

## 2004 – Market Performance

For the second consecutive year, the stock market posted gains. The Standard & Poor's 500 Index was up 9.0%, and the Dow Jones Industrial Average rose 3.2% in 2004. With intense investor focus on slower sales growth for both Aflac U.S. and Aflac Japan, our shares struggled for much of the year. However, Aflac's shares ended the year strongly and as a result, outperformed the market for the year.

Aflac's share price closed the year at \$39.84, up 10.1% from our 2003 closing price of \$36.18. Other insurance stocks, as measured by the Standard & Poor's Life and Health Insurance Index, performed well for the year. The S&P Life and Health Index rose 20.4% for the year. Aflac's 2004 rise in value followed an increase of 20.1% in 2003.

Aflac's shares have established a long track record of solid market performance, reflecting our history of strong earnings growth. For example,

our shares have outperformed the S&P 500 Index in 22 of the last 30 years. Including reinvested cash dividends, Aflac's total return to shareholders was 11.1% in 2004. For the last five years, Aflac's total return has compounded annually at 11.9%. And over the last 10 years, our total return to shareholders has compounded at 23.3% annually.

Our earliest shareholders have been extremely well-rewarded for their trust and confidence in Aflac. Investors who purchased 100 shares when Aflac was founded in 1955 paid \$1,110 for their investment. After 28 stock dividends or stock splits, those 100 shares have grown to 187,980 shares at the end of 2004, excluding reinvested cash dividends. As of December 31, 2004, their original investment would have been worth \$7.5 million. In addition, Aflac's early investors received \$71,400 in cash dividends last year, or more than 64 times the acquisition price of those original 100 shares.

## A Commitment to Our Shareholders

We treat our disclosure and service commitments to our shareholders with the utmost of importance. Our responsibility as a public company is to provide all members of the investment community with transparent and meaningful disclosure of issues that may affect an investor's understanding of our operations. And we take that responsibility very seriously.

Our Shareholder Services Department provides stock transfer services and administers our dividend reinvestment plan. It also offers many shareholder services, including *aflinc*, which is accessed through our Web site, [aflac.com](http://aflac.com). Through *aflinc*, shareholders can get secure Internet access to their investment accounts.

We also offer other informational services on [aflac.com](http://aflac.com). The conference calls we conduct in conjunction with quarterly earnings releases are webcast at [aflac.com](http://aflac.com). In addition, investors can access webcasts of our company's analyst meetings. Investors can view and print the shareholder calendar of events at [aflac.com](http://aflac.com) or sign up for an e-mail alert notification service. This service automatically sends investors an e-mail message whenever Aflac issues a press release. In addition, investors can easily download and print annual and quarterly reports, SEC filings, and quarterly statistical financial supplements from the Investor Relations page of our Web site.

## A Broad Shareholder Base

Approximately 78,200 registered shareholders owned Aflac shares at the end of 2004. The mix of our shareholder base has remained fairly stable over the last few years.



Institutional investors own about half of our shares, with the balance owned by individual investors. Directors, employees and agents owned approximately 5% of the company's shares at the end of 2004. Based on data from the National Association of Investors Corporation (NAIC), Aflac was again the most popular stock among its 200,000 members in terms of number of shares held and the market value of those shares. According to research conducted by the NAIC, its membership owned approximately 23 million shares of Aflac stock.

### Peer Company Comparison

(S&P Life and Health Insurance Index Companies)

	Symbol	Year-end Market Value (In billions)	2004 Return*	Five-Year Annual Return*	Ten-Year Annual Return*
Aflac	AFL	\$ 20.3	11.1%	11.9%	23.3%
Jefferson-Pilot	JP	7.1	5.5	5.4	15.8
Lincoln National	LNC	8.2	19.1	6.4	13.8
Metlife	MET	30.2	21.6	**	**
Prudential Financial	PRU	28.1	33.0	**	**
Torchmark	TMK	6.2	26.4	15.6	15.8
UnumProvident	UNM	5.3	15.9	(8.7)	1.5

\* Includes reinvested cash dividends

\*\* Not applicable

## Glossary

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

**Corporate Agency** – A principal component of the distribution system we use in Japan is affiliated corporate 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 earnings divided by the weighted-average number of shares outstanding for the period.

**Earnings Per Diluted Share** – Net 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 in force 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.

**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.

**Profit Repatriation** – Profits of Aflac Japan that are remitted to Aflac U.S.

**Return on Average Invested Assets** – 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.