

GLOSSARY

Benefit Ratio – Incurred claims plus the increase in reserves for future policy benefits, as a percent of total revenues.

Corporate Agency – The marketing system we use in Japan comprises affiliated corporate, independent corporate, and individual agencies. An affiliated corporate agency is one that is directly affiliated with a specific corporation. A corporation establishes the agency to sell our insurance policies to its employees on payroll deduction. In turn, we pay the agency a commission.

Deferred Policy Acquisition Costs (DAC) – Generally accepted accounting principles call for the matching of revenues and expenses. Therefore, the costs of acquiring new business, principally agents' current-year commissions in excess of ultimate renewal-year commissions, and certain policy issue, underwriting and marketing expenses, have been capitalized and deferred. These deferred policy acquisition costs are being amortized over the premium paying period of the related policies in approximate proportion of annual premium income to the total anticipated premium income.

Earnings Per Basic Share – Net or operating earnings divided by the weighted-average number of shares outstanding for the period.

Earnings Per Diluted Share – Net or operating earnings divided by the weighted-average number of shares outstanding for the period plus the weighted-average shares for the dilutive effect of stock options.

Future Policy Benefits – This is the largest liability on the balance sheet. The company accumulates reserves during the life of a policy to meet expected claim payments covered by the policy. Most policies sold in Japan also have cash value benefits for which reserves are accrued.

Incurred Claims – The amount of claims paid plus the change in the unpaid claims liability, including cash surrender values.

Net Earnings – Profits after taxes.

Operating Earnings – Operating earnings starts with net earnings and excludes the following items on an after-tax basis: realized investment gains/losses, the change in fair value of the

interest rate component of cross-currency swaps beginning in 2001, the charge for the Japanese policyholder protection fund in 2002, and the gain from the termination of a retirement liability in 2000. We then exclude income taxes related to operations to arrive at pretax operating earnings.

Operating Expense Ratio – Total operating expenses including amortization of DAC, total administrative costs, and commissions as a percent of total revenues.

Operating Return on Average Shareholders' Equity – Operating earnings as a percentage of the average of shareholders' equity at the beginning of the period and at the end of the period, excluding the shareholders' equity component of unrealized gains on investment securities.

Persistency – The percentage of premiums remaining in force at the end of a period, usually one year. Example: 95% persistency would mean that 95% of the premiums in force at the beginning of the period were still in force at the end of the period.

Price/Earnings Ratio – Market price of shares divided by annual operating earnings per diluted share.

Profit Margin – Operating earnings either before taxes or after taxes as a percent of total revenues.

Profit Repatriation – Profits of AFLAC Japan that are transferred to AFLAC U.S.

Return on Investments and Cash – Net investment income as a percentage of average investments and cash at amortized cost.

Total New Annualized Premium Sales – The annual premiums on policies sold and additional premiums on policies converted during the reporting period.

Total Return to Shareholders – The appreciation of a shareholder's investment over a period of time, including reinvested cash dividends paid during that time.