

2.1.6 Assessment Results of Directors' Effectiveness

We sought the opinions of directors and auditors concerning the effectiveness of the 2018 Board of Directors through a questionnaire and individual interviews, and assessed the results.

1. Overview of questionnaire and interviews

Scope of assessment:	Thirteen Board of Directors held from January to December 2018
Assessors:	All directors and auditors (total 14 individuals)
Assessment method:	Self-assessment through questionnaire and interview
Survey period:	January to March 2019
Survey contents and method:	After the questionnaire asked about the board member configuration, improvement of deliberation quality, deliberation environment, and monitoring by the Board, the respondents completed their answers in free format replies, Individual interview conducted based on the questionnaire results.

2. Results of analysis and assessment

Analysis and assessment results of the above survey concerning effectiveness of the Board of Directors in Fujifilm Holdings are as follows.

- By appointing one more outside director added diversity in terms of knowledge and experience to the Board of Directors. The Board of Directors maintains its appropriate size, conducts efficient discussions, and appropriately fulfills its duties and responsibilities in monitoring important business operations.
- The outside directors fully contribute to maintaining the effectiveness of the Board of Directors.
- The company holds preliminarily explanation sessions for the outside directors concerning meeting agendas and business details. These sessions effectively function to provide outside directors with company information and contribute to improvement of deliberation quality in the board meetings. The future prospects for the Board of Directors is to further deepen the business understanding by the outside directors and gain even greater contributions from them concerning HR and IT strategies, as well as environmental efforts, which are critical to nurture the sustainable development of the Fujifilm Group.

3. Efforts for effectiveness improvement

Based on the above assessment results, we will conduct an additional session to explain our efforts concerning HR, IT, and the environment, targeting all board members, in addition to business explanations for the outside directors. We aim to promote the better understanding of the outside directors on our business management strategies and obstacles to achieve sustainable development of the Group through this extra session, and thereby improve the deliberation quality and effectiveness of the Board of Directors.

2.1.7 Executive Compensation

1. Executive compensation

- The total (upper limit) of the compensation for either a director or an auditor is determined at the shareholders' meeting.
- The compensation of each director (including performance-based compensation) is determined by the resolution in the board meeting after deliberations of the Nomination and Compensation Committee.
- The compensation of each auditor is determined through discussions by the auditors.
- Compensation of the directors comprises fixed compensation and performance-based compensation: the latter varies depending on business performance.

Performance-based compensation comprises a short-term performance-based compensation that is associated with a single business year performance and a goal achievement level, and stock option that is a middle- to long-term performance-based compensation. The percentage of the fixed compensation and the performance-based compensation, and the actual figure of the compensation are determined depending on the director's position and scope of responsibility. The compensation of an outside director is always fixed, due to the nature of their role and to maintain their independency.

We set the consolidated sales and consolidated operating profit, which are our short-term numerical goals in management control, as the performance-based index of a single fiscal year. Then we determine the figure for the short-term performance-based compensation by assessing the goal achievement level for these indices and comparing the business results of the most recent fiscal year and the previous year.

We also grant stock options to directors (excluding outside directors) as the middle- to long-term performance-based compensation. This aims to improve morale among the inside directors and motivate them to contribute to improving corporate value by sharing in the common interest with shareholders concerning stock prices. The stock option plan is an incentive for management to improve the corporate value, and the amount of stock allocated to each director is determined by the Board of Directors according to their respective position and scope of responsibility and authority within the framework of predetermined corporate rules.

2. Nomination and Compensation Committee

The Nomination and Compensation Committee was established in June 2019 as a voluntary advisory organization to the Board of Directors. The committee creates the CEO succession plan and discusses the basic policy and the procedure for the director compensation system. This membership structure reinforces the transparency of discussion details and further ensures sound corporate governance. As of June 2019, the committee comprises two outside directors (including the chair person) and an inside director who were assigned by the resolution of the Board of Directors meeting. This membership structure reinforces the transparency of discussion details and further ensures sound corporate governance.

Compensation for Each Director (FY2018)

Name	Category	Company	Basic compensation (million yen)	Short-term based compensation (Bonus) (million yen)	Stock option (million yen)	Total (million yen)
Shigetaka Komori	Directors	FUJIFILM Holdings Corporation	103	43	166	313
	Directors	FUJIFILM Corporation	25	10	33	70
	Directors	Fuji Xerox Co., Ltd.	52	16	—	69
	Total					453
Kenji Sukeno	Directors	FUJIFILM Holdings Corporation	88	30	83	202
	Directors	FUJIFILM Corporation	20	7	16	45
	Directors	Fuji Xerox Co., Ltd.	9	2	—	11
	Directors	FUJIFILM Toyama Chemical Co., Ltd.	7	1	—	8
Total					266	
Kouichi Tamai	Directors	FUJIFILM Holdings Corporation	28	3	11	43
	Directors	FUJIFILM Corporation	12	1	28	41
	Directors	Fuji Xerox Co., Ltd.	74	22	—	97
	Total					183
Junji Okada	Directors	FUJIFILM Holdings Corporation	12	4	8	25
	Directors	FUJIFILM Corporation	10	3	2	15
	Directors	Fuji Xerox Co., Ltd.	11	7	—	18
	Total					59
Takashi Iwasaki	Directors	FUJIFILM Holdings Corporation	8	4	—	13
	Directors	FUJIFILM Corporation	13	7	8	29
	Directors	FUJIFILM Electronic Materials Co., Ltd.	18	—	—	18
	Total					61
Teiichi Goto	Directors	FUJIFILM Holdings Corporation	6	1	—	8
	Directors	FUJIFILM Corporation	33	10	8	52
	Total					61

Note: For further details, please refer to the *Security Report 2018*.

[URL: https://www.fujifilmholdings.com/ja/investors/pdf/securitiesreports/ff_sr_2018q4_allj.pdf](https://www.fujifilmholdings.com/ja/investors/pdf/securitiesreports/ff_sr_2018q4_allj.pdf) (In Japanese Only)

The Number and Amount of Compensation Paid to Executive Officers (FY2018)

Category	Number	Basic compensation (million yen)	Short-term based compensation (Bonus) (million yen)	Stock option (million yen)	Total amount (million yen)
Directors (excluding outside directors)	9	250	82	297	630
Auditors (excluding outside auditors)	3	43	—	—	43
Outside Executive Officer	6	60	—	—	60
Total	18	353	82	297	734

Note: For further details, please refer to the *Security Report 2018*.

[URL: https://www.fujifilmholdings.com/ja/investors/pdf/securitiesreports/ff_sr_2018q4_allj.pdf](https://www.fujifilmholdings.com/ja/investors/pdf/securitiesreports/ff_sr_2018q4_allj.pdf) (In Japanese Only)

2.1.8 Owning Company Stocks by the Directors

We offer the inside directors stock options in order to enable inside directors to share mutual interests on the effect of stock price fluctuations with shareholders, aiming to increase morale and motivate them to further contribute to improving corporate value.

2.1.9 Tax Policy

Fujifilm Group Tax Policy

1. In line with its Code of Conduct, which advocates an “Open, Fair and Clear” corporate culture, the Fujifilm Group shall comply with taxation laws of countries around the world, international taxation regulations and the spirit of such laws and regulations. The Group shall make payment of all required taxes by all specified dates in all countries in which it operates
2. The Fujifilm Group shall thoroughly examine the contents of all business transactions in advance from the perspective of tax, receive advice from competent tax advisors if and when required, and implement reporting and preliminary approval processes for important tax matters in accordance with internal regulations in order to maintain and improve governance on tax affairs
3. The Fujifilm Group shall maintain trusting relations with tax authorities, and give full consideration to, and if deemed necessary, shall proceed with its application for the Advance Pricing Agreement, so as to avert any lack of transparency in tax affairs
4. The Fujifilm Group shall actively utilize beneficial tax treatment in countries in which it operates while complying with their legislative intent in order to maximize consolidated cash flow. The Group shall not engage in tax planning or use tax havens for the sole purpose of obtaining tax benefits.

Control of Tax Matters

The Fujifilm Group closely monitors our tax-related activities and management.

We do not recognize any serious issue concerning tax-related risks at this moment.

- The director responsible for managing the accounting departments takes responsibility for execution of tax processing and instructions, and the creation of financial statements. Note that the financial statements are audited by an independent audit corporation.
- With the recognition that each auditor is an independent authority to form an overall corporate governance system, the auditors closely examine the directors’ business fully adhering to the auditing standards specified by the Audit & Supervisory Board, as well as the company’s auditing policies and plans.

Yuka Shoken Houkokusho (Security Report)

 URL: https://www.fujifilmholdings.com/ja/investors/pdf/securitiesreports/ff_sr_2018q4_allj.pdf (English available in Sept.)