



NEWS RELEASE

May 17, 2021

3 Aflac Group Companies: R&I Affirms Ratings, Positive

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Aflac Life Insurance Japan Ltd.
Insurance Claims Paying Ability: AA-, Affirmed
Rating Outlook: Positive

ISSUER: American Family Life Assurance Co. of Columbus
Insurance Claims Paying Ability: AA-, Affirmed
Rating Outlook: Positive

ISSUER: Aflac Inc.
Issuer Rating: A, Affirmed
Rating Outlook: Positive

RATIONALE:

Aflac Inc. is a U.S. holding company for the life insurance group that focuses its management resources on the world's biggest insurance markets, the U.S. and Japan. The holding company's insurance subsidiaries, Aflac Life Insurance Japan Ltd. and American Family Life Assurance Co. of Columbus (Aflac Columbus), are both the core life insurers of the group, and their ratings directly reflect the creditworthiness of the entire group. The rating for Aflac Inc. is two notches below the Insurance Claims Paying Abilities of the core subsidiaries, reflecting the structural subordination of a holding company, among other factors, with insurance regulations in North America taken into consideration.

Amid the spread of COVID-19, decreases in face-to-face insurance sales activities at the insurance subsidiaries in both Japan and the U.S. resulted in a year-on-year decline in new policy sales. In addition, sales of Aflac Life Insurance Japan's cancer insurance products have still been hindered in the Japan Post Group, one of the key distribution channels for the company, due to the prolongation of remedial actions on inappropriate insurance sales by Japan Post Insurance Co., Ltd. This is affecting its new policy sales results. Meanwhile, the group will see, for instance, the effects of its accelerated digital transformation (DX) strategy and investment in strengthening its products and sales channels in the U.S. Therefore, R&I believes that in the medium to long term, there will be no major change in the competitive advantage of the group's franchise for the insurance business the subsidiaries in Japan and the U.S. focus on.

The group's investment portfolio has become more risk resilient through risk reductions and the diversification of new investments under an ERM (enterprise risk management) framework, since the group posted a large loss as a result of the materialization of concentration risk during the crisis triggered by Lehman Brothers' collapse. After the market shock in March 2020 caused by the COVID-19 pandemic, long-term interest rates in the U.S. recovered and credit spreads have been tighter to a certain extent. The entire group will become increasingly likely to maintain and reinforce its franchise and earnings base when momentum for recovery comes to be expected in new policy sales achieved respectively in Japan and the U.S. In this case, R&I may consider upgrading the rating. Accordingly, R&I has affirmed the ratings for the three group companies and left their Positive Rating Outlooks unchanged.

Aflac Life Insurance Japan, which earns 70-80% of the entire group's premium income and profits, has the top share of the domestic market for third-sector products, such as cancer and medical insurance, in terms of annualized premiums from policies in force. Aflac Columbus ranks first in the U.S. voluntary supplemental insurance market. While earnings contributions from the subsidiaries in Japan and the U.S. vary in size, their insurance products are all highly profitable even under the

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pressure of the COVID-19 pandemic. Despite the impact on new policy sales, the entire group's earning capacity is thus sufficient for the rating, even amid the persistent low interest rate environment. With the liability characteristics of insurance products taken into consideration, the majority of the group's asset portfolio consists of fixed-income assets with a long term to maturity. The main risk components of its risk profile are therefore spread risk and interest rate risk. On the back of a strengthened ERM framework, the entire group's risk resilience will be maintained at a level commensurate with the rating unless such a situation arises where more-than-anticipated financial stress is caused, in R&I's view.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Life Insurance", "R&I's Analytical Approach to Financial Groups", "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions" and "Evaluation of Equity Credit Attributes of Hybrid Securities and Rating Perspectives". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

R&I RATINGS:

ISSUER: Aflac Life Insurance Japan Ltd.
Insurance Claims Paying Ability

RATING: AA-, Affirmed

RATING OUTLOOK: Positive

ISSUER: American Family Life Assurance Co. of Columbus
Insurance Claims Paying Ability

RATING: AA-, Affirmed

RATING OUTLOOK: Positive

ISSUER: Aflac Inc.
Issuer Rating

RATING: A, Affirmed

RATING OUTLOOK: Positive

0.932% Senior Notes due 2027	Issue Date Jan 25, 2017	Maturity Date Jan 25, 2027	Issue Amount (mn) JPY 60,000
RATING:	A, Affirmed		

Japanese Yen 2.108% Sub. Debentures due 2047	Issue Date Oct 23, 2017	Maturity Date Oct 23, 2047	Issue Amount (mn) JPY 60,000
RATING:	BBB+, Affirmed		

Japanese Yen 1.159% Senior Notes due 2030	Issue Date Oct 18, 2018	Maturity Date Oct 18, 2030	Issue Amount (mn) JPY 29,300
RATING:	A, Affirmed		

Japanese Yen 1.488% Senior Notes due 2033	Issue Date Oct 18, 2018	Maturity Date Oct 18, 2033	Issue Amount (mn) JPY 15,200
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NEWS RELEASE

RATING: **A, Affirmed**

**Japanese Yen 1.750%
Senior Notes due 2038**

Issue Date
Oct 18, 2018

Maturity Date
Oct 18, 2038

Issue Amount (mn)
JPY 8,900

RATING: **A, Affirmed**

**Japanese Yen 0.500%
Senior Notes due 2029**

Issue Date
Dec 17, 2019

Maturity Date
Dec 17, 2029

Issue Amount (mn)
JPY 12,600

RATING: **A, Affirmed**

**Japanese Yen 0.843%
Senior Notes due 2031**

Issue Date
Dec 17, 2019

Maturity Date
Dec 17, 2031

Issue Amount (mn)
JPY 9,300

RATING: **A, Affirmed**

**Japanese Yen 0.934%
Senior Notes due 2034**

Issue Date
Dec 17, 2019

Maturity Date
Dec 15, 2034

Issue Amount (mn)
JPY 9,800

RATING: **A, Affirmed**

**Japanese Yen 1.122%
Senior Notes due 2039**

Issue Date
Dec 17, 2019

Maturity Date
Dec 16, 2039

Issue Amount (mn)
JPY 6,300

RATING: **A, Affirmed**

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