AFLAC
INCORPORATED

About This Book

This book primarily contains presentations on AFLAC that were given at the company's 2001 Financial Analysts Briefing held at The St. Regis in New York City. Also included are some articles that were not formally presented at the briefing. All are intended to provide a comprehensive discussion and analysis of AFLAC's operations. The information contained in the presentations was based on conditions that existed at the time the material was presented. Circumstances may have changed materially since those presentations were made. The company undertakes no obligation to update the presentations.

The enclosed information was prepared as a supplement to the company's annual and quarterly reports, 10-K's and 10-Q's. This book does not include footnotes to the financial statements and certain items that appear in reports or registration statements filed with the Securities and Exchange Commission. We believe the information presented in this book was accurate at the time of the presentations, but its accuracy cannot be guaranteed.

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 discussed. We desire to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected in this discussion and analysis, and in any other statements made by company officers in oral discussions with analysts 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. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective" or similar words as well as specific projections of future results generally qualify as forward looking. AFLAC undertakes no obligation to update such forward-looking statements.

We caution readers that the following factors, in addition to other factors mentioned from time to time in our reports filed with the SEC, could cause actual results to differ materially: regulatory developments, assessments for insurance company insolvencies, competitive conditions, new products, ability to repatriate profits from Japan, general economic conditions in the United States and Japan, changes in U.S. and/or Japanese tax laws or accounting requirements, adequacy of reserves, credit and other risks associated with AFLAC's investment activities, significant changes in interest rates and fluctuations in foreign currency exchange rates.

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Section I

AFLAC Incorporated

A Strategic Overview of AFLAC

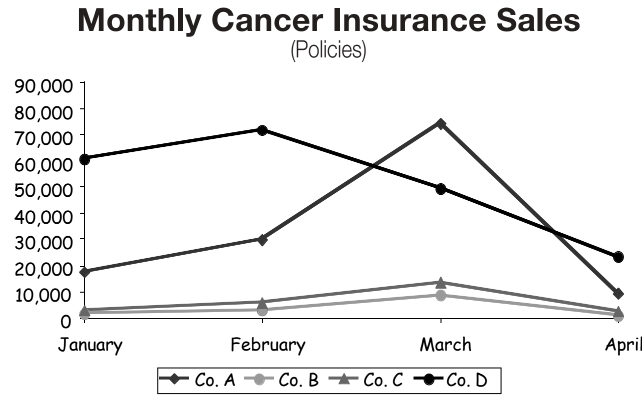
Daniel P. Amos
Chairman; Chief Executive Officer

AFLAC is coming off its best year ever. Our operations in Japan and the United States performed very well last year, and we met or exceeded all of our objectives. And, I think it's clear we are on our way to another record year this year. Our operating performance stands in sharp contrast to many insurance companies. That has led a lot of you to ask or speculate why AFLAC's sales growth, earnings increases or returns on equity have exceeded that of our peers. I believe the key factor that sets us apart from the competition is that we are intensely focused on one segment of the industry – supplemental insurance.

We created the supplemental insurance segment in the United States with the development of cancer expense insurance more than 40 years ago. We also pioneered Japan's supplemental market, or third sector, when we entered that market in 1974. Our health-related products are specifically designed to supplement major medical insurance, or in the case of Japan, national healthcare. And through our small face-amount life products, we supplement traditional life insurance policies. We have never tried, nor will we ever try, to be all things to all people.

Our focus on supplemental insurance is particularly important in Japan. With Japan's weak economy and deregulation, the insurance market is changing. AFLAC has also changed by developing new products, adding new distribution outlets and adopting new technologies to make our business more efficient. However, we have never lost our focus on providing the best supplemental insurance products at the best price.

We have not been surprised by the actions of our new competitors in Japan. Because Nippon Life and Tokio Marine are the largest insurers in their respective markets, we expected them to be the most aggressive, and they were. We expected their products to be priced rationally, and they are. We expected them to have some initial marketing success, and they did. We also expected that after a short-term spike in sales, we would begin to see their sales of cancer policies taper off. And we believe that's exactly what has happened. Let me show you the trends we have seen in the cancer policy sales by some of our new competitors.



The data on the chart above was gathered from internal sources, but it is consistent with what we have seen in the press, including an article that appeared in the Nikkei Kinyu in May. This chart shows the cancer policy sales of Nippon Life, Tokio Marine and two other entrants. Nippon Life got off to an impressive start. However, their sales in March were down sharply and they further declined in April. Since first introducing a stand-alone cancer product in January, it appears that Nippon Life has changed directions a bit. In April, they started pushing a higher premium whole life medical policy that offers cancer protection as a rider. Nippon also cut agent compensation on its stand-alone cancer insurance policy. Even though there are no guarantees, I can only conclude that Nippon Life is already backing off cancer insurance and moving toward higher premium products, which was our prediction.

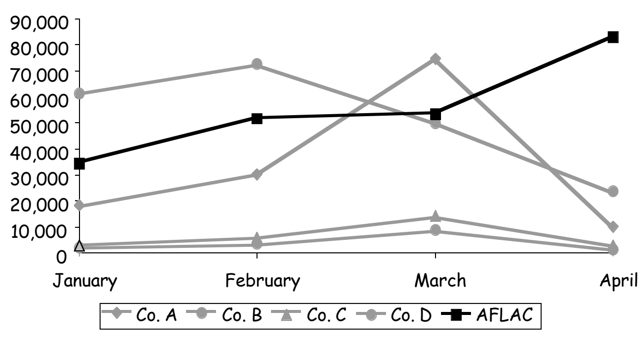
We have also watched the marketing activity of Tokio Anshin very closely. We don't believe there is significant overlap between the worksite markets of AFLAC and Tokio Marine. However, we do know Tokio Anshin, the life subsidiary of Tokio Marine, has approached a couple of our accounts without much success. In one instance, Tokio Anshin tried to sell a large AFLAC account that contained 8,000 workers who were not our policyholders. The company actually approached this account twice, but sold only 20 policies. In another account with 4,000 workers, Tokio Anshin sold no policies.

Even so, Tokio Anshin also had a pretty impressive start. Initially, Tokio Anshin copied the alternative commission package we introduced last year. It has since cut total commissions on its cancer policy by 10%. It also raised premium rates by 6%. We believe that is clearly reflected in the sharp decline of its April sales. The conclusions of its recent actions seem pretty obvious to me. If you are committed to growing a new product category, cutting commissions and raising premiums is not the way to do it.

I believe one reason that Nippon Life and Tokio Anshin may be backing away from the cancer insurance market relates to focus. Our new competitors also have core businesses that they need to defend. The third sector wasn't the only sector that was deregulated in Japan. Automobile insurance rates were liberalized a few years ago, and competition has heated up for that business. The life insurance sector was also opened up to non-life insurers. And that means that if a life company spends too much time away from its core business, it could leave itself vulnerable. It's also important to remember that agents have limitations as to how much they can sell. If, for example, a sales agent for a large Japanese life company is out selling a cancer policy, that likely means the agent is not selling one of its traditional products. Because of the low premium levels of third sector products like cancer life insurance, they do little to cover the fixed expenses of Japan's large insurers. And as you will see in Allan O'Bryant's presentation, the expense burdens of our competitors are huge.

In comparing our cancer policy sales to these new entrants, you can see that our sales have trended in the opposite direction. And, this chart excludes the 190,000 cancer riders we sold throughout April.

Monthly Cancer Insurance Sales
(Policies)



As expected, our first quarter cancer life sales were weak due to the rollout of our new policy, called 21st Century Cancer Life. You'll recall that we waited until December 27 to introduce this new product in order to preempt the product introductions of our new competitors. As a result, sales started a bit slowly, which we predicted. However, they have steadily improved as 21st Century Life has made its way into the field.

Dai-ichi Life began selling our product on March 21, and we are already seeing sales benefit as a result of the alliance. In April, Dai-ichi sold 24,400 AFLAC cancer life policies, representing approximately ¥1 billion in new annualized premium. With our strong distribution system, including the addition of more than 50,000 Dai-ichi Life agents, we believe that we will achieve our sales objective of a 15% increase for the year.

I do want to point out that AFLAC Japan's alliance with Dai-ichi Mutual Life is not entirely immune to the issues I discussed earlier. In fact, as I have stated before, we believe Dai-ichi's sales will be stronger initially and then will level off. However, Dai-ichi Life has told us that its approach is to have more constant sales for a longer period of time than its competitors. So, I predict Dai-ichi will produce double our original estimate for nine months of 2001, writing close to $100 million. In 2002, I estimate Dai-ichi will write $100 million for the full year, which would be outstanding. I believe this because Dai-ichi is selling the best product at the best price and receiving the highest commissions.

The reason we can offer the best product at the best price and pay the highest commissions is directly related to our operating efficiency. And again, that's largely a matter of focus. Early on we developed administrative systems and work processes that were designed to support a high volume, low premium business. We also built our business to support very high service levels to our agencies, policyholders, and claimants. Those efforts have clearly paid off. As you will find in the presentations in this book, our general expenses per policy are lower than any other insurer in Japan, and we pay claims quicker than any other company.

Our efficiency has served us well in Japan, especially in light of the many insurance company failures over the last four years. The policyholder protection fund has generated a great deal of discussion since it was first put into place. I have to commend the policymakers in Japan for the bankruptcy legislation they enacted last year. The new law has enabled troubled companies to seek protection from their creditors, lower their assumed interest rates, and secure financial assistance from sponsors, all without tapping into the policyholder protection fund. As such, it has proven to be an effective tool for rehabilitating the weakest companies in Japan's life insurance industry. And in turn, I believe it has also lessened the likelihood of additional assessments to the protection fund. In addition, we are excited about the introduction of a new accident policy in July.

We remain very excited about the opportunities to grow our business in Japan. Now, AFLAC insures one out of four households in Japan. From our perspective, that means we have three out of four left to sell! We are the not only largest foreign insurer in Japan in terms of profits, we make more money in Japan than all but two foreign companies. We believe with hard work it is just a matter of time before we become the most profitable foreign company in Japan.

Turning to our operations in the United States, I have to tell you that we are thrilled with the growth we have produced over the last several years. Following last year's record results, one challenge we faced was to extend our sales momentum into 2001. We believe our first quarter results indicate the kind of year we expect. So far, we haven't just extended our momentum, we've improved on it.

Our tremendous sales growth has attracted a lot of attention. And when you compare our sales and operating results to those companies we compete with in the United States, I think one key difference is again, focus. As you will read in the presentations in this book, we compete with many large insurers in this market. However, for most of the other companies that sell supplemental insurance, it represents a secondary business. For AFLAC U.S., supplemental insurance is our only business.

One of the things I am particularly proud of is our ability to expand our product line, while still retaining our focus on the supplemental insurance market. When we initiated our product broadening strategy in the mid-80s, we dramatically increased the potential of our business. With our fortunes no longer tied to basically one product that appealed to one age group, we became much better positioned to grow our U.S. business. The results of our product broadening strategy speak to its success. For the seventh consecutive year, accident/disability was our best selling product. And in June 2000, it became our number one product category in terms of in-force premium. That's a significant accomplishment when you consider that we have sold cancer insurance for about 45 years, but we have sold accident insurance only since 1990.

I believe another aspect that sets us apart from some other insurers is that we look at ourselves as a marketing company, not a financial institution. Just like AFLAC Japan, we've built our operations by selling more – not by charging more for what we sell. It's that marketing mentality that has allowed us to grow our business so effectively. That way of thinking is probably best illustrated through our advertising program.

It's hard to believe the AFLAC duck commercial was only introduced last year and already it has become a pop icon. Our name has been mentioned, or quacked, by Dennis Miller on Monday Night Football, Charles Gibson on Good Morning America and repeatedly in Bill Cosby's comedy routine, just to name a few. The AFLAC duck has also found its way into nationally syndicated cartoons that have appeared in major newspapers across the country. As a result of the campaign, we have been featured on CNBC, CNN and CNNfn. In addition, *USA TODAY* rated the duck commercial as the number two commercial for 2000, and it tested higher than that of any financial institution commercial that the newspaper had ever tested. Also, the *Wall Street Journal* named the AFLAC duck campaign as one of the top 10 campaigns of 2000.

We believe advertising has had a tremendous impact on the growth of our sales. In fact, our sales have more than doubled in the last four years. It has also benefited the expansion of our sales force. We know it is crucial for us to recruit and retain productive salespeople in order to further penetrate the small business market. We have done that. Last year, recruiting was up 22% and for the first quarter of this year, we recruited 21% more associates than a year ago. Since the end of 1995, the number of associates producing business for us every month has more than doubled.

I believe another reason for our success is that we have worked very hard to ensure that our products represent the best supplemental insurance value in the U.S. market. In order to achieve that, you have to be the low-cost producer. Tools like SmartApp have been instrumental in helping us improve the efficiency of our operations. As you will read in Aki Kan's presentation, we must continue to improve employee productivity so that we can efficiently administer a rapidly growing block of business. In this area, I believe technology, as well as our experience in Japan, will help us accomplish our objectives.

All in all, we are enthusiastic about our potential in the U.S. market. Our focus on supplemental insurance, and our efforts at broadening our product line and expand our distribution system, have left us in a great position to tap into what we believe is an under-penetrated market. As I have said before, we have raised our sales target from 12% to 15% to a 15 to 20% sales increase this year. After seeing April's numbers, I now believe we will achieve a 20% increase for the year.

Overall, I am very pleased with the performance of our operations in Japan and the United States. These two countries are not only the largest insurance markets in the world, we believe they are also the best markets for supplemental insurance. Together they hold great potential for us, which is why we have not moved back into other foreign markets. We have also not been active in acquisitions. Although we have looked at many potential acquisition candidates over the years, we have not found one that made sense. What has made sense is taking advantage of low interest rates in Japan to repurchase our own shares. And frankly, we are convinced that by continuing to be the low-cost producer and offering the best products in the industry, we can maintain our leadership in the market, while also meeting our earnings objectives.

As we have previously stated, we expect to increase earnings per share at the high end of our 15% to 17% range in 2001, excluding the impact of foreign currency translation. We also believe that we will achieve a 15% to 17% increase in operating earnings per share in 2002. Based on the fundamental strength of our business, our outlook for growth in the United States and Japan, and our ability to repurchase shares, we are extending that 15% to 17% range to 2003 as well.

At this point, I can't tell you where we might fall within the 15% to 17% range for either 2002 or 2003. As you may recall, we have typically tied down our specific earnings performance objective following our year-end release. That way, the target that we communicate to you is also reflected in the management incentive plan that affects all corporate, AFLAC U.S. and AFLAC Japan company officers.

I'm proud that in every year since 1990, when I became CEO, we have achieved at least 15% growth in operating earnings per share, excluding the yen. In some years, it's been higher, but never lower. But understand, there's nothing magical about the 15% number. It didn't represent an arbitrary target. Instead, that's what our business has been capable of producing. And I must tell you that for a company the size of AFLAC, it's not as easy as it used to be to grow at that rate. However, I believe our objectives are reasonable. I believe they reflect our potential. And most importantly, I believe they are achievable.

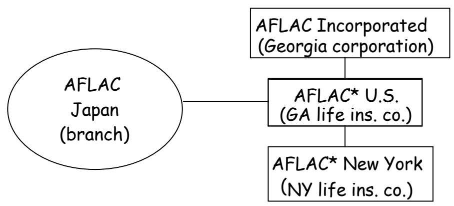
Some of you attended our analyst meeting in 1995 when I mentioned a book I had read and distributed to our officer group, called "The Discipline of Market Leaders." The subtitle of that book reflects our competitive philosophy. It says "Choose your customers, narrow your focus and dominate your market." That's exactly what we have done. It was true six years ago, and it is still true today. By staying focused on what we do best, we should be able to continue to increase earnings at a rapid and consistent rate, while maintaining a low risk profile. And I believe that is the best way to build value for our shareholders.

AFLAC Incorporated Overview

Kriss Cloninger
President; Chief Financial Officer

I'd like to discuss AFLAC Incorporated, looking in particular at such issues as our capital structure.

AFLAC's Principal Operating Units



*American Family Life Assurance Company of Columbus

You may have seen the other presentations in this book on our two major operating units: AFLAC U.S., which includes our New York subsidiary, and AFLAC Japan. This organization has implications for the regulatory environment.

The Regulatory Environment

AFLAC U.S.
- Georgia Insurance Dept.

AFLAC New York
- New York Insurance Dept.

AFLAC Japan
- Japanese Financial Services Agency (FSA)
- Georgia Insurance Dept.

The capital structure of our operating companies is regulated by the officials of the jurisdictions in which we operate. The Georgia insurance department has regulatory authority over the financial affairs of American Family Life Assurance Company of Columbus (AFLAC). AFLAC owns AFLAC New York, which is subject to the insurance laws of the state of New York, where it is domiciled.

Because AFLAC Japan is a branch of AFLAC, it is regulated by Japanese authorities as well as by the Georgia insurance department. The principal regulatory requirements for AFLAC Japan are set by the Financial Services Agency (FSA). However, the various insurance laws and regulations promulgated by the state of Georgia also apply to AFLAC's Japanese operations. The regulatory rules address matters related to operations and marketing as well as investments and minimum capital levels. The capital levels of our operating units are influenced by our desire to maintain satisfactory risk-based capital ratios on the basis of the formula prescribed by the National Association of Insurance Commissioners.

Capital Adequacy Ratios

(In Millions, Except Ratios)

	1998	1999	2000
Total adjusted capital	$1,796	$1,782	$1,872
RBC ratios:			
AFLAC	323%	367%	362%
AFLAC New York	393	373	296
Solvency margin	712	701	1,123*

* Preliminary

The risk-based capital formula applies to AFLAC on a consolidated basis for AFLAC U.S. and AFLAC Japan. AFLAC New York has to meet its own risk-based capital requirements on a stand-alone basis since it is a subsidiary of AFLAC U.S.

The consolidated risk-based capital ratio in 2000 was little changed from that in 1999. Our RBC ratios are on the high side compared with the industry's, supporting our contention that AFLAC has a strong balance sheet. We also keep most of our capital at the life company level rather than the holding company level because we have no problems dividending up funds necessary to support parent company cash requirements.

AFLAC Japan has to meet the solvency margin requirements of the Japanese FSA. The solvency margin is similar to the risk-based capital concept, although the specific formula is still evolving. Japan's regulators revised the computation method for the solvency margin in 1997, which basically lowered the margin for the industry. The formula was revised again this year, which will depress margins for the industry. Our solvency margin has held up very well, in part because we have virtually no equity risk in our investment portfolio. AFLAC Japan's solvency margin is well in excess of the required levels. Based on preliminary data, we believe we will see significant improvement in the solvency margin for the year ended March 31, 2001.

AFLAC's Ratings

Insurance Ratings:
- A.M. Best Co. - A+
- Standard & Poor's - AA
- Duff & Phelps - AA
- Moody's - Aa3

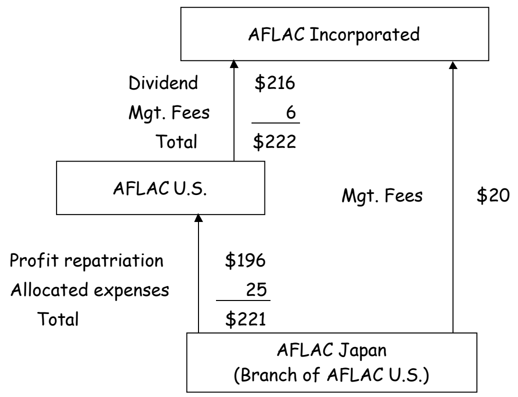
Debt Ratings:
- Standard & Poor's - A
- Moody's - A2
- Duff & Phelps - A

The financial strength ratings of our insurance operations reflect our strong capital position and consistent profitability. These ratings are among the highest that the respective rating agencies assign, and maintaining these ratios is a priority for us. This is especially true in Japan.

We believe that our financial strength is an advantage in Japan's deregulated market. As you can see on the chart at the bottom of the previous page, we also have good debt ratings, which we secured in connection with the issuance of senior notes, and which were recently affirmed with the issuance of our Samurai bonds.

2001 Estimated Flow of Funds

(In Millions)



The chart above shows the estimated flow of funds from our operating units to the parent company. Our 2001 plan calls for AFLAC Japan to send $221 million to AFLAC U.S. The largest capital flow is profit repatriation, which is determined using FSA earnings. We estimate that profit repatriation will be about $196 million this year. Our plan is that we will basically remit only what is required for debt service and a portion of the shareholder dividend, which is similar to what we did in 2000. AFLAC Japan will also remit $25 million for allocated expenses to AFLAC U.S. and $20 million of management fees directly to AFLAC Incorporated. AFLAC U.S. will send $222 million to the parent company, including $216 million in dividends and $6 million in management fees.

AFLAC Incorporated Liquidity Analysis

(In Millions)

	1999 Actual	2000 Actual	2001 Plan
Max. dividend to parent	$213	$333	$216
Management fees	26	25	26
Other income	15	10	14
Less: Oper. expenses	(47)	(40)	(37)
Less: Int. expense	(15)	(15)	(20)
Less: Loan repayment	(89)	(162)	(120)
Less: Shareholder div.	(72)	(82)	(95)
Uncommitted cash flow	$ 31	$ 69	$ 16

Let me show you how AFLAC Incorporated uses these funds. The chart above shows the amount of uncommitted cash flow AFLAC Incorporated had in 1999 and 2000, and our plan for this year. The starting point is the maximum dividend from AFLAC to AFLAC Incorporated. The maximum amount we can pay in any year is the larger of the net gain from operations for the past year on a statutory basis or 10% of the prior year statutory surplus. This year we anticipate sending to the parent company the maximum amount, which equals our 2000 statutory earnings. Statutory earnings were held down last year by our obligation to the policyholder protection fund in Japan as well as by a significant increase in taxes. The increase in taxes arose from a reversal of a currency devaluation loss, thereby unwinding a tax deduction. Neither of these two items should impact 2001 statutory earnings.

As I noted earlier, AFLAC Incorporated receives management fees from its operating entities. In addition to the items in this chart, AFLAC Incorporated also has some miscellaneous sources of cash, including the exercise of stock options and shares issued through the dividend reinvestment plan. Those items are included in the "other" line. AFLAC Incorporated uses these funds to pay operating expenses, interest expenses primarily associated with the debt financing of the stock repurchase program, principal payments on that debt, and dividends to shareholders.

Our 2001 plan calls for an uncommitted cash flow of roughly $16 million. I should point out that we still have approximately $90 million in proceeds from the Samurai bonds we issued last fall. Those proceeds, which are held at the parent company level, generate investment income that is largely tax-sheltered since the income can be offset by our noninsurance losses, which are primarily corporate expenses.

Next, let me turn to the general capital structure of AFLAC Incorporated.

AFLAC Incorporated Capitalization

(In Millions)

	1999	2000	3/01
Total long-term debt	$1,018	$1,079	$1,035
Shareholders' equity*	2,836	3,220	3,239
Total cap.	$3,854	$4,299	$4,274
Debt to total capitalization	26.4%	25.1%	24.2%

*Excludes unrealized gains on investment securities and derivatives

Total debt amounted to $1.1 billion at year-end and $1 billion at the end of the first quarter of this year. Since our debt is primarily yen-denominated, the debt balance decreased by about $44 million from the end of December to the end of March because of the 7.4% weakening in the period-ending exchange rates. Total shareholders' equity excluding unrealized investment gains was $3.2 billion at March 31, 2001.

We analyze total capitalization excluding unrealized gains but including long-term debt. Looking at the ratios of debt to total capitalization on that basis, we stood at 26.4% in 1999. The ratio declined to about 25% at the end of last year partly due to a weakening of the year-end exchange rate, and it declined further at the end of the quarter. Our objective is to maintain the debt-to-total-capital ratio in the area of 25%.

As you have heard us say before, we do not hedge our income statement. However, once earnings are reflected in shareholders' equity, they are largely hedged against currency changes. We have hedged a portion of our retained earnings by investing in dollar securities rather than in yen. We have further decreased the amount of our equity that is maintained in yen with yen-denominated debt.

Yen-Hedged Net-Asset Position*

	2000	3/01
In Yen (billions):		
AFLAC Japan net assets	¥418.6	¥ 510.0
Less $ denom. net assets	225.9	251.0
¥ Denom. net assets in Japan	192.7	259.0
¥ Denom. net liabilities (parent)	(124.7)	(125.0)
Consol. ¥ denom. net assets	¥ 68.0	¥ 134.0
In Dollars (millions):		
AFLAC Japan net assets	$3,648	$ 4,117
Less $ denom. net assets	1,969	2,027
¥ Denom. net assets in Japan	1,679	2,090
¥ Denom. net liabilities (parent)	(1,087)	(1009)
Consol. ¥ denom. net assets	$ 592	$ 1,081

*Includes unrealized gains on investment securities

Our net yen position on a consolidated basis has increased between December 31, 1999, and March 31, 2001, due in part to strong first-quarter earnings. In addition, interest rates declined, resulting in a significant increase in the value of our yen-denominated fixed maturity securities. Our investments in dollar-denominated securities have not increased much. The debt balances in yen were little changed from year-end, resulting in about ¥134 billion, or $1 billion, of net assets at the end of the first quarter. Although we can hedge that amount with additional yen-denominated debt or dollar-denominated investments, we are cautious about how much of the unrealized gains on investment securities we hedge.

Borrowing funds in yen reduces the impact of foreign currency fluctuations on shareholders' equity and allows us at relatively low cost to continue our share repurchase program on an orderly basis. Since yen-denominated borrowings act as our primary hedging vehicle, let me show you a little more detail.

Parent Company Yen-Denominated Borrowings

(Yen in Billions, Dollars in Millions)

	Outstanding Principal				Total	
	At Fixed Interest*		At Variable Interest		Yen	Dollars
1997	¥ 64.8	$498	¥ —	$ —	¥ 64.8	$ 498
1998	49.6	428	17.3	150	66.9	578
1999	85.0	830	17.3	169	102.3	999
2000	100.6	877	19.7	171	120.3	1,048
3/01	104.7	846	19.7	158	124.4	1,004

*Fixed rates after interest rate swaps

AFLAC Incorporated's borrowings of ¥124.4 billion at March 31, 2001, included ¥19.7 billion at variable interest rates, averaging .72% and ¥104.7 billion at fixed rates, averaging 1.74% after interest rate swaps. Our borrowings come from three sources. The first source is our traditional revolving credit arrangements that totaled ¥38.7 billion at year-end and as of March 31, 2001.

The second source is the $450 million of senior notes we issued in 1999. These notes carry a 6.50% coupon, payable semiannually, and are due in April 2009. We have entered into cross-currency swaps that have the effect of converting the dollar-denominated principal and interest into yen-denominated obligations. At March 31, 2001, the outstanding principal was ¥55.4 billion at a fixed interest rate of 1.67%. The increase in the balance of our yen-denominated borrowings from year-end 2000 to March 31 reflects the impact of the weaker yen on these senior notes.

The third source of our debt is in the Samurai area. Last October we issued ¥30 billion of Samurai bonds under a previously filed shelf registration of ¥100 billion. These securities carry a fixed rate of interest of 1.55% and are due October 2005. I should point out here that all of our debt obligations are yen-denominated. However, under SFAS No. 133, the accounting treatment is different for dollar-denominated debt that is swapped into yen than it is for straight yen-denominated debt, even though the economics are the same. Under the new accounting standard, the changes in the fair value of the interest-rate components of the cross-currency swaps are reflected in net earnings. The change in the fair value of these swaps increased net earnings by $2.7 million in the first quarter. We have excluded the impact of SFAS 133 from operating earnings.

Parent Company Loan Maturities

(March 31, 2001)

Contractual Maturities	Percent	Amount (Millions)
2001	10.4%	$ 104
2002	20.8	208
2005	24.1	242
2009	44.7	450
Total outstanding	100.0%	$1,004

The contractual maturities of the borrowings outstanding at March 31, 2001, are shown on the chart above. One of the loans requires annual principal payments through July 2001, and the other loan is due in November 2002. Excluded here are capitalized leases at AFLAC Japan amounting to about $31 million at the end of March. The largest single loan maturity is from the 10-year notes we issued in 1999. Most of our yen-denominated debt has been used to finance our treasury share purchases.

Share Data

(In Thousands)

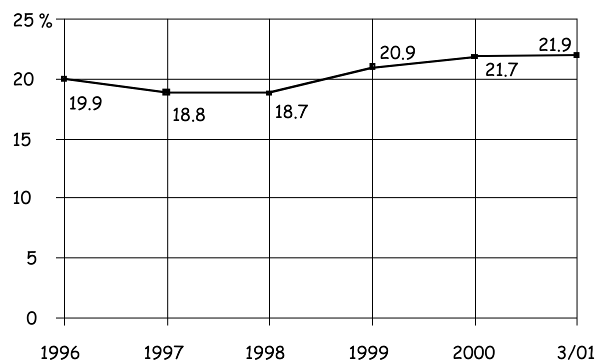
	Beginning Shares	Issued Shares	Purchased Shares	Ending Shares
1996	567,897	7,901	24,258	551,540
1997	551,540	7,586	26,254	532,872
1998	532,872	6,532	8,036	531,368
1999	531,368	9,122	9,008	531,482
2000	531,482	7,654	9,926	529,210
3/01	529,210	1,584	5,552	525,242

Adjusted to reflect two-for-one stock split paid on March 16, 2001

We initiated our share repurchase program in the first quarter of 1994. From 1994 through 1997, we were particularly active in buying our shares as we changed our capitalization mix by increasing the debt on our balance sheet. When we achieved our preferred debt-to-capital ratio, we slowed our purchases to about 2 million shares a quarter. Our objective for 2001 is to purchase approximately 12 million shares on a split-adjusted basis. During the first quarter of this year, we purchased approximately 5.4 million shares, and 165,000 shares were turned in for option exercises. At March 31, 2001, we had approximately 11 million shares available for purchase, and we held 120.4 million shares in the treasury at a cost of $1.4 billion.

You'll note that we have been issuing new shares and reissuing treasury shares. Those reissues support the AFLAC U.S. Stock Bonus Plan for sales associates, the dividend reinvestment plan and our stock option plans. At the time of exercise, most option recipients sell a portion of their option grant in what is referred to as a "same-day sale" to pay for the cost of the option and to provide for the related tax liability. In addition, executives periodically balance their holdings as they prepare for retirement. However, please remember that our entire officer group, including those in Japan, is subject to minimum share ownership requirements.

Operating Return On Average Shareholders' Equity



Our unique business mix and our approach to managing our balance sheet have an influence on the return-on-equity results we report. Our reported earnings fluctuate with the yen/dollar exchange rate, but since our average equity is primarily dollar-denominated, it does not fluctuate as the exchange rate changes. Accordingly, our operating return on equity will tend to decrease when the yen is weakening against the dollar and increase as the yen strengthens against the dollar.

AFLAC has historically produced strong returns on equity. Over the last five years, the average operating return on equity was 20.0%, and we expect it to stay in the 18% to 20% range. However, we do not manage our operations based on returns on equity at the business unit level. This is because they are significantly influenced by the amount of capital we choose to leave in those operations. For instance, when we remit a significant portion of AFLAC Japan's earnings to the United States, the returns on AFLAC Japan's business increase simply because we are decreasing the capital position of AFLAC Japan. Conversely, when we choose not to repatriate a portion of the funds we are eligible to remit, AFLAC Japan's reported ROE declines. The margins as a percent of revenue for AFLAC Japan and AFLAC U.S. are very comparable, so it would be misleading to conclude that the profitability of AFLAC Japan is higher than that of AFLAC U.S. because it has a higher return on equity.

Let me briefly review AFLAC's consolidated operating results. As you know, our net earnings have been affected by some unusual items in the last two years.

Reconciliation of Net to Operating Earnings Per Diluted Share

	1999	2000	3/00	3/01
Net earnings	$1.04	$1.26	$.29	$.33
Less: Tax rate change	.12	—	—	—
Protection fund	(.07)	—	—	—
Release of liability	—	.18	—	—
Inv. gains (losses)	(.01)	(.12)	—	—
Operating earnings	$1.00	$1.20	$.29	$.33

Adjusted to reflect two-for-one stock split paid on March 16, 2001

One nonoperating item was the release of deferred tax liabilities in the first quarter of 1999. That benefit resulted from a reduction in Japan's corporate tax rate. Another non-operating item in 1999 was a fourth-quarter charge related to our estimated obligation to Japan's policyholder protection fund. In the second quarter of 2000, we benefited from the termination of a retirement liability. Also in the second quarter, we incurred investment losses resulting from the impairment of one security and the sale of another at a significant loss.

Consolidated Operating Results

(In Millions, Except Per-Share Data)

			% Change	
	1999	2000	As reported	Ex. yen
Premium inc.	$7,264	$8,239	13.4%	8.5%
Invest. inc.	1,369	1,550	13.2	9.6
Other	20	33		
Total rev.	8,653	9,822	13.5	8.8
Benefits/claims	5,885	6,618	12.4	7.3
Expenses	1,912	2,191	14.6	10.3
Pretax earn.	856	1,013	18.3	15.5
Income taxes	306	356	16.4	13.7
Oper. earn.	$ 550	$ 657	19.4%	16.5%
Oper. EPS	$ 1.00	$ 1.20	20.0%	18.0%

Adjusted to reflect two-for-one stock split paid on March 16, 2001

Here you can see our annual consolidated results on an operating basis for the last two years. The third column shows the reported percentage changes during 2000 for these income statement items. The rapid rates of growth in 2000 reflect the benefit from the stronger yen last year.

The right-hand column in this chart shows percentage changes for 2000, excluding the impact of foreign currency translation. For instance, without the effect of the 5.7% strengthening of the yen in 2000, operating earnings were up 16.5%, and operating earnings per share increased 18.0%. Operating earnings per share, excluding the yen's impact, were $1.18 in 2000, compared with reported EPS of $1 per share in 1999.

Consolidated Operating Results

(In Millions, Except Per-Share Data)

	3/00	3/01	% Change As reported	% Change Ex. yen
Premium inc.	$2,020	$2,029	.5%	8.6%
Invest. inc.	376	382	1.5	7.4
Other	4	8		
Total revenue	2,400	2,419	.8	8.5
Benefits/claims	1,620	1,606	(.9)	7.6
Expenses	534	540	1.0	7.8
Pretax earn.	246	273	11.0	16.0
Income taxes	87	96	10.4	15.9
Oper. earn.	$ 159	$ 177	11.4%	16.1%
Oper. EPS	$ .29	$ .33	13.8%	17.2%

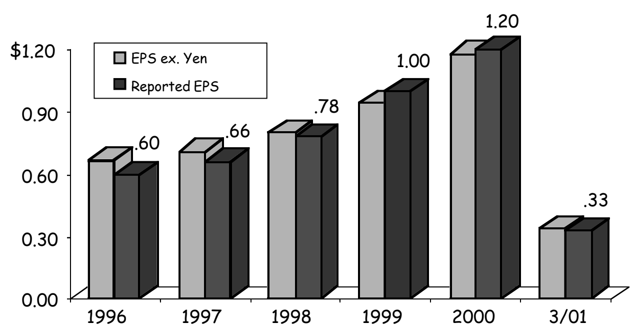
Adjusted to reflect two-for-one stock split paid on March 16, 2001

In the first quarter of 2001, the weaker average yen/dollar exchange rate suppressed our reported results. Operating earnings, which rose 16.1% excluding the impact of the yen, were up 11.4% as reported in our financial statements. Operating earnings per share increased 17.2% before currency translation, compared with 13.8% as reported.

We have consistently achieved or surpassed the earnings per share objectives we have set since 1990. However, currency changes have distorted our growth rates in operating earnings per share.

Operating Earnings Per Share

(Diluted Basis)



	1996	1997	1998	1999	2000	3/01
Yen impact	$(.07)	(.05)	(.02)	.06	.02	(.01)
% inc. ex. ¥	15.5	18.3	21.2	20.5	18.0	17.2

Adjusted to reflect two-for-one stock split paid on March 16, 2001

At the bottom of this chart, you'll see the per-share impact from the changes in average yen/dollar exchange rates for the reporting year. You'll also note that our smallest rate of change in operating earnings per share, excluding currency fluctuations, was 15.5% in 1996. Following a period of a stronger yen from 1992 through 1995, the yen steadily weakened from 1996 through 1998. However, the yen was significantly stronger in 1999 compared with 1998, and it strengthened further in 2000, which resulted in a modest benefit to per-share earnings. As I mentioned earlier, the weaker yen penalized our results in the first quarter of this year.

You'll recall that our target for growth this year is to increase operating earnings per share by 15% to 17%, before the effect of currency translation. We anticipate achieving the high end of that, and the following chart shows various results on operating EPS in 2001, when the estimated impact from changes in the yen/dollar exchange rates is included.

2001 Annual EPS Scenarios

Average Exchange Rate	Annual EPS	% Growth Over 2000	Yen Impact
105	$1.42	18.3%	$.02
107.83*	**1.40**	**16.7**	**—**
110	1.39	15.8	(.01)
115	1.36	13.3	(.04)
120	1.33	10.8	(.07)
125	1.30	8.3	(.10)

*Actual 2000 exchange rate
Adjusted to reflect two-for-one stock split paid on March 16, 2001

The highlighted line represents an increase in operating EPS of 16.7% if the average exchange rate for the year is the same as it was in 2000. Under that scenario, we would expect to earn $1.40 in 2001. The other lines show how the $1.40 EPS target would be impacted at different currency averages during this year, together with the rates of growth as reported in dollars and the resulting per-share impact from the yen on EPS. With our anticipated mix of earnings between dollar and yen sources this year, we expect that a change of one yen in the average exchange rate for the year should equate to approximately $.005 per share. For the first quarter of 2001, the actual average yen exchange rate was 118.14, compared with 107.13 in the first quarter of 2000.

AFLAC's Earnings Per Share Objectives for 2001 Through 2003

Increase operating earnings per share
15% to 17% excluding the impact
of currency translation

We continue to focus on maintaining strong fundamentals in our core businesses in the world's two best insurance markets and building on our record of strong earnings growth. Every year since Dan became CEO in 1990, we have successfully achieved our earnings objective, and we believe this year will be no exception. Our goal has been to increase operating earnings per share 15% to 17%, excluding the yen, for 2001 and 2002. As you know, we have extended that objective into 2003 as well. I hope you understand why we are excited about the opportunities we see for continued growth and are optimistic that we will achieve each of our objectives.

I hope this presentation gives you a good idea of where our money comes from and what we do with it. AFLAC's unique positioning in the United States and Japan makes for a fairly complicated regulatory and financial environment in which to operate. However, I believe we do an exceptional job of making the most of the financial opportunities available to us in each of these markets. Our overriding goal – in our operational and financial management – is always the good of the total company, which ultimately translates to the best interests of our shareholders.

AFLAC Market Performance

Kenneth S. Janke Jr.
Senior Vice President, Investor Relations

The performance of AFLAC's shares over the long run has been impressive. Investors who purchased 100 shares in 1955 when AFLAC was founded paid $1,110. As a result of 28 stock dividends or splits, those 100 shares had grown to 187,800 shares valued at $6.0 million at the end of April 2001. In addition, those early investors would receive approximately $37,500 in annual dividends in 2001 based on the current quarterly dividend rate of $.05 per share. That's 33 times the original acquisition price of those 100 original shares.

Stock Dividend and Split History

Payable	Action	Accrued Shares
—	—	100
5/20/57	6 for 5	120
6/01/60	8 for 5	192
6/01/62	2 for 1	384
6/01/63	5%	403
10/01/63	5%	423
7/01/64	5%	444
1/05/65	5%	466
10/01/65	5%	489
3/01/66	10%	537
6/01/67	15%	617
5/15/68	15%	709
1/31/69	40%	992
2/16/70	20%	1,190
5/28/71	10%	1,309
7/20/72	20%	1,570
8/21/73*	2 for 1	3,140
10/15/76	5 for 4	3,925
3/15/78	10%	4,317
9/01/79	10%	4,748
12/15/83	20%	5,697
12/01/84	10%	6,266
6/03/85	3 for 2	9,399
3/01/86	4 for 3	12,532
2/02/87	2 for 1	25,064
6/15/93	5 for 4	31,330
3/18/96	3 for 2	46,995
6/08/98	2 for 1	93,990
3/16/01	2 for 1	187,980

*Reorganizational exchange: holding company formed and listed on NYSE

Market Performance

Early in 2000, the combination of rising interest rates and investor focus on technology stocks resulted in a difficult first quarter for the market performance of insurance stocks. However, after the sector bottomed out during March, as measured by the Standard & Poor's Life Index, the group's performance steadily improved.

By the end of 2000, the S&P Life Index, which includes AFLAC, had risen 11.5%, compared with a 6.2% drop in the Dow Jones Industrial Average and a 10.1% decline in the Standard & Poor's 500 Index. By comparison, AFLAC's shares outperformed the insurance sector as well as broader market indices. During the year, AFLAC reached an all-time high of $37.47 and closed the year at $36.10, which was a 53.0% increase compared with our 1999 closing price of $23.60.

For the first four months of 2001, AFLAC's shares lagged the market averages. Through April 30, 2001, our shares had declined 11.9% from our year-end closing price. By comparison, the S&P 500 had dropped 5.4% during the same period, and the S&P Life Insurance Index was down 3.6%.

AFLAC's relative market performance has been impressive over the long term. Our shares have outperformed the S&P 500 Index in 20 of the 26 years that we have been listed on the New York Stock Exchange. Including reinvested cash dividends, AFLAC's total return to shareholders was 53.9% in 2000. AFLAC's total return has compounded at 38.9% annually over the last five years and 31.8% during the past 10 years.

A Broad Ownership Base

Approximately 143,400 investors owned AFLAC shares at the end of 2000. Our shareholder base has had a fairly consistent mix over the last few years. About half of our shares are held by institutional investors, while the remaining shares are held by individual investors. Directors, employees and agents owned approximately 7% of the company's shares at the end of 2000. According to the National Association of Investors Corporation (NAIC), AFLAC was again the most popular stock among its 552,000 members in terms of number of shares held and the market value of those shares. NAIC members owned approximately 18 million shares of AFLAC, exceeding $1 billion in market value at year-end 2000.

New Technology and Better Service for Shareholders

AFLAC added a new service in 2000 called *af*linc, which allows shareholders secure Internet access to their investment accounts. *af*linc allows shareholders to view account balances, complete investment transactions, change home and e-mail addresses, and view, download, and print dividend-related tax forms. Shareholders can also elect electronic delivery of certain documents such as reinvestment statements, proxy statements, annual and quarterly reports. This feature helps AFLAC reduce printing costs and allows shareholders to access to these reports as soon as they are issued. To access accounts through *af*linc, shareholders need only to go to the investor relations page at aflac.com.

Section II
AFLAC Japan

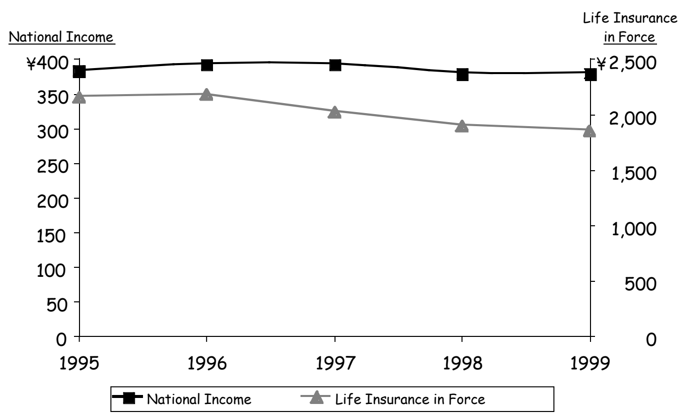
Overview of Japan's Life Insurance Industry

Yoshiki "Paul" Otake
Chairman, AFLAC Japan

Economic weakness continues in Japan and market conditions surrounding the Japanese life insurance industry are rapidly changing. These changes, which have been brought about by reforms of the financial and legal systems, have exposed life insurance companies to a number of risks. Although legal and regulatory progress has been made, financial institutions still face challenges.The slow economic recovery is also negatively affecting the life insurance industry.

National Income and Life Insurance in Force

(Yen in Trillions)



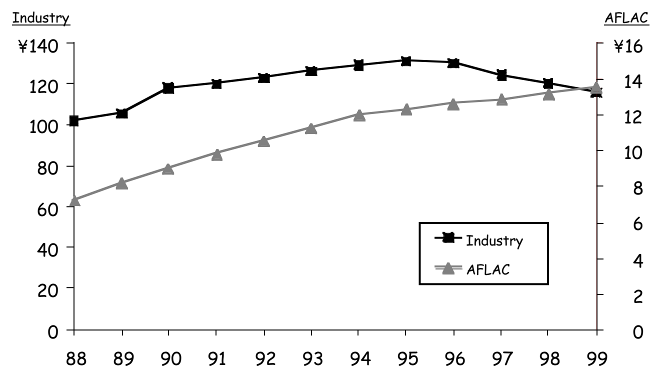
The performance of the Japanese life insurance industry as a whole has declined in recent years. For instance, sales of new individual policies declined industry-wide as did the face amount of those policies during the 1999 Japanese fiscal year ended March 2000. Also declining were the number of individual policies in force, the total face amount in force and total assets of these companies. By comparison, AFLAC's policy and earnings growth has continued at a strong rate.

While slow recovery is a common among all financial institutions, the issue of the negative spread is unique to the life insurance industry. Negative spread occurs when market interest rates are less than interest rates assumed in pricing premiums. In the prewar period until March 1976, the interest rate assumed in premium pricing industry-wide had been fixed at 4%. The root of the current problem can be traced back to November 1974 when the Postal Life Insurance System adopted a higher rate in its premium pricing and private insurance companies followed suit.

Japanese long-term interest rates declined rapidly in the years that followed. As a result of the ultra-low interest rate

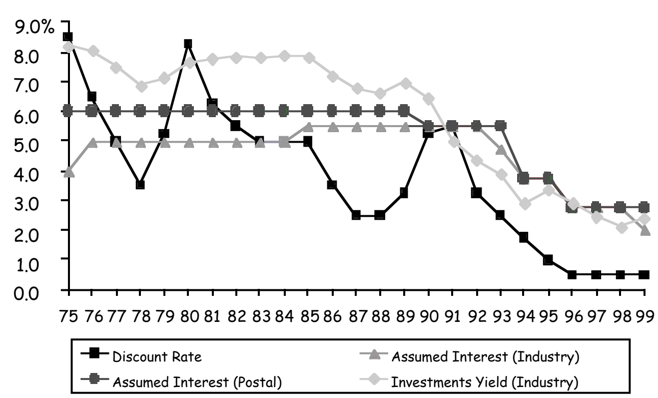
Individual Policies in Force

(Yen in Millions)



policy, life insurance companies have been burdened by the negative spread because they hold a portfolio of long-term policies. For the fiscal year ended March 2000, the negative spread for the life insurance industry as a whole amounted to ¥1.6 trillion. AFLAC Japan had a positive spread on an FSA basis during the same period.

Interest Rates and Investment Yields



On March 19, 2001, the Bank of Japan reversed its position and, in essence, reinstated its zero interest-rate policy. The rationale for this policy was that further easing of liquidity would help financial institutions solve their bad debt problems, which in turn would lead to sustained recovery of the Japanese economic systems. However, for the life insurance industry, the zero rate policy means a continuation of the negative spread. As a result, conditions are expected to worsen for some life insurance companies.

Legal Reforms

Legal reforms have been introduced in recent years to bolster consumer confidence in the industry and to provide for better consumer protection. Since April 1997, there have been seven bankruptcies in the life insurance industry. These bankruptcies have eroded confidence in the life insurance industry and prompted consumers to screen companies' financial health more carefully.

One of the legal reforms was an amendment to the "Insurance Business Law" and "Special Exemption Law Regarding Corporate Reorganization of Financial Institutions." Major features of these amendments include: simplification of the demutualization process in order to facilitate capital increases, corporate reorganizations, etc.; an amendment of the bankruptcy-related laws to facilitate the application of corporate reorganization procedures to mutual insurance companies; the application of pre-emptive corrective measures before insolvency; the legal arbitration of interests of related parties and the ability to maintain insurance coverage for policyholders.

The amendment also maintained limits to funding the Life Insurance Policyholder Protection Corporation (PPC) and introduced fiscal measures to reinforce its financial base to ensure its continued operation. The provision regarding the availability of government guarantees was amended to become a permanent provision; it was originally scheduled to expire on March 31, 2001. A new provision was also introduced to facilitate government subsidies in order to supplement or substitute private funding of the PPC. As a result, the limit of the PPC was raised to ¥960 billion, while the limit on the obligation of what insurance companies as a whole must contribute was set at ¥560 billion.

Legal reforms also included measures to increase consumer protection. Laws governing consumer contracts and the sale of financial products went into effect on April 1, 2001. The "Law Regarding Consumer Contracts" requires insurers to "provide necessary information to potential policyholders including consumer rights and obligations." Under "Law Regarding Sale of Financial Products," insurance companies are required to provide appropriate explanations to potential policyholders regarding "market risk," "credit risk" and "other risks."

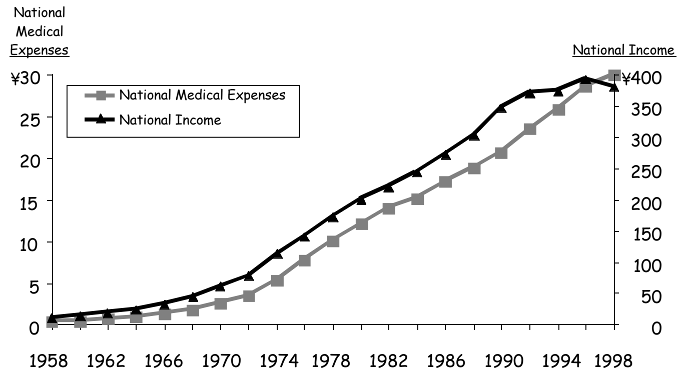
AFLAC Japan responded by strengthening our explanation of important elements of our contracts when selling our insurance products and publishing new "AFLAC Solicitation Guidelines."

Another element of legal reform was the creation of new audit examination guidelines. In 1998, the then Financial Supervisory Agency (now called the Financial Services Agency or FSA) published the "Introduction to the New Inspection System." This publication is an effort to improve the transparency of administrative guidelines backed by a set of stated rules.

For insurance companies, the FSA introduced the "Inspection Manual for Insurance Companies" in June 2000, which outlines the FSA's basic philosophy and specific points of emphasis at the time of an actual audit. The FSA expects each insurance company to prepare a detailed manual based on its size and the nature of its operation to ensure protection of policyholders. AFLAC Japan has taken appropriate measures to meet these requirements.

Medical Expenses and Income

(Yen in Trillions)



A serious issue facing Japan is the reform of its medical insurance system. National medical expenses exceeded ¥30 trillion in 1999, accounting for 8% of national income, and are increasing at a rate of about 9% annually. Cited as a main cause of this increase are medical expenses relating to elderly patients. The amount spent on an elderly patient is on average five times greater per person than the average amount spent on a younger patient.

The percentage of Japan's population age 65 and older increased from 4.94% in 1950 to 17.24% in 2000. And as more people live longer, their insurance needs change. Instead of using insurance to cover the risk of death or as a savings vehicle, many people need it to cover expenses associated with living longer.

The best way for Japan to meet the burdens that have resulted from a sluggish economy and aging population is for its health insurance system to be substantially privatized. In the future, consumers are going to have to purchase private insurance policies to maintain the coverage that was once available under the public insurance program.

A total of 20 foreign companies/groups have entered the Japanese insurance market since 1973. Currently, 17 actually have operating units in Japan. However, in Japan, where consumers are generally cautious when it comes to buying new financial products, it is nearly impossible to build a new brand overnight or to renew the brand image of a defunct institution.

On the other hand, AFLAC Japan has built a number of competitive advantages and has become one of the most successful foreign financial institutions in Japan. AFLAC's competitive advantages are derived from its strong sales channel, brand name, superior investment performance and financial strength. We believe it is difficult for other insurance companies to offer products of the same quality as AFLAC at the same price and with the same level of service.

We believe that our strong sales growth in a weak economy reaffirms our status as the leading supplemental insurance company in the Japan. With the changes in Japan's health insurance system, we expect the supplemental insurance market to continue to expand. I am convinced that AFLAC Japan will use its competitive advantages to sustain its current momentum.

Introduction to AFLAC Japan

Hidefumi Matsui
President, AFLAC Japan

As you know, deregulation of the third sector became effective on January 1, 2001. As a result, major life insurers and life insurance subsidiaries of casualty insurers have entered the market. I would like to present an overview of the third sector market, and talk about activities of the major players and how we are maintaining our superior position.

Unfortunately, data on the size of the third sector has not been released publicly since 1997. However, we estimate that third-sector products, excluding riders, represent about 5% of the premium for the individual life insurance market. On the nonlife side, third sector products like accident and care represent about 11% of premiums.

Due to fiscal budget constraints, patients are required to shoulder a greater percentage of their medical costs under the national health care system in the form of increased co-payments. Given the circumstances, there has been a growing need among consumers for medical insurance coverage provided from the private sector. Judging from this trend, we believe that the third sector continues to offer substantial growth potential.

Revision of National Health Care System

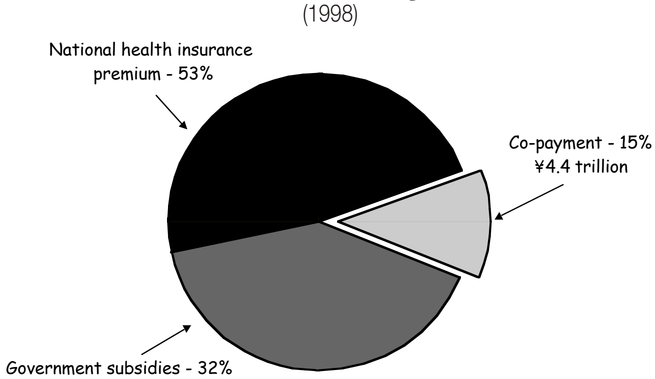
Revision			
1984	Co-pay for insured	0 →	10%
1997	Co-pay for insured Increased copay for medicine	10 →	20%
2001	Co-pay for elderly	Fixed →	10%

Copay as a % of National Medical Expenditures	
1983	10.8%
1985	12.0
1998	14.8

Through a series of revisions in the national health care system, co-payments as a percentage of national medical expenditures have increased. The latest revision resulted in a higher co-payment for the recipient of very expensive medical treatment. In addition, the co-payment increased for elderly patients when the national health care system was further revised in January of this year. The elderly currently account for one-third of the national medical costs. These developments suggest that the co-payment burden is likely to increase in the future.

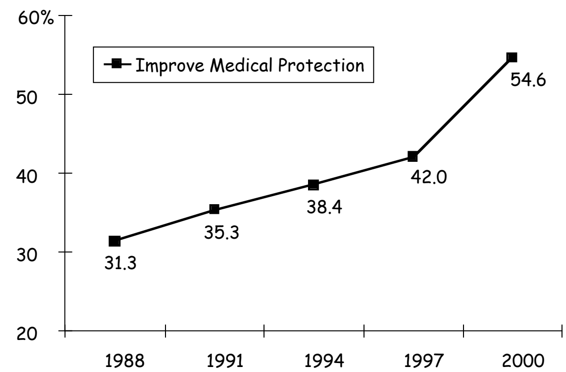
Medical Benefits Covered by Private Insurers

(1998)



In 1998, total co-payments of ¥4.4 trillion represented about 15% of national medical expenditures. During the same year, medical benefits paid out by private life insurance companies totaled almost ¥800 billion, accounting for only 18% of the total amount of co-payments for the year, which left consumers with tremendous financial burdens.

Reasons for Purchasing Insurance



Source: Japan Institute of Life Insurance, National Survey for Life Insurance, 12/00

Against this background, we note that the percentage of those who select "to improve medical protection" as a reason for their purchase of insurance has increased sharply from 35.3% in 1991 to nearly 55% last year.

Comparison of Cancer Policies

Benefits	Nippon Life	Tokio Anshin	AFLAC
First occurrence	×	×	×
Hospitalization	×	×	×
Surgery	×	×	×
Outpatient		×	×
C.I.S	×	×	×
New Benefits			
Advanced medical treatment			×
Special outpatient			×
Hospice care			×

As you may know, AFLAC Japan launched 21st Century Cancer Life at the end of last year as a major revision to our traditional cancer policy. Based on research into our customers' needs, we added three additional benefits to our new product that no other competitor offers. In addition, the premium for 21st Century Cancer Life is lower than our competitors' products. It's interesting that the cancer life policies that our competitors introduced in January seem to be designed to target our previous version, which means they are one product generation behind AFLAC's. 21st Century Cancer Life has already been well-received by our customers, and our agencies are confident that it will sell well.

We believe Nippon Life's sales of cancer insurance has trended down. Nippon Life cut the commission on its stand-alone cancer product and launched a new product in April, which will become its main product. In essence, it is a whole life medical policy packaged with cancer and has a death benefit rider. Cancer protection under Nippon Life's new product is limited to hospital, surgical and convalescence benefits, while the total amount of rider coverage such as death, is required to clear a threshold of ¥25 million. The product was designed in a way that the premium related to death coverage is greater than for cancer and medical coverage. As a result, the total premium for this product is higher compared with the premium for corresponding coverage offered by our cancer policy packaged with Rider MAX, or even a set of stand-alone cancer and medical policies.

Tokio Anshin, which is the life insurance subsidiary of Tokio Marine and Fire, recently raised the premium for its cancer and medical policies. And although Tokio Anshin initially copied the alternative commission package we introduced last year, it has since lowered its commissions on its whole life cancer policy by 10%.

Third Sector Activity of Major Life Insurers

Rank by Asset Size	Company	Third Sector Activity
1	Nippon	Stand alone cancer product
		Whole life medical package
2	Dai-ichi	AFLAC alliance
3	Sumitomo	Medical rider to whole life
4	Meiji	Medical rider to whole life
5	Asahi	Internet cancer product
		Whole life packaged medical policy

Let me show you how the other major life insurers have approached the cancer life market. In April, Sumitomo launched a savings-type whole life policy packaged with a medical rider. Meiji Life also offers medical insurance in the form of a rider option. Neither Sumitomo nor Meiji offers a stand-alone cancer policy. Asahi Life started selling cancer insurance as a stand-alone product in January, but it is offered only through the Internet. In April, it launched a new savings-type whole life policy packaged with cancer and medical policies.

In looking at new market entrants, we believe that Mr. Morita, president of Dai-ichi Life, stated it best when referring to the reason for his company's tie-up with AFLAC Japan. He said, "We have analyzed all the costs for new systems that are necessary to develop new products in the third sector and to administer them, and we compared it to the amount of expected income in order to determine whether or not such investment is justifiable. Based on our investigation, we decided to tie-up with AFLAC." We believe other companies that entered the third sector faced the same cost problem. In fact, an executive at a nonlife company told me he thought it was useless for his company to sell a cancer policy because the profitability is very low.

Competitors in the Cancer Insurance Market

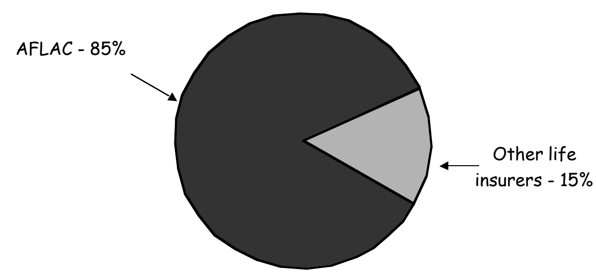
		Existing Insurers	New Entrants
Life insurer	Stand alone	14	3*
	Rider	5	
Subsidiary of non-life insurer	Stand alone		4**
	Rider	1**	1

* Includes Dai-ichi Life's alliance with AFLAC
** Tokio Anshin sold cancer insurance as a rider before Jan. 2001

Last year, there were 20 insurance companies selling cancer policies, including those that sold cancer riders. The number has increased to 28 so far this year, including Dai-ichi, as new players have come into the market due to the increasing demand for the third-sector products. As we expected, Nippon Life and Tokio Anshin were the most aggressive at the start of the year.

Nonlife insurers are expected to enter our market directly in July of this year. Because nonlife companies have faced severe competition recently in their core auto insurance market, we believe it is unlikely that they will make significant sales in a new market. While specific features of their new products are not yet known, we are confident of our competitive advantages based on attractive benefits and competitive pricing since we have specialized in this market for more than 25 years.

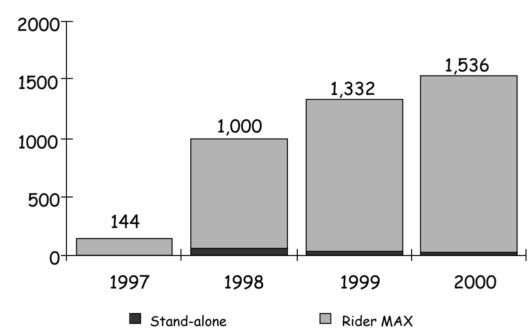
Market Share of Cancer Life
(In Force Basis)



Stand-alone policies only as of 12/00

You may remember that competition in the field of cancer insurance actually started in 1982 when the market was first opened. Within such a competitive environment, AFLAC Japan has successfully maintained its strong position with a market share of 85% or higher throughout the years.

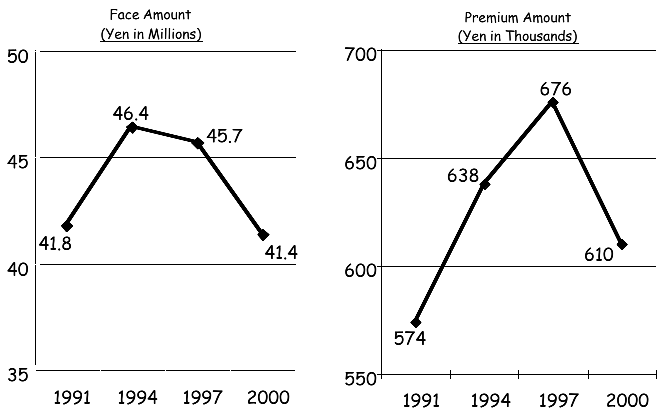
Medical Policy Sales
(Policies in Thousands)



We made a belated entry into the supplemental medical insurance market in 1985. However, we introduced Rider MAX in 1998, which became a driving force for our rapid sales expansion. As a result, AFLAC Japan has achieved the highest number of new policies sold since 1998, outperforming all other competitors in the field of medical insurance.

Now I would like to move on to recent consumer trends and AFLAC Japan's strength.

Change in Life Insurance by Household

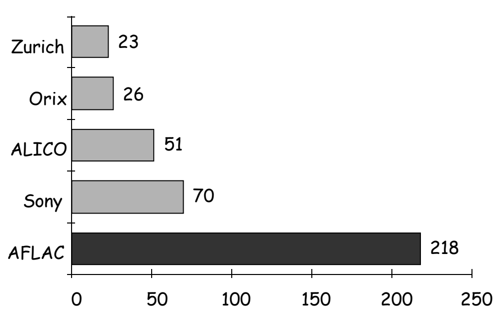


Source: Japan Institute of Life Insurance, National Survey for Life Insurance, 12/00

For the last several years, consumers have been reviewing their insurance benefits, especially with respect to death benefits. This trend and the weak economy have resulted in a decline of total death benefit amounts since 1994. The amount of premium per household is also trending downward. We believe this suggests that consumers are looking for lower premium products when they purchase new policies.

Survey on Competitive Premium Pricing

"Which company's premium is the lowest?"

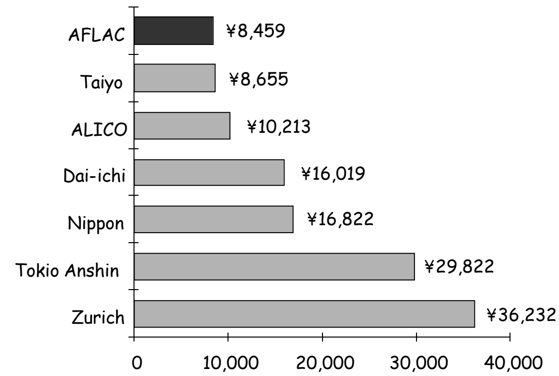


Survey by Nikkei Kinyu, 12/00

As the chart shows, according to the survey result conducted by *Nikkei Kinyu* in December 2000, AFLAC Japan ranked Number 1 in terms of most competitive pricing. Our competitive pricing is made possible by a number of factors, including streamlined policy processing procedures, a computer system that is capable of large-volume processing, and efficiency improvements in our daily operations.

General Operating Expenses Per Policy

(FSA Basis, 3/00)



AFLAC Japan's operating cost per policy in force is the lowest among the competitors. We will continue to maintain efficient operations and capitalize on our advantage as a price leader.

Since April 1997, seven insurance companies have either been declared insolvent or gone bankrupt. As a result, consumers have become very conscious of the financial strength and credit ratings of their insurers, and they now seek financially sound companies. In this respect, AFLAC Japan has a significant advantage over its competitors.

In addition, consumers are now looking for advice about their current insurance coverage as well as help in determining the best coverage for them. To respond to these consumer needs, we have been making concerted efforts to prepare our agencies for a consultative sales approach.

Next, I would like to talk about AFLAC Japan's position in the market.

The Industry and AFLAC

(FSA Basis, 4/00-2/01)

	Industry	AFLAC
New sales (total benefit amount)	.9 %	56.7 %
Lapse rate*	7.9	3.8
Total benefit amount in force	(1.4)	14.9
Premium Income	(.3)	7.5
Total assets	1.7 %	11.3 %
Investment yield**	2.40	4.45
Negative spread***	¥1.12 trillion	—

*As of 3/00 **FSA basis as of 3/00 ***Five Major insurers as of 3/00

Because results for fiscal 2000 are not yet available, I will show you FSA statistics for the period between April 2000 and February 2001. On that basis, the total new sales amount increased by .9% over the prior year. The lapse rate, on the other hand, has remained very high since 1997 and is at 7.9% for fiscal 1999. As a result, the total benefit amount of policies in force has declined by 1.4%. Other measures such as premium income and total assets show only nominal rates of growth.

The investment yield for the industry also remains low. For fiscal 1999, investment yields averaged 2.4%. As reflected in the fact that the negative spread for the five major life insurers combined amounts to ¥1.12 trillion, it is clear that difficult conditions remain for the industry. As you can see, the lapse rate for AFLAC Japan on a policy basis is roughly one-half the industry average. At only 3.8%, our lapse rate is the lowest in the industry.

AFLAC Japan's Position in the Industry*

(FSA Basis)

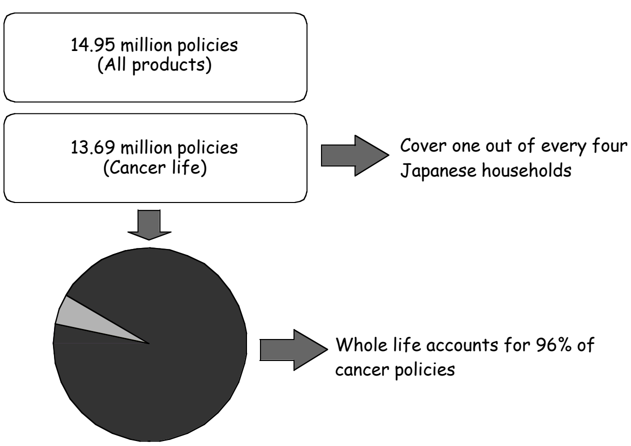
Rank	Premium Income	% Inc.	Total Assets	% Inc.	New Policy Sales	Policies (000)
1	AFLAC	7.5%	AFLAC	12.4%	AFLAC	460
2	Dai-ichi	6.6	Daido	5.6	Sumitomo	440
3	Meiji	5.6	Taiyo	4.3	Nippon	443
4	Nichidan	2.7	Dai-ichi	4.0	Dai-ichi	385

*Rank among 12 largest insurers with total assets of more than ¥2 trillion

AFLAC Japan has a substantial customer base, with the second highest number of individual policies in force in the industry at 14.95 million. Cancer life policies accounted for 13.69 million. This means that roughly one out of every four Japanese households is covered by AFLAC Japan's cancer life policy. No other insurance product has ever achieved this level of market penetration.

AFLAC Japan's Customer Base

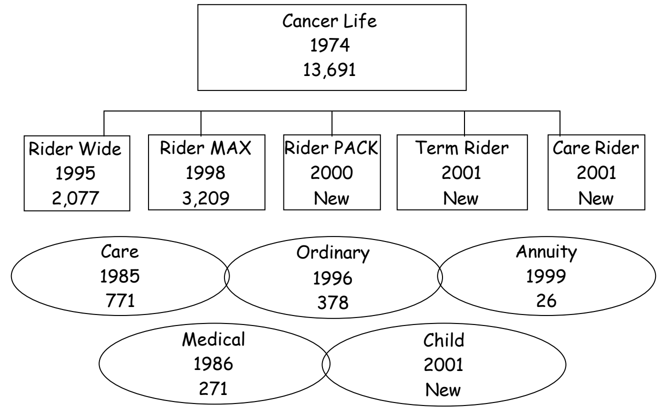
(3/31/01)



According to FSA data for the first half of fiscal year 2000, AFLAC Japan has recorded the highest rate of growth in premium income and total assets among the 12 largest insurers with total assets over ¥2 trillion. AFLAC Japan has also recorded the largest number of policies sold.

Approximately 96% of our cancer life policies in force are whole life policies. The fact that our policyholders look to our cancer life policies as a source of lifelong protection provides the basis for our long-term customer relationship. As you know, the premium for the whole life version of cancer life is fixed at the time of purchase. It is therefore not in the interest of our policyholders to cancel our policy and to purchase a policy from our competitors, as it would result in a significantly higher premium payment.

Product Broadening



Policies in force as of 3/01 - in thousands

It is our strategy to capitalize on this customer base and to offer other benefits in the form of rider options in addition to our cancer protection. This way, customers are able to purchase policies at lower cost compared to the individual purchase of stand-alone products. The slide above shows our product line, the year the products were introduced, and the number of policies in force. We estimate that only one-third of our policyholders have more than one product. In addition to Rider Wide and Rider MAX, we launched Rider PACK at the end of last year. Rider PACK is designed to enable customers to upgrade the coverage of their existing cancer life policy to that of 21st Century Cancer Life. Rider PACK sales were ¥2.8 billion in the first quarter, which represented about 12% of sales. We also began offering a care rider and a death benefit rider for the cancer life policy in April to respond to diversified customer needs.

We will also seek to launch and expand the sales of new competitive products in the areas of stand-alone ordinary life insurance, individual annuity insurance and care insurance.

AFLAC Japan's Group Accounts

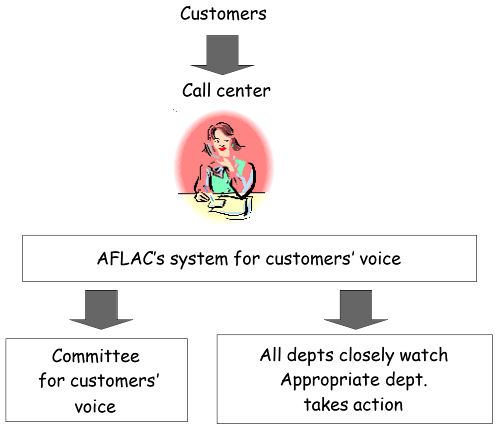
(2/28/01)

Payroll Groups	35,200
Non-payroll Groups	12,500
Hojinkai	242,000
Total	289,700

Currently we have about 48,000 group accounts, which includes 95% of all firms listed on the first and second sections of the Tokyo Stock Exchange. They have adopted our cancer life product for their welfare program. In addition, we have approximately 242,000 smaller accounts through Hojinkai, which has 1.2 million member firms. Other nonpayroll groups, such as the Chamber of Commerce, have also adopted our products for their welfare programs.

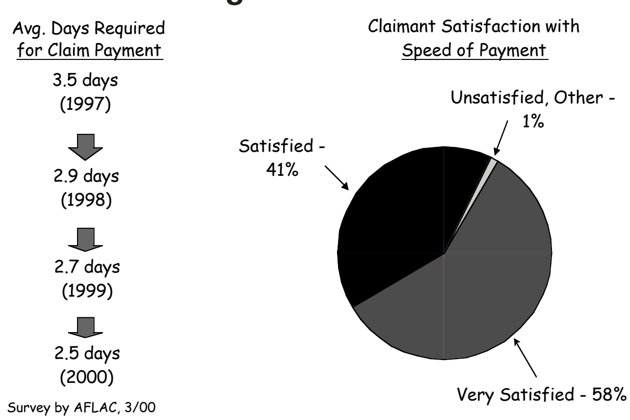
I would like to leave detailed discussions of the strength of our sales channel to Mr. Matsumoto. However, I do want to emphasize that we have a strong and diversified sales network of affiliated corporate agencies, particularly among financial institutions, and independent and individual agencies, which we began to aggressively expand in 1998. In addition, Dai-ichi Life's sales force of more than 50,000 salespeople is another competitive advantage of AFLAC Japan.

System for Customers' Voice



Strong customer loyalty is of the utmost importance in this highly competitive environment. Recognizing the importance of our customers' concerns, we have introduced a companywide system to ensure that appropriate and coordinated actions are taken when we receive calls from our policyholders. We are working very hard to further improve the level of customer satisfaction by maximizing the use of the system. We also intend to reinforce our focus on prompt customer service.

Enhancing Customer Service



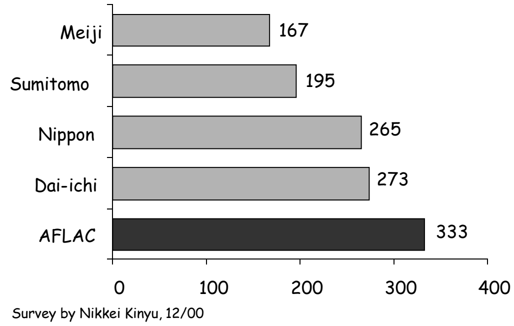
A good example of our intense customer focus is how quickly we pay claims. Upon receipt of a claim from our customers, we are currently able to make a payment in an average of 2.5 business days. That compares to 3.5 days in 1997. We have been highly rated by our customers who have filed claims with other insurance companies. They tell us that no other company is able to match AFLAC's speed of payment. According to a survey conducted last year, 99% of our beneficiaries responded that they were satisfied with AFLAC Japan's claims payment.

As mentioned earlier, we are proud of our efficient operation. In order to further improve our efficiency, we are currently developing a new computer system. This new system will be partially implemented in August and will further shorten the time required to process new contracts.

With regard to our agency network, we will further enhance ARIS, which is a sales assistance system for our agencies. In addition, with respect to our individual and group customers, we intend to aggressively enhance the use of information technology through such measures as the development of an interactive Internet site. And, we will further promote the use of Cyclone, which we introduced last year, to ensure further improvement in our operating efficiency.

Survey Result

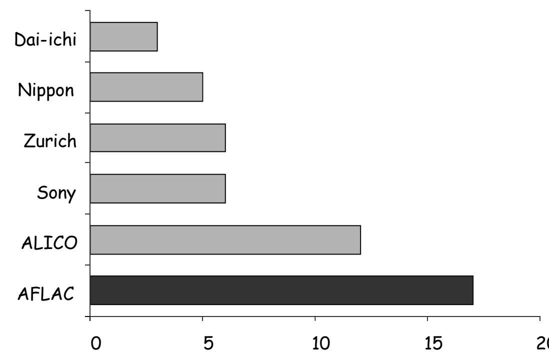
"Which life insurer is the best at product development?"



In the survey conducted by *Nikkei Kinyu* at the end of 2000, AFLAC Japan received high marks as "a company with excellent ability to develop new products."

Survey Result

"Which life insurer is the most innovative?"



In another survey, we were also evaluated as "a very innovative company." That reputation among consumers helped us retain their trust in the deregulated market. I am proud that we were so well prepared for the liberalization of our market. We will likewise ensure that we have taken the necessary measures for the direct entry of casualty insurers into the third sector.

Tactics for Future Growth

1. Maintain financial strength
2. Strengthen brand name
3. Offer affordable premium based on low-cost operations
4. Introduce innovative products ahead of competitors and broaden product line
5. Enhance sales distribution in terms of size as well as quality
6. Enhance customer service

We will continue to progress as an innovative company with a focus on our customers' needs. We are convinced that we will continue to beat the competition and maintain our leading position by carrying out the following measures: We will maintain a strong balance sheet. In addition, we will strengthen our brand name through television advertising. We will offer affordable products based on a low-cost operations model. We will introduce innovative products ahead of our competitors and respond to diversified customer needs through the expansion of our product line. We will enhance our agency network not only in terms of size but also in terms of quality. And we will also improve our customer service capability.

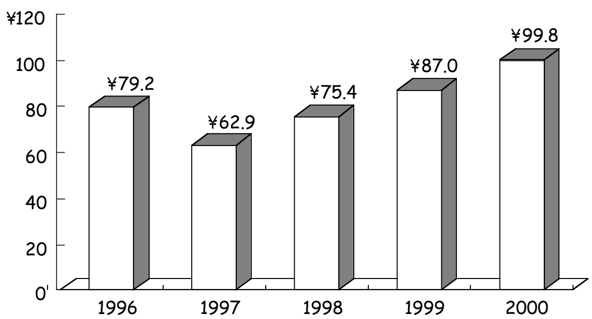
AFLAC Japan Marketing

Shoichi Matsumoto
Executive Vice President; Director of Marketing
AFLAC Japan

I would like to talk in more detail about our marketing activities. First, let me discuss our sales results for 2000.

AFLAC Japan New Annualized Premium

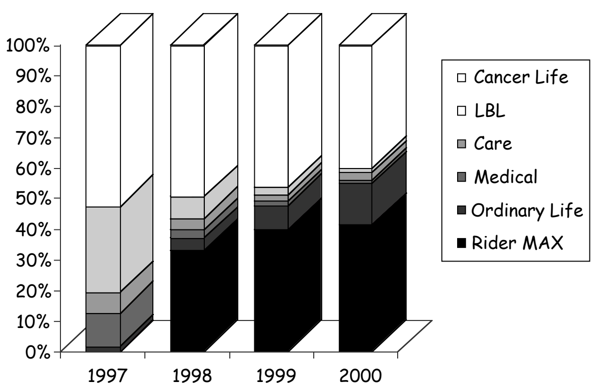
(Yen in Billions)



While the Japanese economy remained sluggish, AFLAC Japan achieved a 14.6% increase in total new annualized premium sales. We produced a record ¥99.8 billion at a time when the industry as a whole continued to struggle. Product broadening and distribution expansion, which comprise the core of our marketing strategies, were greatly responsible for our outstanding sales results.

Sales Contribution by Product

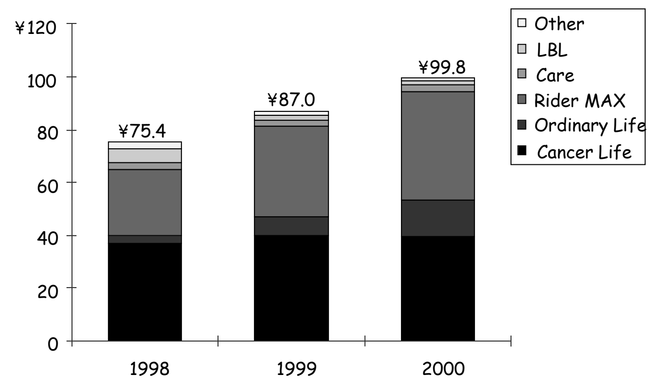
(New Annualized Premium)



As you can see, our sales mix has changed recently with the ratio of noncancer products increasing steadily to the current level of 60%. In 2000, cancer life insurance and Rider MAX accounted for 40% and 41% of new annualized premium sales respectively.

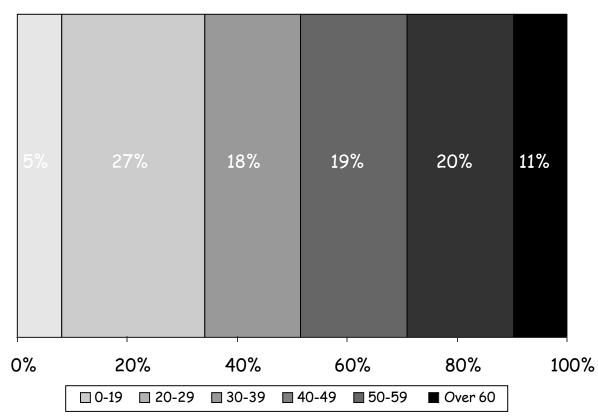
Sales Growth by Product

(Yen in Billions)



In terms of new policy sales, we sold more than one million cancer life policies during each of the past two years, with 1.04 million new policies sold last year. Rider MAX also recorded a strong increase of 19% to 1.5 million policies sold compared with 1999. New annualized premium sales of ordinary life products, including annuities, doubled and accounted for 14% of total sales in 2000.

Breakdown of Annualized Premium by Age



As you can see from the preceeding chart, policyholders who purchased our cancer life product are evenly distributed over different age groups. Notable increases are observed among those of younger ages and those over age 50, whose penetration ratio has been traditionally low, as well as among females. Specifically, the penetration ratio for older people increased 10% compared with five years ago.

21st Century Cancer Life Insurance

As you read in Mr. Matsui's presentation, we recently launched a new product called 21st Century Cancer Life. The product was developed to stay ahead of our competitors, both old and new. The most important features of 21st Century Cancer Life are twofold: 1) More benefits are added to expand the coverage of cancer treatment, and 2) The product's coverage is flexible so it can be adjusted to meet the varying needs of our group customers. Both of these changes are in response to consumers' wishes.

In addition, we also launched Rider PACK to enable our existing cancer life customers to obtain additional benefits that became available under 21st Century Cancer Life.

Premium Comparison of Cancer Life Policies

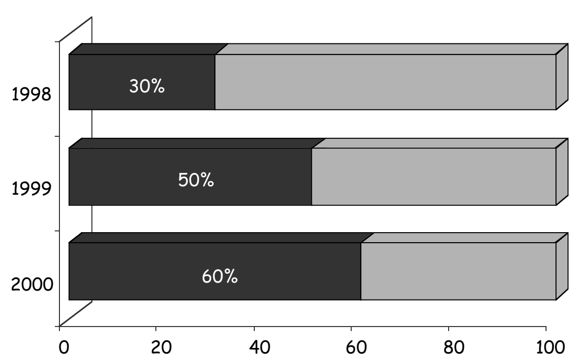
	30-year old	40-year old
AFLAC (CSV=100%)	¥2,360	¥3,166
AFLAC (CSV= 0%)	1,957	2,759
Old competitors:		
Co. A (CSV=100%)	2,479	3,417
Co. B (CSV=100%)	2,553	3,604
New competitors:		
Co. C (CSV=100%)	3,196	4,148
Co. C (CSV=30%)	2,180	3,002

Assumed premium for total benefits received of ¥1.9 million to a principal policyholder hospitalized for 60 days after surgery and 20 days outpatient treatment.
Above numbers are calculated by AFLAC based on premiums for basic coverage only.

Attractive pricing is an important factor for consumers when deciding to purchase a life insurance product. Like our preceding cancer life products, 21st Century Cancer Life is attractively priced. You will note from the preceeding chart that AFLAC's premium is the lowest among our competitors, including those who entered the third sector this year.

Sale of Cancer Life with Rider MAX

(Percentage Purchasing Both Products)



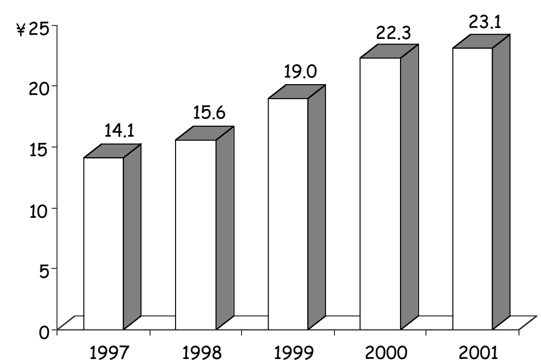
Rider MAX, which provides coverage for injury and illness, has proven to be very effective in attracting new cancer life customers. The percentage of cancer life buyers who also purchased Rider MAX has steadily increased. About 60% of new cancer life buyers also purchased Rider MAX last year. We also revised Rider MAX in conjunction with the launch of 21st Century Cancer Life. This year, we will promote the sale of 21st Century Cancer Life together with the new Rider MAX 21 as a package.

We consider TV commercials to be a very important means of sales promotion. Last year, our TV commercial was selected for the second year in a row by the CM Research Institute as one of the TV commercials that most effectively contributed to sales promotion. Ours was one of only 35 commercials that were selected out of a total of 14,400 commercials.

In the near future, we will start a new TV commercial series that is a Japanese version of the successful U.S. commercials featuring the AFLAC duck. "AFLAC – Without it, no insurance is complete" will be the underlying message of the new series as it is with the U.S. version.

First Quarter Sales Results

(Yen in Billions)

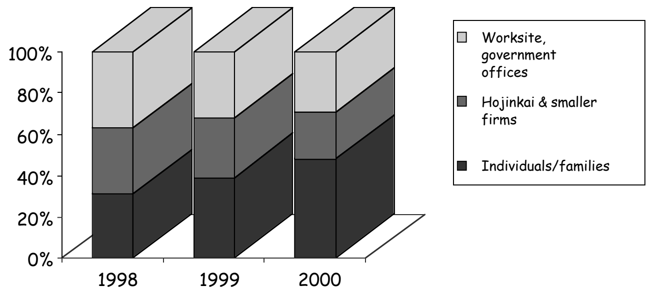


We spent a lot of time during the first quarter preparing for the start of the Dai-ichi Life alliance as well as rolling out our new cancer life policy. Because of those factors, we had expected sales to be flat to down. However, our first quarter sales were better than expected, recording a 3.6% increase over the first quarter of 2000. Cancer life and Rider MAX sales were down in the first quarter because of new product rollouts. However, ordinary life insurance achieved substantial growth of 231% as customers bought products prior to industry-wide premium rate increases on April 1. We also promoted the sale of Rider PACK, which we are encouraging our existing cancer policyholders to purchase in order to bring their coverage up to that of 21st Century Cancer Life. Rider PACK has had a strong start, resulting in ¥2.8 billion of new annualized premium, or about 12% of first quarter sales.

Let me now move on to the discussion of our approach to the untapped market.

Sales Contribution by Market Segment

(New Annualized Premium)



As you know, our primary focus has traditionally been the large corporate market. However, over the last few years we began to expand our marketing efforts into the individual and family markets. Consequently, we are now enjoying better balance between different market segments as shown in this chart.

Reinforcement of Wholesale Market

(Sales Results in Policies)

Example of an Affiliated Corporate Agency
Sales to a Government Office with 7,000 Workers

1999

Cancer	38
Wide	4
MAX	115
Total	157

2000

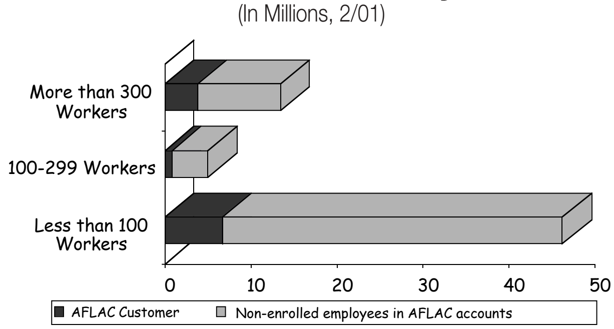
Cancer	91
Wide	16
MAX	315
Total	422

In the worksite market, we have primarily relied on a mass marketing approach through the distribution of preprinted application forms to potential policyholders. However, more and more consumers are beginning to look for advice or consultation about policies they hold. Some of our corporate clients have responded to such needs by setting up consultation desks within their worksites or by providing necessary information to households. For our part, we hired a new marketing support team from outside AFLAC called MS to support the marketing activities of AFLAC agencies.

We believe the MS team has been very effective. For example, the affiliated agency referenced on this chart was able to achieve a 169% increase over the previous year with assistance from MS. In addition to our traditional marketing tools, we intend to use new marketing tools such as the intranet, or a call center dedicated exclusively to specific worksite markets, to further reinforce our marketing efforts in this important segment.

Penetration of Firms by Size

(In Millions, 2/01)

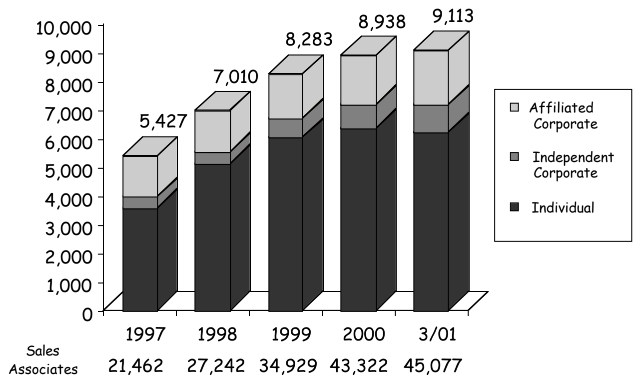


The small to medium-size corporate market is another market that we are trying to further tap into. Currently, 46 million workers are employed by companies with less than 100 employees, which accounts for about 72% of all employed workers in Japan.

The fact that AFLAC's penetration ratio in this market is less than 20% indicates that there is substantial potential for further penetration. In particular, Hojinkai, the taxpayers' association of small to medium-size corporations with which we maintain a close relationship, still holds one million untapped companies. Thus, Hojinkai represents a substantial potential market for us. In fact, we estimate that there are approximately 39 million potential customers in the small-business market.

Next, I would like to talk about our approach toward development and reinforcement of our distribution channel and new agencies.

Composition of AFLAC's Agencies

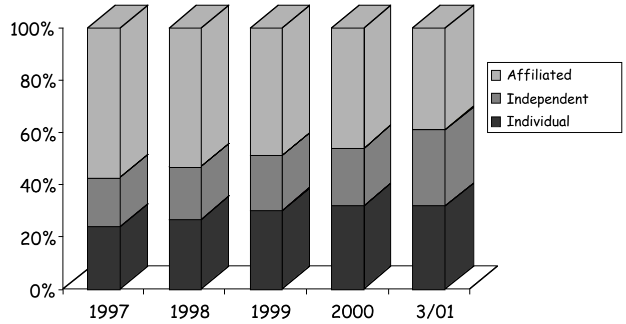


Between 1994 and 1997, we recruited an average of 700 associates annually. Over the last three years, we have recruited 7,000 new agencies, most of whom are individual agencies, in order to further strengthen our position in the small to medium-size corporate market and individual/family market.

As of the end of March, AFLAC Japan had 9,100 licensed agencies: 20% were affiliated corporate agencies, 10% were independent corporate agencies and 70% were individual agencies. These agencies hold more than 45,000 sales associates who are engaged in marketing our products across the country.

Of our affiliated corporate agencies, 273 agencies are affiliated with financial institutions. All city and trust banks have their own agencies. As for regional banks and credit unions, 86% of the former and 60% of the latter have AFLAC agencies. No other insurance company has as many agencies that are affiliated with the financial institutions as AFLAC Japan. And even though the banking business has been hurt by the weak economy, our business represents a good source of profits for them.

Sales Contribution by Agency Type



In terms of sales contribution by agency type, independent corporate agencies and individual agencies combined accounted for 61% of total sales. As shown in the chart above, this represents a steady annual increase since 1997.

Our sales staff and specialized recruiting personnel work together to recruit new agencies. In addition, we are using classified ads in newspapers and magazines as well as introductions by existing agencies to recruit new agencies. AFLAC is attractive to agencies because our commissions are higher than any of our competitor's. As you can see, this comparison of commissions indicates that ours is the highest among the major players.

Comparison of Agency Commission

	Class A Agency Commissions			Total Amount Received*	
	1st year	2nd year	Term	10 years	20 years
AFLAC	65.0%	11.0%	9 yrs.	¥ 65,600	¥ 65,600
AFLAC	45.0	11.0	Unlimited	57,600	101,660
Co. A	58.5	13.5	7 yrs.	61,200	61,200
Co. B	47.5	7.0	9 yrs.	44,200	44,200
Co. C	48.0	10.0	4 yrs.	35,200	35,200

*Estimated commissions calculated by AFLAC based on premiums of ¥40,000 per year for individual cancer life policy

You'll recall that we introduced a new alternative commission structure last year. Under this new structure, commissions for the first year are 65%. This structure has proven to be very successful as 60% of newly recruited sales associates have opted for the new commission contract. And as you know, Tokio Anshin initially copied our alternative commission structure, but they have since lowered commissions.

Alliance with Dai-ichi Mutual Life

Strong Customer Base:

Dai-ichi Life
Number of policies in force: 12.4 million

\+

AFLAC
Number of policies in force: 14.95 million

In a major development last year, AFLAC Japan entered into a strategic business alliance with Dai-ichi Mutual Life. The customer base created through this alliance between the leading company in the third sector and the second largest first-sector company will be the biggest in Japan. Importantly, it will serve as the basis of an enhanced competitive edge for both companies.

As a result of this alliance, we are now able to offer our cancer life policy to Dai-ichi's customers through its sales network of more than 50,000 sales people and thereby accelerate the growth of cancer life sales. In addition, Dai-ichi Life maintains close relationships with many corporations and organizations. We believe that synergy created by the combination of brand power and financial strength of the two companies will further enhance market acceptance of our cancer life product. As you know, Dai-ichi's sales staff began selling our cancer life product on March 21. Dai-ichi Life first conducted internal sales to their employees, and have since begun selling to their outside customers. From March 21 through the end of April, they sold about 32,000 policies.

Direct Sales

Direct sales conducted jointly by AFLAC and agencies

Advantages:

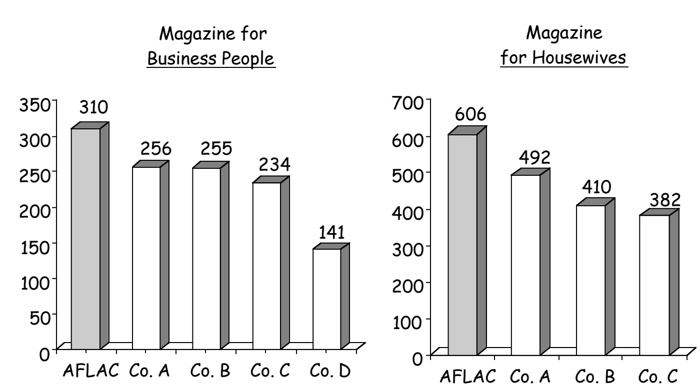
Customers →	They can receive more reliable service from a specific agency operating in the vicinity.
Agencies →	They can participate in direct sales at less expense.
AFLAC →	We can promote direct sales together with agencies at less expense.

We are strengthening direct sales through newspaper and magazine advertisements to supplement our traditional sales distribution. Direct sales are independently conducted by third parties such as JCB and other mail order companies that are our sales agencies. They are also conducted jointly by AFLAC and agencies that volunteer to participate in the direct marketing programs initiated by AFLAC through media such as newspapers and magazines. The combined direct sales initiative by AFLAC and its agencies is unique in the Japanese insurance industry.

In addition, we established aflacdirect.com in May 2000 as the first Internet-only agency in the life insurance industry. Through aflacdirect.com, we are able to reach more potential customers, especially the younger market. We offer cancer term coverage over the Internet, and we are also selling an educational annuity for parents and grandparents who want to save for a child's education. During the first year of aflacdirect.com, we sold approximately 2,800 policies and received about 20,000 requests for product information.

Response from Magazine Advertisements

(Number of Inquiries)



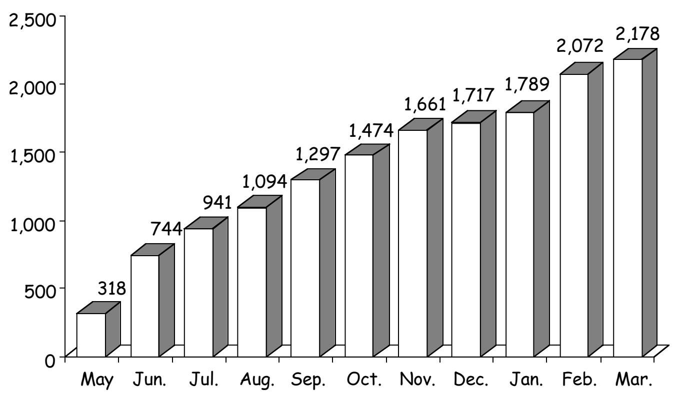
The response rate to our magazine advertisements is the highest among financial institutions and insurance companies with respect to all of the magazines we used for advertising. Take two magazines for instance, one for business people and the other for housewives. Our product and brand image have contributed significantly to the enhanced response to our ads in those magazines.

Direct Mail to Existing Policyholders

Capitalizing on our existing client base of 12 million policy owners, we send direct mail to these customers to introduce rider options and new products. The direct mail tool we are using for the above campaign came in 25th place in the "All Japan Direct Mail Award." No other financial institution or insurance company received this award.

Increased Use of Cyclone

(Terminals in Use)



We are also strengthening the use of information technology in our marketing activities. In the fall of 1999, we developed a Japanese version of SmartApp, called Cyclone, and started using it in May 2000. Cyclone is mainly used as a tool to streamline our agencies' sales operation in their consulting sales. The total number of Cyclone terminals introduced by our licensed associates reached 1,700 at the end of 2000. By the end of March of 2001, the number had already exceeded 2,100.

Internet Tools in Marketing

WEBBY - *A marketing support tool for the Internet*

Benefits to customers:

- Obtain detail of AFLAC products
- Obtain premium estimate for AFLAC products
- Request product brochures

Benefits to agencies:

- Auto response to brochure requests
- Monitor enrollment process
- Gather information on potential customers

We provide a marketing support tool called "Webby" to our agencies, which enables their customers to request product brochures or a premium estimate on their own by accessing the agency's home page. Webby also enables agencies to automatically respond to a customer's request for a brochure, and it serves as a monitoring tool for the enrollment process.

Thus, we not only offer higher commissions to our agencies, but we also provide additional support in the form of TV commercials, joint direct mail campaigns, and IT-based marketing tools.

I would like to conclude my comments by discussing our objectives for 2001.

Marketing Objectives for 2001

- Increase cancer life sales 10%
- Increase new annualized premium sales 15%
- Enhance new agency recruiting and training
- Strengthen direct sales and direct mail sales

Our marketing objectives for the year 2001 are to achieve 10% growth in the cancer life policy in terms of new annualized premium sales and to realize a 15% growth overall. In order to achieve these objectives, we will continue to recruit new agencies and further strengthen their education. Specifically, we anticipate recruiting about 3,000 new agencies this year. In addition, we will further upgrade our efforts in direct sales and direct mail to supplement the agency network.

As I mentioned at the beginning of my presentation, product broadening and distribution expansion are the two pillars of our long-term marketing strategy. In April, we launched five new products, including a guaranteed-issue life product and whole life medical insurance in order to respond to diversified consumer needs. We will continue to develop new products that meet the needs of the market, while further expanding our agency network. We will continue to grow in the future by aggressively executing these strategies.

AFLAC Japan's Product Line

Cancer Life - 21st Century Cancer (Best Plan)

(One Unit, Individual Coverage)

Benefits:		
First-occurrence	¥1,000,000	$ 8,000
Hospitalization/day	10,000	80
Surgery	200,000	1,600
Advanced medical treatment	60,000 to 1,400,000	480 to 11,200
Convalescent per hospital release	150,000	1,200
Outpatient/day	5,000	40
Special outpatient/day	5,000	40
Terminal care	100,000	800
Terminal/day	5,000	40
Cancer death	100,000	800

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 1,957	$ 15.66
40-year-old male	2,759	22.07
50-year-old-male	3,930	31.44

Cancer Life - Conventional (Basic Plan)

Benefits:		
First-occurrence	¥1,000,000	$ 8,000
Hospitalization/day	15,000	120
Convalescent per hospital release	200,000	1,600
Outpatient/day	5,000	40
Cancer death	1,500,000	12,000

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 2,590	$ 20.72
40-year-old male	3,490	27.92
50-year-old male	4,770	38.16

Cancer Life - Rider PACK

Benefits:

This rider upgrades the coverage of existing cancer life to that of the 21st Century Cancer Life

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 895	$ 7.16
40-year-old male	1,313	10.50
50-year-old-male	1,979	15.83

Living Benefit Life

(One Unit of Rider)

Benefits:		
Heart Attack	¥1,000,000	$ 8,000
Stroke	1,000,000	8,000
Death	1,000,000	8,000

*Paid for death related to heart attack or stroke

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 1,710	$ 13.68
40-year-old male	2,310	18.48
50-year-old male	3,140	25.12

Care Plan

(One Unit, Individual Coverage)

Benefits:		
Care annuity/year	¥300,000	$ 2,400
Lump-sum care benefit*	300,000	2,400
Severe disability annuity/year	300,000	2,400
Lump-sum severe disability benefit*	300,000	2,400
Death**	300,000	2,400

*First year only **Builds annually until age 65

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 1,533	$ 12.26
40-year-old male	2,466	19.73
50-year-old male	4,740	37.92

Rider MAX

(One Unit)

Benefits:		
Early non-cancer hospitalization	20,000*	$ 160
Non-cancer:		
Sickness or accident hospital	5,000**	$ 40
Surgical	50,000 to 200,000	$400 to 1,600

*Per hospitalization **From the fifth day of hospitalization up to 1,000 days

Sample Premium (Monthly Group Rate):		
30-year-old male	¥ 1,278	$ 10.22
40-year-old male	1,465	11.72
50-year-old male	1,958	15.66

Ordinary Life

(Basic Plan)

Benefits:			Sample Premium (Monthly Group Rate):		
	Term				
Lump-sum death/severe disability	¥5,000,000	$ 40,000	30-year-old male	¥ 995	$ 7.96
10-year term life plan			40-year-old male	1,685	13.48
Payment through 60 years old			50-year-old male	3,500	28.00
	Whole Life				
	¥2,000,000	$ 16,000	30-year-old male	¥ 4,012	$ 32.10
			40-year-old male	6,330	50.64
			50-year-old male	13,022	104.18

Notes: Premiums reflect most recent rate changes

Corporations Supporting AFLAC Japan

Construction

- # Taisei Corporation
- # Kajima Corporation
- ▶ # Takenaka Corp.
- * Shimizu Corp.
- # Obayashi Corp.
- # Tokyu Construction Co. Ltd.

Foods

- # Sapporo Breweries, Ltd.
- # Kirin Brewery Company, Ltd.
- ▶ # Coca-Cola Japan Company, Ltd.
- # Ajinomoto Co., Inc.
- * Nissin Food Products Co. Ltd.
- # Snow Brand Milk Products Co. Ltd.
- # Asahi Breweries, Ltd.
- # Nichirei Corp.
- * Yamazaki Baking Co. Ltd.
- # Fujiya Co., Ltd.
- * Kikkoman Corp.

Textiles

- # Toyobo Co., Ltd.
- # Kanebo, Ltd.
- * Renown Inc.
- # The Japan Wool Textile Co., Ltd.
- # Wacoal Corporation
- # Teijin Ltd.
- # Mitsubishi Rayon Co., Ltd.
- # Kuraray Co., Ltd.

Paper & Pulp

- # Oji Paper Co., Ltd.
- # Nippon Paper Industries Co., Ltd.
- # Mitsubishi Paper Mills, Ltd.

Chemicals

- # Mitsui Chemicals, Inc.
- * Showa Denko K.K.
- # Sumitomo Chemical Co., Ltd.
- # Ube Industries, Ltd.
- # Kao Corporation
- # Sankyo Company, Ltd.
- # Takeda Chemical Industries, Ltd.
- # Shionogi & Co., Ltd.
- # Fujisawa Pharmaceutical Co., Ltd.
- # Shiseido Co., Ltd.
- ▶ # Ohtsuka Pharmaceutical Co., Ltd.
- # Mitsubishi Chemical Corp.
- # Daicel Chemical Industries, Ltd.
- # Yamanouchi Pharmaceutical Co., Ltd.
- # Sekisui Chemical Co., Ltd.
- # Asahi Chemical Industry Co., Ltd.

Oil & Coal Products

- # Cosmo Oil Co. Ltd.
- # Nippon Mitsubishi Oil Corporation
- # Showa Shell Sekiyu K.K.
- ▶ * General Sekiyu K.K.

Rubber Goods

- * Bridgestone Corp.

Glass & Chemicals

- # Asahi Glass Co. Ltd.
- # Nippon Sheet Glass Co., Ltd.

Iron & Steel

- # Nippon Steel Corporation
- # Kawasaki Steel Corporation
- # NKK Corp.
- # Sumitomo Metal Industries, Ltd.
- # Kobe Steel, Ltd.

Non-ferrous Metals

- # Mitsubishi Materials Corporation

Machinery

- # Niigata Engineering Co., Ltd.
- # Komatsu, Ltd.
- # Sumitomo Heavy Industries, Ltd.
- # Kubota, Corp.
- # Tsubakimoto Chain Co.
- # Ebara Corp.
- * Shibuya Kogyo Co., Ltd.
- # Brother Industrials, Ltd.

Electric Appliances

- # Hitachi, Ltd.
- # Toshiba Corporation
- # Mitsubishi Electric Corporation
- # Fuji Electric Co., Ltd.
- # Nippon Electric Industry Co., Ltd.
- # Fujitsu, Ltd.
- * Matsushita Electric Industrial Co., Ltd.
- # Sharp Corporation
- # Sony Corporation
- # Sanyo Electric Co., Ltd.
- * Pioneer Electronic Corporation
- # Victor Co. of Japan, Ltd.
- # NEC Corporation
- * Ikegami Tsushinki Co., Ltd.
- ▶ # IBM Japan, Ltd.
- * TDK Corp.

Transport Equipment

- # Denso Corporation
- # Mitsui Engineering & Shipbuilding Co., Ltd.
- # Hitachi Zosen Corporation
- # Mitsubishi Heavy Industries, Ltd.
- # Kawasaki Heavy Industries, Ltd.
- * Ishikawajima-Harima Heavy Industries, Co., Ltd.
- # Nissan Motor Co., Ltd.
- # Toyota Motor Corp.
- # Mazda Motor Corp.
- * Yamaha Motor Co., Ltd.
- * Honda Motor Co., Ltd.
- # Isuzu Motors, Ltd.

Precision Machinery

- # Canon, Inc.
- # Minolta Co., Ltd.
- # Nikon Corp.
- * Citizen Watch Co. Ltd.
- * Seiko Corp.
- # Ricoh Co. Ltd.
- # Sony Precision Technology, Inc.

Miscellaneous Mfg.

- # Yamaha Corp.
- # Dai Nippon Printing Co. Ltd.
- # Toppan Printing Co. Ltd.
- * ASICS Corp.
- ▶ # YKK Corp.

Commerce

- # Mitsui & Co., Ltd.
- * Itochu Corp.
- # Marubeni Corporation
- # Tomen Corp.
- # Sumitomo Corporation
- # Mitsubishi Corporation
- # Nissho Iwai Corporation
- # Mitsukoshi, Ltd.
- # The Daimaru, Inc.
- # The Daiei, Inc.
- # Jusco Co., Ltd.
- # Skylark Co., Ltd.
- # Takashimaya Co., Ltd.
- * Tokyu Department Store Co., Ltd.

Long-Term Credit Banks, City Banks

- # The Industrial Bank of Japan, Ltd.
- # The Shinsei Bank Ltd.
- # The Dai-Ichi Kangyo Bank, Ltd.
- # The Bank of Tokyo-Mitsubishi, Ltd.
- # The Fuji Bank, Ltd.
- # The Sumitomo Mitsui Banking Corporation
- # The Sanwa Bank, Ltd.
- # The Daiwa Bank, Ltd.
- # The Tokai Bank, Ltd.
- # The Asahi Bank, Ltd.
- # The Sakura Bank, Ltd.

Securities, Non-life Insurance

- # Daiwa Securities, Co., Ltd.
- # The Nikko Securities, Co., Ltd.
- # The Nomura Securities Co., Ltd.
- # Mitsui Marine & Fire Insurance Co., Ltd.
- # The Sumitomo Marine & Fire Insurance Co., Ltd.
- * The Tokio Marine & Fire Insurance Co., Ltd.
- # The Nippon Koa Fire & Marine Insurance Co., Ltd.
- # The Sakura Friend Securities Co., Ltd.

Transportation

- # Nippon Yusen K.K.
- # Japan Airlines Co., Ltd.
- # All Nippon Airways Co., Ltd.
- # Tobu Railway Co., Ltd.
- # Tokyu Corp.
- # East Japan Railway Co.
- # Odakyu Electric Railway Co., Ltd.
- * Nippon Konpo Unyu Soko Co., Ltd.
- # Seibu Railway Co., Ltd.

Communications

- # Nihon Keizai Shimbun Inc.
- ▶ # Asahi Shimbun Publishing Co.
- ▶ # Dentsu Incorporated
- ▶ # Hakuhodo Incorporated
- ▶ * The Yomiuri Shimbun
- ▶ # The Mainichi Newspapers
- # Nippon Telegraph & Telephone Corp.
- * Gakken Co., Ltd.

Electricity & Gas

- * The Tokyo Electric Power Co., Inc.
- # The Kansai Electric Power Co., Inc.
- # Chubu Electric Power Co., Inc.

Life Insurance

- ▶ # The Dai-ichi Mutual Life Insurance Co.
- ▶ # Nippon Life Insurance Co.
- ▶ * Asahi Mutual Life Insurance Co.

Operations of an Affiliated Corporate Agency

Mr. Shoichi Kasahara
Insurance Department Manager
Enshu Railroad Co. Ltd.

I am very pleased to be able to describe our company's operations.

In 1981 cancer became the leading cause of death in Japan. In July of that year, Enshu Railroad Co. sold over 1,000 cancer life policies in one month for the first time. In the following 10 years, we sold over 1,000 cancer life insurance policies every month, which was a first in Japan. Some of you may remember that I told you about this achievement at the Analyst Meeting in Columbus in 1991.

Enshu Railroad's Sales Record

1,000 AFLAC cancer life policies
for 239 consecutive months

I promised at that Columbus meeting that our company would extend our monthly sales record by following our motto of "limitlessly taking on challenges." Therefore, I am happy to report that as of May 2001, we will have sold more than 1,000 cancer life policies each month for 239 consecutive months. I am confident that in June we will hit the significant 20-year mark. That will make us the first company to achieve this record in Japan or the United States.

Enshu Railroad's Financial Performance

	Total*	AFLAC Insurance Agency
Total Sales	¥150 billion	¥1,225 million
Operating Profit	5.3 billion	525.4 million
Profit Ratio	3.5%	42.9%

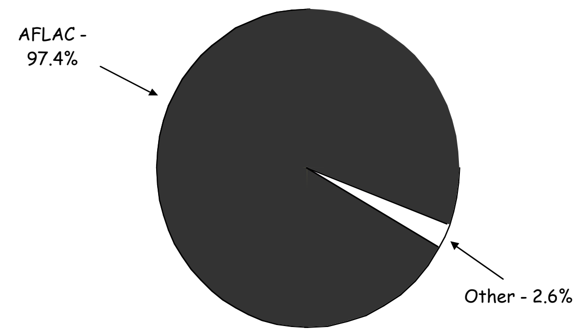
*Includes AFLAC Insurance Agency

Now, let me show you Enshu Railroad's financial performance for the year 2000. In addition to selling insurance, our corporate group is involved in other businesses, including trains, buses, hotels, department stores, supermarkets and taxis. Our annual sales for all businesses is ¥150 billion and our operating profit is ¥5.3 billion.

Of this, our AFLAC insurance agency business generates a commission income of ¥1.2 billion and an operating profit of ¥525.4 million. While our profit margin for all businesses is 3.5%, the profit margin for our AFLAC agency is extremely high at about 43%.

Composition of Insurance Business

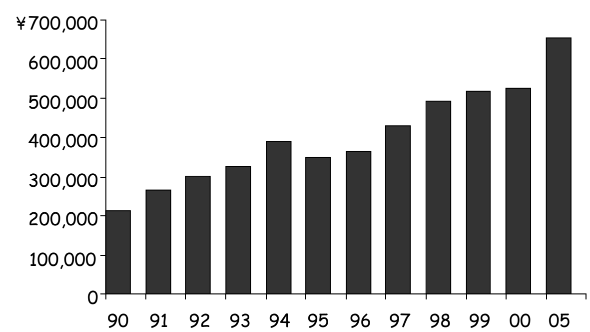
(Operating Profit)



Since 1999 Enshu Railroad Co. has been selling nonlife insurance to our cancer life policyholders. The chart above shows the percentage of the overall insurance business that AFLAC accounts for. You can see why we are grateful for the high income that the AFLAC agency generates.

Operating Profits

(Yen in Thousands)



This chart depicts the trend of our AFLAC agency's performance over the past 10 years. Since 1990 our operating profits have increased by approximately 150%. We have set our profit target for 2005 at about ¥656 million, which will be a 25% increase over 2000, and we believe that is an achievable figure.

Let me explain why our agency has achieved such a high growth. The biggest reason the profit margin of our agency business is so high is that my salary is low. Joking aside, the real reason our company's AFLAC agency has performed so well is that we employ a strong and steady sales offensive. We also make an all-out effort to maintain the insurance policies we have sold. Let me introduce our endeavors from these two perspectives.

Reasons for Business Growth

1. Outstanding Ability of Sales Staff
    - New policies acquired per person is 1.5 times higher than other agencies
    - Personnel and pay systems enhance sales performance
    - Accumulated know-how of sales techniques

First, our greatest strength is the outstanding ability of our sales staff. At present, we have 33 salespeople, and the number of new policies acquired per person is about 1.5 times that of other agencies. Our sales method differs from other agencies in that we first elicit interest in AFLAC products, and then we thoroughly conduct one-on-one sales.

In addition, our company employs personnel and pay systems that allow our salespeople to fully demonstrate their individual abilities. For instance, we use a system of three-person teams, and we provide an allowance based on a percentage of the total sales performance of the sales team. In addition, we repeatedly analyze and study sales techniques and try to put this accumulated know-how to its fullest use throughout the company as a whole.

Reasons for Business Growth

2. Strong Customer Base

Total group accounts ➡ more than 3,000

- Government offices
- Municipal offices
- Private companies
- Unions of many professions

The second reason for our successful business is that we have built a strong customer base. From early on, we have handled not only employees from within our own corporate group, but also employees from government and municipal offices and other companies, as well as members of every conceivable independent enterprise group. We have countless group accounts in professions such as beauty shops, sushi restaurants, noodle shops, dry cleaners, hospitals and so on. Presently, we have more than 3,000 groups. AFLAC Japan's current penetration ratio for cancer life insurance is a national average of about 25%. The penetration ratio for our company is over 40%. This tells you just how broadly and thoroughly we have created group accounts.

Reasons for Business Growth

3. High Persistency Ratio - 96.5%

Persistency measures:

- 16 employees dedicated to maintaining policies
- Anticipate possible lapses
- Toll free telephone and fax service
- Close relationships with customers

The third reason for our successful business is our high persistency rate. It goes without saying that you can't maintain a high persistency by doing nothing. Our company considers having customers continue their insurance policies to be as important as increasing our sales. At present, the persistency ratio for cancer life policies in our company is 96.5%, which is higher than in other AFLAC agencies.

We have taken many steps to raise the persistency rate of our business. For instance, we have assigned 16 employees to work exclusively on maintaining existing policies. They can respond to telephone inquiries from customers by immediately checking on their policies' contents. They take turns handling calls on Saturdays as well. In addition, these employees also anticipate possible lapses for those who retire or leave the group.

We have also set up a system whereby our customers can make inquiries from anywhere in the country using our toll-free telephone and fax services. In addition, we devise ways to maintain close relationships with our policyholders, such as by sending birthday cards to all 200,000 policyholders, which we have been doing for the last five years.

Preparation for Deregulation

Develop a Foundation

- Promote group accounts
- Raise the enrollment ratio
- Actively sell ordinary life to cancer life policyholders

We anticipated the deregulation of the third sector, and we have taken several steps to prepare for it. We developed a foundation that other companies will not be able to easily invade by exhaustively promoting group accounts and raising the enrollment ratio in these respective groups. Because our company has captured just about the entire market in our sales area, the situation is such that other companies will not be able to readily gain entry into it. In addition, the product strength of AFLAC also contributes greatly to reinforcing our position. Therefore, we have no fears concerning the market after deregulation.

We have created group accounts mainly for cancer life policies, but we plan to actively sell ordinary life products to these groups hereafter. We believe the sale of such products is very promising.

Since I served for many years as a director of the AFLAC National Association of Agencies, I have many acquaintances who operate AFLAC agencies. These people share our expectation that the market will actually expand through the entry of life insurance companies into the third sector as a result of deregulation. They are all enthusiastic, and they believe that change represents an opportunity.

As for our company, we believe we will be able to achieve our sales target for 2005, which I mentioned earlier, by increasing our business through our current sales strategies. I would like to conclude by promising that 10 years from now in 2011, I will report on our company's extension of our record of selling 1,000 cancer life policies each month.

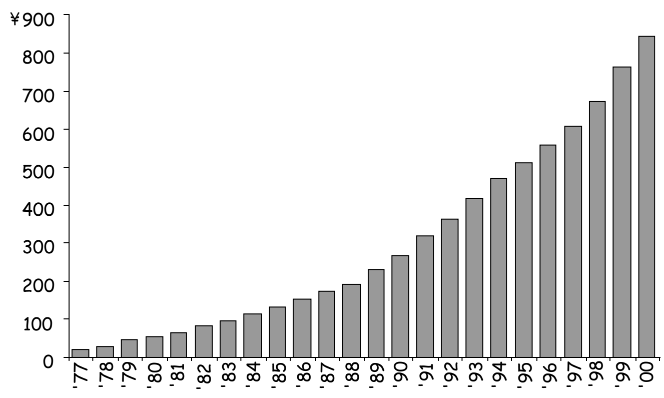
The View of an Independent Corporate Agency

Ms. Tamiko Takeuchi
Representative Director
Nihon Business Co. Ltd.

I have been exclusively selling AFLAC insurance policies ever since I opened an AFLAC agency in 1977. At that time, AFLAC's cancer life insurance was still new in Japan. However, I had a feeling that it would sell well, and that prompted me to begin my business. When I started, I was the only staff member, and I had one desk and one telephone. Now, I have 10 staff members.

Premium Growth

(Yen in Millions)



As you can see, the premium income of my business has risen steadily. In 2000, our annual premium income was ¥850 million, and our agency commission income was ¥130 million, or about $1 million. Despite my small scale compared with other incorporated agencies, I have succeeded because I continued to run my business as an exclusive AFLAC agency.

To build my business, I mainly focused on mass sales of cancer life insurance through government and municipal group accounts. Our sales have grown steadily because our sales approach is effective, the product is simple to understand and the premiums are low. However, it has become difficult for us to maintain our business with only a mass sales approach because the sales environment has changed.

Factors Affecting the Sales Environment

- Economic stagnation
- Changes in the insurance market
- Increased consumer awareness
- Appearance of competing products
- Distrust of insurance companies
- Uncertainty concerning social security system

One factor impacting the sales environment has been the lagging economy. As you know, the extended weakness in the economy has chilled the consumer's desire to consume, leading to curtailed spending, including spending on insurance. Second has been a change in the insurance market itself. Once the penetration ratio reaches a certain level, it becomes difficult to raise the ratio by using the same sales method. In addition, consumers are less likely to initiate purchases due to the weak economy. Therefore, we must now push sales from our side.

Another issue is that consumers are more aware and are therefore likely to buy only after being convinced of a product's merits by comparing the policies of various companies. Because of deregulation, other insurance companies are also selling cancer insurance. Therefore, it has become important to differentiate AFLAC products from competing products. Consumers also distrust insurance companies since many have failed. Now, consumers seek to buy products from companies that are financially strong. Lastly, because of uncertainty concerning the future of the national health insurance and pension systems, consumers now have stronger interest in third sector products than ever before.

Changes to Our Sales Methods

- Shift from mass sales to consulting sales
- Develop new customers in the individual and family markets
- Use group accounts to produce leads
- Promote multiple policy ownership among customers
- Change family contract to individual contract for each family member

Needless to say, I felt it was crucial to modify our sales approach for future growth. First, we have shifted from mass sales at group accounts to consulting sales. For customers to buy insurance from us, we must be able to convey useful information about our products. Consulting sales are essential to achieve this. Furthermore, we need to understand our customers' insurance needs. To that end, I believe that Cyclone will be a very effective tool because it helps to show the individual needs of each customer.

We are also actively developing new customers in the individual and family markets. We use direct mail and newspaper inserts to help develop this market. AFLAC's aggressive advertising campaign also provides extremely effective support for our efforts. In addition, referrals by our current policyholders are a valuable source for acquiring new customers.

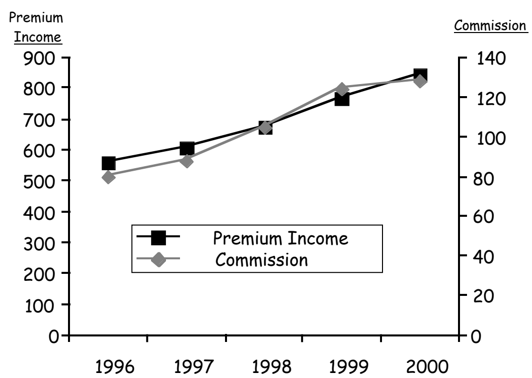
We also use our group accounts as sources of sales leads. For instance, we may contact the wife of a policyholder who purchased a policy through a group account and tell her about other AFLAC products because, in many cases, the wife controls the family finances.

In addition, we encourage customers to own more than one type of policy. We recommend that our customers purchase full coverage through a package that contains riders and ordinary products in addition to cancer life insurance. The typical consumer in Japan owns several insurance policies. However, there are a large number of cases where the required coverage is not being provided in a well-balanced way. Consumers have begun to realize this lately, and there is a big trend toward re-evaluating coverage. AFLAC's products are very promising for consumers who are looking for superior products.

Another method we are using is to encourage customers to change from family contracts to individual contracts. AFLAC Japan offers family coverage; however, the benefits for the dependent insured are less than for the primary insured. Therefore, we recommend that the customer purchase sufficient coverage through an independent policy. Because of uncertainty about the future of the health insurance system, there is greater interest in providing self-protection through insurance.

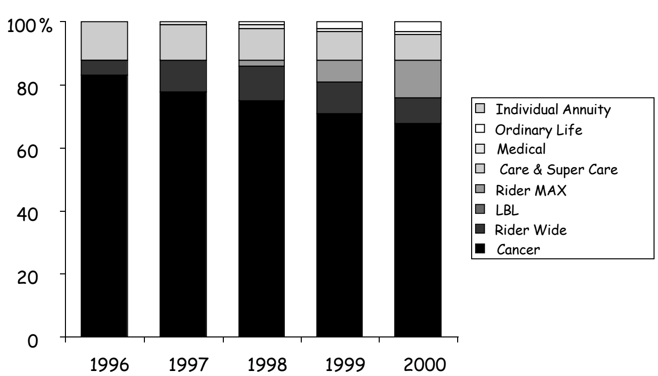
Recent Sales Results

(Yen in Millions)



As the chart above shows, our agency's sales have grown continuously because of our modified sales methods. I believe that there is still much potential left to increase sales even without relying heavily on the mass sales efforts we have used in the past.

Change in Sales Mix by Product



Reflecting the change in sales method, our sales mix by product has become well balanced. As you can see in the chart at the bottom of the previous column, newer products such as Rider MAX and ordinary life have become a larger portion of my agency's business.

Regarding deregulation and competition, other companies have also begun to sell third-sector insurance products. We were certainly apprehensive about what would happen when new competitors used their strong sales networks to launch their products. However, to these companies, cancer insurance is only one of many products they offer. For AFLAC, on the other hand, cancer insurance is its main product, and AFLAC has been specializing in selling it for 27 years. It is difficult to imagine that these other companies would set aside their principal businesses and continue to invest their resources in cancer insurance indefinitely. Moreover, what will happen if AFLAC's cancer insurance is much more appealing than the products of these other companies?

I believe that the 21st Century Cancer Life insurance, which AFLAC began selling recently, is superior to the cancer insurance of other companies in terms of coverage and insurance premiums. Therefore, as long as AFLAC agencies sell it and other products appropriately, there is no need to be apprehensive about other companies. I have received several invitations from rival companies to sell their products. However, there is still no other company that surpasses or even equals AFLAC in product development and agency commissions.

Objectives

- Provide the best service to customers
- Raise the penetration ratio of AFLAC products in the city higher than any other region
- Surpass ¥1 billion in annual premium

My objective is to provide our policyholders in Yachiyo, the city where I currently do business, with the best service, which only our agency can offer. I also want to raise the penetration ratio of AFLAC's products in Yachiyo to a higher level than that of any other region. By doing these things, I hope to achieve our agency's immediate goal of surpassing of ¥1 billion in premiums as quickly as possible, and then begin striving toward our next goal.

AFLAC Japan Investments

Joseph W. Smith, Jr.
Senior Vice President; Chief Investment Officer

For several years, I have discussed the many facets of the AFLAC investment process ranging from tax and regulatory issues to the state of the Japanese financial system. My goal has been to lay out the framework for our investment process against the backdrop of our operating environment. The troubles with Japan's economy are well known, so I won't bore you with a recitation of the facts. However, you should know that our investment philosophy has not changed over the course of the economic turmoil in Japan.

AFLAC Investment Philosophy

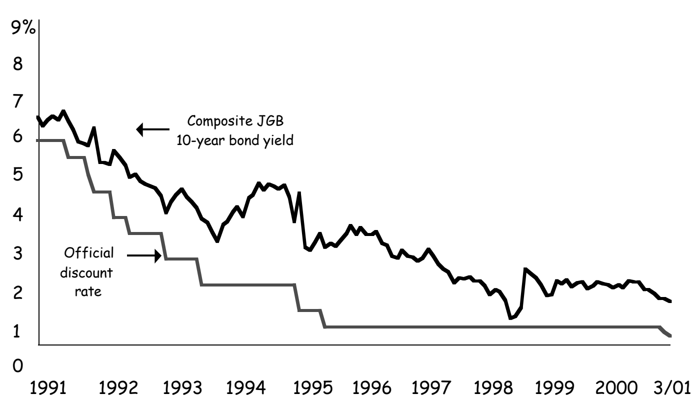
MAXIMIZE:
Investment Income

EMPHASIZE:
Liquidity
Safety
Quality

We still spend a tremendous amount of time on investment research to maintain our portfolio credit quality. As has been the case for many years, maximizing investment income at the least possible risk to our policyholders and shareholders drives our investment activities. Although we are conservative, we are not complacent. Instead, we continually evaluate our style of investing, our changing product needs from an investment standpoint and the evolution of the capital markets in which we operate.

Comparison of Yields

(12/91 - 3/01)

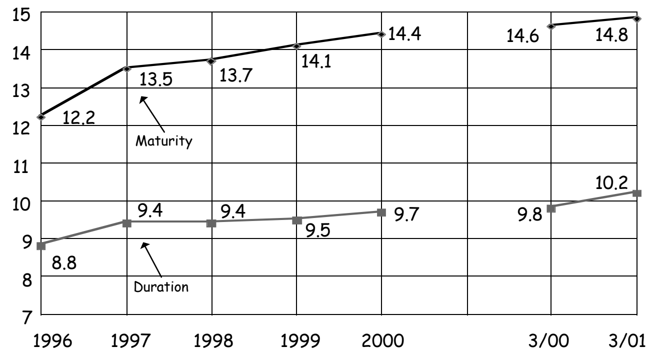


Source: Bloomberg Financial Markets

The investment environment that we have faced since the collapse of the "bubble economy" has been difficult. It's no secret that a zero short-term interest rate places a lot of stress on the investment decision process. Japanese government bond yields remain severely depressed. The high for the 10-year JGB yield so far this year was 1.63% on January 4, and the low was 1.06% on March 21. To understand our approach to investing, it's important to remember that asset/liability matching is a critical element of the investment process.

Average Portfolio Maturity and Duration

(Yen-Denominated, In Years)

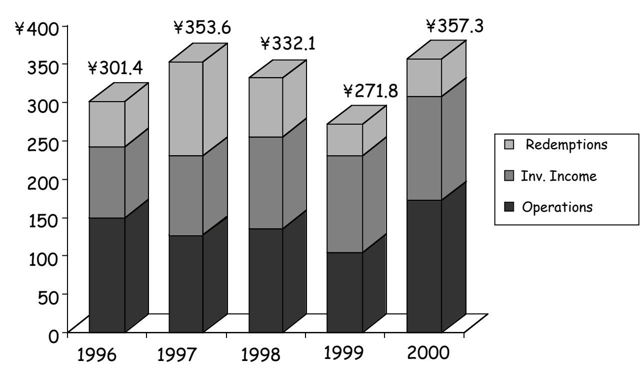


Asset/liability matching is the reason we continue to invest at the long end of the curve when it seems obvious that long-term interest rates have nowhere to go but up. While we think interest rates will eventually go up in Japan, the timing and magnitude of that movement is still very uncertain. As I said earlier, our paramount consideration has been to minimize the risk to our policyholders and maximize our value to shareholders. These two constraints, along with the illiquid markets in which we have to invest large cash flows, continue to dictate that we follow a prudent asset/liability matching process. Because the liability duration has not materially changed, we must still focus on finding longer duration instruments even in a low interest rate environment.

Our portfolio duration was 9.74 years at the end of 2000 and was 10.23 years at the end of March 2001. The average duration of AFLAC Japan's policy liabilities was approximately 12 years at the end of 2000. We have lengthened the maturity and increased the duration of the portfolio in great part through our purchases of longer-dated securities and reverse dual currency instruments. These areas have provided the best fit for AFLAC.

Investment Cash Flow

(Yen in Billions)



Since our cash flows are so large, we make no attempt to target specific interest rates. To do so would be too risky in the illiquid Japanese investment environment. As you can see in the chart at the bottom of the previous page, our cash flows to investments are substantial. Of the ¥357.3 billion, or $3.3 billion, we invested last year, excluding bond swaps, about 48% came from operations, while investment income accounted for about 38%. Profit repatriation reduced AFLAC Japan's investable cash by ¥17.0 billion, or $157 million. For 2001 we plan to invest approximately ¥343.8 billion, or about $2.8 billion.

2000 Longer-Dated Yen Purchases

	Acquisition Cost (In Billions)	% of 2000 New Money	Yield	Remaining Years
Euroyen	¥184	51.5%	3.67%	25.3
Public Utilities	59	16.6	2.49	18.6
RDC loans	56	15.8	4.80	30.0
Loans	20	5.6	3.55	30.0
Samurai	3	.7	3.93	15.4
20 & 30- yr. JGB	2	.6	2.43	24.7
Industrial	1	.1	2.48	17.0
	¥325	90.9%	3.64%	25.1

We have achieved improved spreads over our new business reserving assumption by focusing on longer-dated securities. As you can see, they accounted for the vast majority of new money purchases in 2000. Purchases of reverse dual currency issues accounted for 15.8% of new money in 2000, compared with 85.7% in 1999.

In terms of new yen-denominated investments, we had invested or committed ¥167 billion, or 50% of this year's cash flow, at an average rate of 3.71% as of April 27, 2001. That rate is better than our reserving assumption for GAAP purposes, which is presently 3.0%, and also ahead of our budget for 2001.

Composition of Investments and Cash*

	1999	2000	3/01
Yen-denom. bonds:			
Government	25.0%	22.5%	21.4%
Municipal	2.2	1.3	.9
Industrial	1.1	1.0	1.0
Public utility	11.6	11.8	11.0
Gov't. guaranteed	.8	.4	.3
Euroyen/samurai	46.1	47.2	47.9
Yen-denom. stocks	.2	.3	.3
Dollar-denom. securities	6.8	7.4	7.7
Loans	3.7	6.2	5.8
Cash & short-term invest.	2.5	1.9	3.7
Total	100.0%	100.0%	100.0%

*At original amortized cost

Let me turn to the composition of our investments. As you will note, private placements now approximate 50.6% of the total portfolio, reflecting our desire for better rates, but also showing a need for a better product liability duration match. Longer-dated yen securities were 60.7% of the total portfolio at a yield of 4.47%. The sector weightings of the portfolio look pretty much the same as last year. The sectors that were attractive in the past remain attractive today, but there are other factors that have developed over 1999 and 2000 that will affect our sector choice in the investment area.

Largest Investment Concentrations

(Yen in Millions, 3/01)

Japanese Government Bonds	¥885,841
Tokyo Electric Power	114,380
Chubu Electric Power	83,630
Israel Electric	61,200
Mizuho Holdings	60,668
Sumitomo Bank	51,103
BMW	47,288
Halifax	44,342
Banque Centrale De Tunisie	42,347
Dresdner Bank	42,285

In terms of our largest concentrations, I don't have much comment on our largest holding, which is Japanese government bonds. We have had a few questions about the next two holdings, Tokyo Electric Power and Chubu Electric Power, because of our rather large exposure to them. Under the Electricity Enterprise Act in Japan, electric power companies are allowed to recoup a reasonable rate of return that allows the utility to repay its bondholders. In effect, the bonds have a backdoor government guarantee of payment through this pricing mechanism. There also has been some questions about nuclear exposure. These two companies have 44% and 21% respectively of their generating capacity in nuclear power, which is very prevalent in Japan because of a lack of oil and other natural resources. Both utilities have excellent operating records, and we are not concerned about our exposure here. Our Japanese bank holdings in Mizuho, one of our largest customer groups in Japan, and in Sumitomo are representative of our intensive credit research. During the turmoil in the Japanese banking system, our research indicated that even with the mammoth problems faced by these financial institutions, the government would not let them fail. In each of these instances we were able to obtain very favorable yields. All of our holdings in Japanese banks are investment grade. Currently, Japanese financial institutions represent approximately 5% of AFLAC Japan's investments, as shown in the Composition of Investments and Cash chart in the Euroyen/Samurai category.

Israel Electric Corporation is 99.8% owned by the government of Israel and has been aggressively expanding its generating capacity to meet growing demand in the region. With the government guarantee and the yields we have obtained, we feel this credit will maintain investment grade status over the long haul.

AFLAC Japan Credit Quality

(March 31, 2001)

	Total Portfolio	2001 Purchases
AAA	2.6%	— %
AA	46.6	44.4
A	34.1	35.2
BBB	16.1	20.4
Below BBB	.6	—
Total	100.0%	100.0%

Overall, the credit quality of our portfolio remains high. More than 83.3% of our holdings were rated 'A' or better at the end of the first quarter of this year. Our investment policy still prohibits us from purchasing "junk" securities. However, if an issuer is downgraded to junk, we do not automatically liquidate the position. Instead, we carefully review our credit work to determine if it is still money good.

It seems relevant at this time to look at a comparison of invested assets for AFLAC Japan versus other Japanese life insurers, given the recent failures in the industry. The principal reason cited for these failures is the negative spread that resulted from the extended period of low rates in Japan. However, I believe the problem has been compounded for many insurers in Japan because of asset allocation issues.

Invested Asset Comparison

(FSA Basis, 3/00)

	Industry	AFLAC
Cash	3.8%	2.4%
Securities:		
JGB	15.7	22.9
Municipal	3.7	1.9
Corporate	8.1	14.3
Stocks	15.0	.2
Foreign	11.6	49.5
Loans	28.8	5.6
Real Estate	4.8	.9
Other	8.5	2.3
	100.0%	100.0%

This chart shows the differences between the asset composition of AFLAC and the industry as a whole. The industry has significant weightings of stocks, at 15%; real estate, at 5%; and loans, at 29%. Contrast this with AFLAC, which has less than 1% of its assets in equities, less than 1% in company-owned real estate, and less than 6% of its assets in loans. Another key part of this chart is to see the percentage of "foreign" securities, i.e., other than Japanese names.

This comparison shows the problems inherent in the Japanese insurance industry. The industry has nearly half of its assets invested in the three sectors that have suffered the most over the last 10 years. The issues related to equities and real estate have obviously been well publicized. However, the issue with loans is less well known. These loans are generally made to Japanese companies of questionable credit standing at below market rates of interest for business relationship purposes. As the Japanese economy has continued to stagnate, these loans have become shaky. Currently, the FSA requires only that the company itself make a "self assessment" of the value of the loan. Therefore, the value of a large portion of the industry's asset base is to a great extent unknown.

As you may know, in March 2002, we will be adopting mark-to-market accounting standards on a Japanese regulatory basis for all debt securities. Currently, debt securities are recorded at amortized cost on an FSA basis. This accounting change will obviously increase the volatility of FSA equity and solvency margins for AFLAC Japan and the entire industry. However, we have worked diligently to structure our portfolio in a way that should reduce our exposure to the new standards while allowing us to maximize the performance of our portfolio. The overall portfolio composition will change somewhat as we reclassify some securities to conform to some accounting differences between GAAP accounting and the Japanese standards. However, remember that nothing has economically changed as far as the portfolio is concerned.

That is especially true when you contemplate AFLAC Japan's holdings of dollar, or reverse dual currency, assets. Let me revisit the rationale for these investments and the way they are benefiting AFLAC in 2001. We began investing a portion of our equity in U.S. dollars in 1987. This was during the first prolonged period of depressed interest rates in the late 1980s, and dollar investments helped us offset low interest rates in Japan. With dollars and yen being our functional currencies, purchasing dollar assets was a natural fit.

AFLAC Japan's Dollar-Denominated Portfolio

(In Millions)

	Amount	% of Investments and Cash*	Yield
1996	$1,311	8.0%	7.58%
1997	1,396	8.3	7.65
1998	1,605	7.7	7.66
1999	1,769	6.9	7.62
2000	1,903	7.4	7.64
3/01	1,928	7.7	7.69

*At original amortized cost

Over the years the U.S. dollar portfolio has grown to represent 7.7% of AFLAC Japan's total investments cash and 12% of total net investment income. The growth in this portfolio was constrained when we began to issue yen-denominated debt, but it has served its purpose well over the years.

The reverse dual currency, or RDC, portfolio grew from the same concern. Interest rates were again at a historically low level in Japan. We still had large cash flows to invest, and we refused to put issues on our books that would produce a negative spread. After reviewing all of our options, the RDC area emerged to the forefront because it offered higher yields with yen-denominated principal for statutory purposes in Japan, and it fit our functional currency profile. It is important to understand that these securities are yen-denominated but pay U.S. dollar coupons. The following analysis helped us conclude that RDCs were a good investment for AFLAC.

Reverse Dual Securities Breakeven Analysis

Forward* Y/$ Rate	Internal Rate of Return	
¥123.9	5.29%	
90.0	3.86	
70.0	3.01	
50.0	2.18	
39.3	1.73	← Current 20-yr. JGB Yield

*Assumed constant exchange rate during the period

This chart shows the break-even analysis for the entire reverse dual portfolio versus current interest rate levels in Japan. This analysis uses the current *theoretical* forward currency curve for the yen/dollar relationship. I stress theoretical since no one can foresee the exchange rate 30 years from now, but it is the best guide that we have. Using this analysis, you can see that the exchange rate would have to move to 39.3 yen to the dollar for a reverse dual security to yield less than a comparable Japanese domestic yen bond. Plus, the fact that the exchange effects of the reverse dual portfolio move in an opposite direction from the earnings stream of AFLAC means that these securities tend to offset some of the effects of the exchange rate upon our earnings from Japan.

Reverse Dual Currency Securities

Features:
- Yen principal with dollar coupon
- Loan or bond format
- 18% of total investments and cash at March 31, 2001
- Average yield of 4.86%

Sample Issuers:
- BMW Japan Finance Corp.
- Dresdner Bank
- Deutsche Bank
- Barclays Bank
- British Gas

You can see that this portfolio is made up of high-quality issuers. In light of an improvement in rates last year and the ever-changing accounting issues in Japan, we opted to de-emphasize RDCs in terms of new investments in 2000. As a result, they are now a smaller portion of our portfolio, representing 18.0% of total investments and cash at the end of March 31, 2001, compared with 19.2% at the end of 1999.

One question on the RDC portfolio is about our exposure to derivatives, since these issuers mostly swap the issue back to their base currencies. Our exposure is to the issuer itself, not the swap counterparty used for the swap. If the swap counterparty defaults, we look to the credit of the issuer to make good on the principal and interest.

In our view, the U.S. dollar portfolio and the RDC portfolio have served AFLAC well in both their intended effects on earnings and the execution of our investment strategy. They have been the prudent course to pursue in line with conservative investments that best fit AFLAC's long-term asset/liability matching strategy.

Unrealized Investment Gains/Losses

(In Millions)

Unrealized invest. gains:	1999	2000	3/01
On securities available for sale	$1,502	$ 1,541	$3,188
Unamortized balance - securities transferred to held to maturity	1,258	1,001	693
Total unrealized gains	$2,760	$2,542	$3,881
Less: Increase in policy liabilities	(841)		643
Deferred inc. taxes	(887)	1,068	1,258
Shareholders' equity, unrealized gains	$1,032	$1,474	$1,980

Directly related to the reverse dual currency issue is the mark-to-market issue in the balance sheet of AFLAC. This chart shows the total company unrealized gain on investments. Obviously, the vast majority of the gain is related to AFLAC Japan's investments. We had a total unrealized capital gain of $3.9 billion as of March 31, 2001, which resulted from the continued low interest rate environment in Japan. The unrealized gain is mainly in straight Japanese domestic bonds. Clearly, all is well at current levels of interest rates. However, I'm sure you may want to know what will happen if interest rates finally begin to rise in Japan?

Depending upon the magnitude of movements in the currency and bond markets, we estimate that our unrealized gain will disappear with a yield level of between 3.5% to 4.0% on a 10-year composite JGB yield, which is roughly three times the current yield level of 1.29%. We have structured our investment portfolio in line with new accounting standards in Japan using this assumption.

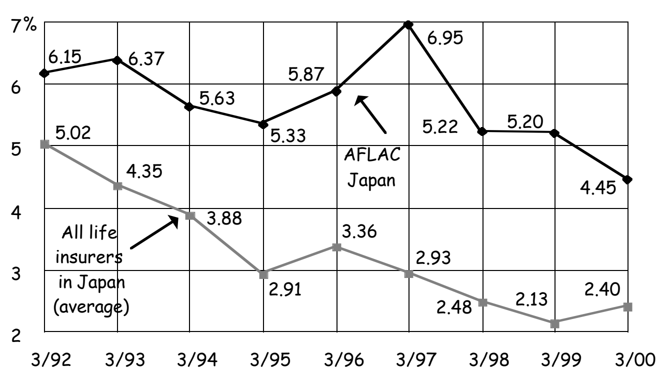
So now, what will we have after a significant interest rate rise? Obviously, we will no longer have a huge unrealized capital gain, and our portfolio will still be very sensitive to interest rate movements because of its long duration. However, we will still have a better asset/liability match than anyone in the industry. We will still have much better asset quality than the industry's. We will still have higher overall yields than the industry's. And, we will have taken the prudent actions necessary to provide the highest returns for our policyholders and shareholders.

Let's look at the yield issue. This next chart shows AFLAC's overall portfolio yield as calculated on a MOF basis versus the industry average in Japan.

Over the past nine years, our portfolio yield has held up very well on a Financial Supervisory Agency reporting basis.

Comparison of Yields in Japan

(FSA Basis, March 31)

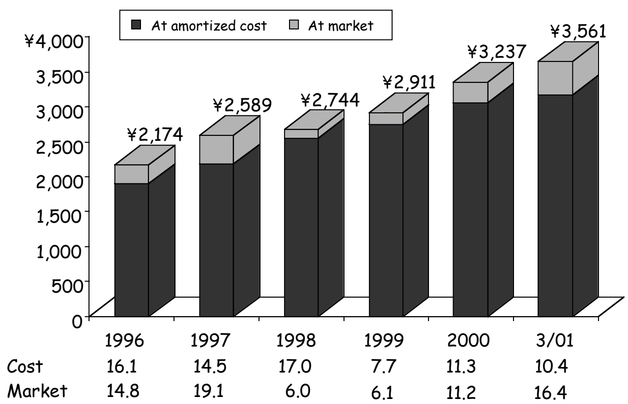


By comparison, the average yield for the industry has fallen off sharply. Part of the reason for the decline of yields in other Japanese life companies is their emphasis on short-term asset products of a five-year nature. As these have matured, the higher yielding assets backing those instruments also matured, lowering their overall yields. Still, a large amount of long-duration liabilities held by these companies is not adequately matched by corresponding assets. It seems that other life companies in Japan have tried to "wait out" the current low interest-rate environment but have done so at great risk. We, on the other hand, have focused on the long-term aspect of the insurance business. The overall economics of a transaction is still paramount in our minds.

I hope the material we have presented is helpful in your understanding the investment process at AFLAC. Ultimately, the most important question is: Are we performing at a level to meet our internal and external expectations? In short, we think we are.

Investments and Cash

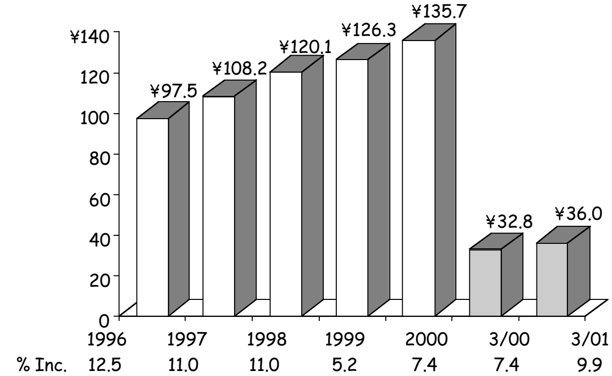
(Yen in Billions)



As you can see from this chart, our invested assets have continued to grow rapidly. The persistency of our products in Japan has produced an average growth of invested assets of 11.4% in yen over the last five years. The challenge to invest these funds at a reasonable spread to meet product needs and grow investment income is still present and will persist given the slow economic recovery in Japan. We believe that our performance has been very good, especially considering the harsh investment conditions in which we operated for the better part of the 90s.

Net Investment Income Growth

(Yen in Billions)



AFLAC Japan's net investment income growth rate has averaged 9.4% per year over the last five-year period despite the effect of low rates. This year, as the yen has weakened, our investment income has accelerated in yen because about 26.5% of this year's projected net investment income is in dollars. In addition, much of the impact on net investment income growth comes from timing and size of the investments at the time of purchase as opposed to just the yield. Therefore, we focus on maximizing net investment income growth in line with AFLAC corporate objectives.

We continue to focus on superior investment performance globally in all of our investment markets. Whether looking at Brazilian cellular providers, British property and casualty insurers, or German auto manufacturers, our goal is to provide conservative investments that are in the best interests of AFLAC's policyholders and shareholders.

AFLAC Japan Financial Results

Allan O'Bryant
President, AFLAC International, Inc.;
Deputy Chief Financial Officer, AFLAC Incorporated

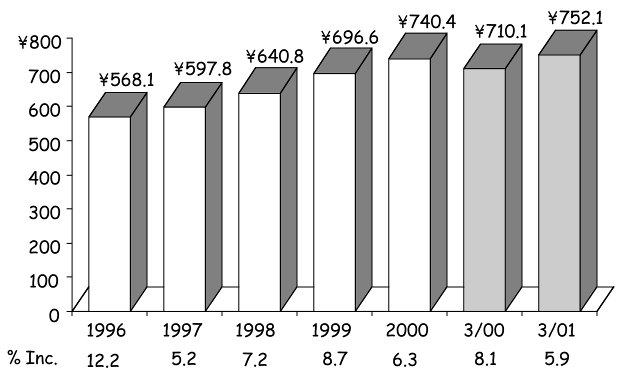
Recently, I received a letter from a business school professor and friend with whom I worked for two years as his graduate assistant. He is currently on sabbatical in Porto Alegre, Brazil. He wrote, "I have noticed on CNN that Japan is going through more economic crisis, but what else is new? *Business Week* – which I still get down here – says that the crisis is just what Japan needs to reform the banks, but they have been saying that ever since the crash of 1986, so what else is new? Despite all this, AFLAC continues to be successful, again nothing new!"

I'd like to discuss AFLAC Japan's success in financial terms. I know you are all accustomed to reviewing our business on a GAAP basis. In addition to GAAP results, I would also like to show you some comparisons of AFLAC to others in the industry on a Japanese reporting basis.

AFLAC Japan has continued to grow despite the prolonged weak economy in Japan and the increasing consumer uneasiness toward insurance companies that resulted from the recent failures of Japanese insurers. We have faced many challenges in this weak environment. However, unlike many life insurers in Japan, AFLAC has produced steady increases in annualized premiums in force.

Annualized Premiums in Force

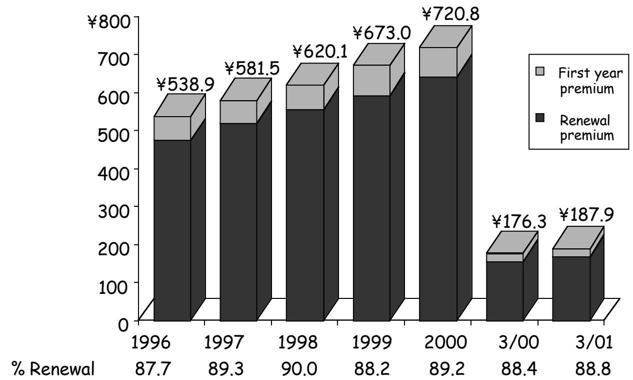
(Yen in Billions)



Additions to premiums in force slowed in 1997 as Japan's recession deepened. Since 1998, however, we have met or exceeded our sales targets and continued to experience strong persistency. As a result, we have produced solid growth in premiums in force since 1997. This growth continued into the first quarter even though new companies entered our market in January as a result of deregulation.

Premium Income

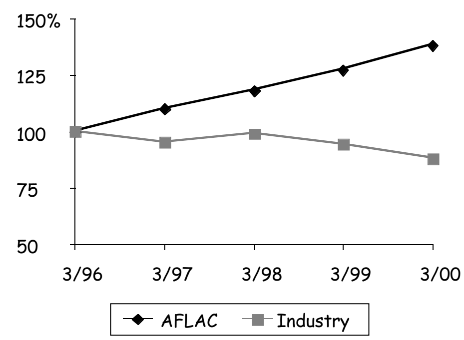
(Yen in Billions)



AFLAC Japan's premium income is directly influenced by the growth of premiums in force. The slower rate of earned premium growth in 1997 and 1998 reflected the effect of slower additions to premium in force from 1993 through 1997. Growth in earned premium bottomed out in the fourth quarter of 1997, and it has shown solid improvement since. The key reason that premium income continued to grow despite a decline in 1997 sales was our strong and stable persistency. As you can see in the chart above, new sales make up a relatively small portion of premium income. We estimate that about 90% of total premium income for 2001 will come from policies already in force at the beginning of the year. This relationship adds to the stability and predictability of our revenues.

Comparison of Premium Income Growth

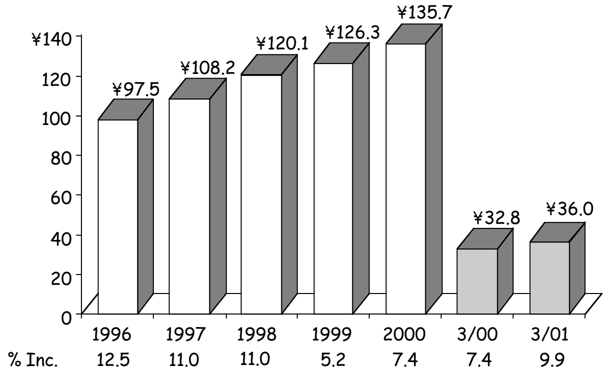
(FSA Basis, 3/96=100)



This chart shows you how our premium income growth compares with the life insurance industry. Although these numbers are based on Japanese statutory reporting, which is somewhat different than U.S. GAAP reporting, the picture tells the same story. The weak economy and the recent failures of Japanese insurance companies have really taken their toll on the industry in recent years. Although AFLAC is not completely shielded from the negative impact, we have generated a fairly consistent growth in premium income.

Net Investment Income

(Yen in Billions)



The other significant component of AFLAC Japan's revenues is net investment income. Investment income growth in yen is affected by new cash flow available for investment activities and the level of available yields. After reading Joe's presentation on investments, I think you would all agree that our investment approach is not only different from the Japanese life insurance industry, but that it is also one of our competitive strengths.

Our yen-based investment income growth is also influenced by currency rates because approximately one-quarter of our investment income is dollar-denominated. In the weakening yen environment in which we currently operate, the effect of a weakening yen is to magnify the growth of investment income in yen terms as we translate dollar-denominated investment income into more yen. Using the first quarter as an example, investment income grew at a 9.9% rate. If the average yen/dollar exchange rate had been identical to the first quarter of 2000, we would have reported a 7.0% increase. This translation effect does not impact the company in dollar terms; however, you can see that it can influence our yen-based income statements. Despite our superior performance in the investment area, finding attractive investment yields remains our greatest challenge in Japan, and low yields continue to restrain investment income growth.

AFLAC Japan Investment Margin

(Yen in Billions)

	1999		2000	
	Amount	Average Rate*	Amount	Average Rate*
Investment inc.	¥126	5.03 %	¥136	4.83 %
Actuarial assumed int.				
ben. reserve liability	(120)	(5.29)	(130)	(5.21)
Yield spread	¥ 6	(.26)%	¥ 5	(.38)%
% yield spread to				
investment income	4.8%		3.8%	

*Monthly averages

This chart compares the investment income assumption with actual investment income for AFLAC Japan. On an overall basis, the weighted-average interest rate assumed in calculating future policy benefit reserves declined from 5.29% in 1999 to 5.21% in 2000. Our actual investment yield rates declined at a slightly faster rate. As a result, the yield spread between the actual investment yield rate and the yield rate required in the benefit reserve calculations was a negative 38 basis points in 2000, compared with 26 basis points in 1999. You'll recall from Mr. Matsui's presentation that on a Japanese reporting basis, AFLAC did not have a negative spread.

The negative spread doesn't cause us great concern for several reasons. First, our claims have basically emerged as expected. Second, the morbidity margins of newer products like the LBL rider and Rider MAX are high, compared with our founding product. Third, we are still able to keep our expense ratio low. Finally, the premium rate increases on new business effectively replace a portion of the lost investment income from low investment yields with higher premium income.

Changes in Assumed Interest Rates for Product Pricing

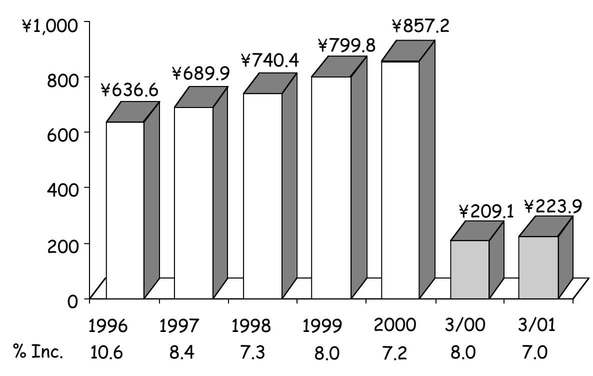
	Jul. 1994	Sept. 1995	Oct. 1996	Jul. 1999	Apr. 2001
Cancer life	4.5%	4.5%	3.1%	2.35%	2.35%
Care	5.5	4.5	3.1	2.35	2.35
LBL	—	4.5	3.1	2.35	2.35
Medical	5.5	4.5	3.1	2.35	2.35
Ordinary life	—	—	—	2.35*	1.85
Annuity**	—	—	—	2.15	1.65

*Changed in April 1999 **Periodic payment only

This chart shows the assumed interest rates we have used over the last several years for pricing new business. We began lowering assumed interest rates along with the industry in 1994. In 1996, and again in 1999, we lowered the assumed interest rate for all products, which resulted in increased premium rates for new policy issues. The new pricing assumption had little impact on Rider MAX and the term plans we offer because they are less interest sensitive than our whole life products. On April 1, 2001, the industry and AFLAC increased premium rates on ordinary life and annuity products.

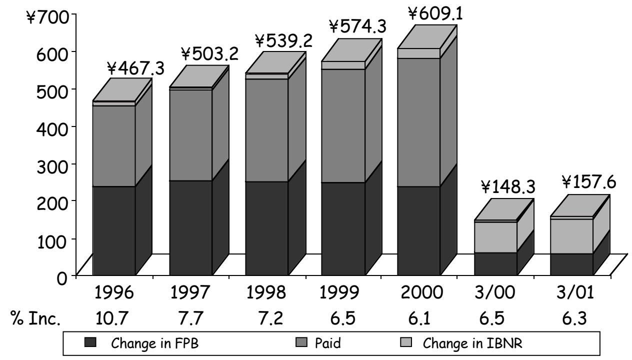
Total Revenues

(Yen in Billions)



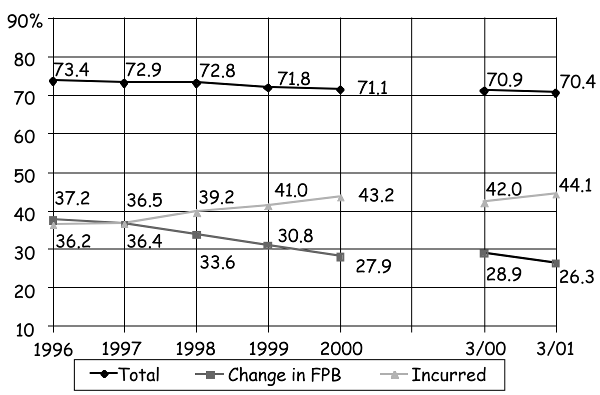
Growth in total revenues for AFLAC Japan has closely tracked the growth of premium income. In the first quarter of 2001 for instance, total revenues increased 7.0% on a 6.6% increase in earned premium. Over time, we expect the mix of total revenues to change a bit between premium income and investment income as higher premium income is substituted for lower investment income as a result of the product pricing changes. I think it's clear that we have done a pretty good job at growing the top line in a very difficult environment. In addition, there is a striking difference between the performance of AFLAC Japan and the Japanese life industry. An obvious question is "What sets AFLAC Japan apart from the rest?" Two of the most important factors are our product line and the benefits we offer consumers.

Total Benefits
(Yen in Billions)



Total benefits include three major elements. The first element is the amount we actually pay in claims during the period. The next element is the allowance we make for claims that are incurred in the period but are not reported or paid in the period. This is generally known as the "incurred but not reported reserve," or IBNR. We refer to the sum of paid claims and the change in IBNR as "incurred benefits." The final element is the charge against current revenues for policy benefits that will be incurred in future years. Total benefits increased 6.3% in the first quarter, which was significantly lower than the 7% revenue growth.

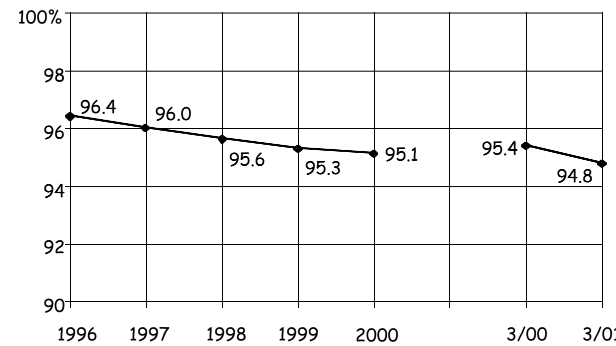
Benefit Ratios to Total Revenues
(In Yen)



As you can see, our total benefit ratio has trended downward since 1996, reaching 70.4% in the first quarter of 2001. The paid portion of the benefit ratio has been influenced by the aging of the business. Because policies in their renewal years dominate our block of business and because cancer is an illness of age, it makes sense that paid claims increase as the block ages. Obviously, this is why we build reserves in the first place. In addition, the benefit ratio has been affected somewhat by higher cash surrender values. We attribute the increase in cash surrender values to the prolonged weakness in the economy.

The growth of future policy benefits has been slower recently. First, as a policy cancels and we pay a cash surrender value, the reserve is released and netted against the increase in future policy benefits. Our changing product mix is influencing our benefit ratio as newer products such as Rider MAX have lower expected benefit ratios than our founding product, cancer life. Our benefit ratios also reflect our strong persistency, which is another factor that sets us apart from the industry.

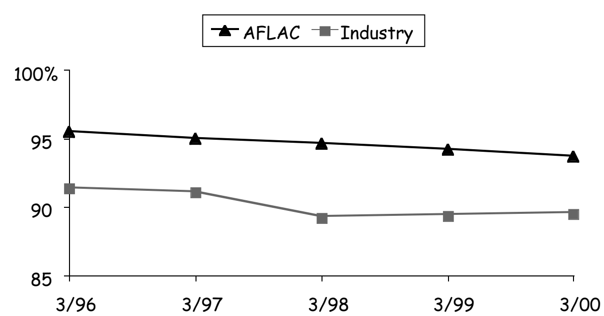
Persistency Rates
(All Product Lines)



We have maintained a very high rate of persistency although it has declined in recent years. There are several likely factors that have contributed to the slight declines we have experienced in persistency, including product mix. Cancer life has the highest persistency of our products, so as we add other products to our in-force business, overall persistency will decline. However, cancer life persistency has also declined a bit in recent years, which means we are not entirely immune to the weak economy.

It is commonly known that Japanese consumers as a whole tend to hold on to their insurance policies much longer than those in other countries like the United States. AFLAC Japan has maintained the highest level of persistency in the Japanese life insurance industry and has done it consistently over the years.

Comparison of Persistency Rates
(FSA Basis)

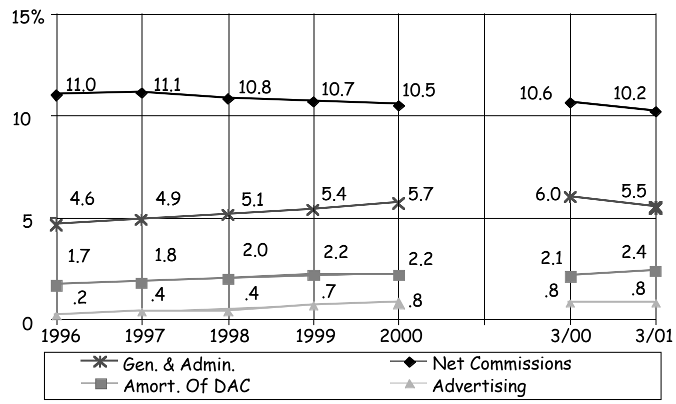


Source: Insurance Research Center

These rates were computed using premium data rather than policies. Once, again they are based on Japanese statutory reporting and once again, we see the same pattern. AFLAC has maintained the number one position in all years except 1999. In that year, we were second only after Aoba Life, the former Nissan Mutual Life, which now concentrates only on servicing policies. Our persistency rate has been consistently around 400 basis points better than the industry average. We expect it to stay above the industry average because of the need for our product and its low premium. We also believe that the high ratio is indicative of the high level of customer satisfaction from the way we service our customers.

We have often said that we offer the best product at the best price and pay the best commission to the agent. What allows us to do that is our greatest strength, and that is the efficiency of our internal operations.

Operating Expenses to Total Revenues
(In Yen)



The ratio of total operating expenses to total revenues increased slightly last year to 19.2%. The ratio of net commissions as a percentage of total revenues decreased slightly to 10.5% due to the growing renewal premium base. On the other hand, the general operating expense ratio rose slightly to 5.7% of revenues, which reflected increased marketing expenses. General expenses were also up due to development costs for the administrative systems project.

In 2000, new systems development costs increased by ¥500 million. We estimate the total cost of the project through 2002 to be ¥16.5 billion, or about $140 million. Although a significant portion of the development costs will be capitalized and depreciated over three years after implementation, we anticipate that we will realize expense reductions and recover estimated total development costs in less than seven years. The benefits of the new systems are not measured only in terms of greater efficiency and general expense reduction. The new systems should allow us to develop products faster, meet the increased needs and demands of a diversified distribution system and provide a higher level of service to our policyholders.

Since we believe our efficiency is our greatest competitive advantage, let me show you how AFLAC compares with some others in the industry.

Average Premium Per Policy
(FSA Basis)

Rank by Assets		Premium Income (In Millions)	Policies in Force	Average Premium Per Policy
1	Nippon	¥5,808,911	17,051,496	¥340,669
2	Dai-ichi	3,744,604	12,655,546	295,886
3	Sumitomo	3,232,341	11,891,242	271,825
4	Meiji	2,299,509	6,839,728	336,199
5	Asahi	1,405,045	5,241,857	268,043
8	Taiyo	1,155,208	5,850,634	197,450
14	**AFLAC**	**690,857**	**14,681,922**	**47,055**
17	ALICO	340,305	2,902,487	117,246
18	Sony	370,577	2,141,941	173,010

Source: Insurance Research Center

The chart at the bottom of the preceeding column compares the average premium per policy in force for AFLAC and those of other large insurers in Japan. It should come as no surprise that AFLAC's average premium is lower than the other insurers. But it is remarkable how low it is. And AFLAC has been successful generating respectable profit from such low-premium products. The primary reason is our low-cost operating infrastructure. An insurer that has been accustomed to large premium policies and, therefore, has not developed an infrastructure to support a significantly lower premium, would find it difficult to compete with us.

Comparison of Expenses Per Policy in Force
(FSA Basis)

Rank by Assets		General Operating Expenses (In Millions)	Policies in Force	Cost Per Policy
1	Nippon	¥286,838	17,051,496	¥16,822
2	Dai-ichi	202,734	12,655,546	16,019
3	Sumitomo	196,569	11,891,242	16,531
4	Meiji	141,164	6,839,728	20,639
5	Asahi	96,820	5,241,857	18,471
8	Taiyo	50,640	5,850,634	8,655
14	**AFLAC**	**124,191**	**14,681,922**	**8,459**
17	ALICO	29,642	2,902,487	10,213
18	Sony	21,629	2,141,941	10,098

Source: Disclosure statements from each company

We derive much of our expense advantage in Japan through the economies of scale we have achieved. AFLAC Japan has the second largest number of individual policies in force in Japan. As you can see in the chart above, our general operating expenses per policy in force are significantly lower than other companies in Japan. Another measure of our efficient operation is the number of policies per administrative employee.

Number of Policies Per Administrative Employee
(FSA Basis)

Rank by Assets		Administrative Employees	Policies in Force	Policies Per Employee
1	Nippon	11,164	17,051,496	1,527
2	Dai-ichi	9,447	12,655,546	1,340
3	Sumitomo	9,427	11,891,242	1,261
4	Meiji	7,152	6,839,728	956
5	Asahi	6,840	5,241,857	766
8	Taiyo	2,982	5,850,634	1,962
14	**AFLAC**	**1,846**	**14,681,922**	**7,953**
17	ALICO	1,434	2,902,487	2,024
18	Sony	851	2,141,941	2,517

Source: Disclosure statements from each company

By this measure, AFLAC Japan's employees have the best productivity in the life insurance industry. In fact, an AFLAC employee on average services about six times more policies than employees of other life insurance companies in Japan.

Cost Per New Policy

(FSA Basis)

Rank by Assets		Total Marketing Expenses (In Millions)	New Indiv. Policy Sales	Cost Per New Policy
1	Nippon	¥356,022	920,269	¥386,867
2	Dai-ichi	284,036	770,118	368,821
3	Sumitomo	270,358	844,727	320,054
4	Meiji	151,449	464,817	325,825
5	Asahi	111,267	318,738	349,086
8	Taiyo	34,812	446,967	77,885
14	**AFLAC**	**42,249**	**1,029,770**	**41,028**
17	ALICO	56,379	521,976	108,011
18	Sony	56,902	408,140	139,418

Source: Insurance Research Center

You can also see our cost advantage in looking at total marketing expenses per new policy sold. These expenses include agent compensation, advertising and other marketing-related expenses. Please note that this does not equate to a GAAP-based acquisition cost. However, it does give you some idea about how much less we spend when acquiring a new contract in Japan, compared with other companies.

Another competitive advantage for AFLAC is financial strength. Our sound operation combined with prudent investment policy makes us a very strong company financially.

Comparison of Solvency Margins

(FSA Basis)

Rank by Assets		3/00 Solvency Margin	9/00 Solvency Margin
1	Nippon	1,096%	1,030%
2	Dai-ichi	866	755
3	Sumitomo	676	610
4	Meiji	731	690
5	Asahi	733	634
6	Mitsui	677	510
7	Yasuda	809	703
8	Taiyo	1,050	980
14	**AFLAC**	**701**	**715**

Source: Insurance Research Center

Our financial strength is supported by a solid solvency margin. As you may know, Japan's solvency margin is a version of risk-based capital in the United States. All life companies were required for the first time to disclose their solvency margin in 1999.

As of September 30, we were ranked 4th among the eight largest insurers, up from 7th at the end of March 2000. Many insurers experienced declines in their margins due to lower equity values. With proposed changes to the solvency margin computation by Japanese regulators, the solvency margins for the industry are likely to come under increased pressure.

Changing Solvency Margins

Rank by Assets		9/00 Solvency Margin	Estimated Solvency Margins Under New Standard with Unrealized Stock Gains: Stock Gains as of 9/00	Stock Gains with TOPIX at 1250
1	Nippon	1,030%	860%	740%
2	Dai-ichi	755	660	540
3	Sumitomo	610	550	440
4	Meiji	690	640	520
5	Asahi	634	600	480
6	Mitsui	510	440	300
7	Yasuda	703	620	520
8	Taiyo	980	820	740
14	**AFLAC**	**715**	**1,123**	**1,123**

Source: J.P. Morgan Chase & Co.

Changes to the solvency margin will impact the calculation of risk for insurers by requiring that all securities reflect market values rather than cost. Previously, only the market value of domestic equity securities listed in Japan was reflected in the solvency margin. As insurers report other investments at market value, such as foreign holdings or other asset classes that were previously at cost, the solvency margins will likely drop for the industry. This analysis, prepared by JP Morgan in February, shows the possible impact of the solvency margin change using different TOPIX valuations. Although JP Morgan did not include AFLAC in its study, I've shown you our estimates for AFLAC's solvency margin under the new standard. Note that because of the significantly different asset mix of AFLAC Japan, our margin would likely show improvement due to the significant unrealized gains on our yen-denominated fixed maturity securities. As a result, rising interest rates in Japan would obviously reduce the value of our bond holdings and therefore lower our solvency margin. AFLAC's financial strength is also reflected in our ratings from the major credit agencies.

Financial Strength Ratings

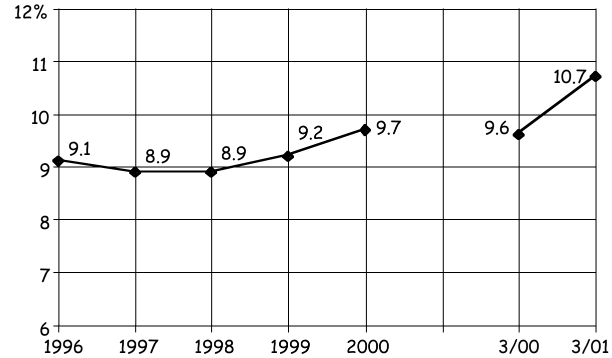
	Economist	S&P	Moody's
Nippon	A-	AA	Aa3
Dai-ichi	B	A	A3
Sumitomo	B-	BBB	Baa2
Meiji	B	A+	A2
Asahi	C-	BB+	Baa3
Yasuda	B	A-	A2
Mitsui	C-	BB+	Baa3
Taiyo	A-	A	Baa2
AFLAC	**A**	**AA**	**Aa3**

Source: Disclosure Reports of Insurance Companies, *Economist* 12/12/00

In terms of financial strength ratings, we rank very high in the industry. Recent ratings in the *Economist* rated AFLAC Japan 'A.' Our ratings from S&P and Moody's are also favorable compared with the large insurers. These ratings are very important to our agents and policyholders, so we will continue to work very hard to maintain and extend our reputation for superior financial strength.

Our solid top-line growth and all of our competitive advantages have translated into a very healthy bottom line.

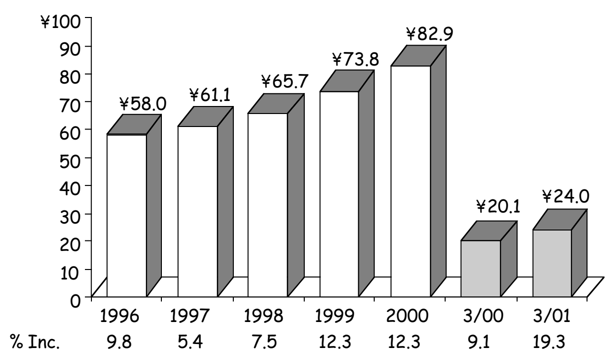
Profit Margins
(In Yen)



The profit margin has trended up in the last two years. Even though the margin has been impacted by lower interest rates and profit repatriation, premium rate increases help offset some of the impact of the lower interest rates. In addition, with the improvement we have experienced in the benefit ratio, we saw the profit margin improve again in the first quarter of this year. Recalling my earlier comments about the exchange rate's impact on our yen-based results, had the yen remained unchanged from the first quarter of 2000, the margin would have been 10.4%.

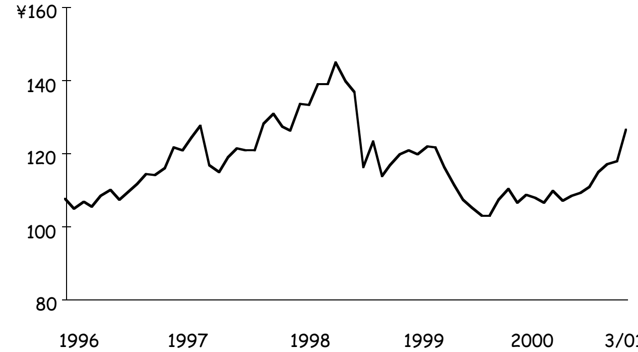
As a result of our consistent top-line growth and stable-to-improved operating trends, AFLAC Japan has generated solid growth in pretax earnings in yen.

Pretax Earnings
(Yen in Billions)



Last year, pretax earnings in yen rose 12.3%. Due to the higher profit margin, pretax earnings growth increased 19.3% to ¥24.0 billion in the first quarter of 2001. Excluding the impact of foreign currency on AFLAC Japan's dollar-denominated income and expenses, pretax earnings were up 15.0% in the quarter.

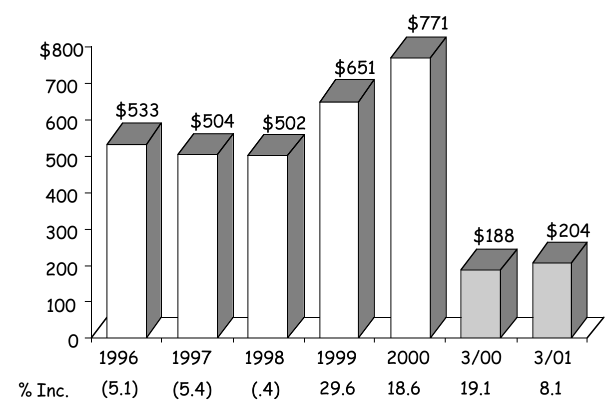
Yen/Dollar Exchange Rate
(1996- 3/01)



Source: Bloomberg Financial Markets

We translate AFLAC Japan's income statement using a year-to-date average exchange rate. From 1992 through 1995, the strengthening yen increased AFLAC Japan's rates of growth in dollars. The weakening yen penalized our dollar results in 1996 through 1998. The yen began to strengthen against the dollar in the fourth quarter of 1998 and again benefited our results in 1999 and 2000. Since the end of 2000, the yen has weakened, and suppressed our rates of growth in dollar terms.

Pretax Earnings
(Dollars in Millions)



In 2000, pretax operating earnings in dollars increased sharply due to an expanding profit margin and the 5.7% strengthening of the yen. For the first quarter of 2001, the average exchange rate used to translate earnings was 9.3% weaker than the first quarter of 2000. Therefore, AFLAC Japan's pretax operating earnings increase of 19.3% in yen translated to an 8.1% increase in dollars.

Overall, we continue to be very pleased with the financial performance of AFLAC Japan. We believe that we have many competitive advantages, including a strong brand image, a large base of customers who trust and have confidence in us, an extensive and growing distribution system, superior investment management and financial strength, and efficient administrative systems. We are convinced that Japan will remain a very good market for AFLAC. Likewise, we believe that AFLAC Japan will maintain its strong market position in the third sector, and keep generating strong financial results. Most importantly, we expect AFLAC Japan to remain the leading contributor to AFLAC Incorporated's achieving its earnings objectives in 2001 and beyond.

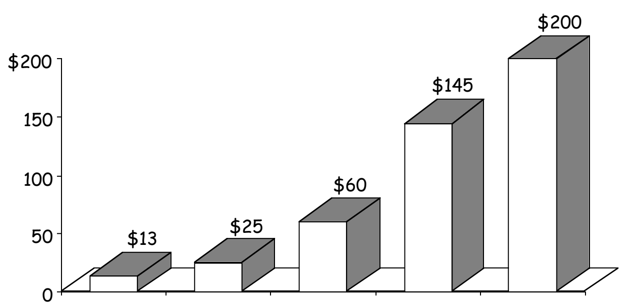
Section III
AFLAC U.S.

Introduction to AFLAC U.S.

Rebecca C. Davis
Senior Vice President; Chief Administrative Officer

I would like to begin by providing an introduction to the U.S. supplemental insurance market and a brief overview of AFLAC U.S. As you know, our mission is to design supplemental insurance products that help fill gaps in existing primary insurance coverage of U.S. consumers. We believe the need for our products has grown steadily over the years because out-of-pocket expenses have become an increasingly large burden to U.S. consumers.

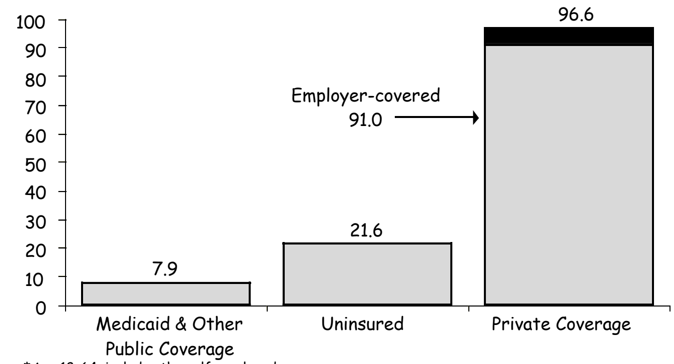
Growth of Out-of-Pocket Expenses
(In Billions)



Source: Health Care Financing Administration (www.hcfa.gov/stats)

Out-of-pocket expenses in the United States have risen from $13 billion in 1960 to $200 billion in 1998. These out-of-pocket expenses are primarily medical and include hospital care, physician services, dental services, home health care, drugs, nursing care and other professional services. This financial burden is even greater when we include nonmedical out-of-pocket expenses such as travel and transportation to and from treatment centers, food and lodging, special equipment, household help or child care, and lost wages. Although these nonmedical expenses are often overlooked, in some cases, they exceed medical out-of-pocket expenses. To help consumers with these out-of-pocket expenses, we offer a variety of supplemental products that we market at the worksite.

Insurance of U.S. Workers*
(In Millions)



*Age 18-64, includes the self-employed
Source: HIAA Source Book of Health Insurance Data, 1999/2000

The reason we focus on the worksite market is because that's where most Americans buy health insurance. According to the Health Insurance Association of America (HIAA), approximately 91 million people in the United States are insured at their places of employment. And many of those workers are at small businesses, our primary marketing focus.

The Small Business Market
(1998)

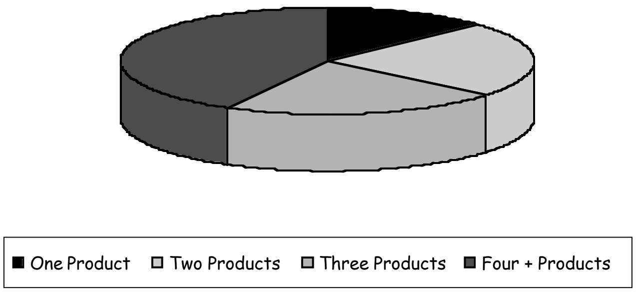
Size of Firm	Number of Firms (000)	Number of Employees (000)	% of Total Employees
0 - 19 Workers	4,988	20,275	18.8%
20 - 99 Workers	494	19,378	17.9
100 - 499 Workers	80	15,411	14.3
More than 500	16	53,053	49.0

Source: Office of Advocacy, Small Business Administration

According to data from the Small Business Administration (SBA), there were more than 5.5 million businesses with fewer than 500 workers in 1998. That represented more than 99% of employers in the United States. Small businesses, which are defined by the SBA as those with fewer than 500 workers, account for 51% of total private workers in the United States. As you can see, nearly 37% of the 100 million workers in the United States were employed at businesses with fewer than 100 workers.

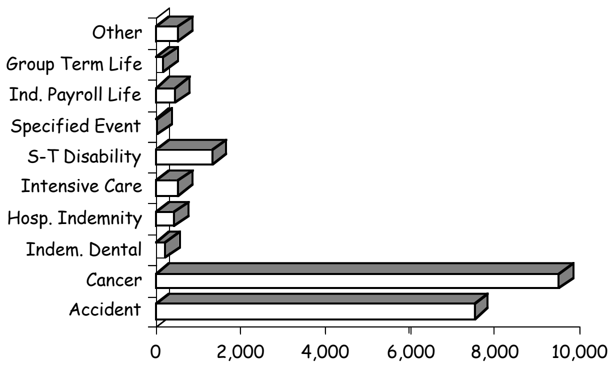
That's AFLAC's market. Yet despite our position as the market leader, our penetration in the small business market is only about 3% in terms of payroll accounts.

Distribution of Payroll Accounts



Not only is there a great opportunity to open new accounts, but we also have significant sales potential within our existing payroll accounts. As you can see, more than 40% of our accounts have four or more products. However, over a third have just one or two products, with 13% having only one of our products.

Single Product Accounts by Product



Most of our single-product accounts have cancer or accident insurance as their sole AFLAC product. The cross-selling opportunities to these accounts should be quite large, especially for a product like our indemnity dental plan because it addresses a health care need different from needs addressed by our other products. In fact, if we could sell dental insurance to 30% of the policyholders at the accounts with just one product, that would result in additional annualized premium of about $250 million.

The Competition

Aegon
Allstate
AIG
Aon
Conseco
GE Capital
National Travelers
Protective Life
Torchmark
UnumProvident
Several regional carriers

We are certainly not the only company to recognize the potential of selling supplemental insurance in the United States. Actually, we have competed with many companies since we pioneered the supplemental insurance market many years ago. In one way or another, we compete with a lot of recognizable insurers in the United States. Most of our competition is in governmental accounts and larger private sector accounts. However, that competition tends to come from the several regional companies we compete with throughout the country.

We do think we are better positioned than anyone else to tap into the market potential because we understand the market, and we have the capabilities to service the customers. Because our products are supplemental and voluntary, the concept is different from benefits that employees might be offered by group carriers, such as group health, life or disability.

AFLAC's Strategy for Growth

- Expand product line
- Increase distribution
- Build an effective brand through advertising
- Improve efficiency through technology

AFLAC's strategy for growth has been very consistent since Dan Amos first initiated our product-broadening plan in the mid-1980s. Our objective remains to continue the expansion of our product line. We also will focus on increasing our distribution system of independent sales associates and insurance brokers. At the same time, we will continue to build the AFLAC brand through our national advertising program. Joe K. talks more about our efforts in those areas in his presentation. I would like to talk just a bit about how we have used technology to improve the efficiency of our business and to support our sales force. Without a doubt, our greatest technological success so far has been SmartApp.

SmartApp Advantages

To AFLAC U.S.:
- Reduces data entry labor
- Eliminates need for paper applications
- Reduces pended business
- Accelerates policy issuance

To the sales associate:
- Enhances professional enrollment
- Eliminates paper transmittal forms
- Provides immediate commissions

SmartApp is a laptop-based point-of-sale device that allows our associates to enroll their customers electronically. Last year we processed 78% of all new payroll business with SmartApp, and of that amount, nearly half were "jet-issued," meaning that no human intervention was required to process the applications.

SmartApp benefits AFLAC U.S. by greatly reducing the labor required to process new business. It also saves on printing costs by eliminating the need for paper applications. Furthermore, SmartApp reduces pended business, which is significant because about 25% of paper applications are pended due to errors or omissions.

SmartApp makes for a much more professional enrollment process for our sales force. It eliminates the need to complete paper transmittal forms required for the computation of commissions. And we can pay commissions to our sales force very quickly. With a jet-issued policy, we can direct-deposit commissions within 48 hours of receiving the application. In addition to SmartApp, several other technological initiatives have benefited us and improved the productivity of our sales force.

Technology Solutions for the Field 2000

- Production/contest/bonus reporting online
- Field force e-mail
- Claims payment copies online
- Web ordering of supplies and incentive items

With the expansion of our sales force, communication with our associates and coordinators has remained of paramount importance.

The Internet has proven to be an effective means of communication. We know that speed is essential in reporting contest and production results. As a result, we began putting our production and contest reports on the Web in 2000. In the latter part of 2000 we began using e-mail to notify the field of new product introductions as well as legal and administrative changes.

We also made copies of our claims payment letters available online. We believe they are actually more secure in this environment because they can be accessed by the servicing agent or his hierarchy. They are available only for a limited time.

The field can now order supplies and incentive items online. This past March, 48% of our orders came in via the Web. We add items online as they come up for reprint. The associate can actually view the item before ordering. We believe, over time, this strategy will result in tremendous cost savings to us. Not only does it eliminate the cost of data entry, it should also reduce the number of items ordered. If the associate can see the item online, he may figure out that he needs only 10 copies, not 100. Also, if he needs only a couple of forms, he can just download and print them himself.

Technology Solutions for the Field 2001

- Pended business reporting online
- Account invoice copies online

This year, we have two main projects that we believe will be especially helpful to the sales force. As I said earlier, getting information to our agents rapidly is important. By having an accurate online report of any pended business, we can help speed up policy issuance. This report will be available 24 hours a day, seven days a week. During business hours, it's updated every two hours, and any level in the field force hierarchy can access it. The state sales coordinator can see all pended business in his or her state; a regional sales coordinator can view pended business in his or her region; and the same is true with the district coordinator and the associate. The number of calls into our Customer Call Center should decrease because many calls come from associates who just want to know if their new business has arrived.

By making the account invoice copies available online, we save the expense of printing and mailing these items. More important, the information is available to the servicing associate promptly. This plan is actually Phase I of our new Account Servicing System.

Technology Solutions for the Field 2002

- Account servicing system
- SmartApp administrative changes
- Commission statements online

Release 2 of SmartApp, to be delivered in 2002, has two changes. This release will provide the ability to transfer a policy from payroll to direct or to a different payroll account, and to print, or deliver electronically on disk, payroll deduction authorization cards. This will eliminate mistakes, so the amount billed on the invoice should always equal the amount deducted from the policyholder's check. When the employer uses a disk, data entry to start the payroll deduction process is unnecessary.

In 2002 we will elevate Phases II and III of the account servicing system. Phase II will include drop-down boxes, giving associates more information about the plans. Phase III will include a fully functional system that provides for account changes in certain specified fields and policy level notification of all changes that impact an account.

Also, in 2002, we expect to have associates' commission statements online. This, along with direct deposit of the check, will truly automate this process.

AFLAC U.S. Growth Rates

	5-Year	3-Year	1-Year	First Qt. 2001
New sales	20.6%	21.1%	28.3%	34.5%
Premium income	12.6	13.5	14.4	17.4
Total revenues	13.8	13.9	14.3	16.2
Total expenses	12.3	13.8	14.3	17.0
Pretax earnings	22.8	16.4	13.3	16.7

We have been extremely pleased with the sales and financial performance of AFLAC U.S. over the last several years. Our sales growth has translated into improved top-line growth. In fact, the first quarter of 2001 marked the 19th consecutive quarter of double-digit earned premium growth. Just as important as the top line is the job we've done with controlling the growth of our operating expenses. As you can see in the chart above, total expenses, including discretionary advertising costs, increased at a lesser rate than premium income in the first quarter. That's a good sign that our investments in technology are paying off.

I hope this has given you some idea about why we remain excited about the future growth of AFLAC U.S. The United States is not only one of the largest insurance markets in the world, we believe it is also one of the best for supplemental insurance. We believe we have the right strategy in place and the best people to execute that strategy. We also believe that our continuing emphasis on operational efficiency through technology will help us remain number one in payroll marketing.

AFLAC U.S. Product Development

Warren B. Steele, II
Senior Vice President; Assistant Director of Marketing

I will talk about the product development process at AFLAC. As you know, we focus primarily on payroll accounts that have fewer than 500 workers. In fact, about 173,000 of our more than 178,000 accounts have fewer than 500 employees.

AFLAC's Focus on the Small Business Market

- Represent Middle-America
- Don't have rich benefits plan
- $30,000 - $60,000 incomes
- Very little in personal savings

Small businesses represent Middle America, and that's where the majority of U.S. workers are employed. They usually don't have rich benefit plans. They will likely have incomes ranging from $30,000 to $60,000 a year. We know that approximately 40% of Americans in this category do not have any savings. In fact, if they were to miss one month's salary, they would have to go in debt to cover their regular bills. When developing new products, we try to design them for those individuals who do not have substantial savings to cover the unexpected, out-of-pocket costs of a sickness or accident, or the costs for medical treatment.

Basics of Product Development

- Use of field force focus group
- No employer contribution required
- No employee participation required
- Simplified Issue
- Average premium $350-$500 per year
- Generally supplemental in nature
- Simple, indemnity product design

We always use a field force focus group to help us design new products. We bring in a cross-section of associates and coordinators from across the country with a variety of experiences. We also try to find some who may have sold the product under consideration with a competitor. We provide a framework of the product for the focus group to review, and group members provide input as to the benefit types and amounts they feel we should sell. They also provide information on what competitors are selling and the price ranges that we need to consider for our product to be successful.

We try to accomplish certain goals as we design our products. We do not want to develop products that require an employer contribution because small-business owners often can't afford to provide rich benefits to their employees. Actually, the fact that many small employers can't afford to offer company-paid benefits is one reason our voluntary products are so popular. We also do not develop products that require a specified level of employee participation. Our experience is that participation requirements reduce the likelihood that associates will even present the product to the first employee because they know that they cannot commit to that employee unless they are able to meet the required participation rate. All of our products are designed to be "simplified issue," which means if the application underwriting questions are answered favorably, our agents can commit to the individual that the coverage will be issued. When an applicant's answers disclose a health condition, we require additional underwriting, or the coverage is not allowed. Recognizing the income constraints of our target market, we try to maintain an average premium per policy of around $350 to $500 per year. We try to make our products easy to explain, easy to understand at the point of sale, and easy to understand when claims are filed. Because we sell individually issued policies, we do not have time to explain complicated products. In the majority of cases, the maximum time that our associates have with an individual employee is 30 minutes, and in some cases they only have 10 to 15 minutes.

I'd like to now briefly discuss three of the products that we have designed over the last three years, beginning with our specified event product, which is our version of the critical illness products that became popular in the United States, Canada, United Kingdom and Australia in the early 90s.

Drawbacks of Traditional Critical Illness Products

Lump-sum benefits drawbacks:

- Not eligible for pretax deductions
- "Lottery" mentality
- Not tied to treatments
- Loss of coverage after claim paid

The critical illness concept is to offer a lump-sum benefit upon diagnosis of certain critical illnesses such as cancer, heart attack, stroke, or the need for a major organ transplant. We realized that critical illness, as it was being sold in the United States, had some structural flaws that would impair its salability within our market. The first problem is that the lump-sum benefits are not eligible to be offered on a pretax basis under Section 125 of the IRS code. In addition, several states do not allow lump-sum products because their regulators believe it encourages a lottery mentality. In addition, the lump-sum amount is not representative of the severity of the illness. It pays one amount whether the illness is mild or severe – in some cases paying more than necessary, in others, paying less. Finally, the coverage typically terminates after the lump-sum amount is paid, making an individual who is now less healthy ineligible for future coverage.

AFLAC's Critical Illness Solution

- Indemnity based
- First occurrence and recurrence benefit
- Eligible for pretax premium deduction
- Payments triggered by treatments similar to cancer product

To address those drawbacks, we designed our specified event product to look like our cancer expense policy. It has a small first-occurrence benefit of up to $5,000 and other benefits that are triggered by a schedule of covered treatments being received, thereby making premiums eligible for pretax deductions. Last year, in its first full year of availability, we produced about $25 million in specified event sales. In the first quarter of this year, specified event sales were 39.1% higher than a year ago. To our knowledge, no insurer selling at the worksite has structured a critical illness product in a similar manner.

Another newly developed product we are very proud of is our indemnity dental policy.

AFLAC's Indemnity Dental Plan

- No dental networks
- Indemnity amounts
  - » Not usual and customary reimbursements
- Five levels of coverage based on:
  - » Personal dental costs
  - » Area of country
- No deductible
- Cleaning designed as wellness benefit

As with our other payroll products, we took the existing concept of dental and refined it to fit our market niche. We have no network of dentists that the policyholder must use. Trying to maintain a network and update reimbursement rates for dentists around the country has created a "managed care" backlash against some dental providers. Therefore, we allow our policyholders to use any dentist they choose. We do not pay on the basis of usual and customary charges, which is a very confusing concept within dental plans because the reimbursement rates vary by zip code throughout the United States. Instead, we used the American Dental Association's average costs of treatments throughout the United States to design flat indemnity amounts for the variety of different dental treatments. We have developed different levels of coverage based on those reimbursement amounts. At the maximum level, we try to reimburse approximately 80% of the costs of the majority of treatments, and the reimbursement rate is scaled down from there for the lower level plans. Our product has no deductible, which is much easier for the consumer, although it costs a little more in premium. We designed cleaning to be a wellness benefit for covered family members in $25, $50, or $75 amounts. For a regular cleaning, most individuals have the ability to pay that small amount out of pocket, and by limiting the reimbursement amount for cleanings, we have been able to offer a slightly richer product design without having to substantially increase the cost of the product.

In 2000, we produced about $24 million in new sales for our dental product even though it was available for only five months. In the first quarter of this year, we produced a little over $14 million in new sales, and we expect to produce in excess of $60 million in dental sales for the full year. Sales information from dental carriers has been difficult for us to locate. However, it appears that if we produce $60 million, we will be in the top six or seven providers of dental insurance in the United States after just one full year of sales.

AFLAC and the Dental Industry

(1999 Market Share Statistics, in Millions)

	Industry Top 10	Premiums In Force	Premiums Issued
1)	Delta	$6,900	unknown
2)	Guardian	840	$145
3)	Metropolitan	574	unknown
4)	Connecticut General	491	unknown
5)	Ameritas	298	69
6)	Protective Life	281	49
7)	Principal Life	269	79
8)	Fortis	182	44
9)	Aetna Life	147	unknown
10)	Phoenix Home	134	29

One product that we recently finished and have begun introducing throughout the United States is the payroll long-term care product. Once again, we have taken the standard long-term care design and have simplified it so it is easy to market within the payroll environment. We have limited the daily benefit options to $80, $100, $120, $150 and $200 per day, and we have two-year, three-year, five-year, and lifetime benefit periods available. We have taken the home health care and assisted living benefits, which most companies offer as riders, and have included them in the base nursing home plan. For home health care we will reimburse up to 80% of the amount selected for the daily nursing home benefit, and for assisted living, we will reimburse up to 50% of the amount selected for the daily benefit.

Payroll Long-Term Care

- Pre-packaged options
- Limited (5) daily benefit amount options
- Home health care and assisted living benefits within base plan
- Only has zero-day elimination period
- First occurrence benefit

We have chosen to offer only a zero-day elimination period as opposed to the 20- or 100-day elimination period that is also available on most long-term care products. Again, the concept was to simplify the policy design as much as possible to make the product and its sales presentation easy to understand. The most innovative feature of this policy, which we have not seen any other company offer, is a first occurrence benefit that amounts to 30 times the daily nursing home benefit. For example, if an individual selects a $100 daily benefit amount, he or she can receive a first occurrence benefit of $3,000 upon a doctor's diagnosis that long-term care confinement is needed. It's a bit early for us to make a sales projection on payroll long-term care. However, like our other new products, we believe it will be a good plan for our customers to buy and for our agents to sell while also providing acceptable margins to AFLAC.

We are excited about the successes that we have had within our product development efforts at AFLAC, and we will continue to look at ways to innovate product ideas for the vast market in the United States of small to medium-size businesses.

AFLAC U.S. Marketing

Joe Kuechenmeister
Senior Vice President; Director of Marketing

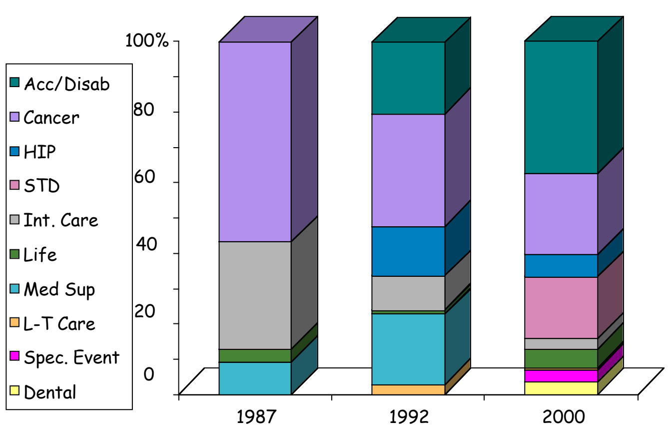
I would like to discuss our U.S. marketing approach. As you have read, we focus our marketing efforts almost exclusively on the payroll market in the United States. In fact, about 98% of the policies issued by AFLAC U.S. were issued on a payroll-deduction basis last year.

AFLAC's Payroll Product Line

- Cancer expense
- Intensive care
- Accident/disability
- Short-term disability
- Hospital indemnity
- Group term life
- Individual payroll life
- Specified event
- Indemnity dental
- Payroll long-term care

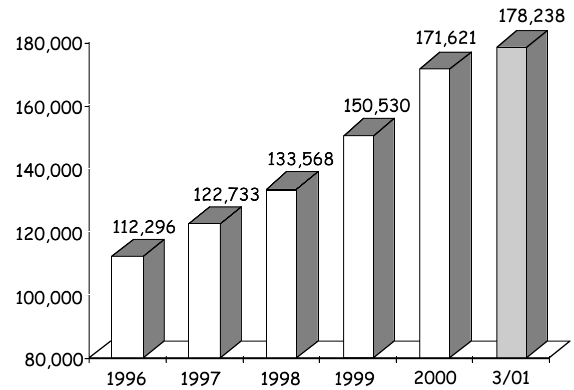
The chart above shows our complete product line. As you know, our first supplemental insurance product was a cancer expense plan. In the early 1970s, we began offering an intensive care product, which was sold primarily as a companion product to our cancer plan. In the mid-1980s, we began adding to our product portfolio to better meet the emerging supplemental insurance needs of U.S. consumers.

New Sales Product Mix



Product broadening has significantly changed our mix of new sales. For instance, more than 56% of our new business came from cancer expense insurance in 1987, which was about the time we initiated our product expansion strategy. By 1992 cancer insurance accounted for less than one-third of our new business; accident/disability, hospital indemnity and Medicare supplement had emerged as significant sales contributors. Accident/disability insurance has been our best-selling product for seven consecutive years, and last June, it also surpassed cancer insurance in force. Our supplemental life plans, specified event and indemnity dental coverage have significantly impacted our mix even though they have only been sold for a short time.

Payroll Account Growth



We have experienced steady growth in the number of accounts that make up our customer base. At the end of 1996, we had 112,300 payroll accounts. By the end of March this year, that number exceeded 178,000. Even though we added more than 21,000 payroll accounts in 2000, it's hard to keep up with the growth of the market. Let me give you an example using a few of our top-producing states.

Keeping Up With the Market

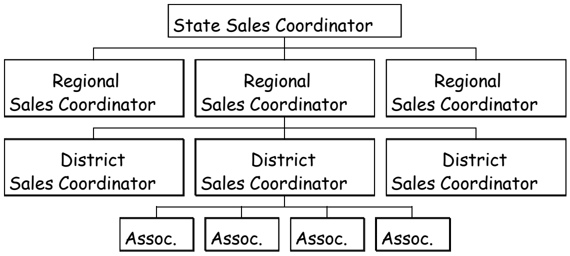
	Total Number of Businesses	Total Number of AFLAC Accounts	AFLAC's % of Total Businesses
Texas	861,611	11,486	1.33%
Florida	673,073	8,548	1.26
California	1,346,180	7,876	.58

Texas, Florida and California are our top three producing states. As you can see, our penetration rate for each of these states is less than 2%. It's interesting that in each of these three states, the penetration rate actually declined last year despite having average sales increases of more than 37%. That gives you some indication about the opportunities we see.

Now, let me turn from the market to distribution.

One of our greatest competitive advantages in the United States is our career sales force, which is made up of independent sales associates and sales coordinators who manage defined geographical territories. Nationally, there are more than 39,000 AFLAC sales associates and coordinators who market our insurance products.

Career Field Force Organization



Fifty-nine state sales coordinators supervise activities in large, geographically defined sales areas that may include a state, a portion of a state or several states combined. More than 364 regional coordinators are primarily responsible for recruiting new sales force members and for assisting with training. Approximately 1,685 district sales coordinators train and direct producing associates. They are also responsible for meeting personal and district production goals, and for recruiting new sales agents.

Agent Recruiting

	Recruited Agents	Writing Agents
1996*	8,379	15,792
1997*	9,218	17,159
1998*	10,647	18,119
1999	12,932	20,096
2000	15,757	25,004

*Excludes AFLAC New York

Recruiting is very important to our continued rapid sales growth. In 2000 we recruited more than 15,700 new sales associates in the United States. Through March of this year we had already recruited 4,306 new agents. In 2000 more than 25,000 sales force members produced new business.

Our approach to recruiting is decentralized. A primary responsibility of our state sales organizations is to expand their sales forces through recruiting. However, we help facilitate recruiting by the way we compensate our sales coordinators. A few years ago we improved an incentive pay system to encourage field force growth. Now, all AFLAC sales coordinators participate in a pay-for-performance compensation package. For instance, regional sales coordinators are paid a bonus based on production, as well as the on the number of people they recruit. Perhaps more important, those new recruits must become producers in a relatively short time for the coordinator to receive a full bonus. We also modified the contract for district sales coordinators. Their incentive bonus now incorporates strong recruiting requirements to encourage new AFLAC associates to achieve significant production levels.

There are several reasons for our recruiting success. Sales associates are attracted to AFLAC because they can work independently. We believe they are also influenced by AFLAC's overall reputation, its advertising campaign, the potential for high income and AFLAC's payroll-product emphasis. Research suggests that more than half of our new agents have no prior insurance sales experience. About half of our sales force indicated that they sell only AFLAC products. Nearly 60% have sold AFLAC products for fewer than five years.

Our traditional sales force is complemented by active insurance brokers recruited through the field force and through national, industry and co-op trade shows. We design materials to target specific opportunities for brokers with AFLAC, and we have a dedicated department to support our efforts to the broker market.

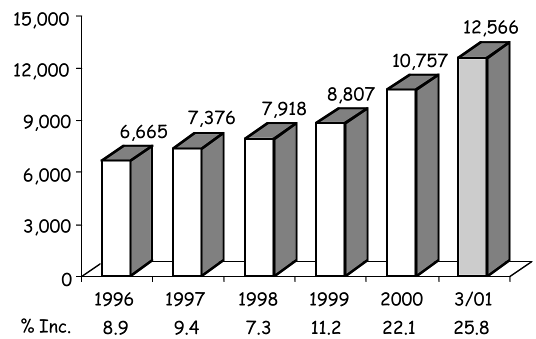
Agent Compensation

- First-year and renewal commissions
- Stock bonus
- Conventions and awards

AFLAC offers its sales force flexible commissions, renewal commissions, a stock bonus plan, contests and awards, management opportunities and much more. The first year commission to the writing agent is 40%, and we pay renewal commissions of 7% as long as the policy remains in force. Through AFLAC's stock bonus program, our field representatives receive stock distributions based on their production and persistency. They also have the opportunity to qualify for a variety of honor clubs and awards at the local, state and national levels. For example, AFLAC Worldwide Headquarters recognizes successful new producers through the Fireball Award series, successful second-year producers through the Star Award series, and all successful associates and coordinators though the Key Club Awards.

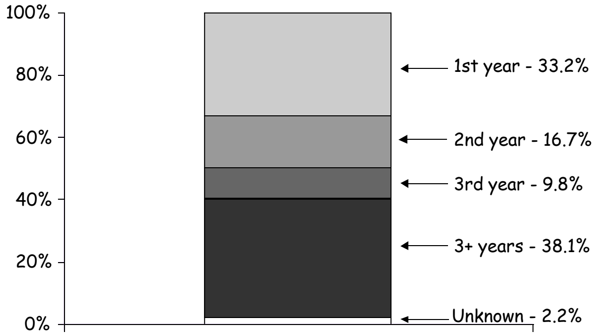
Number of Producing Sales Associates

(Monthly Average)

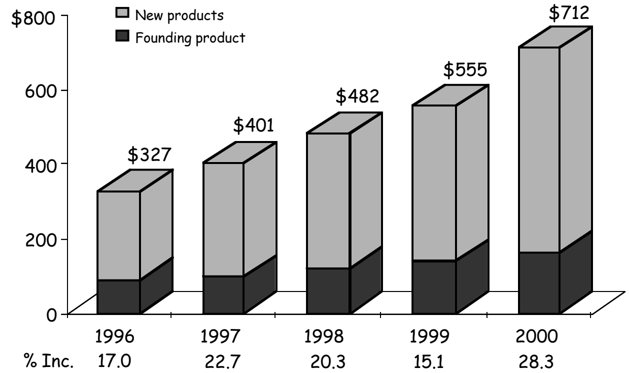


Over the last five years, we have produced steady growth in the average number of sales associates producing business monthly. As you can see, the number of monthly producers accelerated starting in 1999, and that trend has continued into 2001. In fact, we surpassed 13,500 producing associates for the first time last December, and we exceeded that threshold again in March of this year. The 25.8% increase in the number of monthly producers for the first quarter continued the very strong growth we have seen in recent years.

Field Force Length of Service
(2000)



New Annualized Premium Sales
(In Millions)



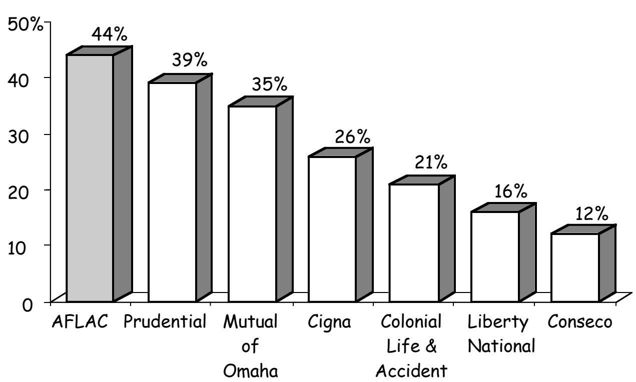
Retaining sales associates can be quite challenging in the United States. As you see here, about 38% of the total number of our producing agents have been with AFLAC for more than three years. That number has come down a bit in recent years because of the large increase in the size of our sales force. However, we don't lose many agents to other companies because of AFLAC's attractive compensation package, technology and other support functions. Overall, our efforts to expand our distribution system have been very successful, and we believe advertising has been a critical factor to that success.

We believe our advertising program has significantly benefited sales. Last year, new annualized premium sales increased 28.3% to $712 million. Products other than our founding product, cancer expense insurance, account for the vast majority of our new sales. Those newer products represented more than 77% of new business last year. Although cancer insurance currently represents a smaller portion of new business than it did a few years ago, cancer insurance sales have risen in each of the last five years.

Advertising

Our recent advertising campaign has had a tremendous impact on our business, and we believe it is a significant competitive advantage for us in the U.S. market. Following the very successful AFLAC duck commercials in 2000, we produced four more ads for 2001.

Brand Awareness of Supplemental Insurance



Source: Nottingham & Husk, Inc. 2000

Advertising has significantly improved AFLAC's name recognition among consumers. We know that about eight of 10 consumers throughout the country know the AFLAC name. More important, however, we have been effectively building a brand by tying the AFLAC name with supplemental insurance. As you can see in the chart above, we are far better known than our competitors.

Top Producing States
(2000)

Population Ranking	Sales Ranking		Sales (Millions)	Percentage of Sales
2	1	Texas	$63	8.8%
4	2	Florida	46	6.5
1	3	California	46	6.5
10	4	Georgia	39	5.5
11	5	North Carolina	37	5.2
8	6	Michigan	33	4.6
6	7	Pennsylvania	28	3.9
7	8	Ohio	27	3.8
5	9	Illinois	25	3.5
16	10	Tennessee	23	3.2

This chart shows our top-producing states based on 2000 production. Texas is ranked number one and has been since 1996. California recently made it into the top 10, and was very close to becoming our second-ranked state last year. As you may recall, California is one of the states where we have concentrated a lot of our marketing resources because of its great potential. Those efforts have paid off: New annualized premium sales have increased at a compound rate of 30.0% annually over the last five years.

It's interesting to look at the relationship between population and sales rankings. Although many of our top producing states are heavily populated, you'll note that North Carolina and Tennessee, neither of which ranks among the top 10 in population, are two of our best producing areas and have been for years. Our sales success there reflects AFLAC's initial marketing concentration in the Southeast as well as the high-quality people who have been responsible for production in those states. Noticeably missing from our top 10 states are two densely populated states: New York and New Jersey, with a combined population of more than 26 million people. New York is the third most populous state and New Jersey is ranked ninth. However, as you can see, neither state made it into the top 10.

Actually, New York ranked 14th in production and New Jersey ranked 34th last year. Clearly, this shows a lot of potential in just these two states. To help increase penetration in states like California and New York, we've promoted and relocated some of our best coordinators who have proven themselves in smaller markets.

Opportunities for Growth

We are optimistic about the outlook for sales growth because of the growing need for our products and our expanding distribution system, which I discussed earlier. Additionally, we believe we have a very good understanding of the market and its potential.

Sales Data by Territory

(12/31/00)

	Total Pop. (In Mil.)	Prem. In Force	Prem. In Force Per Capita	Sales (In Mil.)	New Sales Per Capita
South	54	$ 588	$10.89	$216	$4.00
North	70	531	7.59	189	2.70
West	49	357	7.29	148	3.02
Pacific	47	200	4.26	85	1.81
Northeast	58	185	3.19	74	1.28
Total	278	$1,861	$ 6.69	$712	$2.55

Looking at some recent results in our different marketing territories, you can see that our business is generally still dominated by the South Territory. It has the highest premium in force and sales, although it has the third largest population base among our territories. Even though we have made significant strides in California recently, the Pacific Territory still lags behind our national average in terms of premiums in force or sales per capita. And the Northeast Territory, with a population of 58 million people, is virtually untapped using these per-capita measures. In fact, if we were able to increase our national per capita averages to those of the South Territory, we would have more than $3 billion of premium in force and annualized new premium sales of over $1.1 billion. And remember, that the South territory is still growing at double-digit rates.

AFLAC's Market Potential

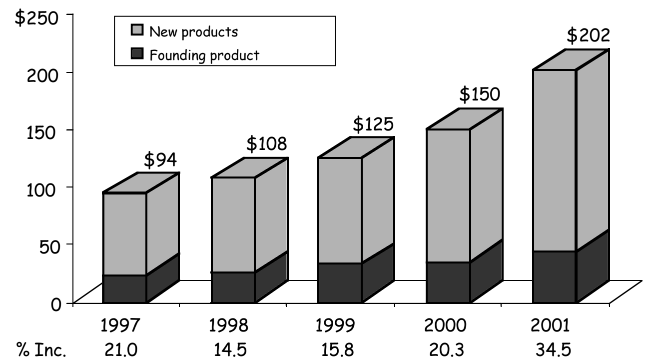
(In Millions)

	Total Pop.	Total Workers
South	54	25
North	70	37
West	49	24
Pacific	47	21
Northeast	58	30
Total	278	137

Since we principally market to employees at the worksite, it's probably more accurate to speak of the total number of people in the labor force rather than the total U.S. population. As you can see, there is still a sizable potential market on this population basis. For purposes of setting quotas for each area of the country, we reduce the workforce number even further by eliminating businesses that we may be unable to sell to. Even on this much more conservative basis, our potential market still comprises tens of millions of American workers compared with the 6.3 million policies we currently have in force.

First Quarter New Annualized Premium Sales

(In Millions)



Our sales momentum, which has continued into the first quarter of this year, gives us growing optimism that we will reach our sales potential. First-quarter sales were second only to our record fourth-quarter results of last year. New annualized premium increased 34.5% to $202 million for the quarter, which followed an extremely good first quarter in 2000.

AFLAC U.S. Objective for Growth

- Continue to focus core efforts on small account market
- Penetrate high population centers
- Open new and larger accounts through:
  - Broadened product line
  - Enhanced distribution system
  - Expanded payroll services
- Control expenses to:
  - Increase policyholder benefits
  - Increase advertising

As we look to the remainder of this year and beyond, we expect our strong sales growth to continue. We will continue to focus our primary marketing efforts on the small-business market. However, we will also work toward opening larger accounts and penetrating large population centers. We believe we will be successful by broadening our product line, enhancing our distribution and expanding payroll services. We will especially focus on controlling expenses to improve the benefits of our coverage and increase our advertising presence.

We are confident about our ability to achieve our objectives. As you have read, the market for supplemental insurance products in the United States is vast. We believe we have the right products, people and strategies to tap into that market potential.

AFLAC U.S. Payroll Product Line

	Benefit Amounts	Monthly Premium Rates (Payroll)
		Individual/Family
Accident/Sickness/Disability		
Accident emergency treatment	$120/$70	$12.90 - $44.90
Initial accident hospitalization	$1,000	
Accidental-death	$5,000 - $100,000	
Accident specific-sum injuries	$25 - $10,000	
Accident hospital confinement	$200/day	
Intensive care	$400/day	
Wellness	$60/year	
Cancer Expense		
Wellness benefit	$40 - $75/year	$15.90 - $45.50
First-occurrence benefit	$1,500 - $5,000	
Hospital confinement	$200 - $300/day	
Radiation/chemotherapy	$200 - $300	
National cancer institute (evaluation/consultation)	$500	
Stem cell transplantation	$2,500	
Critical Illness		
Covers: heart attack, stroke, coronary artery bypass surgery, coma, paralysis, major third-degree burn, end-stage renal failure, major human organ transplant		
First-occurrence	$2,500 - $5,000	$5.50 - $66.90
Re-occurrence	$1,000 - $2,500	
Hospitalization	$300/day	
Continuing care	$100/day	
Ambulance, lodging, transportation		
Short-Term Disability		
Disability benefits for sickness and off-the-job injury	$500 - $3,000	$10.50 - $282.00
Elimination periods 0-180 days. Benefit periods 3-24 months		
(group guaranteed issue benefit option)		
Hospital Indemnity Plan		
Hospital confinement	$50 - $400/day	$12.20 - $86.90
Surgical	$50 - $1,000	
Heart attack/stroke	$500 - $2,000	
Wellness	$50/year	
Initial hospitalization (rider)	$250 or $500	
Ordinary Life		
Whole life face amounts	$10,000 - $50,000	(Average)
10-year term face amounts	$12,500 - $100,000	$31.25
Accelerated death benefit		
Waiver of premium		
Dependent coverage available, optional accidental-death benefit rider		
Simplified-issue, rates guaranteed		
Hospital Intensive Care		
Hospital intensive care unit	$600 (days 1-7)	$8.70 - $15.96
	$1,000 (days 8-15)	
Sub-acute intensive care unit benefit	$250/day	
Organ transplant	$25,000	
Dental		
Dental Welness (Preventive)	$25-$75/year	$18.90 - Individual (Level I)
Scheduled benefits	$10 - $950	$109.30 - Two-parent family (Level 8)

Benefits and premiums are illustrations only and may vary by state and plan selected.

Recruiting and Marketing Opportunities

Lisa Brennan
Regional Sales Coordinator, AFLAC New York

As a regional sales coordinator in upstate New York, my primary goals are to increase sales and to recruit top-quality individuals to build our distribution system. In my approach to recruiting, I begin by explaining that there has never been a better time to be with AFLAC than now, and that there is no better place in the country to be an agent than in New York /New England.

Prospective recruits are impressed to hear that AFLAC is a Fortune 500 company that insures 40 million people worldwide, is traded on the New York Stock Exchange, and has $37 billion in assets. It also helps that AFLAC has been named by *Fortune* magazine as one of the 100 Best Companies to Work For in America during the past three years and that AFLAC is the number one provider of voluntary supplemental insurance programs in the United States.

I also explain that our national advertising campaign featuring our feathered friend has dramatically increased consumer awareness of AFLAC in New York. Our past advertising campaigns have been effective in name recognition, but the duck commercials have made the public acutely aware of the AFLAC name and aware of what we do. That is very important since AFLAC has been established in New York for far less time than it has in the rest of the country. I tell recruits that we receive calls in the regional office from business owners and individuals requesting visits from our representatives. Not many insurance companies can say that. This is exciting news for a career-seeker to hear.

The AFLAC duck has opened the door for my associates to reach the decision-makers at businesses. Many times an employer would tell us, “my employees are not interested” or “we have all the insurance we need.” The duck has made them less apprehensive and more willing to talk with us. In fact, many times when we enter a business, people will quack AFLAC at us or say “you’re the duck people,” or “I love your commercials.”

It is also an exciting time to be with AFLAC New York because we have a virtually untapped market. In the Northeast Territory, our market penetration is .08%, and our per capita sales are $.87 cents compared to the overall company average of $2.55. In my territory there are 171,000 prospective businesses, and currently only 1,400 of them offer AFLAC programs to their employees. For employers and employees alike, voluntary supplemental insurance programs are in greater demand than ever before. With rising health insurance costs, employers are forced to implement cost-sharing tactics with employees. They are continually challenged to attract and retain quality employees and to improve the morale of existing employees, while always watching the bottom line.

Making AFLAC’s voluntary supplemental insurance benefits available to workers is one of the best ways to meet those challenges. These benefits allow employers to enhance their benefits packages at no additional cost, thus allowing them to overcome all of their challenges. Our worksite marketing approach is also a cost-effective way for employees to make their insurance benefit packages more complete. And with our expanding product line, we can provide a solution to most needs of the employer and employee.

AFLAC’s continued commitment to expanding our product line is also a plus when recruiting new associates. It allows our field force continual marketing opportunities within our current client base. Servicing our accounts monthly or quarterly allows us to develop trust and rapport with our clients, thus making the introduction of new programs very smooth. On April 9, AFLAC introduced new accident and hospital indemnity plans to New York, and our representatives and clients are anxiously awaiting the new dental program this summer. As the product line is further broadened, we will continue to see growth within AFLAC New York.

Having spent 13 years in the insurance industry representing numerous companies, I am continually impressed by AFLAC’s desire to develop products the field force wants. Not only does AFLAC regularly post surveys on its Web site asking the field for input on products we would like to see developed, its market advisory council listens to suggestions, concerns and comments from the field force. This council is made up of AFLAC coordinators from across the country and serves as the voice for the field. I am honored to be one of the 13 council members, and I am thoroughly impressed with the responsiveness of AFLAC’s headquarters.

The 21st century will bring with it technologically savvy recruits. One of the many questions I am asked is, “What type of technology does AFLAC offer?” Potential recruits are excited to hear about SmartApp and our ability to send applications to headquarters with the click of a button. Regulators in New York approved the use of electronic signatures about a year ago, making SmartApp even more appealing by reducing paperwork and expediting commissions. AFLAC will soon offer Internet billing to clients across the country, making invoice reconciliation easier for the group. The Associate Services page of aflac.com allows representatives to view initiatives, production, contests and recruiting results.

In addition to all of this, I also share some of my personal feelings about AFLAC with potential recruits. I feel a real sense of satisfaction working with AFLAC because the programs we offer help people every day. The financial assistance of our plans provides peace of mind when an unexpected illness or injury strikes.

Working with AFLAC as a sales representative is personally rewarding because, unlike many insurance companies, AFLAC realizes that the field force is the engine that drives the company’s success. AFLAC shows great appreciation for its representatives. In fact, I have never forgotten a meeting I attended with several hundred representatives when Dan Amos said, “Work should not be the most important thing in our lives. Our God should be first, our families should be second and AFLAC should be third." This message coming from the president of a Fortune 500 company moves not only me but also new recruits.

As I look ahead, I see tremendous opportunities for AFLAC. Even in times of a weakening economy, voluntary benefits will continue to be attractive. Employers may not be able to afford new benefits, but they can offer access to voluntary benefits through payroll deduction. Also, any time the economy has a downturn, employee awareness of the financial impact of illness or injury is heightened. A volatile economy can also stimulate our recruiting efforts since there are fewer salaried positions available, and people are more likely to consider commission positions. The fact that we have very little competition in New York makes a career with AFLAC even more appealing.

The New York/New England area is a sort of "final frontier" for AFLAC in the United States. Having only been established in 1984, this part of the country is extremely underpenetrated, so the potential growth in AFLAC NY/New England is immense. Combine an underpenetrated market with an ever-expanding product line, and you have a formula for explosive success!

The Activities of a Regional Sales Coordinator

Ralph Johnson III
Regional Sales Coordinator, Illinois/North

I want to talk about what AFLAC does for its associates and why it is so easy for us to sell AFLAC products.

I spend my days selling and recruiting individuals to help sell our products. And I spend my nights counting my blessings that I am associated with a company that gives us every opportunity to succeed.

I am a regional sales coordinator in the Chicago area. My newly formed region is the South Chicagoland Region, and it was established in January 2001. The South Chicagoland Region serves the south side, south suburbs, unincorporated Cook County, and Cook County proper. The Chicago Metropolitan area has an ever-growing population in excess of 8.1 million. More than 240,000 businesses with five or more employees can be found, ranging from corporations, manufacturers and municipalities to mom and pop businesses just around the corner.

My region is currently in the process of enrolling the Chicago Park District, which has more than 6,000 employees. A task such as this would not be possible without the tools, assistance and support that AFLAC gives us.

AFLAC is an easy sell. It is easy to convince folks to join our sales force or to buy our products when they learn of our financial strength and security. It is also an easy sell when they realize that our products fill a need that can't be met as cost effectively anywhere else. You know what Dan Amos always says – "We offer the best products and the best service at the best price." It's no wonder we are number one in payroll marketing with more than 178,000 payroll accounts in the United States.

Less than three years ago, when I made a personal commitment to pursue a career with AFLAC, I had no idea that I could enjoy selling for a company this much, or achieve this level of success. But AFLAC helps people make their dreams come true if they are willing to work hard and show some determination.

I will never take for granted the incentives that make AFLAC a great company to sell for. There aren't many companies that offer lifetime renewal commissions, a stock bonus plan, management opportunities, incentive bonuses and sales awards.

AFLAC is built on the Amos family's strong spirituality, integrity and belief that it is important to help others. This is confirmed by the many people who have walked the path before me. They were the same people who have stopped to help me reach my potential by mentoring and sharing first-hand experiences. AFLAC is a family made up of individuals who work hard to pursue and achieve the American dream.

As corny as all of this might sound, it's good business. As you know, unemployment has been low for years, making competition intense for companies that are recruiting. However, AFLAC can use more than its strong products and high commissions to recruit. It can use its reputation as a company that cares about its sales force. As a regional coordinator, my biggest responsibility is to recruit. I attend job fairs, advertise in the local newspapers, and conduct interviews each Wednesday. With the addition of field force e-mail, I receive numerous inquiries and résumés via the Internet. And recently, I must add, I've been getting calls from some former co-workers who are ready to come on board.

The same attitude carries over into sales. Because most of our payroll accounts are small businesses, our sales associates work one-on-one with these business owners and with the employees at the account. Customers can sense the caring attitude and good service that AFLAC fosters. I believe that attitude can help close a sale.

AFLAC changes lives. It changes the lives of those policyholders who rely on AFLAC benefits to help them get through the financial difficulties that can occur during the illness of a breadwinner. One personal testimony from someone whose mortgage has been paid with a benefit claim is enough to confirm that we are doing something phenomenal.

AFLAC also changes the lives of those who can internalize the vision and choose to become a part of the AFLAC team. Regardless of your race, creed or education, the same opportunity is available to every sales associate. My South Chicagoland Region includes sales associates from a variety of career backgrounds – professional, technical, social services, sales, clerical and manual labor. We each have one common goal: to dare to dream of the success that is possible with AFLAC.

AFLAC offers every tool required for success. In my opinion, AFLAC's innovative Web site is one of the most beneficial tools for the field force. With a growing field force, communication is of the utmost importance. Our Web site provides the necessary links to keep us up-to-date on company reports, news and sales rankings. Online supply ordering and the ability to see what is available as incentives and gifts are definitely welcome additions. For our policyholders, the Web site offers information on products and answers to frequently asked questions about the company. The recently added agent locator gives the general public information on how to reach the nearest AFLAC regional office. In addition, for those who are curious or think that AFLAC is too good to be true, the Web site provides a solid foundation as proof of the company's strength and stability.

As you know, AFLAC has also equipped the sales force with the innovative and effective SmartApp software for their laptop computers. As Dan Amos says, SmartApp has revolutionized the company. The user-friendly software allows even people who are "technologically-challenged," like me, to look like experts when using the computer. And although sales associates buy the computers from AFLAC, the company makes it easy to pay for them by using a credit system that pays three dollars for each application that is processed on it. So, in essence, for hard working associates, the laptop is free. SmartApp helps us process applications more quickly, which improves service to our customers. It also helps inspire confidence in our company because we can show that we are professional, efficient and high-tech. I believe that confidence helps us sell our products.

I would also like to mention the wonderful support system at AFLAC headquarters in Columbus, Georgia. Without the employees there, the field force simply could not function. Claims are handled with a promptness that surprises every claimant. I am still wondering how they get those checks out so fast! The claims forms are easy to read and easy to complete. The staff is always friendly and ready to do whatever it takes to answer questions and resolve problems. Usually, I can resolve most matters with only one phone call. Again, this helps us sell and allows me to answer customers' questions more quickly.

With the addition of the duck to AFLAC's advertising, I can personally attest to a dramatic increase in the company's public recognition. Before the AFLAC duck, those of us in the field force had to take a few minutes to explain to potential clients exactly who we were. Now, AFLAC has become a household word. When I say AFLAC, people's eyes light up and they respond with the AFLAC quack. This immediately opens the opportunity to tell them more.

I suppose I sound like quite an AFLAC cheerleader, but I don't apologize for it. Selling AFLAC products has given me an opportunity to be successful in a way I never thought possible. It is exciting to share the AFLAC message.

AFLAC U.S. Investments

Mary Ellen Keim
Second Vice President, Fixed Income Investments

AFLAC began the new millennium on a positive note with double-digit investment income growth and strong performance on a total return basis. The portfolio performed beautifully in a somewhat hostile environment. The year 2000 was a difficult one for any company that reported disappointing earnings, and many companies' credit ratings were severely punished for it. AFLAC, due to its high quality portfolio, largely avoided that problem.

We have once again performed well a difficult year because of the investment philosophy that we have built our company's investment portfolios around.

AFLAC's Investment Philosophy

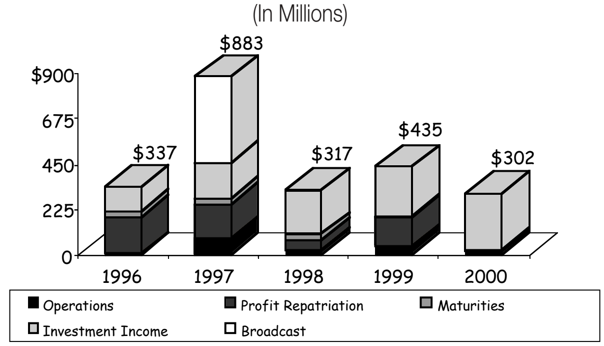
MAXIMIZE:
Investment Income

EMPHASIZE:
Liquidity
Safety
Quality

Our investment philosophy is one of conservatism and good common sense. Our investment objective is a simple one – to maximize investment income growth while always keeping our eyes on liquidity, safety and quality. These three directives have served us well for many years, and we believe they will pay off again this year.

Cash Flow to Investments*

(In Millions)

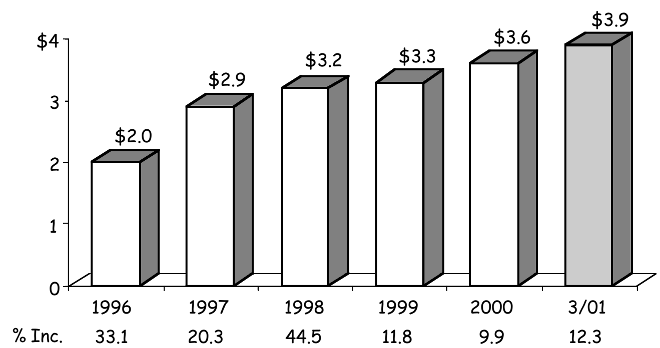


*Excludes AFLAC New York

Cash flow from operations has been used primarily to support the rapid growth of U.S. sales. In addition, profit repatriation has been used by the parent company for servicing our debt obligations. Therefore, the major portion of investable cash into the U.S. portfolio was self-generated from investment income. This is another reason why we are so pleased with the double-digit growth of investment income. Obviously, growing investment income without any outside flows is a challenging task.

AFLAC U.S. Investments and Cash

(In Billions, at Fair Value)



The growth in total investments and cash continues to be slower than in previous years. This is due primarily to the fact that past infusions of cash because of the profit repatriation and the broadcast sale in 1997 significantly increased the size of the portfolio. Since 1992, we have invested approximately $906 million from profit repatriation in our U.S. portfolio. None was invested in 2000, because as I mentioned before, these funds were used to pay down corporate debt. On a cost basis, total investments and cash increased by 7.6% last year.

AFLAC U.S. Portfolio Composition

(Excluding Affiliates, In Millions)

	2000	% of Total	3/01	% of Total
U.S. Treas./Agencies	$ 360	9.8%	$ 348	9.2%
Corporate bonds	3,196	86.9	3,291	86.9
Total bonds	3,556	96.7	3,639	96.1
Common stocks	97	2.7	67	1.8
Cash & cash equiv.	21	.6	80	2.1
Other	2	—	2	—
Total inv. & cash	$3,676	100.0%	$3,788	100.0%

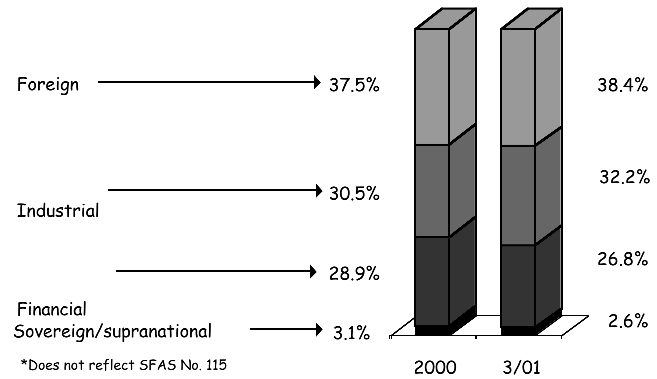
*Does not reflect SFAS No. 115

The U.S. portfolio continues to comprise primarily corporate bonds. As mentioned earlier, these are high quality, high coupon securities. The portfolio is booked on a yield-to-worst call basis. The yield to worst for 2000 was 8.01%. At the end of the year, callable bonds made up a little over one third of the portfolio. These callable securities have call protection, and bond swaps are executed to extend call protection when needed. The portfolio is currently positively convexed.

At the end of the first quarter of 2001, the equity portfolio made up 1.8% of the total portfolio, or $67 million at cost. Our management style for the equity portfolio is a fundamental approach. Equities are used for liquidity and capital appreciation. There are no plans to increase the size of the portfolio at this time. AFLAC U.S. has no mortgage loans, and we have no intention to participate in that sector in the future.

Corporate Sector Bond Holdings*

(Percentage Composition)



In the corporate sector of the portfolio, the foreign securities sector represents the largest asset class. This is followed by the industrial and financial sectors. The only new asset class that we have added this year has been collateralized bond obligations. These CBOs are 'AAA' rated. It is our intention to purchase and trade these issues as corporate substitutes. Therefore, they will make up a very small portion of the portfolio.

New Money Flows and Yields

	2000		3/01	
	% of Total	Yield to Worst	% of Total	Yield to Worst
U.S. Treas./Agencies	1.6 %	7.65 %	— %	— %
Financials	7.8	9.33	4.0	7.90
Foreign	38.0	8.58	42.9	8.23
Industrial	14.6	7.98	38.1	7.65
Utilities	12.1	7.94	—	—
CMOs & ABs	25.9	7.66	15.0	7.38
Total inv. & cash	100.0%	8.01%	100.0%	8.00%

We executed bond swaps during 2000 as a normal part of portfolio management. No new asset classes were added last year. In the first quarter, we executed swaps out of financial bonds into industrials as spreads on financial paper began to narrow. We were able to purchase value in industrial names because of the pressure of the equity market on this sector.

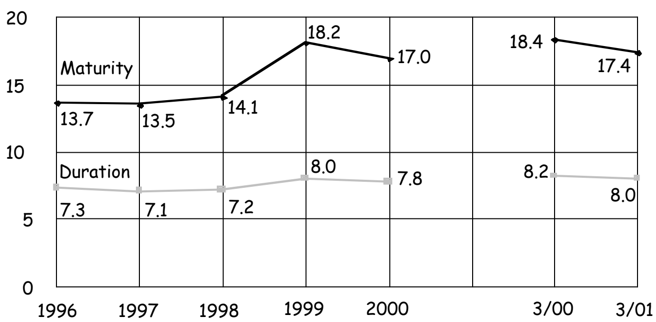
Bond Ratings

	1999	2000	3/01
AAA	10.9%	10.1%	9.6%
AA	20.3	21.6	19.8
A	57.8	53.8	56.3
BBB	11.0	13.5	14.0
BB	—	1.0	.3

The credit quality of the portfolio remains ‘A’ rated. We have prided ourselves with the quality of our portfolio for years. Currently, 29.4% of the portfolio is in ‘AA’ rated securities or better. Many companies have seen their credit ratings come under pressure recently in concert with disappointing earnings. We had one such credit that fell from grace very quickly, and that was Xerox. This fallen angel went from an ‘A’ rated security to junk in a little over two months. We have been monitoring this credit closely. We chose not to sell Xerox because of the swiftness of the decline. However, we did elect to impair our holdings of Xerox, resulting in an after-tax loss of approximately $27 million, which we offset with gains. Our total company exposure to Xerox represented less than 1% of total shareholders’ equity at the end of the first quarter.

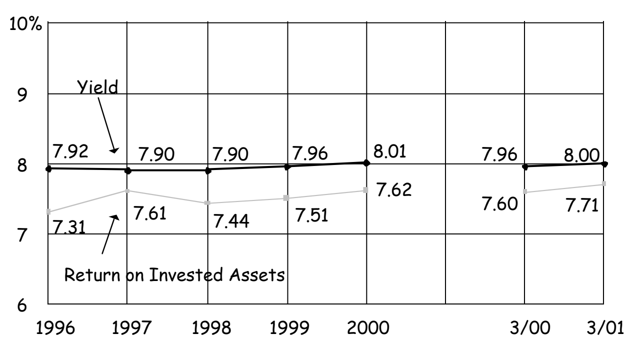
Average Portfolio Maturity and Duration

(In Years)



Joe Smith has explained the asset/liability matching that we do in Japan. Unlike in Japan, the matching process is not as complicated in the United States. This is because of our shorter U.S. liability duration and longer duration investment vehicles available in the U.S. market. The average is 7.4 years, while the duration of our assets is 8.0 years.

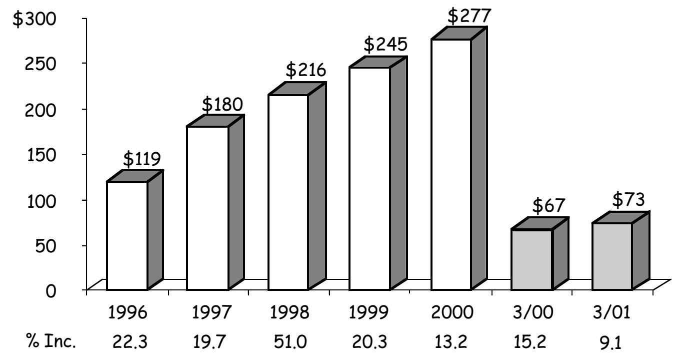
AFLAC U.S. Yield and Portfolio Return



The average yield of our fixed-maturity assets remains around the 8.00% level. This has been consistent for the past six years. The return on average invested assets was 7.71% for the first quarter. These portfolio returns continue to provide a significant spread over the required interest on our reserves.

Net Investment Income

(In Millions)



Growth of investment income has reflected the slower growth of our invested asset base. However, investment income still grew at a solid rate in 2000. Investment income growth in the first quarter of last year was particularly strong because of profit repatriation we received late in 1999 as well as the benefit of slightly higher rates. With tougher comparisons, first quarter investment income rose 9.1% in the first quarter.

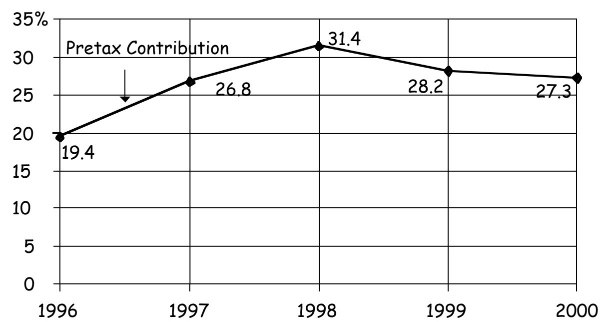
We plan to continue our strong investment performance while maintaining the same objective that has been so successful for us in the past. We did not alter our course as times got hard and investment yields became difficult to achieve. As a result, we believe we have avoided problems that many others have experienced. When challenged by a difficult market, we have always looked for ways to improve. This year, the portfolio has had superior performance in the face of a difficult market environment. This achievement can only be reached by never taking your eyes off the primary goals, which for AFLAC are to provide safety for policyholders and ensure value for shareholders.

AFLAC U.S. Financial Results

Akitoshi Kan
Executive Vice President, U.S. Internal Operations

AFLAC U.S. has performed very well for the last several years. Our rapid sales growth has contributed to improved top-line rates of growth. We have also effectively managed the expenses of AFLAC U.S., which means our margins have been stable over the last few years. As a result, AFLAC U.S. is a very important contributor to our total company financial performance.

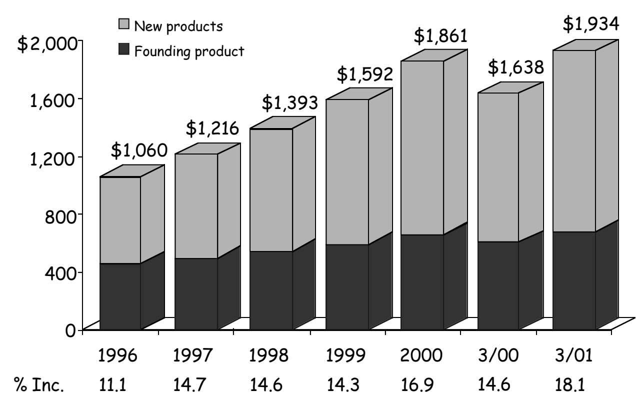
AFLAC U.S. Contribution to Total Insurance Earnings



From 1990 through 1996, AFLAC U.S. averaged approximately 17% of our company's total pretax insurance earnings. Last year, AFLAC U.S. represented more than 27% of our pretax earnings. In reviewing our U.S. income statement, let me begin with a discussion of premium income, which accounts for about 85% of AFLAC U.S. revenues.

Annualized Premiums in Force

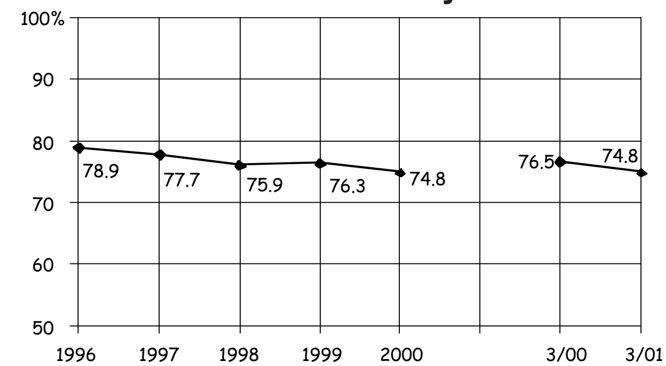
(In Millions)



Premium income represents the revenue amounts that flow into our income statement on a daily pro rata basis over the insurance coverage periods of the related policies. Premium income is driven by our annualized insurance premiums in force, which reflects growth of new sales, plus premium rerates, less policy lapses. As you can see in the chart above, annualized premiums in force have grown at a rapid rate since 1996, as a result of strong sales growth and relatively stable persistency for many lines of business. This trend continued through the first quarter of 2001.

Product broadening has changed the face of our inventory of premiums. As such, most of the recent additions to annualized premiums in force have been from our new products. Our founding product, cancer insurance, accounted for 44.0% of annualized premiums in force in 1996. By June of 2000, in-force premiums of accident/disability had surpassed cancer insurance to become our number one product category in terms of in-force premium.

Premium Persistency Rates

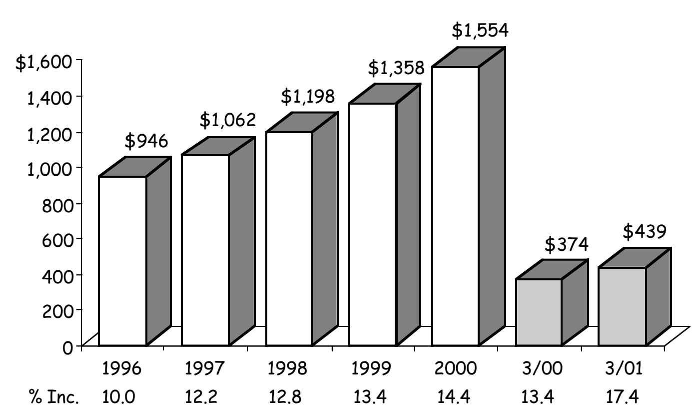


This chart shows the recent premium persistency rates for all lines of health insurance business combined. These persistency rates are based on the ratio of terminated premiums to the average of the beginning- and end-of-period premiums in force.

As you can see in the chart, our total premium persistency rate has declined slightly since 1996. Persistency rates have been impacted by several factors: First, payroll business is generally less persistent than direct business. Second, persistency rates are also heavily influenced by product mix. For example, accident/disability insurance, which tends to be purchased by younger consumers, is typically less persistent than products like cancer insurance, which appeals to middle-aged consumers. And third, our strong sales growth has decreased persistency because policies in their earlier years are generally less persistent than those in later years.

Premium Income

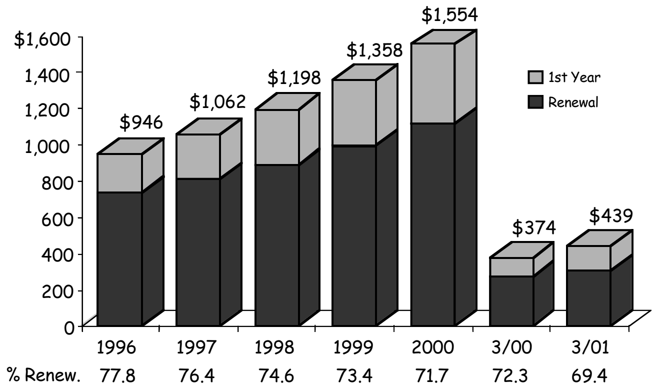
(In Millions)



Premium income has been favorably impacted by the rapid growth of new sales. Despite the effects of a changing business mix on persistency, premium growth has accelerated recently. We have increased premium income at double-digit rates for 19 consecutive quarters.

Composition of Premium Income

(In Millions)

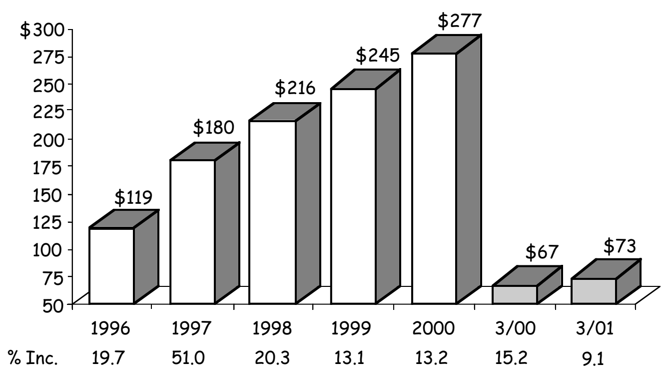


The majority of our earned premiums are derived from policies in their renewal years, although the recent strong sales momentum has lowered the ratio of renewals slightly. For instance, renewal premium represented about 71.7% of total premium income in 2000 and 69.4% in the first quarter of this year. More than 70% of premium income in each of the last five years has come from policies already in force at the beginning of the year.

The next largest component of total revenues is investment income.

Net Investment Income

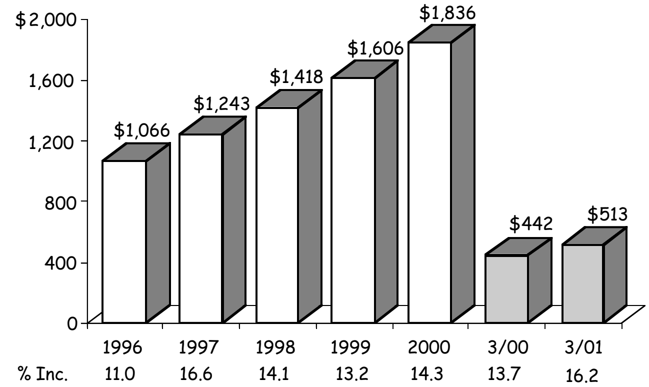
(In Millions)



Growth of investment income is impacted by the rate of return on the investment portfolio and the increase in the asset base from cash flow to investments. That base is increased by reinvested investment income and cash flow from operations. As you have read, additional cash flow from profit repatriations and the broadcast sale significantly increased the size of the U.S. portfolio in 1997. That resulted in a short-term acceleration of investment income growth in that year. However, with continued strong sales growth and a greater portion of profit repatriation being used for debt service, investment income began to slow in 1998.

Total Revenues

(In Millions)

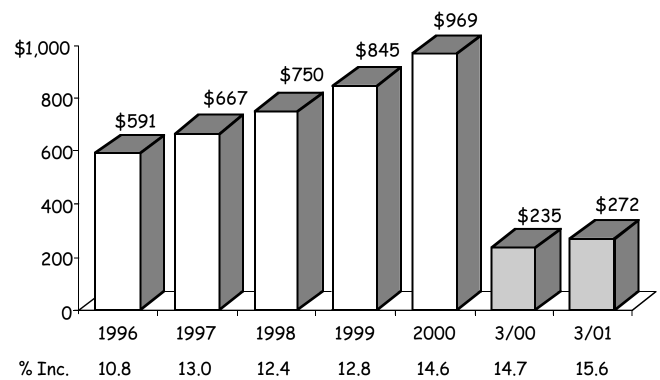


As I mentioned, top-line growth has accelerated recently, primarily resulting from improvements in premium income. Despite minimal benefits from capital transfer issues since 1998, revenues have still maintained impressive rates of growth, as you can see.

Next, let me turn to benefits and claims, which have generally correlated very closely with the related premium increases.

Total Benefits and Claims

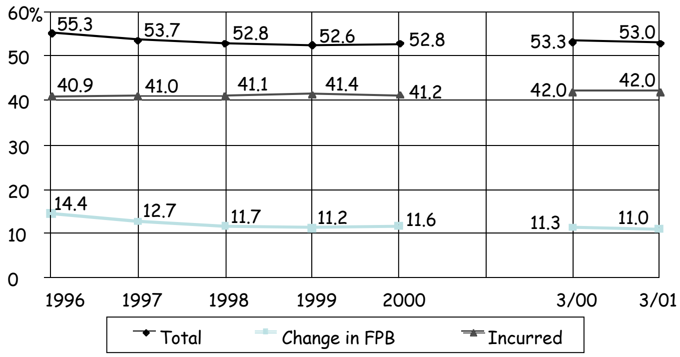
(In Millions)



Our changing product mix has tended to slow the growth of benefits and claims. Strong sales of our accident/disability and hospital indemnity plans, which have lower loss ratios than our other products, have brought the benefit ratio down. As we introduce updated versions of our policies, we almost always improve the benefits we provide our customers. Therefore, each new generation of those policies has a higher loss ratio than the policy it replaces.

Policy Benefits and Claims

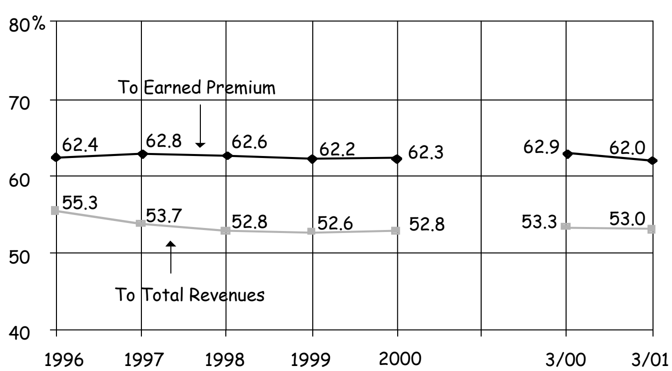
(To Total Revenues)



Two principal components make up total benefits and claims in our income statement. The first is incurred claims, which is principally the claims we pay in the current period. It also includes the change in unpaid claim liability. The second portion is the increase in future policy benefits. Incurred claims represent approximately 78% of total benefits. The reserve for future policy benefits serves to properly match benefit expenses with revenues earned in the income statement. This matching mechanism is necessary because level premiums are paid by our policyholders, but the incidence of actual claims for most policies generally increases with the age of our policyholders. Our claims experience continues to support our reserve assumptions.

Benefit ratios continue to be very stable for our founding product. Despite the success of newer products, cancer expense claims and reserves still represent a significant portion of benefit costs. The newer products have sustained this overall benefit stability. Also, our supplemental health policy obligations generally do not include reimbursement of direct medical costs and therefore are not subject to the risks of medical-cost inflation. We expect our benefit ratio to remain relatively stable in the future.

Total Benefit Ratios



By containing the growth of controllable operating expenses, we have been able to improve policy benefits and accommodate the higher benefit ratios. Some states, like New York, require minimum loss ratios. We believe that one of the reasons there are not many companies currently selling a cancer expense product in New York is because the minimum loss ratio requirement is 60%. Regulators, like those in New York, usually express benefit ratios in terms of percentages of benefits to premiums. Our ratio of total benefits to premium has averaged 62.5% for the last five years and has been within a range of .6 percentage points. Second and more importantly, increasing our loss ratios makes our products more attractive from a competitive standpoint, which facilitates sales.

We continually monitor our claims exposure and experience in order to identify the need for premium repricing actions and to evaluate the adequacy of liability reserves for financial statement purposes. Here I think the interplay between invested assets and policy benefit liabilities is worth mentioning.

AFLAC U.S. Investment Margin

(In Millions)

	1999		2000	
	Amount	Average Rate*	Amount	Average Rate*
Investment income	$242	7.61%	$274	7.68%
Actuarial assumed int. ben. reserve liability	(114)	(6.36)	(125)	(6.31)
Yield spread	$128	1.25%	$149	1.37%
% Yield spread to investment income	52.9 %		54.4%	

*Monthly Averages

Our invested assets largely represent funds held for future policy obligations on insurance policies in force. Cash flow from premiums in early policy-year durations is invested to cover the higher policy claims expected on those policies in later policy durations. As premiums in force grow, invested assets and investment income increase.

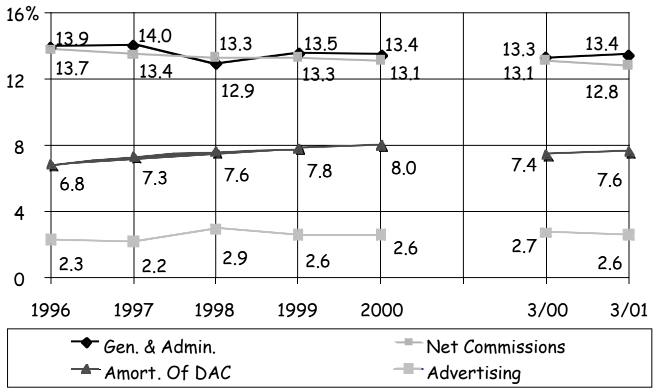
On the other hand, the liability reserve for future policy benefits and the related imputed interest cost added to that policy liability increase correspondingly each year. This relationship between investment income earned on invested assets and the actuarial interest expense on the policy benefit reserves is shown in this chart.

The investment margin, or the excess of investment income over the interest cost added to our actuarial benefit liability, has increased over the last several years due to the excess investment income earned from profit repatriation and the broadcast sale. Investment returns have improved slightly in recent years, while the average assumed interest rates on our policy reserves have remained largely unchanged.

Now, I'll review our operating expenses, which, like benefits, have generally tracked increases in revenues.

Composition of Operating Expense Ratio

(To Earned Premium)



Operating expenses consist of net commissions, general and administrative expenses (net of deferred acquisition costs), advertising expenses and amortization of deferred acquisition costs. General and administrative expenses include salaries and employee benefits, facilities, data processing and supplies used in our business. The G&A line also includes expenses that are less controllable, including premium taxes and some expenses that relate to producing sales, such as payments to our associates' stock bonus plan.

As you can see in the chart above, net commissions have declined since 1996. Amortization of DAC has risen slightly, reflecting the changes in product mix. However, we have been continually improving the efficiency of our work processes primarily by adopting new technologies. As a result, we have been able to lower the ratio of general and administrative expenses from a high of 13.9% of premium in 1996 to a low of 12.9% in 1998. General operating expenses as a percentage of earned premium increased a bit in 1999 and 2000 due to an increase in staffing. The improvement in controlling general and administrative expenses has come in great part from creating efficient technological work processes such as SmartApp. These cost-saving programs have allowed us to reprioritize where we spend money. Although advertising expenditures increased to nearly $40 million in 2000, as a percent of premium, it remained at 2.6%.

Our objective is to focus on and control the expenses that directly relate to operations and make sure that these expenses increase at a rate that is less than the rate of growth for premium income. In 2000, the difference between premium income growth and "controllable" operating expenses was 2.1 percentage points. This spread is one of the important performance measures for our management incentive program for U.S. officers.

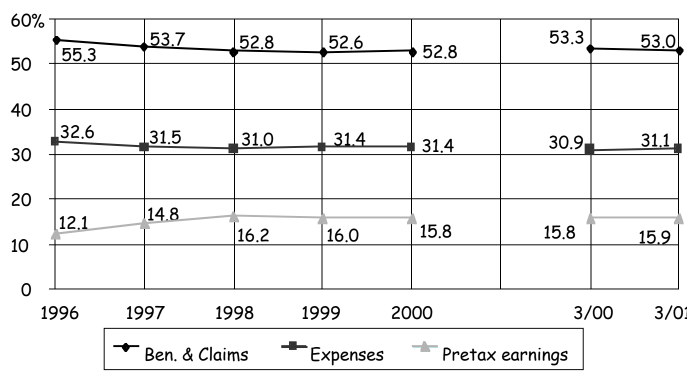
Deferred Policy Acquisition Cost Ratios

	% Acq. Costs Deferred to New Ann. Prem.	DAC Asset to Premium In Force
1996	38.8%	52.8%
1997	39.7	52.7
1998	38.5	52.2
1999	38.6	52.5
2000	37.6	52.6
3/00	37.7	52.8
3/01	37.5	52.8

Commissions represented approximately 70% of total deferred acquisition costs in 2000. In calculating deferred acquisition costs, we defer the excess of the first-year commissions for a policy over an amount equivalent to renewal-year commissions. In addition, we defer non-commission costs that relate to various marketing, policy underwriting and issuance costs that we incur in the year a policy is issued. The key ratios for deferred acquisition costs in recent years have been fairly stable. The economies of scale we derive from our large volume of new business production should help these ratios decline in the future.

Operating Ratios

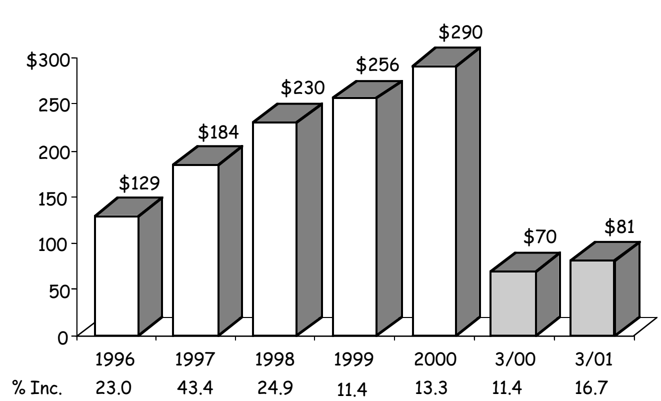
(To Total Revenues)



By looking at our three primary operating ratios, you can see the stability of the benefit and operating expense ratios as a percentage of total revenues. The improvement in the ratios in 1997 resulted from the excess investment income from investing profit repatriation and the broadcast proceeds. We expect our operating ratios to remain relatively stable in the future.

Pretax Operating Earnings

(In Millions)



As a result of these benefits and expense trends, pretax operating earnings generally increased at a faster rate than revenues in 1996 through 1998. With stable operating trends and margins, we believe pretax earnings and revenues should grow at a fairly parallel rate. Although AFLAC Japan remains the dominant component of our total company results, AFLAC U.S. is a significant contributor. In fact, without AFLAC U.S. performing at expectation, it would be very difficult for us to achieve our total corporate objectives.

I hope you can see that the actions we have taken in recent years to improve long-term profitability are producing the desired results. These actions include diversifying our product line and distribution channels, developing flexible benefit plans, advertising aggressively, increasing customer service activities and, especially, exploiting technologies that allow our sales associates and employees to do their jobs faster with less expense. We expect these actions to continue to benefit the company and allow us to reach our long-term goals.

We are enjoying success now, but we are not simply resting on our accomplishments. We intend to build on that success and look to the future.

Long-Term Financial Goals

- Produce double-digit growth in premium income and total revenues
- Improve productivity and manage expense growth
- Maintain reasonable profitability to help AFLAC Incorporated achieve its earnings targets

We will continue to maintain an aggressive marketing orientation to expand our sales, which in turn, should continue to enhance our top-line growth. Specifically, we want to generate solid double-digit growth in premium income and total revenues.

We also want to improve our productivity. We are proud of what we have achieved, but we believe we can do better. Many of you have heard our CEO, Dan Amos, say that one of the reasons he brought me here was because of my involvement in AFLAC Japan, which is the low-cost producer of Japan's insurance industry. I want our U.S. operations to be just as efficient.

AFLAC Japan manages about three times the number of policies in force per employee than does AFLAC U.S. There are reasons for the disparity, including the fact that most of Japan's business is from large payroll accounts that generally have over 5,000 employees, while only a small percentage of AFLAC U.S. business comes from very large accounts. In addition, Japan has a fairly illiquid labor market and must comply with only one oversight entity – its federal government. The U.S. has a much more liquid labor market and must comply with the laws of 50 state jurisdictions.

However, even in the more complex labor and regulatory environments, the U.S. operation can still be improved. We have already made great strides with the increased use of SmartApp. But, we can and will do more. Our Advanced Technology Division is devoted to developing a new technology infrastructure that will help us meet our future business needs.

Also, we have a strong commitment from our leadership to find those answers. Dan has given us the tools, and our managers have the creativity to make our company more efficient. But we will not sacrifice customer service to improve efficiency. We believe we can improve both. And, there's a financial incentive. The bonus structure for our company officers is tied to specific productivity measures, which gives our U.S. officers a significant stake in improving that efficiency.

By extending our strong top-line growth and improving our productivity, we believe we will maintain a level of profitability that will allow AFLAC Incorporated to achieve its target rates of growth.

Even though we have operated in the United States for more than 40 years, the opportunities for growth are tremendous. The market is vast, and due to the rising medical costs of new treatments and procedures, we expect the need for supplemental insurance to continue to grow. By capitalizing on those opportunities, we believe AFLAC U.S. will maintain its leadership position in the worksite marketplace. At the same time, we expect to continue producing strong financial results for the benefit of our shareholders.

The Management Team

Daniel P. Amos
Chairman; CEO
AFLAC, AFLAC Incorporated

Dan Amos, 49, graduated from the University of Georgia with a bachelor's degree in insurance and risk management. He first joined AFLAC as a sales associate while in his teens. He served as state manager of AFLAC's Alabama/West Florida Territory for 10 years. Under his leadership, his sales territory was the number one producing area in 1981 and 1982. He was elected president of AFLAC in April 1983 and chief operating officer of AFLAC in 1987. He became chief executive officer in 1990 and was named chairman in 2001. Dan serves on the boards of directors of The CIT Group, Inc., and Southern Co. He is the former chairman of the boards of The Japan America Society of Georgia and the University of Georgia Foundation.

Kriss Cloninger III
President;
Chief Financial Officer

Kriss Cloninger, 53, has had extensive involvement with AFLAC's worldwide operations since 1977. He was first involved as an actuarial consultant while he was a principal in the Atlanta office of KPMG LLP. In March of 1992, he joined AFLAC as senior vice president and chief financial officer. He was promoted to executive vice president in 1993. In 2001, he was promoted to president. He graduated from the University of Texas at Austin with bachelor's and master's degrees in business administration. He is a fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Norman P. Foster
Executive Vice President,
Corporate Finance

Norm Foster, 67, graduated from the University of South Dakota with a bachelor of business administration degree in accounting. He is a licensed certified public accountant. Prior to joining the company in June 1986, he was a partner with KPMG LLP, where he primarily provided accounting, audit and management consulting services to the insurance industry during his 25 years with the firm. He is a member of the board of directors, executive committee and audit committee of the Georgia Life and Health Insurance Guaranty Association. He also serves on the boards of directors of the South Dakota and New Mexico life and health insurance guaranty associations. He is a member of the American Institute of CPAs.

Akitoshi Kan
Executive Vice President,
Internal Operations, AFLAC U.S.

Aki Kan, 53, became executive vice president, internal operations for AFLAC U.S. in January 2000. He joined AFLAC Japan in 1980, and in 1997, he was promoted to executive vice president for internal operations for AFLAC Japan. He relocated to AFLAC Worldwide Headquarters in April 1999 when he was promoted to executive vice president, AFLAC International. He graduated from Kanagawa University in Japan in 1973 and was employed by Cook Levine & Company, CPAs, a New York accounting firm, for four years prior to joining AFLAC Japan.

Joey M. Loudermilk
Executive Vice President;
General Counsel;
Corporate Secretary

Joey M. Loudermilk, 48, earned a bachelor's degree with honors from Georgia State University and a juris doctor degree from the University of Georgia School of Law. He worked in private law practice before joining AFLAC in 1983 as head of the company's newly formed Legal Department. In 1988 he assumed responsibility for Governmental Relations. In February 1989, he became treasurer for AFLAC Incorporated's political action committee (AFLAC-PAC) and became senior vice president, corporate counsel, for AFLAC Incorporated in August 1989. In January 1991 he was promoted to general counsel of AFLAC Incorporated and AFLAC. He is a member of the State Bar of Georgia, the American Corporate Counsel Association and the American Society of Corporate Secretaries. He also serves on the boards of the Georgia Public Policy Foundation, the Georgia State University Law School and the Columbus Regional Medical Foundation.

Minoru Nakai
Chairman,
AFLAC International, Inc.

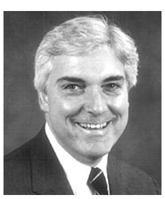
Minoru Nakai, 59, graduated from Keio University with a bachelor's degree in mechanical engineering and from Ohio State University with a master's degree in business administration. Prior to joining AFLAC, he was a manager in the management/consulting department of KPMG LLP in Tokyo. He joined AFLAC in 1977 and served as director of information systems. In 1987 he was made responsible for AFLAC Japan's operations. From 1991 until September 2000, he was president of AFLAC International, Inc.

Kermitt L. Cox, FSA, MAAA
Senior Vice President;
Corporate Actuary

Kermitt Cox, 57, graduated from Iowa State University with a bachelor's degree in mathematics. Following several years of teaching and four years in the Air Force, he attended the University of Nebraska, where he studied actuarial science. He joined AFLAC in 1987 as a vice president and was promoted to senior vice president in 1998. He is a member of the Society of Actuaries, the American Academy of Actuaries, the International Actuarial Association and the Southeastern Actuarial Club. He currently serves on the Society of Actuaries committee on international issues and the American Academy of Actuaries committee on state health relationships.

Rebecca C. Davis
Senior Vice President;
Chief Administrative Officer

Becky Davis, 50, attended Auburn University and graduated from Columbus State University with a bachelor's degree in business administration. She joined AFLAC's Claims Department in 1973 and became manager of the Policyholder Service Department in 1976. She was appointed assistant vice president of the Policyholder Service Department in 1978. In 1984 she was promoted to vice president, marketing administration and operations, and was appointed vice president, client services and administration in 1987. In 1992, she was appointed senior vice president, assistant director of marketing. She was appointed to her current position in December 1999.



Phillip J. "Jack" Friou
Senior Vice President,
Governmental Relations

Jack Friou, 51, graduated from the University of Georgia in 1971 with a bachelor's degree in political science and served in the Army for two years. He joined AFLAC in 1973 and has served in various capacities in administration and marketing including Agency Administration, the Policyholder Service Department and the Compliance Department. He also served as president of AFLAC New York and senior vice president, marketing and agency development. His current area of responsibility is state legislative relations.

Kerry W. Hand
President and CEO, Communicorp, Inc.;
Senior Vice President,
Support Services

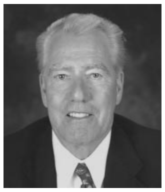
Kerry Hand, 48, is president and CEO of Communicorp, Inc., and senior vice president of AFLAC's Support Services Department. He earned his bachelor's degree in business management from Columbus State University. Since joining AFLAC in 1972, he has held numerous managerial posts at Worldwide Headquarters, most recently serving as senior vice president, U. S. Administration. He became president of Communicorp in January 1996 and assumed the additional responsibility of CEO in January 1997.

Angela S. Hart
Senior Vice President;
Director of Human Resources

Angie Hart, 45, graduated from Columbus State University with a bachelor's of business administration degree in accounting, and she completed the Human Resources Executive Development program at Cornell University. She joined AFLAC in 1980 as comptroller, Southern Division, for the AFLAC Broadcast Group. In 1991 she was appointed second vice president, risk management, and she was subsequently promoted to vice president, corporate services. In January 1996, she was appointed vice president, assistant director of human resources, and in January 1997, she was appointed to director. She was promoted to senior vice president in May 1998.

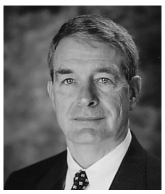
Kenneth S. Janke Jr.
Senior Vice President,
Investor Relations

Ken Janke, 43, attended Michigan State University and received a bachelor's degree in political science from the University of Michigan in 1981 and a master's degree from Oakland University's School of Economics and Management in June 1985. Prior to joining AFLAC Incorporated as manager of investor relations in July 1985, he was director of corporate services for the National Association of Investors Corporation (NAIC) in Madison Heights, MI. He is a director of the Investment Education Institute.



Joseph P. Kuechenmeister
Senior Vice President;
Director of Marketing

Joe Kuechenmeister, 59, attended Marquette University in Milwaukee, WI. He joined AFLAC in 1970 as a sales associate and opened the state of Wisconsin for the company. He was the Wisconsin state sales coordinator from 1971 to 1984. He joined the headquarters staff in 1987 and became second vice president, director of direct products and sales development, in 1989. He was appointed vice president, agency director of the South Territory, in October 1990. He was promoted to his present position as director of marketing in November 1990.



James D. Lester, III
Senior Vice President;
Chief Technology Officer

Jim Lester, 56, earned a bachelor's degree in mathematics from Emory University and a master's degree in computer science from Georgia Tech. During a three-year tour of duty as an officer in the U.S. Navy, he worked on computer language projects. From 1971 until 1979, he developed software and managed corporate information technology organizations for Springs Mills and Scientific-Atlanta. In 1979 he formed a software company that developed and sold insurance systems. During the 20-year period prior to joining AFLAC, he created extensive software systems in both property and casualty, and life/health insurance.

Diane P. Orr
Senior Vice President,
Claims, Customer Call Center,
FLEX ONE Administration

Diane Orr, 48, is senior vice president for claims, customer call center and FLEX ONE administration. Since joining AFLAC in 1971, she has held positions of supervisor, manager and assistant director of the Policyholder Service Department. She was appointed assistant vice president, policyholder services, in September 1986 and second vice president in September 1990. She then served as second vice president, director, South Region, client services and administration. She was promoted to vice president, client services and administration, in June 1992. In January 1996, she was named vice president, claims, administrative systems and FLEX ONE administration. She was promoted to her current position in May 1998.

Ralph A. Rogers, Jr.
Senior Vice President,
Financial Services

Ralph Rogers, 52, graduated from Tennessee Technological University in 1970 with a bachelor's of business administration in accounting. He joined AFLAC in September 2000 in his current role. Prior to coming to AFLAC, he worked with another large insurance company as senior vice president, financial resources. He is a member of the American Institute of Certified Public Accountants, the Tennessee Society of Certified Public Accountants, Financial Executives International and The Institute of Management Accountants.

Mark E. Shaw, FSA, MAAA, FLMI
Senior Vice President,
Corporate Risk Management

Mark Shaw, 43, graduated in 1980 from Georgia State University with a bachelor's degree in business administration and a major in actuarial science. He joined AFLAC in 2001 with more than 20 years of actuarial experience with various life and health insurance organizations. Immediately prior to joining AFLAC he was senior vice president of health actuarial for Conseco where he had actuarial responsibility for all the company's supplemental health products distributed by brokers. He is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Life Management Institute. He has served on various Health Insurance Association of America committees, including chairing the Supplemental Health committee in 1998.

Joseph W. Smith, Jr., CFA
Senior Vice President;
Chief Investment Officer

Joe Smith, 47, attended the University of the South and received his bachelor's degree in economics from the University of Alabama in 1978. He was an investment analyst for the Retirement Systems of Alabama and later became investment manager for the University of Alabama while pursuing a master's of business administration and advanced degrees in economics and finance. He joined AFLAC in 1985 and was promoted to his present position in 1991. He is a Chartered Financial Analyst and a member of the Association for Investment Management Research.

Kathelen V. Spencer

Senior Vice President; Deputy Counsel; Assistant Corporate Secretary; and Director of Corporate Communications

Kathelen Spencer, 43, holds a bachelor's degree in political science from Emory University. She earned a juris doctor degree from the University of Georgia School of Law in 1982. Upon joining the company, she served in AFLAC's Legal Department as associate counsel, then as deputy counsel. She serves on the boards of directors at Columbus Bank and Trust Company and the Columbus Water Works. She is president of the AFLAC Foundation.

Warren B. Steele, II, FLMI

Senior Vice President;
Assistant Director of Marketing

Warren Steele, 39, graduated from Harvard University with a bachelor's degree in psychology and social relations. After graduation, he joined AFLAC in March 1984 as a management trainee. He has served as an administrator in the Marketing Department, as special projects coordinator in the Compliance Department, as assistant vice president in Administrative Systems, and as vice president in Marketing Administration and Product Development. He was promoted to his present position in May 2000. He is a Fellow of the Life Management Institute and chairman of the Conference Board's National Council on Services Marketing.

Gary L. Stegman, CPA, FLMI

Senior Vice President,
Financial Operations

Gary Stegman, 51, graduated from the University of Cincinnati in 1971 with a bachelor's of business administration in accounting. He earned a CPA designation in 1974 and became a Fellow of the Life Management Institute in 1984. Gary joined the company in July 1981 as assistant vice president, assistant controller. He has held several positions in the financial area and was promoted to treasurer in July 1984. He is also assistant secretary of AFLAC. He is a member of the American Institute of Certified Public Accountants.

Peter Adams, CPA

Vice President,
Human Resources Support

Peter Adams, 45, earned a bachelor's degree in business from the University of South Alabama. He joined AFLAC in August 1999 as vice president, human resources support, with responsibilities for Human Resources Information Systems, Payroll, Compensation, Benefits, Risk Management and Stock Option Administration. Prior to joining AFLAC, he was a senior manager with KPMG LLP where he specialized in financial and accounting consulting services for publicly held insurance companies. He is a certified public accountant and a member of the American Institute of Certified Public Accountants and Alabama Society of Certified Public Accountants.

William L. "Tripp" Amos III

Vice President,
Field Force Development

Tripp Amos, 30, graduated from Furman University with a bachelor's degree in business administration. He also attended the London School of Economics and Kansai Gaidai University in Hirakata, Japan. He earned a master's degree in business administration from Emory University in 1994. He began his career at AFLAC in international operations, and he later became director of strategic planning in the Corporate and Market Development Department. He was later promoted to second vice president, corporate and market development. He was promoted to his current position in 1999. He is a Fellow of the Life Management Institute.

Janet P. Baker, ACS

Vice President,
Marketing Services

Janet Baker, 40, earned a bachelor's degree in management and a master's degree in human resources management from Troy State University. Since June 1999, she has been vice president, marketing services, with responsibilities for Marketing Administration, Contest Administration, Sales Promotions and Marketing Operations. She previously held the positions of second vice president, human resources, and second vice president, client services. She joined AFLAC in 1982.

Lynn G. Barnson

Vice President;
Territory Director, West Territory

Lynn G. Barnson, 45, joined AFLAC in February 1981 as an associate in southern Utah. He was promoted to district sales coordinator in October 1981, and in January 1985, he was appointed regional sales coordinator in Fort Worth, Texas. In April 1987, he was promoted to director of metro development at Worldwide Headquarters, and then was promoted to vice president, agency director, of the Mountain Territory in October 1988. In November 1990, he became vice president, territory director of the West Territory.

Mike Bartow

Vice President,
Financial Reporting

Mike Bartow, 46, received a bachelor's of business administration in accounting from the University of Wisconsin at Oshkosh. He became a Fellow of the Life Management Institute in 1981 and earned a CPA designation in 1983. Prior to joining AFLAC in 1986, he was a manager at Sentry Insurance. He was promoted to second vice president in 1995 and became a vice president in March 2001. He is a member of the American Institute of Certified Public Accountants.

Debra H. Beckley

Vice President,
Financial Services

Debra Beckley, 43, attended Mercer University and graduated from West Georgia College with a bachelor's of business administration in accounting. After graduation, she joined AFLAC's Accounting Department, and since that time she has held various positions in the Financial Division. She became a supervisor in Financial Reporting in 1984 and was later promoted to manager of the Payroll Department in 1986. In 1988 she was appointed assistant vice president, general accounting, and in 1990 she was named second vice president, general accounting. She was promoted to her present position in March 1994, with responsibilities for Agents Accounting and Remittance Processing services.

Alfred Blackmar VI, FLMI

Vice President,
Facilities Department

Alfred Blackmar, 39, graduated from Presbyterian College with a bachelor's degree in business administration. He joined AFLAC in 1984 and has been in his current position since September 1999. Previously, he served as vice president, deputy director, compliance. He is past executive chairman of the Life and Health Compliance Association.

Mary Chapman, CFA

Vice President,
Investments

Mary Chapman, 39, graduated from Harvard University with a bachelor's degree in European history, and she received her master's of business administration degree from Cornell University. Prior to joining AFLAC in 1993, she worked as a capital and bond analyst at several investment firms. In 1997 she was promoted to her current position with responsibility for credit analysis of AFLAC's dollar- and yen-denominated portfolios. She is a Chartered Financial Analyst and a member of the Association for Investment Management and Research.

See Hoon Cho

Vice President;
Associate Actuary

See Hoon Cho, 40, earned a bachelor's degree in business administration from Han Yang University in Seoul, Korea, and a master's degree in actuarial science from Georgia State University. He joined AFLAC's Actuarial Department in 1989, and he became manager of actuarial projects-Japan in 1996. He was promoted to second vice president and assistant actuary in 1998 and was promoted to his current position in March 2000. He is an associate of the Society of Actuaries, and a member of the American Academy of Actuaries and the Southeastern Actuaries Club.

Monthon Chuaychoo

Vice President,
Financial Services

Monthon Chuaychoo, 58, graduated from the University of Alabama at Birmingham with a bachelor's degree in accounting. He joined AFLAC in 1982 as a financial systems analyst and became manager of the Financial Reporting Department in 1984. In 1988 he was promoted to assistant vice president, assistant comptroller, and in 1990 to second vice president, assistant comptroller. He was promoted to his present position as vice president, financial services, in September 1993.

Sharon Douglas
Vice President,
Human Resources Services

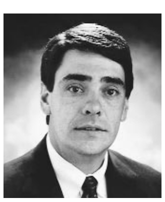
Sharon Douglas, 39, received a bachelor of science degree from Southern University in Baton Rouge, La. She joined AFLAC in May 1996 as second vice president, human resources. She was promoted to her current position in January 1999 with responsibilities for Employee Relations, Employment Services, Corporate Training and Development, and Employee/Community Services. Prior to joining AFLAC, she spent five years with the Columbus Water Works as vice president of customer and employee services. She is a member of the Society of Human Resources Management.

Lynn B. Fry
Vice President,
Marketing Technology Support

Lynn Fry, 42, joined AFLAC in March 1982 as senior programmer/analyst. She was promoted to second vice president, information systems in 1993, and vice president in 1997. In July 2000, she moved to the Marketing Division, and she now serves as vice president of marketing technology support, focusing on technology for the company's field force.

Brett J. Gant, FSA
Vice President;
Associate Actuary

Brett Gant, 43, earned a bachelor's degree in mathematics from Marietta College and a master's degree in statistics from Miami University of Ohio. He joined AFLAC in 1981 and has worked in various positions in the Actuarial Department. In 1993 he was promoted to his current position of vice president with responsibility for pricing and rerating for AFLAC U.S. products. He is a member of the Society of Actuaries and the American Academy of Actuaries.



Gregory J. Gantt, CFA
Vice President,
Fixed Income Investments

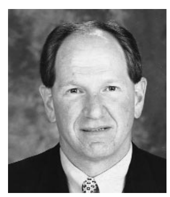
Greg Gantt, 42, received his bachelor's degree in accounting from Georgia State University. He joined AFLAC in 1982 as a member of the Financial Planning Department. He moved to the Investment Department in 1987 where he was in charge of investment accounting. In 1991 he was promoted to his current position with responsibility for managing AFLAC Japan's U.S. dollar fixed-income portfolio. He is a member of the American Institute of CPAs, the Georgia Society of CPAs and the Association for Investment Management and Research.

Anne German
Vice President,
Project Management Office

Anne German, 42, graduated from Columbus Technical Institute with a degree in data processing. Prior to joining AFLAC in 1998, she worked as a product development manager at Ceridian Corporation. Her current responsibilities include managing corporate strategic technical projects and assisting in setting project management guidelines. Previously, she served in the Information Technology Division as director of client application development. She is a member of the Project Management Institute.

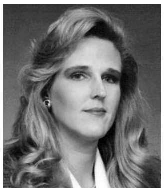
David Hewitt
Vice President,
Market and Account Development

David Hewitt, 50, attended Texas Tech University and joined AFLAC as a regional sales coordinator in Texas in 1986. He served as Arizona's state sales coordinator from 1987 to 1990. He was promoted to director of marketing for AFLAC New York in late 1990. He later was promoted to vice president, then to senior vice president and territory director for the New York/New England Territory. He assumed his current position in January 2000.



Brad Jones
Vice President;
Territory Director, Northeast Territory

Brad Jones, 42, joined AFLAC in March 1984 as a sales associate. He was promoted to district sales coordinator in January 1986, promoted to regional sales coordinator in January 1989, and he became recruiting coordinator for AFLAC in January 1992. He was promoted to state sales coordinator for Maryland/Delaware/Philadelphia in July 1993. He was promoted to his present position in January 2000.



Tracey A. Keiser-Frazier
Vice President;
Territory Director, Pacific Territory

Tracey Keiser-Frazier, 39, attended Wright State University in Dayton, Ohio. She joined AFLAC in 1984 as a sales associate. She was promoted to district sales coordinator in May 1985 and to regional sales coordinator in January 1986. She was promoted to state sales coordinator of Wisconsin in October 1994. In September 1997, she was promoted to her present position as vice president, territory director, of the Pacific Territory.

Robert C. Landi
Vice President,
Corporate Tax

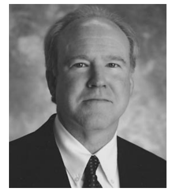
Robert Landi, 39, received a bachelor's degree in business administration from the University of Tennessee at Knoxville. He joined AFLAC in 1988 as a tax and financial analyst and was promoted to second vice president, corporate tax in 1993. He was promoted to his current position in 1999 and is responsible for corporate taxes including federal and state income taxes, premium taxes, payroll taxes and other state and local taxes. He is a member of the American Institute of CPAs and the Tennessee Society of CPAs.

Jeffery A. Link
Vice President; Deputy Director
Compliance

Jeff Link, 38, graduated from Columbus State University in 1987 with a bachelor's degree in business administration. Prior to joining AFLAC in 1988, he held various marketing positions with Pascoe Building Systems and Premier Industrial. He joined AFLAC's Compliance Department in 1988 as an analyst. He became a second vice president in June 1996 responsible for forms filings. He was promoted to his current position in January 2001. He is currently chair of the Life and Health Compliance Association.

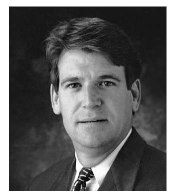
Michael E. McCarthy
Vice President;
Territory Director, North Territory

Mike McCarthy, 46, joined AFLAC in 1976 while a student at Illinois State University in Bloomington, Ill. He became a district coordinator in 1978, a regional coordinator in 1980 and was promoted to state sales coordinator of Illinois North in 1986. In 1991 and 1992, he served as state sales coordinator of Iowa in addition to Illinois North. In 1993 and 1994, he assumed responsibility for Illinois North and Wisconsin. He was promoted to vice president and territory director in September 1994.



G. Bryant McKee
Vice President,
Internal Audit

Bryant McKee, 48, graduated from Vanderbilt University with a bachelor's degree in economics and business administration. While employed with Life of Georgia, he became a Fellow of the Life Management Institute in 1978 and obtained his Certified Internal Auditor designation in 1987. He joined AFLAC in 1988 as internal audit manager and was promoted to his current position in 2000. He is responsible for corporate-wide internal audit services. He is a member of the Institute of Internal Auditors and the Information Systems Audit and Control Association.



David Nelson
Vice President,
Travel, Meetings and Incentives

David Nelson, 47, joined AFLAC in 1988 as a travel analyst after working in the airline industry for 16 years. In 1995, he was promoted to director, travel, meetings and incentives, and in 1997, he was promoted to his current position. His primary responsibility is coordinating all travel meetings and incentive travel. He is a member of the National Business Travel Association, Georgia Business Travel Association and Insurance conference Planners Association.

Thomas A. OKray
Vice President,
Financial Reporting and Planning

Tom OKray, 45, received his bachelor's degree in accounting and risk management and insurance from the University of Wisconsin. Prior to joining AFLAC in 1988, he was a staff accountant with Wausau Insurance Company. He became a second vice president in 1995 and was promoted to his current position in March 2001.

Jennifer P. Pitts
Vice President;
Director, Information Technology

Jennifer Pitts, 39, graduated from Columbus State University with a bachelor's degree in finance and a master's degree in business administration. She joined AFLAC in 1986 as a management trainee and was promoted to second vice president, customer call center and quality assurance in 1991. She was promoted to vice president in charge of the Client Services Department in 1996 with responsibility for Policyholder Service, Payroll Account Administration, and New Business and Underwriting. She was promoted to her present position in July 2000.

David L. Pringle
Vice President,
Federal Relations

David Pringle, 45, graduated from Mississippi State University in 1979 with a degree in insurance and risk management, and he joined AFLAC's sales force that same year. Over the next several years, he served in various sales and marketing management positions, including director of training and state sales coordinator of West Virginia. In his current position, David's primary responsibility is to coordinate AFLAC's lobbying efforts in Washington, D.C. He also serves as secretary and primary fund-raiser for AFLAC's political action committee.

Susan B. Rynearson
Vice President;
Associate Actuary

Sue Rynearson, 34, graduated from the University of Missouri-Columbia with a bachelor's degree in education. She joined AFLAC's Actuarial Department in the U.S. pricing area in 1993. She was promoted to second vice president and assistant actuary in 1998. In March 2000, she was promoted to her current position. She is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Daniel F. Skelley, FSA, MAAA
Vice President;
Associate Actuary

Dan Skelley, 52, received bachelor's and master's degrees in applied mathematics from Georgia Tech. Prior to joining AFLAC in 1983, he taught mathematics on both the high school and college levels. He became an assistant vice president in 1986, a second vice president in 1990, and was promoted to his current position in January 1993. He is a member of the Society of Actuaries and the American Academy of Actuaries.

Arthur L. Smith III
Vice President;
Senior Associate Counsel,
Legal Division

Art Smith, 45, holds a bachelor's degree in political science from Columbus State University and a juris doctor degree from the Samford University School of Law. He was engaged in private law practice in Columbus, Ga., from 1979 until he joined AFLAC as associate counsel in January 1989. He was appointed second vice president and senior associate counsel in the Legal Division in January 1993 and was promoted to vice president in 1996. He is a member of the State Bar of Georgia and the American Bar Association. He currently serves as a member of the Downtown Redevelopment Authority and the Columbus Charter Review Commission.

Steven D. Smith
Vice President;
Assistant General Counsel;
Director, Legal Division

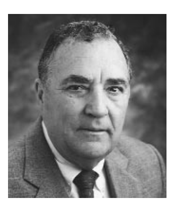
Steve Smith, 48, received a bachelor's degree with high honors from Auburn University and a juris doctor degree from the University of Georgia School of Law. He was engaged in private law practice in Columbus, Ga., from 1978 until he joined AFLAC in 1984. He was appointed vice president and director of the Legal Division in 1989 and was promoted to assistant general counsel in 1993. He is a member of the State Bar of Georgia, the American Bar Association and the Defense Research Institute.

James W. Thompson
Vice President;
Territory Director, South Territory

Jim Thompson, 60, attended Georgia State College, where he studied business administration. Prior to joining AFLAC in 1974, he held various sales and supervisory positions with Equitable Life, Union Carbide and the 3M Company. He joined AFLAC as regional sales director for the West Region. In 1978 he was promoted to vice president, agency director, Northwest Region. He has held agency director positions since that time in the West, Midwest and South, and was assistant to the director of marketing in 1989. From 1991 to 1994, he was director of broker operations. He assumed his current position in 1995.

Audrey Boone Tillman
Vice President,
Senior Associate Counsel

Audrey Boone Tillman, 35, received a bachelor of arts degree from the University of North Carolina at Chapel Hill and a juris doctor degree from the University of Georgia School of Law. Prior to joining AFLAC in 1996, she was in private practice and a law school professor. She is licensed to practice in Georgia, North Carolina and District of Columbia. She was promoted to second vice president in 1997 and to her current position in 2000. She is the immediate past chair of the Corporate Law section of the National Bar Association.



Frederick J. Wadsworth
Vice President,
Compliance Department

Fred Wadsworth, 68, earned a degree in business administration from Niagara University and a master's degree in business management and administration from the University of Indiana. He began his career at AFLAC as a compliance technician in January 1978. He was promoted to assistant vice president, compliance in February 1980 and to second vice president, external affairs, in July 1984. He was promoted to his current position in October 1986.

Teresa White
Vice president,
Client Services

Teresa White, 34, earned a bachelor's degree in business administration from the University of Texas at Arlington and a master's degree in science and management from Troy State University. She joined AFLAC in 1998 as second vice president, client services, and was promoted to her current position in July 2000. She is responsible for Policyholder Services, Payroll Account Administration, New Business and Underwriting, and AFLAC New York Administration. Before joining AFLAC, she managed the AT&T (now Citibank) Universal Card operations in Columbus.

Jefferson W. Willis
Vice President;
Senior Associate Counsel,
Legal Division

Jeff Willis, 52, holds a bachelor's degree in economics and history from Hampton-Sydney College in Virginia. He received a juris doctor degree from the Walter F. George School of Law at Mercer University in 1975 and is a licensed member of the state bars of Georgia and Virginia. He was a partner in a Gainesville, Ga., law firm specializing in insurance litigation before joining AFLAC in 1988.

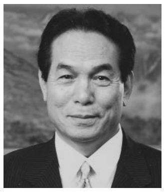
Mary Ellen Keim
Second Vice President,
Fixed Income Investments

Mary Ellen Keim, 45, majored in psychology at the University of Alabama. Prior to joining AFLAC, she worked in the Trust Department of The First National Bank of Tuscaloosa as a portfolio manager and trust administrator. She successfully completed her National Association of Security Dealers Series 7 and Series 63 exams in 1986. She is a member of the Association of Investment Management and Research. She is also a member of the LOMA Investment Committee.

Robin Mullins, CPA
Second Vice President,
Investor Relations

Robin Mullins, 43, graduated from the University of Georgia with a bachelor's degree in finance and is a Certified Public Accountant. Prior to joining AFLAC in 1990, she worked in auditing at Nations Bank and in accounting at Charter Medical. Before joining the Investor Relations Department at AFLAC in November 1998, she worked as an accountant in Financial and as a senior auditor in Internal Auditing. She also worked as manager of Information Systems and Payroll in the Human Resources Division.

AFLAC Japan Management



Yoshiki "Paul" Otake

Chairman, AFLAC Japan;
Director, AFLAC Incorporated

Paul Otake, 62, graduated from Hiroshima Prefectural University and studied at Allan Hancock College in Santa Maria, CA. He was secretary to a member of the House of Representatives (DIET) before joining American International Underwriters (AIU) in 1967. He established the International Insurance Agency Group (IAG) in 1972. He was a representative to AFLAC's Tokyo office prior to the establishment of the Japan Branch in 1974. He served as vice president, marketing, from 1974 until he was promoted to president of AFLAC Japan in January 1986. He was elected a director of AFLAC Incorporated in April 1986. He was name chairman of AFLAC Japan in January 1995.

Hidefumi Matsui

President, AFLAC Japan

Hide Matsui, 57, graduated from Tokyo University in 1968. He served as a systems planner of manufacturing processes at Kawasaki Steel Corporation prior to joining AFLAC. He was a member of the team organized to obtain AFLAC's license to do business in Japan. He was named assistant vice president in October 1981, vice president in January 1985, senior vice president in December 1987 and director of marketing in January 1990. He was promoted to executive vice president in January 1992. He was named president of AFLAC Japan in January 1995.

Shoichi Matsumoto

Executive Vice President;
Director of Marketing

Shoichi Matsumoto, 55, graduated from Keio University in 1968 and worked for Nihon Inryo K.K. He joined AFLAC Japan in 1975 and has served as head of the Fukuoka sales office, deputy general manager of the Tokyo sales department and general manager of Kinki area sales. He was promoted to vice president in January 1991 and to senior vice president in January 1996. He was in charge of the sales department in the Tokyo National Account Department and the Hojinkai Promotion Department. He was promoted to executive vice president and was named director of marketing in January 1998.

Hitoshi Une

Executive Vice President,
Internal Operations

Hitoshi Une, 53, graduated from Waseda University with a bachelor of science degree in economics. He received a master's of business administration in finance from the Graduate School of Business Administration of New York University. Prior to joining AFLAC in 1984, he worked for J. Osawa & Co., Ltd., for 13 years. He was promoted to general manager of the Investment Department in 1992, vice president in 1995 and senior vice president in January 1998. He was promoted to his current position in January 1999.

Allan O'Bryant

President, AFLAC International Inc.;
President, aflacdirect.com;
Deputy Chief Financial Officer

Allan O'Bryant, 42, became president of AFLAC International Inc., president of aflacdirect.com and deputy chief financial officer for AFLAC Incorporated in 2000. Prior to joining AFLAC in 1993 as a vice president for the AFLAC Broadcast Group, he was a senior manager with KPMG LLP. In 1996, he was transferred to AFLAC International to oversee AFLAC Japan's financial operations.

Shigehiko Akimoto

Senior Vice President, Sales

Shigehiko Akimoto, 45, a graduate of Seikei University, joined AFLAC in 1985. He served as assistant general manager and general manager in the Corporate Planning Department. He was promoted to vice president, sales, in January 1999 and to senior vice president in April 2001. He is currently in charge of the direct marketing office, the Marketing Department, the Associates Department and System Services.

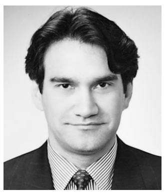
Tomomichi Itoh

Senior Vice President,
Corporate Planning, Product Planning

Tomomichi Itoh, 51, a graduate of Tokyo University, joined AFLAC in 1976 and served as general manager of research and corporate planning. He was promoted to vice president in January 1997 and to senior vice president in April 2001. He is currently responsible for the Corporate Planning and Product Planning departments.

Hideo Kikuchi
Senior Vice President,
Claims, Underwriting

Hideo Kikuchi, 56, graduated from Keio University in 1967. Prior to joining AFLAC in 1975, he worked for Janome Mishin K.K. He served AFLAC Japan as deputy general manager of the Personnel Department, general manager of the Claims Department and general manager of the Kinki area sales department before he was promoted to vice president in January 1991. He was promoted to his current position in January 1999. He is currently in charge of Underwriting, Medical, Claims and Administration Planning.



Charles D. Lake II
Senior Vice President;
General Counsel,
Legal and Compliance

Charles Lake, 39, received a bachelor's degree in Asian studies and political science from the University of Hawaii at Manoa in 1985 and a juris doctor degree from the George Washington University School of Law in 1990. Prior to joining AFLAC International in February 1999 and AFLAC Japan in June 1999, he practiced law with Dewey Ballentine LLP in Washington, D.C. He also served as director of Japan Affairs and Special Counsel to the U.S. Trade Ambassador at the office of the U.S Trade Representative (USTR) in the executive office of the president. At USTR, he was responsible for the development, coordination and implementation of U.S. trade policy toward Japan and led numerious bilateral and multilateral trade negotiations. He was promoted to his current position in January 2001. He is a member of the District of Columbia Bar Association and serves on the board of the International Insurance Council and Japanese government's Financial Systems Council Working Group on Insurance. He also chairs the American Chamber of Commerce in Japan subcommittee on insurance and is a member of the Japan Association of Corporate Executives.

Yutaka Ogawa
Senior Vice President,
Sales Planning & Administration

Yutaka Ogawa, 56, graduated from Waseda University in 1968. After working for a research institution for several years, he joined AFLAC in 1978 and served as head of the Nagoya sales office, deputy general manager of the Tokyo sales department, general manager of the Chubu sales department and general manager of the Sales Administration Department. He was promoted to vice president in January 1992 and senior vice president in January 1996. He is now in charge of Hojinkai promotion, the Bank Set Department, the Market Development Department and the AFLAC National Association of Agencies Office.

Fujio Hanyu
Vice President;
Executive Medical Director

Fujio Hanyu, 70, is professor emeritus at the Tokyo Women's Medical University and director of the Hachioji Digestive Hospital Clinic Centers. A graduate of Chiba University School of Medicine, he has been with Tokyo's Women's Medical Center since 1965. In 1993, he became director of the Institute of Gastroenterology at Tokyo Women's. He joined AFLAC in 1994.

Sonoko Kamigaki
Vice President,
Customer Affairs

Sonoko Kamigaki, 56, graduated from Tokyo University of Education in 1969. Prior to joining AFLAC in November 1974, she worked for the Bank of Tokyo and Metropolitan Research Center. She served as the general manager of customer service, employee training and policy maintenance. She was promoted to her current position in charge of Administration Support, Premium Accounting (second section) and Customer Service in 1998.

Kenji Koyama
Vice President, Sales

Kenji Koyama, 52, graduated from Senshu University in 1974. He joined AFLAC in 1976 and was assigned the task of opening the Taiwan branch in 1980. After the Taiwan branch started its operations, he became director of the U.S./Japan marketing liaison office for two years at AFLAC headquarters in Columbus. Upon returning to Japan, he became the assistant manager of the dementia care promotion department and later general manager of the same department. In January 1989, he was promoted to general manager of the Tokai-Hokuriku sales department in Nagoya. He was assigned to his current position in January 1994. He is in charge of sales departments in the Hokuriku and Kinki areas.

Masami Miyahara
Vice President, Sales

Masami Miyahara, 47, graduated from Meiji University in 1976 and joined AFLAC Japan that same year. He was promoted to general manager of the Tokai and Hokuriku sales departments in 1998. He was assigned to his present position in charge of the Chugoku and Kyushu-Okinawa sales departments in January 2001.

Hiroshi Mori
Vice President, Sales

Hiroshi Mori, 54, graduated from Keio University in 1972 and worked for Nippon Orivetty and Sekisul House for several years. He joined AFLAC in 1984. He served as general manager of the Tokai-Hokuriku sales department and the Tokyo first sales department. He was promoted to his current position in charge of sales departments for the western part of Japan and the Shutoken area in January 1998. He has been in charge of all of the sales departments in Tokyo since April 2000.

Akio Nomura
Vice President,
Information Systems

Akio Nomura, 54, graduated from Keio University in 1969. He worked for Nihon Univac prior to joining AFLAC in 1986. He served as assistant general manager and general manager, information systems. He was promoted to his current position in January 1999.

Hiroshi Shimizu
Vice President, Sales

Hiroshi Shimizu, 54, graduated from Toyo University in 1969 and joined AFLAC Japan in 1976. He served as general manager of the Tokai and Hokuriku sales departments and the Kinki sales department 2 from 1995 through 2000. He was promoted to vice president in January 2001. He is currently in charge of the Hokkaido, Tohoku and Kanshinetsu sales departments.

Hisayuki Shinkai
Vice President,
Public Relations

Hisayuki Shinkai, 51, joined AFLAC in 1999 as general manager of the Public Relations Department and was promoted to vice president in April 2000. He graduated from Tohoku University in 1974 and previously worked for Long Term Credit Bank of Japan, Ltd.

Hiroshi Yamauchi
Vice President, Policy Maintenance,
Premium Accounting, Kinki Administration

Hiroshi Yamauchi, 49, graduated from Saitama University in 1976 and joined AFLAC that same year. He served in the Actuarial Department as section manager and assistant general manager. He was promoted to general manager in the Policy Maintenance Department in 1998 and was promoted to his current position in January 1999.

Kenji Yasuda
Vice President, Sales

Kenji Yasuda, 52, is in charge of the sales department for the Tokai area, and was promoted to vice president in April 2000. He previously served as general manager of the Corporate Planning and Agency Training departments. He also previously served as general manager of several sales departments. A graduate of Keio University in 1972, he worked for Tokai Real Estate Co. Ltd., before joining AFLAC in 1975.

Mikie Yumoto
Vice President,
Personnel, Employee Training

Mikie Yumoto, 53, graduated from Keio University and worked for IBM Japan for four years before joining AFLAC in May 1981. She worked on developing the care policy and later as a sales representative. She was promoted to general manager of the Employee Training Department in April 1995 and to her current position as vice president in charge of personnel and employee training in January 1997.

Masaki Shiratori
Senior Advisor

Masaki Shiratori, 64, graduated from Tokyo University and joined the Ministry of Finance (MOF) in 1960. He served as senior deputy director-general of the MOF's International Finance Bureau and as executive director of the International Bank for Reconstruction and Development. After serving as vice president of the Overseas Economic Cooperation Fund, he joined AFLAC in July 1997 in his current position. He also lectures as a visiting professor at Keio University and Ritsumeilsan University.

Koji Hayashi
General Manager,
AFLAC Incorporated,
Investor Relations Liaison Office

Koji Hayashi, 48, graduated from Waseda University in 1976 and joined AFLAC in April of that year. He managed financial reporting, cash accounting and premium accounting from 1989 through 1996. He was promoted to assistant general manager in 1996. He joined the liaison office as assistant general manager in January 1998 and was promoted to his current position in April 2000.

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If you would like more information or copies of other AFLAC publications, please call or write:

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