benefits for Japanese policies were 3.0% in 2022, compared with 3.1% in both 2021 and 2020; and for U.S. policies, 5.0% in 2022, compared with 5.1% in 2021 and 5.2% in 2020.

Changes in the liability for unpaid policy claims were as follows for the years ended December 31:

(In millions)	2022	2021	2020
Unpaid supplemental health claims, beginning of period	$ 4,067	$ 4,389	$ 3,968
Less reinsurance recoverables	37	39	30
Net balance, beginning of period	4,030	4,350	3,938
Add claims incurred during the period related to:			
Current year	6,412	6,969	7,179
Prior years	(633)	(860)	(540)
Total incurred	5,779	6,109	6,639
Less claims paid during the period on claims incurred during:			
Current year	3,973	4,356	4,488
Prior years	1,736	1,827	1,966
Total paid	5,709	6,183	6,454
Effect of foreign exchange rate changes on unpaid claims	(289)	(246)	128
Zurich acquisition	0	0	99
Net balance, end of period	3,811	4,030	4,350
Add reinsurance recoverables	43	37	39
Unpaid supplemental health claims, end of period	3,854	4,067	4,389
Unpaid life claims, end of period	707	769	798
Total liability for unpaid policy claims	$ 4,561	$ 4,836	$ 5,187

The incurred claims development related to prior years reflects favorable claims experience compared to previous estimates. The favorable claims development of $633 million for 2022 comprises approximately $373 million from Japan and $260 million from the U.S., representing approximately 59% and 41% of the total, respectively. Excluding the impact of foreign exchange of a loss of approximately $57 million from December 31, 2021 to December 31, 2022, the favorable claims development in Japan would have been approximately $430 million, representing approximately 68% of the total.

The Company has experienced continued favorable claim trends in 2020, 2021 and 2022 for its core health products in Japan. During 2022, 2021, and 2020, there were impacts from lower utilization of healthcare services, due to the COVID-19 pandemic. This impacted both cancer and medical products, as the Japan population was avoiding doctor and hospital visits and staying home more. This resulted in lower sickness, accident, and cancer incurred claims. Although overall experience is favorable, during 2022, there was an increase in medical hospitalization claims related to COVID-19, mainly due to a wider scope of "deemed hospitalization" being utilized in Japan through most of the first nine months of the year. In addition, dating back to before the pandemic, cancer treatment patterns in Japan are continuing to be influenced by significant advances in early-detection techniques and by the increased use of pathological diagnosis rather than clinical exams. Additionally, follow-up radiation and chemotherapy treatments are occurring more often on an outpatient basis. Such changes in treatment not only increase the quality of life and initial outcomes for the patients but also decrease the average length of each hospital stay, resulting in favorable claims development.

In 2022, as experienced in 2021 and 2020, the incurred claims development related to prior years reflects favorable claims experience compared to previous estimates. The favorable claims trend continued for the majority of the Company's major U.S. accident and health lines of business, including accident, hospital indemnity, cancer, critical illness and short-term disability. Additionally, refinements for COVID-19 incurred estimates also contributed to the favorable development. The U.S. portion of the favorable claims development in 2022 includes $91 million related to refinements in the estimates for COVID-19 and non-COVID-19 claims as experience emerges.

As of December 31, 2022 and 2021, unearned premiums consisted primarily of discounted advance premiums on deposit. Discounted advance premiums are 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. These advanced premiums represented 49% of the December 31, 2022 and 54% of the December 31, 2021 unearned premiums balances.

As of December 31, 2022 and 2021, 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. These annuities represented 96% and 97% of other policyholders' funds liability at December 31, 2022 and 2021, respectively.

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.

The Company has recorded a deferred profit liability related to reinsurance transactions. The remaining deferred profit liability of $692 million and $859 million as of December 31, 2022 and 2021, respectively, is included in future policy benefits in the consolidated balance sheet and is being amortized into income over the expected lives of the policies. The Company has also recorded a reinsurance recoverable for reinsurance transactions, which is included in other assets in the consolidated balance sheet and had a remaining balance of $846 million and $957 million as of December 31, 2022 and 2021, respectively. The spot yen/dollar exchange rate weakened by approximately 13.3% and ceded reserves decreased approximately 11.7% from December 31, 2021 to December 31, 2022.

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)	**2022**	2021	2020
Direct earned premiums	**$ 15,387**	$ 17,857	$ 18,955
Ceded to other companies:			
Ceded Aflac Japan closed blocks	**(343)**	(431)	(466)
Other	**(76)**	(73)	(87)
Assumed from other companies:			
Retrocession activities	**144**	180	195
Other	**151**	114	25
Net earned premiums	**$ 15,263**	$ 17,647	$ 18,622
Direct benefits and claims	**$ 9,255**	$ 10,716	$ 12,080
Ceded benefits and change in reserves for future benefits:			
Ceded Aflac Japan closed blocks	**(340)**	(379)	(419)
Eliminations	**23**	31	39
Other	**(38)**	(36)	(63)
Assumed from other companies:			
Retrocession activities	**145**	165	180
Eliminations	**(23)**	(31)	(39)
Other	**131**	110	18
Benefits and claims, net	**$ 9,153**	$ 10,576	$ 11,796

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.

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 as of December 31, 2022. This reinsurance facility agreement was renewed in 2022 and is effective until December 31, 2023. There are also additional commitment periods of a one-year duration each of which are automatically extended unless notification is received from the reinsurer within 60 days prior to the expiration. The reinsurer can withdraw from the committed facility if Aflac‘s Standard and Poor's (S&P) rating drops below BBB-. As of December 31, 2022, the Company had not executed a reinsurance treaty under this committed reinsurance facility.

9. NOTES PAYABLE AND LEASE OBLIGATIONS

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

(In millions)	**2022**	2021
3.625% senior notes paid September 2022	**0**	748
3.25% senior notes paid October 2022	**0**	448
1.125% senior sustainability notes due March 2026	**397**	397
2.875% senior notes due October 2026	**298**	298
3.60% senior notes due April 2030	**992**	991
6.90% senior notes due December 2039	**221**	221
6.45% senior notes due August 2040	**254**	255
4.00% senior notes due October 2046	**394**	394
4.750% senior notes due January 2049	**541**	541
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	**93**	107
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	**450**	520
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	**250**	0
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	**95**	109
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	**99**	115
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	**220**	254
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	**225**	259
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	**70**	81
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	**155**	179
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	**158**	0
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	**90**	104
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	**114**	131
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	**73**	85
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	**79**	91
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	**75**	86
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	**49**	0
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	**66**	77
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	**47**	54
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	**75**	86
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	**448**	517
.963% subordinated bonds due April 2049 (principal amount ¥30.0 billion)	**226**	260
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	**149**	172
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	**90**	0
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.33% in 2022, principal amount ¥11.7 billion)	**88**	0
Variable interest rate loan due August 2029 (.43% in 2022 and .41% in 2021, principal amount ¥25.3 billion in 2022 and ¥5.0 billion in 2021)	**190**	43
Variable interest rate loan due August 2032 (.58% in 2022 and .56% in 2021, principal amount ¥70.0 billion in 2022 and ¥25.0 billion in 2021)	**524**	216
Finance lease obligations payable through 2028	**8**	12
Operating lease obligations payable through 2049	**139**	105
Total notes payable and lease obligations	**$ 7,442**	$ 7,956

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 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 the interest of the debentures will be reset every five years at 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 March 2015, the Parent Company issued $450 million of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 3.25% per annum, payable semi-annually, and will mature in March 2025. The Parent Company entered into cross-currency swaps that convert the U.S. dollar-denominated principal and interest on the senior notes into yen-denominated obligations which results in lower nominal net interest rates on the debt. By entering into these cross-currency swaps, the Parent Company economically converted its $450 million liability into a ¥55.0 billion yen liability and reduced the interest rate on this debt from 3.25% in dollars to .82% in yen. 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 November 2014, the Parent Company issued $750 million of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 3.625% per annum, payable semi-annually, and will mature in November 2024. 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 treasury rate plus 20 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. The Parent Company entered into cross-currency interest rate swaps to reduce interest expense by converting the U.S. dollar-denominated principal and interest on the senior notes it issued into yen-denominated obligations. By entering into the swaps, the Parent Company economically converted its $750 million liability into an ¥85.3 billion liability and reduced the interest rate on this debt from 3.625% in dollars to 1.00% in yen. 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 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, 2022, are as follows:

(In millions)	Total Notes Payable
2023	$ 0
2024	0
2025	93
2026	700
2027	540
Thereafter	6,021
Total	$ 7,354

Operating lease costs, included in insurance expenses in the consolidated statements of earnings, were $52 million, $58 million and $56 million for the years ended December 31, 2022, 2021 and 2020, respectively. Operating cash outflows for operating leases were $49 million, $56 million and $54 million for the years ended December 31, 2022, 2021 and 2020, respectively.

A summary of the Company's lines of credit as of December 31, 2022 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 28, 2023	$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) 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 USD LIBOR for the interest period relevant to such borrowing or (b) the base rate determined by reference to the highest of (a) the lender's USD short-term commercial loan rate, (b) the federal funds rate plus 1/2 of 1% and (c) USD one-month LIBOR plus 1%. USD LIBOR is subject to replacement with SOFR under certain circumstances	Up to 3 months	None	General corporate purposes
Aflac[(1)]	uncommitted revolving	364 days	November 30, 2023	$250 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than December 1, 2023	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 1)	uncommitted revolving	364 days	November 27, 2023	¥50.0 billion	¥0.0 billion	Three-month TIBOR plus 45 basis points per annum	No later than November 28, 2023	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 2)	uncommitted revolving	364 days	November 27, 2023	¥50.0 billion	¥0.0 billion	Three-month TIBOR plus 45 basis points per annum	No later than November 28, 2023	None	General corporate purposes
Aflac New York[(1)]	uncommitted revolving	364 days	April 10, 2023	$25 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than April 11, 2023	None	General corporate purposes
CAIC[(1)]	uncommitted revolving	364 days	March 21, 2023	$15 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than March 22, 2023	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
Tier One Insurance Company[(1)]	uncommitted revolving	364 days	March 21, 2023	$0.3 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than March 22, 2023	None	General corporate purposes
Aflac Ventures Japan K.K.[(1)]	uncommitted revolving	364 days	May 2, 2023	¥500 million	¥350 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 May 3, 2023	None	General corporate purposes
Hatch Healthcare K.K.[(1)]	uncommitted revolving	364 days	January 3, 2023 [(2)]	¥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, 2023	None	General corporate purposes
Hatch Insight K.K.[(1)]	uncommitted revolving	364 days	January 3, 2023 [(2)]	¥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, 2023	None	General corporate purposes
Aflac GI Holdings LLC[(1)]	uncommitted revolving	364 days	July 17, 2023	$30 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than July 18, 2023	None	General corporate purposes

[(1)] *Intercompany credit agreement*
[(2)] *Renewed in January 2023 with an expiration date of January 3, 2024*

The Company was in compliance with all of the covenants of its notes payable and lines of credit at December 31, 2022. No events of default or defaults occurred during 2022 and 2021.

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
2022:			
Current	**$ 913**	**$ 268**	**$ 1,181**
Deferred	**200**	**(978)**	**(778)**
Total income tax expense	**$ 1,113**	**$ (710)**	**$ 403**
2021:			
Current	$ 884	$ 211	$ 1,095
Deferred	251	(349)	(98)
Total income tax expense	$ 1,135	$ (138)	$ 997
2020:			
Current	$ 822	$ (28)	$ 794
Deferred	(28)	(1,385)	(1,413)
Total income tax expense	$ 794	$ (1,413)	$ (619)

The Japan income tax rate for the fiscal years 2022, 2021 and 2020 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 its functional currency on 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 will no longer be 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 and subsequently adjusted for foreign currency impacts in the fourth quarter of 2022. This change in functional currency resulted in the Company recognizing an income tax benefit of $452 million ($0.71 per basic and diluted share, respectively) in 2022.

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into U.S. law. Effective January 1, 2023, the law imposes a 15% corporate alternative minimum tax rate and a 1% excise tax on the Company’s repurchases of its common stock. The Company does not anticipate any impacts from the new corporate minimum tax rate since its current tax rate is above the 15% minimum rate. Further, the Company expects the charges associated with the excise tax to be recognized in equity consistent with other costs related to treasury stock.

In September 2020, the U.S. Treasury and Internal Revenue Service issued Final and Proposed Regulations which address, among other items, the allocation of insurance expenses in the calculation of the foreign tax credit limitation. These regulations clarify how insurance related expenses are allocated and apportioned for this purpose. The Company had previously established valuation allowances on deferred foreign tax credits due to the uncertainty that previously existed. Under the guidance of these regulations, the Company recognized a one-time income tax benefit of $1.4 billion due to the release of these valuation allowances which were predominantly established on the Company’s deferred foreign tax credit benefits. The Company has determined that this will also reduce its effective tax rate in future periods, subject to any future changes in U.S. tax policy.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and includes certain income tax provisions relevant to businesses. The Company was required to recognize the effect on the consolidated financial statements in the period the law was enacted, which was the period ended March 31, 2020. For the year ended December 31, 2020, the CARES Act did not have a material impact on the Company’s consolidated financial statements. Income tax expense in the accompanying statements of earnings varies from the amount computed by applying the expected U.S. tax rate of 21% in 2022, 2021 and 2020 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)	**2022**	2021	2020
Income taxes based on U.S. statutory rates	**$ 967**	$ 1,118	$ 873
Valuation allowance release	**0**	0	(1,411)
DST functional currency change	**(452)**	0	0
Other, net	**(112)**	(121)	(81)
Income tax expense	**$ 403**	$ 997	$ (619)

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

(In millions)	**2022**	2021	2020
Statements of earnings	**$ 403**	$ 997	$ (619)
Other comprehensive income (loss):			
Unrealized foreign currency translation gains (losses) during period	**547**	15	(3)
Unrealized gains (losses) on fixed maturity securities:			
Unrealized holding gains (losses) on fixed maturity securities during period	**(2,752)**	(194)	223
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	**0**	(7)	33
Unrealized gains (losses) on derivatives during period	**1**	1	0
Pension liability adjustment during period	**35**	30	(2)
Total income tax expense (benefit) related to items of other comprehensive income (loss)	**(2,169)**	(155)	251
Total income taxes	**$ (1,766)**	$ 842	$ (368)

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)	2022	2021
Deferred income tax liabilities:		
Deferred policy acquisition costs	**$ 2,803**	$ 3,262
Unrealized gains and other basis differences on investments	**0**	5,313
Foreign currency gain on Aflac Japan	**147**	0
Premiums receivable	**59**	66
Policy benefit reserves	**3,173**	3,578
Total deferred income tax liabilities	**6,182**	12,219
Deferred income tax assets:		
Unfunded retirement benefits	**7**	7
Other accrued expenses	**27**	38
Policy and contract claims	**722**	794
Foreign currency loss on Aflac Japan	**0**	91
Deferred compensation	**65**	104
Depreciation	**248**	230
Anticipatory foreign tax credit	**3,069**	5,883
Deferred foreign tax credit	**822**	701
Other basis differences in investments	**101**	0
Other	**147**	163
Total deferred income tax assets	**5,208**	8,011
Net deferred income tax liability	**974**	4,208
Current income tax (asset) liability	**322**	131
Total income tax liability	**$ 1,296**	$ 4,339

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. The release of the valuation allowance on the anticipatory foreign tax credit is due to the regulations addressing the allocation of insurance expenses in the calculation of the foreign tax credit released September 29, 2020. The Company has also determined no valuation allowance against its deferred foreign tax credits is necessary. 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 2022 due to Japan's current tax year not closing until March 31, 2022. The release of the valuation allowance on the deferred foreign tax credit is also due to the foreign tax credit regulations released September 29, 2020. 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, 2022, there were non-life operating loss carryforwards of $18 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 foreign tax credit carryforwards of $65 million available to offset against future excess foreign taxes paid, $20 million of which expire in 2030, $20 million of which expire in 2031 and $25 million of which expire in 2032.

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. The Company's amended 2017-2019 federal income tax returns are currently under audit by the Internal Revenue Service. 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. In Japan, the corporate income tax returns for fiscal years ending March 31, 2020, 2021 and 2022 are currently under audit. Japan corporate income tax returns for years before 2016 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)	2022	2021
Balance, beginning of year	**$ 5**	$ 19
Additions for tax positions of prior years	**0**	1
Reductions for tax positions of prior years	**0**	(15)
Balance, end of year	**$ 5**	$ 5

Included in the balance of the liability for unrecognized tax benefits at December 31, 2022 and 2021, 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 $5 million as of December 31, 2022, 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 2022, compared with approximately $1 million in both 2021 and 2020. The Company accrued an immaterial amount for the payment of interest and penalties as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, 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)	2022	2021	2020
Common stock - issued:			
Balance, beginning of period	**1,352,739**	1,351,018	1,349,309
Exercise of stock options and issuance of restricted shares	**1,340**	1,721	1,709
Balance, end of period	**1,354,079**	1,352,739	1,351,018
Treasury stock:			
Balance, beginning of period	**700,607**	658,564	622,516
Purchases of treasury stock:			
Share repurchase program	**39,187**	43,327	37,899
Other	**370**	437	542
Dispositions of treasury stock:			
Shares issued to AFL Stock Plan	**(1,009)**	(1,216)	(2,021)
Exercise of stock options	**(117)**	(275)	(121)
Other	**(215)**	(230)	(251)
Balance, end of period	**738,823**	700,607	658,564
Shares outstanding, end of period	**615,256**	652,132	692,454

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)	2022	2021	2020
Anti-dilutive share-based awards	**118**	0	687

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

(In thousands of shares)	**2022**	2021	2020
Weighted-average outstanding shares used for calculating basic EPS	**634,816**	673,617	713,702
Dilutive effect of share-based awards	**2,839**	3,112	2,490
Weighted-average outstanding shares used for calculating diluted EPS	**637,655**	676,729	716,192

Share Repurchase Program: During 2022, the Company repurchased 39.2 million shares of its common stock in the open market for $2.4 billion. The Company repurchased 43.3 million shares for $2.3 billion in 2021 and 37.9 million shares for $1.5 billion in 2020. 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, 2022, a remaining balance of 116.6 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors.

In August 2022, the IRA was signed into U.S. law. Effective January 1, 2023, the law imposes a 1% excise tax on the Company's repurchase of its common stock.

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

	2022				
(In millions)	**Unrealized Foreign Currency Translation Gains (Losses)**	**Unrealized Gains (Losses) on Fixed Maturity Securities**	**Unrealized Gains (Losses) on Derivatives**	**Pension Liability Adjustment**	**Total**
Balance at December 31, 2021	**$ (2,013)**	**$ 9,602**	**$ (30)**	**$ (166)**	**$ 7,393**
Other comprehensive income (loss) before reclassification	**(1,627)**	**(9,946)**	**(1)**	**111**	**(11,463)**
Amounts reclassified from accumulated other comprehensive income (loss)	**0**	**(358)**	**4**	**19**	**(335)**
Net current-period other comprehensive income (loss)	**(1,627)**	**(10,304)**	**3**	**130**	**(11,798)**
Balance at December 31, 2022	**$ (3,640)**	**$ (702)**	**$ (27)**	**$ (36)**	**$ (4,405)**

All amounts in the table above are net of tax.

(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
			2021		
Balance at December 31, 2020	$ (1,109)	$ 10,361	$ (34)	$ (284)	$ 8,934
Other comprehensive income (loss) before reclassification	(904)	(735)	(1)	90	(1,550)
Amounts reclassified from accumulated other comprehensive income (loss)	0	(24)	5	28	9
Net current-period other comprehensive income (loss)	(904)	(759)	4	118	(1,541)
Balance at December 31, 2021	$ (2,013)	$ 9,602	$ (30)	$ (166)	$ 7,393

All amounts in the table above are net of tax.

(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
			2020		
Balance at December 31, 2019	$ (1,623)	$ 8,548	$ (33)	$ (277)	$ 6,615
Cumulative effect of change in accounting principle - ASU 2019-04	0	848	0	0	848
Balance at January 1, 2020	$ (1,623)	$ 9,396	$ (33)	$ (277)	$ 7,463
Other comprehensive income (loss) before reclassification	514	839	(1)	(30)	1,322
Amounts reclassified from accumulated other comprehensive income (loss)	0	126	0	23	149
Net current-period other comprehensive income (loss)	514	965	(1)	(7)	1,471
Balance at December 31, 2020	$ (1,109)	$ 10,361	$ (34)	$ (284)	$ 8,934

All amounts in the table above are net of tax.

The tables below summarize the amounts reclassified from each component of accumulated other comprehensive income into net earnings for the years ended December 31.

Reclassifications Out of Accumulated Other Comprehensive Income

(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 pension 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 pension cost (see Note 14 for additional details).*

(In millions)	2020	
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	$ (159)	Net investment gains (losses)
	33	Tax (expense) or benefit[(1)]
	$ (126)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$ (32)	Acquisition and operating expenses[(2)]
Prior service (cost) credit	3	Acquisition and operating expenses[(2)]
	6	Tax (expense) or benefit[(1)]
	$ (23)	Net of tax
Total reclassifications for the period	$ (149)	Net of tax

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

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

12. SHARE-BASED COMPENSATION

As of December 31, 2022, 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, 2022, approximately 35.8 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, 2022, the only performance-based awards issued and outstanding were restricted stock awards and units.

Stock options and stock appreciation rights granted under the amended Plan have an exercise price of at least the fair market value of the underlying stock on the grant date and have an expiration date no later than 10 years from the grant date. Time-based restricted stock awards, restricted stock units and stock options granted after January 1, 2017 generally vest on a ratable basis over three years, and awards granted prior to the amendment vest on a cliff 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 periods ended December 31.

(In millions, except for per-share amounts)	**2022**	2021	2020
Impact on earnings from continuing operations	**$ 69**	$ 65	$ 61
Impact on earnings before income taxes	**69**	65	61
Impact on net earnings	**55**	51	48
Impact on net earnings per share:			
Basic	**$ .09**	$ .08	$ .07
Diluted	**.09**	.08	.07

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, 2019	3,706	$ 29.65
Granted in 2020	59	35.75
Canceled in 2020	(82)	26.31
Exercised in 2020	(638)	27.82
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**

(In thousands of shares)	**2022**	2021	2020
Shares exercisable, end of year	**1,577**	2,145	2,986

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 2022 or 2021. The weighted-average fair value of options at their grant date was $6.33 in 2020. The following table presents the assumptions used in valuing options granted, if applicable, during the years ended December 31.

	2022	2021	2020
Expected term (years)	**7.8**	7.9	6.0
Expected volatility	**25.8 %**	25.6 %	24.4 %
Annual forfeiture rate	**4.0**	3.8	3.9
Risk-free interest rate	**1.6**	1.0	2.0
Dividend yield	**2.7**	3.0	3.3

The following table summarizes information about stock options outstanding and exercisable at December 31, 2022.

(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	88	0.1	$ 24.75	88	$ 24.75
24.75 - 28.97	298	3.0	28.94	298	28.94
28.97 - 31.21	564	1.8	30.70	564	30.70
31.21 - 36.21	478	3.7	34.25	478	34.25
36.21 - 44.59	149	4.8	40.57	149	40.57
$ 0.00 - $ 44.59	1,577	2.8	$ 32.05	1,577	$ 32.05

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 $71.94 as of December 31, 2022, for those awards that have an exercise price currently below the closing price. As of December 31, 2022, the aggregate intrinsic value of stock options outstanding was $63 million, with a weighted-average remaining term of 2.8 years. The total number of in-the-money stock options exercisable as of December 31, 2022, was 1.6 million shares. The aggregate intrinsic value of stock options exercisable at that same date was $63 million, with a weighted-average remaining term of 2.8 years.

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

(In millions)	**2022**	2021	2020
Total intrinsic value of options exercised	**$ 20**	$ 21	$ 11
Cash received from options exercised	**16**	26	18
Tax benefit realized as a result of options exercised and restricted stock releases	**18**	17	18

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 2022, the Company granted 390 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 is 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 2022, the Company granted 123 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 2022 follows:

(In millions)	**2022**
Expected volatility (based on Aflac Inc. and peer group historical daily stock price)	**37.1 %**
Expected life from grant date (years)	**2.9**
Risk-free interest rate (based on U.S. Treasury yields at the date of grant)	**1.8 %**

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, 2019 [(1)]	2,715	$ 43.74
Granted in 2020	1,544	45.88
Canceled in 2020	(119)	49.27
Vested in 2020	(1,560)	35.23
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**

[(1)] *This balance has been adjusted to include dividends*

As of December 31, 2022, total compensation cost not yet recognized in the Company's financial statements related to restricted stock awards and restricted stock units was $33 million, of which $14 million (1.2 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 $6.7 billion at December 31, 2022, compared with $9.8 billion at December 31, 2021.

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, 2022, and 2021.

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)	**2022**	2021
Aflac	**$ 3,097**	$ 2,627
CAIC	**360**	244
TOIC	**60**	57
Aflac New York	**339**	360

As of December 31, 2022, 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)	**2022**	2021	2020
Aflac	**$ 1,134**	$ 1,146	$ 872
CAIC	**(69)**	(30)	1
TOIC	**(35)**	(27)	(24)
Aflac New York	**67**	83	75

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, and Aflac Japan must maintain adequate solvency margins for Japanese 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 2022, Aflac declared dividends of $594 million. Dividends declared by Aflac during 2023 in excess of $1.1 billion would require such approval. CAIC and TOIC did not declare dividends during 2022.

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 $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)	**2022**	2021	2020	**2022**	2021	2020
Profit remittances	**$ 2,412**	$ 2,138	$ 1,215	**¥ 324.2**	¥ 236.7	¥129.8

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. 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 U.S. plan was frozen to new participants effective January 1, 2015. U.S. employees who are not participants in the defined benefit plan receive a nonelective 401(k) employer contribution.

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)	**2022**	2021	**2022**	2021	**2022**	2021
Projected benefit obligation:						
Benefit obligation, beginning of year	**$ 432**	$ 473	**$1,186**	$ 1,204	**$ 36**	$ 42
Service cost	**19**	23	**26**	28	**0**	0
Interest cost	**5**	6	**34**	32	**1**	1
Actuarial (gain) loss	**(61)**	(9)	**(374)**	(50)	**0**	(2)
Benefits and expenses paid	**(13)**	(15)	**(29)**	(28)	**(5)**	(5)
Effect of foreign exchange rate changes	**(55)**	(46)	**0**	0	**0**	0
Benefit obligation, end of year	**327**	432	**843**	1,186	**32**	36
Plan assets:						
Fair value of plan assets, beginning of year	**415**	416	**885**	824	**0**	0
Actual return on plan assets	**(46)**	14	**(205)**	81	**0**	0
Employer contributions	**34**	44	**8**	8	**5**	5
Benefits and expenses paid	**(13)**	(15)	**(29)**	(28)	**(5)**	(5)
Effect of foreign exchange rate changes	**(55)**	(44)	**0**	0	**0**	0
Fair value of plan assets, end of year	**335**	415	**659**	885	**0**	0
Funded status of the plans[(1)]	**$ 8**	$ (17)	**$ (184)**	$ (301)	**$ (32)**	$(36)
Amounts recognized in accumulated other comprehensive income:						
Net actuarial (gain) loss	**$ 35**	$ 50	**$ 10**	$ 158	**$ 8**	$ 10
Prior service (credit) cost	**0**	0	**(2)**	(2)	**0**	0
Total included in accumulated other comprehensive income	**$ 35**	$ 50	**$ 8**	$ 156	**$ 8**	$ 10
Accumulated benefit obligation	**$ 215**	$ 346	**$ 741**	$ 1,010	**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)	**2022**	2021	**2022**	2021
Accumulated benefit obligation	**$ 215**	$ 346	**$ 741**	$ 1,010
Fair value of plan assets	**335**	415	**659**	885

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

	Pension Benefits			
	Japan [(1)]		U.S.[(2)]	
(In millions)	**2022**	2021	**2022**	2021
Projected benefit obligation	**$ 327**	$ 432	**$ 843**	$ 1,186
Fair value of plan assets	**335**	415	**659**	885

[(1)] The net amount of projected benefit obligation and plan assets for the overfunded Japan pension plan was $8 at December 31, 2022 and was classified as other assets on the statement of financial position. The net amount of projected benefit obligation and plan assets for the underfunded (including unfunded) Japan pension plan was $17 at December 31, 2021 and was classified as liabilities 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 $184 and $301 at December 31, 2022 and 2021, 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.					
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Weighted-average actuarial assumptions:									
Discount rate - net periodic benefit cost	**.94 %**	.75 %	.75 %	**2.94 %**	2.68 %	3.25 %	**2.94 %**	2.68 %	3.25 %
Discount rate - benefit obligations	**1.95**	.94	.75	**5.28**	2.94	2.68	**5.28**	2.94	2.68
Expected long-term return on plan assets	**2.00**	2.00	2.00	**5.50**	5.75	6.00	**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	**6.50** [(1)]	5.80 [(1)]	6.30 [(1)]

[(1)] For the years 2022, 2021 and 2020, the health care cost trend rates are expected to trend down to 3.7% in 51 years, 3.7% in 52 years, and 3.7% in 53 years, respectively.

The Company determines its discount rate assumption for its pension retirement obligations based on indices for AA corporate bonds with an average duration of approximately 20 years for the Japan pension plans and 17 years for the U.S. pension plans, and determination of the U.S. pension plans discount rate utilizes the 85-year extrapolated yield curve. In Japan, 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 $14 million, $25 million and $30 million of other components of net periodic pension cost and postretirement costs (other than service costs) for the years ended December 31, 2022, 2021 and 2020, respectively. Total net periodic benefit cost includes the following components:

	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
(In millions)	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Service cost	**$19**	$23	$24	**$26**	$28	$29	**$ 0**	$ 0	$ 0
Interest cost	**5**	6	5	**34**	32	34	**1**	1	1
Expected return on plan assets	**(8)**	(8)	(7)	**(42)**	(41)	(35)	**0**	0	0
Amortization of net actuarial loss	**1**	2	4	**21**	30	26	**2**	3	2
Amortization of prior service cost	**0**	0	(1)	**0**	0	(2)	**0**	0	0
Net periodic (benefit) cost	**$17**	$23	$25	**$39**	$49	$52	**$ 3**	$ 4	$ 3

Changes in Accumulated Other Comprehensive Income

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

	Pension Benefits						Other		
	Japan			U.S.			Postretirement Benefits		
(In millions)	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Net actuarial loss (gain)	**$ (14)**	$(22)	$(14)	**$ (127)**	$ (90)	$ 45	**$ 0**	$ (2)	$ 5
Amortization of net actuarial loss	**(1)**	(2)	(4)	**(21)**	(30)	(26)	**(2)**	(3)	(2)
Amortization of prior service cost	**0**	1	1	**0**	0	2	**0**	0	0
Total	**$ (15)**	$(23)	$(17)	**$ (148)**	$(120)	$ 21	**$ (2)**	$ (5)	$ 3

No transition obligations arose during 2022.

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
2023	$ 10	$ 33	$ 5
2024	17	34	5
2025	15	35	5
2026	14	37	4
2027	14	46	4
2028-2032	79	246	7

Funding

The Company plans to make contributions of $32 million to the Japanese funded defined benefit plan in 2023. The Company does not plan to make any contributions to the U.S. funded defined benefit plan in 2023. The Company did not make a contribution to the U.S. funded defined benefit plan in 2022. 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. In 2022, the Company updated the asset allocation for the Aflac U.S. pension plan to better align assets and liabilities and preserve the current funded status of near full funding. Asset allocation targets as of December 31, 2022 were as follows:

	Japan Pension	U.S. Pension
Domestic equities	6 %	0 %
International equities	17	0
Fixed income securities	69	100
Other	8	0
Total	100 %	100 %

The following table presents the fair value of Aflac Japan'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 2 in the fair value hierarchy.

(In millions)	**2022**	2021
Japan pension plan assets:		
Equities:		
Japanese equity securities	**$ 20**	$ 21
International equity securities	**57**	86
Fixed income securities:		
Japanese bonds	**20**	22
International bonds	**210**	252
Insurance contracts	**28**	34
Total	**$ 335**	$ 415

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)	**2022**	2021
U.S. pension plan assets:		
Mutual funds:		
Large cap equity funds	**$ 0**	$ 297
Mid cap equity funds	**0**	25
International equity funds	**0**	208
Fixed income bond funds	**641**	346
Aflac Incorporated common stock	**0**	7
Cash and cash equivalents	**18**	2
Total	**$ 659**	$ 885

The fair values of the Company's pension plan investments categorized as Level 1, consisting of mutual funds and common stock, 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.

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 2022, 2021, and 2020, 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.

The 401(k) contributions by the Company, included in acquisition and operating expenses in the consolidated statements of earnings, were $18 million in 2022 and $20 million in both 2021 and 2020. The plan trustee held approximately 2.2 million shares of the Company's common stock for plan participants at December 31, 2022.

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 $16 million in 2022 and $15 million in 2021 and $24 million in 2020.

Voluntary Separation Program

In September 2020, the Company announced a voluntary separation program for certain U.S. employees. The program provides eligible employees with a severance package, including twelve months of salary, the employee's targeted bonus payout for 2020 and one year of Consolidated Omnibus Budget Reconciliation Act (COBRA) or retiree medical, if eligible. Employees accepted into this program were notified in October 2020 and most transitions were completed by December 31, 2020, with a small number continuing into the first quarter of 2021. The Company recorded a one-time severance charge of $43 million in the fourth quarter of 2020 related to the program.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has two outsourcing agreements with a technology and consulting corporation. The first agreement provides mainframe computer operations, distributed mid-range server computer operations, and related support for Aflac Japan. It has a remaining term of two years and an aggregate remaining cost of ¥19.4 billion ($146 million using the December 31, 2022, exchange rate). The second agreement provides application maintenance and development services for Aflac Japan. It has a remaining term of two years and an aggregate remaining cost of ¥2.2 billion ($17 million using the December 31, 2022, 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 four years with an aggregate remaining cost of ¥12.5 billion ($94 million using the December 31, 2022, 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 three years with an aggregate remaining cost of ¥6.0 billion ($45 million using the December 31, 2022, exchange rate). The second agreement has a remaining term of three years with an aggregate remaining cost of ¥7.6 billion ($57 million using the December 31, 2022, 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 ¥0.9 billion ($7 million using the December 31, 2022, 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 three years with an aggregate remaining cost of ¥2.7 billion ($20 million using the December 31, 2022, exchange rate).

The Company is a defendant in various lawsuits considered to be in the normal course of business. Members of the Company's senior legal and financial management teams review litigation on a quarterly and annual basis. The final results of any litigation 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 of the Notes to the Consolidated Financial Statements 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.

In 2009, the Pennsylvania Insurance Commissioner placed long-term care insurer Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company (collectively referred to as Penn Treaty), neither of which is affiliated with Aflac, in rehabilitation and petitioned a state court for approval to liquidate Penn Treaty. A final order of liquidation was granted by a recognized judicial authority on March 1, 2017, and as a result, Penn Treaty is in the process of liquidation. The Company estimated and recognized the impact of its share of guaranty fund assessments resulting from the liquidation using a discounted rate of 4.25%. The Company recognized a discounted liability for the assessments of $62 million (undiscounted $94 million), offset by discounted premium tax credits of $48 million (undiscounted $74 million), for a net $14 million impact to net income in the quarter ended March 31, 2017. The Company paid a majority of these assessments by December 31, 2022. The Company used the cost estimate provided as of the liquidation date by the National Organization of Life and Health Guaranty Associations (NOLHGA) to calculate its estimated assessments and tax credits. Guaranty fund assessments for the years ended December 31, 2022, 2021, and 2020 were immaterial.

16. SUBSEQUENT EVENTS

Effective January 1, 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 Bermuda, which is reported as part of corporate and other activities. This transaction transferred approximately $2.1 billion of reserves associated with these policies and will also involve the transfer of assets to support these reserves to Aflac Re Bermuda.

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, 2022 and 2021.

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 2022, the Company executed internal controls associated with new processes supporting the implementation of Accounting Standards Update (ASU) 2018-12 for long-duration insurance contracts (LDTI). These controls provide assurance over the reasonableness of the estimated impact to the Company's accumulated other comprehensive income and retained earnings that is expected at the transition date of January 1, 2021 and the adjusted 2022 and 2021 amounts expected upon adoption of LDTI on January 1, 2023, as disclosed in Note 1 of the Notes to the Consolidated Financial Statements. The Company will continue to refine and maturate the internal controls associated with LDTI. Except for the change in controls over the Company's implementation of LDTI, 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 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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 2023 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission on or about March 16, 2023, 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; 2022 Summary Compensation Table; 2022 Grants of Plan-Based Awards; 2022 Outstanding Equity Awards at Fiscal Year-End; 2022 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 4 Ratification of Auditors; and Audit and Risk Committee

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

2. FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this report:

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 the Corporation, as amended and restated – incorporated by reference from Form 8-K dated February 11, 2022, 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	-	Ninth Supplemental Indenture, dated as of November 7, 2014, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 3.625% Senior Note due 2024) - incorporated by reference from Form 8-K dated November 4, 2014, Exhibit 4.1.
4.6	-	Eleventh Supplemental Indenture, dated as of March 12, 2015, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 3.25% Senior Note due 2025) - incorporated by reference from Form 8-K dated March 9, 2015, Exhibit 4.2.
4.7	-	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.
4.8	-	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.
4.9	-	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.
4.10	-	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.
4.11	-	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.
4.12	-	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.
4.13	-	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.
4.14	-	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.
4.15	-	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.
4.16	-	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.

4.17	-	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.
4.18	-	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.
4.19	-	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.
4.20	-	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.
4.21	-	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.
4.22	-	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.
4.23	-	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.
4.24	-	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.
4.25	-	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.
4.26	-	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.
4.27	-	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.
4.28	-	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.
4.29	-	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.
4.30	-	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.
4.31	-	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.
4.32	-	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.
4.33	-	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.
4.34	-	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* - Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated January 1, 2009 – incorporated by reference from 2008 Form 10-K, Exhibit 10.5.

10.5* - First Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated January 1, 2009 – incorporated by reference from 2012 Form 10-K, Exhibit 10.3.

10.6* - Second Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated January 1, 2009 – incorporated by reference from 2014 Form 10-K, Exhibit 10.4.

10.7* - 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.

10.8* - 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.

10.9* - 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.

10.10* - Aflac Incorporated 2018 Management Incentive Plan - incorporated by reference from the 2017 Proxy Statement, Appendix B.

10.11* - 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.

10.12* - 2004 Aflac Incorporated Long-Term Incentive Plan, as amended and restated March 14, 2012 – incorporated by reference from the 2012 Proxy Statement, Appendix A.

10.13* - 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.

10.14* - 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.

10.15* - 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.

10.16* - 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.

10.17* - 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.

10.18* - 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.

10.19* - 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.

10.20* - 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.

10.21* - 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.

10.22* - 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.

10.23* - 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.

10.24*	-	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.
10.25*	-	Aflac Life Insurance Japan Ltd. Officer Retirement Plan – incorporated by reference from 2019 Form 10-K, Exhibit 10.43.
10.26*	-	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.
10.27*	-	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.
10.28*	-	Amendment to Aflac Employment Agreement with Eric M. Kirsch, dated November 30, 2017 – incorporated by reference from 2017 Form 10-K, Exhibit 10.42.
10.29*	-	Aflac Incorporated Letter of Agreement with Eric M. Kirsch, dated October 21, 2022.
10.30*	-	Aflac Incorporated Consulting Agreement with Eric M. Kirsch, dated October 21, 2022.
10.31*	-	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.
10.32*	-	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.
10.33*	-	Amendment to Aflac Incorporated Employment Agreement with Frederick J. Crawford, dated October 24, 2022.
10.34*	-	International Assignment Letter with Frederick J. Crawford, dated December 19, 2022.
10.34*	-	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.
10.35*	-	Amendment to Aflac Incorporated Employment Agreement with Audrey Boone Tillman, dated October 24, 2022.
10.36*	-	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.
10.37*		Amendment to Aflac Incorporated Employment Agreement with Max K. Brodén, dated October 24, 2022.
10.38	-	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.
10.39**	-	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.
10.40	-	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.
10.41	-	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.
10.42	-	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. 333-242390 with respect to the AFL Stock Plan.
	-	Consent of independent registered public accounting firm, KPMG LLP, to Form S-3 Registration Statement No. 333-237969 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 23, 2023, 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 23, 2023, 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 23, 2023, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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)	**2022**	2021	2020
Revenues:			
Management and service fees from subsidiaries[1]	**$ 136**	$ 130	$ 131
Net investment income	**3**	(93)	62
Interest from subsidiaries[1]	**2**	2	3
Net investment gains (losses)	**(228)**	206	399
Total revenues	**(87)**	245	595
Operating expenses:			
Interest expense	**215**	222	221
Other operating expenses[2]	**275**	300	277
Total operating expenses	**490**	522	498
Earnings before income taxes and equity in earnings of subsidiaries	**(577)**	(277)	97
Income tax expense (benefit)	**(208)**	(144)	(15)
Earnings before equity in earnings of subsidiaries	**(369)**	(133)	112
Equity in earnings of subsidiaries[1]	**4,570**	4,458	4,666
Net earnings	**$ 4,201**	$ 4,325	$ 4,778

[1] *Eliminated in consolidation*
[2] *Includes expense of $48 in 2021 and $15 in 2020 for the early extinguishment of debt*
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)	**2022**	2021	2020
Net earnings	**$ 4,201**	$ 4,325	$ 4,778
Other comprehensive income (loss) before income taxes:			
Unrealized foreign currency translation gains (losses) during period	**(1,080)**	(889)	510
Unrealized gains (losses) on fixed maturity securities during period	**(13,056)**	(960)	1,220
Unrealized gains (losses) on derivatives during period	**4**	5	(1)
Pension liability adjustment during period	**165**	148	(7)
Total other comprehensive income (loss) before income taxes	**(13,967)**	(1,696)	1,722
Income tax expense (benefit) related to items of other comprehensive income (loss)	**(2,169)**	(155)	251
Other comprehensive income (loss), net of income taxes	**(11,798)**	(1,541)	1,471
Total comprehensive income (loss)	**$ (7,597)**	$ 2,784	$ 6,249

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)	**2022**	2021
Assets:		
Investments and cash:		
Fixed maturity securities available for sale, at fair value (amortized cost $1,649 in 2022 and $1,608 in 2021)	**$ 1,744**	$ 1,828
Investments in subsidiaries[1]	**25,197**	35,905
Other investments	**1,461**	1,413
Cash and cash equivalents	**1,143**	2,097
Total investments and cash	**29,545**	41,243
Due from subsidiaries[1]	**267**	248
Other assets	**964**	640
Total assets	**$ 30,776**	$ 42,131
Liabilities and shareholders' equity:		
Liabilities:		
Employee benefit plans	**$ 291**	$ 336
Notes payable	**7,069**	7,579
Other liabilities	**1,051**	963
Total liabilities	**8,411**	8,878
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2022 and 2021; issued 1,354,079 shares in 2022 and 1,352,739 shares in 2021	**135**	135
Additional paid-in capital	**2,641**	2,529
Retained earnings	**44,568**	41,381
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(3,640)**	(2,013)
Unrealized gains (losses) on fixed maturity securities	**(702)**	9,602
Unrealized gains (losses) on derivatives	**(27)**	(30)
Pension liability adjustment	**(36)**	(166)
Treasury stock, at average cost	**(20,574)**	(18,185)
Total shareholders' equity	**22,365**	33,253
Total liabilities and shareholders' equity	**$ 30,776**	$ 42,131

[1] *Eliminated in consolidation*

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Aflac Incorporated (Parent Only)
Condensed Statements of Cash Flows

	Years ended December 31,		
(In millions)	**2022**	2021	2020
Cash flows from operating activities:			
Net earnings	**$ 4,201**	$ 4,325	$ 4,778
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Equity in earnings of subsidiaries[(1)]	**(4,570)**	(4,458)	(4,666)
Cash dividends received from subsidiaries	**2,705**	2,791	2,060
Other, net	**18**	408	(331)
Net cash provided (used) by operating activities	**2,354**	3,066	1,841
Cash flows from investing activities:			
Fixed maturity securities sold	**392**	483	438
Fixed maturity securities purchased	**(438)**	(489)	(484)
Other investments sold (purchased)	**(206)**	(421)	(711)
Settlement of derivatives	**718**	135	4
Additional capitalization of subsidiaries[(1)]	**(294)**	(161)	(291)
Other, net	**1**	1	2
Net cash provided (used) by investing activities	**173**	(452)	(1,042)
Cash flows from financing activities:			
Purchases of treasury stock	**(2,401)**	(2,301)	(1,537)
Proceeds from borrowings	**1,277**	1,153	1,545
Principal payments under debt obligations	**(1,416)**	(700)	(350)
Dividends paid to shareholders	**(979)**	(855)	(769)
Treasury stock reissued	**17**	26	34
Proceeds from exercise of stock options	**12**	17	12
Net change in amount due to/from subsidiaries[(1)]	**16**	43	(89)
Other, net	**(7)**	(26)	(27)
Net cash provided (used) by financing activities	**(3,481)**	(2,643)	(1,181)
Net change in cash and cash equivalents	**(954)**	(29)	(382)
Cash and cash equivalents, beginning of period	**2,097**	2,126	2,508
Cash and cash equivalents, end of period	**$ 1,143**	$ 2,097	$ 2,126

[(1)] *Eliminated in consolidation*

See the accompanying Notes to Condensed Financial Statements.

See the accompanying Report of Independent Registered Public Accounting Firm.

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Aflac Incorporated (Parent Only)
Notes to Condensed Financial Statements

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Aflac Incorporated and Subsidiaries included in Part II, Item 8 of this report.

(A) Notes Payable

A summary of notes payable as of December 31 follows:

(In millions)	**2022**	2021
3.625% senior notes paid September 2022	**$ 0**	$ 748
3.25% senior notes paid October 2022	**0**	448
1.125% senior sustainability notes due March 2026	**397**	397
2.875% senior notes due October 2026	**298**	298
3.60% senior notes due April 2030	**992**	991
6.90% senior notes due December 2039	**221**	221
6.45% senior notes due August 2040	**254**	255
4.00% senior notes due October 2046	**394**	394
4.750% senior notes due January 2049	**541**	541
Yen-denominated senior notes and subordinated debentures:		
.300% senior notes due September 2025 (principal amount ¥12.4 billion)	**93**	107
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	**450**	520
1.075% senior notes due September 2029 (principal amount ¥33.4 billion)	**250**	0
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	**95**	109
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	**99**	115
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	**220**	254
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	**225**	259
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	**70**	81
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	**155**	179
1.320% senior notes due December 2032 (principal amount ¥21.1 billion)	**158**	0
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	**90**	104
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	**114**	131
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	**73**	85
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	**79**	91
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	**75**	86
1.594% senior notes due September 2037 (principal amount ¥6.5 billion)	**49**	0
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	**66**	77
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	**47**	54
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	**75**	86
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	**448**	517
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	**149**	172
2.144% senior notes due September 2052 (principal amount ¥12.0 billion)	**90**	0
Yen-denominated loans:		
Variable interest rate loan due August 2027 (.33% in 2022, principal amount ¥11.7 billion)	**88**	0
Variable interest rate loan due August 2029 (.43% in 2022 and .41% in 2021, principal amount ¥25.3 billion in 2022 and ¥5.0 billion in 2021)	**190**	43
Variable interest rate loan due August 2032 (.58% in 2022 and .56% in 2021, principal amount ¥70.0 billion in 2022 and ¥25.0 billion in 2021)	**524**	216
Total notes payable	**$ 7,069**	$ 7,579

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 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 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 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.

The aggregate contractual maturities of notes payable during each of the years after December 31, 2022, are as follows:

(In millions)	
2023	$ 0
2024	0
2025	93
2026	700
2027	540
Thereafter	5,795
Total	$ 7,128

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

(B) Derivatives

At December 31, 2022, 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 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, 4 and 9 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)	**2022**	2021	2020
Interest paid	**$ 211**	$ 213	$ 209
Noncash financing activities:			
Treasury stock issued for shareholder dividend reinvestment	**37**	32	29

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
2022:				
Aflac Japan	**$ 5,355**	**$ 73,760**	**$ 1,716**	**$ 6,119**
Aflac U.S.	**3,238**	**11,912**	**113**	**4**
All other	**0**	**305**	**(4)**	**0**
Intercompany eliminations	**0**	**(667)**	**0**	**0**
Total	**$ 8,593**	**$ 85,310**	**$ 1,825**	**$ 6,123**
2021:				
Aflac Japan	$ 6,233	$ 84,079	$ 2,469	$ 7,064
Aflac U.S.	3,292	11,798	111	8
All other	0	280	(4)	0
Intercompany eliminations	0	(733)	0	0
Total	$ 9,525	$ 95,424	$ 2,576	$ 7,072

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	Benefits and Claims, net	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
2022:						
Aflac Japan	**$ 9,548**	**$ 2,867**	**$ 6,565**	**$ 547**	**$ 2,083**	**$ 9,474**
Aflac U.S.	**5,570**	**759**	**2,442**	**605**	**2,115**	**5,469**
All other	**145**	**30**	**146**	**0**	**395**	**0**
Total	**$ 15,263**	**$ 3,656**	**$ 9,153**	**$ 1,152**	**$ 4,593**	**$ 14,943**
2021:						
Aflac Japan	$ 11,853	$ 3,139	$ 7,963	$ 653	$ 2,555	$ 11,600
Aflac U.S.	5,614	752	2,447	517	2,048	5,537
All other	180	(73)	166	0	435	0
Total	$ 17,647	$ 3,818	$ 10,576	$ 1,170	$ 5,038	$ 17,137
2020:						
Aflac Japan	$ 12,670	$ 2,856	$ 8,851	$ 644	$ 2,613	$ 12,312
Aflac U.S.	5,758	702	2,765	570	1,963	5,763
All other	194	80	180	0	402	0
Total	$ 18,622	$ 3,638	$ 11,796	$ 1,214	$ 4,978	$ 18,075

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
2022:					
Life insurance in force	**$ 132,880**	**$ 11,755**	**$ 34,599**	**$ 155,724**	**22 %**
Premiums:					
Health insurance	**$ 13,058**	**$ 384**	**$ 235**	**$ 12,909**	**2 %**
Life insurance	**2,329**	**35**	**60**	**2,354**	**3**
Total earned premiums	**$ 15,387**	**$ 419**	**$ 295**	**$ 15,263**	**2 %**
2021:					
Life insurance in force	$ 134,577	$ 7,199	$ 22,568	$ 149,946	15 %
Premiums:					
Health insurance	$ 14,913	$ 475	$ 253	$ 14,691	2 %
Life insurance	2,944	29	41	2,956	1
Total earned premiums	$ 17,857	$ 504	$ 294	$ 17,647	2 %
2020:					
Life insurance in force	$ 148,801	$ 7,016	$ 20,662	$ 162,447	13 %
Premiums:					
Health insurance	$ 15,682	$ 526	$ 213	$ 15,369	1 %
Life insurance	3,273	27	7	3,253	0
Total earned premiums	$ 18,955	$ 553	$ 220	$ 18,622	1 %

Premiums by type may not agree in total to the corresponding consolidated amounts due to rounding.
See the accompanying Report of Independent Registered Public Accounting Firm.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Glossary of Selected Terms

Throughout this Annual Report on Form 10-K, the Company may use certain performance metrics and other terms which are defined below.

Adjusted Net Investment Income - Net Investment Income adjusted for i) amortized hedge cost/income related to foreign currency exposure management strategies and certain derivative activity and ii) net interest cash flows from foreign currency and interest rate derivatives associated with certain investment strategies, which are reclassified from net investment gains and (losses) to net investment income. The Company considers adjusted net investment income important because it provides a more comprehensive understanding of the costs and income associated with the Company's investments and related hedging strategies. The metric is used in segment reporting as a component of segment profitability.

Affiliated Corporate Agency – Agency in Japan directly affiliated with a specific corporation that sells insurance policies primarily to its employees.

Annualized Premiums in Force – The amount of gross premium that a policyholder must pay over a full year in order to keep coverage. The growth of net earned premiums (defined below) is directly affected by the change in premiums in force and by the change in weighted-average yen/dollar exchange rates.

Average Weekly Producer – The total number of writing associates 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. Currently, the capital buffer is $1.0 billion and is part of $2.0 billion minimum balance 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. Currently, the liquidity support is $1.0 billion and is part of the $2.0 billion minimum balance 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.

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.

Persistency – Percentage of premiums remaining in force at the end of a period, usually one year. 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.

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.

Total Return to Shareholders – Appreciation of a shareholder’s investment over a period of time, including reinvested cash dividends paid during that time.

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 23, 2023
(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 23, 2023
(Daniel P. Amos)	Chairman of the Board of Directors	
/s/ ***Max K. Brodén***	Executive Vice President,	February 23, 2023
(Max K. Brodén)	Chief Financial Officer	
/s/ ***June Howard***	Senior Vice President, Financial Services;	February 23, 2023
(June Howard)	Chief Accounting Officer	

/s/ ***W. Paul Bowers*** (W. Paul Bowers)	Director	February 23, 2023
/s/ ***Arthur R. Collins*** (Arthur R. Collins)	Director	February 23, 2023
/s/ ***Toshihiko Fukuzawa*** (Toshihiko Fukuzawa)	Director	February 23, 2023
/s/ ***Thomas J. Kenny*** (Thomas J. Kenny)	Director	February 23, 2023
/s/ ***Georgette D. Kiser*** (Georgette D. Kiser)	Director	February 23, 2023
/s/ ***Karole F. Lloyd*** (Karole F. Lloyd)	Director	February 23, 2023
/s/ ***Nobuchika Mori*** (Nobuchika Mori)	Director	February 23, 2023
/s/ ***Joseph L. Moskowitz*** (Joseph L. Moskowitz)	Director	February 23, 2023
/s/ ***Barbara K. Rimer*** (Barbara K. Rimer)	Director	February 23, 2023
/s/ ***Katherine T. Rohrer*** (Katherine T. Rohrer)	Director	February 23, 2023