



## 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. We desire to take advantage of these provisions. This presentation contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein, and in any other statements made by company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC).*

*Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as “expect,” “anticipate,” “believe,” “goal,” “objective,” “may,” “should,” “estimate,” “intends,” “projects,” “will,” “assumes,” “potential,” “target” or similar words as well as specific projections of future results, generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements. We caution 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; governmental actions for the purpose of stabilizing the financial markets; defaults and credit downgrades of securities in our investment portfolio; exposure to significant interest rate risk; concentration of business in Japan; limited availability of acceptable yen-denominated investments; failure to comply with restrictions on patient privacy and information security; foreign currency fluctuations in the yen/dollar exchange rate; deviations in actual experience from pricing and reserving assumptions; subsidiaries' ability to pay dividends to Aflac Incorporated; ability to continue to develop and implement improvements in information technology systems; concentration of our investments in any particular single-issuer or sector; decline in creditworthiness of other financial institutions; ability to attract and retain qualified sales associates and employees; differing judgments applied to investment valuations; significant valuation judgments in determination of amount of impairments taken on our investments; credit and other risks associated with Aflac's investment in perpetual securities; decreases in our financial strength or debt ratings; inherent limitations to risk management policies and procedures; extensive regulation and changes in law or regulation by governmental authorities; 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; catastrophic events including, but not necessarily limited to, epidemics, pandemics, tornadoes, hurricanes, earthquakes, tsunamis, acts of terrorism and damage incidental to such events; changes in U.S. and/or Japanese accounting standards; ability to effectively manage key executive succession; level and outcome of litigation; increased expenses and reduced profitability resulting from changes in assumptions for pension and other postretirement benefit plans; ongoing changes in our industry; loss of consumer trust resulting from events external to our operations; failure of internal controls or corporate governance policies and procedures.*



## 2017 Outlook Call December 2, 2016

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### Forward-Looking Statement

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### Agenda

- Dan Amos - Chairman and CEO, Aflac Inc.  
*Strategic Vision and Value Creation*
- Teresa White - President, Aflac U.S.  
*Aflac U.S. Strategic Focus & Outlook*
- Paul Amos - President, Aflac  
*Aflac Japan Strategic Focus & Outlook*
- Fred Crawford - Chief Financial Officer, Aflac Inc.  
*Financial Outlook and Capital Management*
- Dan Amos - Chairman and CEO, Aflac Inc.  
*Closing Remarks*



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Dan Amos  
*Strategic Vision and Value Creation*



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Strategic Vision

*“Offer high-quality voluntary products, solutions and service through diverse distribution outlets, building upon our market-leading position to drive long-term shareholder value.”*



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Aflac Strategic Points of Leverage

- Industry-leading market share and scale in Japan and U.S.
- Recognized and powerful brand
- Diverse and productive distribution
- Product innovation and customized, high-quality service
- Strong capital position
  - » Stable earnings
  - » Strong cash flows



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## Japan Branch Conversion to Subsidiary

### Aflac Japan Background

- Began operations in Japan in 1974 and was required to operate as a branch
- Branch conversion has been considered but required addressing significant hurdles
- Subject to regulatory approvals, Aflac has identified an efficient approach to conversion

### Strategic Benefits

- Business development flexibility and reduced strategic risk

### Regulatory Structure

- Consistent regulatory framework aligned with global standards

### Financial Flexibility

- Improves transparency of U.S. cash flows and excess capital

No impact on Japan and U.S. strategic growth plans, global governance and day-to-day operations

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Teresa White  
*Aflac U.S. 2017 Outlook*



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## U.S. Market Environment

- Health care impact:
  - » Costs continue to shift to employees
  - » New administration will re-shape the nation's dialogue on health care
- Market needs are evolving:
  - » Employers and employees are looking for integrated solutions and simplicity
  - » Benefits advisers must meet the needs of next-generation consumers

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## Aflac U.S. – 2017 Strategic Playbook

Following a year of stabilizing our two-channel distribution model, we will focus on the following in 2017:

2017 Area of Focus	Initiatives
Growth	<ul style="list-style-type: none"> <li>Focused on distribution expansion with compensation programs aligned with sales performance</li> <li>Adoption of <b>everwell</b> for increased penetration, delivery of value-added services and increased client retention</li> <li>Product partnering to drive                             <ul style="list-style-type: none"> <li>improved account and employee access</li> <li>more profitable and sustainable broker relationships</li> </ul> </li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>Investment in administrative capabilities to better serve the broker, the employer and drive down our expense ratios in the process</li> </ul>
Experience	<ul style="list-style-type: none"> <li>Leveraging <b>One Day Pay</b> to increase customer satisfaction, driving positive brand experience and greater account penetration</li> </ul>

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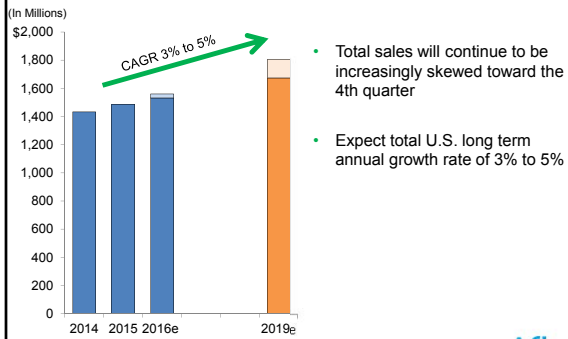
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## Aflac U.S. Production Outlook



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Paul Amos  
Aflac Japan 2017 Outlook




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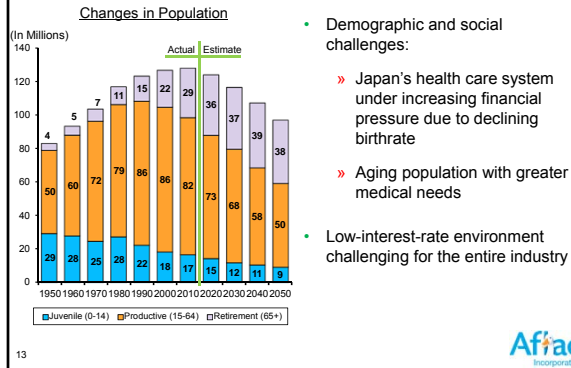
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## Japan Market Environment




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## Aflac Japan – 2017 Strategic Playbook

Following a year of significant third sector sales expansion, in 2017 we will focus on:

- Select third sector product refinements and continued development of supplemental health products
    - Income Support Insurance: new category in the third sector market
    - Channel diversity
  - Limiting sale of first sector products
    - Concentration on exclusive agency channel and certain shinkin banks
    - Repriced WAYS and Child Endowment products
  - Strengthening human capital through workforce diversity
- Aflac Incorporated

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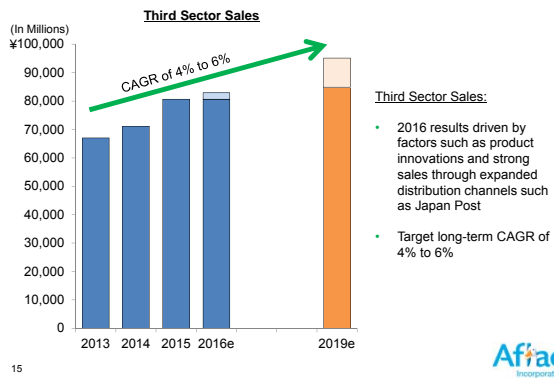
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## Aflac Japan Production Outlook




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## Benefits and Considerations of Conversion

Proposed conversion designed to provide more consistent and sustainable legal and regulatory framework

### Strategic Benefits:

#### Long-term strategic flexibility

- Enhances business development flexibility and defends strong brand perception in Japan
- Reduces strategic risk with no shift in core growth strategy and global governance

### Legal & Regulatory Considerations:

#### Japan branch operations permitted

- Branch structure legal and accepted
- Subsidiary structure more common among financial institutions

#### Global regulatory trends

- Emerging global regulatory standards generally favor subsidiary structure of foreign insurance companies and financial institutions

#### Japan's regulatory environment

- Greater legal and regulatory clarity for locally incorporated subsidiary

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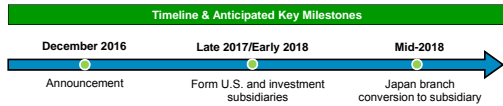
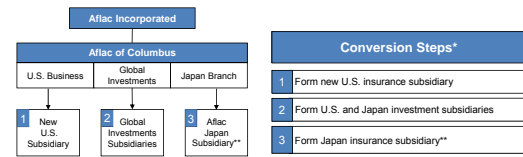
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## Conversion Process and Timeline

Estimated cost of conversion in the range of \$120 million to \$130 million over 2017 and 2018



\*Simplified depiction of multi-step process to implement in tax-efficient manner  
\*\*Includes formation of intermediate U.S. LLC disregarded for tax purposes, to own and facilitate management of Japan subsidiary

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Fred Crawford  
2017 Financial Outlook




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## Strategies Driving Our Near-Term Earnings Outlook

- 1 Shift in allocated capital to third sector business
  - Third sector direct premium growth of ~2%
  - First sector pullback drives FSA earnings
  - Reduced asset flows for reinvestment
- 2 Navigating Japan's low interest rate environment
  - A measured allocation to yen privately issued securities
  - USD asset allocation shift for improved economics
  - USD hedge duration extension for NII stability
- 3 Investment in platforms
  - Japan and U.S. IT roadmap
  - Innovation and business development

**Outlook: Strategies result in slower near-term earnings growth in favor of capital and cash flow stability and investing for future value**

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## Japan Negative Rate Strategy – A Tactical Shift

### 2017 Tactical Investment Strategy

- New money allocation 70/30 JPY and USD
- Initiated \$2.5 billion "switch trade" in November
  - ▶ Completed sale of USD fixed income
  - ▶ Invest in USD floating rate in 2017/18
- Target 25% USD portfolio (25% floating rate)
- NII net of hedge costs down 6.3% then stabilizing

### Investable Cash (\$Billion)

Component	2015	2016e	2017e
Operations (1)			
Switch Trade			
Portfolio Generated (2)			
<b>Total</b>	<b>\$5.3</b>	<b>\$10.8</b>	<b>\$6.6</b>

### 2017 USD Hedge Strategy and Costs (Amortized Basis)

- Hedge costs of \$250 - \$270 million pretax
- Projected notional of forwards builds to \$15 billion range
- Tactical strategy on hedging:
  - ▶ Floating rate: short-dated forwards
  - ▶ Duration extension for NII stability
  - ▶ Reduce duration gap from 7.6 to 4.6 years
  - ▶ Hedge ratio of 75%: forwards and collars

	2016	2017e	2018e
% Hedge Costs Locked In	99%	91%	32%
Target Strategy Duration	10 months	1.5 years	2.5 years

(1) Includes cash flow from operations, net of Japan tax payments, profit repatriation and related repo pay-down/funding  
 (2) Includes interest received, sales/redemptions/calls, cash settlement and related repo pay-down/funding  
 (3) Weighted-average book yield of sales, redemptions and calls  
 (4) Net of manager fees, trustee fees, hedge costs and excluding alternative investments

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## Earnings Drivers – 2017 Guidance & Key Assumptions

### Japan\*

	2016e	2017e
<b>Total</b>	<b>72.5%</b>	<b>71 – 73%</b>
Benefit Ratio**	72.5%	71 – 73%
Expense Ratio	18.9%	19 – 20%
Pretax Profit Margin	19.7%	18 – 20%

- Premium growth negative 2.7% a result of paid-up WAYS and first sector sales
- Net investment income (NII) pressured by reinvestment rates and hedge costs
- Benefit ratios stable to earned premium with elevated expense ratio to revenue
- Profit margins pressured near-term by weakness in NII and revenue growth

### U.S.

	2016e	2017e
<b>Total</b>	<b>52.3%</b>	<b>52 – 53%</b>
Benefit Ratio**	52.3%	52 – 53%
Expense Ratio	34.0%	34 – 35%
Pretax Profit Margin	19.7%	18 – 20%

- Premium growth of 2.4% reflecting on sales and persistency
- Benefit ratios in U.S. favorable on a earned premium and revenue basis
- U.S. expense ratios elevated as a result of reinvestment into IT and operations
- Profit margins in 2017 favorable relative to long-term forecasted ranges

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\*Forecasted ratios reflect amortized hedge costs for USD portfolio

\*\*Benefit ratios measured to earned premium; expense ratios and pretax margins based on total revenue





## Driving Shareholder Value

### Aflac Japan

- Innovate third sector products
- Expect first sector sales to be down over 50% and interest-sensitive first sector products to decline even further

### Aflac U.S.

- Leverage brand and distribution model
- Invest in enhanced customer experience and efficiencies

### Financial

- Balance stable growth in operating EPS with investment in the business model
- Target 2017 dividend increase for 35<sup>th</sup> consecutive year
- Target \$1.3 - \$1.5 billion of share repurchase in 2017



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## 2017 Outlook Call

December 2, 2016

Questions and Answers

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## Appendix

### SLIDE 21 – Financial Disclosure Enhancements

#### Operating Earnings

Aflac defines operating earnings (a non-U.S. GAAP financial measure) as the profits derived from operations. Operating earnings includes interest cash flows associated with notes payable but excludes items that cannot be predicted or that are outside of management's control, such as realized investment gains and losses from securities transactions, impairments, and derivative and hedging activities, nonrecurring items, and other non-operating income (loss) from net earnings. Nonrecurring items consist of infrequent events and activity not associated with the normal course of the Company's insurance operations. Nonrecurring items also include conversion costs related to legally converting our Japan business to a subsidiary; these costs primarily consist of external expenditures for banking, legal, accounting, consulting, integration of systems and processes and other similar services. Aflac's derivative activities are primarily used to hedge foreign exchange and interest rate risk in our investment portfolio as well as manage foreign exchange risk for certain notes payable and forecasted cash flows denominated in yen. Our management uses operating earnings to evaluate the financial performance of Aflac's insurance operations because realized gains and losses from securities transactions, impairments, and derivative and hedging activities, as well as other and nonrecurring items, tend to be driven by general economic conditions and events or related to infrequent activities not directly associated with the Company's insurance operations, and therefore may obscure the underlying fundamentals and trends in Aflac's insurance operations. For 2017, operating earnings will include amortized hedge costs related to Aflac Japan's USD portfolio.

#### Operating Return on Average Equity

Operating return is defined as profits derived from operations, inclusive of interest cash flows associated with notes payable, but before realized investment gains and losses from securities transactions, impairments, and derivative and hedging activities, as well as other and nonrecurring items. Nonrecurring items also include conversion costs related to legally converting our Japan business to a subsidiary; these costs primarily consist of external expenditures for banking, legal, accounting, consulting, integration of systems and processes and other similar services. Average equity excludes accumulated other comprehensive income (unrealized gains and (losses) on investments, derivatives and foreign exchange translation).



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