UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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

(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)

706. 323.3431

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.10 par value per share	AFL	New York Stock Exchange

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

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

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 631,916,478 shares of the issuer's common stock were outstanding as of July 25, 2022.

Aflac Incorporated and Subsidiaries
Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2022

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Items other than those listed above are omitted because they are not required or are not applicable.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Aflac Incorporated and Subsidiaries
Consolidated Statements of Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except for share and per-share amounts - Unaudited)	**2022**	2021	**2022**	2021
Revenues:				
Net earned premiums, principally supplemental health insurance	**$ 3,849**	$ 4,441	**$ 8,028**	$ 9,034
Net investment income	**937**	993	**1,840**	1,918
Net investment gains (losses)	**564**	89	**686**	396
Other income (loss)	**50**	41	**118**	85
Total revenues	**5,400**	5,564	**10,672**	11,433
Benefits and expenses:				
Benefits and claims, net	**2,298**	2,653	**4,785**	5,387
Acquisition and operating expenses:				
Amortization of deferred policy acquisition costs	**268**	280	**590**	592
Insurance commissions	**279**	315	**579**	641
Insurance and other expenses [(1)]	**799**	881	**1,629**	1,712
Interest expense	**55**	62	**112**	124
Total acquisition and operating expenses	**1,401**	1,538	**2,910**	3,069
Total benefits and expenses	**3,699**	4,191	**7,695**	8,456
Earnings before income taxes	**1,701**	1,373	**2,977**	2,977
Income taxes	**313**	268	**557**	579
Net earnings	**$ 1,388**	$ 1,105	**$ 2,420**	$ 2,398
Net earnings per share:				
Basic	**$ 2.17**	$ 1.63	**$ 3.75**	$ 3.51
Diluted	**2.16**	1.62	**3.73**	3.49
Weighted-average outstanding common shares used in computing earnings per share (In thousands):				
Basic	**640,707**	678,050	**645,205**	683,464
Diluted	**643,243**	680,920	**648,010**	686,400
Cash dividends per share	**$ .40**	$ .33	**$ .80**	$ .66

[(1)] Includes expense of $48 in the three- and six-month periods ended June 30, 2021 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions - Unaudited)	**2022**	2021	**2022**	2021
Net earnings	**$ 1,388**	$ 1,105	**$ 2,420**	$ 2,398
Other comprehensive income (loss) before income taxes:				
Unrealized foreign currency translation gains (losses) during period	**(779)**	25	**(1,246)**	(557)
Unrealized gains (losses) on fixed maturity securities:				
Unrealized holding gains (losses) on fixed maturity securities during period	**(3,503)**	1,522	**(8,254)**	(481)
Reclassification adjustment for (gains) losses on fixed maturity securities included in net earnings	**(114)**	(5)	**(192)**	15
Unrealized gains (losses) on derivatives during period	**0**	1	**1**	1
Pension liability adjustment during period	**5**	0	**8**	6
Total other comprehensive income (loss) before income taxes	**(4,391)**	1,543	**(9,683)**	(1,016)
Income tax expense (benefit) related to items of other comprehensive income (loss)	**(730)**	331	**(1,742)**	(101)
Other comprehensive income (loss), net of income taxes	**(3,661)**	1,212	**(7,941)**	(915)
Total comprehensive income (loss)	**$ (2,273)**	$ 2,317	**$ (5,521)**	$ 1,483

See the accompanying Notes to the Consolidated Financial Statements.

Aflac Incorporated and Subsidiaries
Consolidated Balance Sheets

(In millions, except for share and per-share amounts)	**June 30, 2022 (Unaudited)**	December 31, 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 $71,551 in 2022 and $82,105 in 2021)	**$ 75,611**	$ 94,206
Fixed maturity securities available for sale - consolidated variable interest entities, at fair value (amortized cost $2,995 in 2022 and $3,264 in 2021)	**3,820**	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 $21,532 in 2022 and $26,869 in 2021)	**18,507**	22,000
Equity securities, at fair value	**1,149**	1,603
Commercial mortgage and other loans, net of allowance for credit losses of $170 in 2022 and $174 in 2021 (includes $10,630 in 2022 and $9,740 in 2021 of consolidated variable interest entities)	**13,053**	11,786
Other investments (includes $1,823 in 2022 and $1,535 in 2021 of consolidated variable interest entities)	**4,102**	3,842
Cash and cash equivalents	**5,173**	5,051
Total investments and cash	**121,415**	142,978
Receivables	**687**	693
Accrued investment income	**714**	737
Deferred policy acquisition costs	**8,458**	9,525
Property and equipment, at cost less accumulated depreciation	**512**	538
Other	**3,843**	3,071
Total assets	**$ 135,629**	$ 157,542
Liabilities and shareholders' equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	**$ 78,210**	$ 90,588
Unpaid policy claims	**4,453**	4,836
Unearned premiums	**1,971**	2,576
Other policyholders' funds	**5,984**	7,072
Total policy liabilities	**90,618**	105,072
Income taxes	**2,275**	4,339
Payables for return of cash collateral on loaned securities	**3,261**	2,162
Notes payable and lease obligations	**7,416**	7,956
Other	**5,672**	4,760
Total liabilities	**109,242**	124,289
Commitments and contingent liabilities (Note 12)		
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2022 and 2021; issued 1,353,871 shares in 2022 and 1,352,739 shares in 2021	**135**	135
Additional paid-in capital	**2,589**	2,529
Retained earnings	**43,547**	41,381
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(3,289)**	(2,013)
Unrealized gains (losses) on fixed maturity securities	**2,930**	9,602
Unrealized gains (losses) on derivatives	**(29)**	(30)
Pension liability adjustment	**(160)**	(166)
Treasury stock, at average cost	**(19,336)**	(18,185)
Total shareholders' equity	**26,387**	33,253
Total liabilities and shareholders' equity	**$ 135,629**	$ 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 - Unaudited)	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	1,032	0	0	1,032
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(469)	0	(469)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(3,815)	0	(3,815)
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	3	0	3
Dividends to shareholders [(1)] ($.00 per share)	0	0	0	0	0	0
Exercise of stock options	0	6	0	0	0	6
Share-based compensation	0	13	0	0	0	13
Purchases of treasury stock	0	0	0	0	(523)	(523)
Treasury stock reissued	0	12	0	0	14	26
Balance at March 31, 2022	$ 135	$ 2,560	$ 42,413	$ 3,113	$ (18,694)	$ 29,527
Net earnings	0	0	1,388	0	0	1,388
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(807)	0	(807)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(2,857)	0	(2,857)
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	0	0	0
Pension liability adjustment during period, net of income taxes	0	0	0	3	0	3
Dividends to shareholders [(1)] ($.40 per share)	0	0	(254)	0	0	(254)
Exercise of stock options	0	1	0	0	0	1
Share-based compensation	0	19	0	0	0	19
Purchases of treasury stock	0	0	0	0	(650)	(650)
Treasury stock reissued	0	9	0	0	8	17
Balance at June 30, 2022	$ 135	$ 2,589	$ 43,547	$ (548)	$ (19,336)	$ 26,387

[(1)] *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 Unaudited)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2020	$ 135	$ 2,410	$ 37,984	$ 8,934	$ (15,904)	$ 33,559
Net earnings	0	0	1,293	0	0	1,293
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	(565)	0	(565)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	(1,567)	0	(1,567)
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	4	0	4
Dividends to shareholders [(1)] ($.00 per share)	0	0	0	0	0	0
Exercise of stock options	0	9	0	0	0	9
Share-based compensation	0	9	0	0	0	9
Purchases of treasury stock	0	0	0	0	(668)	(668)
Treasury stock reissued	0	10	0	0	18	28
Balance at March 31, 2021	$ 135	$ 2,438	$ 39,277	$ 6,807	$ (16,554)	$ 32,103
Net earnings	0	0	1,105	0	0	1,105
Unrealized foreign currency translation gains (losses) during period, net of income taxes	0	0	0	13	0	13
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	1,198	0	1,198
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	0	0	0
Pension liability adjustment during period, net of income taxes	0	0	0	1	0	1
Dividends to shareholders [(1)] ($.33 per share)	0	0	(220)	0	0	(220)
Exercise of stock options	0	2	0	0	0	2
Share-based compensation	0	20	0	0	0	20
Purchases of treasury stock	0	0	0	0	(500)	(500)
Treasury stock reissued	0	5	0	0	8	13
Balance at June 30, 2021	$ 135	$ 2,465	$ 40,162	$ 8,019	$ (17,046)	$ 33,735

[(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

(In millions - Unaudited)	Six Months Ended June 30, 2022	2021
Cash flows from operating activities:		
Net earnings	**$ 2,420**	$ 2,398
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Change in receivables and advance premiums	**(29)**	(4)
Capitalization of deferred policy acquisition costs	**(509)**	(515)
Amortization of deferred policy acquisition costs	**590**	592
Increase in policy liabilities	**357**	478
Change in income tax liabilities	**52**	98
Net investment (gains) losses	**(686)**	(396)
Other, net	**(425)**	(323)
Net cash provided (used) by operating activities	**1,770**	2,328
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Available-for-sale fixed maturity securities	**2,164**	1,468
Equity securities	**398**	124
Held-to-maturity fixed maturity securities	**2**	2
Commercial mortgage and other loans	**1,270**	1,679
Costs of investments acquired:		
Available-for-sale fixed maturity securities	**(2,395)**	(3,365)
Equity securities	**(320)**	(258)
Commercial mortgage and other loans	**(2,537)**	(2,376)
Other investments, net	**(180)**	(685)
Settlement of derivatives, net	**(330)**	155
Cash received (pledged or returned) as collateral, net	**1,839**	2,412
Other, net	**172**	5
Net cash provided (used) by investing activities	**83**	(839)
Cash flows from financing activities:		
Purchases of treasury stock	**(1,150)**	(1,150)
Proceeds from borrowings	**0**	1,153
Principal payments under debt obligations	**0**	(700)
Dividends paid to shareholders	**(498)**	(430)
Change in investment-type contracts, net	**(41)**	(24)
Treasury stock reissued	**10**	13
Other, net	**35**	(3)
Net cash provided (used) by financing activities	**(1,644)**	(1,141)
Effect of exchange rate changes on cash and cash equivalents	**(87)**	(20)
Net change in cash and cash equivalents	**122**	328
Cash and cash equivalents, beginning of period	**5,051**	5,141
Cash and cash equivalents, end of period	**$ 5,173**	$ 5,469
Supplemental disclosures of cash flow information:		
Income taxes paid	**$ 505**	$ 480
Interest paid	**104**	109
Noncash interest	**8**	14
Noncash financing activities:		
Lease obligations	**66**	30
Treasury stock issued for:		
Associate stock bonus	**8**	8
Shareholder dividend reinvestment	**19**	16
Share-based compensation grants	**6**	4

See the accompanying 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. 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 both of the six-month periods ended June 30, 2022 and 2021. The percentage of the Company's total assets attributable to Aflac Japan was 79% at June 30, 2022, compared with 82% at December 31, 2021.

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 unaudited 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.

In the opinion of management, the accompanying unaudited consolidated financial statements of the Company contain all adjustments, consisting of normal recurring accruals, which are necessary to fairly present the consolidated balance sheets as of June 30, 2022 and December 31, 2021, the consolidated statements of earnings and comprehensive income (loss) for the three- and six-month periods ended June 30, 2022 and 2021, the consolidated statement of shareholders' equity for the three-month periods ended March 31, 2022 and 2021 and June 30, 2022 and 2021, and the consolidated statement of cash flows for the six-month periods ended June 30, 2022 and 2021. Results of operations for interim periods are not necessarily indicative of results for the entire year. As a result, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2021 (2021 Annual Report).

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 of the pandemic. For example, economic conditions have acted as headwinds to sales in the first six months of 2022, particularly in Japan and most notably in the first quarter with a gradually decreasing impact in the second quarter, pressuring premium growth rates. Further, in the U.S., supply shortages, upward pressure on wages to attract employees and higher commodity prices have all driven near-term increases in inflation. Central bank and government efforts to control inflation, as well the impacts of the Russia-Ukraine conflict, including volatility in energy prices and additional disruptions in the global supply chain, could lead to slower economic growth in Japan and the U.S. Additionally, 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.

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

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 (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.

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 continues to evaluate the impact of adoption and has determined that the adoption will have a significant impact on the Company’s financial position, results of operations, and disclosures. The requirement to update assumptions for 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 progress on key accounting policy decisions, including 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 will 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 will be 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.

When the Company adopts the updated standard beginning January 1, 2023, 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 on the modified retrospective transition method, the Company currently estimates that the Transition Date impact from adoption is likely to result in a decrease in AOCI in a range between $18 billion and $19 billion and a decrease in retained earnings of approximately $0.3 billion. The variability around the impact of adoption results from the Company making certain estimates, primarily related to the determination of Transition Date market level yields.

The Company has advanced and continues to refine the design of 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 will be determined by reference to upper-medium grade (low credit risk) fixed-income instrument yields that are intended to reflect the duration characteristics of the corresponding insurance liabilities. The Company intends to use 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 intends to select the fixed-income instruments with local ratings that are equivalent to a single-A rating based on international rating standards. The methodology will be 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 will use 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 will be 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 preliminary policy elections related to cohorts and LFPB discount rates directly impacting Transition Date AOCI, the Company has also advanced the following accounting policies relevant to the post-Transition Date accounting:

- Cash flow assumptions underlying insurance liabilities will be evaluated as to whether an update is needed at least annually in the same fiscal quarter each year. To facilitate the review, 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 made a preliminary policy election 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 a preliminary entity-wide election to use locked-in claim expense assumptions determined for each issue-year cohort as a percentage of paid claims; these assumptions would remain unchanged over the term of the insurance policy.

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 also advanced 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 and will continue to refine and maturate these internal controls until the formal implementation in the first quarter of 2023.

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.

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.

For additional information on new accounting pronouncements and recent accounting guidance and their impact, if any, on the Company's financial position, results of operations or disclosures, see Note 1 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

2. BUSINESS SEGMENT 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 retrocession 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, follows:

(In millions)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues:				
Aflac Japan:				
Net earned premiums	**$ 2,419**	$ 2,987	**$ 5,143**	$ 6,111
Adjusted net investment income [(1),(2)]	**723**	792	**1,402**	1,497
Other income	**9**	10	**18**	22
Total adjusted revenue Aflac Japan	**3,151**	3,789	**6,563**	7,630
Aflac U.S.:				
Net earned premiums	**1,394**	1,408	**2,807**	2,830
Adjusted net investment income [(3)]	**193**	189	**377**	366
Other income	**41**	30	**83**	58
Total adjusted revenue Aflac U.S.	**1,628**	1,627	**3,267**	3,254
Corporate and other [(4),(5)]	**42**	50	**116**	133
Total adjusted revenues	**4,821**	5,466	**9,946**	11,017
Net investment gains (losses) [(1),(2),(3),(4)]	**579**	98	**726**	416
Total revenues	**$ 5,400**	$ 5,564	**$ 10,672**	$ 11,433

[(1)] Amortized hedge costs of $30 and $17 for the three-month periods and $55 and $36 for the six-month periods ended June 30, 2022, and 2021, 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 $(2) and $(9) for the three-month periods and $(12) and $(17) for the six-month periods ended June 30, 2022 and 2021, 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 $1 for the three-month period and $2 for the six-month period ended June 30, 2022, 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 $14 and $16 for the three-month periods and $25 and $33 for the six-month periods ended June 30, 2022, and 2021, 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 $31 and $30 for the three-month periods and $42 and $30 for the six-month periods ended June 30, 2022, and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $28 and $12 for the three-month periods and $44 and $25 for the six-month periods ended June 30, 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)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Pretax earnings:				
Aflac Japan [(1),(2)]	**$ 860**	$ 1,004	**$ 1,722**	$ 1,891
Aflac U.S. [(3)]	**349**	413	**674**	859
Corporate and other [(4),(5),(6)]	**(75)**	(76)	**(120)**	(102)
Pretax adjusted earnings [(7)]	**1,134**	1,341	**2,276**	2,648
Net investment gains (losses) [(1),(2),(3),(4),(5)]	**567**	85	**701**	388
Other income (loss)	**0**	(53)	**0**	(59)
Total earnings before income taxes	**$ 1,701**	$ 1,373	**$ 2,977**	$ 2,977
Income taxes applicable to pretax adjusted earnings	**$ 194**	$ 262	**$ 409**	$ 510
Effect of foreign currency translation on after-tax adjusted earnings	**(57)**	(6)	**(94)**	7

(1) Amortized hedge costs of $30 and $17 for the three-month periods and $55 and $36 for the six-month periods ended June 30, 2022, and 2021, 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 $(2) and $(9) for the three-month periods and $(12) and $(17) for the six-month periods ended June 30, 2022 and 2021, 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 $1 for the three-month period and $2 for the six-month period ended June 30, 2022, 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 $14 and $16 for the three-month periods and $25 and $33 for the six-month periods ended June 30, 2022, and 2021, respectively, related to certain foreign currency exposure management strategies has been reclassified from net investment gains (losses) and reported as an increase in net investment income when analyzing operations.

(5) A gain of $12 and $14 for the three-month periods and $25 and $27 for the six-month periods ended June 30, 2022, and 2021, 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 $31 and $30 for the three-month periods and $42 and $30 for the six-month periods ended June 30, 2022, and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $28 and $12 for the three-month periods and $44 and $25 for the six-month periods ended June 30, 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 $41 and $45 for the three-month periods and $82 and $89 for the six-month periods ended June 30, 2022, and 2021, respectively, of interest expense on debt.

Assets were as follows:

(In millions)	**June 30, 2022**	December 31, 2021
Assets:		
Aflac Japan	**$ 107,698**	$ 128,536
Aflac U.S.	**20,828**	23,106
Corporate and other	**7,103**	5,900
Total assets	**$ 135,629**	$ 157,542

3. INVESTMENTS

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 are shown in the following tables.

	June 30, 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	$ 24,916	$ 0	$ 1,770	$ 903	$ 25,783
Municipalities	1,003	0	195	32	1,166
Mortgage- and asset-backed securities	245	0	11	6	250
Public utilities	3,816	0	375	52	4,139
Sovereign and supranational	639	0	44	2	681
Banks/financial institutions	6,081	0	421	343	6,159
Other corporate	6,136	0	858	187	6,807
Total yen-denominated	42,836	0	3,674	1,525	44,985
U.S. dollar-denominated:					
U.S. government and agencies	180	0	1	5	176
Municipalities	1,274	0	76	48	1,302
Mortgage- and asset-backed securities	1,670	0	85	53	1,702
Public utilities	3,495	0	414	91	3,818
Sovereign and supranational	196	0	48	12	232
Banks/financial institutions	3,091	0	437	62	3,466
Other corporate	21,804	0	2,591	645	23,750
Total U.S. dollar-denominated	31,710	0	3,652	916	34,446
Total securities available for sale	$ 74,546	$ 0	$ 7,326	$ 2,441	$ 79,431

(In millions)	December 31, 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)	**June 30, 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	**$ 17,743**	**$ 3**	**$ 17,740**	**$ 2,866**	**$ 0**	**$ 20,606**
Municipalities	**280**	**0**	**280**	**66**	**0**	**346**
Public utilities	**37**	**0**	**37**	**6**	**0**	**43**
Sovereign and supranational	**436**	**4**	**432**	**82**	**0**	**514**
Other corporate	**18**	**0**	**18**	**5**	**0**	**23**
Total yen-denominated	**18,514**	**7**	**18,507**	**3,025**	**0**	**21,532**
Total securities held to maturity	**$ 18,514**	**$ 7**	**$ 18,507**	**$ 3,025**	**$ 0**	**$ 21,532**

(In millions)	December 31, 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)	**June 30, 2022**	December 31, 2021
Equity securities, carried at fair value through net earnings:	**Fair Value**	Fair Value
Equity securities:		
Yen-denominated	**$ 636**	$ 744
U.S. dollar-denominated	**466**	817
Other currencies	**47**	42
Total equity securities	**$ 1,149**	$ 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 the first and second quarters of 2022 and 2021, the Company did not reclassify any investments from the held-to-maturity category to the available-for-sale category.

Contractual and Economic Maturities

The contractual and economic maturities of the Company's investments in fixed maturity securities at June 30, 2022, were as follows:

(In millions)	Amortized Cost [1]	Fair Value
Available for sale:		
Due in one year or less	$ 1,291	$ 1,455
Due after one year through five years	7,265	7,883
Due after five years through 10 years	12,779	14,177
Due after 10 years	51,296	53,964
Mortgage- and asset-backed securities	1,915	1,952
Total fixed maturity securities available for sale	$ 74,546	$ 79,431
Held to maturity:		
Due in one year or less	$ 0	$ 0
Due after one year through five years	39	42
Due after five years through 10 years	9,840	11,171
Due after 10 years	8,628	10,319
Mortgage- and asset-backed securities	0	0
Total fixed maturity securities held to maturity	$ 18,507	$ 21,532

[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 were as follows:

	June 30, 2022			December 31, 2021		
(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	Credit Rating	Amortized Cost	Fair Value
Japan National Government[1]	**A+**	**$41,620**	**$45,262**	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 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net investment gains (losses):				
Sales and redemptions:				
Fixed maturity securities available for sale:				
Gross gains from sales	**$ 15**	$ 14	**$ 85**	$ 16
Gross losses from sales	**(23)**	(2)	**(26)**	(3)
Foreign currency gains (losses)	**123**	(6)	**133**	(18)
Other investments:				
Gross gains from sales	**0**	0	**9**	0
Total sales and redemptions	**115**	6	**201**	(5)
Equity securities	**(135)**	170	**(291)**	102
Credit losses:				
Fixed maturity securities available for sale	**0**	0	**0**	11
Fixed maturity securities held to maturity	**0**	0	**0**	1
Commercial mortgage and other loans	**(12)**	17	**4**	44
Impairment losses	**(17)**	0	**(17)**	(20)
Loan commitments	**(5)**	(5)	**2**	0
Reinsurance recoverables and other	**0**	0	**2**	(2)
Total credit losses	**(34)**	12	**(9)**	34
Derivatives and other:				
Derivative gains (losses)	**(558)**	(96)	**(1,024)**	(383)
Foreign currency gains (losses)	**1,176**	(3)	**1,809**	648
Total derivatives and other	**618**	(99)	**785**	265
Total net investment gains (losses)	**$ 564**	$ 89	**$ 686**	$ 396

The unrealized holding losses, net of gains, recorded as a component of net investment gains and losses for the three-month period ended June 30, 2022, that relate to equity securities still held at the June 30, 2022 reporting date, were $137 million. The unrealized holding losses, net of gains, recorded as a component of net investment gains and losses for the six-month period ended June 30, 2022, that relate to equity securities still held at the June 30, 2022 reporting date, were $294 million.

Unrealized Investment Gains and Losses

Effect on Shareholders' Equity

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

(In millions)	**June 30, 2022**	December 31, 2021
Unrealized gains (losses) on securities available for sale	**$ 4,885**	$ 13,330
Deferred income taxes	**(1,955)**	(3,728)
Shareholders' equity, unrealized gains (losses) on fixed maturity securities	**$ 2,930**	$ 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 for the periods ended June 30, 2022 and December 31, 2021, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	June 30, 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	$ 1	$ 5	$ 0	$ 5	$ 1	$ 0
Japan government and agencies:						
Yen-denominated	8,816	903	5,552	454	3,264	449
Municipalities:						
U.S. dollar-denominated	719	48	701	43	18	5
Yen-denominated	306	32	205	16	101	16
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	784	53	758	51	26	2
Yen-denominated	65	6	40	3	25	3
Public utilities:						
U.S. dollar-denominated	1,044	91	1,005	86	39	5
Yen-denominated	761	52	716	47	45	5
Sovereign and supranational:						
U.S. dollar-denominated	31	12	5	2	26	10
Yen-denominated	71	2	35	2	36	0
Banks/financial institutions:						
U.S. dollar-denominated	754	62	684	53	70	9
Yen-denominated	3,421	343	2,576	246	845	97
Other corporate:						
U.S. dollar-denominated	6,549	645	5,912	515	637	130
Yen-denominated	1,662	187	1,453	149	209	38
Total	$ 24,984	$ 2,441	$ 19,642	$ 1,672	$ 5,342	$ 769

(In millions)	December 31, 2021 Total Fair Value	Total Unrealized Losses	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or longer Fair Value	12 months or longer 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 transitional real estate loans (TREs), commercial mortgage loans (CMLs) and middle market loans (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 the periods presented.

(In millions)	June 30, 2022		December 31, 2021	
	Amortized Cost	**% of Total**	Amortized Cost	% of Total
Commercial Mortgage and other loans:				
Transitional real estate loans:				
Office	**$ 2,057**	**15.5 %**	$ 2,001	16.7 %
Retail	**348**	**2.6**	267	2.2
Apartments/Multi-Family	**2,560**	**19.4**	1,893	15.8
Industrial	**154**	**1.2**	94	.8
Hospitality	**843**	**6.4**	876	7.3
Other	**298**	**2.3**	228	1.9
Total transitional real estate loans	**6,260**	**47.4**	5,359	44.7
Commercial mortgage loans:				
Office	**388**	**2.9**	398	3.3
Retail	**315**	**2.4**	332	2.8
Apartments/Multi-Family	**640**	**4.8**	649	5.4
Industrial	**533**	**4.0**	525	4.4
Total commercial mortgage loans	**1,876**	**14.1**	1,904	15.9
Middle market loans	**5,087**	**38.5**	4,697	39.4
Total commercial mortgage and other loans	**$ 13,223**	**100.0 %**	$ 11,960	100.0 %
Allowance for credit losses	**(170)**		(174)	
Total net commercial mortgage and other loans	**$ 13,053**		$ 11,786	

CMLs and TREs were secured by properties entirely within the U.S. (with the largest concentrations in California (20%), Texas (12%) and Florida (10%)). Middle market loans 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 June 30, 2022, the Company had $763 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. As of June 30, 2022, the Company had no outstanding commitments to fund CMLs. These commitments are contingent on the final underwriting and due diligence to be performed.

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 $15 million and $11 million for a short term credit facility that is reflected in other liabilities on the consolidated balance sheets, as of June 30, 2022, and December 31, 2021, respectively.

As of June 30, 2022, the Company had commitments of approximately $1.2 billion to fund future MMLs. These commitments are contingent upon the availability of middle market loans 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, LTV provides the most insight into the credit risk of the loan. The Company monitors the performance of the loans periodically, but not less frequently than quarterly.

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 June 30, 2022, the Company's reinsurance counterparties were rated A+. The Company monitors the credit ratings periodically, but not less frequently than quarterly.

The following tables present as of June 30, 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%	$ 452	$ 630	$ 36	$ 268	$ 86	$ 0	$ 1,472
60%-69.99%	423	732	138	524	430	50	2,297
70%-79.99%	672	936	125	412	207	1	2,353
80% or greater	0	138	0	0	0	0	138
Total	$ 1,547	$ 2,436	$ 299	$ 1,204	$ 723	$ 51	$ 6,260

Commercial Mortgage Loans								
(In millions)	2022	2021	2020	2019	2018	Prior	Total	Weighted-Average DSCR
Loan-to-Value Ratio:								
0%-59.99%	$ 54	$ 299	$ 46	$ 516	$ 153	$ 586	$ 1,654	2.52
60%-69.99%	0	34	0	46	0	77	157	2.08
70%-79.99%	0	0	0	40	0	25	65	1.18
80% or greater	0	0	0	0	0	0	0	0.00
Total	$ 54	$ 333	$ 46	$ 602	$ 153	$ 688	$ 1,876	2.43
Weighted Average DSCR	0.00	2.84	1.94	2.55	2.08	2.25		

Middle Market Loans								
(In millions)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
Credit Ratings:								
BBB	$ 38	$ 184	$ 67	$ 37	$ 19	$ 0	$ 104	$ 449
BB	120	437	333	240	86	69	325	1,610
B	196	722	467	525	259	225	291	2,685
CCC	0	0	21	83	70	91	55	320
CC	0	0	0	0	14	8	1	23
C and lower	0	0	0	0	0	0	0	0
Total	$ 354	$ 1,343	$ 888	$ 885	$ 448	$ 393	$ 776	$ 5,087

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 debt service coverage ratios. 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 $17.6 billion amortized cost as of June 30, 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 period ended June 30, 2022. As of June 30, 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 six-month periods ended June 30, 2022 and June 30, 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 June 30, 2022 and December 31, 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.

(in millions)	Transitional Real Estate Loans	Commercial Mortgage Loans	Middle Market Loans	Held to Maturity Securities	Available for Sale Securities	Reinsurance Recoverables
Three Months Ended June 30, 2022:						
Balance at March 31, 2022	**$ (52)**	**$ (8)**	**$ (98)**	**$ (8)**	**$ 0**	**$ (9)**
(Addition to) release of allowance for credit losses	**(1)**	**0**	**(16)**	**0**	**0**	**0**
Write-offs, net of recoveries	**0**	**0**	**5**	**0**	**0**	**0**
Change in foreign exchange	**0**	**0**	**0**	**1**	**0**	**1**
Balance at June 30, 2022	**$ (53)**	**$ (8)**	**$ (109)**	**$ (7)**	**$ 0**	**$ (8)**
Three Months Ended June 30, 2021:						
Balance at March 31, 2021	$ (47)	$ (24)	$ (83)	$ (8)	$ (27)	$ (13)
(Addition to) release of allowance for credit losses	6	2	7	0	1	0
Balance at June 30, 2021	$ (41)	$ (22)	$ (76)	$ (8)	$ (26)	$ (13)
Six Months Ended June 30, 2022:						
Balance at December 31, 2021	**$ (68)**	**$ (10)**	**$ (96)**	**$ (8)**	**$ 0**	**$ (13)**
(Addition to) release of allowance for credit losses	**15**	**2**	**(18)**	**0**	**0**	**2**
Write-offs, net of recoveries	**0**	**0**	**5**	**0**	**0**	**0**
Change in foreign exchange	**0**	**0**	**0**	**1**	**0**	**3**
Balance at June 30, 2022	**$ (53)**	**$ (8)**	**$ (109)**	**$ (7)**	**$ 0**	**$ (8)**
Six Months Ended June 30, 2021:						
Balance at December 31, 2020	$ (63)	$ (33)	$ (85)	$ (9)	$ (38)	$ (11)
(Addition to) release of allowance for credit losses	22	11	9	1	0	(2)
Write-offs, net of recoveries	0	0	0	0	12	0
Balance at June 30, 2021	$ (41)	$ (22)	$ (76)	$ (8)	$ (26)	$ (13)

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 as of June 30, 2022 was $30 million.

Other Investments

The table below reflects the composition of the carrying value for other investments as of the periods presented.

(In millions)	**June 30, 2022**	December 31, 2021
Other investments:		
Policy loans	**$ 204**	$ 236
Short-term investments *(1)*	**1,695**	1,726
Limited partnerships	**2,173**	1,858
Other	**30**	22
Total other investments	**$ 4,102**	$ 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 June 30, 2022, the Company had $1.6 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.

Investments in Consolidated Variable Interest Entities

	June 30, 2022		December 31, 2021	
(In millions)	**Amortized Cost (1)**	**Fair Value**	Amortized Cost (1)	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 2,995**	**$ 3,820**	$ 3,264	$ 4,490
Commercial mortgage and other loans	**10,630**	**10,575**	9,740	9,910
Other investments (2)	**1,823**	**1,823**	1,535	1,535
Other assets (3)	**65**	**65**	78	78
Total assets of consolidated VIEs	**$ 15,513**	**$ 16,283**	$ 14,617	$ 16,013
Liabilities:				
Other liabilities (3)	**$ 457**	**$ 457**	$ 414	$ 414
Total liabilities of consolidated VIEs	**$ 457**	**$ 457**	$ 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.

Investments in Variable Interest Entities Not Consolidated

	June 30, 2022		December 31, 2021	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 4,118**	**$ 4,643**	$ 4,779	$ 5,864
Other investments [(1)]	**350**	**350**	323	323
Total investments in VIEs not consolidated	**$ 4,468**	**$ 4,993**	$ 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 were as follows:

Securities Lending Transactions Accounted for as Secured Borrowings						
Remaining Contractual Maturity of the Agreements						
	June 30, 2022			December 31, 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	$ 2,245	$ 2,245	$ 0	$ 920	$ 920
Public utilities	17	0	17	40	0	40
Sovereign and supranational	1	0	1	2	0	2
Banks/financial institutions	86	0	86	88	0	88
Other corporate	864	0	864	1,112	0	1,112
Equity securities	48	0	48	0	0	0
Total borrowings	$ 1,016	$ 2,245	$ 3,261	$ 1,242	$ 920	$ 2,162
Gross amount of recognized liabilities for securities lending transactions			$ 3,261			$ 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 $5.7 billion and $6.8 billion at June 30, 2022 and December 31, 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 June 30, 2022, and December 31, 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.

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 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.

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.

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. 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.

	June 30, 2022			December 31, 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**	**$ 4**	$ 18	$ 0	$ 2
Total cash flow hedges	**18**	**0**	**4**	18	0	2
Fair value hedges:						
Foreign currency forwards	**0**	**0**	**0**	62	0	5
Foreign currency options	**8,043**	**6**	**0**	8,829	5	0
Total fair value hedges	**8,043**	**6**	**0**	8,891	5	5
Net investment hedge:						
Foreign currency forwards	**5,001**	**729**	**0**	4,996	341	0
Foreign currency options	**2,013**	**0**	**0**	1,949	0	0
Total net investment hedge	**7,014**	**729**	**0**	6,945	341	0
Non-qualifying strategies:						
Foreign currency swaps	**1,900**	**156**	**0**	2,250	59	13
Foreign currency swaps - VIE	**3,407**	**65**	**453**	3,151	78	412
Foreign currency forwards	**9,309**	**601**	**1,331**	15,953	450	1,133
Foreign currency options	**5,417**	**1**	**0**	2,746	3	0
Interest rate swaps	**10,280**	**0**	**342**	3,500	0	54
Total non-qualifying strategies	**30,313**	**823**	**2,126**	27,600	590	1,612
Total derivatives	**$ 45,388**	**$ 1,558**	**$ 2,130**	$ 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.

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
Three Months Ended June 30, 2022:						
Foreign currency options	Fixed maturity securities	**$ (11)**	**$ (11)**	**$ 0**	**$ 0**	**$ 0**
Total gains (losses)		**$ (11)**	**$ (11)**	**$ 0**	**$ 0**	**$ 0**
Six Months Ended June 30, 2022:						
Foreign currency options	Fixed maturity securities	**$ (26)**	**$ (26)**	**$ 0**	**$ 0**	**$ 0**
Total gains (losses)		**$ (26)**	**$ (26)**	**$ 0**	**$ 0**	**$ 0**
Three Months Ended June 30, 2021:						
Foreign currency options	Fixed maturity securities	$ 49	$ (7)	$ 56	$ (55)	$ 1
Total gains (losses)		$ 49	$ (7)	$ 56	$ (55)	$ 1
Six Months Ended June 30, 2021:						
Foreign currency forwards	Fixed maturity securities	$ (4)	$ 0	$ (4)	$ 4	$ 0
Foreign currency options	Fixed maturity securities	(11)	(10)	(1)	4	3
Total gains (losses)		$ (15)	$ (10)	$ (5)	$ 8	$ 3

(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 three-month and six-month periods ended June 30, 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.

(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)	
	June 30, 2022	December 31, 2021	**June 30, 2022**	December 31, 2021
Fixed maturity securities	**$ 2,352**	$ 3,038	**$ 195**	$ 205

[(1)] *The balance includes hedging adjustment on discontinued hedging relationships of $195 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 8) 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 three- and six-month periods ended June 30, 2022 and 2021, respectively.

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 June 30, 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 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

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.

	Three Months Ended June 30,					
	2022			2021		
(In millions)	**Net Investment Income** [(1)]	**Net Investment Gains (Losses)**	**Other Comprehensive Income (Loss)**[(2)]	Net Investment Income [(1)]	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)[(2)]
Qualifying hedges:						
Cash flow hedges:						
Foreign currency swaps - VIE	**$ 0**	**$ (1)**	**$ 0**	$ 0	$ (1)	$ 1
Total cash flow hedges	**0**	**(1)** [(3)]	**0**	0	(1) [(3)]	1
Fair value hedges:						
Foreign currency options [(3)]		**(11)**			(6)	
Total fair value hedges	**0**	**(11)**	**0**	0	(6)	0
Net investment hedge:						
Non-derivative hedging instruments		**0**	**324**		0	8
Foreign currency forwards		**(25)**	**522**		31	6
Foreign currency options		**0**	**0**		(1)	0
Total net investment hedge		**(25)**	**846**		30	14
Non-qualifying strategies:						
Foreign currency swaps		**107**			12	
Foreign currency swaps - VIE		**(39)**			(108)	
Foreign currency forwards		**(473)**			(11)	
Foreign currency options		**(3)**			(15)	
Interest rate swaps		**(110)**			3	
Forward bond purchase commitment - VIE		**(3)**			0	
Total non- qualifying strategies		**(521)**			(119)	
Total	**$ 0**	**$ (558)**	**$ 846**	$ 0	$ (96)	$ 15

(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 $1 of losses reclassified from accumulated other comprehensive income (loss) into earnings during the three-month period ended June 30, 2022, and an immaterial amount during the three-month period ended June 30, 2021. In addition, an immaterial amount of losses were reclassified from accumulated other comprehensive income (loss) into earnings during the three-month periods ended June 30, 2022 and 2021, respectively, related to fair value hedges excluded component. Impact shown net of effect of hedged items (see Fair Value Hedges section of this Note 4 for further detail).*

	Six Months Ended June 30,					
	2022			2021		
(In millions)	**Net Investment Income[1]**	**Net Investment Gains (Losses)**	**Other Comprehensive Income (Loss)[2]**	Net Investment Income[1]	Net Investment Gains (Losses)	Other Comprehensive Income (Loss)[2]
Qualifying hedges:						
Cash flow hedges:						
Foreign currency swaps - VIE	**$ 0**	**$ (2)**	**$ 1**	$ 0	$ (2)	$ 1
Total cash flow hedges	**0**	**(2)[3]**	**1**	0	(2)[3]	1
Fair value hedges:						
Foreign currency options[3]		**(26)**			(7)	
Total fair value hedges	**0**	**(26)**	**0**	0	(7)	0
Net investment hedge:						
Non-derivative hedging instruments		**0**	**523**		0	196
Foreign currency forwards		**(101)**	**823**		49	341
Foreign currency options		**(1)**	**0**		(3)	0
Total net investment hedge		**(102)**	**1,346**		46	537
Non-qualifying strategies:						
Foreign currency swaps		**135**			99	
Foreign currency swaps - VIE		**(16)**			(79)	
Foreign currency forwards		**(714)**			(443)	
Foreign currency options		**(13)**			1	
Interest rate swaps		**(266)**			3	
Forward bond purchase commitment - VIE		**(20)**			(1)	
Total non-qualifying strategies		**(894)**			(420)	
Total	**$ 0**	**$ (1,024)**	**$ 1,347**	$ 0	$ (383)	$ 538

(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 $1 of losses reclassified from accumulated other comprehensive income (loss) into earnings during the six-month period ended June 30, 2022, and $2 of losses during the six-month period ended June 30, 2021. In addition, an immaterial amount of losses were reclassified from accumulated other comprehensive income (loss) into earnings during the six-month periods ended June 30, 2022 and 2021, respectively, related to fair value hedges excluded component. Impact shown net of effect of hedged items (see Fair Value Hedges section of this Note 4 for further detail).

As of June 30, 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 June 30, 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 $1.2 billion and $904 million as of June 30, 2022, and December 31, 2021, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2022, the Company estimates that it would be required to post a maximum of $270 million of additional collateral to these derivative counterparties. The Company is generally allowed to sell or repledge collateral obtained from its derivative counterparties, although it does not typically exercise such rights. (See the Offsetting tables below for collateral posted or received as of the reported balance sheet dates.)

Offsetting of Financial Instruments and Derivatives

Most of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Parent Company or its subsidiaries and the respective counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements with the master netting arrangements generally provide that the Company will receive or pledge financial collateral at the first dollar of exposure.

The Company has securities lending agreements with unaffiliated financial institutions that post collateral to the Company in return for the use of its fixed maturity and public equity securities (see Note 3). When the Company has entered into securities lending agreements with the same counterparty, the agreements generally provide for net settlement in the event of default by the counterparty. This right of set-off allows the Company to keep and apply collateral received if the counterparty failed to return the securities borrowed from the Company as contractually agreed.

The tables below summarize the Company's derivatives and securities lending transactions, and as reflected in the tables, in accordance with U.S. GAAP, the Company's policy is to not offset these financial instruments in the Consolidated Balance Sheets.

Offsetting of Financial Assets and Derivative Assets

(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet: Financial Instruments	Gross Amounts Not Offset in Balance Sheet: Securities Collateral	Gross Amounts Not Offset in Balance Sheet: Cash Collateral Received	Net Amount
	June 30, 2022						
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	**$ 1,493**	**$ 0**	**$ 1,493**	**$ (608)**	**$ (2)**	**$ (883)**	**$ 0**
Total derivative assets subject to a master netting agreement or offsetting arrangement	**1,493**	**0**	**1,493**	**(608)**	**(2)**	**(883)**	**0**
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	**65**		**65**				**65**
Total derivative assets not subject to a master netting agreement or offsetting arrangement	**65**		**65**				**65**
Total derivative assets	**1,558**	**0**	**1,558**	**(608)**	**(2)**	**(883)**	**65**
Securities lending and similar arrangements	**3,242**	**0**	**3,242**	**0**	**0**	**(3,242)**	**0**
Total	**$ 4,800**	**$ 0**	**$ 4,800**	**$ (608)**	**$ (2)**	**$ (4,125)**	**$ 65**

(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet: Financial Instruments	Securities Collateral	Cash Collateral Received	Net Amount
	December 31, 2021						
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

	June 30, 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	$ 1,331	$ 0	$ 1,331	$ (608)	$ (656)	$ (55)	$ 12
OTC - cleared	342	0	342	0	0	(178)	164
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	1,673	0	1,673	(608)	(656)	(233)	176
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	457		457				457
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	457		457				457
Total derivative liabilities	2,130	0	2,130	(608)	(656)	(233)	633
Securities lending and similar arrangements	3,261	0	3,261	(3,242)	0	0	19
Total	$ 5,391	$ 0	$ 5,391	$ (3,850)	$ (656)	$ (233)	$ 652

	December 31, 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 and Notes 1, 3 and 5 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

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.

	June 30, 2022			
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Securities available for sale, carried at fair value:				
Fixed maturity securities:				
Government and agencies	$ 24,960	$ 999	$ 0	$ 25,959
Municipalities	0	2,468	0	2,468
Mortgage- and asset-backed securities	0	1,641	311	1,952
Public utilities	0	7,420	537	7,957
Sovereign and supranational	0	877	36	913
Banks/financial institutions	0	9,534	91	9,625
Other corporate	0	29,925	632	30,557
Total fixed maturity securities	24,960	52,864	1,607	79,431
Equity securities	888	71	190	1,149
Other investments	1,695	0	0	1,695
Cash and cash equivalents	5,173	0	0	5,173
Other assets:				
Foreign currency swaps	0	221	0	221
Foreign currency forwards	0	1,330	0	1,330
Foreign currency options	0	7	0	7
Total other assets	0	1,558	0	1,558
Total assets	$ 32,716	$ 54,493	$ 1,797	$ 89,006
Liabilities:				
Other liabilities:				
Foreign currency swaps	$ 0	$ 457	$ 0	$ 457
Foreign currency forwards	0	1,331	0	1,331
Interest rate swaps	0	342	0	342
Total liabilities	$ 0	$ 2,130	$ 0	$ 2,130

(In millions)	December 31, 2021 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.

	June 30, 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	$ 17,740	$ 20,422	$ 184	$ 0	$ 20,606
Municipalities	280	0	346	0	346
Public utilities	37	0	43	0	43
Sovereign and supranational	432	0	514	0	514
Other corporate	18	0	23	0	23
Commercial mortgage and other loans	13,053	0	0	12,905	12,905
Other investments [(1)]	30	0	30	0	30
Total assets	$ 31,590	$ 20,422	$ 1,140	$ 12,905	$ 34,467
Liabilities:					
Other policyholders' funds	$ 5,984	$ 0	$ 0	$ 5,885	$ 5,885
Notes payable (excluding leases)	7,279	0	6,868	218	7,086
Total liabilities	$ 13,263	$ 0	$ 6,868	$ 6,103	$ 12,971

[(1)] *Excludes policy loans of $204 and equity method investments of $2,173, at carrying value*

	December 31, 2021				
(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	$ 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. Starting in June 2021, 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 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 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.

	June 30, 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	$ 24,960	$ 621	$ 0	$ 25,581
Internal	0	378	0	378
Total government and agencies	24,960	999	0	25,959
Municipalities:				
Third party pricing vendor	0	2,140	0	2,140
Internal	0	328	0	328
Total municipalities	0	2,468	0	2,468
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	1,636	0	1,636
Internal	0	3	0	3
Broker/other	0	2	311	313
Total mortgage- and asset-backed securities	0	1,641	311	1,952
Public utilities:				
Third party pricing vendor	0	4,022	0	4,022
Internal	0	3,398	0	3,398
Broker/other	0	0	537	537
Total public utilities	0	7,420	537	7,957
Sovereign and supranational:				
Third party pricing vendor	0	306	0	306
Internal	0	571	0	571
Broker/other	0	0	36	36
Total sovereign and supranational	0	877	36	913
Banks/financial institutions:				
Third party pricing vendor	0	4,975	0	4,975
Internal	0	4,559	16	4,575
Broker/other	0	0	75	75
Total banks/financial institutions	0	9,534	91	9,625
Other corporate:				
Third party pricing vendor	0	24,306	0	24,306
Internal	0	5,546	133	5,679
Broker/other	0	73	499	572
Total other corporate	0	29,925	632	30,557
Total securities available for sale	$ 24,960	$ 52,864	$ 1,607	$ 79,431
Equity securities, carried at fair value:				
Third party pricing vendor	$ 888	$ 71	$ 0	$ 959
Broker/other	0	0	190	190
Total equity securities	$ 888	$ 71	$ 190	$ 1,149

(In millions)	June 30, 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	$ 20,422	$ 184	$ 0	$ 20,606
Total government and agencies	20,422	184	0	20,606
Municipalities:				
Third party pricing vendor	0	346	0	346
Total municipalities	0	346	0	346
Public utilities:				
Third party pricing vendor	0	43	0	43
Total public utilities	0	43	0	43
Sovereign and supranational:				
Third party pricing vendor	0	248	0	248
Broker/other	0	266	0	266
Total sovereign and supranational	0	514	0	514
Other corporate:				
Third party pricing vendor	0	23	0	23
Total other corporate	0	23	0	23
Total securities held to maturity	$ 20,422	$ 1,110	$ 0	$ 21,532

(In millions)	December 31, 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 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)	December 31, 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. Derivative assets and liabilities are presented as a net value.

	Three Months Ended June 30, 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	$ 318	$ 585	$ 41	$ 60	$ 290	$ 166	$ 0	$ 1,460
Net investment gains (losses) included in earnings	0	1	0	0	0	(6)	0	(5)
Unrealized gains (losses) included in other comprehensive income (loss)	(54)	(44)	(5)	(2)	(37)	0	0	(142)
Purchases, issuances, sales and settlements:								
Purchases	90	19	0	33	122	33	0	297
Issuances	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Settlements	(36)	(24)	0	0	(1)	0	0	(61)
Transfers into Level 3	0	0	0	0	258	0	0	258
Transfers out of Level 3	(7)	0	0	0	0	(3)	0	(10)
Balance, end of period	$ 311	$ 537	$ 36	$ 91	$ 632	$ 190	$ 0	$ 1,797
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ 0	$ 0	$ 0	$ 0	$ 0	$ (6)	$ 0	$ (6)

(In millions)	Fixed Maturity Securities: Mortgage- and Asset-Backed Securities	Fixed Maturity Securities: Public Utilities	Fixed Maturity Securities: Sovereign and Supranational	Fixed Maturity Securities: Banks/ Financial Institutions	Fixed Maturity Securities: Other Corporate	Equity Securities	Derivatives: Foreign Currency Swaps	Total
Three Months Ended June 30, 2021								
Balance, beginning of period	$ 204	$ 479	$ 68	$ 28	$ 319	$ 122	$ (80)	$ 1,140
Net investment gains (losses) included in earnings	0	0	0	0	0	13	(120)	(107)
Unrealized gains (losses) included in other comprehensive income (loss)	0	8	0	0	14	0	0	22
Purchases, issuances, sales and settlements:								
Purchases	54	0	0	10	0	6	0	70
Issuances	0	0	0	0	0	17	0	17
Sales	0	0	(23)	0	0	0	0	(23)
Settlements	0	(7)	0	0	(17)	0	0	(24)
Transfers into Level 3	0	0	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0	0	0
Balance, end of period	$ 258	$ 480	$ 45	$ 38	$ 316	$ 158	$ (200)	$ 1,095
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (120)	$ (120)

(In millions)	Fixed Maturity Securities: Mortgage- and Asset-Backed Securities	Fixed Maturity Securities: Public Utilities	Fixed Maturity Securities: Sovereign and Supranational	Fixed Maturity Securities: Banks/ Financial Institutions	Fixed Maturity Securities: Other Corporate	Equity Securities	Derivatives: Foreign Currency Swaps	Total
Six Months Ended June 30, 2022								
Balance, beginning of period	$ 291	$ 493	$ 43	$ 45	$ 426	$ 173	$ 0	$ 1,471
Net investment gains (losses) included in earnings	0	1	0	0	0	1	0	2
Unrealized gains (losses) included in other comprehensive income (loss)	(69)	(81)	(7)	(2)	(55)	0	0	(214)
Purchases, issuances, sales and settlements:								
Purchases	166	28	0	33	122	43	0	392
Issuances	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Settlements	(38)	(32)	0	(3)	(2)	(7)	0	(82)
Transfers into Level 3	0	128	0	18	282	0	0	428
Transfers out of Level 3	(39)	0	0	0	(141)	(20)	0	(200)
Balance, end of period	$ 311	$ 537	$ 36	$ 91	$ 632	$ 190	$ 0	$ 1,797
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ 0	$ 1	$ 0	$ 0	$ 0	$ (2)	$ 0	$ (1)

Six Months Ended June 30, 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	0	22	(101)	(79)
Unrealized gains (losses) included in other comprehensive income (loss)	(15)	(10)	(3)	(1)	2	0	(1)	(28)
Purchases, issuances, sales and settlements:								
Purchases	64	78	0	15	0	17	0	174
Issuances	0	0	0	0	0	17	0	17
Sales	0	0	(23)	0	0	0	0	(23)
Settlements	0	(10)	0	0	(17)	0	0	(27)
Transfers into Level 3	0	0	23	0	32	0	0	55
Transfers out of Level 3	(15)	0	0	0	0	0	0	(15)
Balance, end of period	$ 258	$ 480	$ 45	$ 38	$ 316	$ 158	$ (200)	$ 1,095
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in earnings	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (101)	$ (101)

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. Included in the tables are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.

June 30, 2022					
(In millions)	**Fair Value**	**Valuation Technique(s)**	**Unobservable Input**	**Range (Weighted Average)**	
Assets:					
Securities available for sale, carried at fair value:					
Fixed maturity securities:					
Mortgage- and asset-backed securities	**$ 311**	Consensus pricing	Offered quotes	N/A	*(a)*
Public utilities	**537**	Discounted cash flow	Credit spreads	N/A	*(a)*
Sovereign and supranational	**36**	Discounted cash flow	Historical volatility	N/A	*(a)*
Banks/financial institutions	**91**	Consensus pricing	Offered quotes	N/A	*(a)*
Other corporate	**632**	Discounted cash flow	Credit spreads	N/A	*(a)*
Equity securities	**190**	Net asset value	Offered quotes	N/A	*(a)*
Total assets	**$ 1,797**				

(a) N/A represents securities where the Company receives unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques or unobservable inputs.

December 31, 2021					
(In millions)	**Fair Value**	**Valuation Technique(s)**	**Unobservable Input**	**Range (Weighted Average)**	
Assets:					
Securities available for sale, carried at fair value:					
Fixed maturity securities:					
Mortgage- and asset-backed securities	$ 291	Consensus pricing	Offered quotes	N/A	(a)
Public utilities	493	Discounted cash flow	Credit spreads	N/A	(a)
Sovereign and supranational	43	Discounted cash flow	Historical volatility	N/A	(a)
Banks/financial institutions	45	Consensus pricing	Offered quotes	N/A	(a)
Other corporate	426	Discounted cash flow	Credit spreads	N/A	(a)
Equity securities	173	Net asset value	Offered quotes	N/A	(a)
Total assets	$ 1,471				

(a) N/A represents securities where the Company receives unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques or unobservable inputs.

The following is a discussion of the significant unobservable inputs or valuation techniques used in determining the fair value of securities and derivatives classified as Level 3.

Net Asset Value

The Company holds certain unlisted equity securities whose fair value is derived based on the financial statements published by the investee. These securities do not trade on an active market and the valuations derived are dependent on the availability of timely financial reporting of the investee. Net asset value is an unobservable input in the determination of fair value of equity securities.

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 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.

Interest Rates and CDS Spreads

The significant drivers of the valuation of the foreign exchange swaps are interest rates and CDS spreads. Some of the Company's swaps have long maturities that increase the sensitivity of the swaps to interest rate fluctuations. For the Company's foreign exchange or cross currency swaps that are in a net asset position, an increase in yen interest rates (all other factors held constant) will decrease the present value of the yen final settlement receivable (receive leg), thus decreasing the value of the swap as long as the derivative remains in a net asset position.

Foreign exchange swaps also have a lump-sum final settlement of foreign exchange principal amounts at the termination of the swap. Assuming all other factors are held constant, an increase in yen interest rates will decrease the receive leg and decrease the net value of the swap. Likewise, holding all other factors constant, an increase in U.S. dollar interest rates will increase the swap's net value due to the decrease in the present value of the dollar final settlement payable (pay leg).

The extinguisher feature in most of the Company's VIE swaps results in a cessation of cash flows and no further payments between the parties to the swap in the event of a default on the referenced or underlying collateral. To price this feature, the Company applies the survival probability of the referenced entity to the projected cash flows. The survival probability uses the CDS spreads and recovery rates to adjust the present value of the cash flows. For extinguisher swaps with positive values, an increase in CDS spreads decreases the likelihood of receiving the final exchange payments and reduces the value of the swap.

Effective October 1, 2021, the foreign exchange swaps mentioned above were transferred from Level 3 to Level 2 because the significant inputs used for their valuation that were previously unobservable are now observable.

For additional information on the Company's investments and financial instruments, see the accompanying Notes 1, 3 and 4 and Notes 1, 3 and 4 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

6. POLICY LIABILITIES

Changes in the liability for unpaid policy claims were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Unpaid supplemental health claims, beginning of period	**$ 4,009**	$ 4,192	**$ 4,067**	$ 4,389
Less reinsurance recoverables	**40**	37	**37**	39
Net balance, beginning of period	**3,969**	4,155	**4,030**	4,350
Add claims incurred during the period related to:				
Current year	**1,583**	1,710	**3,322**	3,570
Prior years	**(155)**	(198)	**(365)**	(518)
Total incurred	**1,428**	1,512	**2,957**	3,052
Less claims paid during the period on claims incurred during:				
Current year	**1,042**	1,139	**1,532**	1,657
Prior years	**398**	407	**1,363**	1,461
Total paid	**1,440**	1,546	**2,895**	3,118
Effect of foreign exchange rate changes on unpaid claims	**(216)**	4	**(351)**	(159)
Net balance, end of period	**3,741**	4,125	**3,741**	4,125
Add reinsurance recoverables	**38**	37	**38**	37
Unpaid supplemental health claims, end of period	**3,779**	4,162	**3,779**	4,162
Unpaid life claims, end of period	**674**	759	**674**	759
Total liability for unpaid policy claims	**$ 4,453**	$ 4,921	**$ 4,453**	$ 4,921

The incurred claims development related to prior years reflects favorable claims experience compared to previous estimates. The favorable claims development of $365 million for the six-month period ended June 30, 2022 comprises approximately $220 million from Japan and $145 million from the U.S., representing approximately 60% and 40% of the total, respectively. Excluding the impact of foreign exchange of a loss of approximately $41 million from December 31, 2021 to June 30, 2022, the favorable claims development in Japan would have been approximately $261 million, representing approximately 72% of the total.

The Company has experienced continued favorable claim trends in 2022 for its core health products in Japan. During the first six months of 2022, 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 the first six months of 2022, there has been an increase in medical hospitalization claims related to COVID-19, mainly due to at-home sickness benefits being utilized in Japan.

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 the first six months of 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 to COVID-19 incurred estimates also contributed to the favorable development. The U.S. portion of the favorable claims development in the first six months of 2022 includes $54 million related to refinements in the estimates for COVID-19 and non-COVID-19 claims as experience emerges.

7. REINSURANCE

The Company periodically enters into fixed quota-share coinsurance agreements with other companies 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 $697 million and $859 million as of June 30, 2022 and December 31, 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 $792 million and $937 million as of June 30, 2022 and December 31, 2021, respectively. The spot yen/dollar exchange rate weakened by approximately 15.9% and ceded reserves decreased approximately 15.5% from December 31, 2021 to June 30, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Direct earned premiums	**$ 3,877**	$ 4,490	**$ 8,091**	$ 9,141
Ceded to other companies:				
Ceded Aflac Japan closed blocks	**(87)**	(109)	**(185)**	(223)
Other	**(17)**	(15)	**(36)**	(34)
Assumed from other companies:				
Retrocession activities	**36**	45	**77**	93
Other	**40**	30	**81**	57
Net earned premiums	**$ 3,849**	$ 4,441	**$ 8,028**	$ 9,034
Direct benefits and claims	**$ 2,319**	$ 2,687	**$ 4,824**	$ 5,463
Ceded benefits and change in reserves for future benefits:				
Ceded Aflac Japan closed blocks	**(82)**	(94)	**(173)**	(193)
Eliminations	**6**	8	**12**	16
Other	**(14)**	(9)	**(18)**	(17)
Assumed from other companies:				
Retrocession activities	**35**	42	**73**	84
Eliminations	**(6)**	(8)	**(12)**	(16)
Other	**40**	27	**79**	50
Benefits and claims, net	**$ 2,298**	$ 2,653	**$ 4,785**	$ 5,387

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 June 30, 2022. This reinsurance facility agreement was renewed in 2021 and is effective until December 31, 2022. 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 June 30, 2022, the Company has not executed a reinsurance treaty under this committed reinsurance facility.

8. NOTES PAYABLE AND LEASE OBLIGATIONS

A summary of notes payable and lease obligations follows:

(In millions)	June 30, 2022	December 31, 2021
3.625% senior notes due November 2024	**$ 748**	$ 748
3.25% senior notes due March 2025	**448**	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	**255**	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)	**91**	107
.932% senior notes due January 2027 (principal amount ¥60.0 billion)	**437**	520
.500% senior notes due December 2029 (principal amount ¥12.6 billion)	**92**	109
.550% senior notes due March 2030 (principal amount ¥13.3 billion)	**97**	115
1.159% senior notes due October 2030 (principal amount ¥29.3 billion)	**213**	254
.633% senior notes due April 2031 (principal amount ¥30.0 billion)	**219**	259
.843% senior notes due December 2031 (principal amount ¥9.3 billion)	**68**	81
.750% senior notes due March 2032 (principal amount ¥20.7 billion)	**150**	179
.844% senior notes due April 2033 (principal amount ¥12.0 billion)	**87**	104
1.488% senior notes due October 2033 (principal amount ¥15.2 billion)	**110**	131
.934% senior notes due December 2034 (principal amount ¥9.8 billion)	**71**	85
.830% senior notes due March 2035 (principal amount ¥10.6 billion)	**77**	91
1.039% senior notes due April 2036 (principal amount ¥10.0 billion)	**73**	86
1.750% senior notes due October 2038 (principal amount ¥8.9 billion)	**65**	77
1.122% senior notes due December 2039 (principal amount ¥6.3 billion)	**46**	54
1.264% senior notes due April 2041 (principal amount ¥10.0 billion)	**72**	86
2.108% subordinated debentures due October 2047 (principal amount ¥60.0 billion)	**435**	517
.963% subordinated bonds due April 2049 (principal amount ¥30.0 billion)	**219**	260
1.560% senior notes due April 2051 (principal amount ¥20.0 billion)	**145**	172
Yen-denominated loans:		
Variable interest rate loan due September 2026 (.42% in 2022 and .41% in 2021, principal amount ¥5.0 billion)	**36**	43
Variable interest rate loan due September 2029 (.57% in 2022 and .56% in 2021, principal amount ¥25.0 billion)	**182**	216
Finance lease obligations payable through 2028	**9**	12
Operating lease obligations payable through 2049	**128**	105
Total notes payable and lease obligations	**$ 7,416**	$ 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.

A summary of the Company's lines of credit as of June 30, 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 30, 2022	$100 million	$0 million	The rate quoted by the bank and agreed upon at the time of borrowing	Up to 3 months	None	General corporate purposes
Aflac Incorporated	unsecured revolving	5 years	May 9, 2027, or the date commitments are terminated pursuant to an event of default	¥100.0 billion	¥0.0 billion	A rate per annum equal to (a) Tokyo interbank market rate (TIBOR) plus, the alternative applicable TIBOR margin during the availability period from the closing date to the commitment termination date or (b) the TIBOR rate offered by the agent to major banks in yen for the applicable period plus, the applicable alternative TIBOR margin during the term out period	No later than May 10, 2027	.28% to .45%, depending on the Parent Company's debt ratings as of the date of determination	General corporate purposes, including a capital contingency plan for the operations of the Parent Company
Aflac Incorporated and Aflac	unsecured revolving	5 years	November 18, 2024, 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) USD London Interbank Offered Rate (LIBOR) 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 Mizuho Bank, Ltd. as its prime rate, or (3) the eurocurrency rate for an interest period of one month plus 1.00%, in each case plus an applicable margin	No later than November 18, 2024	.085% to .225%, 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 U.S. dollar 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 Secured Overnight Financing Rate (SOFR) under certain circumstances	Up to 3 months	None	General corporate purposes
Aflac[(1)]	uncommitted revolving	364 days	November 30, 2022	$250 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	3 months	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 1)	uncommitted revolving	364 days	November 25, 2022	¥50.0 billion	¥0.0 billion	Three-month TIBOR plus 70 basis points per annum	3 months	None	General corporate purposes
Aflac Incorporated[(1)] (Tranche 2)	uncommitted revolving	364 days	November 25, 2022	¥50.0 billion	¥0.0 billion	Three-month TIBOR plus 70 basis points per annum	3 months	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	¥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	¥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 18, 2022[(2)]	$30 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	No later than July 18, 2022	None	General corporate purposes

[(1)] *Intercompany credit agreement*
[(2)] *Renewed in July 2022 with an expiration date of July 17, 2023*

The Company was in compliance with all of the covenants of its notes payable and lines of credit at June 30, 2022. No events of default or defaults occurred during the six-month period ended June 30, 2022.

For additional information, see Notes 4 and 9 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

9. SHAREHOLDERS' EQUITY

The following table is a reconciliation of the number of shares of the Company's common stock for the six-month periods ended June 30.

(In thousands of shares)	**2022**	2021
Common stock - issued:		
Balance, beginning of period	**1,352,739**	1,351,018
Exercise of stock options and issuance of restricted shares	**1,132**	1,374
Balance, end of period	**1,353,871**	1,352,392
Treasury stock:		
Balance, beginning of period	**700,607**	658,564
Purchases of treasury stock:		
Share repurchase program	**19,192**	22,614
Other	**351**	381
Dispositions of treasury stock:		
Shares issued to AFL Stock Plan	**(528)**	(717)
Exercise of stock options	**(62)**	(223)
Other	**(215)**	(217)
Balance, end of period	**719,345**	680,402
Shares outstanding, end of period	**634,526**	671,990

Outstanding share-based awards are excluded from the calculation of weighted-average shares used in the computation of basic earnings per share (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 for the following periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2022**	2021	**2022**	2021
Anti-dilutive share-based awards	**171**	0	**210**	1

Share Repurchase Program

During the first six months of 2022, the Company repurchased 19.2 million shares of its common stock for $1.2 billion as part of its share repurchase program. During the first six months of 2021, the Company repurchased 22.6 million shares of its common stock for $1.2 billion as part of its share repurchase program. As of June 30, 2022, a remaining balance of 36.6 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors.

Reclassifications from Accumulated Other Comprehensive Income

The tables below are reconciliations of accumulated other comprehensive income by component for the following periods.

Changes in Accumulated Other Comprehensive Income

(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Fixed Maturity Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
	Three Months Ended June 30, 2022				
Balance at March 31, 2022	**$ (2,482)**	**$ 5,787**	**$ (29)**	**$ (163)**	**$ 3,113**
Other comprehensive income (loss) before reclassification	**(807)**	**(2,767)**	**(1)**	**(1)**	**(3,576)**
Amounts reclassified from accumulated other comprehensive income (loss)	**0**	**(90)**	**1**	**4**	**(85)**
Net current-period other comprehensive income (loss)	**(807)**	**(2,857)**	**0**	**3**	**(3,661)**
Balance at June 30, 2022	**$ (3,289)**	**$ 2,930**	**$ (29)**	**$ (160)**	**$ (548)**

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
	Three Months Ended June 30, 2021				
Balance at March 31, 2021	$ (1,674)	$ 8,794	$ (33)	$ (280)	$ 6,807
Other comprehensive income (loss) before reclassification	13	1,202	(1)	(6)	1,208
Amounts reclassified from accumulated other comprehensive income (loss)	0	(4)	1	7	4
Net current-period other comprehensive income (loss)	13	1,198	0	1	1,212
Balance at June 30, 2021	$ (1,661)	$ 9,992	$ (33)	$ (279)	$ 8,019

All amounts in the table above are net of tax.

	Six Months Ended June 30, 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	**(1,276)**	**(6,520)**	**0**	**(3)**	**(7,799)**
Amounts reclassified from accumulated other comprehensive income (loss)	**0**	**(152)**	**1**	**9**	**(142)**
Net current-period other comprehensive income (loss)	**(1,276)**	**(6,672)**	**1**	**6**	**(7,941)**
Balance at June 30, 2022	**$ (3,289)**	**$ 2,930**	**$ (29)**	**$ (160)**	**$ (548)**

All amounts in the table above are net of tax.

	Six Months Ended June 30, 2021				
(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, 2020	$ (1,109)	$ 10,361	$ (34)	$ (284)	$ 8,934
Other comprehensive income (loss) before reclassification	(552)	(381)	(1)	(10)	(944)
Amounts reclassified from accumulated other comprehensive income (loss)	0	12	2	15	29
Net current-period other comprehensive income (loss)	(552)	(369)	1	5	(915)
Balance at June 30, 2021	$ (1,661)	$ 9,992	$ (33)	$ (279)	$ 8,019

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 following periods.

Reclassifications Out of Accumulated Other Comprehensive Income

(In millions)	Three Months Ended June 30, 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	**$**	**114**	Net investment gains (losses)
		(24)	Tax (expense) or benefit[1]
	$	**90**	Net of tax
Unrealized gains (losses) on derivatives	**$**	**(1)**	Net investment gains (losses)
		0	Tax (expense) or benefit[1]
	$	**(1)**	Net of tax
Amortization of defined benefit pension items:			
Actuarial gains (losses)	**$**	**(5)**	Acquisition and operating expenses[2]
Prior service (cost) credit		**0**	Acquisition and operating expenses[2]
		1	Tax (expense) or benefit[1]
	$	**(4)**	Net of tax
Total reclassifications for the period	**$**	**85**	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 11 for additional details).

(In millions)	Three Months Ended June 30, 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	$	5	Net investment gains (losses)
		(1)	Tax (expense) or benefit[1]
	$	4	Net of tax
Unrealized gains (losses) on derivatives	$	(1)	Net investment gains (losses)
		0	Tax (expense) or benefit[1]
	$	(1)	Net of tax
Amortization of defined benefit pension items:			
Actuarial gains (losses)	$	(9)	Acquisition and operating expenses[2]
Prior service (cost) credit		0	Acquisition and operating expenses[2]
		2	Tax (expense) or benefit[1]
	$	(7)	Net of tax
Total reclassifications for the period	$	(4)	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 11 for additional details).

(In millions)	Six Months Ended June 30, 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	**$ 192**	Net investment gains (losses)
	(40)	Tax (expense) or benefit[1]
	$ 152	Net of tax
Unrealized gains (losses) on derivatives	**$ (1)**	Net investment gains (losses)
	0	Tax (expense) or benefit[1]
	$ (1)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	**$ (11)**	Acquisition and operating expenses[2]
Prior service (cost) credit	**0**	Acquisition and operating expenses[2]
	2	Tax (expense) or benefit[1]
	$ (9)	Net of tax
Total reclassifications for the period	**$ 142**	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 11 for additional details).*

(In millions)	Six Months Ended June 30, 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	$ (15)	Net investment gains (losses)
	3	Tax (expense) or benefit[1]
	$ (12)	Net of tax
Unrealized gains (losses) on derivatives	$ (2)	Net investment gains (losses)
	0	Tax (expense) or benefit[1]
	$ (2)	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$ (19)	Acquisition and operating expenses[2]
Prior service (cost) credit	0	Acquisition and operating expenses[2]
	4	Tax (expense) or benefit[1]
	$ (15)	Net of tax
Total reclassifications for the period	$ (29)	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 11 for additional details).*

10. SHARE-BASED COMPENSATION

As of June 30, 2022, the Company has outstanding share-based awards under the Aflac Incorporated Long-Term Incentive Plan (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, as amended on February 14, 2017, 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 June 30, 2022, approximately 35.7 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 June 30, 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.

The following table provides information on stock options outstanding and exercisable at June 30, 2022.

	Stock Option Shares (in thousands)	Weighted-Average Remaining Term (in years)	Aggregate Intrinsic Value (in millions)	Weighted-Average Exercise Price Per Share
Outstanding	1,792	3.1	$ 43	$ 31.61
Exercisable	1,792	3.1	43	31.61

The Company received cash from the exercise of stock options in the amount of $9 million during the first six months of 2022, compared with $18 million in the first six months of 2021. The tax benefit realized as a result of stock option exercises and restricted stock releases was $17 million in the first six months of 2022, compared with $15 million in the first six months of 2021.

As of June 30, 2022, total compensation cost not yet recognized in the Company's consolidated financial statements related to restricted stock awards and units was $62 million, of which $34 million (1.8 million shares) was related to restricted stock awards and units 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.

The following table summarizes restricted stock activity during the six-month period ended June 30, 2022.

(In thousands of shares)	**Shares**	**Weighted-Average Grant-Date Fair Value Per Share**
Restricted stock at December 31, 2021	2,557	$ 49.38
Granted in 2022	1,045	67.07
Canceled in 2022	(48)	53.77
Vested in 2022	(1,117)	49.66
Restricted stock at June 30, 2022	2,437	$ 56.00

In February 2022, the Company granted 390 thousand performance-based stock awards and units, which are contingent on the achievement of the Company's financial performance metrics and its market-based conditions. On the date of grant, the Company estimated the fair value of restricted stock awards and units 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 the 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.

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.

For additional information on the Company's long-term share-based compensation plans and the types of share-based awards, see Note 12 of the Notes to the Consolidated Financial Statements included in the 2021 Annual Report.

11. BENEFIT 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.

Pension and other postretirement benefit expenses are included in acquisition and operating expenses in the consolidated statements of earnings, which includes other components of net periodic pension cost and postretirement costs (other than service costs) of $2 million and $7 million for the three-month periods and $6 million and $14 million for the six-month periods ended June 30, 2022 and 2021, respectively. Total net periodic benefit cost includes the following components:

	Three Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	Japan		U.S.			
(In millions)	**2022**	2021	**2022**	2021	**2022**	2021
Components of net periodic benefit cost:						
Service cost	**$ 5**	$ 6	**$ 7**	$ 7	**$ 0**	$ 0
Interest cost	**1**	1	**8**	8	**0**	1
Expected return on plan assets	**(2)**	(2)	**(10)**	(10)	**0**	0
Amortization of net actuarial loss	**0**	0	**5**	8	**0**	1
Net periodic (benefit) cost	**$ 4**	$ 5	**$ 10**	$ 13	**$ 0**	$ 2

	Six Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	Japan		U.S.			
(In millions)	**2022**	2021	**2022**	2021	**2022**	2021
Components of net periodic benefit cost:						
Service cost	**$ 10**	$ 12	**$ 13**	$ 14	**$ 0**	$ 0
Interest cost	**3**	2	**17**	16	**0**	1
Expected return on plan assets	**(4)**	(4)	**(21)**	(20)	**0**	0
Amortization of net actuarial loss	**0**	1	**10**	16	**1**	2
Net periodic (benefit) cost	**$ 9**	$ 11	**$ 19**	$ 26	**$ 1**	$ 3

During the six months ended June 30, 2022, Aflac Japan contributed approximately $17 million (using the weighted-average yen/dollar exchange rate for the six-month period ended June 30, 2022) to the Japanese funded defined benefit plan, and Aflac U.S. did not make a contribution to the U.S. funded defined benefit plan.

For additional information regarding the Company's Japanese and U.S. benefit plans, see Note 14 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Effective April 1, 2022, the Company renewed an outsourcing agreement with an information technology and data services company to provide application maintenance and development services for Aflac Japan. As of June 30, 2022, the agreement has a remaining term of four years and an aggregate remaining cost of ¥7.3 billion ($54 million using the June 30, 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 June 30, 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 six-month periods ended June 30, 2022 and 2021 were immaterial.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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 (the Parent Company) and its subsidiaries (collectively with the Parent Company, 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 judgments applied to investment valuations
- significant valuation judgments in determination of expected credit losses recorded on the Company's investments
- decreases in the Company's financial strength or debt ratings
- decline in creditworthiness of other financial institutions
- concentration of the Company's investments in any particular single-issuer or sector
- the effects of COVID-19 and its variants (both known and emerging), and any resulting economic effects and government interventions, on the Company's business and financial results
- the Company's ability to attract and retain qualified sales associates, brokers, employees, and distribution partners
- deviations in actual experience from pricing and reserving assumptions
- ability to continue to develop and implement improvements in information technology systems
- interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems
- subsidiaries' ability to pay dividends to the Parent Company
- inherent limitations to risk management policies and procedures
- 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

MD&A OVERVIEW

MD&A is intended to inform the reader about matters affecting the financial condition and results of operations of Aflac Incorporated and its subsidiaries for the six-month periods ended June 30, 2022 and 2021, respectively. Results of operations for interim periods are not necessarily indicative of results for the entire year. As a result, the following discussion should be read in conjunction with the consolidated financial statements and notes that are included in the Company's annual report on Form 10-K for the year ended December 31, 2021 (2021 Annual Report). In this MD&A, amounts may not foot due to rounding.

This MD&A is divided into the following sections:

EXECUTIVE SUMMARY

Company Overview

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

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 of the pandemic. For example, economic conditions have acted as headwinds to sales in the first six months of 2022, particularly in Japan and most notably in the first quarter with a gradually decreasing impact in the second quarter, pressuring premium growth rates. Further, in the U.S., supply shortages, upward pressure on wages to attract employees and higher commodity prices have all driven near-term increases in inflation. Central bank and government efforts to control inflation, as well the impacts of the Russia-Ukraine conflict, including volatility in energy prices and additional disruptions in the global supply chain, could lead to slower economic growth in Japan and the U.S. Additionally, 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.

In the three- and six-month periods ended June 30, 2022, sales for Aflac Japan, in yen terms, decreased 6.4% and 10.7%, respectively, compared to the same periods in 2021, reflecting the January 2021 launch of a new medical product and continued weakness in sales recovery, in part constrained by pandemic conditions. In the three- and six-month periods ended June 30, 2022, sales for Aflac U.S. increased 15.6% and 17.2%, respectively, compared to the same periods in 2021, reflecting continued investment in growth initiatives as well as productivity gains.

Performance Highlights

Total revenues were $5.4 billion in the second quarter of 2022, compared with $5.6 billion in the second quarter of 2021. Net earnings were $1.4 billion, or $2.16 per diluted share in the second quarter of 2022, compared with $1.1 billion, or $1.62 per diluted share, in the second quarter of 2021.

Total revenues were $10.7 billion in the first six months of 2022, compared with $11.4 billion in the first six months of 2021. Net earnings were $2.4 billion, or $3.73 per diluted share in the first six months of 2022, compared with $2.4 billion, or $3.49 per diluted share, in the first six months of 2021.

Results in the second quarter of 2022 included pretax net investment gains of $564 million, compared with pretax net investment gains of $89 million in the second quarter of 2021. Net investment gains in the second quarter of 2022 included an increase in credit loss allowances of $34 million; $618 million of net gains from certain derivative and foreign currency gains or losses; $135 million of net losses on equity securities; and $115 million of net gains from sales and redemptions.

Results in the first six months of 2022 included pretax net investment gains of $686 million, compared with pretax net investment gains of $396 million in the first six months of 2021. Net investment gains in the first six months of 2022 included an increase in credit loss allowances of $9 million; $785 million of net gains from certain derivative and foreign currency gains or losses; $291 million of net losses on equity securities; and $201 million of net gains from sales and redemptions.

The average yen/dollar exchange rate[(1)] for the three-month period ended June 30, 2022 was 129.39, or 15.4% weaker than the average yen/dollar exchange rate[(1)] of 109.48 for the same period in 2021. The average yen/dollar exchange rate[(1)] for the six-month period ended June 30, 2022 was 122.79, or 12.2% weaker than the average yen/dollar exchange rate[(1)] of 107.79 for the same period in 2021.

Adjusted earnings[(2)] in the second quarter of 2022 were $939 million, or $1.46 per diluted share, compared with $1.1 billion, or $1.59 per diluted share, in the second quarter of 2021. The weaker yen/dollar exchange rate impacted adjusted earnings per diluted share by $.09. Adjusted earnings[(2)] in the first six months of 2022 were $1.9 billion, or $2.88 per diluted share, compared with $2.1 billion, or $3.11 per diluted share, in the first six months of 2021. The weaker yen/dollar exchange rate impacted adjusted earnings per diluted share by $.15.

Total investments and cash at June 30, 2022 were $121.4 billion, compared with $143.0 billion at December 31, 2021. In the first six months of 2022, Aflac Incorporated repurchased $1.2 billion, or 19.2 million of its common shares. At June 30, 2022, the Company had 36.6 million remaining shares authorized for repurchase.

Shareholders' equity was $26.4 billion, or $41.59 per share, at June 30, 2022, compared with $33.3 billion, or $50.99 per share, at December 31, 2021. Shareholders' equity at June 30, 2022 included a net unrealized gain on investment securities and derivatives of $2.9 billion, compared with a net unrealized gain of $9.6 billion at December 31, 2021. Shareholders' equity at June 30, 2022 also included an unrealized foreign currency translation loss of $3.3 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 the second quarter of 2022 was 19.9%.

Shareholders' equity excluding accumulated other comprehensive income (AOCI)[(2)] (adjusted book value) was $26.9 billion, or $42.45 per share at June 30, 2022, compared with $25.9 billion, or $39.65 per share, at December 31, 2021. The annualized adjusted return on equity (ROE) excluding foreign currency impact[(2)] in the second quarter of 2022 was 14.9%.

[(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.

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.

Reconciliation of Net Earnings to Adjusted Earnings

	In Millions		Per Diluted Share		In Millions		Per Diluted Share	
	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net earnings	**$ 1,388**	$ 1,105	**$ 2.16**	$ 1.62	**$ 2,420**	$ 2,398	**$ 3.73**	$ 3.49
Items impacting net earnings:								
Adjusted net investment (gains) losses [1]	**(567)**	(85)	**(.88)**	(.12)	**(701)**	(388)	**(1.08)**	(.57)
Other and non-recurring (income) loss	**0**	53	**.00**	.08	**0**	59	**.00**	.09
Income tax (benefit) expense on items excluded from adjusted earnings	**119**	7	**.19**	.01	**147**	69	**.23**	.10
Adjusted earnings	**939**	1,080	**1.46**	1.59	**1,866**	2,138	**2.88**	3.11
Current period foreign currency impact [2]	**57**	N/A	**.09**	N/A	**94**	N/A	**.15**	N/A
Adjusted earnings excluding current period foreign currency impact	**$ 996**	$ 1,080	**$ 1.55**	$ 1.59	**$ 1,960**	$ 2,138	**$ 3.02**	$ 3.11

[1] *See reconciliation of net investment (gains) losses to adjusted net investment (gains) losses below.*
[2] *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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net investment (gains) losses	**$ (564)**	$ (89)	**$ (686)**	$ (396)
Items impacting net investment (gains) losses:				
Amortized hedge costs	**(30)**	(17)	**(55)**	(36)
Amortized hedge income	**14**	16	**25**	33
Net interest cash flows from derivatives associated with certain investment strategies	**(1)**	(9)	**(10)**	(17)
Interest rate component of the change in fair value of foreign currency swaps on notes payable	**12**	14	**25**	27
Adjusted net investment (gains) losses	**$ (567)**	$ (85)	**$ (701)**	$ (388)

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 include 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 $5 million and $12 million for the three- and six-month periods ended June 30, 2021, respectively.

Income Taxes

The Company's combined U.S. and Japanese effective income tax rate on pretax earnings was 18.4% for the three-month period ended June 30, 2022, compared with 19.5% for the same period in 2021. The Company's combined U.S. and Japanese effective income tax rate on pretax earnings was 18.7% for the six-month period ended June 30, 2022, compared with 19.4% for the same period in 2021. The combined effective tax rate differs from the U.S. statutory rate primarily due to solar, historic and foreign tax credits. For additional information, see the Critical Accounting Estimates - Income Taxes section of Item 7. MD&A in the 2021 Annual Report.

The Company expects that its 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 Item 1A. Risk Factors of the 2021 Annual Report 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 Item 1. Business in the 2021 Annual Report 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 II. Other Information. 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.

Aflac Japan Summary of Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net earned premiums	**$ 2,419**	$ 2,987	**$ 5,143**	$ 6,111
Net investment income: [1]				
Yen-denominated investment income	**264**	315	**563**	643
U.S. dollar-denominated investment income	**489**	493	**895**	890
Net investment income	**752**	808	**1,458**	1,533
Amortized hedge costs related to certain foreign currency exposure management strategies	**30**	17	**55**	36
Adjusted net investment income	**723**	792	**1,402**	1,497
Other income (loss)	**9**	10	**18**	22
Total adjusted revenues	**3,151**	3,789	**6,563**	7,630
Benefits and claims, net	**1,630**	1,998	**3,457**	4,134
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**137**	169	**291**	341
Insurance commissions	**142**	179	**302**	366
Insurance and other expenses	**381**	438	**791**	898
Total adjusted expenses	**660**	786	**1,384**	1,605
Total benefits and adjusted expenses	**2,290**	2,785	**4,841**	5,739
Pretax adjusted earnings	**$ 860**	$ 1,004	**$ 1,722**	$ 1,891
Weighted-average yen/dollar exchange rate	**129.39**	109.48	**122.79**	107.79

	In Dollars				In Yen			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
Percentage change over previous period:	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net earned premiums	**(19.0)%**	(5.4)%	**(15.8)%**	(3.1)%	**(4.2)%**	(3.8)%	**(4.3)%**	(3.7)%
Adjusted net investment income	**(8.7)**	25.1	**(6.3)**	17.3	**8.4**	27.4	**7.3**	17.0
Total adjusted revenues	**(16.8)**	(.4)	**(14.0)**	.3	**(1.6)**	1.4	**(2.0)**	(.2)
Pretax adjusted earnings	**(14.3)**	19.7	**(8.9)**	11.6	**1.6**	22.0	**4.0**	11.3

[1] *Net interest cash flows from derivatives associated with certain investment strategies of $(2) and $(9) for the three-month periods and $(12) and $(17) for the six-month periods ended June 30, 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 the three- and six-month periods ended June 30, 2022, Aflac Japan's net earned premiums decreased, in yen terms, mainly due to limited-pay products reaching premium paid-up status and constrained sales from the impact of pandemic conditions. In yen terms, adjusted net investment income increased in the three- and six-month periods ended June 30, 2022, primarily due to higher floating rate income as well as the impact of a weaker yen on U.S. dollar-denominated investment income. The increase in pretax adjusted earnings in yen for the three- and six-month periods ended June 30, 2022 was primarily due to higher reserve releases and adjusted net investment income.

Annualized premiums in force decreased 4.3% to ¥1.33 trillion as of June 30, 2022, compared with ¥1.39 trillion as of June 30, 2021. The decrease in annualized premiums in force in yen was driven primarily by limited-pay products reaching premium paid-up status and lower sales during the COVID-19 pandemic. Annualized premiums in force, translated into dollars at respective period-end exchange rates, were $9.7 billion at June 30, 2022, compared with $12.6 billion at June 30, 2021.

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 comparable period in 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 Previous Period
(Yen Operating Results)
For the Periods Ended June 30,

	Including Foreign Currency Changes				**Excluding Foreign Currency Changes**			
	Three Months		Six Months		Three Months		Six Months	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Adjusted net investment income	**8.4 %**	27.4 %	**7.3 %**	17.0 %	**(2.9) %**	26.2 %	**(1.4)**	17.2 %
Total adjusted revenues	**(1.6)**	1.4	**(2.0)**	(.2)	**(3.9)**	1.2	**(3.7)**	(.2)
Pretax adjusted earnings	**1.6**	22.0	**4.0**	11.3	**(7.0)**	21.1	**(2.7)**	11.4

The following table presents a summary of operating ratios in yen terms for Aflac Japan.

	Three Months Ended June 30,		Six Months Ended June 30,	
Ratios to total adjusted revenues:	**2022**	2021	**2022**	2021
Benefits and claims, net	**51.7 %**	52.7 %	**52.6 %**	54.2 %
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**4.3**	4.5	**4.4**	4.5
Insurance commissions	**4.5**	4.7	**4.6**	4.8
Insurance and other expenses	**12.1**	11.6	**12.1**	11.8
Total adjusted expenses	**20.9**	20.8	**21.1**	21.0
Pretax adjusted earnings	**27.4**	26.5	**26.3**	24.8
Ratios to total premiums:				
Benefits and claims, net	**67.4 %**	66.9 %	**67.2 %**	67.6 %
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**5.7**	5.7	**5.7**	5.6

In the three-month period ended June 30, 2022, the benefit ratio to total premiums increased, compared with the same period in the prior year, as third sector benefits were higher due substantially to an increase in medical hospitalization claims for at-home sickness benefits related to COVID-19, partially offset by the continued change in the mix of first and third sector business. In the six-month period ended June 30, 2022, the benefit ratio to total premiums decreased, compared with the same period in the prior year. This is primarily due to the continued change in the mix of first and third sector business and lower benefits in Aflac Japan's third sector business. In the three- and six-month periods ended June 30, 2022, the adjusted expense ratio increased slightly, compared with the same periods in the prior year, reflecting the decrease in total adjusted revenues and an offsetting decrease in total adjusted expenses. In total, the pretax adjusted profit margin increased in the three- and six-month periods ended June 30, 2022 primarily due to lower benefit ratios for the full six-month period and higher adjusted net investment income.

Aflac Japan Sales

The following table presents Aflac Japan’s new annualized premium sales for the periods ended June 30.

	In Dollars				In Yen			
	Three Months		Six Months		Three Months		Six Months	
(In millions of dollars and billions of yen)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
New annualized premium sales	**$ 98**	$ 124	**$ 201**	$ 256	**¥ 12.7**	¥ 13.6	**¥ 24.7**	¥ 27.6
Increase (decrease) over prior period	**(20.9)%**	36.5 %	**(21.6)%**	16.5 %	**(6.4)%**	38.4 %	**(10.7)%**	15.7 %

The following table details the contributions to Aflac Japan's new annualized premium sales by major insurance product for the periods ended June 30.

	Three Months		Six Months	
	2022	2021	**2022**	2021
Cancer	**53.4 %**	48.9 %	**53.2 %**	47.1 %
Medical	**29.9**	39.7	**30.6**	41.5
Income support	**2.2**	.6	**1.6**	.6
Ordinary life:				
WAYS	**.8**	.8	**.8**	.7
Child endowment	**.2**	.4	**.3**	.3
Other ordinary life [(1)]	**9.2**	8.9	**9.1**	8.9
Other	**4.3**	.7	**4.4**	.9
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %

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

The foundation of Aflac Japan's product portfolio has been, and continues to be, third sector products, which include cancer, medical and income support insurance products. Aflac Japan has been focusing more on promotion of cancer and medical insurance products in this low-interest-rate environment. These products are less interest-rate sensitive and more profitable compared to first sector savings 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.

Sales of protection-type first sector and third sector products on a yen basis decreased 6.3% in the second quarter of 2022, compared with the second quarter of 2021, reflecting the January 2021 launch of a new medical product and continued weakness in sales recovery, in part constrained by pandemic conditions.

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 in April 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 the first six months of 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 Item 1A. Risk Factors in the 2021 Annual Report.

In response to the COVID-19 pandemic, 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 three-month periods ended June 30.

	2022	2021
Independent corporate and individual	**48.4 %**	51.1 %
Affiliated corporate [1]	**48.1**	44.0
Bank	**3.5**	4.9
Total	**100.0 %**	100.0 %

[1] *Includes Japan Post Group*

During the three-month period ended June 30, 2022, Aflac Japan recruited 12 new sales agencies. At June 30, 2022, Aflac Japan was represented by approximately 7,600 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 June 30, 2022, Aflac Japan had agreements to sell its products at 359 banks, approximately 90% of the total number of banks in Japan.

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Yen-denominated:				
Fixed maturity securities:				
Japan government and agencies	**$ 0**	$ 0	**$ 0**	$ 1,181
Private placements	**465**	98	**772**	311
Other fixed maturity securities	**20**	29	**37**	136
Equity securities	**185**	5	**276**	122
Other investments	**1**	4	**4**	6
Total yen-denominated	**$ 671**	$ 136	**$ 1,089**	$ 1,756
U.S. dollar-denominated:				
Fixed maturity securities:				
Other fixed maturity securities	**$ 249**	$ 396	**$ 334**	$ 1,001
Infrastructure debt	**114**	0	**114**	0
Collateralized loan obligations	**431**	36	**498**	153
Equity securities	**22**	8	**22**	8
Commercial mortgage and other loans:				
Transitional real estate loans	**778**	638	**1,285**	699
Commercial mortgage loans	**0**	17	**0**	17
Middle market loans	**363**	484	**674**	1,266
Other investments	**135**	91	**183**	147
Total U.S. dollar-denominated	**$ 2,092**	$ 1,670	**$ 3,110**	$ 3,291
Total Aflac Japan purchases	**$ 2,763**	$ 1,806	**$ 4,199**	$ 5,047

See the Investments section of this MD&A for further discussion of these investment programs, and see Notes 3 and 4 of the Notes to the Consolidated Financial Statements and Notes 1, 3 and 4 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report for more information regarding loans and loan receivables.

The following table presents the results of Aflac Japan's investment yields for the periods ended June 30.

	Three Months		Six Months	
	2022	2021	**2022**	2021
Total purchases for the period (in millions) [(1)]	**$ 2,627**	$ 1,711	**$ 4,012**	$ 4,894
New money yield [(1), (2)]	**3.59 %**	4.05 %	**3.69 %**	3.18 %
Return on average invested assets [(3)]	**2.97**	2.83	**2.75**	2.65
Portfolio book yield, including U.S. dollar-denominated investments, end of period [(1)]	**2.74 %**	2.61 %	**2.74 %**	2.61 %

(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 decrease in the Aflac Japan new money yield in the three-month period ended June 30, 2022 was primarily due to higher allocations to lower yielding yen-dominated asset classes. The increase in the Aflac Japan new money yield in the six-month period ended June 30, 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.

Aflac U.S. Summary of Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net earned premiums	**$ 1,394**	$ 1,408	**$ 2,807**	$ 2,830
Adjusted net investment income *(1)*	**193**	189	**377**	366
Other income	**41**	30	**83**	58
Total adjusted revenues	**1,628**	1,627	**3,267**	3,254
Benefits and claims	**633**	613	**1,255**	1,169
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**131**	111	**299**	250
Insurance commissions	**137**	136	**277**	275
Insurance and other expenses	**378**	354	**762**	701
Total adjusted expenses	**645**	601	**1,337**	1,226
Total benefits and adjusted expenses	**1,278**	1,213	**2,593**	2,396
Pretax adjusted earnings	**$ 349**	$ 413	**$ 674**	$ 859
Percentage change over previous period:				
Net earned premiums	**(1.0) %**	(3.4)	**(.8) %**	(3.8) %
Adjusted net investment income	**2.1**	9.9	**3.0**	5.2
Total adjusted revenues	**.1**	(1.8)	**.4**	(2.7)
Pretax adjusted earnings	**(15.5)**	(3.1)	**(21.5)**	14.2

(1) Net interest cash flows from derivatives associated with certain investment strategies of $1 for the three-month period and $2 for the six-month period ended June 30, 2022, have been reclassified from net investment gains (losses) and included in adjusted earnings as a component of net investment income.

In the three- and six-month periods ended June 30, 2022, net earned premiums for Aflac U.S. decreased primarily due to lower persistency. Adjusted net investment income increased in the three- and six-month periods ended June 30, 2022, primarily impacted by higher variable net investment income. Other income increased in the three- and six-month periods ended June 30, 2022 due to an increase in fee income. The decrease in pretax adjusted earnings in the three- and six-month periods ended June 30, 2022, was driven by higher incurred benefits and elevated adjusted expenses reflecting, in part, platform and growth investments.

Annualized premiums in force decreased 1.0% to $5.9 billion at June 30, 2022, compared with $6.0 billion at June 30, 2021.

The following table presents a summary of operating ratios for Aflac U.S.

	Three Months Ended June 30,		Six Months Ended June 30,	
Ratios to total adjusted revenues:	**2022**	2021	**2022**	2021
Benefits and claims	**38.9 %**	37.7 %	**38.4 %**	35.9 %
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**8.0**	6.8	**9.2**	7.7
Insurance commissions	**8.4**	8.4	**8.5**	8.5
Insurance and other expenses	**23.2**	21.8	**23.3**	21.5
Total adjusted expenses	**39.6**	36.9	**40.9**	37.7
Pretax adjusted earnings	**21.4**	25.4	**20.6**	26.4
Ratios to total premiums:				
Benefits and claims	**45.4 %**	43.5 %	**44.7 %**	41.3 %
Adjusted expenses:				
Amortization of deferred policy acquisition costs	**9.4**	7.9	**10.7**	8.8

For the three- and six-month periods ended June 30, 2022, the benefit ratio to total premiums increased compared with the same periods in 2021, reflecting higher incurred claims, partially offset by reserve releases related to lower persistency. The adjusted expense ratio increased in the three- and six-month periods ended June 30, 2022, when compared with the same periods in 2021, primarily due to higher DAC amortization associated with lower persistency and planned spending reflecting ongoing investments in the U.S. platform. The pretax adjusted profit margin decreased in the three- and six-month periods ended June 30, 2022, compared with the same periods in 2021, primarily due to the higher adjusted expense and benefit ratios.

Aflac U.S. Sales

The following table presents Aflac's U.S. new annualized premium sales for the periods ended June 30.

	Three Months		Six Months	
(In millions)	**2022**	2021	**2022**	2021
New annualized premium sales	**$ 305**	$ 264	**$ 604**	$ 515
Increase (decrease) over prior period	**15.6 %**	64.1 %	**17.2 %**	6.6 %

New annualized premium sales for accident insurance, the leading Aflac U.S. product category, increased 4.6%; disability sales increased 28.8%; critical care insurance sales (including cancer insurance) increased 13.1%; hospital indemnity insurance sales increased 4.9%; and dental/vision sales increased 36.1% in the second quarter of 2022, compared with the second quarter of 2021. The increase in sales for Aflac U.S. in the second quarter of 2022 reflects continued investment in growth initiatives as well as productivity gains. For the full year of 2022, Aflac U.S. expects this trend of increasing sales to continue.

The following table details the contributions to Aflac's U.S. new annualized premium sales by major insurance product category for the periods ended June 30.

	Three Months		Six Months	
	2022	2021	**2022**	2021
Accident	**24.6 %**	27.2 %	**24.9 %**	26.7 %
Disability	**25.2**	22.7	**24.2**	22.9
Critical care[1]	**20.6**	21.0	**20.9**	21.8
Hospital indemnity	**14.9**	16.4	**15.8**	16.6
Dental/vision	**6.4**	5.4	**6.0**	5.0
Life	**8.3**	7.3	**8.2**	7.0
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %

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

In the second quarter of 2022, the Aflac U.S. sales force included an average of approximately 6,100 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 continuing into 2022, constraints in the labor market have 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.

In response to the COVID-19 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 due to COVID-19 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Fixed maturity securities:				
Other fixed maturity securities	**$ 107**	$ 130	**$ 339**	$ 376
Infrastructure debt	**10**	0	**19**	0
Collateralized loan obligations	**199**	18	**199**	30
Equity securities	**11**	113	**19**	113
Other investments:				
Transitional real estate loans	**78**	113	**185**	137
Commercial mortgage loans	**0**	129	**0**	163
Middle market loans	**61**	41	**227**	100
Limited partnerships	**16**	10	**21**	16
Total Aflac U.S. Purchases	**$ 482**	$ 554	**$ 1,009**	$ 935

See Note 3 of the Notes to the Consolidated Financial Statements and Notes 1 and 3 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report for more information regarding loans and loans receivables.

The following table presents the results of Aflac's U.S. investment yields for the periods ended June 30.

	Three Months		Six Months	
	2022	2021	**2022**	2021
Total purchases for period (in millions) [(1)]	**$ 466**	$ 544	**$ 988**	$ 919
New money yield [(1), (2)]	**4.10 %**	3.63 %	**4.37 %**	3.47 %
Return on average invested assets [(3)]	**4.79**	4.94	**4.79**	4.83
Portfolio book yield, end of period [(1)]	**5.01 %**	5.07 %	**5.01 %**	5.07 %

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

The increase in the Aflac U.S. new money yield in the three- and six-month periods ended June 30, 2022 was primarily due to increases in U.S. interest rates. See Notes 3 and 5 of the Notes to the Consolidated Financial Statements and the Investments section of this MD&A for additional information on 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 of results for Corporate and other.

Corporate and Other Summary of Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net earned premiums	**$ 36**	$ 45	**$ 77**	$ 93
Net investment income (loss) [(1)]	**(9)**	(13)	**(5)**	3
Amortized hedge income related to certain foreign currency management strategies	**14**	16	**25**	33
Adjusted net investment income	**5**	3	**20**	36
Other income	**0**	2	**18**	5
Total adjusted revenues	**42**	50	**116**	133
Benefits and claims, net	**34**	41	**73**	84
Adjusted expenses:				
Interest expense	**40**	43	**80**	87
Other adjusted expenses	**44**	42	**84**	65
Total adjusted expenses	**84**	85	**164**	152
Total benefits and adjusted expenses	**117**	126	**237**	236
Pretax adjusted earnings	**$ (75)**	$ (76)	**$ (120)**	$ (102)

[(1)] The change in value of federal historic rehabilitation and solar investments in partnerships of $31 and $30 for the three-month periods and $42 and $30 for the six-month periods ended June 30, 2022, and 2021, respectively, is included as a reduction to net investment income. Tax credits on these investments of $28 and $12 for the three-month periods and $44 and $25 for the six-month periods ended June 30, 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 the three- and six-month periods ended June 30, 2022, total adjusted revenues decreased compared to the same periods in 2021. Pretax adjusted earnings decreased in the six-month period ended June 30, 2022 when compared to the same period in 2021. These results reflect higher adjusted net investment income from higher interest rates offset by lower amortized hedge income and the impact of federal tax credit investments discussed below. These results also reflect the impact of foreign currency on total 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, 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. Additionally, in November 2021, the Company became 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.

Investment Securities by Segment

	June 30, 2022			
(In millions)	Aflac Japan	Aflac U.S.	Corporate and Other	Total
Available for sale, fixed maturity securities, at fair value	$ 64,877	$ 12,678	$ 1,876	$ 79,431
Held to maturity, fixed maturity securities, at amortized cost (1)	18,507	0	0	18,507
Equity securities	624	101	424	1,149
Commercial mortgage and other loans:				
Transitional real estate loans (1)	4,951	1,108	147	6,206
Commercial mortgage loans (1)	1,199	656	13	1,868
Middle market loans (1)	4,520	459	0	4,979
Other investments:				
Policy loans	182	22	0	204
Short-term investments (2)	488	263	944	1,695
Limited partnerships	1,809	200	164	2,173
Other	0	30	0	30
Total investments	97,157	15,517	3,568	116,242
Cash and cash equivalents	1,545	540	3,088	5,173
Total investments and cash	$ 98,702	$ 16,057	$ 6,656	$ 121,415

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

	December 31, 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, were as follows:

Composition of Fixed Maturity Securities by Credit Rating

	June 30, 2022		December 31, 2021	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
AAA	**1.5 %**	**1.5 %**	1.0 %	.9 %
AA	**5.4**	**5.5**	5.1	5.2
A	**67.8**	**67.7**	68.9	68.5
BBB	**23.0**	**23.0**	22.5	22.8
BB or lower	**2.3**	**2.3**	2.5	2.6
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

As of June 30, 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 June 30, 2022.

(In millions)	Credit Rating	Amortized Cost	Fair Value	Unrealized Loss
Investcorp Capital Limited	BB	$ 320	$ 273	$ (47)
JP Morgan Chase and Co.	A	206	180	(26)
Prologis LP	A	167	143	(24)
Banco de Chile	A	146	123	(23)
KLM Royal Dutch Airlines	B	127	105	(22)
Oracle Corp	BBB	180	161	(19)
BASF	A	73	55	(18)
Danske Bank A/S	BBB	121	104	(17)
AXA	A	247	230	(17)
Citigroup Inc	BBB	172	158	(14)

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.

Below-Investment-Grade Investments

	June 30, 2022			
(In millions)	Par Value	Amortized Cost [1]	Fair Value	Unrealized Gain (Loss)
Investcorp Capital Limited	$ 321	$ 320	$ 273	$ (47)
Pemex Project Funding Master Trust	219	219	220	1
Commerzbank	183	137	199	62
KLM Royal Dutch Airlines	146	127	105	(22)
Telecom Italia SpA	146	146	165	19
Autostrade Per Litalia Spa	146	145	131	(14)
Apache Corporation	138	108	130	22
Howmet Aerospace Inc.	100	68	94	26
IKB Deutsche Industriebank AG	95	45	75	30
Generalitat de Catalunya	59	23	60	37
Other Issuers	184	176	163	(13)
Subtotal [2]	1,737	1,514	1,615	101
High yield corporate bonds	804	667	707	40
Middle market loans	4,688	4,525	4,541	16
Grand Total	$ 7,229	$ 6,706	$ 6,863	$ 157

[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.

	June 30, 2022				
(In millions)	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total
Government and agencies	**$ 42,836**	**$ 4,637**	**$ (908)**	**$ 46,565**	**46.0 %**
Municipalities	**2,557**	**337**	**(80)**	**2,814**	**2.7**
Mortgage- and asset-backed securities	**1,915**	**96**	**(59)**	**1,952**	**2.1**
Public utilities	**7,348**	**795**	**(143)**	**8,000**	**7.9**
Electric	5,966	653	(101)	6,518	6.4
Natural Gas	242	35	(8)	269	.3
Other	554	52	(17)	589	.6
Utility/Energy	586	55	(17)	624	.6
Sovereign and Supranational	**1,267**	**174**	**(14)**	**1,427**	**1.4**
Banks/financial institutions	**9,172**	**858**	**(405)**	**9,625**	**9.8**
Banking	5,422	570	(217)	5,775	5.8
Insurance	1,757	200	(53)	1,904	1.9
Other	1,993	88	(135)	1,946	2.1
Other corporate	**27,958**	**3,454**	**(832)**	**30,580**	**30.1**
Basic Industry	2,448	348	(72)	2,724	2.6
Capital Goods	3,172	314	(114)	3,371	3.4
Communications	2,830	425	(47)	3,208	3.0
Consumer Cyclical	2,371	365	(40)	2,696	2.5
Consumer Non-Cyclical	6,224	697	(197)	6,723	6.8
Energy	2,749	446	(49)	3,147	3.0
Other	1,312	132	(59)	1,385	1.4
Technology	3,722	290	(141)	3,871	4.0
Transportation	3,130	437	(113)	3,455	3.4
Total fixed maturity securities	**$ 93,053**	**$ 10,351**	**$ (2,441)**	**$ 100,963**	**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.

Investment Securities by Type of Issuance

(In millions)	June 30, 2022 Amortized Cost [1]	June 30, 2022 Fair Value	December 31, 2021 Amortized Cost [1]	December 31, 2021 Fair Value
Publicly issued securities:				
Fixed maturity securities	**$ 76,506**	**$ 82,917**	$ 88,552	$ 103,034
Equity securities	**948**	**948**	950	950
Total publicly issued	**77,454**	**83,865**	89,502	103,984
Privately issued securities: [2]				
Fixed maturity securities [3]	**16,547**	**18,046**	18,817	22,531
Equity securities	**201**	**201**	653	653
Total privately issued	**16,748**	**18,247**	19,470	23,184
Total investment securities	**$ 94,202**	**$ 102,112**	$ 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.

Reverse-Dual Currency Securities[1]

(Amortized cost, in millions)	June 30, 2022	December 31, 2021
Privately issued reverse-dual currency securities	**$ 4,033**	$ 4,784
Publicly issued collateral structured as reverse-dual currency securities	**1,343**	1,596
Total reverse-dual currency securities	**$ 5,376**	$ 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 in the 2021 Annual Report 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 periods ended June 30. See the Results of Operations section of this MD&A for the Company's definition of amortized hedge costs/income.

	Three Months		Six Months	
	2022	2021	**2022**	2021
Aflac Japan:				
FX Forwards				
FX forward (sell USD, buy yen) notional at end of period (in billions) [(1)]	**$4.5**	$6.4	**$4.5**	$6.4
Weighted average remaining tenor (in months) [(2)]	**6.8**	6.6	**6.8**	6.6
Amortized hedge income (cost) for period (in millions)	**$(13)**	$(13)	**$(26)**	$(29)
FX Options				
FX option notional at the end of period (in billions) [(1)]	**$13.5**	$8.0	**$13.5**	$8.0
Weighted average remaining tenor (in months) [(2)]	**4.9**	3.9	**4.9**	3.9
Amortized hedge income (cost) for period (in millions)	**$(17)**	$(4)	**$(29)**	$(7)
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	**$5.0**	$5.0
Weighted average remaining tenor (in months) [(2)]	**13.0**	12.6	**13.0**	12.6
Amortized hedge income (cost) for period (in millions)	**$15**	$17	**$27**	$35
FX Options				
FX option notional at the end of period (in billions) [(1)]	**$2.0**	$2.0	**$2.0**	$2.0
Weighted average remaining tenor (in months) [(2)]	**7.9**	7.2	**7.9**	7.2
Amortized hedge income (cost) for period (in millions)	**$(1)**	$(1)	**$(2)**	$(2)

[(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 solvency margin ratio (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.

(In millions)	June 30, 2022 Amortized Cost (1)	June 30, 2022 Fair Value	December 31, 2021 Amortized Cost (1)	December 31, 2021 Fair Value
Available-for-sale securities:				
Fixed maturity securities (excluding bank loans)	**$ 14,769**	**$ 16,977**	$ 17,615	$ 20,478
Equity securities	**40**	**40**	24	24
Commercial mortgage and other loans:				
Transitional real estate loans (floating rate)	**4,951**	**4,931**	4,226	4,293
Commercial mortgage and other loans	**1,198**	**1,111**	1,217	1,265
Middle market loans (floating rate)	**4,520**	**4,532**	4,297	4,352
Other investments	**1,808**	**1,808**	1,534	1,534
Total U.S. Dollar Program	**27,286**	**29,399**	28,913	31,946
Available-for-sale securities:				
Fixed maturity securities - economically converted to yen	**2,137**	**2,915**	2,236	3,328
Total U.S. dollar-denominated investments in Aflac Japan	**$ 29,423**	**$ 32,314**	$ 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 June 30, 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. The Company believes that the new strategy will 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 June 30, 2022, the fair value of Aflac Japan's unhedged U.S. dollar-denominated portfolio was $8.7 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2022**	2021	**2022**	2021
Net cash inflows (outflows)	**$ (23)**	$ (6)	**$ (642)**	$ 102

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 $9.8 billion as of June 30, 2022, with hedging instruments comprised of $2.8 billion of yen-denominated debt and $7.0 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 six-month periods ended June 30, 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. 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" in the 2021 Annual Report.

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

DEFERRED POLICY ACQUISITION COSTS

The following table presents deferred policy acquisition costs by segment.

(In millions)	June 30, 2022	December 31, 2021	% Change
Aflac Japan	**$ 5,220**	$ 6,233	(16.3) % [(1)]
Aflac U.S.	**3,238**	3,292	(1.6)
Total	**$ 8,458**	$ 9,525	(11.2) %

[(1)] Aflac Japan's deferred policy acquisition costs decreased .5% in yen during the six months ended June 30, 2022.

See Note 6 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report for additional information on the Company's deferred policy acquisition costs.

POLICY LIABILITIES

The following table presents policy liabilities by segment.

(In millions)	June 30, 2022	December 31, 2021	% Change
Aflac Japan	**$ 78,946**	$ 93,613	(15.7) % [(1)]
Aflac U.S.	**12,043**	11,916	1.1
Other	**247**	276	(10.5)
Intercompany eliminations[(2)]	**(618)**	(733)	(15.7)
Total	**$ 90,618**	$ 105,072	(13.8) %

[(1)] Aflac Japan's policy liabilities increased .2% in yen during the six months ended June 30, 2022.
[(2)] 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 7 of the Notes to the Consolidated Financial Statements.

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 11 of the accompanying Notes to the Consolidated Financial Statements and Note 14 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report.

POLICYHOLDER PROTECTION

Policyholder Protection Corporation

The Japanese insurance industry has a policyholder protection system that provides funds for the policyholders of insolvent insurers. Legislation enacted regarding the framework of the Life Insurance Policyholder Protection Corporation (LIPPC) included government fiscal measures supporting the LIPPC. In March 2022, Japan's Diet passed legislation that extended the government's fiscal support of the LIPPC through March 2027. In March 2022, the LIPPC reached the required balance for the total life industry of ¥400 billion as specified by its Articles of Incorporation. As a result, additional contributions are not expected to be required unless the balance is reduced due to payments made by the LIPPC to the policyholders of insolvent insurers. Accordingly, Aflac Japan did not recognize an expense for LIPPC assessments in the second quarter of 2022. Aflac Japan recognized an expense of ¥.9 billion for both of the six-month periods ended June 30, 2022 and 2021 for LIPPC assessments.

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. Guaranty fund assessments for the six-month periods ended June 30, 2022 and 2021 were immaterial.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

The Company's cash and cash equivalents include unrestricted cash on hand, money market instruments, and other debt instruments with a maturity of 90 days or less when purchased, all of which has minimal market, settlement or other risk exposure. The target minimum amount for the Parent Company's cash and cash equivalents is approximately $2.0 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 June 30, 2022, the Company held $5.2 billion in cash and cash equivalents for stress conditions, which includes the Parent Company's target minimum amount of $2.0 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 six-month periods ended June 30.

Liquidity Provided by Subsidiaries to Parent Company

(In millions)	2022	2021
Management fees paid by subsidiaries	**$ 67**	$ 64
Dividends declared or paid by subsidiaries	**1,653**	1,552

The following table details Aflac Japan remittances, which are included in the totals above, for the six-month periods ended June 30.

Aflac Japan Remittances

(In millions of dollars and billions of yen)	2022	2021
Aflac Japan management fees paid to Parent Company	**$ 32**	$ 30
Aflac Japan dividends declared or paid to Parent Company (in dollars)	**1,353**	1,402
Aflac Japan dividends declared or paid to Parent Company (in yen)	**¥ 178.4**	¥ 154.5

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. For additional information, see the Liquidity and Capital Resources section of Item 7. MD&A in the 2021 Annual Report.

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 June 30, 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 June 30, 2022. For additional information, see Note 8 of the Notes to the Consolidated Financial Statements.

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 June 30, 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 3 and 4 of the Notes to the Consolidated Financial Statements and Notes 1, 3, and 4 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report for more information on the Company's securities lending and derivative activities. See Note 15 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report for information on material unconditional purchase obligations that are not recorded on the Company's balance sheet. With the exception of disclosed activities in those referenced footnotes and the Risk Factors in the 2021 Annual Report 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 periods 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 six-month periods ended June 30.

(In millions)	**2022**	2021
Operating activities	**$ 1,770**	$ 2,328
Investing activities	**83**	(839)
Financing activities	**(1,644)**	(1,141)
Exchange effect on cash and cash equivalents	**(87)**	(20)
Net change in cash and cash equivalents	**$ 122**	$ 328

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.

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 the first six months of 2022, Aflac U.S. borrowed and repaid $279 million under this program. As of June 30, 2022, Aflac U.S. had outstanding borrowings of $603 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.

Cash returned to shareholders through treasury stock purchases and dividends was $1.6 billion during the six-month period ended June 30, 2022, compared with $1.6 billion during the six-month period ended June 30, 2021.

The following tables present a summary of treasury stock activity during the six-month periods ended June 30.

Treasury Stock Purchased

(In millions of dollars and thousands of shares)	**2022**	2021
Treasury stock purchases	**$ 1,150**	$ 1,150
Number of shares purchased:		
Share repurchase program	**19,192**	22,614
Other	**351**	381
Total shares purchased	**19,543**	22,995

Treasury Stock Issued

(In millions of dollars and thousands of shares)	**2022**	2021
Stock issued from treasury:		
Cash financing	**$ 10**	$ 13
Noncash financing	**33**	28
Total stock issued from treasury	**$ 43**	$ 41
Number of shares issued	**805**	1,157

As of June 30, 2022, a remaining balance of 36.6 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors.

Cash dividends paid to shareholders were $.40 per share in the second quarter of 2022, compared with $.33 per share in the second quarter of 2021. The following table presents the dividend activity for the six-month periods ended June 30.

(In millions)	**2022**	2021
Dividends paid in cash	**$ 498**	$ 430
Dividends through issuance of treasury shares	**19**	16
Total dividends to shareholders	**$ 517**	$ 446

In July 2022, the board of directors declared the third quarter cash dividend of $.40 per share, an increase of 21.2% compared with the same period in 2021. The dividend is payable on September 1, 2022 to shareholders of record at the close of business on August 24, 2022.

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 continues to evaluate alternatives for reducing this sensitivity, including the reduction of subsidiary dividends paid to the Parent Company and Parent Company capital contributions. In the event of a rapid change in market risk conditions causing SMR to decline, the Company has 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 7 and 8 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 in the 2021 Annual Report for additional information on the Company's investment strategies, hedging activities, and reinsurance, respectively.

As of June 30, 2022, Aflac Japan's SMR remains high and reflects a strong capital and surplus position. The Company is committed to maintaining strong capital levels, consistent with maintaining current insurance financial strength and credit ratings.

Aflac U.S.

A life insurance company’s statutory capital and surplus is determined according to rules prescribed by the National Association of Insurance Commissioners (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 Risk-based capital (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. As of June 30, 2022, Aflac’s RBC ratio remains high and reflects a strong capital and surplus position.

Aflac, CAIC and TOIC are domiciled in Nebraska and are subject to its regulations. 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. Dividends declared by Aflac during 2022 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 12 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 Financial Accounting Standards Board (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 92% of the Company's assets and 78% of its liabilities are reported as of June 30, 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.

There have been no changes in the items the Company has identified as critical accounting estimates during the six months ended June 30, 2022. For additional information, see the Critical Accounting Estimates section of Item 7. MD&A included in the 2021 Annual Report.

Future Adoption of Accounting Standard for Long-Duration Insurance Contracts

As previously reported, in August 2018, the FASB issued Accounting Standards Update 2018-12, "*Financial Services - Insurance, Targeted Improvements to the Accounting for Long-Duration Contracts*" (the ASU). The update significantly changes how insurers account for long-duration contracts, amends existing recognition, measurement, presentation, and disclosure requirements applicable to the Company.

In the near term, the expected impact on the Company's key financial ratios is limited. Generally, including the impact of periodic assumption updates for the year ended December 31, 2021, and adjusting for the effects of the COVID-19 pandemic on the Company's financial results for the year ended December 31, 2021, benefit ratios are expected to be slightly higher for Aflac Japan and slightly lower for Aflac U.S., while expense ratios are expected to be 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 higher pretax profit margin for Aflac U.S.

For additional information on the ASU, see the Future Adoption of Accounting Standard for Long-Duration Insurance Contracts section of Item 7. MD&A in the 2021 Annual Report; see also Note 1 of the Notes to the Consolidated Financial Statements.

New Accounting Pronouncements

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 3. 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. The Company regularly monitors its market risks and uses a variety of strategies to manage its exposure to these market risks. A description of the Company's market risk exposures may be found under “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A, of the 2021 Annual Report. There have been no material changes to the Company's market risk exposures from the market risk exposures previously disclosed in the 2021 Annual Report.

Item 4. 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 Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this quarterly 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.

Changes in Internal Control Over Financial Reporting

During the second fiscal quarter of 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 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 until adoption on January 1, 2023. 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 Rule 13a-15(f) under the Exchange Act) during the second fiscal quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Readers should carefully consider the risk factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and Part II, Item 1A. of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the first six months of 2022, the 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
Total	19,543,048 [1]	$ 60.02	19,191,994	36,637,023

[1] *During the first six months of 2022, 351,054 shares were purchased in connection with income tax withholding obligations related to the vesting of restricted-share-based awards during the period.*

Item 6. Exhibits

(a) EXHIBIT INDEX

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.
31.1	-	Certification of CEO dated August 2, 2022, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
31.2	-	Certification of CFO dated August 2, 2022, 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 August 2, 2022, 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.

Defined Terms

Throughout this Quarterly Report on Form 10-Q, the Company may use abbreviations, acronyms and defined terms which are defined below.

ALM	Asset-Liability Matching
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CDS	Credit Default Swap
CML	Commercial Mortgage Loan
CSA	Credit Support Annex
DAC	Deferred Policy Acquisition Costs
DSCR	Debt Service Coverage Ratios
EPS	Earnings Per Share
FASB	Financial Accounting Standard Board
FHLB	Federal Home Loan Bank of Atlanta
FSA	Japanese Financial Services Agency
ISDA	International Swaps and Derivatives Association, Inc.
ISO	Incentive Stock Option
Japan Post Group	Japan Post Holdings, Japan Post Co. and Japan Post Insurance, collectively
Japan Post Holdings	Japan Post Holdings Co., Ltd.
Japan Post Co.	Japan Post Co. Ltd
Japan Post Insurance	Japan Post Insurance Co., Ltd.
JGB	Japan Government Bond
LDTI	Long-Duration Targeted Improvements
LGD	Loss-Given-Default
LIBOR	London Interbank Offered Rate
LIPPC	Life Insurance Policyholder Protection Corporation
LTV	Loan-to-Value
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MML	Middle Market Loan
NAIC	National Association of Insurance Commissioners
NOLHGA	National Organization of Life and Health Guaranty Associations
NQSO	Non-qualifying Stock Option
NRSRO	Nationally Recognized Statistical Rating Organization
OTC	Over-the-Counter
PD	Probability-of-Default
PRM	Policy Reserve Matching
RBC	Risk-Based Capital
ROE	Return on Equity
S&P	Standard & Poor's
SEC	Securities and Exchange Commission
SMR	Solvency Margin Ratio
SOFR	Secured Overnight Financing Rate
The Plan	Aflac Incorporated Long-Term Incentive Plan
TIBOR	Tokyo Interbank Market Rate
TDR	Troubled Debt Restructuring
TRE	Transitional Real Estate Loan
TTM	Telegraphic Transfer Middle Rate
U.S. GAAP	U.S. Generally Accepted Accounting Principles
VIE	Variable Interest Entity

Glossary of Selected Terms

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

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

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

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

Average Weekly Producer – The total number of writing agents who have produced greater than $0.00 during the production week - excluding any manual adjustments divided by the number of weeks in the time period. The Company believes this metric allows sales management to monitor progress and needs, as well as serve as a leading indicator of future production capacity.

Capital Buffer – Established dollar amount of liquidity at the Parent Company reserved for injecting capital into the insurance entities or general liquidity support for general expenses at the Parent Company. 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 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 our actual net investment income results represent an overall return on the portfolio to provide a more comparative metric as the size of our investment portfolio changes over time.

Risk-based Capital (RBC) Ratio – Statutory adjusted capital divided by statutory required capital. This insurance ratio is based on rules prescribed by the National Association of Insurance Commissioners (NAIC) and provides an indication of the amount of statutory capital the insurance company maintains, relative to the inherent risks in the insurer's operations.

Solvency Margin Ratio (SMR) – Solvency margin total divided by one half of the risk total. This insurance ratio is prescribed by the Japan Financial Services Agency (FSA) and is used for all life insurance companies in Japan to measure the adequacy of the company's ability to pay policyholder claims in the event actual risks exceed expected levels.

Statutory Earnings – Earnings determined according to accounting rules prescribed by the National Association of Insurance Commissioners (NAIC), as modified by the insurance department in the insurance company's state of domicile. These statutory accounting rules are different from U.S. GAAP and are intended to emphasize policyholder protection and company solvency.

Weighted-Average Foreign Currency Exchange Rate – Japan segment operating earnings for the period (excluding hedge costs) in yen divided by Japan segment operating earnings for the period (excluding hedge costs) in dollars. Management uses this metric to evaluate and determine consolidated results on foreign currency effective basis.

SIGNATURES

Pursuant to the requirements of 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

August 2, 2022	/s/ ***Max K. Brodén*** (Max K. Brodén) Executive Vice President; Chief Financial Officer
August 2, 2022	/s/ ***June Howard*** (June Howard) Senior Vice President, Financial Services; Chief Accounting Officer