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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

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)

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, 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 ☐ (Do not check if a smaller reporting company)	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.

Class	April 17, 2019
Common Stock, $.10 Par Value	745,469,119

Aflac Incorporated and Subsidiaries
Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 2019

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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.

Review by Independent Registered Public Accounting Firm

The March 31, 2019 , and 2018 , consolidated financial statements included in this filing have been reviewed by KPMG LLP, an independent registered public accounting firm, in accordance with established professional standards and procedures for such a review.

The report of KPMG LLP commenting upon its review is included on the following page.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Aflac Incorporated:

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheet of Aflac Incorporated and subsidiaries (the Company) as of March 31, 2019 , the related consolidated statements of earnings, comprehensive income (loss), shareholders' equity, and cash flows for the three -month periods ended March 31, 2019 and 2018 , and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018 , and the related consolidated statements of earnings, comprehensive income (loss), shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 2019 , we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2018 , is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Atlanta, Georgia
April 26, 2019

Aflac Incorporated and Subsidiaries
Consolidated Statements of Earnings

(In millions, except for share and per-share amounts - Unaudited)	Three Months Ended March 31, **2019**	2018
Revenues:		
Net premiums, principally supplemental health insurance	**$ 4,691**	$ 4,745
Net investment income	**878**	837
Realized investment gains (losses):		
Other-than-temporary impairment losses realized	**(2)**	(7)
Other gains (losses)	**73**	(127)
Total realized investment gains (losses)	**71**	(134)
Other income (loss)	**17**	16
Total revenues	**5,657**	5,464
Benefits and expenses:		
Benefits and claims, net	**2,967**	3,042
Acquisition and operating expenses:		
Amortization of deferred policy acquisition costs	**340**	314
Insurance commissions	**331**	337
Insurance and other expenses	**719**	733
Interest expense	**58**	56
Total acquisition and operating expenses	**1,448**	1,440
Total benefits and expenses	**4,415**	4,482
Earnings before income taxes	**1,242**	982
Income taxes	**314**	265
Net earnings	**$ 928**	$ 717
Net earnings per share:		
Basic	**$ 1.23**	$ .92
Diluted	**1.23**	.91
Weighted-average outstanding common shares used in computing earnings per share (In thousands):		
Basic	**751,423**	778,550
Diluted	**755,790**	783,852
Cash dividends per share	**$ .27**	$ .26

See the accompanying Notes to the Consolidated Financial Statements.

Aflac Incorporated and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

(In millions - Unaudited)	Three Months Ended March 31, **2019**	2018
Net earnings	**$ 928**	$ 717
Other comprehensive income (loss) before income taxes:		
Unrealized foreign currency translation gains (losses) during period	**(1)**	824
Unrealized gains (losses) on fixed maturity securities:		
Unrealized holding gains (losses) on fixed maturity securities during period	**3,196**	(1,931)
Reclassification adjustment for realized (gains) losses on fixed maturity securities included in net earnings	**(17)**	(2)
Unrealized gains (losses) on derivatives during period	**(3)**	6
Pension liability adjustment during period	**7**	(3)
Total other comprehensive income (loss) before income taxes	**3,182**	(1,106)
Income tax expense (benefit) related to items of other comprehensive income (loss)	**852**	(763)
Other comprehensive income (loss), net of income taxes	**2,330**	(343)
Total comprehensive income (loss)	**$ 3,258**	$ 374

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)	March 31, 2019 (Unaudited)	December 31, 2018
Assets:		
Investments and cash:		
Fixed maturity securities available for sale, at fair value (amortized cost $74,950 in 2019 and $73,007 in 2018)	**$ 83,381**	$ 78,429
Fixed maturity securities available for sale - consolidated variable interest entities, at fair value (amortized cost $3,756 in 2019 and $3,849 in 2018)	**4,543**	4,466
Fixed maturity securities held to maturity, at amortized cost (fair value $37,446 in 2019 and $36,722 in 2018)	**30,163**	30,318
Equity securities, at fair value	**1,041**	987
Commercial mortgage and other loans (includes $5,892 in 2019 and $5,528 in 2018 of consolidated variable interest entities)	**7,180**	6,919
Other investments (includes $374 in 2019 and $328 in 2018 of consolidated variable interest entities)	**1,238**	787
Cash and cash equivalents	**3,892**	4,337
Total investments and cash	**131,438**	126,243
Receivables	**858**	851
Accrued investment income	**728**	773
Deferred policy acquisition costs	**9,892**	9,875
Property and equipment, at cost less accumulated depreciation [(1)]	**559**	443
Other	**2,204**	2,221
Total assets	**$ 145,679**	$ 140,406
Liabilities and shareholders' equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	**$ 87,011**	$ 86,368
Unpaid policy claims	**4,625**	4,584
Unearned premiums	**4,859**	5,090
Other policyholders' funds	**7,185**	7,146
Total policy liabilities	**103,680**	103,188
Income taxes	**5,182**	4,020
Payables for return of cash collateral on loaned securities	**1,969**	1,052
Notes payable and lease obligations [(1)]	**5,900**	5,778
Other	**2,899**	2,906
Total liabilities	**119,630**	116,944
Commitments and contingent liabilities (Note 12)		
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 1,900,000 shares in 2019 and 2018; issued 1,348,600 shares in 2019 and 1,347,540 shares in 2018	**135**	135
Additional paid-in capital	**2,208**	2,177
Retained earnings	**32,513**	31,788
Accumulated other comprehensive income (loss):		
Unrealized foreign currency translation gains (losses)	**(1,848)**	(1,847)
Unrealized gains (losses) on fixed maturity securities	**6,561**	4,234
Unrealized gains (losses) on derivatives	**(26)**	(24)
Pension liability adjustment	**(206)**	(212)
Treasury stock, at average cost	**(13,288)**	(12,789)
Total shareholders' equity	**26,049**	23,462
Total liabilities and shareholders' equity	**$ 145,679**	$ 140,406

[(1)] See Note 1 of the Notes to the Consolidated Financial Statements for the adoption of accounting guidance on January 1, 2019 related to leases.
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, 2018	$ 135	$ 2,177	$ 31,788	$ 2,151	$ (12,789)	$ 23,462
Net earnings	0	0	928	0	0	928
Unrealized foreign currency translation gains (losses) during period, net of income tax	0	0	0	(1)	0	(1)
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments	0	0	0	2,327	0	2,327
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	(2)	0	(2)
Pension liability adjustment during period, net of income taxes	0	0	0	6	0	6
Dividends to shareholders ($.27 per share)	0	0	(203)	0	0	(203)
Exercise of stock options	0	11	0	0	0	11
Share-based compensation	0	8	0	0	0	8
Purchases of treasury stock	0	0	0	0	(517)	(517)
Treasury stock reissued	0	12	0	0	18	30
Balance at March 31, 2019	$ 135	$ 2,208	$ 32,513	$ 4,481	$ (13,288)	$ 26,049

(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, 2017	$ 135	$ 2,052	$ 29,895	$ 4,028	$ (11,512)	$ 24,598
Cumulative effect of change in accounting principles, net of income tax [(1)]	0	0	(226)	226	0	0
Net earnings	0	0	717	0	0	717
Unrealized foreign currency translation gains (losses) during period, net of income tax	0	0	0	447	0	447
Unrealized gains (losses) on fixed maturity securities during period, net of income taxes and reclassification adjustments [(1)]	0	0	0	(984)	0	(984)
Unrealized gains (losses) on derivatives during period, net of income taxes	0	0	0	2	0	2
Pension liability adjustment during period, net of income taxes	0	0	0	(34)	0	(34)
Dividends to shareholders ($.26 per share)	0	0	(203)	0	0	(203)
Exercise of stock options	0	14	0	0	0	14
Share-based compensation	0	10	0	0	0	10
Purchases of treasury stock	0	0	0	0	(309)	(309)
Treasury stock reissued	0	13	0	0	16	29
Balance at March 31, 2018	$ 135	$ 2,089	$ 30,183	$ 3,685	$ (11,805)	$ 24,287

[(1)] See Note 1 of the Notes to the Consolidated Financial Statements in the Company's 2018 Annual Report on Form 10-K
See the accompanying Notes to the Consolidated Financial Statements.

Aflac Incorporated and Subsidiaries
Consolidated Statements of Cash Flows

(In millions - Unaudited)	Three Months Ended March 31, 2019	2018
Cash flows from operating activities:		
Net earnings	**$ 928**	$ 717
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Change in receivables and advance premiums	**35**	14
Capitalization of deferred policy acquisition costs	**(357)**	(349)
Amortization of deferred policy acquisition costs	**340**	314
Increase in policy liabilities	**468**	572
Change in income tax liabilities	**316**	(131)
Realized investment (gains) losses	**(71)**	134
Other, net	**(115)**	(33)
Net cash provided (used) by operating activities	**1,544**	1,238
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Available-for-sale fixed maturity securities	**760**	943
Equity securities	**153**	157
Held-to-maturity fixed maturity securities	**155**	50
Commercial mortgage and other loans	**493**	146
Costs of investments acquired:		
Available-for-sale fixed maturity securities	**(2,548)**	(3,975)
Equity securities	**(151)**	(166)
Commercial mortgage and other loans	**(669)**	(1,772)
Other investments, net	**(442)**	(125)
Settlement of derivatives, net	**(3)**	(1)
Cash received (pledged or returned) as collateral, net	**976**	4,578
Other, net	**(15)**	(34)
Net cash provided (used) by investing activities	**(1,291)**	(199)
Cash flows from financing activities:		
Purchases of treasury stock	**(490)**	(296)
Proceeds from borrowings	**0**	2
Dividends paid to shareholders	**(195)**	(195)
Change in investment-type contracts, net	**(13)**	7
Treasury stock reissued	**12**	14
Other, net	**0**	(5)
Net cash provided (used) by financing activities	**(686)**	(473)
Effect of exchange rate changes on cash and cash equivalents	**(12)**	23
Net change in cash and cash equivalents	**(445)**	589
Cash and cash equivalents, beginning of period	**4,337**	3,491
Cash and cash equivalents, end of period	**$ 3,892**	$ 4,080
Supplemental disclosures of cash flow information:		
Income taxes paid	**$ (2)**	$ 396
Interest paid	**36**	36
Noncash interest	**22**	21
Impairment losses included in realized investment losses	**2**	7
Noncash financing activities:		
Lease obligations	**1**	1
Treasury stock issued for:		
Associate stock bonus	**6**	5
Shareholder dividend reinvestment	**8**	8
Share-based compensation grants	**4**	2

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 and Japan. The Company's insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac) in the United States and, effective April 1, 2018, through Aflac Life Insurance Japan Ltd. (ALIJ) in Japan. Prior to April 1, 2018, the Company's insurance business was marketed in Japan as a branch of Aflac. 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. Additionally, 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 United States and Japan service the two markets for the Company's insurance business. Aflac Japan's revenues, including realized gains and losses on its investment portfolio, accounted for 68% and 71% of the Company's total revenues in the three -month periods ended March 31, 2019 and 2018 , respectively. The percentage of the Company's total assets attributable to Aflac Japan was 84% at March 31, 2019 and December 31, 2018 , respectively.

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 will be revised and reflected in operating results. Although some variability is inherent in these estimates, the Company believes the amounts provided are adequate.

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 March 31, 2019 , and December 31, 2018 , the consolidated statements of earnings and comprehensive income (loss), shareholders' equity and cash flows for the three -month periods ended March 31, 2019 and 2018 . 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, 2018 (2018 Annual Report).

Reclassifications : Certain reclassifications have been made to prior-year amounts to conform to current-year reporting classifications. These reclassifications had no impact on net earnings or total shareholders' equity.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Standard	Description	Date of Adoption	Effect on Financial Statements or Other Significant Matters
Accounting Standard Update (ASU) 2018-15 Intangibles - Goodwill and Other - Internal-Use Software, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	In August 2018, the FASB issued amendments to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	Early adopted as of January 1, 2019	The adoption of this guidance did not have a significant impact on the Company's financial position, results of operations or disclosures

Standard	Description	Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-02 Leases as clarified and amended by: **ASU 2018-01,** *Leases: Land Easement Practical Expedient for Transition to Topic 842,* **ASU 2018-10** , *Codification Improvements to Topic 842, Leases,* **ASU 2018-11** , *Leases, Targeted Improvements,* and **ASU 2018-20 ,** *Leases: Narrow-Scope Improvements for Lessors*	In February 2016, the FASB issued updated guidance for accounting for leases ("Leases Update"). Per the Leases Update, lessees are required to recognize all leases on the balance sheet with the exception of short-term leases. A lease liability will be recorded for the obligation of a lessee to make lease payments arising from a lease. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Leases Update provided a number of optional practical expedients. The Company elected the "package of practical expedients," which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. Under the Leases Update, lessor accounting is largely unchanged. In January 2018, an amendment was issued to the Leases Update which provided an entity with the option to elect a transition practical expedient to not evaluate land easements that exist or expired before the entity's adoption of the Leases Update and that were not previously accounted for as leases. In July 2018, the FASB issued two amendments to the Leases Update which clarified, corrected errors in, or made minor improvements to the Leases Update and provided entities with an optional transition method to adopt the Leases Update by recording a cumulative-effect adjustment to beginning retained earnings. Additionally, the amendments provided lessors with a practical expedient to not separate nonlease components from associated lease components and instead account for those components as a single component under certain conditions. In December 2018, an amendment to the Leases Update was issued to clarify: 1) lessor accounting for all sales (and other similar) taxes; 2) the handling of certain lessor costs when the amount of those costs is not readily determinable; and 3) lessor allocation of certain variable payments to the lease and non-lease components.	January 1, 2019	The Company has operating and finance leases for office space and equipment. The Company elected the short-term lease exemption for all classes of leases which allows the Company to not recognize right-of-use assets and lease liabilities on the consolidated balance sheet and allows the Company to recognize the lease expense for short-term leases on a straight-line basis over the lease term. The Company elected the practical expedient to not separate lease and non-lease components and applied it to all classes of leases where the non-lease components are not significant. Some of the Company's leases include options to extend or terminate the lease and the lease terms may include such options when it is reasonably certain that the Company will exercise that option. Certain leases also include options to purchase the leased property. The leases within scope of the Leases Update increased the Company's right-of-use assets and lease liabilities recorded in its consolidated balance sheet by $134 million. As of January 1, 2019, the Company did not have land easements, but has elected the practical expedient as a safe harbor. The Company elected the optional transition method and as a safe harbor, the practical expedient provided to lessors. The Company has made an accounting policy election to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price. The adoption of the Leases Update and related amendments did not have a significant impact on the Company's financial position, results of operations, or disclosures.

Accounting Pronouncements Pending Adoption

Standard	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-17 Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities	In October 2018, the FASB issued targeted improvements which provide that indirect interests held through related parties under common control should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The amendments are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted.	The adoption of this guidance is not expected to have a significant impact on the Company's financial position, results of operations or disclosures.
ASU 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General, Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	In August 2018, the FASB issued amendments to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Accordingly, six disclosures requirements were removed, two added and two clarified. The amendments are effective for public business entities for fiscal years beginning after December 15, 2020. Early adoption is permitted.	The adoption of this guidance is not expected to have a significant impact on the Company's financial position, results of operations, or disclosures.
ASU 2018-13 Fair Value Measurement, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	In August 2018, the FASB issued amendments to the disclosure requirements on fair value measurements. The amendments remove, modify, and add certain disclosures. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Further, an entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date.	The adoption of this guidance is not expected to have a significant impact on the Company's financial position, results of operations, or disclosures.
ASU 2018-12 Financial Services - Insurance, Targeted Improvements to the Accounting for Long-Duration Contracts	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 at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures. The amendments are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application of the amendments is permitted.	The Company is thoroughly evaluating the impact of adoption and expects that the adoption will have a significant impact on the Company's financial position, results of operations, and disclosures. The Company anticipates that the requirement to update assumptions for liability for future policy benefits will have a significant impact on its results of operations, systems, processes and controls while the requirement to update the discount rate will have a significant impact on its equity. The Company has no products with market risk benefits. The Company does not expect to early adopt the updated standard.
ASU 2017-04 Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment	In January 2017, the FASB issued amendments simplifying the subsequent measurement of goodwill. An entity, under this update, is no longer required to perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, the entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The amendments are effective for public business entities that are SEC filers for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for any goodwill impairment tests performed on testing dates after January 1, 2017.	The adoption of this guidance is not expected to have a significant impact on the Company's financial position, results of operations, or disclosures.

Standard	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments	In June 2016, the FASB issued amendments that require a financial asset (or a group of financial assets) measured on an amortized cost basis to be presented net of an allowance for credit losses in order to reflect the amount expected to be collected on the financial asset(s). The measurement of expected credit losses is amended by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform about a credit loss. Credit losses on available-for-sale debt securities will continue to be measured in a manner similar to current U.S. GAAP; however, the amendments require that credit losses be presented as an allowance rather than as a write-down. Other amendments include changes to the balance sheet presentation and interest income recognition of purchased financial assets with a more-than-insignificant amount of credit deterioration since origination (PCD financial assets). The amendments are effective for public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Companies may early adopt this guidance as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The amendments will be adopted following a modified-retrospective approach resulting in a cumulative effect adjustment in retained earnings as of the beginning of the year of adoption. Two exceptions to this adoption method are for PCD financial assets and debt securities for which other-than-temporary impairment (OTTI) will have been recognized before the effective date. Loans purchased with credit deterioration accounted for under current U.S. GAAP as "purchased credit impaired" (PCI) financial assets will be classified as PCD financial assets at transition and PCD guidance will be applied prospectively. Debt securities that have experienced OTTI before the effective date will follow a prospective adoption method which allows an entity to maintain the same amortized cost basis before and after the effective date.	The Company has identified certain financial instruments in scope of this guidance to include certain fixed maturity securities, loans and loan receivables and reinsurance recoverables (See Notes 3 and 7 for current balances of instruments in scope). The Company is continuing its progress towards updating its credit loss projection models and accounting systems in order to comply with the required changes in measurement of credit losses. The Company currently expects loans and loan receivables and held-to-maturity fixed maturity securities to be the asset classes most significantly impacted upon adoption of the guidance. The Company continues to evaluate the impact of adoption of this guidance on its financial position, results of operations, and disclosures.

Recent accounting guidance not discussed above is not applicable, did not have, or is not expected to have a material impact to the Company's business.

For additional information on new accounting pronouncements and recent accounting guidance and their impact, if any, on the Company's financial position or results of operations, see Note 1 of the Notes to the Consolidated Financial Statements in the 2018 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, 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 realized 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 Aflac’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:

	Three Months Ended March 31,	
(In millions)	**2019**	2018
Revenues:		
Aflac Japan:		
Net earned premiums	**$ 3,180**	$ 3,263
Net investment income, less amortized hedge costs	**610**	588
Other income	**12**	12
Total Aflac Japan	**3,802**	3,863
Aflac U.S.:		
Net earned premiums	**1,461**	1,427
Net investment income	**177**	175
Other income	**2**	2
Total Aflac U.S.	**1,640**	1,604
Corporate and other	**95**	79
Total adjusted revenues	**5,537**	5,546
Realized investment gains (losses) [(1),(2),(3)]	**120**	(82)
Total revenues	**$ 5,657**	$ 5,464

[(1)] Amortized hedge costs of $62 and $55 for the three -month periods ended March 31, 2019 , and 2018 , respectively, related to certain foreign currency exposure management strategies have been reclassified from realized investment gains (losses) and reported as a deduction from net investment income when analyzing operations.

[(2)] Amortized hedge income of $20 and $2 for the three -month periods ended March 31, 2019 , and 2018 , respectively, related to certain foreign currency exposure management strategies has been reclassified from realized investment gains (losses) and reported as an increase to net investment income when analyzing operations.

[(3)] Net interest cash flows from derivatives associated with certain investment strategies of $(7) for the three -month period ended March 31, 2019 and an immaterial amount in 2018, respectively, have been reclassified from realized investment gains (losses) and included in adjusted earnings as a component of net investment income.

(In millions)	Three Months Ended March 31, 2019	2018
Pretax earnings:		
Aflac Japan	**$ 834**	$ 818
Aflac U.S.	**323**	337
Corporate and other	**(18)**	(46)
Pretax adjusted earnings	**1,139**	1,109
Realized investment gains (losses) [1],[2],[3],[4]	**103**	(98)
Other income (loss)	**0**	(29)
Total earnings before income taxes	**$ 1,242**	$ 982
Income taxes applicable to pretax adjusted earnings	**$ 291**	$ 289
Effect of foreign currency translation on after-tax adjusted earnings	**(8)**	21

[1] *Amortized hedge costs of $62 and $55 for the three -month periods ended March 31, 2019 , and 2018 , respectively, related to certain foreign currency management strategies have been reclassified from realized investment gains (losses) and reported as a deduction from pretax adjusted earnings when analyzing operations.*

[2] *Amortized hedge income of $20 and $2 for the three -month periods ended March 31, 2019 , and 2018 , respectively, related to certain foreign currency management strategies has been reclassified from realized investment gains (losses) and reported as an increase in pretax adjusted earnings when analyzing operations.*

[3] *Net interest cash flows from derivatives associated with certain investment strategies of $(7) for the three -month period ended March 31, 2019 and an immaterial amount in 2018, respectively, have been reclassified from realized investment gains (losses) and included in adjusted earnings as a component of net investment income.*

[4] *A gain of $17 and $17 for the three -month periods ended March 31, 2019 , and 2018 , respectively, related to the interest rate component of the change in fair value of foreign currency swaps on notes payable have been reclassified from realized investment gains (losses) and included in adjusted earnings when analyzing operations*

Assets were as follows:

(In millions)	March 31, 2019	December 31, 2018
Assets:		
Aflac Japan	**$ 123,042**	$ 118,342
Aflac U.S.	**19,965**	19,100
Corporate and other	**2,672**	2,964
Total assets	**$ 145,679**	$ 140,406

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.

	March 31, 2019			
(In millions)	Cost or Amortized Cost	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	$ 31,238	$ 4,813	$ 2	$ 36,049
Municipalities	509	93	3	599
Mortgage- and asset-backed securities	233	27	0	260
Public utilities	1,822	344	0	2,166
Sovereign and supranational	740	65	0	805
Banks/financial institutions	5,664	597	139	6,122
Other corporate	5,043	824	20	5,847
Total yen-denominated	45,249	6,763	164	51,848
U.S. dollar-denominated:				
U.S. government and agencies	190	11	1	200
Municipalities	1,204	105	0	1,309
Mortgage- and asset-backed securities	147	7	0	154
Public utilities	3,841	522	32	4,331
Sovereign and supranational	276	73	0	349
Banks/financial institutions	2,798	484	13	3,269
Other corporate	25,001	2,061	598	26,464
Total U.S. dollar-denominated	33,457	3,263	644	36,076
Total securities available for sale	$ 78,706	$ 10,026	$ 808	$ 87,924

(In millions)	December 31, 2018 Cost or Amortized Cost	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	$ 30,637	$ 3,700	$ 140	$ 34,197
Municipalities	385	32	9	408
Mortgage- and asset-backed securities	155	22	0	177
Public utilities	1,732	280	4	2,008
Sovereign and supranational	826	123	0	949
Banks/financial institutions	5,440	502	238	5,704
Other corporate	4,852	649	44	5,457
Total yen-denominated	44,027	5,308	435	48,900
U.S dollar-denominated:				
U.S. government and agencies	137	9	1	145
Municipalities	1,343	120	8	1,455
Mortgage- and asset-backed securities	155	8	1	162
Public utilities	4,772	496	105	5,163
Sovereign and supranational	251	60	0	311
Banks/financial institutions	2,860	389	35	3,214
Other corporate	23,311	1,343	1,109	23,545
Total U.S. dollar-denominated	32,829	2,425	1,259	33,995
Total securities available for sale	$ 76,856	$ 7,733	$ 1,694	$ 82,895

(In millions)	**March 31, 2019** **Cost or Amortized Cost**	**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	**$ 21,961**	**$ 6,018**	**$ 0**	**$ 27,979**
Municipalities	**814**	**247**	**0**	**1,061**
Mortgage- and asset-backed securities	**20**	**1**	**0**	**21**
Public utilities	**2,728**	**340**	**0**	**3,068**
Sovereign and supranational	**1,154**	**178**	**0**	**1,332**
Banks/financial institutions	**949**	**100**	**10**	**1,039**
Other corporate	**2,537**	**414**	**5**	**2,946**
Total yen-denominated	**30,163**	**7,298**	**15**	**37,446**
Total securities held to maturity	**$ 30,163**	**$ 7,298**	**$ 15**	**$ 37,446**

(In millions)	December 31, 2018 Cost or Amortized Cost	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	$ 21,712	$ 5,326	$ 0	$ 27,038
Municipalities	359	110	0	469
Mortgage- and asset-backed securities	14	1	0	15
Public utilities	2,727	254	8	2,973
Sovereign and supranational	1,551	289	0	1,840
Banks/financial institutions	1,445	158	20	1,583
Other corporate	2,510	332	38	2,804
Total yen-denominated	30,318	6,470	66	36,722
Total securities held to maturity	$ 30,318	$ 6,470	$ 66	$ 36,722

(In millions)	**March 31, 2019 Fair Value**	December 31, 2018 Fair Value
Equity securities, carried at fair value through net earnings:		
Equity securities:		
Yen-denominated	**$ 662**	$ 641
U.S. dollar-denominated	**379**	346
Total equity securities	**$ 1,041**	$ 987

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 quarter of 2019 and 2018, respectively, 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 March 31, 2019 , were as follows:

(In millions)	Amortized Cost	Fair Value
Available for sale:		
Due in one year or less	$ 889	$ 950
Due after one year through five years	8,483	8,624
Due after five years through 10 years	10,111	11,034
Due after 10 years	58,843	66,902
Mortgage- and asset-backed securities	380	414
Total fixed maturity securities available for sale	$ 78,706	$ 87,924
Held to maturity:		
Due in one year or less	$ 135	$ 137
Due after one year through five years	1,112	1,187
Due after five years through 10 years	678	739
Due after 10 years	28,218	35,362
Mortgage- and asset-backed securities	20	21
Total fixed maturity securities held to maturity	$ 30,163	$ 37,446

Economic maturities are the expected maturity date created by the combination of features in the financial instrument. Expected maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

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:

	March 31, 2019			December 31, 2018		
(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	Credit Rating	Amortized Cost	Fair Value
Japan National Government [(1)]	**A+**	**$51,775**	**$62,275**	A+	$51,207	$59,945

[(1)] *Japan Government Bonds (JGBs) or JGB-backed securities*

Realized Investment Gains and Losses

Information regarding pretax realized gains and losses from investments is as follows:

	Three Months Ended March 31,	
(In millions)	**2019**	2018
Realized investment gains (losses):		
Fixed maturity securities:		
Available for sale:		
Gross gains from sales	**$ 12**	$ 10
Gross losses from sales	**(8)**	(2)
Foreign currency gains (losses) on sales and redemptions	**13**	(5)
Total fixed maturity securities	**17**	3
Equity securities	**58**	(46)
Loan receivables:		
Loan loss reserves	**(2)**	(7)
Total loan receivables	**(2)**	(7)
Derivatives and other:		
Derivative gains (losses)	**0**	144
Foreign currency gains (losses)	**(2)**	(228)
Total derivatives and other	**(2)**	(84)
Total realized investment gains (losses)	**$ 71**	$ (134)

The unrealized holding gains , net of losses , recorded as a component of realized investment gains and losses for the three -month period ended March 31, 2019 , that relates to equity securities still held at the March 31, 2019 , reporting date was $47 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)	**March 31, 2019**	December 31, 2018
Unrealized gains (losses) on securities available for sale	**$ 9,218**	$ 6,039
Deferred income taxes	**(2,657)**	(1,805)
Shareholders' equity, unrealized gains (losses) on fixed maturity securities	**$ 6,561**	$ 4,234

Gross Unrealized Loss Aging

The following tables show the fair values and gross unrealized losses of the Company's available-for-sale and held-to-maturity investments that were in an unrealized loss position, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	March 31, 2019					
	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:						
U.S. government and agencies:						
U.S. dollar-denominated	$ 65	$ 1	$ 65	$ 1	$ 0	$ 0
Japan government and agencies:						
Yen-denominated	139	2	139	2	0	0
Municipalities:						
Yen-denominated	70	3	70	3	0	0
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	53	0	53	0	0	0
Public utilities:						
U.S. dollar-denominated	808	32	306	14	502	18
Banks/financial institutions:						
U.S. dollar-denominated	345	13	209	10	136	3
Yen-denominated	2,229	149	2,229	149	0	0
Other corporate:						
U.S. dollar-denominated	9,182	598	3,149	213	6,033	385
Yen-denominated	525	25	525	25	0	0
Total	$ 13,416	$ 823	$ 6,745	$ 417	$ 6,671	$ 406

	December 31, 2018					
	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:						
U.S. government and agencies:						
U.S. dollar-denominated	$ 67	$ 1	$ 67	$ 1	$ 0	$ 0
Japan government and agencies:						
Yen-denominated	3,604	140	3,604	140	0	0
Municipalities:						
U.S. dollar-denominated	515	8	515	8	0	0
Yen-denominated	148	9	148	9	0	0
Mortgage- and asset-backed securities:						
U.S. dollar-denominated	74	1	74	1	0	0
Public utilities:						
U.S. dollar-denominated	1,585	105	892	48	693	57
Yen-denominated	604	12	604	12	0	0
Banks/financial institutions:						
U.S. dollar-denominated	625	35	340	19	285	16
Yen-denominated	3,057	258	3,057	258	0	0
Other corporate:						
U.S. dollar-denominated	12,899	1,109	5,782	407	7,117	702
Yen-denominated	1,306	82	1,306	82	0	0
Total	$ 24,484	$ 1,760	$ 16,389	$ 985	$ 8,095	$ 775

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 significant declines in fair value of its fixed maturity securities, the Company performs a more focused review of the related issuers' 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.

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 loan losses.

The following table reflects the composition of commercial mortgage and other loans by portfolio segment as of the periods presented.

(In millions)	March 31, 2019	December 31, 2018
Commercial mortgage and other loans:		
Transitional real estate loans	**$ 4,398**	$ 4,394
Commercial mortgage loans	**1,085**	1,065
Middle market loans	**1,726**	1,487
Total gross commercial mortgage and other loans	**7,209**	6,946
Valuation allowance	**(29)**	(27)
Total net commercial mortgage and other loans	**$ 7,180**	$ 6,919

Commercial mortgage and transitional real estate loans were secured by properties entirely within the United States. Middle market loans are issued only to companies domiciled within the United States.

Transitional Real Estate Loans

Transitional real estate loans 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 has guidelines that limit the average loan-to-value at origination to be 70% or lower with individual loan-to-value limits at origination of 80% or less. As of March 31, 2019 , the Company had $733 million in outstanding commitments to fund transitional real estate loans. These commitments are contingent on the final underwriting and due diligence to be performed.

Commercial Mortgage Loans

Commercial mortgage loans 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 has guidelines that limit the average loan-to-value at origination to be 65% or lower with individual loan-to-value limits at origination of 70% or less. As of March 31, 2019 , the Company had $28 million in outstanding commitments to fund commercial mortgage loans. These commitments are contingent on the final underwriting and due diligence to be performed.

Middle Market Loans

Middle market loans 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 middle market loans included an unfunded amount of $127 million and $56 million , as of March 31, 2019 , and December 31, 2018 , respectively, that is reflected in other liabilities on the consolidated balance sheets.

As of March 31, 2019 , the Company had commitments of approximately $677 million to fund potential future loan originations related to this investment program. These commitments are contingent upon the availability of middle market loans that meet the Company's underwriting criteria.

Allowance for Loan Losses

The Company's allowance for loan losses is established using both general and specific allowances. The general allowance is used for loans grouped by similar risk characteristics where a loan-specific or market-specific risk has not been identified, but for which the Company estimates probable incurred losses. The specific allowance is used on an individual loan basis when it is probable that a loss has been incurred. There was no specific loan loss reserve as of March 31, 2019 , and December 31, 2018 . As of March 31, 2019 , and December 31, 2018 , the Company's general allowance for loan losses was $29 million and $27 million , respectively.

The following table presents the rollforward of the allowance for loan losses by portfolio segment during the three -month period ended March 31 .

(In millions)	Commercial Mortgage Loans	Transitional Real Estate Loans	Middle Market Loans	Total
Allowance for loan losses at December 31, 2018	$ (1)	$ (17)	$ (9)	$ (27)
Addition to (release of) allowance for credit losses	0	(1)	(1)	(2)
Allowance for loan losses at March 31, 2019	$ (1)	$ (18)	$ (10)	$ (29)

The key credit quality indicators used by the company in establishing the general and specific loan loss reserves, as well as in determining whether or not a loan should be impaired, include loan-to-value and debt service coverage ratios for CMLs and TREs and ratings for our middle market loan portfolio. Given that transitional real estate loans involve properties undergoing renovation or construction, loan-to-value provides the most insight on the credit risk of the property. The performance of the loans are monitored and reviewed periodically, but not less than quarterly.

As of March 31, 2019 , and December 31, 2018 , the Company had no loans that were past due in regards to principal and/or interest payments. Additionally, the Company held no loans that were on nonaccrual status or considered impaired as of March 31, 2019 , and December 31, 2018 . The Company had no troubled debt restructurings during the three months ended March 31, 2019 and 2018.

Other Investments

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

(In millions)	March 31, 2019	December 31, 2018
Other investments:		
Policy loans	**$ 236**	$ 232
Short-term investments [(1)]	**543**	152
Limited partnerships	**434**	377
Other	**25**	26
Total other investments	**$ 1,238**	$ 787

[(1)] Includes securities lending collateral

As of March 31, 2019 , the Company had $915 million 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 has 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

	March 31, 2019		December 31, 2018	
(In millions)	**Cost or Amortized Cost**	**Fair Value**	Cost or Amortized Cost	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 3,756**	**$ 4,543**	$ 3,849	$ 4,466
Equity securities	**180**	**180**	160	160
Commercial mortgage and other loans	**5,892**	**5,894**	5,528	5,506
Other investments [1]	**374**	**374**	328	328
Other assets [2]	**178**	**178**	182	182
Total assets of consolidated VIEs	**$ 10,380**	**$ 11,169**	$ 10,047	$ 10,642
Liabilities:				
Other liabilities [2]	**$ 108**	**$ 108**	$ 102	$ 102
Total liabilities of consolidated VIEs	**$ 108**	**$ 108**	$ 102	$ 102

[1] Consists entirely of alternative investments in limited partnerships
[2] 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

	March 31, 2019		December 31, 2018	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Assets:				
Fixed maturity securities, available for sale	**$ 4,455**	**$ 5,025**	$ 4,575	$ 4,982
Fixed maturity securities, held to maturity	**2,006**	**2,331**	2,007	2,254
Other investments [(1)]	**59**	**59**	49	49
Total investments in VIEs not consolidated	**$ 6,520**	**$ 7,415**	$ 6,631	$ 7,285

[(1)] Consists entirely of alternative investments in limited partnerships

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.

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.

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				
March 31, 2019				
Remaining Contractual Maturity of the Agreements				
(In millions)	**Overnight and Continuous [1]**	**Up to 30 days**	**Greater than 90 days**	**Total**
Securities lending transactions:				
Fixed maturity securities:				
Japan government and agencies	**$ 0**	**$ 1,101**	**$ 1,901**	**$ 3,002**
Public utilities	**15**	**0**	**0**	**15**
Banks/financial institutions	**74**	**0**	**0**	**74**
Other corporate	**764**	**0**	**0**	**764**
Equity securities	**15**	**0**	**0**	**15**
Total borrowings	**$ 868**	**$ 1,101**	**$ 1,901**	**$ 3,870**
Gross amount of recognized liabilities for securities lending transactions				**$ 1,969**
Amounts related to agreements not included in offsetting disclosure in Note 4				**$ 1,901**

[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.

Securities Lending Transactions Accounted for as Secured Borrowings				
December 31, 2018				
Remaining Contractual Maturity of the Agreements				
(In millions)	Overnight and Continuous [1]	Up to 30 days	Greater than 90 days	Total
Securities lending transactions:				
Fixed maturity securities:				
Japan government and agencies	$ 0	$ 387	$ 1,190	$ 1,577
Municipalities	5	0	0	5
Public utilities	27	0	0	27
Banks/financial institutions	74	0	0	74
Other corporate	549	0	0	549
Equity securities	10	0	0	10
Total borrowings	$ 665	$ 387	$ 1,190	$ 2,242
Gross amount of recognized liabilities for securities lending transactions				$ 1,052
Amounts related to agreements not included in offsetting disclosure in Note 4				$ 1,190

[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

The Company did not have any repurchase agreements or repurchase-to-maturity transactions outstanding as of March 31, 2019 , and December 31, 2018 , respectively.

Certain fixed maturity securities can be pledged as collateral as part of derivative transactions, or pledged to support state deposit requirements or 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
- 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 and, in prior periods, credit default swaps that are associated with 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.

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. 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 transaction, 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). The foreign currency forwards and options are used in fair value hedging relationships to mitigate the foreign exchange risk associated with U.S. dollar-denominated investments supporting yen-denominated liabilities.

Prior to April 1, 2018, foreign currency forwards and options (through a collar strategy, as discussed above) were used to hedge the currency risk associated with the net investment in Aflac Japan. In these forward transactions, Aflac agreed 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 used 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 created a zero-cost collar.

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).

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.

	March 31, 2019			December 31, 2018		
(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	**$ 75**	**$ 0**	**$ 6**	$ 75	$ 1	$ 4
Total cash flow hedges	**75**	**0**	**6**	75	1	4
Fair value hedges:						
Foreign currency forwards	**691**	**0**	**24**	2,086	0	34
Foreign currency options	**10,887**	**0**	**2**	9,070	3	1
Interest rate swaptions	**1,500**	**0**	**1**	500	0	1
Total fair value hedges	**13,079**	**0**	**27**	11,656	3	36
Non-qualifying strategies:						
Foreign currency swaps	**2,800**	**96**	**98**	2,800	103	129
Foreign currency swaps - VIE	**2,587**	**178**	**102**	2,587	181	101
Foreign currency forwards	**15,208**	**119**	**132**	16,057	126	117
Foreign currency options	**552**	**0**	**0**	430	0	0
Interest rate swaps	**4,750**	**8**	**0**	4,750	3	0
Total non-qualifying strategies	**25,897**	**401**	**332**	26,624	413	347
Total derivatives	**$ 39,051**	**$ 401**	**$ 365**	$ 38,355	$ 417	$ 387

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 USD variable rate interest and principal payments to fixed rate 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 eight 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 Realized Gains (Losses) Recognized for Fair Value Hedge**
Three Months Ended March 31, 2019:						
Foreign currency forwards	Fixed maturity securities	**$ 9**	**$ (10)**	**$ 19**	**$ (18)**	**$ 1**
Foreign currency options	Fixed maturity securities	**(4)**	**(4)**	**0**	**0**	**0**
Interest rate swaptions	Fixed maturity securities	**(1)**	**(1)**	**0**	**0**	**0**
Total gains (losses)		**$ 4**	**$ (15)**	**$ 19**	**$ (18)**	**$ 1**
Three Months Ended March 31, 2018:						
Foreign currency forwards	Fixed maturity securities	$ 414	$ (39)	$ 453	$ (464)	$ (11)
Foreign currency options	Fixed maturity securities	(1)	(1)	0	0	0
Total gains (losses)		$ 413	$ (40)	$ 453	$ (464)	$ (11)

[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 realized 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 realized investment gains (losses). For interest rate swaptions and related hedged items, gains and losses included in the hedge assessment are reported within net investment income. For the three -month period ended March 31, 2019 , those gains and losses 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)**	
	March 31, 2019	December 31, 2018	**March 31, 2019**	December 31, 2018
Fixed maturity securities	**$ 5,285**	$ 6,593	**$ 276**	$ 294

[1] The balance includes hedging adjustment on discontinued hedging relationships of $276 in 2019 and $294 in 2018.

The total notional amount of the Company's interest rate swaptions was $1,500 in 2019 and $500 in 2018. The hedging adjustment related to these derivatives was immaterial.

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, prior to April 1, 2018, 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 -month periods ended March 31, 2019 and 2018 , 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 realized 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 March 31, 2019 , the Parent Company had cross-currency interest rate swap agreements related to its $350 million senior notes due February 2022, $700 million senior notes due June 2023, $750 million senior notes due November 2024 and $450 million senior notes due March 2025. 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 2018 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 generally offsets gains and losses from foreign exchange forwards within realized investment gains (losses). The Company also has certain foreign exchange forwards on U.S. dollar-denominated AFS securities where hedge accounting is not being applied.

In order to economically mitigate currency risk of future yen dividends from Aflac Japan while lowering consolidated hedge costs associated with Aflac Japan's U.S. dollar investment hedging, the Parent Company entered into offsetting hedge positions using foreign exchange forwards. This activity is reported in the Corporate and other segment.

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 realized investment gains (losses) and other comprehensive income (loss) from all derivatives and hedging instruments.

	Three Months Ended March 31,					
	2019			2018		
(In millions)	**Net Investment Income Loss [1]**	**Realized Investment Gains (Losses)**	**Other Comprehensive Income (Loss) [2]**	**Net Investment Income Loss [1]**	Realized Investment Gains (Losses)	Other Comprehensive Income (Loss) [2]
Qualifying hedges:						
Cash flow hedges:						
Foreign currency swaps - VIE	**$ (1)**	**$ 0**	**$ (2)**	$ 0	$ 1	$ 6
Total cash flow hedges	**(1)**	**0** [3]	**(2)**	0	1 [3]	6
Fair value hedges:						
Foreign currency forwards [4]		**(9)**			(50)	
Foreign currency options [4]		**(4)**			(1)	
Interest rate swaptions [4]	**0**	**0**	**(1)**	0	0	0
Total fair value hedges	**0**	**(13)**	**(1)**	0	(51)	0
Net investment hedge:						
Non-derivative hedging instruments		**0**	**0**		0	(84)
Foreign currency options		**0**	**0**		0	(8)
Total net investment hedge		**0**	**0**		0	(92)
Non-qualifying strategies:						
Foreign currency swaps		**44**			(110)	
Foreign currency swaps - VIE		**(16)**			124	
Foreign currency forwards		**(21)**			179	
Foreign currency options		**0**			1	
Interest rate swaps		**6**			0	
Total non-qualifying strategies		**13**			194	
Total	**$ (1)**	**$ 0**	**$ (3)**	$ 0	$ 144	$ (86)

[1] Net investment income (loss) includes net interest on swaps.

[2] Cash flow hedge items 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) on derivatives and net investment hedge items 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 realized investment gains (losses) includes an immaterial amount of gains or losses reclassified from accumulated other comprehensive income (loss) into earnings. It also includes an immaterial amount excluded from effectiveness testing during the three-month periods ended March 31, 2019 and 2018 , respectively.

[4] Impact shown net of effect of hedged items (see Fair Value Hedges section of this Note 4 for further detail)

The impact on earnings from derivatives in cash flow hedge relationships includes a loss of an immaterial amount during the three-month periods ended March 31, 2019 and 2018 , respectively, resulting from reclassifications from accumulated other comprehensive income (loss) to net investment income. As of March 31, 2019 , deferred gains and losses on derivative instruments recorded in accumulated other comprehensive income that are expected to be reclassified to earnings during the next twelve months were immaterial.

Credit Risk Assumed through Derivatives

For the foreign currency and credit default 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 March 31, 2019 , there were 16 counterparties to the Company's derivative agreements, with four comprising 65% of the aggregate notional amount. As of March 31, 2019, all 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 Aflac's financial strength rating. The actual amount of payments that the Company could be required to make depends on market conditions, the fair value of outstanding affected transactions, and other factors prevailing at and after the time of the downgrade.

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 $133 million and $139 million as of March 31, 2019 , and December 31, 2018 , respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on March 31, 2019 , the Company estimates that it would be required to post a maximum of $23 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 Asset

March 31, 2019							
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Financial Instruments	Securities Collateral	Cash Collateral Received	Net Amount
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	$ 215	$ 0	$ 215	$ (118)	$ (10)	$ (80)	$ 7
OTC - cleared	8	0	8	0	0	(1)	7
Total derivative assets subject to a master netting agreement or offsetting arrangement	223	0	223	(118)	(10)	(81)	14
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	178		178				178
Total derivative assets not subject to a master netting agreement or offsetting arrangement	178		178				178
Total derivative assets	401	0	401	(118)	(10)	(81)	192
Securities lending and similar arrangements	1,959	0	1,959	0	0	(1,959)	0
Total	$ 2,360	$ 0	$ 2,360	$ (118)	$ (10)	$ (2,040)	$ 192

December 31, 2018							
				Gross Amounts Not Offset in Balance Sheet			
(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Financial Instruments	Securities Collateral	Cash Collateral Received	Net Amount
Derivative assets:							
Derivative assets subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	$ 231	$ 0	$ 231	$ (152)	$ (23)	$ (55)	$ 1
OTC - cleared	3	0	3	0	0	(3)	0
Total derivative assets subject to a master netting agreement or offsetting arrangement	234	0	234	(152)	(23)	(58)	1
Derivative assets not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	183		183				183
Total derivative assets not subject to a master netting agreement or offsetting arrangement	183		183				183
Total derivative assets	417	0	417	(152)	(23)	(58)	184
Securities lending and similar arrangements	1,029	0	1,029	0	0	(1,029)	0
Total	$ 1,446	$ 0	$ 1,446	$ (152)	$ (23)	$ (1,087)	$ 184

Offsetting of Financial Liabilities and Derivative Liabilities

March 31, 2019						
				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	$ 257	$ 0	$ 257	$ (118)	$ (65)	$ (45)	$ 29
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	257	0	257	(118)	(65)	(45)	29
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	108		108				108
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	108		108				108
Total derivative liabilities	365	0	365	(118)	(65)	(45)	137
Securities lending and similar arrangements	1,969	0	1,969	(1,959)	0	0	10
Total	$ 2,334	$ 0	$ 2,334	$ (2,077)	$ (65)	$ (45)	$ 147

December 31, 2018							
				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	$ 285	$ 0	$ 285	$ (152)	$ (37)	$ (68)	$ 28
Total derivative liabilities subject to a master netting agreement or offsetting arrangement	285	0	285	(152)	(37)	(68)	28
Derivative liabilities not subject to a master netting agreement or offsetting arrangement							
OTC - bilateral	102		102				102
Total derivative liabilities not subject to a master netting agreement or offsetting arrangement	102		102				102
Total derivative liabilities	387	0	387	(152)	(37)	(68)	130
Securities lending and similar arrangements	1,052	0	1,052	(1,029)	0	0	23
Total	$ 1,439	$ 0	$ 1,439	$ (1,181)	$ (37)	$ (68)	$ 153

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 2018 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.

(In millions)	March 31, 2019			
	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	$ 34,727	$ 1,522	$ 0	$ 36,249
Municipalities	0	1,908	0	1,908
Mortgage- and asset-backed securities	0	236	178	414
Public utilities	0	6,412	85	6,497
Sovereign and supranational	0	1,154	0	1,154
Banks/financial institutions	0	9,368	23	9,391
Other corporate	0	32,027	284	32,311
Total fixed maturity securities	34,727	52,627	570	87,924
Equity securities	925	70	46	1,041
Other investments	543	0	0	543
Cash and cash equivalents	3,892	0	0	3,892
Other assets:				
Foreign currency swaps	0	96	178	274
Foreign currency forwards	0	119	0	119
Interest rate swaps	0	8	0	8
Total other assets	0	223	178	401
Total assets	$ 40,087	$ 52,920	$ 794	$ 93,801
Liabilities:				
Other liabilities:				
Foreign currency swaps	$ 0	$ 98	$ 108	$ 206
Foreign currency forwards	0	156	0	156
Foreign currency options	0	2	0	2
Interest rate swaptions	0	1	0	1
Total liabilities	$ 0	$ 257	$ 108	$ 365

(In millions)	December 31, 2018 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	$ 32,993	$ 1,349	$ 0	$ 34,342
Municipalities	0	1,863	0	1,863
Mortgage- and asset-backed securities	0	162	177	339
Public utilities	0	7,062	109	7,171
Sovereign and supranational	0	1,260	0	1,260
Banks/financial institutions	0	8,895	23	8,918
Other corporate	0	28,789	213	29,002
Total fixed maturity securities	32,993	49,380	522	82,895
Equity securities	874	67	46	987
Other investments	152	0	0	152
Cash and cash equivalents	4,337	0	0	4,337
Other assets:				
Foreign currency swaps	0	103	182	285
Foreign currency forwards	0	126	0	126
Foreign currency options	0	3	0	3
Interest rate swaps	0	3	0	3
Total other assets	0	235	182	417
Total assets	$ 38,356	$ 49,682	$ 750	$ 88,788
Liabilities:				
Other liabilities:				
Foreign currency swaps	$ 0	$ 132	$ 102	$ 234
Foreign currency forwards	0	151	0	151
Foreign currency options	0	1	0	1
Interest rate swaptions	0	1	0	1
Total liabilities	$ 0	$ 285	$ 102	$ 387

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.

	March 31, 2019				
(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	**$ 21,961**	**$ 27,629**	**$ 350**	**$ 0**	**$ 27,979**
Municipalities	**814**	**0**	**1,061**	**0**	**1,061**
Mortgage and asset-backed securities	**20**	**0**	**8**	**13**	**21**
Public utilities	**2,728**	**0**	**3,068**	**0**	**3,068**
Sovereign and supranational	**1,154**	**0**	**1,332**	**0**	**1,332**
Banks/financial institutions	**949**	**0**	**1,039**	**0**	**1,039**
Other corporate	**2,537**	**0**	**2,946**	**0**	**2,946**
Commercial mortgage and other loans	**7,180**	**0**	**0**	**7,185**	**7,185**
Other investments [(1)]	**25**	**0**	**25**	**0**	**25**
Total assets	**$ 37,368**	**$ 27,629**	**$ 9,829**	**$ 7,198**	**$ 44,656**
Liabilities:					
Other policyholders' funds	**$ 7,185**	**$ 0**	**$ 0**	**$ 7,110**	**$ 7,110**
Notes payable (excluding leases)	**5,766**	**0**	**5,809**	**270**	**6,079**
Total liabilities	**$ 12,951**	**$ 0**	**$ 5,809**	**$ 7,380**	**$ 13,189**

[(1)] Excludes policy loans of $236 and equity method investments of $434 , at carrying value

(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
	December 31, 2018				
Assets:					
Securities held to maturity, carried at amortized cost:					
Fixed maturity securities:					
Government and agencies	$ 21,712	$ 27,030	$ 8	$ 0	$ 27,038
Municipalities	359	0	469	0	469
Mortgage and asset-backed securities	14	0	0	15	15
Public utilities	2,727	0	2,973	0	2,973
Sovereign and supranational	1,551	0	1,840	0	1,840
Banks/financial institutions	1,445	0	1,583	0	1,583
Other corporate	2,510	0	2,804	0	2,804
Commercial mortgage and other loans	6,919	0	0	6,893	6,893
Other investments [(1)]	26	0	26	0	26
Total assets	$ 37,263	$ 27,030	$ 9,703	$ 6,908	$ 43,641
Liabilities:					
Other policyholders' funds	$ 7,146	$ 0	$ 0	$ 7,067	$ 7,067
Notes payable (excluding leases)	5,765	0	5,606	270	5,876
Total liabilities	$ 12,911	$ 0	$ 5,606	$ 7,337	$ 12,943

[(1)] Excludes policy loans of $232 and equity method investments of $377 , 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) 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 to reflect the impact of the persistent economic environment and the changing regulatory framework. These models are discounted cash flow (DCF) valuation models, but also use information from related markets, specifically the 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; or 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.

The fixed maturity securities classified as Level 3 consist of securities with limited or no observable valuation inputs. For Level 3 securities, the Company estimates the fair value of these securities by obtaining non-binding broker quotes from a limited number of brokers. These brokers base their quotes on a combination of their knowledge of the current pricing environment and market conditions. The Company considers these inputs to be unobservable. The Company also considers a variety of significant valuation inputs in the valuation process, including forward exchange rates, yen swap rates, dollar swap rates, interest rate volatilities, credit spread data on specific issuers, assumed default and default recovery rates, and certain probability assumptions. In obtaining these valuation inputs, the Company has determined that certain pricing assumptions and data used by its pricing sources are difficult to validate or corroborate by the market and/or appear to be internally developed rather than observed in or corroborated by the market. The use of these unobservable valuation inputs causes more subjectivity in the valuation process for these securities.

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.

(In millions)	March 31, 2019 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	$ 34,727	$ 1,522	$ 0	$ 36,249
Total government and agencies	34,727	1,522	0	36,249
Municipalities:				
Third party pricing vendor	0	1,908	0	1,908
Total municipalities	0	1,908	0	1,908
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	236	0	236
Broker/other	0	0	178	178
Total mortgage- and asset-backed securities	0	236	178	414
Public utilities:				
Third party pricing vendor	0	6,412	0	6,412
Broker/other	0	0	85	85
Total public utilities	0	6,412	85	6,497
Sovereign and supranational:				
Third party pricing vendor	0	1,154	0	1,154
Total sovereign and supranational	0	1,154	0	1,154
Banks/financial institutions:				
Third party pricing vendor	0	9,323	0	9,323
Broker/other	0	45	23	68
Total banks/financial institutions	0	9,368	23	9,391
Other corporate:				
Third party pricing vendor	0	31,964	0	31,964
Broker/other	0	63	284	347
Total other corporate	0	32,027	284	32,311
Total securities available for sale	$ 34,727	$ 52,627	$ 570	$ 87,924
Equity securities, carried at fair value:				
Third party pricing vendor	$ 925	$ 70	$ 0	$ 995
Broker/other	0	0	46	46
Total equity securities	$ 925	$ 70	$ 46	$ 1,041

(In millions)	March 31, 2019 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	$ 27,629	$ 350	$ 0	$ 27,979
Total government and agencies	27,629	350	0	27,979
Municipalities:				
Third party pricing vendor	0	1,061	0	1,061
Total municipalities	0	1,061	0	1,061
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	8	0	8
Broker/other	0	0	13	13
Total mortgage- and asset-backed securities	0	8	13	21
Public utilities:				
Third party pricing vendor	0	3,068	0	3,068
Total public utilities	0	3,068	0	3,068
Sovereign and supranational:				
Third party pricing vendor	0	1,332	0	1,332
Total sovereign and supranational	0	1,332	0	1,332
Banks/financial institutions:				
Third party pricing vendor	0	1,039	0	1,039
Total banks/financial institutions	0	1,039	0	1,039
Other corporate:				
Third party pricing vendor	0	2,946	0	2,946
Total other corporate	0	2,946	0	2,946
Total securities held to maturity	$ 27,629	$ 9,804	$ 13	$ 37,446

(In millions)	December 31, 2018 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	$ 32,993	$ 1,349	$ 0	$ 34,342
Total government and agencies	32,993	1,349	0	34,342
Municipalities:				
Third party pricing vendor	0	1,863	0	1,863
Total municipalities	0	1,863	0	1,863
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	162	0	162
Broker/other	0	0	177	177
Total mortgage- and asset-backed securities	0	162	177	339
Public utilities:				
Third party pricing vendor	0	7,062	0	7,062
Broker/other	0	0	109	109
Total public utilities	0	7,062	109	7,171
Sovereign and supranational:				
Third party pricing vendor	0	1,260	0	1,260
Total sovereign and supranational	0	1,260	0	1,260
Banks/financial institutions:				
Third party pricing vendor	0	8,895	0	8,895
Broker/other	0	0	23	23
Total banks/financial institutions	0	8,895	23	8,918
Other corporate:				
Third party pricing vendor	0	28,789	0	28,789
Broker/other	0	0	213	213
Total other corporate	0	28,789	213	29,002
Total securities available for sale	$ 32,993	$ 49,380	$ 522	$ 82,895
Equity securities, carried at fair value:				
Third party pricing vendor	$ 874	$ 67	$ 0	$ 941
Broker/other	0	0	46	46
Total equity securities	$ 874	$ 67	$ 46	$ 987

(In millions)	December 31, 2018 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	$ 27,030	$ 8	$ 0	$ 27,038
Total government and agencies	27,030	8	0	27,038
Municipalities:				
Third party pricing vendor	0	469	0	469
Total municipalities	0	469	0	469
Mortgage- and asset-backed securities:				
Broker/other	0	0	15	15
Total mortgage- and asset-backed securities	0	0	15	15
Public utilities:				
Third party pricing vendor	0	2,973	0	2,973
Total public utilities	0	2,973	0	2,973
Sovereign and supranational:				
Third party pricing vendor	0	1,840	0	1,840
Total sovereign and supranational	0	1,840	0	1,840
Banks/financial institutions:				
Third party pricing vendor	0	1,583	0	1,583
Total banks/financial institutions	0	1,583	0	1,583
Other corporate:				
Third party pricing vendor	0	2,804	0	2,804
Total other corporate	0	2,804	0	2,804
Total securities held to maturity	$ 27,030	$ 9,677	$ 15	$ 36,722

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 Company uses pricing models to determine the estimated fair value of derivatives. Inputs used to value derivatives include, but are not limited to, interest rates, credit spreads, foreign currency forward and spot rates, and interest volatility. The 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 fair values of the foreign currency forwards and options associated with certain investments; the foreign currency forwards and options used to hedge foreign exchange risk from the Company's net investment in Aflac Japan and economically hedge certain portions of forecasted cash flows denominated in yen; and the foreign currency swaps associated with certain senior notes are based on the amounts the Company would expect to receive or pay. The determination of the fair value of these derivatives is 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 volatilities. 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. As a result, the fair value measurements incorporate the credit risk of the collateral associated with the VIE. The Company receives valuations from a third party pricing vendor for these derivatives. Based on an analysis of these derivatives and a review of the methodology employed by the pricing vendor, the Company determined that due to the long duration of these swaps and the need to extrapolate from short-term observable data to derive and measure long-term inputs, certain inputs, assumptions and judgments are required to value future cash flows that cannot be corroborated by current inputs or current observable market data. As a result, the derivatives associated with the Company's consolidated VIEs are classified as Level 3 of the fair value hierarchy.

Commercial mortgage and other loans

Commercial mortgage and other loans include transitional real estate loans, commercial mortgage loans and middle market loans. The Company's loan receivables do not have readily determinable market prices and generally lack market liquidity. Fair values for loan receivables are determined based on the present value of expected future cash flows discounted at the applicable U.S. Treasury or London Interbank Offered Rate (LIBOR) yield plus an appropriate spread that considers other risk factors, such as credit and liquidity risk. These spreads are provided by the applicable asset managers based on their knowledge of the current loan pricing environment and market conditions. 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

During the three -month periods ended March 31, 2019 and 2018 , respectively, there were no transfers between Level 1 and 2 for assets and liabilities that are measured and carried at fair value on a recurring basis.

The following tables present the changes in fair value of the Company's investments and derivatives carried at fair value classified as Level 3.

	Three Months Ended March 31, 2019							
	Fixed Maturity Securities				Equity Securities	Derivatives [1]		
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Banks/ Financial Institutions	Other Corporate		Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$ 177	$ 109	$ 23	$ 213	$ 46	$ 80	$ 0	$ 648
Realized investment gains (losses) included in earnings	0	0	0	0	0	(8)	0	(8)
Unrealized gains (losses) included in other comprehensive income (loss)	1	1	0	1	0	(2)	0	1
Purchases, issuances, sales and settlements:								
Purchases	0	0	0	63	0	0	0	63
Issuances	0	0	0	0	0	0	0	0
Sales	0	0	0	(2)	0	0	0	(2)
Settlements	0	0	0	0	0	0	0	0
Transfers into Level 3	0	0	0	25 [2]	0	0	0	25
Transfers out of Level 3	0	(25) [2]	0	(16) [3]	0	0	0	(41)
Balance, end of period	$ 178	$ 85	$ 23	$ 284	$ 46	$ 70	$ 0	$ 686
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	$ (8)	$ 0	$ (8)

[1] *Derivative assets and liabilities are presented net*
[2] *Transfer due to sector classification change*
[3] *Transfer due to availability of observable market inputs*

	Three Months Ended March 31, 2018							
	Fixed Maturity Securities				Equity Securities	Derivatives [1]		
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Banks/ Financial Institutions	Other Corporate		Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$ 175	$ 68	$ 25	$ 146	$ 16	$ 22	$ 1	$ 453
Realized investment gains (losses) included in earnings	0	0	0	0	0	126	0	126
Unrealized gains (losses) included in other comprehensive income (loss)	11	(1)	(1)	(2)	0	6	0	13
Purchases, issuances, sales and settlements:								
Purchases	0	16	0	0	0	0	0	16
Issuances	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Settlements	0	0	0	(1)	0	0	0	(1)
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	$ 186	$ 83	$ 24	$ 143	$ 16	$ 154	$ 1	$ 607
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	$ 126	$ 0	$ 126

[1] *Derivative assets and liabilities are presented net*

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 and derivatives 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.

	March 31, 2019			
(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	**$ 178**	Consensus pricing	Offered quotes	N/A [(a)]
Public utilities	**85**	Discounted cash flow	Credit spreads	N/A [(a)]
Banks/financial institutions	**23**	Consensus pricing	Offered quotes	N/A [(a)]
Other corporate	**284**	Discounted cash flow	Credit spreads	N/A [(a)]
Equity securities	**46**	Net asset value	Offered quotes	N/A [(a)]
Other assets:				
Foreign currency swaps	**117**	Discounted cash flow	Interest rates (USD)	2.48% - 2.66% [(b)]
			Interest rates (JPY)	.13% - .57% [(c)]
			CDS spreads	13 - 109 bps
	61	Discounted cash flow	Interest rates (USD)	2.48% - 2.66% [(b)]
			Interest rates (JPY)	.13% - .57% [(c)]
Total assets	**$ 794**			
Liabilities:				
Other liabilities:				
Foreign currency swaps	**$ 102**	Discounted cash flow	Interest rates (USD)	2.48% - 2.66% [(b)]
			Interest rates (JPY)	.13% - .57% [(c)]
			CDS spreads	30 - 187 bps
	6	Discounted cash flow	Interest rates (USD)	2.48% - 2.66% [(b)]
			Interest rates (JPY)	.13% - .57% [(c)]
Total liabilities	**$ 108**			

(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.
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of the Company's swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of the Company's swaps

December 31, 2018					
(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	$ 177	Consensus pricing	Offered quotes	N/A	(a)
Public utilities	109	Discounted cash flow	Credit spreads	N/A	(a)
Banks/financial institutions	23	Consensus pricing	Offered quotes	N/A	(a)
Other corporate	213	Discounted cash flow	Credit spreads	N/A	(a)
Equity securities	46	Net asset value	Offered quotes	N/A	(a)
Other assets:					
Foreign currency swaps	125	Discounted cash flow	Interest rates (USD)	2.75% - 2.84%	(b)
			Interest rates (JPY)	.18% - .71%	(c)
			CDS spreads	19 - 120 bps	
	57	Discounted cash flow	Interest rates (USD)	2.75% - 2.84%	(b)
			Interest rates (JPY)	.18% - .71%	(c)
Total assets	$ 750				
Liabilities:					
Other liabilities:					
Foreign currency swaps	$ 98	Discounted cash flow	Interest rates (USD)	2.75% - 2.84%	(b)
			Interest rates (JPY)	.18% - .71%	(c)
			CDS spreads	28 - 211 bps	
	4	Discounted cash flow	Interest rates (USD)	2.75% - 2.84%	(b)
			Interest rates (JPY)	.18% - .71%	(c)
Total liabilities	$ 102				

(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.
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of the Company's swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of the Company's swaps

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 interest and 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.

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 2018 Annual Report.

6. POLICY LIABILITIES

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

	Three Months Ended March 31,	
(In millions)	**2019**	2018
Unpaid supplemental health claims, beginning of period	**$ 3,952**	$ 3,884
Less reinsurance recoverables	**29**	30
Net balance, beginning of period	**3,923**	3,854
Add claims incurred during the period related to:		
Current year	**1,825**	1,842
Prior years	**(167)**	(192)
Total incurred	**1,658**	1,650
Less claims paid during the period on claims incurred during:		
Current year	**506**	518
Prior years	**1,137**	1,116
Total paid	**1,643**	1,634
Effect of foreign exchange rate changes on unpaid claims	**0**	142
Net balance, end of period	**3,938**	4,012
Add reinsurance recoverables	**29**	31
Unpaid supplemental health claims, end of period	**3,967**	4,043
Unpaid life claims, end of period	**658**	587
Total liability for unpaid policy claims	**$ 4,625**	$ 4,630

The incurred claims development related to prior years reflects favorable claims experience compared to previous estimates. The favorable claims development of $167 million for the three -month period ended March 31, 2019 comprises approximately $91 million from Japan, which represents approximately 54% of the total. The impact of foreign currency exchange for the period December 31, 2018 to March 31, 2019 was immaterial.

The Company has experienced continued favorable claim trends in 2019 for its core health products in Japan. The Company's experience in Japan related to the average length of stay in the hospital for cancer treatment has shown continued decline in the current period. In addition, 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.

The remainder of the favorable claims development related to prior years for the three -month period ended March 31, 2019 , reflects Aflac U.S. favorable claims experience compared to previous estimates, primarily in the cancer and accident lines of business.

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 $1.0 billion , as of March 31, 2019 , 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 $944 million and $941 million as of March 31, 2019 , and December 31, 2018 , respectively. The increase in the reinsurance recoverable balance was driven by the growth in reserves related to the business that has been reinsured as the policies age. The ceded reserves increased approximately .3% from December 31, 2018 , to March 31, 2019 .

The following table reconciles direct premium income and direct benefits and claims to net amounts after the effect of reinsurance.

	Three Months Ended March 31,	
(In millions)	**2019**	2018
Direct premium income	**$ 4,776**	$ 4,833
Ceded to other companies:		
Ceded Aflac Japan closed blocks	**(121)**	(129)
Other	**(15)**	(15)
Assumed from other companies:		
Retrocession activities	**50**	54
Other	**1**	2
Net premium income	**$ 4,691**	$ 4,745
Direct benefits and claims	**$ 3,041**	$ 3,119
Ceded benefits and change in reserves for future benefits:		
Ceded Aflac Japan closed blocks	**(111)**	(117)
Eliminations	**10**	12
Other	**(11)**	(12)
Assumed from other companies:		
Retrocession activities	**48**	52
Eliminations	**(10)**	(12)
Benefits and claims, net	**$ 2,967**	$ 3,042

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 in the amount of approximately 110 billion yen of reserves. This reinsurance facility agreement was renewed in 2018 and is effective until December 31, 2019. 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 March 31, 2019 , 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)	March 31, 2019	December 31, 2018
4.00% senior notes due February 2022	**$ 348**	$ 348
3.625% senior notes due June 2023	**698**	698
3.625% senior notes due November 2024	**746**	746
3.25% senior notes due March 2025	**448**	447
2.875% senior notes due October 2026	**297**	297
6.90% senior notes due December 2039	**220**	220
6.45% senior notes due August 2040	**254**	254
4.00% senior notes due October 2046	**394**	394
4.750% senior notes due January 2049	**540**	540
Yen-denominated senior notes and subordinated debentures:		
.932% senior notes due January 2027 (principal amount 60.0 billion yen)	**538**	538
1.159% senior notes due October 2030 (principal amount 29.3 billion yen)	**262**	262
1.488% senior notes due October 2033 (principal amount 15.2 billion yen)	**136**	136
1.750% senior notes due October 2038 (principal amount 8.9 billion yen)	**79**	79
2.108% subordinated debentures due October 2047 (principal amount 60.0 billion yen)	**536**	536
Yen-denominated loans:		
Variable interest rate loan due September 2021 (.32% in 2019 and 2018, principal amount 5.0 billion yen)	**45**	45
Variable interest rate loan due September 2023 (.47% in 2019 and 2018, principal amount 25.0 billion yen)	**225**	225
Finance lease obligations payable through 2025	**12**	13
Operating lease obligations payable through 2028 [(1)]	**122**	0
Total notes payable and lease obligations	**$ 5,900**	$ 5,778

[(1)] See Note 1 of the Notes to the Consolidated Financial Statements for the adoption of accounting guidance on January 1, 2019 related to leases. Amounts in the table above are reported net of debt issuance costs and issuance premiums or discounts, if applicable, that are being amortized over the life of the notes.

The following table presents the contractual maturities and present value of lease liabilities.

	March 31, 2019		
(In millions)	**Operating Leases**	**Finance Leases**	**Total**
2019	**$ 33**	**$ 3**	**$ 36**
2020	**30**	**3**	**33**
2021	**20**	**2**	**22**
2022	**17**	**2**	**19**
2023	**9**	**1**	**10**
After 2023	**24**	**1**	**25**
Total lease payments	**$ 133**	**$ 12**	**$ 145**
Less: Interest	**$ 11**	**$ 0**	**$ 11**
Present value of lease liabilities	**$ 122**	**$ 12**	**$ 134**

The following table presents the weighted average remaining lease term and weighted average discount rate for lease liabilities.

	March 31, 2019
Weighted average remaining lease term (years):	
Operating leases	4.4
Finance leases	3.8
Weighted average discount rate:	
Operating leases	2.55%
Finance leases	1.56%

Operating lease cost for the three-month period ended March 31, 2019 was $14 million . Operating cash outflow for operating leases for the three-month period ended March 31, 2019 was $14 million .

A summary of the Company's lines of credit as of March 31, 2019 follows:

Borrower	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 27, 2019	$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	March 29, 2024, or the date commitments are terminated pursuant to an event of default	100.0 billion yen	0.0 billion yen	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 March 29, 2024	.30% to .50%, 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	April 4, 2023, or the date commitments are terminated pursuant to an event of default	55.0 billion yen, or the equivalent amount in U.S. dollars	0.0 billion yen	A rate per annum equal to, at the Company's option, either, (a) London Interbank Offered Rate (LIBOR) 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 April 4, 2023	.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 eurocurrency rate determined by reference to the agent's LIBOR for the interest period relevant to such borrowing or (b) the base rate determined by reference to the greater of (i) the prime rate as determined by the agent, and (ii) the sum of 0.50% and the federal funds rate for such day	Up to 3 months	None	General corporate purposes
Aflac [(1)]	uncommitted revolving	364 days	November 29, 2019	$250 million	$0 million	USD three-month LIBOR plus 75 basis points per annum	3 months	None	General corporate purposes
Aflac Incorporated [(1)]	uncommitted revolving	364 days	April 2, 2019 [(2)]	50.0 billion yen	0.0 billion yen	Three-month TIBOR plus 80 basis points per annum	3 months	None	General corporate purposes

[(1)] *Intercompany credit agreement*

[(2)] *Renewed in April 2019 with an expiration date of April 2, 2020*

The Company was in compliance with all of the covenants of its notes payable and lines of credit at March 31, 2019 . No events of default or defaults occurred during the three -month period ended March 31, 2019 .

For additional information, see Notes 4 and 9 of the Notes to the Consolidated Financial Statements in the 2018 Annual Report.

9. SHAREHOLDERS' EQUITY

The following table is a reconciliation of the number of shares of the Company's common stock for the three -month periods ended March 31 .

(In thousands of shares)	**2019**	2018
Common stock - issued:		
Balance, beginning of period	**1,347,540**	1,345,762
Exercise of stock options and issuance of restricted shares	**1,060**	1,014
Balance, end of period	**1,348,600**	1,346,776
Treasury stock:		
Balance, beginning of period	**592,254**	564,852
Purchases of treasury stock:		
Open market	**10,237**	6,640
Other	**561**	315
Dispositions of treasury stock:		
Shares issued to AFL Stock Plan	**(430)**	(384)
Exercise of stock options	**(231)**	(305)
Other	**(278)**	(99)
Balance, end of period	**602,113**	571,019
Shares outstanding, end of period	**746,487**	775,757

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 earnings per share for the following periods.

	Three Months Ended March 31,	
(In thousands)	**2019**	2018
Anti-dilutive share-based awards	**22**	9

Share Repurchase Program

During the first three months of 2019 , the Company repurchased 10.2 million shares of its common stock in the open market for $490 million as part of its share repurchase program. During the first three months of 2018 , the Company repurchased 6.6 million shares of its common stock in the open market for $296 million as part of its share repurchase program. As of March 31, 2019 , a remaining balance of 58.8 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

	Three Months Ended March 31, 2019				
(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Investment Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
Balance, beginning of period	**$ (1,847)**	**$ 4,234**	**$ (24)**	**$ (212)**	**$ 2,151**
Other comprehensive income (loss) before reclassification	**(1)**	**2,340**	**(2)**	**3**	**2,340**
Amounts reclassified from accumulated other comprehensive income (loss)	**0**	**(13)**	**0**	**3**	**(10)**
Net current-period other comprehensive income (loss)	**(1)**	**2,327**	**(2)**	**6**	**2,330**
Balance, end of period	**$ (1,848)**	**$ 6,561**	**$ (26)**	**$ (206)**	**$ 4,481**

All amounts in the table above are net of tax.

	Three Months Ended March 31, 2018				
(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Investment Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
Balance, beginning of period	$ (1,750)	$ 5,964	$ (23)	$ (163)	$ 4,028
Other comprehensive income (loss) before reclassification	447	(983)	2	(37)	(571)
Amounts reclassified from accumulated other comprehensive income (loss)	0	225 [(1)]	0	3	228
Net current-period other comprehensive income (loss)	447	(758)	2	(34)	(343)
Balance, end of period	$ (1,303)	$ 5,206	$ (21)	$ (197)	$ 3,685

[(1)] Includes amounts reclassified due to changes in accounting principles of $(148) related to financial instruments and $374 related to tax effects from tax reform
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 March 31, 2019	
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	**$ 0**	Other-than-temporary impairment losses realized
	17	Other gains (losses)
	17	Total before tax
	(4)	Tax (expense) or benefit [1]
	$ 13	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	**$ (4)**	Acquisition and operating expenses [2]
Prior service (cost) credit	**0**	Acquisition and operating expenses [2]
	1	Tax (expense) or benefit [1]
	$ (3)	Net of tax
Total reclassifications for the period	**$ 10**	Net of tax

[1] Based on 25% blended 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 March 31, 2018	
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	$ 0	Other-than-temporary impairment losses realized
	2	Other gains (losses)
	2	Total before tax
	(1)	Tax (expense) or benefit [1]
	$ 1	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$ (4)	Acquisition and operating expenses [2]
Prior service (cost) credit	0	Acquisition and operating expenses [2]
	1	Tax (expense) or benefit [1]
	$ (3)	Net of tax
Total reclassifications for the period	$ (2)	Net of tax

[1] Based on 27% blended 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 March 31, 2019 , 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 March 31, 2019 , approximately 39.4 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 March 31, 2019 , the only performance-based awards issued and outstanding were restricted stock awards.

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 three years cliff basis. 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 March 31, 2019 .

	Stock Option Shares (in thousands)	Weighted-Average Remaining Term (in years)	Aggregate Intrinsic Value (in millions)	Weighted-Average Exercise Price Per Share
Outstanding	4,558	5.0	$ 94	$ 29.36
Exercisable	4,097	4.6	88	28.54

The Company received cash from the exercise of stock options in the amount of $17 million during the first three months of 2019, compared with $23 million in the first three months of 2018. The tax benefit realized as a result of stock option exercises and restricted stock releases was $22 million in the first three months of 2019, compared with $12 million in the first three months of 2018.

As of March 31, 2019 , total compensation cost not yet recognized in the Company's financial statements related to restricted stock awards was $70 million , of which $33 million (824 thousand shares) was related to restricted stock awards with a performance-based vesting condition. The Company expects to recognize these amounts over a weighted-average period of approximately 1.4 years . There are no other contractual terms covering restricted stock awards once vested.

The following table summarizes restricted stock activity during the three -month period ended March 31 .

(In thousands of shares)	**Shares**	**Weighted-Average Grant-Date Fair Value Per Share**
Restricted stock at December 31, 2018	3,407	$ 36.52
Granted in 2019	940	49.17
Canceled in 2019	(18)	37.98
Vested in 2019	(1,732)	32.16
Restricted stock at March 31, 2019	2,597	$ 44.02

In February 2019, the Company granted 399 thousand performance-based stock awards, which are contingent on the achievement of the Company's financial performance metrics and its market-based conditions. On the date of grant, the Company estimated the fair value of restricted stock awards with market-based conditions using a Monte Carlo simulation model. The model discounts the value of the stock at the assumed vesting date based on 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 2018 Annual Report.

11. BENEFIT PLANS

The Company has funded defined benefit plans in Japan and the United States, 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 5 years ; (4) active employees who were age 55 or older and who would meet the 15 years of service requirement within the next 5 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 statement of earnings, which includes other components of net periodic pension cost and postretirement costs (other than service costs) of $5 million for both the periods ended March 31, 2019 and 2018 . Total net periodic cost includes the following components:

	Three Months Ended March 31,			
	Pension Benefits			
	Japan		U.S.	
(In millions)	**2019**	2018	**2019**	2018
Components of net periodic benefit cost:				
Service cost	**$ 5**	$ 5	**$ 6**	$ 7
Interest cost	**1**	2	**9**	9
Expected return on plan assets	**(2)**	(2)	**(7)**	(7)
Amortization of net actuarial loss	**1**	0	**3**	4
Net periodic (benefit) cost	**$ 5**	$ 5	**$ 11**	$ 13

During the three months ended March 31, 2019 , Aflac Japan contributed approximately $9 million (using the weighted-average yen/dollar exchange rate for the three -month period ending March 31, 2019) to the Japanese funded defined benefit plan, and Aflac U.S. contributed $10 million 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 2018 Annual Report.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Effective for 2019, the Company entered into an outsourcing agreement with an information technology and data services company to provide application maintenance and development services for its Japanese operation. As of March 31, 2019 , the agreement has a remaining term of five years and an aggregate remaining cost of 9.7 billion yen ($87 million using the March 31, 2019 , 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 United States 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 March 31, 2019. 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 three-month period ended March 31, 2019 were immaterial.

13. SUBSEQUENT EVENTS

On April 12, 2019, the Company announced that ALIJ priced 30.0 billion yen (par value) of perpetual subordinated bonds. These bonds will bear interest at a fixed rate of .963% per annum and then at six-month Euro Yen LIBOR plus an applicable spread on and after the day immediately following April 18, 2024. The bonds will be callable on each interest payment date on and after April 18, 2024. ALIJ anticipates using the net proceeds of the offering for general corporate purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. The Company desires to take advantage of these provisions. This 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 following 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.

• 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
- exposure to significant interest rate risk
- concentration of business in Japan
- foreign currency fluctuations in the yen/dollar exchange rate
- limited availability of acceptable yen-denominated investments
- U.S. tax audit risk related to conversion of the Japan branch to a subsidiary
- deviations in actual experience from pricing and reserving assumptions
- ability to continue to develop and implement improvements in information technology systems
- competitive environment and ability to anticipate and respond to market trends
- ability to protect the Aflac brand and the Company's reputation
- ability to attract and retain qualified sales associates, brokers, employees, and distribution partners
- 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
- failure to comply with restrictions on patient privacy and information security
- extensive regulation and changes in law or regulation by governmental authorities
- tax rates applicable to the Company may change
- defaults and credit downgrades of investments
- decline in creditworthiness of other financial institutions
- significant valuation judgments in determination of amount of impairments taken on the Company's investments
- subsidiaries' ability to pay dividends to the Parent Company
- decreases in the Company's financial strength or debt ratings
- inherent limitations to risk management policies and procedures
- concentration of the Company's investments in any particular single-issuer or sector
- differing judgments applied to investment valuations
- ability to effectively manage key executive succession
- catastrophic events including, but not necessarily limited to, epidemics, pandemics, tornadoes, hurricanes, earthquakes, tsunamis, war or other military action, terrorism or other acts of violence, and damage incidental to such events
- changes in accounting standards
- increased expenses and reduced profitability resulting from changes in assumptions for pension and other postretirement benefit plans
- level and outcome of litigation
- allegations or determinations of worker misclassification in the United States

MD&A OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations (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 three -month period ended March 31, 2019 and 2018 , 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, 2018 (2018 Annual Report). This MD&A is divided into the following sections:

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THE COMPANY'S BUSINESS

Aflac Incorporated (the Parent Company) and its subsidiaries (collectively, the Company) primarily sell supplemental health and life insurance in the United States and Japan. The Company's insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac) in the United States and, effective April 1, 2018, through Aflac Life Insurance Japan Ltd. (ALIJ) in Japan. Prior to April 1, 2018, the Company's insurance business was marketed in Japan as a branch of Aflac. (For more information about the conversion of Aflac Japan to a legal subsidiary, see the Insurance Operations subsection of this MD&A). 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. Additionally, 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 United States and Japan service the two markets for the Company's insurance business.

PERFORMANCE HIGHLIGHTS

Yen-denominated income statement accounts are translated to U.S. dollars using a weighted-average Japanese yen/U.S. dollar foreign exchange rate, while yen-denominated balance sheet accounts are translated to U.S. dollars using a spot Japanese yen/U.S. dollar foreign exchange rate [(1)] . The spot yen/dollar exchange rate at March 31, 2019 was 110.99 , relatively unchanged from the the spot yen/dollar exchange rate of 111.00 at December 31, 2018 . The weighted-average yen/dollar exchange rate for the three-month period ended March 31, 2019 was 110.24 , or 2.0% weaker than the weighted-average yen/dollar exchange rate of 108.05 for the same period in 2018 .

Total revenues were $5.7 billion in the first quarter of 2019 , compared with $5.5 billion in the first quarter of 2018 . Net earnings were $928 million , or $1.23 per diluted share in the first quarter of 2019 , compared with $717 million , or $.91 per diluted share, in the first quarter of 2018 .

Results in the first three months of 2019 included pretax net realized investment gains of $71 million , compared with net realized investment losses of $134 million in the first three months of 2018 . Net investment gains in the first three months of 2019 included $2 million of other-than-temporary impairment losses and changes in loan loss reserves and $2 million in net losses from derivatives and foreign currency gains or losses. The Company reported net gains on equity securities of $ 58 million in the first three months of 2019 .

In the first three months of 2019 , the Company repurchased 10.2 million shares of its common stock in the open market for $490 million under its share repurchase program.

[(1)] Yen/U.S. dollar exchange rates are based on the published MUFG Bank, Ltd. telegraphic middle rate (TTM).

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles (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 Aflac's results of operations and financial condition are those related to the valuation of investments and derivatives, deferred policy acquisition costs (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 94% of the Company's assets and 81% of its liabilities are reported as of March 31, 2019 , 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 that the Company has identified as critical accounting estimates during the three months ended March 31, 2019 . For additional information, see the Critical Accounting Estimates section of MD&A included in the 2018 Annual Report.

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.

RESULTS OF OPERATIONS

The following discussion includes references to the Company's performance measures, adjusted earnings, adjusted earnings per diluted share, and amortized hedge costs/income, which are not calculated in accordance with U.S. GAAP. These measures exclude items that the Company believes may obscure the underlying fundamentals and trends in the Company's insurance operations because they tend to be driven by general economic conditions and events or related to infrequent activities not directly associated with its insurance operations. The Company's management uses adjusted earnings and adjusted earnings per diluted share to evaluate the financial performance of its insurance operations on a consolidated basis, and the Company believes that a presentation of these measures is vitally important to an understanding of its underlying profitability drivers and trends of its insurance business. The Company believes that amortized hedge costs/income, which are a component of adjusted earnings, 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.

Aflac defines adjusted earnings (a non-U.S. GAAP financial measure) as the profits derived from operations. The most comparative U.S. GAAP measure is net 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 realized 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 Aflac's underlying business performance.

The Company defines adjusted earnings per share (basic or diluted) to be adjusted earnings for the period divided by the weighted average outstanding shares (basic or diluted) for the period presented. The most comparable U.S. GAAP measure is net earnings per share.

Amortized hedge costs/income represent costs/income incurred or recognized in using foreign currency forward contracts to hedge certain foreign exchange risks in the Company's Japan segment (costs) or in the Corporate and Other segment (income). These amortized hedge costs/income are derived from the difference between the foreign currency spot rate at time of trade inception and the contractual foreign currency forward rate, recognized on a straight line basis over the term of the hedge. There is no comparable U.S. GAAP financial measure for amortized hedge costs/income.

Because a significant portion of the Company's business is conducted in Japan and foreign exchange rates are outside of management's control, the Company believes it is important to understand the impact of translating Japanese

yen into U.S. dollars. Adjusted earnings and adjusted earnings per diluted share excluding current period foreign currency impact are computed using the average yen/dollar exchange rate for the comparable prior year period, which eliminates fluctuations driven solely by yen-to-dollar currency rate changes.

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 measures of net earnings and net earnings per diluted share, respectively.

Reconciliation of Net Earnings to Adjusted Earnings [1]

	In Millions		Per Diluted Share	
	Three Months Ended March 31,			
	2019	2018	**2019**	2018
Net earnings	**$ 928**	$ 717	**$ 1.23**	$ .91
Items impacting net earnings:				
Realized investment (gains) losses [2],[3],[4],[5]	**(103)**	98	**(.14)**	.13
Other and non-recurring (income) loss	**0**	29	**.00**	.04
Income tax (benefit) expense on items excluded from adjusted earnings	**23**	(24)	**.03**	(.03)
Adjusted earnings	**849**	821	**1.12**	1.05
Current period foreign currency impact [6]	**8**	N/A	**.01**	N/A
Adjusted earnings excluding current period foreign currency impact [7]	**$ 857**	$ 821	**$ 1.13**	$ 1.05

[1] Amounts may not foot due to rounding.

[2] Amortized hedge costs of $62 and $55 for the three-month periods ended March 31, 2019 , and 2018 , respectively, related to certain foreign currency exposure management strategies have been reclassified from realized investment gains (losses) and included in adjusted earnings as a decrease to net investment income. See "Hedge Costs/Income" discussion below for further information.

[3] Amortized hedge income of $20 and $2 for the three-month periods ended March 31, 2019 and 2018, respectively, related to certain foreign currency exposure management strategies have been reclassified from realized investment gains (losses) and included in adjusted earnings as an increase to net investment income. See "Hedge Costs/Income" discussion below for further information.

[4] Net interest cash flows from derivatives associated with certain investment strategies of $(7) for the three -month periods ended March 31, 2019 and an immaterial amount in 2018, respectively, have been reclassified from realized investment gains (losses) and included in adjusted earnings as a component of net investment income.

[5] A gain of $17 and $17 for the three -month periods ended March 31, 2019 and 2018 , respectively, related to the interest rate component of the change in fair value of foreign currency swaps on notes payable have been reclassified from realized investment gains (losses) and included in adjusted earnings as a component of net investment income.

[6] Prior period foreign currency impact reflected as "N/A" to isolate change for current period only.

[7] Amounts excluding current period foreign currency impact are computed using the average yen/dollar exchange rate for the comparable prior-year period, which eliminates fluctuations driven solely by yen-to-dollar currency rate changes.

Realized Investment Gains and Losses

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 growth and 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 capital 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. Realized investment gains and losses include securities transactions, impairments, changes in loan loss reserves, derivative and foreign currency activities and changes in fair value of equity securities.

Securities Transactions, Impairments, and Gains (Losses) on 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. Impairments include other-than-temporary-impairment losses on investment securities as well as changes in loan loss reserves for loan receivables. Starting in the first quarter of 2018, gains and losses from changes in fair value of equity securities are recorded in earnings.

Certain Derivative and Foreign Currency Gains (Losses)

The Company's derivative activities include foreign currency forwards and options on certain fixed maturity securities; foreign currency forwards and options that economically hedge certain portions of forecasted cash flows denominated in yen and hedge the Company's long-term exposure to a weakening yen; foreign currency swaps associated with certain senior notes and subordinated debentures; foreign currency swaps and credit defaults swaps held in consolidated VIEs; interest rate swaps used to economically hedge interest rate fluctuations in certain variable-rate investments; and interest rate swaptions to hedge changes in the fair value associated with interest rate changes for certain dollar-denominated available-for-sale securities. Gains and losses are recognized as a result of valuing these derivatives, net of the effects of hedge accounting. The Company also excludes the accounting impacts of remeasurement associated with changes in the yen/dollar exchange rate from adjusted earnings. Amortized hedge costs/income related to certain foreign currency exposure management strategies (see Amortized Hedge Cost/Income section below), and net interest cash flows from derivatives associated with certain investment strategies and notes payable are reclassified from realized investment gains (losses) and included in adjusted earnings.

Amortized Hedge Costs/Income

Adjusted earnings includes the impact of amortized hedge costs/income. Amortized hedge costs/income represent costs/income incurred or recognized in using foreign currency forward contracts to hedge certain foreign currency exchange risks in the company's Japan segment (costs) or in the Corporate and Other segment (income). These amortized hedge costs/income are derived from the difference between the foreign currency spot rate at time of trade inception and the contractual foreign currency forward rate, recognized on a straight line basis over the term of the hedge. There is no comparable U.S. GAAP financial measure for amortized hedge costs/income.

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 and income have increased in recent periods due to changes in the previously mentioned factors. For additional information regarding foreign currency hedging, refer to Hedging Activities in the Analysis of Financial Condition section of this MD&A.

For additional information regarding realized 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 United States 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 United States. 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.

Nonrecurring items also include conversion costs related to legally converting the Company's Japan business to a subsidiary; these costs primarily consist of expenditures for legal, accounting, consulting, integration of systems and processes and other similar services. These Japan branch conversion costs were an immaterial amount and $29 million for the three-month periods ended March 31, 2019 and 2018, respectively.

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. These and other yen-denominated financial statement items are, however, translated into dollars for financial reporting purposes. The Company translates Aflac Japan’s yen-denominated income statement into dollars using the average exchange rate for the reporting period, and the Company translates its yen-denominated balance sheet using the exchange rate at the end of the period.

Due to the size of Aflac Japan, whose functional currency is the Japanese yen, fluctuations in the yen/dollar exchange rate can have a significant effect on the Company's 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. Management evaluates the Company's financial performance both including and excluding the impact of foreign currency translation to monitor, respectively, cumulative currency impacts on book value and the currency-neutral operating performance over time.

Income Taxes

The Company's combined U.S. and Japanese effective income tax rate on pretax earnings was 25.3% for the three-month period ended March 31, 2019 , compared with 27.0% for the same period in 2018. This combined effective tax rate differs from the U.S. statutory rate primarily due to foreign earnings taxed at different rates. For further information, see Critical Accounting Estimates - Income Taxes section of the MD&A in the 2018 Annual Report.

INSURANCE OPERATIONS

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. Aflac's insurance business consists of two segments: Aflac Japan and Aflac U.S. Aflac Japan is the principal contributor to consolidated earnings. Businesses that are not individually reportable, such as the Parent Company, and business activities, including reinsurance retrocession activities, not included in Aflac Japan or Aflac U.S. are included in the Corporate and other segment. See the Item 1. Business section of the Company's 2018 Annual Report for a summary of each segment's products and distribution channels, and a discussion of the conversion of Aflac Japan from a branch to a subsidiary and the creation of asset management subsidiaries in 2018.

The Company evaluates its premium growth and sales efforts using the following performance measures:

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

- New annualized premium sales (sometimes referred to as new sales or sales) is an operating measure that is not reflected on the Company's financial statements. New annualized premium sales generally represents annual premiums on policies the Company sold and incremental increases from policy conversions, collected over a 12-month period, assuming the policies remain in force. 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.

- Net premiums (sometimes referred to as net premium income or net earned premium) is a financial measure that appears on the Company's Consolidated Statement of Earnings and in 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.

AFLAC JAPAN SEGMENT

Aflac Japan Pretax Adjusted Earnings

Aflac defines pretax adjusted earnings, a non-U.S. GAAP financial measure, as adjusted earnings before the application of income taxes. See the Results of Operations section of this MD&A for the Company's definition of adjusted earnings and a reconciliation of adjusted earnings to the most directly comparable U.S. GAAP measure of net 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 March 31,	
(In millions)	**2019**	2018
Net premium income	**$ 3,180**	$ 3,263
Net investment income:		
Yen-denominated investment income	**317**	331
U.S. dollar-denominated investment income	**355**	312
Net investment income	**672**	643
Amortized hedge costs related to certain foreign currency exposure management strategies	**62**	55
Net investment income, less amortized hedge costs	**610**	588
Other income (loss)	**12**	12
Total adjusted revenues	**3,802**	3,863
Benefits and claims, net	**2,199**	2,294
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**182**	168
Insurance commissions	**182**	190
Insurance and other expenses	**405**	393
Total adjusted expenses	**769**	751
Total benefits and adjusted expenses	**2,968**	3,045
Pretax adjusted earnings	**$ 834**	$ 818
Weighted-average yen/dollar exchange rate	**110.24**	108.05

	In Dollars		**In Yen**	
Percentage change over previous period:	Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	**2019**	2018
Net premium income	**(2.5)%**	2.2%	**(.8)%**	(2.6)%
Net investment income, less amortized hedge costs	**3.7**	5.6	**5.4**	.0
Total adjusted revenues	**(1.6)**	2.7	**.1**	(2.2)
Pretax adjusted earnings	**2.0**	6.4	**3.9**	.9

In yen terms, Aflac Japan's net premium income decreased for the three-month period ended March 31, 2019 as a result of growth in third sector premium more than offset by the anticipated decrease in first sector premium as savings products reached premium paid-up status. Net investment income, net of amortized hedge costs, increased largely due to higher income from U.S. dollar-denominated floating rate assets. Pretax adjusted earnings in yen increased, driven by higher net investment income and a favorable third sector benefit ratio.

Annualized premiums in force decreased 1.7% to 1.52 trillion yen as of March 31, 2019 , compared with 1.54 trillion yen as of March 31, 2018 . The decrease in annualized premiums in force in yen was driven primarily by limited-pay policies becoming paid-up during the year. Annualized premiums in force, translated into dollars at respective period-end exchange rates, were $13.7 billion at March 31, 2019 , compared with $14.5 billion a year ago.

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 dollar/yen 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 dollar/yen exchange rate for the comparable prior year period.

Aflac Japan Percentage Changes Over Previous Period
(Yen Operating Results)
For the Periods Ended March 31 ,

	Including Foreign Currency Changes		**Excluding Foreign Currency Changes** [1]	
	Three Months		Three Months	
	2019	2018	**2019**	2018
Net investment income, less amortized hedge costs	**5.4 %**	.0 %	**4.2 %**	2.7 %
Total adjusted revenues	**.1**	(2.2)	**.0**	(1.8)
Pretax adjusted earnings	**3.9**	.9	**3.1**	2.7

[1] *Amounts excluding foreign currency impact on U.S. dollar-denominated investment income (a non-U.S. GAAP financial measure) were determined using the same yen/dollar exchange rate for the current period as the comparable period in the prior year.*

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

	Three Months Ended March 31,	
Ratios to total adjusted revenues:	**2019**	2018
Benefits and claims, net	**57.8 %**	59.4 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**4.8**	4.4
Insurance commissions	**4.8**	4.9
Insurance and other expenses	**10.6**	10.2
Total adjusted expenses	**20.2**	19.5
Pretax adjusted earnings	**21.9**	21.1
Ratios to total premiums:		
Benefits and claims, net	**69.1 %**	70.3 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**5.7**	5.2

In the three -month period ended March 31, 2019 , the benefit ratio decreased, compared with the same respective period in the prior year, primarily due to the continued change in mix of first and third sector business as first sector products become paid-up, as well as continued favorable trends for the Company's core health products in Japan, and higher surrender rates for the cancer products. In the three -month period ended March 31, 2019 , the adjusted expense ratio increased due to higher DAC amortization resulting from the increase of surrender for cancer products and higher expenses for advanced technology implementation. In total, the pretax adjusted profit margin (calculated by dividing adjusted earnings by adjusted revenues) increased in the three -month period ended March 31, 2019 , reflecting the decrease in the benefit ratio partially offset by a smaller increase in the expense ratio. For the full year of 2019, the Company anticipates the Aflac Japan pretax adjusted profit margin to remain stable.

Aflac Japan Sales

The following table presents Aflac Japan's new annualized premium sales for the periods ended March 31 .

	In Dollars		In Yen	
	Three Months		Three Months	
(In millions of dollars and billions of yen)	**2019**	2018	**2019**	2018
New annualized premium sales	**$ 171**	$ 178	**18.8**	19.2
Increase (decrease) over prior period	**(4.0)%**	(8.6)%	**(2.0)%**	(13.0)%

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

	Three Months	
	2019	2018
Cancer	**59.3%**	55.5%
Medical	**30.0**	34.0
Income support	**1.4**	2.1
Ordinary life:		
WAYS	**.5**	.5
Child endowment	**.3**	.5
Other ordinary life [(1)]	**8.0**	6.3
Other	**.5**	1.1
Total	**100.0%**	100.0%

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

The foundation of Aflac Japan's product portfolio has been, and continues to be, third sector products, which include cancer, medical and Income Support insurance products. Sales of third sector products on a yen basis decreased 3.2% in the first quarter of 2019 , compared with the same respective period in 2018 . 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.

Independent corporate agencies and individual agencies contributed 46.1% of total new annualized premium sales for Aflac Japan in the first quarter of 2019 , compared with 43.3% for the same period in 2018 . Affiliated corporate agencies, which include Japan Post, contributed 49.4% of total new annualized premium sales in the first quarter of 2019 , compared with 52.0% in the first quarter of 2018 . Japan Post offers Aflac's cancer insurance products in more than 20,000 post offices. The Company believes this alliance with Japan Post has and will further benefit its cancer insurance sales. During the three -month period ended March 31, 2019 , Aflac Japan recruited 20 new sales agencies. At March 31, 2019 , Aflac Japan was represented by more than 9,600 sales agencies, with approximately 108,000 licensed sales associates employed by those agencies.

At March 31, 2019 , Aflac Japan had agreements to sell its products at 369 banks, approximately 90% of the total number of banks in Japan. Bank channel sales accounted for 4.5% of new annualized premium sales in the first quarter of 2019 for Aflac Japan, compared with 4.7% during the first quarter of 2018 .

Strategic Alliance with Japan Post Holdings

On December 19, 2018, the Parent Company and Aflac Japan entered into the Basic Agreement with Japan Post Holdings. Pursuant to the terms of the Basic Agreement, Japan Post Holdings agreed to form a capital relationship with the Parent Company, and Japan Post Holdings and Aflac Japan agreed to reconfirm existing initiatives regarding cancer insurance and to consider new joint initiatives, including leveraging digital technology in various processes, cooperation in new product development to promote customer-centric business management, cooperation in domestic and/or overseas business expansion and joint investment in third party entities and cooperation regarding asset management.

Pursuant to the terms of the Shareholders Agreement a voting trust established and funded by Japan Post Holdings (Trust) will use commercially reasonable efforts to acquire, through open market or private block purchases, ownership of approximately 7% of the outstanding shares of the Parent Company's outstanding common stock within a year after the Trust begins acquiring such stock. The Trust has agreed not to own more than 10% of the Parent Company's outstanding shares for a period expiring on the earlier of four years after the Trust acquires 7% of such shares, five years after it acquires 5% of such shares, or ten years after the Trust begins acquiring the Parent Company's stock. After expiration of such period, the Trust has agreed not to own more than the greater of 10% of the Parent Company's outstanding shares or such shares representing 22.5% of the voting rights in the Parent Company.

In light of the fact that the shares acquired by the Trust, like all Aflac Incorporated common shares, will be eligible for 10-for-1 voting rights after being held for 48 consecutive months, the Shareholders Agreement further provides for voting restrictions that effectively limit the trustee's voting rights to no more than 20% of the voting rights in the Parent Company and further restrict the trustee's voting rights with respect to certain change in control transactions. Japan Post Holdings will not have a Board seat on the Parent Company's Board of Directors and will not have rights to control, manage or intervene in the management of the Parent Company.

This strategic investment is subject to certain regulatory approvals in Japan and the U.S. The Company anticipates that regulatory approvals will be received in the second half of 2019.

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 and public and private fixed maturity securities. Aflac Japan's U.S. dollar-denominated investments include fixed maturity investments and growth assets, including public equity securities and 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.

(In millions)	Three Months Ended March 31, 2019	2018
Yen-denominated:		
Fixed maturity securities:		
Japan government and agencies	**$ 583**	$ 3,187
Private placements	**424**	162
Other fixed maturity securities	**249**	250
Equity securities	**108**	99
Total yen-denominated	**$ 1,364**	$ 3,698
U.S. dollar-denominated:		
Fixed maturity securities:		
Other fixed maturity securities	**$ 668**	$ 40
Bank loans	**0**	180
Equity securities	**27**	41
Commercial mortgage and other loans:		
Transitional real estate loans	**323**	1,570
Commercial mortgage loans	**0**	13
Middle market loans	**376**	117
Other investments	**41**	127
Total dollar-denominated	**$ 1,435**	$ 2,088
Total Aflac Japan purchases	**$ 2,799**	$ 5,786

See the Analysis of Financial Condition 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 2018 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 March 31 .

	Three Months 2019	2018
Total purchases for the period (in millions) [1]	**$ 2,758**	$ 5,659
New money yield [1], [2]	**3.29 %**	2.54 %
Return on average invested assets [3]	**2.32**	2.26
Portfolio book yield, including U.S. dollar-denominated investments, end of period [1]	**2.61 %**	2.55 %

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

The increase in the Aflac Japan new money yield in the three-month period ended March 31, 2019 was primarily due to increased allocations to higher yielding U.S. dollar-denominated asset classes.

See Notes 3, 4 and 5 of the Notes to the Consolidated Financial Statements and the Analysis of Financial Condition section 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

Aflac defines pretax adjusted earnings, a non-U.S. GAAP financial measure, as adjusted earnings before the application of income taxes. See the Results of Operations section of this MD&A for the Company's definition of adjusted earnings and a reconciliation of adjusted earnings to the most directly comparable U.S. GAAP measure of net 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 March 31,	
(In millions)	**2019**	2018
Net premium income	**$ 1,461**	$ 1,427
Net investment income	**177**	175
Other income	**2**	2
Total adjusted revenues	**1,640**	1,604
Benefits and claims	**721**	697
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**159**	146
Insurance commissions	**149**	147
Insurance and other expenses	**288**	277
Total adjusted expenses	**596**	570
Total benefits and adjusted expenses	**1,317**	1,267
Pretax adjusted earnings	**$ 323**	$ 337
Percentage change over previous period:		
Net premium income	**2.4 %**	2.7 %
Net investment income	**1.1**	(1.7)
Total adjusted revenues	**2.2**	2.2
Pretax adjusted earnings	**(4.2)**	8.7

Annualized premiums in force increased 2.7% to $6.2 billion at March 31, 2019 , compared with $6.0 billion at March 31, 2018 .

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

	Three Months Ended March 31,	
Ratios to total adjusted revenues:	**2019**	2018
Benefits and claims	**44.0 %**	43.5 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**9.7**	9.1
Insurance commissions	**9.0**	9.2
Insurance and other expenses	**17.6**	17.3
Total adjusted expenses	**36.3**	35.6
Pretax adjusted earnin *gs*	**19.7**	21.0
Ratios to total premiums:		
Benefits and claims	**49.3 %**	48.8 %
Adjusted expenses:		
Amortization of deferred policy acquisition costs	**10.9**	10.2

For the three -month period ended March 31, 2019 , the benefit ratio increased compared with the same period in 2018. The adjusted expense ratio increased for the three -month period ended March 31, 2019 , when compared to the

same period in 2018, primarily due to spending increases reflecting ongoing investments in the U.S. platform, distribution, and customer experience. The pretax adjusted profit margin declined when compared to the same period in 2018 due to the higher benefit and expense ratios. (Note that all of these ratios-to-revenue reflect reduced net investment income due to the Company's planned drawdown of excess capital to lower Risk-Based Capital (RBC) ratios. See the Capital Resources and Liquidity section of this MD&A for further discussion of the planned reduction of RBC.)

Aflac U.S. Sales

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

	Three Months	
(In millions)	**2019**	2018
New annualized premium sales	**$ 340**	$ 335
Increase (decrease) over prior period	**1.5 %**	.6 %

The following table details the contributions to Aflac's U.S. new annualized premium sales by major insurance product category for the periods ended March 31 .

	Three Months	
	2019	2018
Accident	**28.7 %**	29.3 %
Short-term disability	**23.6**	23.0
Critical care [(1)]	**20.9**	22.1
Hospital indemnity	**15.2**	14.9
Dental/vision	**5.0**	5.3
Life	**6.6**	5.4
Total	**100.0 %**	100.0 %

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

New annualized premium sales for accident insurance, the leading Aflac U.S. product category, decreased .5% ; short-term disability sales increased 4.4% ; critical care insurance sales (including cancer insurance) decreased 3.2% ; and hospital indemnity insurance sales increased 2.4% in the first quarter of 2019 , compared with the same period in 2018 .

The addition of group products has expanded Aflac U.S.'s reach and enabled Aflac U.S. to generate more sales opportunities with larger employers and through broker and sales agent channels. The Company anticipates that the appeal of Aflac U.S. group products will continue to enhance opportunities to connect with larger businesses and their employees. The Aflac U.S. portfolio of group and individual products offers businesses the opportunity to give their employees a more valuable and comprehensive selection of benefit options.

In the first quarter of 2019 , the Aflac U.S. sales force included an average of approximately 8,200 U.S. agents, including brokers, who were actively producing business on a weekly basis. The Company believes that this average weekly producer equivalent metric allows sales management to monitor progress and needs.

One Day Pay [SM] is a claims initiative that Aflac U.S. has focused on to process, approve and pay eligible claims in just one day. The Company believes that this claims practice enhances the Aflac U.S. brand reputation and the trust policyholders have in Aflac, and it helps Aflac stand out from competitors.

Aflac U.S. products provide cash benefits that can be used to help with increasing out-of-pocket medical expenses, help cover household costs, or protect against income and asset loss. Group products and relationships with insurance brokers that handle the larger-case market are helping Aflac U.S. expand its reach by selling to larger businesses. Aflac U.S. is regularly evaluating the marketplace to identify opportunities to bring the most relevant, cost-effective products to customers. The Company believes the need for its products remains very strong, and Aflac U.S. continues to work on enhancing its distribution capabilities to access employers of all sizes, including initiatives that benefit the field force and the broker community. At the same time, the Company is seeking opportunities to leverage its brand strength and attractive product portfolio in the evolving health care environment.

U.S. Regulatory Environment

Healthcare Reform Legislation

The Affordable Care Act (ACA), federal health care legislation, was intended to give Americans of all ages and income levels access to comprehensive major medical health insurance and gave the U.S. federal government direct regulatory authority over the business of health insurance. While the ACA was enacted in 2010, the major elements of the law became effective on January 1, 2014. The ACA included major changes to the U.S. health care insurance marketplace. Among other changes, the ACA included an individual medical insurance coverage mandate (the monetary penalty for noncompliance with which has since been repealed effective 2019 by the Tax Act), provided for penalties on certain employers for failing to provide adequate coverage, created health insurance exchanges, and addressed coverage and exclusions as well as medical loss ratios. It also imposed an excise tax on certain high cost plans, known as the “Cadillac tax,” that is currently scheduled to begin in 2022. The ACA also included changes in government reimbursements and tax credits for individuals and employers and altered federal and state regulation of health insurers. The ACA, as enacted, does not require material changes in the design of the Company's insurance products. However, indirect consequences of the legislation and regulations could present challenges that could potentially have an impact on the Company's sales model, financial condition and results of operations. Members of Congress continue to consider legislation that would repeal and replace key provisions of the ACA. There can be no assurance that any legislation affecting the ACA will be passed by Congress, nor as to the ultimate timing or provisions of any such legislation, nor as to the effect of any such legislation on the design or marketability of the Company's insurance products. Further, certain provisions of the ACA have been and may continue to be subject to challenge through litigation, the ultimate effects of which on the ACA are uncertain.

While the current U.S. presidential administration has pursued a stated policy of attempting to create more competition in the marketplace through executive orders and rule making, it is unclear what impact these will have on the U.S. healthcare market, nor is it known whether proposed or final rules will be challenged or withstand judicial scrutiny. The President signed an Executive Order in October 2017 directing federal regulatory agencies to review and modify certain regulations issued under the ACA. The stated objectives of the Executive Order are to increase competition and consumer choices in health care markets, and to lower costs for health care, by making association health plans available to more employers, allowing employers to make better use of health reimbursement arrangements, and expanding coverage through short-term insurance. The Executive Order tasks three federal agencies, the Departments of Labor (DOL), Treasury, and Health and Human Services (HHS) with reviewing current rules and developing guidance to implement the order. These agencies have since proposed or finalized certain rules and guidance, although their ultimate impact on healthcare markets is not known, the Company continues to anticipate that the Executive Order will not have a significant impact on the availability or marketability of its products. The U.S. Department of Justice recently indicated its support for a previous U.S. district court ruling that the individual mandate is unconstitutional and that the remainder of the ACA is invalid.

Tax Reform Legislation

The Tax Act was signed into law on December 22, 2017. Among other things, effective January 1, 2018, the Tax Act reduced the U.S. federal statutory corporate income tax rate from 35% to 21%, eliminated or reduced certain deductions and credits and limited the deductibility of interest expense and executive compensation.

The Tax Act also transitions international corporate taxation from a worldwide system to a modified territorial system, which in light of the current tax treatment of Aflac Japan as a branch has the effect of subjecting the earnings of Aflac Japan to Japan taxation and subjecting the Company's other earnings, including the consolidated earnings of the Parent Company, to U.S. taxation. The treatment of Aflac Japan as a branch for U.S. tax purposes did not change following the completion of its conversion from a branch structure to a subsidiary structure for legal purposes on April 1, 2018.

Aflac U.S. prices its business on an internal rate of return basis. The Aflac U.S. business has a financial structure that the Company expects to be neutral on a pricing basis from these tax changes. The Aflac U.S. products have high initial costs for marketing, underwriting and administration, which will have less tax relief under the changes and will increase the amount required to invest in new business. In addition, the Company expects that RBC requirements will increase on an after-tax basis, being another source of initial funding required for these products. The tax basis for reserves and DAC may also change the timing of tax payments in an accelerated or unfavorable direction. All of these effects will offset a favorable lower tax rate on income in later years. The overall impact is expected to be neutral on a pricing basis from these various effects.

The Tax Act changes became effective on January 1, 2018. However, because changes to tax rates are accounted for in the period of enactment, during the period ended December 31, 2017, the Company revalued its deferred tax assets and liabilities and recorded a net deferred tax liability reduction of $1.9 billion as of that date. In the fourth quarter of 2018, the Company recorded an immaterial adjustment to the provisional Japan deferred tax balances and no valuation allowance adjustment related to anticipatory foreign tax credit asset, rendering final values for the Company's deferred tax liability. For information on the effects of the Tax Act during the period ended December 31, 2018, see Note 10 of the Notes to the Consolidated Financial Statements presented in the 2018 Annual Report. For information on the conversion of Aflac Japan from a branch to a subsidiary, see General Business under Item 1, Business, in the 2018 Annual Report.

Dodd-Frank Act

Title VII of the Dodd-Frank Act and regulations issued thereunder, in particular rules to require central clearing for certain types of derivatives, may have an impact on Aflac's derivative activity, including activity on behalf of Aflac Japan. In addition, in 2015 and 2016, six U.S. financial regulators, including the U.S. Commodity Futures Trading Commission (CFTC), issued final rules regarding the exchange of initial margin (IM) and variation margin (VM) for uncleared swaps that impose greater obligations on swap dealers regarding uncleared swaps with certain counterparties, such as Aflac. The requirements of such rules with respect to VM, as well as similar regulations in Europe, became effective on March 1, 2017. Full compliance with respect to all counterparties was required by September 1, 2017. The requirements of such rules with respect to IM are currently being phased in and will be fully implemented by September 1, 2020. In October of 2017, the CFTC and the European Commission each finalized comparability determinations that permit certain swap dealers who are subject to both regulatory margin regimes to take advantage of substituted compliance by complying with one set of margin requirements. The margin requirements are expected to result in more stringent collateral requirements and to affect other aspects of Aflac's derivatives activity.

The Dodd-Frank Act also established a Federal Insurance Office (FIO) under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. Traditionally, U.S. insurance companies have been regulated primarily by state insurance departments. The FIO does not directly regulate the insurance industry, but under Dodd-Frank it has the power to preempt state insurance regulations that are inconsistent with international agreements reached by the federal government, subject to certain requirements and restrictions. The FIO and certain federal agencies must achieve consensus positions with the state insurance regulators when taking positions on insurance proposals by certain international forums. In December 2013, the FIO released a report entitled "How To Modernize And Improve The System Of Insurance Regulation In The United States." The report was required by the Dodd-Frank Act, and included 18 recommended areas of near-term reform for the states, including addressing capital adequacy and safety/soundness issues, reform of insurer resolution practices, and reform of marketplace regulation. The report also listed nine recommended areas for direct federal involvement in insurance regulation. Some of the recommendations outlined in the FIO report released in December 2013 have been implemented. The National Association of Registered Agents and Brokers Reform Act, signed into law in January 2015, simplifies the agent and broker licensing process across state lines. The FIO has also engaged with the supervisory colleges to monitor financial stability and identify regulatory gaps for large national and internationally active insurers. The President and Congress have stated proposals to reform or repeal certain provisions of the Dodd-Frank Act, some of which have been implemented. The Company is currently not subject to any regulatory provisions of the Dodd-Frank Act, but cannot predict with any degree of certainty what impact, if any, the law might have on Aflac's business, financial condition, or results of operations.

Insurance Guaranty Laws

Under state insurance guaranty association laws and similar laws in international jurisdictions, Aflac is subject to assessments, based on the share of business it writes in the relevant jurisdiction, for certain obligations of insolvent insurance companies to policyholders and claimants. In the United States, some states permit member insurers to recover assessments paid through full or partial premium tax offsets. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction.

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 March 31,	
(In millions)	**2019**	2018
Fixed maturity securities:		
Other fixed maturity securities	**$ 594**	$ 119
Infrastructure debt	**60**	16
Equity securities [1]	**16**	23
Commercial mortgage and other loans:		
Transitional real estate loans	**48**	73
Commercial mortgage loans	**25**	0
Middle market loans	**29**	31
Other investments	**5**	23
Total Aflac U.S. Purchases	**$ 777**	$ 285

[1] *Includes FHLB purchases*

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 2018 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 March 31 .

	Three Months			
	2019		2018	
Total purchases for period (in millions) [1]	**$ 772**		$ 262	
New money yield [1], [2]	**4.48**	**%**	4.69	%
Return on average invested assets [3]	**5.08**		5.04	
Portfolio book yield, end of period [1]	**5.49**	**%**	5.52	%

[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 decrease in the Aflac U.S. new money yield for the three -month period ended March 31, 2019 was primarily due to decreased allocations to higher yielding floating rate assets. See Notes 3 and 5 of the Notes to the Consolidated Financial Statements and the Analysis of Financial Condition section of this MD&A for additional information on the Company's investments.

CORPORATE AND OTHER

Aflac defines pretax adjusted earnings, a non-U.S. GAAP financial measure, as adjusted earnings before the application of income taxes. See the Results of Operations section of this MD&A for the Company's definition of adjusted earnings and a reconciliation of adjusted earnings to the most directly comparable U.S. GAAP measure of net earnings. 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 March 31,	
(In millions)	**2019**	2018
Total premiums	**$ 50**	$ 54
Net investment income	**22**	19
Amortized hedge income related to certain foreign currency management strategies	**20**	2
Net investment income, including amortized hedge income	**42**	21
Other income	**3**	4
Total adjusted revenues	**95**	79
Total net benefits and claims	**47**	52
Interest expense	**33**	30
Other adjusted expenses	**33**	43
Total benefits and adjusted expenses	**113**	125
Pretax adjusted earnings	**$ (18)**	$ (46)

In December 2018, the Parent Company invested $20 million in Singapore Life Pte. Ltd. (Singapore Life), a digitally-focused life insurance company based in Singapore. The Parent Company plans to make an additional investment of $16 million in the second quarter of 2019, bringing the total investment to $36 million. As part of the relationship, Aflac also plans to enter into a reinsurance agreement on certain protection products with Singapore Life. However, the Company does not currently expect the equity investment or the reinsurance agreement to have a material impact on its financial position or results of operation.

ANALYSIS OF FINANCIAL CONDITION

The Company's financial condition has remained strong in the functional currencies of its operations. The yen/dollar exchange rate at the end of each period is used to translate yen-denominated balance sheet items to U.S. dollars for reporting purposes.

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.

The following table details investments by segment.

Investments by Segment

	Aflac Japan		Aflac U.S.	
(In millions)	**March 31, 2019**	December 31, 2018	**March 31, 2019**	December 31, 2018
Available for sale, fixed maturity securities, at fair value	**$ 73,485**	$ 69,409	**$ 13,038**	$ 12,132
Held to maturity, fixed maturity securities, at amortized cost	**30,163**	30,318	**0**	0
Equity securities	**847**	806	**150**	137
Commercial mortgage and other loans:				
Transitional real estate loans	**3,721**	3,621	**660**	756
Commercial mortgage loans	**759**	763	**324**	301
Middle market loans	**1,412**	1,144	**304**	334
Other investments:				
Policy loans	**222**	219	**14**	13
Short-term investments [(1)]	**318**	0	**225**	141
Limited partnerships	**379**	333	**42**	37
Other	**0**	0	**25**	26
Total investments	**111,306**	106,613	**14,782**	13,877
Cash and cash equivalents	**1,783**	1,779	**524**	641
Total investments and cash [(2)]	**$ 113,089**	$ 108,392	**$ 15,306**	$ 14,518

[(1)] Includes securities lending collateral

[(2)] Excludes investments and cash held by the Parent Company and other business segments of $3,043 in 2019 and $3,333 in 2018

Cash and cash equivalents totaled $3.9 billion , or 3.0% of total investments and cash, as of March 31, 2019 , compared with $4.3 billion , or 3.4% , at December 31, 2018 . For a discussion of the factors affecting the Company's cash balance, see the Operating Activities, Investing Activities and Financing Activities subsections of this MD&A.

For additional information concerning the Company's investments, see Notes 3, 4, and 5 of the Notes to the Consolidated Financial Statements.

The ratings of the Company's securities referenced in the table below are based on the ratings designations provided by major Nationally Recognized Statistical Rating Organizations (NRSROs) (Moody's, S&P 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 debt securities the Company owns, by credit rating, were as follows:

Composition of Securities Portfolio by Credit Rating

	March 31, 2019		December 31, 2018	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
AAA	**.9%**	**.9%**	1.0%	.9%
AA	**3.9**	**3.9**	3.9	4.0
A	**68.6**	**70.4**	67.9	69.9
BBB	**22.9**	**21.5**	23.2	21.6
BB or lower	**3.7**	**3.3**	4.0	3.6
Total	**100.0%**	**100.0%**	100.0%	100.0%

As of March 31, 2019 , 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 March 31, 2019 .

(In millions)	**Credit Rating**	**Amortized Cost**	**Fair Value**	**Unrealized Loss**
Diamond Offshore Drilling Inc.	B	$ 143	$ 83	$ (60)
AXA	BBB	293	252	(41)
Baker Hughes Inc.	A	122	103	(19)
Kommunal Landspens jonskasse (Klp)	B BB	135	118	(17)
Transocean Inc.	CCC	72	58	(14)
Abbvie Inc.	BBB	177	164	(13)
Time Warner Cab le Inc.	BBB	118	105	(13)
National Oilwell Varco Inc.	BBB	83	71	(12)
Tyco Electronics Group Sa	A	105	94	(11)
Discovery Communications	BBB	108	98	(10)

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. As the Company believes these issuers have the ability to continue making timely payments of principal and interest, the Company views these changes in fair value to be temporary and does not believe it is necessary to impair the carrying value of these securities. 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

	March 31, 2019			
(In millions)	Par Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Investcorp Capital Limited	$ 383	$ 383	$ 410	$ 27
Republic of South Africa	360	360	372	12
KLM Royal Dutch Airlines	270	199	231	32
Republic of T unisia	180	106	119	13
Telecom Italia SpA	180	180	217	37
Barclays Bank PLC	180	111	148	37
Navient Corp.	135	66	80	14
Transnet	135	135	136	1
Diamond Offshore Drilling Inc.	124	143	83	(60)
IKB Deutsche Industriebank AG	117	50	88	38
Arconic Inc.	100	84	99	15
EMC Corp.	80	80	74	(6)
Generalit at de Catalunya	72	26	66	40
Teva Pharmaceuticals	68	66	62	(4)
Transocean Inc.	68	72	58	(14)
National Gas Co. Trinidad and Tobago	52	50	51	1
Petrobras International Finance Company	50	52	51	(1)
CF Industries Inc.	50	49	49	0
Other Issuers (below $50 million in par value)	200	196	194	(2)
Subtotal [1]	2,804	2,408	2,588	180
Senior secured bank loans	946	958	933	(25)
High yield corporate bonds	575	565	575	10
Middle market loans, net of reserves [2]	1,739	1,716	1,710	(6)
Grand Total	$ 6,064	$ 5,647	$ 5,806	$ 159

[1] Securities initially purchased as investment grade, but have subsequently been downgraded to below investment grade
[2] Middle market loans are carried at amortized cost

The Company invests in senior secured bank loans and middle market loans primarily to U.S. corporate borrowers, most of which have below-investment-grade ratings. The objectives of these programs 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 must have a minimum rating 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.

	March 31, 2019	
(In millions)	Amortized Cost	% of Total
Government and agencies	**$ 53,389**	**49.0%**
Municipalities	**2,527**	**2.3**
Mortgage- and asset-backed securities	**400**	**.4**
Public utilities	**8,391**	**7.7**
Electric	6,437	5.9
Natural gas	299	.3
Other	774	.7
Utility/energy	881	.8
Sovereign and supranational	**2,170**	**2.0**
Banks/financial institutions	**9,411**	**8.6**
Banking	5,560	5.1
Insurance	1,837	1.7
Other	2,014	1.8
Other corporate	**32,581**	**30.0**
Basic industry	3,446	3.2
Capital goods	2,984	2.7
Communications	4,027	3.7
Consumer cyclical	3,266	3.0
Consumer non-cyclical	6,180	5.7
Energy	4,654	4.3
Other	1,278	1.2
Technology	2,851	2.6
Transportation	3,895	3.6
Total fixed maturity securities	**$ 108,869**	**100.0%**

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)	March 31, 2019 Amortized Cost	March 31, 2019 Fair Value	December 31, 2018 Amortized Cost	December 31, 2018 Fair Value
Publicly issued securities:				
Fixed maturity securities	**$ 89,167**	**$ 102,715**	$ 83,482	$ 93,255
Equity securities	**1,033**	**1,033**	936	936
Total publicly issued	**90,200**	**103,748**	84,418	94,191
Privately issued securities: [1]				
Fixed maturity securities	**19,702** [2]	**22,655** [2]	23,692	26,362
Equity securities	**8**	**8**	51	51
Total privately issued	**19,710**	**22,663**	23,743	26,413
Total investment securities	**$ 109,910**	**$ 126,411**	$ 108,161	$ 120,604

[1] *Primarily consists of securities owned by Aflac Japan*
[2] *Excludes 144A securities starting in the first quarter of 2019*

The following table details the Company's reverse-dual currency securities.

Reverse-Dual Currency Securities [1]

(Amortized cost, in millions)	March 31, 2019	December 31, 2018
Privately issued reverse-dual currency securities	**$ 5,121**	$ 5,120
Publicly issued collateral structured as reverse-dual currency securities	**1,657**	1,657
Total reverse-dual currency securities	**$ 6,778**	$ 6,777
Reverse-dual currency securities as a percentage of total investment securities	**6.2%**	6.3%

[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. Derivative hedges are designed to reduce risk on an economic basis while minimizing the impact on financial results. The Company's derivative hedge programs vary depending on the type of risk being hedged.

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 *Parent Company's Foreign Currency Hedge Program* below) *.*
- The Parent Company enters into forward 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 *Parent Company's Foreign Currency Hedge Program* below *).*

Aflac Japan's U.S. Dollar-Denominated Investments

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 liquidity and capital relief. 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.

	March 31, 2019		December 31, 2018	
(In millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Available-for-sale securities:				
Fixed maturity securities (excluding bank loans)	**$ 17,418**	**$ 18,068**	$ 17,101	$ 17,003
Fixed maturity securities - bank loans (floating rate)	**1,204**	**1,171**	1,296	1,238
Fixed maturity securities - economically converted to yen	**1,679**	**2,399**	1,679	2,269
Equity securities	**198**	**198**	177	177
Commercial mortgage and other loans:				
Transitional real estate loans (floating rate)	**3,721**	**3,735**	3,621	3,625
Commercial mortgage loans	**759**	**747**	763	736
Middle market loans (floating rate)	**1,412**	**1,412**	1,144	1,146
Other investments	**379**	**379**	333	333
Total U.S. dollar-denominated investments in Aflac Japan	**$ 26,770**	**$ 28,109**	$ 26,114	$ 26,527

As of March 31, 2019 , Aflac Japan had $8.6 billion outstanding notional amounts of foreign currency forwards and $11.4 billion outstanding notional amounts of foreign currency options, of which none were in-the-money, hedging the U.S. dollar-denominated investments. The fair value of Aflac Japan's unhedged U.S. dollar portfolio was $17.1 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 Company had net cash settlements of $12 million and $1 million for the three-month periods ended March 31, 2019 and 2018 , respectively, associated with the currency derivatives used for hedging Aflac Japan's U.S. dollar-denominated investments.

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 the Risk Factor sections 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 2018 Annual Report. For discussion of the Company's view on the stressed economic surplus in Aflac Japan, refer to the Investments subsection within Item 1., Business, in the 2018 Annual Report.

Parent Company's Foreign Currency Hedge Program

The Company has designated certain yen-denominated liabilities and, prior to April 1, 2018, 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 $1.8 billion as of March 31, 2019 and December 31, 2018 , respectively, with hedging instruments comprised completely of yen-denominated debt.

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 three-month periods ended March 31, 2019 and 2018 , respectively.

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 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-denominated hedge 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. The portion of the enterprise-wide amortized hedge income contributed by this strategy for the three-month periods ended March 31, 2019 and 2018 was $20 million and $2 million, respectively. This activity is reported in Corporate and Other. As this program evolves, the Company will continue to evaluate the program’s efficacy, including third-party review. See the Results of Operations section of this MD&A for the Company's definition of amortized hedge costs/income.

The following table presents metrics related to Aflac Japan amortized hedge costs and the Parent Company amortized hedge income for the periods ended March 31 .

Amortized Hedge Costs/Income Metrics [1]

	Three Months	
	2019	2018
Aflac Japan:		
FX forward (sell USD, buy yen) notional at end of period (in billions) [2]	**$8.6**	$9.9
Weighted average remaining tenor (in months) [3]	**14.3**	23.6
Amortized hedge costs for period (in millions)	**$(62)**	(55)
Parent Company:		
FX forward (buy USD, sell yen) notional at end of period (in billions) [2]	**$2.6**	$.7
Weighted average remaining tenor (in months) [3]	**14.1**	12.1
Amortized hedge income for period (in millions)	**$20**	$2

[1] See the Results of Operations section of this MD&A for the Company's definition of amortized hedge costs/income.
[2] Notional is reported net of any offsetting positions within Aflac Japan or the Parent Company, respectively.
[3] Tenor based on period reporting date to settlement date

Interest Rate Risk Hedge Program

To mitigate the risk of investment income volatility, the Company economically hedges interest rate fluctuations for certain variable-rate investments. To manage interest rate risk associated with its U.S. dollar-denominated investments held by Aflac Japan, the Company also utilizes interest rate swaptions.

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on the Company's hedging activities. For additional discussion of the risks associated with the foreign currency exposure refer to the Currency Risk section in Item 1A. Risk Factors in the 2018 Annual Report.

Deferred Policy Acquisition Costs

The following table presents deferred policy acquisition costs by segment.

(In millions)	March 31, 2019	December 31, 2018	% Change
Aflac Japan	**$ 6,405**	$ 6,384	.3 % [1]
Aflac U.S.	**3,487**	3,491	(.1)
Total	**$ 9,892**	$ 9,875	.2 %

[1] *Aflac Japan's deferred policy acquisition costs increased .3% in yen during the three months ended March 31, 2019 .*

See Note 6 of the Notes to the Consolidated Financial Statements in the 2018 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)	March 31, 2019	December 31, 2018	% Change
Aflac Japan	**$ 93,189**	$ 92,791	.4% [1]
Aflac U.S.	**11,065**	10,981	.8
Other	**193**	183	5.5
Intercompany eliminations [2]	**(767)**	(767)	.0
Total	**$ 103,680**	$ 103,188	.5%

[1] *Aflac Japan's policy liabilities increased .4% in yen during the three months ended March 31, 2019 .*

[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.*

Notes Payable

Notes payable totaled $5.9 billion at March 31, 2019 , compared with $5.8 billion at December 31, 2018 .

See Note 8 of the accompanying Notes to the Consolidated Financial Statements for additional information on the Company's notes payable. See Note 1 of the accompanying Notes to the Consolidated Financial Statements for additional information regarding the change in accounting for leases.

On April 12, 2019, the Company announced that ALIJ priced 30.0 billion yen (par value) of perpetual subordinated bonds. These bonds will bear interest at a fixed rate of .963% per annum and then at six-month Euro Yen LIBOR plus an applicable spread on and after the day immediately following April 18, 2024. The bonds will be callable on each interest payment date on and after April 18, 2024. Aflac Japan anticipates using the net proceeds of the offering for general corporate purposes.

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 2018 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. On November 25, 2016, Japan's Diet passed legislation that extended the government's fiscal support of the LIPPC through March 2022. Effective April 2014, the annual LIPPC contribution amount for the total life industry was lowered from 40 billion yen to 33 billion yen. Aflac Japan recognized an expense of .9 billion yen and 1.0 billion yen for the three-month periods ended March 31, 2019 and 2018, respectively, 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 three-month periods ended March 31, 2019 and 2018, were immaterial.

As of March 31, 2019 , the Company has estimated and recognized the impact of its share of guaranty fund assessments resulting from the liquidation of a long-term care insurer. See Note 12 of the Notes to the Consolidated Financial Statements for further information on the assessment.

Off-Balance Sheet Arrangements

As of March 31, 2019 , the Company had no material letters of credit, standby letters of credit, guarantees or standby repurchase obligations. See Note 15 of the Notes to the Consolidated Financial Statements in the 2018 Annual Report for information on material unconditional purchase obligations that are not recorded on the Company's balance sheet.

CAPITAL RESOURCES AND LIQUIDITY

Aflac Japan and Aflac U.S. provide the primary sources of liquidity to the Parent Company through dividends and management fees. The following table presents the amounts provided for the three -month periods ending March 31 .

Liquidity Provided by Aflac Japan and Aflac U.S. to Parent Company

(In millions)	**2019**	2018
Dividends declared or paid by Aflac Japan and Aflac U.S.	**$ 356**	$ 100
Management fees paid by Aflac Japan and Aflac U.S.	**41**	96

The primary uses of cash by the Parent Company are shareholder dividends, the repurchase of its common stock and interest on its outstanding indebtedness and operating expenses.

In 2018, the Company announced a change in its internal dividend policy which allows the Company to increase the proportion of regulatory earnings transferred from Aflac U.S. and Aflac Japan to the Parent Company. The Company intends to maintain higher than historical levels of capital and liquidity at the Parent Company 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 based investments at Aflac Japan and 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 Item 2., Management’s Discussion and Analysis of Financial Condition and Results of Operations under “Forward-Looking Information,” for a description of factors that could cause actual results to differ materially from those contemplated by the Company in regards to its capital management intentions.

The Parent Company accesses debt security markets to provide additional sources of capital. In September 2018, 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 2021. In August 2018, the Parent Company

filed a shelf registration with Japanese regulatory authorities that allows the Parent Company to conduct public offerings of bonds in Japan, including yen-denominated Samurai notes, up to 200 billion yen or its equivalent through August 2020. The shelf registration statement is for possible public offerings in Japan, but the bonds issued under the shelf may be transferred by the bondholders to U.S. persons in compliance with U.S. law. The Company believes outside sources for additional debt and equity capital, if needed, will continue to be available. For additional information, see Note 8 of the Notes to the Consolidated Financial Statements.

The principal sources of cash for the Company's insurance operations are premiums and investment income. The primary uses of cash by the Company's insurance operations are investments, policy claims, commissions, operating expenses, income taxes and payments to the Parent Company for management fees and dividends. Both the sources and uses of cash are reasonably predictable.

When making an investment decision, the Company's first consideration is based on product needs. The Company's investment objectives provide for liquidity through the purchase of investment-grade debt securities. These objectives also take into account duration matching, and because of the long-term nature of the Company's business, the Company has adequate time to react to changing cash flow needs.

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 its investment portfolio to be sufficient to meet its cash needs for benefits and expenses.

As of March 31, 2019 , the Parent Company and Aflac had four lines of credit with third parties as well as two intercompany lines of credit. For additional information on the Company's lines of credit, see Note 8 of the Notes to the Consolidated Financial Statements.

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 three months of 2019, Aflac U.S. borrowed and repaid $108 million under this program. As of March 31, 2019 , Aflac U.S. had outstanding borrowings of $289 million reported in its balance sheet. For more information on the FHLB program, refer to the Investments subsection within Analysis of Financial Condition in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2018 Annual Report.

The Company's 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. The Company was in compliance with all of the covenants of its notes payable and lines of credit at March 31, 2019 . 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 2018 Annual Report for more information on the Company's securities lending and derivative activities. With the exception of disclosed activities in those referenced footnotes and the Risk Factors in the 2018 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 does not have a known trend, demand, commitment, event or uncertainty that would reasonably result in its liquidity increasing or decreasing by a material amount. As of March 31, 2019 , the Parent Company had $1.0 billion as a capital reserve and an additional $1.0 billion of contingent liquidity in order to mitigate liquidity risk of derivative positions that are reducing enterprise-wide foreign currency exposure. 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.

Consolidated Cash Flows

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 three -month periods ended March 31 .

(In millions)	2019	2018
Operating activities	**$ 1,544**	$ 1,238
Investing activities	**(1,291)**	(199)
Financing activities	**(686)**	(473)
Exchange effect on cash and cash equivalents	**(12)**	23
Net change in cash and cash equivalents	**$ (445)**	$ 589

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. 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

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 announced in September 2018 that it intends to increase its original investment in the Aflac Ventures Fund from $100 million over three years to $250 million over three to four years, as opportunities emerge. These investments are included in equity securities or the other investments line in the consolidated balance sheets. The Aflac Ventures Fund is a subsidiary of Aflac Corporate Ventures which is reported in the Corporate and other segment. The central mission of Aflac Corporate Ventures is to support the organic growth and business development needs of Aflac Japan and Aflac U.S. with 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.

See Note 3 of the Notes to the Consolidated Financial Statements for details on certain investment commitments.

Financing Activities

Consolidated cash used by financing activities was $686 million in the first three months of 2019 , compared with consolidated cash used by financing activities of $473 million for the same period of 2018 .

See the preceding discussion in this Capital Resources and Liquidity section of MD&A for details and any outstanding balances as of March 31, 2019 , for the Company's lines of credit and FHLB financing arrangement.

The Company was in compliance with all of the covenants of its notes payable and lines of credit at March 31, 2019 .

Cash returned to shareholders through dividends and treasury stock purchases was $685 million during the three -month period ended March 31, 2019 , compared with $491 million during the three-month period ended March 31, 2018 .

The following tables present a summary of treasury stock activity during the three -month periods ended March 31 .

Treasury Stock Purchased

(In millions of dollars and thousands of shares)	2019	2018
Treasury stock purchases	**$ 490**	$ 296
Number of shares purchased:		
Open market	**10,237**	6,640
Other	**561**	315
Total shares purchased	**10,798**	6,955

Treasury Stock Issued

(In millions of dollars and thousands of shares)	2019	2018
Stock issued from treasury:		
Cash financing	**$ 12**	$ 14
Noncash financing	**18**	15
Total stock issued from treasury	**$ 30**	$ 29
Number of shares issued	**939**	788

During the first three months of 2019 , the Company repurchased 10.2 million shares of its common stock for $490 million as part of its share repurchase program. As of March 31, 2019 , a remaining balance of 58.8 million shares of the Company's common stock was available for purchase under share repurchase authorizations by its board of directors. The Company currently plans to repurchase a total of $1.3 billion to $1.7 billion of its common stock in 2019, assuming stable capital conditions and absent compelling alternatives.

Cash dividends paid to shareholders were $.27 per share in the first quarter of 2019 , compared with $.26 per share in the first quarter of 2018 . The following table presents the dividend activity for the three -month periods ended March 31 .

(In millions)	2019	2018
Dividends paid in cash	**$ 195**	$ 195
Dividends through issuance of treasury shares	**8**	8
Total dividends to shareholders	**$ 203**	$ 203

In April 2019 , the board of directors declared the second quarter cash dividend of $.27 per share, an increase of 3.8% compared with the same period in 2018 . The dividend is payable on June 3, 2019 to shareholders of record at the close of business on May 22, 2019 .

Regulatory Restrictions

Aflac and CAIC are domiciled in Nebraska and are subject to its regulations. Subsequent to the Japan branch conversion to a subsidiary, Aflac Japan is domiciled in Japan and subject to local regulations. See further discussion below. 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. Similar laws apply in New York, the domiciliary jurisdiction of Aflac's New York insurance subsidiary.

The continued long-term growth of the Company's business may require increases in the statutory capital and surplus of its insurance operations. Aflac’s insurance operations may secure additional statutory capital through various sources, such as internally generated statutory earnings, 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 March 31, 2019 , Aflac's RBC ratio remains high and reflects a strong capital and surplus position, even reflecting the full negative impact of the U.S. Tax Act, which was fully adopted in 2018. This reduction occurs as a result of writing down deferred tax assets and the increase in required capital due to the reduction in tax rates. However, Aflac expects to recover from this negative impact over a period of three to five years through additional statutory income, assuming that the additional income is fully retained.

The maximum amount of dividends that can be paid to the Parent Company by Aflac without prior approval of Nebraska's director of insurance is the greater of the net income from operations, which excludes net realized investment gains, for the previous year determined under statutory accounting principles, or 10% of statutory capital and surplus as of the previous year-end. Dividends declared by Aflac during 2019 in excess of $1.3 billion would be considered extraordinary and require such approval. Following the Japan branch conversion to a subsidiary, the Company used extraordinary dividends as needed to actively manage to appropriate RBC levels that are lower yet sufficient to maintain ratings and support prudent capital management.

In addition to limitations and restrictions imposed by U.S. insurance regulators, after the Japan branch conversion on April 1, 2018, the new Japan subsidiary 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 solvency margin ratio (SMR). Japan's Financial Services Agency (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. In the event of a rapid change in market risk conditions causing SMR to decline, the Company has two senior unsecured revolving credit facilities in the amounts of 100 billion yen and 55 billion yen, respectively, and a committed reinsurance facility in the amount of approximately 110 billion yen 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 criteria 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 2018 Annual Report for additional information on the Company's investment strategies, hedging activities, and reinsurance, respectively.)

As of March 31, 2019 , Aflac Japan's SMR remains high and reflects a strong capital and surplus position. As part of the conversion of Aflac Japan from a branch to a subsidiary on April 1, 2018, the Company experienced an accounting-driven decline in the SMR of approximately 130 points, based on the SMR as of December 31, 2017. The Company expects to be able to pay dividends out of certain accounts, thus restoring this accounting impact over an estimated three-year period.

Payments are made from Aflac Japan to the Parent Company for management fees, allocated expenses and remittances of earnings. Prior to the Aflac Japan branch conversion on April 1, 2018, Aflac Japan paid allocated expenses and profit remittances to Aflac U.S. The following table details Aflac Japan remittances for the three -month periods ended March 31 .

Aflac Japan Remittances

(In millions of dollars and billions of yen)	2019	2018
Aflac Japan management fees paid to Parent Company	**$ 32**	$ 40
Expenses allocated to Aflac Japan (in dollars)	**2**	8
Aflac Japan profit remittances to the Parent Company or Aflac U.S. (in dollars)	**256**	312
Aflac Japan profit remittances to the Parent Company or Aflac U.S. (in yen)	**28.3**	33.4

For additional information on regulatory restrictions on dividends, profit repatriations and other transfers, see Note 13 of the Notes to the Consolidated Financial Statements and the Regulatory Restrictions subsection of MD&A, both in the 2018 Annual Report.

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.

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 2018 Annual Report. There have been no material changes to the Company's market risk exposures from the market risk exposures previously disclosed in the 2018 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

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 first fiscal quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On December 14, 2017, three former independent sales contractors filed a shareholders derivative complaint in the U.S. District Court for the Southern District of New York naming the Parent Company as nominal defendant and the Parent Company's Chairman and Chief Executive Officer, several of its directors, and a former officer and director as defendants. The complaint alleges breaches of fiduciary duty, misstatements and omissions in the Company's public disclosures, and insider trading. The Company's Board of Directors had previously established a special litigation committee (SLC) in July 2017 to investigate certain allegations underlying the derivative action. The SLC issued a report of its investigation in September 2017 and another report in February 2018, each of which determined that it was not in the best interests of the Company to pursue the action demanded by the shareholders. An amended complaint was filed on January 31, 2018. On February 12, 2018, this litigation was transferred to the U.S. District Court for the Middle District of Georgia. The SLC issued a third report of its investigation in May 2018 regarding certain additional allegations raised in the amended complaint, in which the SLC also determined that it was not in the best interests of the Company to pursue the action demanded by the shareholders. On August 31, 2018, the District Court granted the Company's motion and the amended complaint was dismissed. The plaintiffs have appealed the dismissal to the United States Court of Appeals for the Eleventh Circuit. The Company believes the outcome of this litigation will not have a material adverse effect on its financial position, results of operation or cash flows.

The Company is a defendant in various lawsuits considered to be in the normal course of business. Members of the Company's senior legal and financial management teams review litigation on a quarterly and annual basis. The final results of any litigation cannot be predicted with certainty. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, the Company believes the outcome of pending litigation will not have a material adverse effect on its financial position, results of operations, or cash flows.

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

Issuer Purchases of Equity Securities

During the first three months of 2019 , 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	4,465,400		$ 46.44	4,465,400	64,582,487
February 1 - February 28	4,170,417		48.65	3,624,583	60,957,904
March 1 - March 31	2,162,830		49.50	2,147,500	58,810,404
Total	10,798,647	(1)	$ 47.91	10,237,483	58,810,404

(1) During the first three months of 2019 , 561,164 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 (File No. 001-07434).
3.1	-	Bylaws of the Corporation, as amended and restated – incorporated by reference from Form 8-K dated November 10, 2015, Exhibit 3.1 (File No. 001-07434).
4.0	-	There are no instruments with respect to long-term debt not being registered in which the total amount of securities authorized exceeds 10% of the total assets of Aflac Incorporated and its subsidiaries on a consolidated basis. We agree to furnish a copy of any long-term debt instrument to the Securities and Exchange Commission upon request.
10.50	-	Shareholders Agreement, dated February 28, 2019, by and between Aflac Incorporated, Japan Post Holdings Co., Ltd., J&A Alliance Holdings Corporation (solely in its capacity as trustee of J&A Alliance Trust), and General Incorporated Association J&A Alliance.
15	-	Letter from KPMG LLP regarding unaudited interim financial information.
31.1	-	Certification of CEO dated April 26, 2019, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
31.2	-	Certification of CFO dated April 26, 2019, 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 April 26, 2019, 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	-	XBRL Taxonomy Extension Schema.
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	-	XBRL Taxonomy Extension Label Linkbase.
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase.

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

April 26, 2019

/s/ ***Frederick J. Crawford***

(Frederick J. Crawford)

Executive Vice President,
Chief Financial Officer

April 26, 2019

/s/ ***June Howard***

(June Howard)

Senior Vice President, Financial Services; Chief Accounting Officer

EXHIBIT 10.50

SHAREHOLDERS AGREEMENT

by and among

AFLAC INCORPORATED,

JAPAN POST HOLDINGS CO., LTD.,

J&A ALLIANCE HOLDINGS CORPORATION, in its capacity as trustee of J&A ALLIANCE TRUST

and

GENERAL INCORPORATED ASSOCIATION J&A ALLIANCE

Dated as of February 28, 2019

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Schedule A Authorized Individuals

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Exhibit A Trust Agreement

Exhibit B Basic Agreement

SHAREHOLDERS AGREEMENT

This Shareholders Agreement, dated as of February 28, 2019 (this " Agreement "), by and among Aflac Incorporated, a Georgia corporation (the " Company "), Japan Post Holdings Co., Ltd., a Japanese corporation (" Japan Post "), J&A Alliance Holdings Corporation, a **Delaware corporation, solely in its capacity** as trustee (the " Trustee ") of J&A Alliance Trust, a New York voting trust (" J&A Alliance Trust ") and General Incorporated Association J&A Alliance, a Japanese general incorporated association and the sole shareholder of the Trustee (the " Trustee Owner ", and together with Japan Post and the Trustee, the " Japan Post Parties "). The Company, Japan Post, the Trustee and the Trustee Owner each may be referred to in this Agreement individually as a " Party " and collectively as the " Parties ".

WHEREAS, immediately prior to the execution of this Agreement, Japan Post and the Trustee have entered into that certain Trust Agreement, in the form set forth as Exhibit A attached hereto, whereby J&A Alliance Trust was established;

WHEREAS, prior to the execution of this Agreement, the Company, Aflac Life Insurance Japan Ltd., a Japanese corporation and an indirect wholly owned subsidiary of the Company (" Aflac Japan "), and Japan Post entered into that certain Basic Agreement regarding the "Strategic Alliance Based on Capital Relationship" (the " Basic Agreement "), in the form set forth as Exhibit B attached hereto (with the English translation thereof);

WHEREAS, in furtherance of the strategic alliance contemplated by the Basic Agreement, and subject to the terms and conditions of this Agreement, J&A Alliance Trust desires to acquire ownership of approximately 7% of the outstanding common stock, par value $0.10 per share, of the Company (the " Company Common Stock ") through open market or private block purchases by the Trustee or J&A Alliance Trust; and

WHEREAS, in consideration of the benefits to be obtained by the Company by virtue of the arrangements described above, and in light of the undertakings made by the Japan Post Parties herein, the Company is willing to cooperate as contemplated by Section 8.1 with J&A Alliance Trust's acquisition of record ownership of shares of Company Common Stock in accordance with and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and premises of this Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions . For purposes of this Agreement:

" Activist Hedge Fund " means any Person set forth on a list provided by the Company to Japan Post prior to the date hereof, which may be periodically updated by the

Company on a reasonable and good faith basis from time to time using substantially the same criteria.

" Affiliate " means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have correlative meanings.

" Beneficial Ownership " shall be defined consistent with such term's meaning under Rule 13d-3 or 13d-5 under the Exchange Act and shall include securities that are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty's Affiliates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives Contract) to which such Person or any of such Person's Affiliates is a Benefiting Party; provided , however , that the number of shares of Company Common Stock that a Person is deemed to be the beneficial owner of, or to beneficially own, in connection with a particular Derivatives Contract shall not exceed the number of Notional Common Shares with respect to such Derivatives Contract; provided , further , that the number of securities beneficially owned by each Counterparty (including its Affiliates) under a Derivatives Contract shall be deemed to include all securities that are beneficially owned, directly or indirectly, by any other Counterparty (or any of such other Counterparty's Affiliates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty's Affiliates) is a Benefiting Party, with this provision being applied to successive Counterparties as appropriate. Other terms of similar import shall have comparable meanings.

" Business Day " means any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York, New York and Tokyo, Japan.

" Company Board " means the board of directors of the Company.

" Company Securities " means (i) any shares of capital stock or other equity interests of the Company or of any of its Subsidiaries; (ii) any other securities of the Company or of any of its Subsidiaries granting voting rights; (iii) any warrants, options, convertible or exchangeable securities, subscriptions, calls or other rights (including any preemptive or similar rights, but excluding any such rights granted pursuant to this Agreement) to subscribe for or purchase or acquire any of the securities described in the foregoing clauses (i) and (ii); or (iv) any security, instrument or agreement granting economic rights based upon the value of, or the value of which is determined by reference to any of the securities described in the foregoing clauses (i) through (iii), regardless of whether such security, instrument or agreement is or may be settled in securities, cash or other assets.

" Derivatives Contract " means a contract between two parties (the " Benefiting Party " and the " Counterparty ") that is designed to produce economic benefits and risks to the Benefiting Party that correspond substantially to the ownership by the Benefiting Party of a number of shares of Company Common Stock specified or referenced in such contract (the

number corresponding to such economic benefits and risks, the " Notional Common Shares "), regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, shares of Company Common Stock or other property, without regard to any short position under the same or any other Derivative Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate Governmental Authority shall not be deemed to be Derivatives Contracts.

" Domiciliary Regulators " means (i) the Director of the Nebraska Department of Insurance, (ii) the Superintendent of the New York State Department of Financial Services, and (iii) the Commissioner of the Oklahoma Insurance Department; provided, if all United States insurance company Subsidiaries of the Company domiciled in any one of the foregoing states redomesticate, merge or otherwise cease to exist as domestic insurers in such state, then the Commissioner, Superintendent or other insurance regulatory authority in such state shall no longer be a Domiciliary Regulator.

" Emergency Arbitrator " means an emergency arbitrator appointed by the SIAC in accordance with the SIAC Rules, as specified in Section 10.8 .

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" Excluded Transferee " means (i) any Person who is a competitor of the Company or any of its Subsidiaries with respect to the sale of cancer insurance or supplemental health care insurance, as set forth on a list provided by the Company to Japan Post prior to the date hereof, which may be periodically updated by the Company on a reasonable and good faith basis from time to time using substantially the same criteria, or any of such Person's Affiliates or (ii) any Activist Hedge Fund.

" Governmental Authority " means any supranational, national, federal, state, provincial or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established by any of the foregoing to perform any of such functions (including any national securities exchange or the equivalent) with relevant jurisdiction.

" HSR Act " means the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended.

" Japan-US Tax Treaty " means the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income as in effect on the date hereof and any successor convention.

" Japan Post Investment Funds " means any investment funds, trusts (not including J&A Alliance Trust), pension or other similar investment vehicles or accounts affiliated with, but not controlled by, Japan Post, or for the benefit or account of Affiliates of Japan Post but not controlled by Japan Post, solely to the extent that such investments are made in the ordinary

course and Japan Post does not have investment discretion to determine which securities or assets to purchase or sell on behalf of such vehicle or account or voting discretion with respect to voting securities held by such vehicles or accounts.

" Law " means any federal, state, provincial, local, domestic or foreign law, common law, ordinance, code, statute, rule or regulation of any Governmental Authority.

" Order " means any order, decision, judgment, writ, injunction, decree, award or other determination of any Governmental Authority.

" Person " means any individual, corporation, company, voluntary association, partnership, joint venture, trust, limited liability company, unincorporated organization, Governmental Authority or any agency, instrumentality or political subdivision thereof or any other form of entity.

" PII " means any information possessed by the Company, any of its Subsidiaries or any of its Affiliates with respect to any customer, policyholder, employee or independent contractor of the Company's U.S. business, which specifically identifies such individual Person, including any contact information (*e.g.* , address, electronic mail address, phone number(s)), Social Security Number, and financial account information of such Person; provided , however, that such Person's name alone, without being presented, associated, or stored with any other identifying data element, shall not be deemed PII.

" Pre-Issuance Ownership Percentage " means J&A Alliance Trust's Beneficial Ownership, expressed as a percentage, of the outstanding shares of Company Common Stock as of immediately prior to the applicable issuance of New Securities.

" Required Regulatory Approvals " means (i) the expiration of any applicable waiting period under the HSR Act, (ii) the approval of the applicable Domiciliary Regulator of each respective Form A Filing, (iii) the approval of or confirmation or nondisapproval by the Japan Fair Trade Commission, (iv) notice to the Japanese Financial Services Agency and (v) confirmation or nondisapproval by the Japanese Kanto Local Finance Bureau in connection with the transactions contemplated by this Agreement.

" Restricted Period " means the period beginning on the date on which J&A Alliance Trust first acquires any shares of Company Common Stock and ending on the earlier of (i) the date that is the fourth anniversary of the date on which J&A Alliance Trust first acquires 7% of the outstanding shares of Company Common Stock, (ii) the date that is the fifth anniversary of the date on which J&A Alliance Trust first acquires 5% of the outstanding shares of Company Common Stock and (iii) the date that is the tenth anniversary of the date on which J&A Alliance Trust first acquires any shares of Company Common Stock.

" Securities Act " means the Securities Act of 1933, as amended.

" Standstill Period " means the period commencing on the date J&A Alliance Trust first acquires any shares of Company Common Stock and ending on the date that the Standstill Restrictions terminate pursuant to Section 3.2 .

" Subsidiary " means, as to any Person, any corporation or other entity of which: (i) such Person, or a Subsidiary of such Person, is a general partner (if a limited partnership) or managing member (if an LLC) or; (ii) at least a majority of the outstanding equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors or similar governing body of such corporation or other entity is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries.

Section 1.2 Additional Defined Terms . The following terms have the meanings set forth in the Sections set forth below:

Term	Section
$	1.3(a)
10-for-1 Voting	6.3(b)
Acceptance Notice	2.5(b)
Affiliate	1.1
Aflac Japan	Recitals
Agreement	Preamble
Approved Tender Offer	4.1(a)
Arbitral Tribunal	10.8(b)
Basic Agreement	Recitals
Beneficial Ownership	1.1
Benefiting Party	1.1
Board Change of Control	3.2(e)
Business Combination	4.1(a)
Business Day	1.1
Change of Control	3.2(e)
Company	Preamble
Company Board	1.1
Company Common Stock	Recitals
Company SEC Documents	7.1(f)
Company Securities	1.1
Counterparty	1.1
Daily Volume Limitation	2.1(b)
Decision on Interim Relief	10.8(b)
Domiciliary Regulatory	1.1
Exchange Act	1.1
Excluded Transferee	1.1
Form A Filings	8.1(b)
Fundamental Transaction	3.2(b)
Governmental Authority	1.1
HSR Act	1.1
Interim Relief	10.8(b)
J&A Alliance Trust	Preamble
Japan-US Tax Treaty	1.1
Japan Post	Preamble
Japan Post Investment Funds	1.1
Japan Post Parties	Preamble

Law	1.3(a), 1.1
Laws	1.3(a)
New Securities	2.5(a)
NYSE Rule	2.5(a)
Optional Sale Exercise Notice	4.4(b)(i)
Optional Sale Right	4.4(a)
Optional Sale Shares	4.4(a)
Order	1.1
Outside Date	8.1(a)
Ownership Cap	2.2(a)
Parties	Preamble
Party	Preamble
Permitted Non-Public Transfer	4.1(b)(i)
Permitted Public Transfer	4.1(b)(ii)
Person	1.1
PII	1.1
Preemptive Rights Notice	2.5(b)
Preemptive Rights Shares	2.5(a)
Preferential Rate	8.1(g)
Pre-Issuance Ownership Percentage	1.1
Pre-Notice	2.5(b)
Receiving Party	8.6
Registration Statement	5.1
Representatives	8.6
Required Regulatory Approvals	1.1
Restricted Period	1.1
Rules	10.8(b)
SEC	2.2(b)
Securities Act	1.1
SIAC	10.8(b)
Standstill Restrictions	3.1(l)
Subsequent Offering	4.1(a)
Subsidiary	1.1
Transfer	4.1(a)
Trustee	Preamble
Trustee Owner	Preamble
U.S.	1.3(a)
Voting Rights Cap	2.2(a)

Section 1.3 Interpretation and Construction .

(a) In this Agreement, except to the extent otherwise provided or that the context otherwise requires: (i) when a reference is made in this Agreement to an Article, Section, Schedule or Exhibit, such reference is to an Article or Section of, or a Schedule or Exhibit to, this Agreement; (ii) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement; (iii) whenever the words “include,” “includes” or “including” are used in this Agreement, they

are deemed to be followed by the words "without limitation"; (iv) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement; (v) the words "exceed", "exceeding" and "excess" and words of similar import, when used in this Agreement with respect to a number of shares of Company Common Stock, shall mean such number plus one additional share of Company Common Stock; (vi) terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto; (vii) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (viii) references to a Person are also to its successors and permitted assigns; (ix) the use of "or" is not intended to be exclusive unless expressly indicated otherwise; and (x) " $ " refers to United States (" U.S. ") dollars. References to " Law ", " Laws " or to a particular statute or Law shall be deemed also to include such Laws or statutes as such Laws or statutes are from time to time amended, modified or supplemented, including by succession of comparable successor Laws.

(b) Unless otherwise expressly stated herein, any reference to the Trustee in this Agreement shall be deemed to refer to the Trustee acting in its capacity as trustee of J&A Alliance Trust and on behalf of J&A Alliance Trust.

(c) The Parties have participated jointly in the negotiation and drafting of this Agreement and the other agreements, documents and instruments executed and delivered in connection herewith with counsel sophisticated in investment transactions. If an ambiguity or question of intent or interpretation arises, this Agreement and the agreements, documents and instruments executed and delivered in connection herewith shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement and the agreements, documents and instruments executed and delivered in connection herewith.

ARTICLE II

PURCHASE OF COMPANY COMMON STOCK

Section 2.1 Purchase of Company Common Stock .

(a) Subject to the receipt of all of the Required Regulatory Approvals, the Trustee shall use commercially reasonable efforts to acquire on behalf of J&A Alliance Trust, through open market or private block purchases in the U.S., within a period of twelve (12) months following the date on which J&A Alliance Trust first acquires any shares of Company Common Stock, Beneficial Ownership of shares of Company Common Stock representing, in the aggregate, approximately 7% of the outstanding shares of Company Common Stock; provided , that, for the avoidance of doubt, the Trustee and/or J&A Alliance Trust may, prior to obtaining all of the Required Regulatory Approvals, begin to purchase shares of Company Common Stock in an amount up to, but not exceeding, the amount of such shares J&A Alliance Trust may Beneficially Own under applicable Law prior to receipt of the relevant Required Regulatory Approvals.

(b) Notwithstanding the foregoing, the Trustee shall not, on any single day, purchase or otherwise acquire through open market purchases Beneficial Ownership of a number of shares of Company Common Stock that, in the aggregate, exceeds 15% of the average daily trading volume of shares of Company Common Stock on the U.S. open markets during a period of thirty (30) trading days immediately preceding the date of such acquisition of shares of Company Common Stock, as reported by Bloomberg, L.P. on screen page "AFL US<Equity>HP" (or any successor screen page thereto) (the " Daily Volume Limitation ").

Section 2.2 Ownership of Company Common Stock .

(a) Subject to Section 4.3 , J&A Alliance Trust shall not Beneficially Own shares of Company Common Stock in excess of (i) 10% of the outstanding shares of Company Common Stock during the Restricted Period and (ii) after the expiration of the Restricted Period, the greater of (A) 10% of the outstanding shares of Company Common Stock and (B) shares of Company Common Stock representing 22.5% of the aggregate voting rights of the outstanding shares of Company Common Stock as of the record date of the most recent annual or special meeting of the shareholders of the Company (the " Voting Rights Cap " and, in each case of Clauses (i) and (ii), the " Ownership Cap "); provided , however , that, if, following the expiration of the Restricted Period, J&A Alliance Trust Transfers a number of shares of Company Common Stock resulting in its Beneficial Ownership of shares of Company Common Stock being less than 6% of the outstanding shares of Company Common Stock, then the Ownership Cap shall thereafter be 10% of the outstanding shares of Company Common Stock; provided , further , that, for the avoidance of doubt, the foregoing proviso shall not apply in the event that J&A Alliance Trust's Beneficial Ownership of shares of Company Common Stock falls below 6% of the outstanding shares of Company Common Stock as a result of dilutive issuances of shares of Company Common Stock by the Company.

(b) For purposes of this Agreement, unless otherwise expressly stated herein, all determinations of the amount of outstanding shares of Company Common Stock shall be based on information set forth in the most recent quarterly or annual report, or the most recent applicable current report subsequent thereto, filed by the Company with, or furnished by the Company to, the U.S. Securities and Exchange Commission (the " SEC "), unless the Company shall have updated such information by delivery of written notice to Japan Post, the Trustee or J&A Alliance Trust.

(c) For purposes of this Agreement, unless otherwise expressly stated herein, all determinations of the amount or percentage of J&A Alliance Trust's voting rights with respect to the Company Common Stock shall be based on the information provided pursuant to Section 6.3(b)(ii) in the Company's most recent Form 8-K.

(d) The shares of Company Common Stock acquired by or on behalf of J&A Alliance Trust shall be recorded as directly registered shares held by the Trustee in its capacity as trustee of J&A Alliance Trust on the share register of the Company. Neither Japan Post nor any of its controlled Affiliates, other than Japan Post Investment Funds, shall at any time Beneficially Own any shares of Company Common Stock other than as the settlor or beneficiary of J&A Alliance Trust in accordance with the terms of the Trust Agreement; provided that, for the

avoidance of doubt, for purposes of this Section 2.2(d) , none of J&A Alliance Trust, the Trustee and the Trustee Owner shall be deemed controlled "Affiliates" of Japan Post.

(e) The Japan Post Parties shall cause any shares of Company Common Stock acquired by or on behalf of J&A Alliance Trust through a broker to be transferred into the Trustee's name, in its capacity as trustee of the J&A Alliance Trust, and recorded as directly registered shares held by the Trustee in its capacity as trustee of the J&A Alliance Trust on the books of the Company within ten (10) Business Days of such acquisition and the Trustee shall maintain such direct registration until any such shares are Transferred in accordance with this Agreement. The Company shall take all action necessary to cause the Company's transfer agent to accept such Company Common Stock and register them in the name of the Trustee, in its capacity as trustee of the J&A Alliance Trust and to facilitate any Transfer through facilities of The Depository Trust Company.

Section 2.3 Securities Laws . Each of the Japan Post Parties shall, in the course of the Trustee's or J&A Alliance Trust's acquisition of any shares of Company Common Stock, comply with all applicable Laws, including pursuant to Section 13(d) of the Exchange Act and the Financial Instruments and Exchange Act of Japan; provided , that the Japan Post Parties shall use their reasonable best efforts to provide drafts to the Company, in the case of United States filings and submissions, and to Aflac Japan, in the case of Japanese filings and submissions, of any filing to be made with, or written materials to be submitted to, any Governmental Authority in compliance with such applicable Laws in connection with the Trustee's or J&A Alliance Trust's acquisition of any shares of Company Common Stock, and the Japan Post Parties shall consider in good faith any comments or views of the Company thereon; provided , however, that such obligation shall not extend to communications with or inquiries by any Japanese Governmental Authority that are either (i) primarily related to other matters, or (ii) reasonably expected in the course of ordinary regulatory interaction or required by such Japanese Governmental Authority to remain confidential.

Section 2.4 Acquisition Notice. As promptly as reasonably practicable following the end of each calendar month during which J&A Alliance Trust acquires Beneficial Ownership of any shares of Company Common Stock, Japan Post shall notify the Company in writing of the number of shares of Company Common Stock so acquired during such month.

Section 2.5 Preemptive Rights .

(a) If the Company proposes to issue any shares of Company Common Stock (including issuances of shares of Company Common Stock pursuant to exchangeable or convertible securities of the Company or other securities exercisable for shares of Company Common Stock (upon exercise or in accordance with the terms thereof)) or any other Company Securities carrying voting rights that are entitled to vote together with Company Common Stock (collectively, " New Securities "), the Trustee shall have the right to purchase, and J&A Alliance Trust shall have the right to acquire, up to such number of shares of Company Common Stock that would allow J&A Alliance Trust to maintain Beneficial Ownership of the issued and outstanding shares of Company Common Stock, after giving effect to the issuance of the applicable New Securities, that is no less than J&A Alliance Trust's Pre-Issuance Ownership Percentage (such shares, the " Preemptive Rights Shares "); provided , however , that (subject to

Section 2.5(g) , below) the Trustee shall not have this purchase right, and J&A Alliance Trust shall not have this acquisition right, to the extent that an issuance of the Preemptive Rights Shares to J&A Alliance Trust would require approval of the shareholders of the Company pursuant to Rule 312 of the New York Stock Exchange Listed Company Manual or any successor rule thereof (the " NYSE Rule "), unless such shareholder approval is obtained. Notwithstanding the foregoing, to the extent the Company issues securities, other than Company Common Stock, that are exchangeable for, or convertible into, or otherwise exercisable for, shares of Company Common Stock, the Trustee shall only be entitled to exercise its right to purchase Preemptive Rights Shares pursuant to this Section 2.5 concurrently with, or as promptly as practicable following, the issuance of the shares of Company Common Stock underlying such securities.

(b) In the case of an issuance of New Securities which are exchangeable for, or convertible into, or otherwise exercisable for, shares of Company Common Stock, the Company shall, prior to or concurrently with such issuance of New Securities, deliver a written notice to the Trustee (the " Pre-Notice ") (i) stating the Company's intention to issue such securities, (ii) stating the amount of such securities that the Company proposes to issue in the aggregate and, correspondingly, the number of Preemptive Rights Shares that the Trustee could be entitled to purchase and J&A Alliance Trust could be entitled to acquire in the future, (iii) informing the Trustee that it may have a future right to elect to purchase such Preemptive Rights Shares, which right shall be exercisable upon delivery of a Preemptive Rights Notice (defined below) and (iv) stating the price of such Preemptive Rights Shares based on the issuance price of such New Securities (or if such prices are not clearly identifiable, the formula for determining the price upon exchange, conversion or exercise or, if no such formula is available, such effective price per share as is reasonably determined by the Company in good faith). The Company shall provide the right contemplated by Section 2.5(a) to the Trustee and J&A Alliance Trust by delivering a written notice to the Trustee (the " Preemptive Rights Notice ") stating (i) in the case of an issuance of Company Common Shares, (x) the Company's intention to issue New Securities, (y) the amount of such New Securities that the Company proposes to issue in the aggregate and, correspondingly, the number of Preemptive Rights Shares that the Trustee is entitled to purchase and J&A Alliance Trust is entitled to acquire and (z) the price of such New Securities (or (1) if such prices are not clearly identifiable, such effective price per share as is reasonably determined by the Company in good faith or (2) in the case of issuances of restricted stock, the fair market value of such restricted stock as determined by the Company in the ordinary course in connection with such issuance) and (ii) in the case of an issuance of Company Common Stock upon the exchange, conversion, or exercise of New Securities described in a Pre-Notice, the amount of such securities that will or have been exchanged, converted or exercised for Company Common Stock and the resulting number of Preemptive Rights Shares that the Trustee is entitled to purchase and J&A Alliance Trust is entitled to acquire. Within ten (10) Business Days following the delivery of the Preemptive Rights Notice by the Company to the Trustee, the Trustee may, by delivery of a written notice of acceptance to the Company (the " Acceptance Notice "), elect to purchase all, or any portion, of the Preemptive Rights Shares that the Trustee is then entitled to purchase and J&A Alliance Trust is then entitled to acquire pursuant to this Section 2.5 for the price (or the price determined by application of any applicable formula) indicated in the Pre-Notice or the Preemptive Rights Notice, as applicable. The delivery of the Acceptance Notice shall be evidence of the Trustee's irrevocable commitment to purchase the number of Preemptive Rights Shares indicated in the Acceptance

Notice for the price indicated in the Pre-Notice or the Preemptive Rights Notice, as applicable, and the consummation of the sale and purchase of the Preemptive Rights Shares shall occur concurrently with or as promptly as practicable following the Company's issuance of the corresponding New Securities.

(c) Notwithstanding anything in this Section 2.5 to the contrary, if the amount of New Securities to be issued is for any reason less than the amount that was initially proposed to be issued as indicated in the Preemptive Rights Notice, the Company may (whether before or after the Trustee has delivered an Acceptance Notice to the Company) decrease the number of Preemptive Rights Shares that the Trustee is entitled to purchase and J&A Alliance Trust is entitled to acquire pursuant to this Section 2.5 to an amount not less than the amount necessary to allow J&A Alliance Trust to maintain (but not exceed) its Pre-Issuance Ownership Percentage after giving effect to the issuance of the applicable New Securities.

(d) Notwithstanding anything in this Section 2.5 to the contrary, if the amount of New Securities to be issued is for any reason greater than the amount that was initially proposed to be issued as indicated in the Preemptive Rights Notice, the Trustee may, by delivery of an Acceptance Notice (whether or not the Trustee has previously delivered an Acceptance Notice to the Company), increase the number of Preemptive Rights Shares it elects to purchase and J&A Alliance Trust elects to acquire pursuant to this Section 2.5 to an amount not less than the amount necessary to allow J&A Alliance Trust to maintain (but not exceed) its Pre-Issuance Ownership Percentage after giving effect to the issuance of the applicable New Securities.

(e) Notwithstanding anything in this Section 2.5 to the contrary, Section 2.5(a) shall not apply, and the Company shall have no obligation to sell, and the Trustee shall have no right to purchase from the Company and J&A Alliance Trust shall have no right to acquire, any shares of Company Common Stock or any other securities of the Company, if the Company proposes to issue New Securities:

(i) pursuant to any employee benefits or other compensation plan approved by the Board and the shareholders of the Company;

(ii) in connection with any acquisition by the Company, whether by merger, consolidation, acquisition of assets, sale or exchange of stock, other business combination or otherwise, in each case, pursuant to which any such New Securities are being issued as consideration therefor;

(iii) upon any stock dividend, stock split or other pro rata distribution, subdivision or combination of securities or other recapitalization of the Company;

(iv) pursuant to any direct stock purchase and dividend reinvestment plan (or any similar successor plan) of the Company; or

(v) pursuant to the terms of a "poison pill" or other similar shareholder rights plan approved by the Board.

(f) Upon the Company's issuance of any Preemptive Rights Shares, such Preemptive Rights Shares shall be (i) validly issued, fully paid and nonassessable and (ii) duly authorized by all necessary corporate action of the Company.

(g) In the event that the Company proposes an issuance of New Securities and the full number of Preemptive Rights Shares that would be issued to the Trustee and J&A Alliance Trust pursuant to Section 2.5(a) in connection with such issuance of New Securities would exceed the amount that the Company could issue to the Trustee and J&A Alliance Trust without shareholder approval pursuant to the NYSE Rule (a " Shareholder Approval Issuance "), the Company shall use its reasonable best efforts to obtain approval for such Preemptive Rights Shares by the shareholders of the Company for the issuance to J&A Alliance Trust of the Preemptive Rights Shares (it being understood that no Shareholder Approval Issuance will be conditioned on the receipt of approval for issuance to J&A Alliance Trust of the applicable Preemptive Rights Shares); provided , that, if shareholder approval of the issuance to J&A Alliance Trust is not obtained, the applicable number of Preemptive Rights Shares shall automatically be decreased to one share of Company Common Stock less than as would require shareholder approval pursuant to the NYSE Rule.

ARTICLE III

STANDSTILL

Section 3.1 Standstill . During the Standstill Period, except with the prior written consent of, or waiver by, the Company or otherwise pursuant to approval by the Company Board, none of the Japan Post Parties shall, or shall permit any of its controlled Affiliates, other than Japan Post Investment Funds, to, directly or indirectly, alone or in concert with any Person, solicit, encourage, participate in or facilitate, or enter into any agreement, arrangement or understanding with, any Person in connection with, or engage in:

(a) the acquisition of, or the obtaining (other than as a result of acts or omissions taken solely by (i) the Company, such as share repurchases, or (ii) any third party, such as Transfers of shares resulting in the loss of voting rights) of any economic interest in, any right to direct the voting or disposition of, or any other right with respect to, any securities of the Company (including shares of Company Common Stock or other Company Securities) in excess of the Ownership Cap or other obligations or any assets of the Company or any of its Subsidiaries;

(b) any tender or exchange offer for securities of the Company (including shares of Company Common Stock or other Company Securities) or any of its Subsidiaries, or any merger, consolidation, business combination or acquisition or disposition of all or substantially all assets of the Company or any of its Subsidiaries, other than by the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 ;

(c) solicit or support any offers to acquire the Company, other than by the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 ;

(d) any other actions that would, or would reasonably be expected to, result in, or lead to, a Change of Control, other than by the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 ;

(e) any recapitalization, restructuring, liquidation, dissolution or other similar extraordinary transaction with respect to the Company or any of its Subsidiaries;

(f) forming, joining or in any way participating in a "partnership, limited partnership, syndicate, or other group" (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) for purposes of acquiring, holding, voting or disposing of any securities of the Company;

(g) disposition of any shares of Company Common Stock in response to an unsolicited tender or exchange offer for securities of the Company or other proposed offer or business combination, except as otherwise permitted by Section 4.1 ;

(h) the nomination for election, or election, of any individual as a director of the Company or any Affiliate of the Company, or the proposal, formally or informally, of any individual as a director of the Company or any Affiliate of the Company, other than by (i) the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 or (ii) recommending to the Corporate Governance Committee of the Company Board a candidate for nomination as a director of the Company in accordance with the procedures set forth in the Company's most recent proxy statement on Schedule 14A filed with the SEC related to an annual meeting of the Company's shareholders;

(i) any other action or activity in support of controlling or changing the Company Board, other than by the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 ;

(j) any proposal or action in respect of the Company by any Activist Hedge Fund to change or influence the business, operations, governance, plans or direction of the Company, other than by the Trustee voting J&A Alliance Trust's shares of Company Common Stock in accordance with, or as permitted by, Section 6.1 ;

(k) a public announcement regarding any of the types of matters set forth in this Section 3.1 or any action (including any public announcement or communication with or to the Company) that would reasonably be expected to require the Company to make a public announcement regarding any of the types of matters set forth in this Section 3.1 ; or

(l) any act or proposal to seek to amend or obtain a waiver of any of the foregoing (the restrictions set forth in the foregoing clauses (a) through (l), the " Standstill Restrictions ");

provided , that none of the Standstill Restrictions shall prevent, restrict, encumber or limit in any manner the Japan Post Parties or any of their controlled Affiliates from exercising their respective rights, performing their respective obligations or otherwise consummating the transactions contemplated by this Agreement (including the right of J&A Alliance Trust to

acquire, vote, Beneficially Own or Transfer shares of Company Common Stock) or the Basic Agreement, in each case, in accordance with the terms and provisions hereof and thereof.

Section 3.2 Standstill Fall-Away . The Standstill Restrictions shall terminate upon the occurrence of any of the following events:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of voting securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding voting securities;

(b) the Company consummates a merger, consolidation, share exchange or other similar transaction (a " Fundamental Transaction ") with any other Person, other than a Fundamental Transaction in which the voting securities of the Company that are outstanding immediately prior to such Fundamental Transaction continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) at least a majority of the combined voting power immediately after such Fundamental Transaction of (i) the Company's outstanding securities or (ii) the surviving or parent entity's outstanding securities;

(c) the security holders of the Company approve a plan of complete liquidation or winding-up of the Company;

(d) the sale or disposition (in one transaction or a series of related transactions) of all or substantially all of the Company's assets is consummated; or

(e) a change of a majority of the membership of the Company Board (excluding any change approved by a majority of the directors serving on the Company Board prior to such change) (a " Board Change of Control ") (each event set forth in the foregoing clauses (a) through (e) occurring after the date of this Agreement, with respect to the Company, shall constitute a " Change of Control ").

ARTICLE IV

TRANSFERS

Section 4.1 Transfer Restrictions .

(a) Without the Company's prior written consent, which consent shall not be unreasonably withheld, the Trustee shall not, and shall cause J&A Alliance Trust not to, directly or indirectly, sell, transfer, assign, hypothecate, pledge, encumber, grant a security interest in or otherwise dispose of (whether by operation of law or otherwise) (each, a " Transfer ") any Company Securities or any right, title or interest therein or thereto; provided , however , that the Trustee and J&A Alliance Trust may, subject to Section 4.1(b) , without the Company's prior written consent, Transfer Company Securities (i) at any time during the Restricted Period to the extent that J&A Alliance Trust would, after giving effect to such Transfer, maintain Beneficial Ownership and record ownership of at least 7% of the outstanding shares of Company Common Stock, (ii) at any time during the Restricted Period if the Basic Agreement has been previously terminated in accordance with its terms (unless the Basic Agreement was terminated pursuant to

Section 1(2) of Article 9 thereof as a result of Japan Post's non-performance thereunder), (iii) at any time after the Restricted Period, (iv) at any time pursuant to an Approved Tender Offer or a Subsequent Offering (each as hereinafter defined) or (v) at any time following a Change of Control; provided , further , that, for the avoidance of doubt, a merger, amalgamation, plan of arrangement or consolidation or similar business combination transaction (" Business Combination " in which Japan Post is a constituent corporation (or otherwise a party including, for the avoidance of doubt, a transaction pursuant to which a Person acquires all or a portion of Japan Post, whether by tender or exchange offer, by share exchange, or otherwise) shall not be deemed to be a "Transfer" of any Company Securities or any right, title or interest therein or thereto. For purposes of this Agreement: " Approved Tender Offer " shall mean a tender offer or Business Combination relating to outstanding shares of Company Common Stock that has been approved or recommended by the Company Board; and " Subsequent Offering " shall mean any subsequent offering period of a completed tender offer for at least a majority of the outstanding shares of Company Common Stock by any third party so long as a majority of the outstanding shares of Company Common Stock have been previously tendered to such third party and are not subject to withdrawal. For the avoidance of doubt, Japan Post shall have the right to pledge its beneficial interest in J&A Alliance Trust to a controlled Affiliate in connection with any financing related to the purchase of Company Common Stock, subject to any applicable regulatory requirements and such pledgee agreeing to be fully bound by all of the terms and conditions of this Agreement and the Trust Agreement in the event that such pledgee forecloses on its lien on such beneficial interest in J&A Alliance Trust.

(b) In respect of any Transfer permitted by clauses (i), (ii) or (iii) of Section 4.1(a) , such Transfer shall:

(i) not involve any block trade to an Excluded Transferee or that would result in a Transfer by the Trustee or J&A Alliance Trust of Company Securities (on a fully-diluted basis) representing more than 4% of the outstanding shares of Company Common Stock to any Person and its Affiliates or any "group" (as such term is used in Section 13(d)(3) of the Exchange Act) (a " Permitted Non-Public Transfer "); or

(ii) subject to Section 4.2 , be to the general public that is effected through a public stock exchange or electronic market based within the U.S. pursuant to (A) Rule 144 (if then applicable) or under any successor rule thereof under the Securities Act or (B) the Registration Statement (a " Permitted Public Transfer ").

Section 4.2 Volume Limitation . Notwithstanding anything in this Article IV to the contrary, J&A Alliance Trust shall not, without the Company's prior written consent, Transfer pursuant to a Permitted Public Transfer, on any single day, a number of shares of Company Common Stock that, in the aggregate, exceeds the Daily Volume Limitation.

Section 4.3 Mandatory Transfers . If, at any time, including as a result of any share repurchase program or self-tender or otherwise, J&A Alliance Trust Beneficially Owns shares of Company Common Stock in excess of the Ownership Cap, then the Trustee shall use its reasonable best efforts, or use its reasonable best efforts to cause J&A Alliance Trust, to within ninety (90) days of first obtaining knowledge that J&A Alliance Trust's Beneficial Ownership of shares of Company Common Stock exceeds the Ownership Cap, Transfer such number of shares

of Company Common Stock pursuant to Permitted Non-Public Transfers or Permitted Public Transfers as shall be necessary to reduce J&A Alliance Trust's Beneficial Ownership and the Trustee's (in its capacity as trustee of J&A Alliance Trust) record ownership of shares of Company Common Stock to the Ownership Cap, subject to all of the terms and conditions of this Article IV ; provided that the provision in Section 4.2 shall not apply to any such Transfer. Notwithstanding the foregoing, from and after the Restricted Period and in the event that the Voting Rights Cap is applicable, any Transfer required pursuant to this Section 4.3 shall be subject to the Company's first providing written notice to J&A Alliance Trust setting forth, to the knowledge of the Company, J&A Alliance Trust's Beneficial Ownership of shares of Company Common Stock in excess of the Ownership Cap, including the basis of such determination, and a ten (10) Business Day period following the date of such notice during which the Trustee and J&A Alliance Trust may dispute the Company's assertion that the Ownership Cap has been exceeded by presenting evidence to the Company to the contrary, which the Company shall consider in good faith, and if at the end of such ten (10) Business Day period, the Trustee and J&A Alliance Trust have not presented any such evidence or after the presentation of any such evidence, the Company reaffirms by written notice to the Trustee that J&A Alliance Trust Beneficially Owns shares of Company Common Stock in excess of the Ownership Cap, the Trustee shall, and shall cause J&A Alliance Trust to, Transfer such shares of Company Common Stock as required by this Section 4.3 (provided, that the ninety (90)-day Transfer period set forth in this Section 4.3 shall begin on the date of such subsequent written notice).

Section 4.4 Optional Sale Right .

(a) In the event that the Basic Agreement has been terminated in accordance with its terms (unless the Basic Agreement was terminated pursuant to Section 1(2) of Article 9 thereof as a result of the Company's or Aflac Japan's non-performance thereunder), the Company shall have the right, but not the obligation (the " Optional Sale Right "), to require the Trustee to Transfer all of J&A Alliance Trust's shares of Company Common Stock in excess of 4% of the outstanding shares of Company Common Stock (such number of shares of Company Common Stock, the " Optional Sale Shares ") in accordance with Section 4.4(b) and subject to all of the terms and conditions of Article IV .

(b) Optional Sale Procedures .

(i) If the Company desires to require the Trustee to Transfer J&A Alliance Trust's Optional Sale Shares pursuant to the Optional Sale Right, the Company shall deliver to the Trustee a written notice (the " Optional Sale Exercise Notice ") within ten (10) Business Days following the termination of the Basic Agreement exercising the Optional Sale Right and specifying the number of Optional Sale Shares. Delivery of the Optional Sale Exercise Notice shall be deemed a waiver of the provisions of Section 4.2 with respect to the Optional Sale Shares.

(ii) The Japan Post Parties shall use their reasonable best efforts to cause all of the Optional Sale Shares to be Transferred within a period of twelve (12) months following receipt by the Trustee of the Optional Sale Exercise Notice pursuant to Permitted Public Transfers or Permitted Non-Public Transfers.

ARTICLE V

REGISTRATION RIGHTS

Section 5.1 Registration Rights . Not later than the Outside Date, the Company shall file a shelf registration statement on Form S-3 (the " Registration Statement ") registering the resale of Company Common Stock held by J&A Alliance Trust and cause it to become effective and remain effective, including through the filing of a subsequent Form S-3 if such initial filing has expired, until such time as J&A Alliance Trust no longer holds any shares of Company Common Stock. Sales under the Registration Statement will be subject to the Company's blackout periods set forth in the Company's insider trading policy or otherwise implemented by the Company with respect to all persons subject to the Company's insider trading policy by written notice to the Japan Post Parties. For the avoidance of doubt, (i) the Company will not be required to cooperate or otherwise facilitate an underwritten offering by Japan Post unless requested by Japan Post in order to comply with the provisions of Section 4.4 and Section 8.1(a) hereof and (ii) the Registration Statement shall be in the form determined by the Company; provided that the Company shall provide Japan Post with a draft of such Registration Statement and any amendment thereto prior to the filing thereof, and shall include in such Registration Statement a "Plan of Distribution" section as provided by Japan Post. Any filing fees or reasonable and documented out-of-pocket expenses (excluding legal and accounting fees incurred in connection with the initial filing of the Registration Statement) incurred by the Company in connection with the Registration Statement and reasonably attributable to the Japan Post Parties will be reimbursed by Japan Post.

ARTICLE VI

GOVERNANCE AND INVESTOR RIGHTS

Section 6.1 Voting Agreement .

(a) The Trustee shall cause each of the shares of Company Common Stock Beneficially Owned by J&A Alliance Trust to be present in person or represented by proxy at any meeting of the shareholders of the Company for the purpose of determining the presence of a quorum at such meeting.

(b) The Trustee shall at all times vote the shares of Company Common Stock Beneficially Owned by J&A Alliance Trust with respect to any action, proposal or matter to be voted on by the shareholders of the Company (including through action by written consent), including the election or removal of any director of the Company Board, in a manner consistent with the spirit of the strategic alliance contemplated by the Basic Agreement and with due regard to the views and recommendations of the Company Board.

(c) Notwithstanding Section 6.1(b) , the Trustee shall (i) with respect to any shares of Company Common Stock Beneficially Owned by J&A Alliance Trust representing voting rights exceeding 20% of the aggregate voting rights represented by the outstanding shares of Company Common Stock, vote such excess shares of Company Common Stock, in connection with any action, proposal or matter to be voted on by the shareholders of the

Company (including through action by written consent), and (ii) solely in connection with any Change of Control transaction other than a Board Change of Control, vote all of the shares of Company Common Stock Beneficially Owned by J&A Alliance Trust, in each case of clauses (i) and (ii), in a manner proportionally equal to the vote of shares of Company Common Stock not Beneficially Owned by J&A Alliance Trust; provided , that, for the avoidance of doubt, the Trustee shall have the right to vote all of the shares of Company Common Stock Beneficially Owned by J&A Alliance Trust representing up to, but not exceeding, 20% of the aggregate voting rights represented by the outstanding shares of Company Common Stock with respect to the election or removal of any director of the Company Board (including pursuant to a Board Change of Control), in its sole discretion.

(d) Without the prior written consent of the Company, none of J&A Alliance Trust, the Trustee, Japan Post or any Subsidiary of Japan Post, other than Japan Post Investment Funds, shall participate in any contested solicitation by a third party of any proxy or other authority to vote shares of Company Common Stock in support of a resolution seeking the removal or election of any director of the Company Board or the governing bodies of any of its Subsidiaries.

(e) Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Section 6.1 shall be interpreted so as to limit the Trustee's right to vote at least the lesser of the (i) number of shares of Company Common Stock representing 10% of the aggregate voting rights represented by the outstanding shares of Company Common Stock and (ii) number of shares of Company Common Stock then Beneficially Owned by J&A Alliance Trust, in each case, with respect to the election or removal of any director of the Company Board.

Section 6.2 Voting Agreement Fall-Away . The voting agreement provisions set forth in Section 6.1 shall terminate upon the termination of the Standstill Restrictions pursuant to Section 3.2 .

Section 6.3 Information Rights .

(a) If, at any time on or after the record date for the first annual or special meeting of the Company's shareholders that is at least 48 months after the date on which J&A Alliance Trust first acquires Beneficial Ownership of more than 7% of the outstanding shares of Company Common Stock, based on information reasonably available to the Company, the shares of Company Common Stock Beneficially Owned by J&A Alliance Trust are reasonably expected to represent voting rights of less than 20% of the aggregate voting rights represented by the outstanding shares of Company Common Stock, then the Company shall promptly inform Japan Post by written notice.

(b) In furtherance of and without limiting the foregoing, the Company shall (i) following the written request of Japan Post (which request shall not be made more frequently than quarterly), promptly provide Japan Post the total number of outstanding shares of Company Common Stock entitled to vote, the number of shares of Company Common Stock directly registered with the Company under the name of the Trustee (in its capacity as trustee of J&A Alliance Trust), and the total number of direct registered shares of Company Common Stock that would be entitled to ten (10) votes per share pursuant to the Company's articles of incorporation

(" 10-for-1 Voting ") on such date, and (ii) include within the Company's Form 8-K announcing the results of any matter submitted to a vote of holders of Company Common Stock after any annual or special meeting of the Company's shareholders, the total number of shares of Company Common Stock entitled to vote, the total number of votes cast at such meeting by the shareholders of the Company (including pursuant to 10-for-1 Voting), the total number of direct registered shares of Company Common Stock that were entitled to 10-for-1 Voting at such meeting, and the total number of shares of Company Common Stock that were not directly registered with the Company and that claimed 10-for-1 Voting in connection with such meeting; provided , that, for the avoidance of doubt, any information provided by the Company to Japan Post pursuant to Section 6.3(b)(i) shall be subject to Section 8.6 .

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties of the Company . The Company represents and warrants to the Japan Post Parties that as of the date of this Agreement (except as otherwise expressly set forth below):

(a) The Company (i) is duly organized, validly existing and in good standing under the Laws of the State of Georgia, (ii) has all requisite corporate power and authority and the legal right to make, deliver and perform this Agreement and (iii) has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(b) This Agreement has been duly executed and delivered by or on behalf of the Company. This Agreement constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Law relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

(c) As of December 19, 2018, no consent, approval or authorization of, filing with, notice to, or other act by or in respect of any Governmental Authority was required by or on behalf of the Company or any of its Affiliates in connection with the execution, delivery and performance of this Agreement, except for any consents, approvals, authorizations, filings or notices in connection with the Required Regulatory Approvals.

(d) The execution and delivery of this Agreement, and, assuming all Required Regulatory Approvals have been obtained, the performance by the Company of this Agreement and the consummation of the transactions contemplated by this Agreement, do not and will not (i) violate, conflict with or result in the breach of the articles of incorporation or bylaws of the Company, (ii) as of December 19, 2018, in any material respect conflict with or violate any Law or Order applicable to the Company or its business or (iii) conflict with, result in any violation or breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent, approval, authorization or other action by, or notification to, any third party under, or give to others any rights of termination, amendment, withdrawal, first refusal, first offer, acceleration, suspension, revocation or cancellation of, any

material note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Company is a party.

(e) As of December 19, 2018, no action, suit, proceeding or governmental investigation was pending or, to the knowledge of the Company, threatened against the Company at law or in equity or before any Governmental Authority that seeks to delay or prevent the execution, delivery or performance of this Agreement.

(f) None of the reports, schedules, forms, statements and other documents required to be filed or furnished by the Company with the SEC since January 1, 2016 (collectively, together with any exhibits and schedules thereto and other information incorporated therein, the " Company SEC Documents "), at the time filed or, if amended or superseded by a subsequent filing, as of the date of the last such amendment or superseding filing, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) All of the information contained in the Company management presentation held on November 28, 2018 (EST) is true and correct in all material respects.

(h) Except for the representations and warranties contained in this Section 7.1 , neither the Company nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company, including any representation or warranty as to the future revenue, profitability or success of the Company, or any representation or warranty arising from statute or otherwise in Law.

Section 7.2 Representations and Warranties of the Japan Post Parties . The Japan Post Parties jointly and severally represent and warrant to the Company as of the date of this Agreement (except as otherwise expressly set forth below):

(a) Each Japan Post Party and the J&A Alliance Trust (i) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization (to the extent such concepts are applicable to the relevant Japan Post Party in the relevant jurisdiction or organization), (ii) has all requisite corporate, trust or association power and authority and the legal right to make, deliver and perform this Agreement and (iii) has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(b) This Agreement has been duly executed and delivered by or on behalf of each Japan Post Party. This Agreement constitutes a legal, valid and binding obligation of each Japan Post Party enforceable against such Japan Post Party in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Law relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

(c) As of December 19, 2018, no consent, approval or authorization of, filing with, notice to, or other act by or in respect of any Governmental Authority was required by or on behalf of J&A Alliance Trust, any Japan Post Party or any of its Affiliates in connection with

the execution, delivery and performance of this Agreement, except for any consents, approvals, authorizations, filings or notices in connection with the Required Regulatory Approvals.

(d) The execution and delivery of this Agreement and, assuming all Required Regulatory Approvals have been obtained, the performance by each Japan Post Party of this Agreement and the consummation of the transactions contemplated by this Agreement, do not and will not (i) violate, conflict with or result in the breach of the certificate of incorporation or bylaws or similar organizational or constitutional documents of such Japan Post Party or J&A Alliance Trust, (ii) as of December 19, 2018, in any material respect conflict with or violate any Law or Order applicable to such Japan Post Party, J&A Alliance Trust or the Japan Post Parties' business or (iii) conflict with, result in any violation or breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent, approval, authorization or other action by, or notification to, any third party under, or give to others any rights of termination, amendment, withdrawal, first refusal, first offer, acceleration, suspension, revocation or cancellation of, any material note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which such Japan Post Party or J&A Alliance Trust is a party.

(e) As of December 19, 2018, no action, suit, proceeding or governmental investigation was pending or, to the knowledge of any Japan Post Party, threatened against any Japan Post Party or J&A Alliance Trust at law or in equity or before any Governmental Authority that seeks to delay or prevent the execution, delivery or performance of this Agreement.

(f) Other than Company Securities held by Japan Post Investment Funds, none of J&A Alliance Trust, the Japan Post Parties or any of their respective Affiliates Beneficially Own any shares of Company Common Stock or other Company Securities, or is a party to any contract, other arrangement or understanding (whether written or oral) (other than this Agreement and the Trust Agreement) for the purpose of acquiring, holding, voting or disposing of any shares of Company Common Stock or other Company Securities.

ARTICLE VIII

COVENANTS; COMMITMENTS

Section 8.1 Regulatory Matters .

(a) Subject to the terms and conditions of this Agreement, each Party agrees to use, and shall cause each of its controlled Affiliates to use, its reasonable best efforts to exercise all such powers and take, or cause to be taken, all such steps and actions and do, or cause to be done, all such things, and to assist and cooperate with the other Parties in doing all such things, in each case, reasonably necessary, proper or advisable, in order to (i) obtain, or cause to be obtained, the Required Regulatory Approvals and any other consents, approvals, confirmations or authorizations required by any Governmental Authority, as soon as reasonably practicable and in any event by the one year anniversary of the date on which J&A Alliance Trust first acquires any shares of Company Common Stock (such date, the " Outside Date ")and (ii) ensure that neither Japan Post nor the Government of Japan, directly or indirectly, owns or

controls the Company or any of its U.S. insurance company Subsidiaries for U.S. insurance Law purposes. For the avoidance of doubt, no Party shall be considered to be in breach of this provision as a result of the failure to take any action with respect to any regulatory requirement, condition, request or approval that would be reasonably likely to (i) conflict with the requirements of another applicable insurance regulator of the Company or any of its U.S. insurance company Subsidiaries or (ii) cause the Company or any of its U.S. insurance company Subsidiaries to be in breach of any applicable U.S. insurance law, including with respect to government ownership or control. For the avoidance of doubt, if any Governmental Authority determines at any time that the license or certificate of authority to conduct an insurance business of any insurance company Subsidiary of the Company must be surrendered or will be suspended or revoked as a result of any of the Company's U.S. insurance company Subsidiaries being deemed to be under direct or indirect government ownership or control as a result of the transactions contemplated by this Agreement, the efforts required by this Section 8.1(a) shall include, as a last resort after exhaustion of all other available remedies, and after the Parties have, in cooperation with each other, used their respective reasonable best efforts to cause the applicable Governmental Authority to agree to alternate remedies, causing J&A Alliance Trust to sell, transfer or otherwise dispose of its shares of Company Common Stock or other Company Securities to the extent necessary to achieve compliance with any applicable Law or Order in an orderly manner as mutually agreed in good faith by the Parties. Each Party agrees to use its reasonable best efforts to promptly provide, or cause to be provided, all agreements, documents, instruments, affidavits or information, including biographical information and fingerprints of individuals, that may be required or requested by any Governmental Authority relating to any Party or its or their structure, ownership, businesses, operations, regulatory and legal compliance, assets, liabilities, financing, financial condition or results of operations, or any of its or their directors, officers, employees, partners, members or shareholders to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated by this Agreement.

(b) In furtherance of and without limiting the foregoing, the Trustee shall, and Japan Post and the Trustee shall cause J&A Alliance Trust to, file applications regarding the acquisition of control of or merger with a domestic insurer, together with all agreements, documents, instruments, affidavits, or information, including biographical information and fingerprints of individuals, that may be required or requested in connection with such applications with the Domiciliary Regulators (collectively, the " Form A Filings ") within thirty (30) Business Days after the date of this Agreement and supply as promptly as practicable to the appropriate Governmental Authority any additional information and documentary material that may be requested in connection with the Form A Filings.

(c) Each Party shall reasonably cooperate with the other Parties with respect to obtaining the Required Regulatory Approvals and each Party shall keep the other Parties apprised on a prompt basis of the status of matters relating to the Required Regulatory Approvals; provided , however, that the foregoing shall not require the Company to cooperate in obtaining any Required Regulatory Approval if such approval would be reasonably likely to cause the Company or any of its U.S. insurance company Subsidiaries to be in breach of any applicable U.S. insurance law, including with respect to government ownership or control. Each Party shall give to the other Parties prompt written notice if it receives any notice or other communication from any Governmental Authority in connection with the Required Regulatory

Approvals or otherwise in connection with the transactions contemplated by this Agreement, and, in the case of any such notice or communication which is in writing, shall promptly furnish the other Party with a copy thereof; provided , however, that such obligation to disclose shall not extend to communications with or inquiries by any Japanese Governmental Authority that are either (i) primarily related to other matters or (ii) reasonably expected in the course of ordinary regulatory interaction or required by such Japanese Governmental Authority to remain confidential. Except for each Party's initial filing pursuant to the HSR Act, each of the Parties shall have the right to review in advance and, to the extent practicable, and subject to any restrictions under applicable Law, each Party shall consult with the other Parties in advance on, any filing to be made with, or written materials to be submitted to, any Governmental Authority in connection with the Required Regulatory Approvals or otherwise in connection with the transactions contemplated by this Agreement and each Party agrees to in good faith consider any comments or views of the other Parties thereon; provided , however, that such obligation to review and consult with the other Parties shall not extend to communications with or inquiries by any Japanese Governmental Authority that are either (i) primarily related to other matters or (ii) reasonably expected in the course of ordinary regulatory interaction or required by such Japanese Governmental Authority to remain confidential. Subject to the proviso in the preceding sentence, each Party shall (i) promptly furnish to the other Parties copies of all such filings and written materials after their filing or submission, in each case, subject to applicable Law and (ii) give to the other Parties reasonable prior written notice of the time and place when any meetings, telephone calls or other conferences may be held by it with any Governmental Authority in connection with the Required Regulatory Approvals or otherwise in connection with the transactions contemplated by this Agreement, and, to the extent practicable and permitted by applicable Law and such Governmental Authority, the other Party shall have the right to have a representative or representatives attend or otherwise participate in any such meeting, telephone call or other conference.

(d) Each Party shall use its reasonable best efforts to take any action to avoid or eliminate each and every impediment that may be asserted by any Governmental Authority with respect to the transactions contemplated by this Agreement so as to enable J&A Alliance Trust to Beneficially Own shares of Company Common Stock in accordance with this Agreement. For the avoidance of doubt, the efforts required by this Section 8.1(d) shall not include any efforts that result in a license or certificate of authority to conduct an insurance business of any insurance company Subsidiary of the Company being suspended or revoked.

(e) Each Party shall use its reasonable best efforts to cooperate with the other Parties to exercise all such powers and take, or cause to be taken, all such steps and actions and to do, or cause to be done, all such things, and to assist and cooperate with the other Parties in doing all such things, in each case, reasonably necessary, proper or advisable in connection with any ongoing regulatory matters related to or arising from J&A Alliance Trust's acquisition or ownership or control of the shares of Company Common Stock that may arise from time to time, including using reasonable best efforts to (i) make changes to J&A Alliance Trust or the Trust Agreement that may be required by a Governmental Authority, (ii) promptly respond to requests from any Governmental Authority and prepare and submit regulatory filings or documents required to be prepared under applicable Laws or by a Governmental Authority, including any applications or filings required in connection with a direct or indirect acquisition of control of or merger with an insurer by the Company or its Affiliates and (iii) respond to inquiries for and

make any regulatory filings or submit any documents as may be necessary to enable the Company's current or prospective insurance company Subsidiaries to conduct business in any jurisdiction from time to time; provided that, in the case of clauses (ii) and (iii), such actions shall be at the sole cost and expense of the Company.

(f) Each of the Japan Post Parties shall, and shall cause each of its controlled Affiliates to, use its reasonable best efforts to comply in all material respects with all applicable U.S. insurance Laws and any other applicable Laws related to foreign ownership or government control.

(g) Notwithstanding anything herein to the contrary, subject to the third sentence of Section 8.1(a), none of the Japan Post Parties shall be obligated to take or refrain from taking or to agree to it, or any of their respective Affiliates taking or refraining from taking, any action, or to permit or suffer to exist any restriction, condition, limitation or requirement which, individually or together with all such other actions, restrictions, conditions, limitations or requirements imposed by Governmental Authorities in connection with the transactions contemplated by this Agreement, the Trust Agreement or the Basic Agreement would or would reasonably be expected to result in Japan Post's inability to apply equity method accounting under Japanese regulations or generally accepted accounting principles (in each case, as in effect from time to time) in respect of J&A Alliance Trust's investment in the Company.

(h) In the event that any Required Regulatory Approval has not been obtained prior to the Outside Date and J&A Alliance Trust then Beneficially Owns any shares of Company Common Stock, the Trustee shall, and shall cause J&A Alliance Trust to, use commercially reasonable efforts to Transfer such number of shares of Company Common Stock in excess of the lesser of (i) 4% of the outstanding shares of Company Common Stock and (ii) the percentage of outstanding shares of Company Common Stock necessary for J&A Alliance Trust to be in compliance with all applicable Laws, within one hundred eighty (180) days following the Outside Date pursuant to Permitted Non-Public Transfers or Permitted Public Transfers, subject to all of the terms and conditions of Article IV, other than the provisions of Section 4.2; provided, however, that, in the event that any outstanding Required Regulatory Approval as of the Outside Date is reasonably expected by Japan Post or the Company to be obtained, then Japan Post and the Company shall negotiate in good faith a reasonable extension of the Outside Date.

Section 8.2 Further Assurances.

(a) Each of the Parties shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as may be reasonably required or desirable in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated by this Agreement.

(b) The Parties agree that, if any of the arrangements contemplated by this Agreement, the Trust Agreement or the Basic Agreement could reasonably be expected to result in Japan Post's inability to use equity method accounting under Japanese regulations and/or generally accepted accounting principles (as in effect from time to time) for J&A Alliance

Trust's investment in the Company, each of the Parties shall use its reasonable best efforts, as applicable, in each case, subject to any regulatory requirements, to adjust such arrangements to the extent necessary so as to permit Japan Post to equity account for J&A Alliance Trust's investment in the Company; provided , that the economic and legal substance of such adjusted arrangements shall be substantially equivalent to that of the arrangements contemplated initially by this Agreement, the Trust Agreement and/or the Basic Agreement, as applicable. Japan Post agrees to use reasonable best efforts to (i) promptly notify the Company if at any time the arrangements contemplated by any of this Agreement, the Trust Agreement or the Basic Agreement would result in Japan Post's inability to use equity method accounting for J&A Alliance Trust's investment in the Company, which notice shall set forth in reasonable detail the basis upon which Japan Post believes it would be unable to use equity method accounting for J&A Alliance Trust's investment in the Company, as the case may be, and (ii) make it and its representatives available to discuss such matters with the Company and its representatives. Notwithstanding the foregoing, the Parties agree that, if Japan Post is unable to use equity method accounting under Japanese regulations and/or generally accepted accounting principles (as may be in effect from time to time) for J&A Alliance Trust's investment in the Company, the obligations of the Company shall be limited to those set forth in this Agreement and the Company shall have no liability with respect to Japan Post's inability to use equity method accounting under Japanese regulations and/or generally accepted accounting principles (as may be in effect from time to time) for J&A Alliance Trust's investment in the Company, other than for breach of its obligations under this Agreement.

(c) The Company shall use reasonable best efforts to provide, and to cause its Affiliates to provide, to Japan Post and its external auditor, in a timely manner and as reasonably requested, such that the request does not unduly interfere with the Company's business or quarterly regulatory reporting timelines, all documents and information (prepared with due care and in good faith) that Japan Post and its external auditor reasonably believe are necessary for Japan Post's preparation of its consolidated financial statements and to comply with applicable Law following adoption of the equity accounting method; provided, that (i) the Company reasonably believes such documents or information does not constitute material non-public information with respect to the Company within the meaning of the U.S. federal securities laws or the Japanese Financial Instruments and Exchange Act, (ii) such request would not require the application by the Company of any accounting standard other than United States GAAP to any such documents or information, (iii) such information supports financial statements of the Company that have been reviewed or audited by an independent auditor and (iv) Japan Post shall bear the reasonable and documented cost of preparing such documents and information (which costs shall be calculated in good faith and, for the avoidance of doubt, shall not be limited to out-of-pocket costs). Subject to and without limiting the foregoing, the Company and its Affiliates shall use reasonable best efforts to provide information (i) that reasonably assists Japan Post in understanding the contents of the accounts on the Company's financial statements, including the trial balances, (ii) necessary for Japan Post to convert financial information prepared in accordance with United Sates GAAP to those prepared in accordance with Japanese GAAP (PITF No.24 Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method), applying Japanese GAAP (PITF No.18 Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements), including information related to amortization of goodwill, retirement benefit accounting, research and development fee and fair value of investment

property, (iii) related to any material subsequent events and (iv) required for Japan Post's impairment accounting as necessary. None of the Company or its Affiliates shall have any liability for any inaccuracies in any documents or information specifically provided pursuant to this Section 8.2(c), other than as a result of the Company's gross negligence or willful misconduct; provided, that, for the avoidance of doubt, this limitation on liability does not cover the Company's financial statements and other information filed with the SEC.

(d) All requests for information to the Company by the Japan Post Parties shall be made to the authorized individuals set forth on Schedule A hereto.

(e) The Company shall not provide PII to the Japan Post Parties, any of their Affiliates or any of their representatives, and none of the Japan Post Parties, any of their Affiliates nor any of their representatives shall seek, either directly or through a third party, to obtain any PII held by the Company.

Section 8.3 Public Announcements. No Party shall issue or cause the publication of any press release or other public announcement with respect to this Agreement or any of the transactions contemplated by this Agreement without the prior written consent of, respectively, Japan Post and the Company; provided, however, that nothing in this Agreement shall prohibit any Party from complying with applicable Law (including, for the avoidance of doubt, any disclosure requirements under the Exchange Act) or the rules of a securities exchange on which a Party's securities are listed.

Section 8.4 Material Non-Public Information. None of the Japan Post Parties will request, and the Company will use reasonable best efforts not to provide to any of the Japan Post Parties, any information that would constitute material non-public information with respect to the Company within the meaning of the U.S. federal securities laws or the Japanese Financial Instruments and Exchange Act (other than information requested by Japan Post as contemplated by Section 6.3(b) or in connection with the transactions contemplated by the Basic Agreement between the Japan Post Parties or their respective Affiliates and the Company or its Affiliates). In the event that any such material non-public information (other than information requested by Japan Post as contemplated by Section 6.3(b) or in connection with the transactions contemplated by the Basic Agreement between the Japan Post Parties or their respective Affiliates and the Company or its Affiliates) is provided to any of the Japan Post Parties, the Company will make available to the public generally any such material non-public information by no later than 5:00 p.m. Eastern Time on the first Business Day following the provision of such material non-public information. In the event that any commercial arrangements between the Japan Post Parties or their respective Affiliates, on the one hand, and the Company or its Affiliates, on the other hand, is material non-public information with respect to the Company, the Company shall make available to the public generally any such material non-public information by no later than the next Form 10-Q or Form 10-K filing of the Company, as applicable. In the event that the Japan Post Parties believe that any of the information provided by the Company is material non-public information within the meaning of the U.S. federal securities laws or the Japanese Financial Instruments and Exchange Act (other than information requested by Japan Post as contemplated by Section 6.3(b) or in connection with the transactions contemplated by the Basic Agreement between the Japan Post Parties or their respective Affiliates and the Company or its Affiliates), the Japan Post Parties shall promptly notify the Company in writing,

provided, that the Company acknowledges that none of the Japan Post Parties has any responsibility for determining whether any information of the Company is material non-public information.

Section 8.5 Trust Agreement .

(a) The Trustee and the Trustee Owner shall comply in all material respects with the terms and conditions of the Trust Agreement.

(b) Japan Post and the Trustee shall not enter into or agree to any amendment, supplement or modification of or to any provision of the Trust Agreement, or waive any of its rights or obligations thereunder, in each case, if such amendment supplement, modification or waiver would adversely affect the Company, without the prior written consent of the Company, not to be unreasonably withheld, and receipt of all applicable required regulatory approvals.

(c) If, within ninety (90) days prior to the expiration of the initial or any subsequent term of the Trust Agreement, J&A Alliance Trust then Beneficially Owns any shares of Company Common Stock, Japan Post and the Trustee shall cause the Trust Agreement to be renewed in accordance with the terms and conditions thereof for an additional ten (10) year period.

Section 8.6 Confidentiality . No non-public information received by or provided to any Party (the " Receiving Party ") in connection with this Agreement, whether prior to or following the date of this Agreement, including the information contemplated by Section 6.3(b) or any non-public information concerning the Company, Japan Post, J&A Alliance Trust, the Trustee, the Trustee Owner or their respective businesses, operations, plans and prospects, may be directly or indirectly (a) disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to, by the Receiving Party or (b) used by the Receiving Party for purposes not contemplated by this Agreement, in each case, without the disclosing Party's prior written consent. Notwithstanding anything in this Section 8.6 to the contrary: (i) to the extent required by applicable Law or otherwise requested or required by any Governmental Authority, a Receiving Party may disclose such non-public information without the disclosing Party's prior written consent; provided , that, to the extent permitted by applicable Law, such Receiving Party shall (A) give such other Party prompt prior written notice of such requirement and (B) reasonably cooperate with such other Party to seek a protective order or other appropriate remedies to obtain assurance that confidential treatment will be accorded such non-public information; and (ii) a Receiving Party may disclose such nonpublic information to its Affiliates (including the Japan Post Parties in the case of any Japan Post Party) and its and their directors, officers, employees, accountants, counsel, other advisors, financing providers and representatives (collectively, " Representatives ") to the extent any such Person needs to know such information in connection with the Receiving Party's rights and obligations under this Agreement; provided , that (A) such Receiving Party shall inform any such Representatives of the confidentiality obligations contained in this Section 8.6 , and (B) such Receiving Party shall be responsible for any breach of any such obligations by any such Representative. Except as required by applicable Law, the term "non-public information" as used in this Section 8.6 shall not include information that: (1) at the time of disclosure is, or thereafter becomes, generally available and known to the public other than as a result of, directly or indirectly, any violation of this Section 8.6 by the Receiving Party

or any of its Representatives; (2) at the time of disclosure is, or thereafter becomes, available to the Receiving Party on a non-confidential basis from a third-party source, provided that such third party is not and was not prohibited from disclosing such non-public information to the Receiving Party by a legal, fiduciary or contractual obligation to the disclosing Party; (3) was known by or in the possession of the Receiving Party or its Representatives, as established by documentary evidence, prior to being disclosed by or on behalf of the disclosing Party; or (4) was or is independently developed by the Receiving Party, as established by documentary evidence, without reference to or use of, in whole or in part, any of the disclosing Party's non-public information. The obligations of any Receiving Party under this Section 8.6 shall survive any termination of this Agreement until the third anniversary of the date of termination.

ARTICLE IX

TERMINATION

Section 9.1 Termination . This Agreement shall terminate only:

(a) by the mutual written consent of Japan Post and the Company; or

(b) upon J&A Alliance Trust disposing of all of its shares of Company Common Stock, or otherwise ceasing to Beneficially Own any shares of Company Common Stock, without any further action required by any of the Parties.

Section 9.2 Effect of Termination . If this Agreement is validly terminated in accordance with Section 9.1 , this Agreement shall thereafter become void and have no effect, and no Party shall have any liability to the other Parties or any of their respective Affiliates, directors, officers, employees, equityholders, partners, members, agents or representatives in connection with this Agreement, except that such termination will not relieve any Party from liability for any willful and material breach of this Agreement prior to such termination or any breach of Section 8.6 or actual fraud.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices . All notices, demands or other communications provided for or permitted hereunder shall be (a) made in writing to all Parties and (b) sent by registered or certified first class mail, return receipt requested, e-mail, facsimile, courier service, overnight mail or personal delivery:

To the Company:

Aflac Incorporated
1932 Wynnton Road
Columbus, GA 31999
Attn:

Email:
Fax:

With a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, D.C. 20005
Attn:
Email:
Fax:

Eversheds Sutherland (US) LLP
1114 Avenue of the Americas
The Grace Building, 40th Floor
New York, NY 10036-7703
Attn:

Email:

Fax:

Sidley Austin LLP
One South Dearborn
Chicago, IL 60603
Attn:
Email:
Fax:

To Japan Post:

Japan Post Holdings Co., Ltd.
2-3-1, Otemachi, Chiyoda-ku
Tokyo 100-8791, Japan
Attn:

Email:
Fax:

With a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn:

Email:

Fax:

Nishimura & Asahi
Otemon Tower, 1-1-2 Otemachi, Chiyoda-ku
Tokyo 100-8124, Japan
Attn:

Email:

Fax:

To the Trustee:

J&A Alliance Holdings Corporation
c/o J&A Alliance Trust
1007 Fukoku Seimei Building, 2-2-2 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan
Attn:
Fax:

With a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn:

Email:

Fax:

Nishimura & Asahi
Otemon Tower, 1-1-2 Otemachi, Chiyoda-ku
Tokyo 100-8124, Japan
Attn:

Email:

Fax:

To the Trustee Owner:

General Incorporated Association J&A Alliance
Tokyo Kyodo Accounting Office

3-1-1 Marunouchi, Chiyoda-ku
Tokyo 100-0005, Japan
Attn:
Email:
Fax:

With a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn:

Email:

Fax:

Nishimura & Asahi
Otemon Tower, 1-1-2 Otemachi, Chiyoda-ku
Tokyo 100-8124, Japan
Attn:

Email:

Fax:

Any Party may by notice given in accordance with this Section 10.1 designate another address or Person for receipt of notices hereunder. All such notices and communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by commercial courier or overnight mail, if delivered by commercial courier or overnight mail service; and on the date sent, if sent by e-mail (which is confirmed by the recipient) or facsimile (which is confirmed by the recipient).

Section 10.2 Amendment and Waiver .

(a) Any amendment, supplement or modification of or to any provision of this Agreement shall be effective (i) only if it is made or given in writing and signed by all Parties and (ii) only in the specific instance and for the specific purpose for which made or given. No waiver of any provision of this Agreement or consent in respect of any departure from the terms of any provision of this Agreement shall be effective unless evidenced in writing and executed by the Party providing such waiver or consent.

(b) No failure or delay on the part of any Party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Parties at law, in equity or otherwise.

Section 10.3 Specific Performance . The Parties agree that irreparable damage for which monetary relief, even if available, would not be an adequate remedy, would occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, including if the Parties fail to take any action required of them hereunder to consummate the transactions contemplated by this Agreement, subject to the terms and conditions of this Agreement. The Parties acknowledge and agree that the Parties shall be entitled to an injunction or injunctions, specific performance or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, and such right shall be cumulative and in addition to any other remedy to which they are entitled under this Agreement.

Section 10.4 Section 14-2-732 Agreement . For the avoidance of doubt, this Agreement is not intended to be, and shall not be deemed, an agreement authorized by Section 14-2-732 of the Georgia Business Corporation Code.

Section 10.5 Headings . The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 10.6 Severability . If any one or more of the provisions contained in this Agreement, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions of this Agreement shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 10.7 Entire Agreement; No Third Party Beneficiaries . This Agreement and the Basic Agreement are intended by the Parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the Parties in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement and the Basic Agreement supersede all prior agreements and understandings between the Parties with respect to such subject matter. Nothing in this Agreement or the Basic Agreement, expressed or implied, is intended to confer upon any Person, other than the Parties, any rights or remedies hereunder.

Section 10.8 Governing Law; Arbitration .

(a) Governing Law . This Agreement, and any dispute, controversy or claims arising out of, relating to or in connection with this Agreement, or for the breach or alleged breach thereof, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law principles that would apply the laws of any other jurisdiction.

(b) Arbitration .

(i) Any dispute, controversy or claim between or among the Parties and arising under, relating to or in connection with, this Agreement, in any manner whatsoever, whether in contract, in tort, or otherwise, and including any dispute or

controversy regarding the existence, validity or enforceability of this Agreement, or the arbitrability of any dispute, controversy or claim (each a " Dispute "), shall be submitted to final and binding arbitration administered in accordance with the Singapore International Arbitration Centre (" SIAC ") Arbitration Rules then in effect (the " Rules "), except as modified herein.

(ii) Arbitral Tribunal. The arbitration shall be conducted by a three-member arbitral tribunal (the " Arbitral Tribunal "). The claimant shall appoint one arbitrator at the same time it files its Notice of Arbitration and the respondent shall appoint one arbitrator at the same time it files its Answer to the Notice of Arbitration. The third arbitrator, who shall serve as chair of the Arbitral Tribunal, shall be jointly appointed by the two party-nominated arbitrators within twenty-one (21) days of the appointment of the second arbitrator. If there are more than two Parties to the arbitration (with any Parties that are affiliates of each other being deemed for this purpose only to be a single Party), such Parties shall have twenty-one (21) days to agree on a panel of three arbitrators. If any arbitrator is not timely appointed within the time prescribed above, then the SIAC shall appoint that arbitrator in accordance with the Rules.

(iii) Arbitration under this Section 10.8 shall be the sole and exclusive remedy for any Dispute, and any award rendered by the Arbitral Tribunal shall be final and binding on the Parties and judgment thereupon may be entered in any court of competent jurisdiction having jurisdiction thereof, including any court having jurisdiction over the relevant Party or its assets.

(iv) The Arbitral Tribunal shall have power to award any remedy, including monetary damages, specific performance and all other forms of legal and equitable relief that is in accordance with the terms of this Agreement; provided , however , that the Arbitral Tribunal shall have no authority or power to limit, expand, alter, modify, revoke or suspend any condition or provision of this Agreement, nor any right or power to award punitive, exemplary, or treble damages, even when such damages are provided for by law.

(v) The Arbitral Tribunal shall have the power to award attorney's fees, costs and related expenses to such extent and to such Parties as it sees fit.

(vi) The seat of the arbitration shall be Singapore and it shall be conducted in the English language.

(vii) The Arbitral Tribunal may consolidate an arbitration with respect to a dispute (including a Dispute with respect to this Agreement) with any other arbitration with respect to any other dispute, if the subject matter of the disputes is substantially similar or otherwise arises out of or relates essentially to the same or substantially similar facts. Such consolidated arbitration shall be determined by the Arbitral Tribunal appointed for the arbitration proceeding that was commenced first in time.

(viii) The parties agree that, to the extent a court of competent jurisdiction has issued a final ruling interpreting or applying the Basic Agreement, that ruling shall be binding in any arbitration under this Section 10.8 . For purposes of the foregoing sentence, a ruling shall be deemed final notwithstanding the fact that it may be subject to review and reversal by an appellate court. The Arbitral Tribunal shall be empowered to address any issues involving the interpretation or application of the Basic Agreement that are not the subject of a final ruling by a court of competent jurisdiction, but solely to the extent such issues affect the Parties' rights and obligations under this Agreement.

(ix) The Arbitral Tribunal (and, if applicable, Emergency Arbitrator) shall have the full authority to grant any pre-arbitral injunction, pre-arbitral attachment, interim or conservatory measure or other order in aid of arbitration proceedings (" Interim Relief "). Any Interim Relief so issued shall, to the extent permitted by applicable law, be deemed a final arbitration award for purposes of enforceability. Subject to the following sentence, the Parties shall exclusively submit any application for Interim Relief to only: (A) the Arbitral Tribunal; or (B) prior to the constitution of the Arbitral Tribunal, an Emergency Arbitrator appointed in the manner provided for in the Rules. The foregoing procedures shall constitute the exclusive means of seeking Interim Relief, provided , however , that (i) the Arbitral Tribunal shall have the power to continue, review, vacate or modify any Interim Relief granted by an Emergency Arbitrator; (ii) in the event an Emergency Arbitrator or the Arbitral Tribunal issues an order granting, denying or otherwise addressing Interim Relief (a " Decision on Interim Relief "), any Party may apply to enforce or require specific performance of such Decision on Interim Relief in any court of competent jurisdiction; and (iii) either Party shall retain the right to apply to a court of competent jurisdiction for freezing orders to prevent the improper dissipation of transfer of assets.

(x) In the event any proceeding is brought in any court of competent jurisdiction to enforce the dispute resolution provisions in this Section 10.8 , to obtain relief as described in this Section 10.8 , or to enforce any award, relief or decision issued by an Arbitral Tribunal, each Party irrevocably consents to the service of process in any action by the mailing of copies of the process to the Parties hereto as provided in Section 10.1 . Service effected as provided in this manner will become effective ten (10) calendar days after the mailing of the process.

(xi) Without prejudice to the foregoing, each of the Japan Post Parties and the Company hereby irrevocably appoints Corporation Service Company, with offices at the date of this Agreement at Corporation Service Company, c/o Luther LLP, 4 Battery Road, Bank of China Building, #25-01 Singapore 049908, as its authorized agent on which any and all legal process may be served in any action, suit or proceeding referred to in this Agreement that may be brought in the Republic of Singapore. Each Party agrees that service of process in respect of it upon its respective agent, together with notice of such service to the other party, shall be deemed to be effective service of process upon it in any such action, suit or proceeding. Each Party agrees that the failure of its respective agent to give notice to it of any such service shall not impair or affect the validity of such service or any judgment rendered in any action, suit or proceeding based

thereon. If for any reason such agent shall cease to be available to act as such, each Party agrees to designate a new agent in the Republic of Singapore, on the terms and for the purposes of this Section 10.8(b) and each Party shall, as soon as practicable, give notice to the other Parties of such new agent. Nothing herein shall be deemed to limit the ability of any other Party to serve any such legal process in any other manner permitted by applicable Law or to obtain jurisdiction over any such party or bring actions, suits or proceedings against it in such other jurisdictions, and in such manner, as may be permitted by applicable Law.

(xii) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 10.8 .

(xiii) Without limiting the provisions of the Rules, unless otherwise agreed in writing by or among the relevant Parties or permitted by this Agreement, the relevant Parties shall keep confidential all matters relating to the arbitration (including the existence of the proceeding and all of its elements and including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions) or the award; provided , that such matters may be disclosed (i) to the extent reasonably necessary in any proceeding brought to enforce the award or for entry of a judgment upon the award and (ii) to the extent otherwise required by law. In the event any Party makes application to any court in connection with this Section 10.8(b)(xiii) (including any proceedings to enforce a final award or any Interim Relief), that party shall take all steps reasonably within its power to cause such application, and any exhibits (including copies of any award or decisions of the Arbitral Tribunal or Emergency Arbitrator) to be filed under seal, shall oppose any challenge by any third party to such sealing, and shall give the other Party immediate notice of such challenge.

Section 10.9 Waiver of Sovereign Immunity . To the extent that any Party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to himself or itself or its property, such Party:

(a) agrees that the execution, delivery and performance by it of this Agreement constitute private and commercial acts done for private and commercial purposes;

(b) agrees that, should any proceedings be brought against it or its assets in any jurisdiction in relation to this Agreement or any transaction contemplated hereby, such Party is not entitled to sovereign immunity in respect of its obligations under this Agreement, and no sovereign immunity from such proceedings (including, without limitation, immunity from service of process from suit, from the jurisdiction of any court, from an order or injunction of such court or the enforcement of same against its assets) shall be claimed by or on behalf of such Party or with respect to its assets;

(c) agrees that the provisions of Section 10.1 and Section 10.8 of this Agreement concerning service of notices, including as they relate to service of legal and arbitral process, shall apply to such Party;

(d) waives, in any such proceedings, to the fullest extent permitted by law, any right of sovereign immunity that it or any of its assets now has or may acquire in the future in any jurisdiction;

(e) waives, to the extent permitted by applicable law, the defense of sovereign immunity with respect to the enforcement of any judgment or award against it in any such proceedings (including, without limitation, pre-judgment attachment, post-judgment attachment, the making, enforcement or execution against or in respect of any assets whatsoever irrespective of their use or intended use of any order or judgment that may be made or given in connection therewith); and

(f) specifies that, for the purposes of this provision, “assets” shall be taken as excluding "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed at Vienna, April 18, 1961, “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963, and military property or military assets or property of such Party.

Section 10.10 Successors and Assigns . Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns, heirs, legatees and legal representatives. This Agreement shall not be assignable by any Party without the prior written consent of the other Parties hereto. Any purported assignment without such prior written consent shall be null and void.

Section 10.11 Counterparts . This Agreement may be executed in one or more counterparts (by facsimile or otherwise), each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each Party or a duly authorized officer of each Party as of the date first above written.

AFLAC INCORPORATED

By: /s/ ***Daniel P. Amos***

Name: Daniel P. Amos
Title: Chairman, Chief Executive Officer and President

JAPAN POST HOLDINGS CO., LTD.

By: /s/ ***Masatsugu Nagato***

Name: Masatsugu Nagato
Title: President & CEO, Director and
Representative Executive Officer

[Signature Page to Shareholders Agreement]

J&A ALLIANCE HOLDINGS CORPORATION, in its capacity as trustee of J&A ALLIANCE TRUST

By: /s/ ***Hiroki Moriyama***

Name: Hiroki Moriyama
Title: President and Secretary

GENERAL INCORPORATED ASSOCIATION J&A ALLIANCE

By: /s/ ***Yoshiyuki Koiwa***

Name: Yoshiyuki Koiwa

Title: Representative Director

Schedule A

Authorized Individuals

Exhibit A

Trust Agreement

See attached.

J&A ALLIANCE TRUST

VOTING TRUST AGREEMENT

THIS VOTING TRUST AGREEMENT is made as of the 28th day of February, 2019

BETWEEN:

JAPAN POST HOLDINGS CO., LTD. , a company organized under the laws of Japan

(hereinafter referred to as both the " Settlor " and the " Beneficiary ", as applicable)

-AND-

J&A Alliance Holdings Corporation, a corporation organized under the laws of the State of Delaware

(hereinafter referred to as the " Trustee ")

RECITALS:

A. The Settlor desires to settle a grantor trust to be known as the "J&A Alliance Trust".

B. Aflac Incorporated (the " Company "), a Georgia corporation, the Settlor, the Trustee, in its capacity as trustee of the Trust, and General Incorporated Association J&A Alliance (" ISH "), a Japanese general incorporated association and sole record owner of the Trustee, intend to enter into a shareholders agreement (the " Shareholders Agreement ") in the form attached to that certain letter agreement, dated as of December 19, 2018, by and between the Settlor and the Company.

C. For the purpose of settling the trust, the Settlor will transfer to the Trustee from time to time cash to purchase Company Common Stock in accordance with the Shareholders Agreement to be held in trust in accordance with this Agreement (the " Aflac Shares ").

D. The Trustee has agreed to hold the Aflac Shares together with all other amounts and properties subsequently received by it in trust for the benefit of the Beneficiary in accordance with the provisions hereinafter set forth.

NOW THEREFORE the Settlor and the Trustee hereby agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Agreement and in the recitals, unless there is something in the subject matter or context inconsistent therewith:

(a) " Aflac Shares " has the meaning set forth in the recitals above;

(b) " Basic Agreement " means that certain Basic Agreement regarding the "Strategic Alliance Based on Capital Relationship" dated as of December 19, 2018 by and among, the Company, Aflac Life Insurance Japan Ltd., a Japanese corporation and wholly owned subsidiary of the Company, and the Settlor;

(c) " Beneficiary " has the meaning set forth in the recitals above;

(d) " Company " has the meaning set forth in the recitals above;

(e) " Company Common Stock " means the outstanding and issued common stock, par value $0.10 per share, of the Company;

(f) " Domiciliary Regulators " means (i) the Director of the Nebraska Department of Insurance, (ii) the Superintendent of the New York State Department of Financial Services, (iii) the Commissioner of the Oklahoma Insurance Department, and (iv) any other insurance regulator in a state where a United States insurance company Subsidiary of the Company is domiciled; provided , if all United States insurance company Subsidiaries of the Company domiciled in any one of the foregoing states redomesticates, merges or otherwise cease to exist as domestic insurers in such state, then the Director, Commissioner, Superintendent or other insurance regulatory authority in such state shall no longer be a Domiciliary Regulator;

(g) " Expiration Date " means the date upon which the Initial Term or a Renewal Term, as the case may be, expires without renewal in accordance with section 2.5 hereof;

(h) " Independence Criteria " has the meaning set forth in section 5.3 hereof;

(i) " Initial Term " has the meaning set forth in section 2.5 hereof;

(j) " In-Kind Distributions " means any distribution of Company Common Stock or other equity securities or interests of the Company having voting rights in the Company or any of its United States insurance company Subsidiaries (whether directly or indirectly through one or more other entities) that is paid by the Company upon the Subject Shares;

(k) " ISH " has the meaning set forth in the recitals above;

(l) " Losses " means any and all liabilities, obligations, losses, damages, penalties, taxes, claims, suits, costs, expenses or disbursements (including without limitation legal fees and expenses) of any kind and nature;

(m) " Person " means any individual, corporation, company, voluntary association, partnership, joint venture, trust, limited liability company, unincorporated organization, governmental authority or any agency, instrumentality or political subdivision thereof or any other form of entity;

(n) " Renewal Term " has the meaning set forth in section 2.5 hereof;

(o) " Settlor " has the meaning set forth in the recitals above;

(p) " Shareholders Agreement " has the meaning set forth in the recitals above;

(q) " Subject Shares " means, collectively, the Aflac Shares and any other Company Common Stock held by the Trust.

(r) " Subsidiary " means, as to any Person, any corporation or other entity of which: (i) such Person, or a Subsidiary of such Person, is a general partner (if a limited partnership) or managing member (if a limited liability company) or (ii) at least a majority of the outstanding equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors or similar governing body of such corporation or other entity is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries;

(s) " Termination Date " means the earlier of:

(i) the Expiration Date; and

(ii) the Voluntary Termination Date;

(t) " this Agreement ", " hereto ", " hereunder ", " hereof ", " herein ", " herewith " and similar expressions refer to this Voting Trust Agreement and not to any particular Article, section, subsection, paragraph, clause, subdivision or other portion hereof;

(u) " Trust " means the trust set out in this Agreement;

(v) " Trustee " has the meaning set forth in the recitals above;

(w) " Trustee Director Qualifications " has the meaning set forth in section 5.3 hereof;

(x) " Trustee Directors " means the individuals selected as the directors of the board of directors of the Trustee and meeting the Trustee Director Qualifications set forth in section 5.3;

(y) " Trust Fund " means:

(i) the Subject Shares;

(ii) all other moneys, securities, property and assets paid or transferred to and accepted by or in any manner acquired by the Trustee and held by the Trustee on the trust herein declared; and

(iii) all moneys, securities, property or assets substituted for or representing all or any part of the foregoing; and

(z) " Voluntary Termination Date " has the meaning set forth in section 2.5 hereof.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, sections, subsections and paragraphs, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. In this Agreement, words importing the masculine gender include the feminine and neuter genders and vice versa.

1.3 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision by an arbitral panel shall not affect the validity or enforceability of any other provision hereof.

1.4 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of laws principles thereof, and the laws of the United States applicable therein; provided that any doctrine of sovereign immunity is expressly waived. The courts of the United States and its political subdivisions shall have primary supervision over the administration of the Trust.

1.5 Enurement

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns including, without limitation, a liquidator, receiver, trustee or debtor-in-possession of any party.

1.6 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

ARTICLE 2

CREATION OF THE TRUST

2.1 Settlement of Trust

(a) The Settlor hereby establishes, pursuant to the provisions of this Agreement and the laws of the state of New York, a grantor trust to be known as the "J&A Alliance Trust."

(b) The Trustee hereby accepts appointment as the Trustee under this Agreement and acknowledges that it is holding, and shall continue to hold, for the exclusive benefit of the Beneficiary, the Trust Fund upon the trust and subject to the powers and provisions contained in this Agreement until the Termination Date.

2.2 Irrevocable Trust

The Trust is intended and is hereby declared to be irrevocable until it is terminated by the Beneficiary in accordance with section 2.5 hereof.

2.3 Principal Office

The principal office of the Trust shall be located at such place or places as the Trustee may designate from time to time. The principal office of the Trust is initially located at 1007 Fukoku Seimei Building, 2-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo, 100-0011, Japan.

2.4 Purpose of the Trust

(a) The purpose of the Trust is to conserve and protect the assets in the Trust Fund for the exclusive use and benefit of the Beneficiary. So long as this Agreement remains in effect, the Trust (or the Trustee acting on behalf of

the Trust) shall not undertake any business, activity or transaction except as expressly provided herein or contemplated hereby.

(b) Notwithstanding any other provision of this Agreement, the Trustee shall use the assets of the Trust deposited with the Trustee by the Settlor or for the benefit of the Beneficiary to purchase Company Common Stock as instructed by the Settlor from time to time in accordance with the Shareholders Agreement, and subject to any required regulatory approvals and applicable law. The Trustee shall hold and shall not convert, sell, transfer, mortgage, pledge or in any manner dispose of the Subject Shares prior to the Termination Date, except as instructed, directly or indirectly, by the Settlor from time to time in accordance with the Shareholders Agreement, and subject to any required regulatory approvals and applicable law.

(c) Notwithstanding the foregoing, each of the Settlor and the Trustee hereby agrees that it will not purchase, promise or threaten to purchase, dispose of, or promise or threaten to dispose of Subject Shares or Company Common Stock in any manner as a condition or inducement of specific action or non-action by the Company or any of its United States insurance company Subsidiaries.

2.5 Term and Termination of Trust

(a) This Agreement shall be effective as of the date hereof and shall expire on the ten (10) year anniversary of the date hereof (the " Initial Term "), unless earlier terminated pursuant to section 2.5(b) or renewed pursuant to this section 2.5(a). This agreement may be renewed for successive ten (10) year terms (each a " Renewal Term "), unless earlier terminated pursuant to section 2.5(b), upon written notice by the Beneficiary to the Trustee not earlier than 90 days prior to the end of the Initial Term or a Renewal Term, as applicable.

(b) The Beneficiary may, at any time, deliver a written instrument signed by the Beneficiary expressing its intent to terminate this Agreement as of a particular date (the " Voluntary Termination Date "); provided that as of such date, no Aflac Shares or any other Company Common Stock shall be held by the Trust.

(c) This Agreement and Trust shall terminate on the Termination Date.

2.6 Standard of Care

The Trustee will exercise its powers and duties hereunder honestly, in good faith and in the best interest of the Beneficiary and in connection therewith will exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in dealing with its own assets and affairs.

2.7 Legal Title

Legal title to the assets in the Trust Fund shall be vested in the Trustee in its capacity as trustee of the Trust.

2.8 Tax Treatment

For U.S. federal income tax purposes, the Trust shall constitute a disregarded entity or a grantor trust.

2.9 No Trust Certificates

No trust certificates shall be issued for any reason.

ARTICLE 3

DISTRIBUTIONS OF INCOME AND CAPITAL

3.1 Distributions Prior to the Termination Date

Prior to the Termination Date:

(a) The Trustee shall irrevocably instruct the Company to pay all dividends and distributions, other than In-Kind Distributions, upon the Subject Shares directly to the Beneficiary. Upon such instructions being given by the Trustee to the Company, all liability of the Trustee with respect to such dividends and distributions shall cease, except that the Trustee shall be obligated to pay to the Beneficiary any dividend or distribution paid by the Company to the Trustee in contravention of the instructions given by the Trustee. All such dividends and distributions shall be promptly paid to the Beneficiary and in no event shall the Trustee accumulate or reinvest any such dividends or distributions;

(b) The Trustee shall irrevocably instruct the Company to pay all In-Kind Distributions directly to the Trust for the sole benefit of the Beneficiary in accordance with this Agreement;

(c) The Trustee shall promptly pay to the Beneficiary all proceeds from the sale, exchange or other disposition of the Subject Shares or other property held by the Trustee or the Trust, and the Trustee shall irrevocably instruct the Company to pay such proceeds directly to the Beneficiary to the extent payable by Company; and

(d) The Trustee shall pay the whole of the annual net income from the Trust Fund (to the extent not otherwise paid to the Beneficiary pursuant to sections 3.1(a) and 3.1(c) hereof) to the Beneficiary.

(e) For the avoidance of doubt, the Trustee shall from time to time pay to the Beneficiary any cash that is contributed to the Trust Fund to purchase Aflac Shares to the extent that such funds exceed the amount necessary to purchase such Aflac Shares and all related expenses.

3.2 Distribution on the Termination Date

On the Termination Date, the Trustee shall pay or transfer the Trust Fund to the Beneficiary.

ARTICLE 4

POWERS AND DUTIES OF THE TRUSTEE

4.1 Actions Upon Instructions

The business and affairs of the Trust shall be managed by, and under the direction of, the Trustee.

4.2 Rights and Powers of Trustee with respect to the Subject Shares

(a) The Trustee shall execute and deliver the Shareholders Agreement prior to acquiring any Subject Shares and no later than February 28, 2019.

(b) The Trustee shall purchase Company Common Stock and hold as registered owner all Subject Shares pursuant to the provisions of section 2.4(b) of this Agreement.

(c) The Trustee shall possess and be entitled to exercise, subject to the provisions hereof, the Shareholders Agreement, the Company's articles of incorporation and by-laws (as each may be amended from time to time) and applicable law, all the rights and powers of registered owners of the Subject Shares as long as they are subject to this Agreement, including, but without limitation, the right and power (i) to vote and exercise all other rights with respect to the Subject Shares on every matter for which the

Subject Shares may be voted, or to give written consent in lieu of voting thereon, (ii) to waive notice of any regular or special meeting of stockholders of the Company, (iii) to call meetings of stockholders of the Company and (iv) to exercise all other voting rights and powers pertaining to ownership of the Subject Shares; it being expressly stipulated that, subject to section 4.4 no voting right shall pass to others under this Agreement or by or under any other agreement express or implied.

(d) The Trustee is authorized to sell Subject Shares as instructed, directly or indirectly, by the Settlor in accordance with the provisions of sections 2.4(b) and 2.4(c) of this Agreement, and subject to any required prior regulatory approval and applicable law.

(e) The Trustee is authorized to become a party to or prosecute or defend or intervene in any suits or legal proceedings in its capacity as stockholder of the Company.

4.3 Additions to Trust Fund

The Settlor, or any other person with the approval of the Trustee, may from time to time add to the Trust Fund assets or property acceptable to the Trustee; provided that assets deposited in the Trust Fund shall be limited to (i) the Subject Shares, (ii) cash transferred from time to time to purchase Company Common Stock and interest payments received thereon, (iii) In-Kind Distributions, and (iv) proceeds from the sale, exchange or other disposition of the Subject Shares and interest payments received thereon. Trust Fund assets shall be used by the Trustee in accordance with this Agreement.

4.4 Shareholders Agreement

The Trustee shall enter into the Shareholders Agreement and shall act in accordance with the terms of the Shareholders Agreement including, without limitation, with respect to voting the Subject Shares.

4.5 No Interest in Trust

For the avoidance of doubt, in no event shall the Trustee hold any beneficial or economic interest in the corpus or income of the Trust, including in the Trust Fund.

4.6 No Government Influence

The Trustee shall exercise all such powers, and take all such steps and actions, as the Trustee considers reasonably necessary or advisable to ensure that neither the Settlor, except as expressly provided herein, nor the Government of Japan, directly or indirectly, exercises any control under U.S. insurance laws over the manner in which the Trustee discharges its powers and duties under this Agreement.

4.7 Books and Records

The Trustee shall maintain records and books of account relating to the assets in the Trust Fund maintained on a basis to facilitate compliance with the tax reporting requirements of the Trust and shall, at all reasonable times, permit the Beneficiary to have access, during normal business hours and upon reasonable notice, to inspect and/or copy (at the Beneficiary's own expense), the financial records relating to the Trust.

4.8 Information Requests; Other

Upon written request of the Beneficiary, the Trustee shall provide the Beneficiary with information within the control of the Trustee and reasonably requested by the Beneficiary to allow the Beneficiary to comply with any tax return filing, regulatory filing, reporting or record keeping requirements of applicable law or for the Beneficiary's equity accounting method purposes, or required under the Shareholders Agreement. The Trustee shall also file (or cause to be filed) any other applications, filings, statements, returns or disclosures relating to the Trust that are required by any governmental authority or required under the Shareholders Agreement.

4.9 Ancillary Powers

The Trustee shall possess and be entitled to exercise such ancillary and incidental powers as may be necessary or desirable to carry out and give effect to any of the foregoing powers, or any other provisions of this Agreement.

4.10 Powers and Discretions Absolute

Every discretion or power hereby conferred on the Trustee shall be an absolute and uncontrolled discretion or power, except as provided in this Agreement.

ARTICLE 5

CONCERNING THE TRUSTEE AND TRUSTEE DIRECTORS

5.1 Number of Trustees

From the date hereof and at any given time thereafter, the number of Trustees shall be one (1).

5.2 Initial Trustee Directors

As of the date hereof and until such individual's resignation, incapacity, disqualification or removal for cause pursuant to section 5.5 hereof, Hiroki Moriyama, Ryota Miura and Kotaro Okamura shall be the Trustee Directors of the Trustee.

5.3 Number of Trustee Directors

From the date hereof and at any given time thereafter, the number of Trustee Directors shall be three (3), subject to the requirements that (i) two (2) such Trustee Directors be individuals who qualify as independent from each of the Settlor, the Beneficiary and the Company under the criteria set forth in section 303A.02(b) of the New York Stock Exchange Listed Company Manual as in effect on the date hereof (the " Independence Criteria ") and (ii) one (1) such Trustee Director be an individual nominated by the Beneficiary who either (a) qualifies as independent from each of the Settlor, the Beneficiary and the Company under the Independence Criteria or (b) has given an undertaking, substantially in the form attached hereto as Exhibit A , to act independently (the requirements in (i) and (ii), collectively, the " Trustee Director Qualifications ").

5.4 Replacement of a Trustee Director

In the event of resignation, incapacity, disqualification or removal for cause pursuant to section 5.5 hereof, the Settlor shall promptly nominate after the vacancy arising, a substitute Trustee Director for election in accordance with the bylaws of the Trustee; provided that the successor Trustee Director must (i) meet the Trustee Director Qualifications set forth in section 5.3 and (ii) be approved by the Domiciliary Regulators as provided in section 5.7.

5.5 Removal of a Trustee Director

If at any time a Trustee Director (i) commits a material breach of this Agreement or the Shareholders Agreement, (ii) is disqualified due to conduct involving fraud or dishonesty or charges of the same by a government agency, (iii) is disqualified due to disqualification as a director, officer or controlling person of a U.S. or Japanese public

company or a U.S. or Japanese domestic insurer or (iv) suffers incapacity, the Trustee Director shall be automatically and immediately removed as a Trustee Director in accordance with the bylaws of the Trustee without any further steps or formalities.

5.6 Director Trustee Ceasing to Meet the Trustee Director Qualifications

If a Trustee Director ceases for any reason to meet the Trustee Director Qualifications set forth in section 5.3, such Trustee Director shall be disqualified from serving as a Trustee Director and shall be deemed to have resigned (without further action) as a Trustee Director effective immediately upon so ceasing to meet the Trustee Director Qualifications.

5.7 Approval of the Domiciliary Regulators

All appointments of Trustee Directors under Article 5 shall be subject to the prior approval of the Domiciliary Regulators to the extent required by applicable law or by the Domiciliary Regulators.

5.8 Compensation of Trustee

The Trustee shall serve without compensation. The Trustee will be entitled to reimbursement, to be paid by the Settlor, for:

(a) Reasonable out-of-pocket expenses incurred by the Trustee to register and hold the Subject Shares and make distributions or remit proceeds in accordance with this Agreement, including, without limitation, (i) fees paid to Trustee Directors for their time and expertise, (ii) fees paid for outsourcing tax, accounting, legal and other administrative services regarding the Trustee's corporate affairs, (iii) payments of corporate tax and any other tax applicable to the Trustee and (iv) any other maintenance costs of the Trustee; and

(b) Reasonable costs for securing professional advice as the Trustee reasonably determines to be necessary for the proper performance of its Trustee duties.

5.9 Action by Trustee

The Trustee may act by a written consent signed by a majority of the Trustee Directors or by the affirmative vote of a majority of the Trustee Directors at a meeting called by any Trustee Director where there is a quorum upon two (2) days' notice to the other Trustee Directors, unless such notice is waived by each Trustee Director not receiving such notice. For the avoidance of doubt, with respect to any removal under section 5.5, the Trustee Director who is being removed shall not be included in the

calculation of a majority of the Trustee Directors. Two (2) Trustee Directors shall constitute a quorum for the transaction of business at a meeting thereof. The Trustee Directors shall have the power to designate one Trustee Director to execute certificates and other documents on behalf of all of them in furtherance of their collective decisions. The Trustee Directors may, from time to time, adopt and/or amend their own rules of procedure, provided that such amended rules of procedure shall not be inconsistent with this Agreement, and shall record and keep records of all their proceedings at their office.

5.10 Designation with Domiciliary Regulators

The Trustee shall take such steps as are necessary to have itself designated as a controlling person of the Company's United States insurance company Subsidiaries in the Form A or change of control applications to be filed with the Domiciliary Regulators and any similar filings with other Domiciliary Regulators for any United States insurance company Subsidiary formed or acquired by the Company after the date of this Agreement, and consistent with the terms of this Trust shall comport itself and the actions of the Trust consistent with the requirements of applicable law with respect thereto.

5.11 Notice to Domiciliary Regulators

The Trustee shall provide the Domiciliary Regulators with written notice promptly after, or if required by applicable law or by the Domiciliary Regulators, prior to the occurrence of (i) the appointment of a replacement Trustee Director pursuant to section 5.4 hereof, (ii) the termination of this Trust and (iii) any amendment to this Agreement pursuant to section 7.1 hereof.

5.12 Liability of Trustee and Directors

The Trustee and Trustee Directors shall retain no liability for actions under this Agreement other than for willful misconduct or gross negligence and, in the case of the Trustee Directors, individual willful misconduct or gross negligence. No bond or other security is required. The provisions of this section 5.12 shall survive termination of the Trust and this Agreement.

5.13 Indemnification

The Settlor hereby assumes liability for and agrees to indemnify, reimburse and hold harmless the Trustee and each Trustee Director from and against any and all Losses, liabilities or expenses that may be imposed on, incurred by or asserted against the Trustee or such Trustee Director, as the case may be, arising out of, in connection with or related to such Trustee's or Trustee Director's performance under this Agreement, except (i) with respect to the Trustee, in the case of gross negligence or willful misconduct on the part of the Trustee and (ii) with respect to a Trustee Director, in the case of individual

gross negligence or willful misconduct on the part of such Trustee Director. The provisions of this section 5.13 shall survive termination of the Trust and this Agreement.

ARTICLE 6

DISSOLUTION OR REORGANIZATION OF COMPANY

6.1 Dissolution of the Company

In the event of the dissolution or total or partial liquidation of the Company, whether voluntary or involuntary, the Trustee shall instruct the Company to make any distribution of moneys, securities, rights or property in respect of the Subject Shares directly to the Beneficiary and the Trustee shall distribute to the Beneficiary any distribution received by the Trustee in contravention of such instructions. In no event shall the Trustee accumulate or reinvest any such moneys, securities, rights or property.

6.2 Reorganization of the Company

In the event the Company is merged into or consolidated with another corporation, or all or substantially all of the assets of the Company are transferred to another corporation, then in connection with such merger, consolidation or transfer the term "Company" for all purposes of this Agreement shall be deemed to include such successor corporation, and the Trustee shall receive and hold under this Agreement any stock of such successor corporation having voting powers received on account of the ownership, as Trustee hereunder, of the shares held hereunder prior to such merger, consolidation or transfer. Any other moneys, securities, rights or property received by the Trustee in connection with such merger, consolidation or transfer to which the Beneficiary is entitled shall be distributed promptly by the Trustee to the Beneficiary and in no event shall the Trustee accumulate or reinvest any such moneys, securities, rights or property.

ARTICLE 7

MISCELLANEOUS

7.1 Amendment and Waiver

The Settlor and the Trustee may, with the prior written consent of the Domiciliary Regulators, from time to time prior to the Termination Date by written instrument add to, remove, waive or otherwise vary all or any of the trusts, powers and provisions of this Agreement, other than the definitions of "Beneficiary", "Domiciliary Regulators" and "Termination Date" in section 1.1 and sections 2.2, 2.6, 3.1, 3.2, 4.4, 4.6 and this section 7.1, in relation to all or any part of the Trust Fund in such manner as the Settlor and the Trustee consider is for the benefit of the Beneficiary.

7.2 Notices

(a) Any notice hereunder shall be sent to all the parties by registered or certified mail, return receipt requested, as follows:

The Settlor and the Beneficiary:

Japan Post Holdings Co., Ltd.
2-3-1, Otemachi, Chiyoda-ku
Tokyo 100-8791, Japan
Attn:
Email:
Fax:

With a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn:
Email:
Fax:

Nishimura & Asahi
Otemon Tower, 1-1-2 Otemachi, Chiyoda-ku
Tokyo 100-8124, Japan
Attn:
Email:
Fax:

The Trustee:

J&A Alliance Holdings Corporation
1007 Fukoku Seimei Building, 2-2-2 Uchisaiwai-cho, Chiyoda-ku
Tokyo, 100-0011, Japan
Attn:
Email:
Fax:

With a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn:
Email:
Fax:

Nishimura & Asahi
Otemon Tower, 1-1-2 Otemachi, Chiyoda-ku
Tokyo 100-8124, Japan
Attn:
Email:
Fax:

(b) All distributions of cash, securities or other property hereunder by the Trustee to the Beneficiary may be made in the same manner as hereinabove provided for the giving of notices to the Beneficiary or in such other manner as may be described in writing from time to time by notice from the Beneficiary to the Trustee.

(c) All notices concerning amendments, extensions or the termination of this Agreement or concerning the resignation, disqualification, incapacity or removal of any of the Trustee Directors shall also be delivered to the Domiciliary Regulators.

IN WITNESS WHEREOF Japan Post Holdings Co., Ltd., in its capacity as Settlor and in its capacity as Beneficiary, and the Trustee, have executed this Agreement as of the date first above written.

JAPAN POST HOLDINGS CO., LTD., as
Settlor and Beneficiary

/s/ ***Masatsugu Nagato***

By: Masatsugu Nagato
Title: President & CEO, Director and
Representative Executive Officer

J&A ALLIANCE HOLDINGS
CORPORATION

/s/ ***Hiroki Moriyama***

By: Hiroki Moriyama
Title: President and Secretary

EXHIBIT A

Form of Director Undertaking

See attached.

[FORM OF DIRECTOR UNDERTAKING]

The Honorable Linda Lacewell
Superintendent of Financial Services
New York State Department of Financial Services
One State Street
New York, NY 10004-1511

Special Commitment to the New York State Department of Financial Services

Dear Superintendent Lacewell:

I, [NAME], in my capacity as a director of the board of directors of J&A Alliance Holdings Corporation, a Delaware corporation (the " Trustee "), agree that I will take all such steps and actions as I consider necessary or advisable to ensure that neither Japan Post Holdings Co., Ltd. nor the Government of Japan, directly or indirectly, exercises any control or controlling influence over the manner in which I discharge my powers and duties as a director of the board of directors of the Trustee.

Very truly yours,

_____

Name:

Title: Director

Date:

Exhibit B

Basic Agreement

See attached.

Basic Agreement regarding the "Strategic Alliance Based on Capital Relationship"

Japan Post Holdings Co., Ltd. (hereinafter referred to as "JPH"), Aflac Incorporated, and Aflac Life Insurance Japan Ltd. (hereinafter referred to as "Aflac Japan"; hereinafter JPH, Aflac Incorporated and Aflac Japan shall be referred to as the "Parties") hereby agree to the following and enter into this Agreement.

Article 1. Purpose of this Agreement

The purpose of this Agreement is for the Parties to further strengthen customer-centric business management and to deepen the strong relationship of trust that has formed among the Parties through a longstanding distribution and business relationship; generate synergy effects through cooperation; and aim for mutual, sustainable growth into the future via a Strategic Alliance Based on Capital Relationship (hereinafter the "Strategic Alliance"). This Strategic Alliance is comprised of the three pillars set forth below.

(1) Capital relationship

(2) Reconfirmation of cancer insurance-related initiatives

(3) Consideration of new joint initiatives

Article 2. Agreements Regarding the Strategic Alliance

The following two agreements relate to the Strategic Alliance, and the execution of the agreement set forth in (2) below shall be in accordance with this Agreement.

(1) This Agreement

(2) The Shareholders Agreement (hereinafter referred to as the "Shareholders Agreement") to be entered into among JPH, Aflac Incorporated, the trustee of the trust to be established by JPH under U.S. law for the purpose of the Strategic Alliance (hereinafter referred to as the "JPH Trust"), and the general incorporated association established under Japanese law that is the owner of the trustee.

Article 3. Capital Relationship Based on Shareholders Agreement

Pursuant to the Shareholders Agreement and conditioned on the necessary regulatory approvals, authorizations, etc., JPH shall form a capital relationship with Aflac Incorporated, with the principal details being to acquire and hold approximately 7% of Aflac Incorporated outstanding common shares (for avoidance of doubt, these shares do not include treasury shares) via the JPH Trust; and after application of the "10-for-1 rule" (the rule adopted in

the Aflac Incorporated Articles of Incorporation in which each share is entitled to ten votes after continuous holding of Aflac Incorporated common shares for 48 months by the same beneficial owners), to treat Aflac Incorporated as an equity-method affiliate. The purpose of this capital relationship is not for JPH to acquire rights to control, manage, or intervene in the management of Aflac Incorporated; the purpose is to establish a framework to generate synergy benefits via the Strategic Alliance with a capital relationship as its foundation and to further align the Parties' interests in developing mutual shareholder value.

Article 4. Reconfirmation of Cancer Insurance-related Initiatives by the three Japan Post Group companies

JPH and Aflac Japan shall reconfirm the initiatives regarding cancer insurance that have been engaged in by Japan Post Co., Ltd. (hereinafter referred to as "Japan Post Company") and Japan Post Insurance Co., Ltd. (hereinafter referred to as "JPI"; hereinafter JPH, JPI, and Japan Post Company shall be referred to collectively as "the three Japan Post Group companies") and shall make reasonable efforts to further develop the initiatives set forth below.

(1) Demand for cancer insurance products and customer-centric business management

The three Japan Post Group companies and Aflac Japan are putting customer-centric business management into practice by providing peace of mind to more people through cancer insurance.

(2) Position as an important sales product, setting sales targets, etc.

The three Japan Post Group companies position Aflac Japan cancer insurance as a product as important as JPI products in the three Japan Post Group companies' sales strategy, promoting cancer insurance sales and managing promotion based on established sales targets.

(3) Agency services provided by Japan Post Company

Japan Post Company acts as a life insurance sales agent to sell Aflac Japan cancer insurance.

(4) Agency and support services provided by JPI

JPI acts as a life insurance sales agent to sell Aflac Japan cancer insurance and provides training support services for sales of Aflac Japan cancer insurance by Japan Post Company.

(5) Reinsurance underwritten by JPI

JPI underwrites reinsurance for a certain percentage of underwriting risk for Aflac Japan cancer insurance sold by Japan Post Company and JPI.

(6) Cancer insurance sales, agency commission payments, and claim and benefit payments

a. Japan Post Company and JPI have been generating results in annualized new premiums for cancer insurance exceeding 20 billion yen annually.

b. Japan Post Company and JPI have been receiving more than 15 billion yen in commissions annually from Aflac Japan.

c. Since 2008, claim and benefit payments to customers based on Aflac Japan cancer insurance sold by Japan Post Company and JPI have exceeded a total of 12,000 payments totaling more than 10 billion yen to the benefit of customers.

(7) Cancer awareness and education promotion, etc.

The three Japan Post Group companies and Aflac Japan cooperate regarding cancer awareness and education promotion, cancer screening promotion, and sponsorship of and participation in cancer-related charity events.

Article 5. Consideration of New Joint Initiatives

JPH and Aflac Japan shall consider new joint initiatives, along with Japan Post Company, JPI, and/or Aflac Incorporated, as part of the Strategic Alliance. Such new initiatives shall include the items set forth below.

(1) Strategic initiatives regarding customer-centric business management best practices

As a strategic initiative for best practices in customer-centric business management, JPH and Aflac Japan shall consider, along with Japan Post Company and/or JPI, leveraging digital technology in various processes.

(2) Cooperation in new product development to promote customer-centric business management

To meet customers' diverse needs in a timely manner and to seek contribution to increased corporate value in each of the three Japan Post Group companies and Aflac Japan, JPH and Aflac Japan shall consider, along with Japan Post Company and/or JPI, new product development for Aflac Japan products to be sold by Japan Post Company and/or JPI.

In addition, to meet customers' diverse needs, the three Japan Post Group companies

and Aflac Japan shall consider mutual cooperation regarding new product joint development for JPI products or Aflac Japan products to be sold by Japan Post Company and/or JPI.

(3) Cooperation in domestic and/or overseas business expansion and joint investment in third party entities

JPH and Aflac Japan shall consider, along with Aflac Incorporated, mutual cooperation regarding domestic and/or overseas business expansion and joint investment in third party entities.

(4) Cooperation regarding asset management

The Parties shall consider creating opportunities to conduct asset management for JPH's corporate group leveraging the global asset management platform of Aflac Incorporated group companies (Aflac Asset Management LLC (U.S. asset management subsidiary) and Aflac Asset Management Co., Ltd. (Japan asset management subsidiary)).

Article 6. Executive Management Meeting, etc.

1. The Parties shall continue to leverage the regular meetings that have been held between the CEOs of JPH and Aflac Incorporated as the "Executive Management Meeting", expanding the meeting agenda items to those related to the Strategic Alliance. The Executive Management Meeting will allow Aflac Incorporated to provide JPH as an investor/strategic partner with information, etc. that is reasonably necessary to appropriately protect its interests in a manner consistent with U.S. and Japanese securities laws and other applicable laws and regulations (including the rules and regulations of financial instruments exchanges and other self-regulatory institutions).
2. The Parties shall continue leveraging the regular meetings that have been held among representative officers, representative directors, etc. of the three Japan Post Group companies and Aflac Japan as the "Strategic Alliance Committee", expanding the meeting agenda items to those related to the Strategic Alliance.

Article 7. Public Disclosure of the Strategic Alliance

All matters of timing and methods of public disclosure of the Strategic Alliance shall be determined by agreement of the Parties in a manner consistent with U.S. and Japanese securities laws and other applicable laws and regulations (including the rules and regulations of financial instruments exchanges and other self-regulatory institutions). Such public disclosure shall include the details set forth below, using the wording agreed to in separate discussion.

(1) JPH, pursuant to the Shareholders Agreement, shall obtain and hold Aflac Incorporated common shares via the JPH Trust. The purpose of this capital relationship is not for JPH to acquire rights to control, manage, or intervene in the management of Aflac Incorporated.

(2) The three Japan Post Group companies and Aflac Japan are engaged in the cancer insurance-related initiatives set forth in Article 4 and shall endeavor to further develop these initiatives going forward.

(3) It will be possible for JPH to recognize a portion of Aflac Incorporated's earnings resulting from cancer insurance sales, etc. by the three Japan Post Group companies in its own earnings through the application of equity method accounting, thus creating a continuous growth cycle going forward for both companies.

(4) The Parties shall consider new joint initiatives, etc. in new business areas that can generate synergy benefits.

(5) The Executive Management Meeting, the regular meetings held by the CEOs of JPH and Aflac Incorporated, shall be held and joint issues for consideration related to the Strategic Alliance shall be discussed.

Article 8. Holding companies' responsibilities

JPH shall make reasonable efforts to obtain the agreement and assent of Japan Post Company and JPI regarding the contents of this Agreement as its responsibility as a holding company. Aflac Incorporated shall make reasonable efforts to obtain the agreement and assent of Aflac Japan as well as Aflac Asset Management LLC and Aflac Asset Management Co., Ltd., regarding the contents of this Agreement as its responsibility as a holding company.

Article 9. Agreement Termination

1. This Agreement shall terminate only in the cases set forth below.

(1) The Parties terminate this Agreement in writing.

(2) Any of the Parties (hereinafter referred to as "the Non-Performing Party") fails to perform a material part of the Non-Performing Party's obligations pursuant to this Agreement and a Party other than the Non-Performing Party terminates this Agreement when, despite after making demands on the Non-Performing Party, the non-performance is not remedied within a considerable period of time.

(3) Both Japan Post Company and JPI cease sales of Aflac Japan cancer insurance.

(4) The Shareholder Agreement terminates.

(5) Any of the Parties terminates this Agreement pursuant to Paragraph 3 or Paragraph 4.

2. In the event that it is confirmed that it will be effectively impossible for JPH to treat Aflac Incorporated as a JPH equity-method affiliate, regardless of the percentage of Aflac Incorporated voting rights held by the JPH Trust, the Parties shall discuss in good faith in order to amend this Agreement to transform it into an agreement regarding a strategic alliance based on the capital relationship (premised on not treating Aflac Incorporated as a JPH equity-method affiliate). In addition, in the event that it is necessary to amend this Agreement to comply with Japanese or U.S. laws and regulations, the Parties shall discuss in good faith in order to amend this Agreement.

3. If, despite discussing in good faith as per the preceding Paragraph, the Parties are unable to reach agreement, any Party may solely terminate this Agreement.

4. In the event that Aflac Incorporated comes not to hold, directly or indirectly, a majority of the total Aflac Japan outstanding shares (excluding treasury shares) or a majority of the total Aflac Japan voting rights, JPH may terminate this Agreement.

5. Termination of this Agreement pursuant to the Items in Paragraph 1 shall be effective only going forward and shall not be effective retroactively.

Article 10. Governing Law

This Agreement shall be governed by Japanese law and shall be interpreted in accordance therewith.

Article 11. Court of Jurisdiction

The Tokyo District Court shall be the exclusive court of first jurisdiction regarding any conflict arising out of or in connection with this Agreement.

Article 12. Good Faith Consultation

The Parties shall make efforts to promptly resolve any questions that arise regarding the interpretation or operation of this Agreement through good faith discussions.

(Remainder of this page is intentionally left blank)

In witness whereof, three original copies of this Agreement shall be made, and JPH, Aflac Incorporated, and Aflac Japan shall sign and keep one original copy each.

[December 19], 2018

Japan Post Holdings Co., Ltd.
2-3-1 Otemachi, Chiyoda-ku, Toyko-to

/s/ M. Nagato

Name: Masatsugu Nagato
Position: Director and Representative Executive Officer, President & CEO

Aflac Incorporated
1932 Wynnton Road
Columbus, GA USA

/s/ Daniel P. Amos

Name: Daniel P. Amos
Title: Chairman, Chief Executive Officer and President

Aflac Life Insurance Japan Ltd.
Shinjuku Mitsui Bldg.
2-1-1 Nishi-Shinjuku
Shinjuku-ku, Tokyo-to

/s/ Charles Ditmars Lake II

Name: Charles Ditmars Lake II
Position: Chairman and Representative Director

/s/ Masatoshi Koide

Name: Masatoshi Koide
Position: President and Representative Director

EXHIBIT 15

April 26, 2019

Aflac Incorporated
Columbus, Georgia

Re: Registration Statement No. 333-219784, and 333-227244 on Form S-3; 333-135327, 333-161269, 333-202781, 333-158969, 333-200570, 333-115105, and 333-219888 on Form S-8

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 26, 2019 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
Atlanta, Georgia

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Daniel P. Amos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aflac Incorporated;

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

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

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

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

Date: April 26, 2019

/s/ *Daniel P. Amos*

Daniel P. Amos

Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Frederick J. Crawford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aflac Incorporated;

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

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

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

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: April 26, 2019

/s/ Frederick J. Crawford

Frederick J. Crawford

Executive Vice President, Chief Financial Officer

EXHIBIT 32

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

In connection with the Quarterly Report on Form 10-Q of Aflac Incorporated (the "Company") for the quarterly period ended March 31, 2019 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Daniel P. Amos, as Chief Executive Officer of the Company, and Frederick J. Crawford, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

/s/ *Daniel P. Amos*

Name:	Daniel P. Amos
Title:	Chief Executive Officer
Date:	April 26, 2019

/s/ *Frederick J. Crawford*

Name:	Frederick J. Crawford
Title:	Chief Financial Officer
Date:	April 26, 2019