BASF in Japan
Report 2017
At Kasumi site in Yokkaichi, Mie Prefecture, BASF employees produce and develop thermoplastic polyurethanes and supply high-quality products throughout Japan as well as overseas.

BASF is headquartered in Ludwigshafen, Germany. With approximately 200 production facilities, hundreds of laboratories, technical centers, factories and offices in an area of approximately 10 square kilometers, the site is the world’s largest integrated chemical complex owned by a single company. The headquarters of BASF is also the cradle of the Verbund concept, where production facilities, energy flows and logistics are linked together intelligently in order to utilize resources as efficiently as possible.
Chemicals
The Chemicals segment comprises our business with basic chemicals and intermediates. Its portfolio ranges from solvents and plasticizers to high-volume monomers and glues as well as raw materials for detergents, plastics, textile fibers, paints and coatings, crop protection and medicines. In addition to supplying customers in the chemical industry and numerous other sectors, we also ensure that other BASF segments are supplied with chemicals for producing downstream products.

Key data Chemicals¹ (million €)
\[
\begin{array}{l|rr|c}
\text{Sales} & 2017 & 2016 & \text{Change in %} \\
\hline
\text{Thereof Petrochemicals} & 16,331 & 12,905 & 27 \\
\text{Monomers} & 6,389 & 5,035 & 27 \\
\text{Intermediates} & 6,963 & 5,189 & 34 \\
\text{EBITDA} & 5,374 & 3,114 & 73 \\
\text{Income from operations (EBIT)} & 4,208 & 1,953 & 115 \\
\text{EBIT before special items} & 4,233 & 2,032 & 108 \\
\end{array}
\]
¹ On January 1, 2017, the Monomers and Dispersions & Pigments divisions’ activities for the electronics industry were merged into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division. For better comparability, the affected figures for 2016 have been adjusted accordingly.

Performance Products
Our Performance Products lend stability, color and better application properties to many everyday products. Our product portfolio includes vitamins and other food additives in addition to ingredients for pharmaceuticals, personal care and cosmetics, as well as hygiene and household products. Other products from this segment improve processes in the paper industry, in oil, gas and ore extraction, and in water treatment. They furthermore enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.

Key data Performance Products¹ (million €)
\[
\begin{array}{l|rr|c}
\text{Sales} & 2017 & 2016 & \text{Change in %} \\
\hline
\text{Thereof Dispersions & Pigments} & 16,217 & 15,558 & 4 \\
\text{Care Chemicals} & 5,398 & 5,086 & 6 \\
\text{Nutrition & Health} & 5,079 & 4,735 & 7 \\
\text{Performance Chemicals} & 3,896 & 3,805 & (2) \\
\text{EBITDA} & 2,427 & 2,577 & (6) \\
\text{Income from operations (EBIT)} & 1,510 & 1,676 & (10) \\
\text{EBIT before special items} & 1,416 & 1,777 & (20) \\
\end{array}
\]

Functional Materials & Solutions
In the Functional Materials & Solutions segment, we bundle system solutions, services and innovative products for specific sectors and customers, especially the automotive, electrical, chemical and construction industries, as well as applications for household, sports and leisure. Our portfolio comprises catalysts, battery materials, engineering plastics, polyurethane systems, automotive coatings, surface treatment solutions and concrete admixtures as well as construction systems like tile adhesives and decorative paints.

Key data Functional Materials & Solutions (million €)
\[
\begin{array}{l|rr|c}
\text{Sales} & 2017 & 2016 & \text{Change in %} \\
\hline
\text{Thereof Catalysts} & 20,745 & 18,732 & 11 \\
\text{Construction Chemicals} & 6,658 & 6,263 & 6 \\
\text{Coatings} & 5,079 & 4,735 & 7 \\
\text{Performance Materials} & 3,896 & 3,805 & (2) \\
\text{EBITDA} & 2,251 & 2,906 & (23) \\
\text{Income from operations (EBIT)} & 1,510 & 2,199 & (30) \\
\text{EBIT before special items} & 1,416 & 1,777 & (20) \\
\end{array}
\]

Agricultural Solutions
The Agricultural Solutions segment provides innovative solutions in the areas of chemical and biological crop protection, seed treatment and water management as well as for nutrient supply and plant stress.

Key data Agricultural Solutions (million €)
\[
\begin{array}{l|rr|c}
\text{Sales} & 2017 & 2016 & \text{Change in %} \\
\hline
\text{EBITDA} & 5,696 & 5,569 & 2 \\
\text{Income from operations (EBIT)} & 1,282 & 1,305 & (2) \\
\text{EBIT before special items} & 1,015 & 1,037 & (2) \\
\end{array}
\]

Oil & Gas
In the Oil & Gas segment, we focus on exploration and production in oil and gas-rich regions in Europe, North Africa, Russia, South America and the Middle East. Together with our Russian partner Gazprom, we are also active in the transportation of natural gas in Europe.

Key data Oil & Gas (million €)
\[
\begin{array}{l|rr|c}
\text{Sales} & 2017 & 2016 & \text{Change in %} \\
\hline
\text{EBITDA} & 3,244 & 2,768 & 17 \\
\text{Income from operations (EBIT)} & 2,069 & 1,596 & 30 \\
\text{EBIT before special items} & 1,043 & 499 & 109 \\
\text{Net income} & 793 & 517 & 53 \\
\end{array}
\]
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About this report

The “BASF in Japan” Report is published annually as a concise document about the performance of our activities across the three dimensions of sustainability – economy, environment and society – in Japan. The reporting period for this publication is the financial year 2017. This report also carries an overview of BASF Group along with its financial performance, prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), and, where applicable, the German Commercial Code as well as the German Accounting Standards (GAS). The emissions, waste, energy and water use of fully consolidated joint ventures are reported on a proportional basis, while those accounted according to the equity method are not included. However, work-related accidents at all sites of BASF Group and its subsidiaries as well as joint operations and joint ventures in which we have sufficient authority in terms of safety management, are compiled regardless of our stake, and reported in full. The employee numbers refer to employees within the BASF Group scope of consolidation as of December 31, 2017.
Welcome
Letter from the President of BASF in Japan

Dear Stakeholders,

I am pleased to present to you BASF in Japan – Report 2017: the first time for me to do so since assuming the position of Representative Director & President of BASF Japan Ltd., in February 2018. Following 24 years at BASF in Japan, Germany, Malaysia and Hong Kong, I look forward to contributing to the success of our customers and stakeholders in Japan.

2017 was a year of steady growth for the global economy. BASF expanded its sales in the Japanese market, and solidified its foundation for growth.

We have also taken steps to create a more customer-centric organization. AgSolution Farm Naruto, a research farm for crop protection products, began full-scale operations in January 2017, and is providing advanced technical services tailored to the needs of fruit, vegetable and row crop farmers. In the construction chemicals business, in April 2017 our subsidiary Taiko Shoji Ltd. was reorganized and renamed Pozzolith Solutions Ltd., creating a structure to more efficiently provide customers with the technologies and services that meet the unique needs of Japan's construction industry.

Cooperation with Japanese companies is also an important growth strategy. BASF TODA Battery Materials LLC (BTBM), a joint venture between BASF and TODA KOGYO CORP., established in 2015, is focused on meeting customer needs in the rapidly growing Cathode Active Materials (CAMs) market. In December 2017, BTBM tripled its production capacity at the Onoda site. This expanded production has positioned BASF as one of the world's leading CAM manufacturers, and we are working to strengthen our CAM business for e-mobility applications.

As part of our global commitment to social engagement, BASF conducts community outreach in Japan. Each year we hold BASF Kids’ Lab sessions to introduce children aged 6-12 to the joy of chemistry, with more than 250 children participating in 2017. The Japanese-language online version of the program, “Virtual Kids’ Lab,” was launched in August 2017. Also, as part of our disaster recovery support program, BASF is providing ongoing educational assistance for children affected by the Great East Japan Earthquake in 2011 and the 2016 Kumamoto earthquake.

We aim to fulfill our corporate purpose, “We create chemistry for a sustainable future,” and to make BASF Japan a more valuable partner to our customers and other stakeholders: in this way, we ensure continuous growth in a volatile environment together with our customers.

I will work to ensure that all employees take ownership in bringing BASF and Japanese customers closer together, combining our respective strengths. In this way, we will contribute to the success of our customers in Japan and overseas. Thank you for your continued support to BASF in Japan.

Hiroki Ishida
Representative Director & President
BASF Japan Ltd.
**BASF Group 2017 at a glance**

**Economic data**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>64,475</td>
<td>57,550</td>
<td>12.0</td>
</tr>
<tr>
<td>Income from operations before depreciation and amortization (EBITDA) and special items</td>
<td>12,527</td>
<td>10,327</td>
<td>21.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>12,724</td>
<td>10,526</td>
<td>20.9</td>
</tr>
<tr>
<td>Amortization and depreciation</td>
<td>4,202</td>
<td>4,251</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>8,522</td>
<td>6,275</td>
<td>35.8</td>
</tr>
<tr>
<td>Special items</td>
<td>194</td>
<td>34</td>
<td>-</td>
</tr>
<tr>
<td>EBIT before special items</td>
<td>8,328</td>
<td>6,309</td>
<td>32.0</td>
</tr>
<tr>
<td>Financial result</td>
<td>(722)</td>
<td>(880)</td>
<td>18.0</td>
</tr>
<tr>
<td>Income before taxes and minority interests</td>
<td>7,800</td>
<td>5,396</td>
<td>44.6</td>
</tr>
<tr>
<td>Net income</td>
<td>6,078</td>
<td>4,066</td>
<td>49.9</td>
</tr>
<tr>
<td>EBIT after cost of capital</td>
<td>2,727</td>
<td>1,136</td>
<td>140.1</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>6.62</td>
<td>4.42</td>
<td>49.8</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>6.44</td>
<td>4.83</td>
<td>33.3</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>3.10</td>
<td>3.00</td>
<td>3.3</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>1,888</td>
<td>1,863</td>
<td>1.3</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>115,490</td>
<td>113,830</td>
<td>1.5</td>
</tr>
<tr>
<td>Number of employees</td>
<td>78,768</td>
<td>76,496</td>
<td>3.0</td>
</tr>
<tr>
<td>Investments1</td>
<td>4,364</td>
<td>7,258</td>
<td>(39.9)</td>
</tr>
<tr>
<td>Equity ratio %</td>
<td>44.1</td>
<td>42.6</td>
<td>-</td>
</tr>
<tr>
<td>Return on assets %</td>
<td>10.8</td>
<td>8.2</td>
<td>-</td>
</tr>
<tr>
<td>Return on equity after tax %</td>
<td>18.9</td>
<td>13.3</td>
<td>-</td>
</tr>
<tr>
<td>Net debt million €</td>
<td>11,485</td>
<td>14,401</td>
<td>(20.2)</td>
</tr>
<tr>
<td>Cash provided by operating activities million €</td>
<td>8,785</td>
<td>7,717</td>
<td>13.8</td>
</tr>
<tr>
<td>Free cash flow million €</td>
<td>4,789</td>
<td>3,572</td>
<td>34.1</td>
</tr>
</tbody>
</table>

1. Amortization of intangible assets, depreciation of property, plant and equipment, impairments and reversals of impairments
2. Additions to intangible assets and property, plant and equipment (including acquisitions)

**Value added 2017**

**Creation of value added (million €)**

<table>
<thead>
<tr>
<th>Value Added (€)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business performance</td>
<td>67,176</td>
<td>59,852</td>
</tr>
<tr>
<td>Cost of raw materials and merchanise</td>
<td>(29,224)</td>
<td>(25,450)</td>
</tr>
<tr>
<td>Services purchased, energy costs and other expenses</td>
<td>(14,520)</td>
<td>(13,658)</td>
</tr>
<tr>
<td>Amortization and depreciation</td>
<td>(4,202)</td>
<td>(4,251)</td>
</tr>
<tr>
<td>Total Value added</td>
<td>19,230</td>
<td>16,493</td>
</tr>
</tbody>
</table>

**Use of value added**

<table>
<thead>
<tr>
<th>Use of Value added</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>55.2%</td>
<td>61.6%</td>
</tr>
<tr>
<td>Government</td>
<td>8.9%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Creditors</td>
<td>2.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Shareholders (dividend and retention)</td>
<td>31.6%</td>
<td>24.6%</td>
</tr>
</tbody>
</table>

1. Value added results from the company’s performance minus goods and services purchased, depreciation and amortization. Business performance includes sales revenues, other operating income, interest income and net income from shareholdings. Value added shows the BASF Group’s contribution to both private and public income as well as its distribution among all stakeholders.
## Innovation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development expenses million €</td>
<td>1,888</td>
<td>1,863</td>
<td>1.3</td>
</tr>
<tr>
<td>Number of employees in research and development at year-end</td>
<td>10,110</td>
<td>9,966</td>
<td>1.4</td>
</tr>
</tbody>
</table>

## Employees and society

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees at year-end</td>
<td>115,490</td>
<td>113,830</td>
<td>1.5</td>
</tr>
<tr>
<td>Apprentices at year-end</td>
<td>3,103</td>
<td>3,120</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Personnel expenses million €</td>
<td>10,610</td>
<td>10,165</td>
<td>4.4</td>
</tr>
<tr>
<td>Society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations and sponsorship million €</td>
<td>56.0</td>
<td>47.0</td>
<td>19.1</td>
</tr>
</tbody>
</table>

## Environment, health, safety and security

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety, security and health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation incidents with significant impact on the environment</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Process safety incidents per one million working hours</td>
<td>2.0</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td>Lost-time injuries per one million working hours</td>
<td>1.4</td>
<td>1.5</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Health Performance Index</td>
<td>0.97</td>
<td>0.96</td>
<td>1.0</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary energy use million MWh</td>
<td>57.3</td>
<td>57.4</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Energy efficiency in production processes kilograms of sales product/MWh</td>
<td>625</td>
<td>617</td>
<td>1.3</td>
</tr>
<tr>
<td>Total water withdrawal million cubic meters</td>
<td>1,816</td>
<td>1,649</td>
<td>10.1</td>
</tr>
<tr>
<td>Withdrawal of drinking water million cubic meters</td>
<td>20.3</td>
<td>20.7</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Emissions of organic substances to water thousand metric tons</td>
<td>14.1</td>
<td>15.9</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Emissions of nitrogen to water thousand metric tons</td>
<td>2.8</td>
<td>2.9</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Emissions of heavy metals to water metric tons</td>
<td>24.8</td>
<td>23.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Emissions of greenhouse gases million metric tons of CO₂ equivalents</td>
<td>22.6</td>
<td>22.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Emissions to air (air pollutants) thousand metric tons</td>
<td>25.7</td>
<td>26.0</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Waste million metric tons</td>
<td>2.12</td>
<td>2.10</td>
<td>1.0</td>
</tr>
<tr>
<td>Operating costs for environmental protection million €</td>
<td>1,024</td>
<td>1,011</td>
<td>1.3</td>
</tr>
<tr>
<td>Investments in environmental protection plants and facilities million €</td>
<td>234</td>
<td>206</td>
<td>3.6</td>
</tr>
</tbody>
</table>

1. The 2016 figure has been adjusted due to updated data.
2. Primary energy used in BASF’s plants as well as in the plants of our energy suppliers to cover energy demand for production processes
3. Excluding emissions from oil and gas production

## Audits along the value chain

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<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of on-site sustainability audits of raw material suppliers</td>
<td>120</td>
<td>104</td>
<td>15.4</td>
</tr>
<tr>
<td>Responsible Care Management System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of environmental and safety audits</td>
<td>109</td>
<td>121</td>
<td>(9.9)</td>
</tr>
<tr>
<td>Number of short-notice audits</td>
<td>63</td>
<td>37</td>
<td>70.2</td>
</tr>
<tr>
<td>Number of occupational medicine and health protection audits and health performance control visits</td>
<td>44</td>
<td>30</td>
<td>–</td>
</tr>
</tbody>
</table>
At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 115,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is arranged into five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas.

Organization of the BASF Group

- Thirteen divisions grouped into five segments
- Regional divisions, functional units and corporate and research units support our business

Our 13 divisions are aggregated into five segments based on their business models. The divisions bear operational responsibility and are organized according to sectors or products. They manage our 55 global and regional business units and develop strategies for the 86 strategic business units.

Our regional units are responsible for optimizing local infrastructure, and contribute to tapping our market potential. For financial reporting purposes, we organize the regional divisions into four regions: Europe; North America; Asia Pacific; South America, Africa, Middle East.

Eight functional units and seven corporate units support the BASF Group’s business activities. The functional and corporate units provide services in areas such as finance, investor relations, communications, human resources, engineering and site management, as well as environmental protection, health and safety. Our research and development organization has around 10,000 employees in global research units and safeguards our innovative capacity and competitiveness.

Business processes are the shared responsibility of the divisions and the functional units. They closely coordinate the procurement of raw materials and services, production and transport to customers.

Sites and Verbund

- Six Verbund sites with intelligent plant networking
- 347 additional production sites worldwide
- Global Technology and Know-How Verbund

BASF has companies in more than 80 countries. We operate six Verbund sites and 347 additional production sites worldwide. Our Verbund site in Ludwigshafen, Germany, is the world’s largest integrated chemical complex owned by a single company. This was where the Verbund principle was originally developed and continuously optimized before being implemented at additional sites.

The Verbund system is one of BASF’s great strengths. Here, we add value as one company by using our resources efficiently. The Production Verbund intelligently links production units and their energy supply so that, for example, the waste heat of one plant provides energy to others. Furthermore, one facility’s by-products can serve as feedstock elsewhere. This not only saves us raw materials and energy, it also avoids emissions, lowers logistics costs and leverages synergies.

We also make use of the Verbund principle for more than production, applying it for technologies, know-how, employees, customers and partners, as well. Expert knowledge is pooled in our global research platforms.

Procurement and sales markets

- Around 130,000 customers; broad customer portfolio
- More than 70,000 suppliers

BASF supplies products and services to around 130,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

We work with over 70,000 suppliers from different sectors worldwide. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Some of our most important raw materials are naphtha, natural gas, methanol, ammonia and benzene.

Business and competitive environment

BASF’s global presence means that it operates in the context of local, regional and global developments and is bound by various conditions. These include:
- Global economic environment
- Legal and political requirements (such as European Union regulations)
- Trade agreements like the North American Free Trade Agreement (NAFTA)
- Environmental agreements (such as the E.U. Emissions Trading System)
- Social aspects (such as the U.N. Universal Declaration of Human Rights)

BASF holds one of the top three market positions in around 75% of the business areas in which it is active. Our most important global competitors include AkzoNobel, Clariant, Covestro, DowDuPont, DSM, Evonik, Formosa Plastics, Huntsman, SABIC, Sinopec, Solvay and many hundreds of local and regional competitors. We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead.

Corporate legal structure

As the publicly traded parent company, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also the largest operating company. The majority of Group companies cover a broad spectrum of our business. In the BASF Group Consolidated Financial Statements, 286 companies including BASF SE are fully consolidated. We consolidate eight joint operations on a proportional basis, and account for 35 companies using the equity method.
Our Strategy

With the “We create chemistry” strategy, BASF has set itself ambitious goals. We want to contribute to a sustainable future and have embedded this into our corporate purpose: “We create chemistry for a sustainable future.”

In 2050, nearly 10 billion people will live on Earth. While the world’s population and its demands will keep growing, the planet’s resources are finite. On the one hand, population growth is associated with huge global challenges; and yet we also see many opportunities, especially for the chemical industry.

Our corporate purpose

- **We create chemistry for a sustainable future**

We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. We do so by creating chemistry for our customers and society and by making the best use of available resources.

We live our corporate purpose by:
- Sourcing and producing responsibly
- Acting as a fair and reliable partner
- Connecting creative minds to find the best solution for market needs

For us, this is what successful business is all about.

As an integrated global chemical company, we make important contributions in the following three areas:
- Resources, environment and climate
- Food and nutrition
- Quality of life

In doing so, we act in accordance with four strategic principles.

Our strategic principles

**We add value as one company.** Our Verbund concept is unique in the industry. Encompassing the Production Verbund, Technology Verbund and Know-How Verbund as well as all relevant customer industries worldwide, this sophisticated and profitable system will continue to be expanded. This is how we combine our strengths and add value as one company.

**We innovate to make our customers more successful.** We want to align our business optimally with our customers’ needs and contribute to their success with innovative and sustainable solutions. Through close partnerships with customers and research institutes, we link expertise in chemistry, biology, physics, materials science and engineering to jointly develop customized products, functional materials, and system solutions as well as processes and technologies.

**We drive sustainable solutions.** In the future, sustainability will more than ever serve as a starting point for new business opportunities. That is why sustainability and innovation are becoming significant drivers for our profitable growth.

**We form the best team.** Committed and qualified employees around the world are the key to making our contribution to a sustainable future. Because we want to form the best team, we offer excellent working conditions and inclusive leadership based on mutual trust, respect and dedication to top performance.

Our values

Our conduct is critical for the successful implementation of our strategy: This is what our values represent. They guide how we interact with society, our partners and with each other.

**Creative:** In order to find innovative and sustainable solutions, we have the courage to pursue bold ideas. We link our areas of expertise from many different fields and build partnerships to develop creative, value-adding solutions. We constantly improve our products, services and solutions.

**Open:** We value diversity – in people, opinions and experiences. That is why we foster dialog based on honesty, respect and mutual trust.

**Responsible:** We act responsibly as an integral part of society. In doing so, we strictly adhere to our compliance standards. And in everything we do, we never compromise on safety.

**Entrepreneurial:** All employees contribute to BASF’s success – as individuals and as a team. We turn market needs into customer solutions. We succeed in this because we take ownership and embrace accountability for our work.

Our focus areas

- **We set ourselves goals along the value chain for our focus areas**

Sustainability is key to the company’s long-term success and as such, is embedded into our corporate strategy. We have systematically formulated expectations for our conduct and defined focus areas to meet the growing challenges along the value chain:
- We source responsibly
- We produce safely for people and the environment
- We produce efficiently
- We value people and treat them with respect
- We drive sustainable products and solutions
Goals

We carry out our corporate purpose, “We create chemistry for a sustainable future,” by pursuing ambitious goals along our entire value chain. In this way, we aim to achieve profitable growth and take on social and environmental responsibility.

We are focusing on issues where we as a company can make a significant contribution.

Goal areas along the value chain

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>BASF</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>Growth and profitability; Employees; Production; Product stewardship; Energy and climate protection; Water</td>
<td>Products and solutions</td>
</tr>
</tbody>
</table>

Procurement

Assessment of sustainability performance of relevant suppliers; development of action plans where improvement is necessary

<table>
<thead>
<tr>
<th>2020 Goal</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>56%</td>
</tr>
</tbody>
</table>

1 Our suppliers are evaluated based on risk due to the size and scale of our supplier portfolio. We define relevant suppliers as those showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers’ assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS), a joint initiative of chemical companies for sustainable supply chains.

Growth and profitability

As determined in 2015, our aim for the years ahead is, on average, to grow sales slightly faster and EBITDA considerably faster than global chemical production (excluding pharmaceuticals); 2017: 3.5%; average change since 2015: 3.5%), and to earn a significant premium on our cost of capital. Moreover, we strive for a high level of free cash flow each year, either raising or at least maintaining the dividend at the prior-year level.

<table>
<thead>
<tr>
<th>2017</th>
<th>Change since 2016</th>
<th>Average change since 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales €64.5 billion</td>
<td>12.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>EBITDA €12.7 billion</td>
<td>20.9%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Dividends per share paid out €3.00</td>
<td>€0.10</td>
<td></td>
</tr>
<tr>
<td>Premium on cost of capital €2.7 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow €4.8 billion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employees

Proportion of women in leadership positions with disciplinary responsibility

<table>
<thead>
<tr>
<th>2021 Goal</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>22–24%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

International representation among senior executives

| Increase in proportion of non-German senior executives (baseline 2003: 30%) | 38.9% |

Senior executives with international experience

| Proportion of senior executives with international experience over 80% | 84.6% |

Employee development

| Systematic, global employee development as shared responsibility of employees and leaders based on relevant processes and tools | Project implemented worldwide |

1 The term “senior executives” refers to leadership levels 1 to 4, whereby level 1 denotes the Board of Executive Directors. In addition, individual employees can attain senior executive status by virtue of special expertise.

Baseline 2015: excluding the gas trading and storage business transferred to Gazprom.
### Production

<table>
<thead>
<tr>
<th>2025 Goals</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of worldwide lost-time injury rate per one million working hours</td>
<td>≤0.5</td>
</tr>
<tr>
<td>Reduction of worldwide process safety incidents per one million working hours</td>
<td>≤0.5</td>
</tr>
<tr>
<td><strong>Annual goal</strong></td>
<td></td>
</tr>
<tr>
<td>Health Performance Index</td>
<td>&gt;0.9</td>
</tr>
</tbody>
</table>

### Product stewardship

<table>
<thead>
<tr>
<th>2020 Goal</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk assessment of products that we sell in quantities of more than one metric ton per year worldwide</td>
<td>&gt;99%</td>
</tr>
</tbody>
</table>

### Energy and climate protection

<table>
<thead>
<tr>
<th>2020 Goal</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage of our primary energy demand by introducing certified energy management systems (ISO 50001) at all relevant sites</td>
<td>90%</td>
</tr>
<tr>
<td>Reduction of greenhouse gas emissions per metric ton of sales product (excluding Oil &amp; Gas, baseline 2002)</td>
<td>(40%)</td>
</tr>
</tbody>
</table>

1 The selection of relevant sites is determined by the amount of primary energy used and local energy prices.

### Water

<table>
<thead>
<tr>
<th>2025 Goals</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of sustainable water management at all production sites in water stress areas and at all Verbund sites (excluding Oil &amp; Gas)</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Products and solutions

<table>
<thead>
<tr>
<th>2020 Goal</th>
<th>Status at end of 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the proportion of sales generated by products that make a particular contribution to sustainable development (Accelerator products)</td>
<td>28%</td>
</tr>
</tbody>
</table>
BASF in the regions

BASF Group sales 2017: €64,475 million; EBIT 2017: €8,522 million

1 In 2017, by location of company
2 At year-end 2017
EUROPE

Sales 1 (in million €) 30,778
EBIT 1 (in million €) 4,742
Employees 2 71,653

ASIA PACIFIC

Sales 1 (in million €) 13,658
EBIT 1 (in million €) 2,209
Employees 2 18,256

BASF in Japan – Report 2017
BASF on the capital market

The BASF share price rose by 3.9% in 2017, trading at €91.74 at the year-end. We stand by our ambitious dividend policy and paid a dividend of €3.10 per share – an increase of 3.3% compared with the previous year. BASF enjoys solid financing and good credit ratings.

BASF share performance

- BASF share gains 3.9% in 2017
- Long-term performance continues to clearly exceed benchmark indexes

The BASF share closed the 2017 stock market year with a closing price of €91.74. This equates to a 3.9% rise in the value of BASF shares compared with the previous year’s closing price, which also marked the high for 2016. Assuming that dividends were reinvested, BASF shares gained 7.4% in value in 2017. The benchmark indexes of the German and European stock markets – the DAX 30 and the EURO STOXX 50 – rose by 12.5% and 9.2% over the same period, respectively. The global industry index MSCI World Chemicals gained 23.6%.

The BASF share reached a new high of €97.46 over the course of 2017. Viewed over a 10-year period, the long-term performance of BASF shares still clearly surpasses the German, European and global benchmark indexes. The assets of an investor who invested €1,000 in BASF shares at the end of 2007 and reinvested the dividends in additional BASF shares would have increased to €2,676 by the end of 2017. This represents an annual yield of 10.3%, placing BASF shares above the returns for the DAX 30 (4.8%), EURO STOXX 50 (0.8%) and MSCI World Chemicals (6.8%) indexes.

### Long-term performance of BASF shares compared with indexes

(Average annual increase with dividends reinvested)

<table>
<thead>
<tr>
<th>Time Period</th>
<th>BASF share</th>
<th>DAX 30</th>
<th>EURO STOXX 50</th>
<th>MSCI World Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012–2017</td>
<td>8.9%</td>
<td>11.1%</td>
<td>8.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>2007–2017</td>
<td>10.3%</td>
<td>4.8%</td>
<td>0.8%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

### Weighting of BASF shares in important indexes as of December 31, 2017

- DAX 30: 8.1%
- EURO STOXX 50: 3.5%
- MSCI World Chemicals: 8.6%

### Change in value of an investment in BASF shares in 2017

(With dividends reinvested; indexed)
Dividend of €3.10 per share

For 2017, BASF paid a dividend of €3.10 per share. We stand by our ambitious dividend policy and paid out nearly €2.8 billion to our shareholders.

Based on the year-end share price for 2017, BASF shares offer a high dividend yield of 3.4%. BASF is part of the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30. We aim to increase our dividend each year, or at least maintain it at the previous year’s level.

### Dividend per share (€ per share)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.95</td>
</tr>
<tr>
<td>2009</td>
<td>1.70</td>
</tr>
<tr>
<td>2010</td>
<td>2.20</td>
</tr>
<tr>
<td>2011</td>
<td>2.50</td>
</tr>
<tr>
<td>2012</td>
<td>2.60</td>
</tr>
<tr>
<td>2013</td>
<td>2.70</td>
</tr>
<tr>
<td>2014</td>
<td>2.80</td>
</tr>
<tr>
<td>2015</td>
<td>2.90</td>
</tr>
<tr>
<td>2016</td>
<td>3.00</td>
</tr>
<tr>
<td>2017</td>
<td>3.10</td>
</tr>
</tbody>
</table>

Broad base of international shareholders

With over 500,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out at the end of 2017 showed that, at around 20% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany accounted for around 11%. Shareholders from the United Kingdom and Ireland hold 12% of BASF shares, while investors from the rest of Europe hold a further 17% of capital. Approximately 29% of the company’s share capital is held by private investors, nearly all of whom reside in Germany. BASF is therefore one of the DAX 30 companies with the largest percentage of private shareholders.

### Shareholder structure (by region)

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>40%</td>
</tr>
<tr>
<td>United States and Canada</td>
<td>20%</td>
</tr>
<tr>
<td>United Kingdom and Ireland</td>
<td>12%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>17%</td>
</tr>
<tr>
<td>Rest of world</td>
<td>5%</td>
</tr>
<tr>
<td>Not identified</td>
<td>6%</td>
</tr>
</tbody>
</table>

Employees becoming shareholders

In many countries, we offer share purchase programs that turn our employees into BASF shareholders. In 2017, for example, 23,700 employees (2016: approximately 24,000) purchased employee shares worth €63 million (2016: €59 million).
Economy

Sales by location of customer in the Asia Pacific region rose by 18% to €14,343 million in 2017 (2016: €12,165 million).

All segments contributed to this growth. The increase was attributable to higher sales prices as well as an increase in volumes. Adverse currency effects impacted sales negatively. Portfolio measures had no material effect on sales development in 2017.

EBIT in the region grew by 101% to €2,209 million. This was primarily due to a higher overall margin and volumes growth in all segments. There was a particularly strong increase in the contribution from the Chemicals segment.

As part of our regional strategy, we want to further increase the proportion of sales from local production in Asia Pacific. We once again made progress toward this goal in 2017: One example is the mobile emissions catalysts production site opened in Chennai, India, in March 2017. In Shanghai, China, we started up a large-scale plant for the production of chemical catalysts in November 2017. We will continue to work on this goal in 2018.

We also inaugurated our new Innovation Campus Mumbai in India which focuses on research in crop protection and specialty chemicals. It represents BASF's largest research and development investment in South Asia to date.

Our investments in production facilities and research serve to bring products to market for our local and global customers in the growing region of Asia.

Environment

Throughout the value chain – in raw material sourcing, in our own operations, and in the solutions we provide to our customers – we aim to address environmental challenges in Asia Pacific.

At the raw material level, for example, the joint initiative established by BASF together with Arkema, Jayant Agro and the non-governmental organization Solidaridad to promote sustainability in the castor oil supply chain continued in 2017. With the Sustainable Castor Initiative – Pragati, the project members aim to improve the economic situation of castor oil farmers and their employees in India by helping them to optimize their yield and reduce the impact on the environment.

Throughout the region, BASF implemented a number of initiatives to support better energy and water efficiency and waste management at the site level. This included initiatives to increase recycling rates as well as increasing the re-use of cooling water.

During 2017, BASF introduced a wide range of solutions that help our customers meet their environmental goals. For example, to help improve indoor air quality, we launched the Acronal® ECO 7653 range of next-generation dispersions for interior paint with extremely low levels of volatile organic compounds, as well as Formaldpure™, a new catalyst which can rapidly remove formaldehyde from indoor air.

Employees and society

As of the end of 2017, BASF employed 18,256 people in the Asia Pacific region (2016: 18,156). Of these, 25.9% were female (2016: 26.6%). There were 2,141 new hires in the region in 2017, 24.9% of which were female (2016: 32.1% of 1,733).

BASF continually develops frameworks to support employees in identifying the most effective individual work practices. Such systems were introduced at BASF more than 20 years ago and are now in place throughout the Asia Pacific region.
An interview with Sanjeev Gandhi

Will BASF continue its growth momentum in Asia Pacific?

In 2017, BASF recorded significant sales and earnings growth in Asia across all markets and business segments. Asia Pacific will continue to be the world’s largest market for production and consumption of chemicals, but significant challenges remain: volatile markets, fast-changing customer needs, stringent regulatory conditions, and energy and resources scarcity.

Therefore, along with extending our product portfolio through global and regional acquisitions, we are also further expanding our production network in emerging markets including China, India, Malaysia and Thailand. Our planned investments of around €2.7 billion between 2018 and 2022 will focus on areas where BASF is technologically leading, has a competitive advantage and expects above-average market growth. Our target remains to increase share of sales from own manufactured products. This will enable us to serve customers in the region quicker and with greater flexibility.

How can BASF support innovation in Asia Pacific?

We aim to help our local customers to compete and gain a foothold in global markets. Innovation is key to this. We collaborate on innovation with our customers and partners throughout the value chain to offer new solutions that meet their sustainability goals.

We have been continuously expanding our research and development (R&D) footprint in Asia Pacific over the past five years, to drive innovation by integrating customer and market needs at an early stage. In 2017, we established a second Innovation Campus Mumbai in India, coupled with the expansion of the Innovation Campus Shanghai in China, including a new battery materials lab and Automotive Application Center. We also expanded the scope of our postdoctoral center in Asia Pacific, the Network for Asian Open Research (NAO), to include a significantly broader range of university partners and research areas. In close collaboration with our customers and the R&D community in the region, these innovation hubs enable us to better gauge emerging demand and research on tailored solutions for our customers.

What opportunities remain in the region?

Asia Pacific is the region where global megatrends – urbanization, need for safe and sustainable food supply, growing energy demand – are most evident. We focus on innovative businesses that contribute to energy efficient vehicles, affordable mass housing, advanced pharmaceutical production, more sustainable packaging and solutions for less resource-intensive agriculture. BASF will support these markets with solutions that meet our customers’ sustainability challenges.

What are BASF’s plans for Japan?

Our aim is to work with Japanese companies to help bring innovations to Japan, and simultaneously to bring Japan’s innovations to the world – especially those where we can address our customers’ goals in sustainability. Japan has very strong capabilities in industrial design, an area where BASF is a strong cooperation partner.

A particular focus market for us in Japan is the automotive industry. In the area of e-mobility, BASF is investing in the areas of automotive design and in battery materials, for example with the expansion of BASF TODA Battery Materials. Additionally, by serving the Japanese automotive market here in Japan, we also create opportunities to work with Japan-based multinationals in other locations, such as ASEAN and India.
Innovation

Innovation in chemistry enables economic, environmental, and social development, and thus plays a key role in meeting the needs of Asia Pacific’s growing population in a period of rapid urbanization. BASF is committed to fostering innovation in this dynamic region by constantly enhancing its local research capabilities. In the future, around a quarter of BASF’s global research and development (R&D) activities will be in Asia Pacific.

Growing R&D capabilities in Asia Pacific

- Launch of Innovation Campus Mumbai in India
- New Automotive Application Center Asia Pacific to be opened in 2018

BASF has been continuously expanding its research and development footprints in Asia Pacific, to drive innovation by integrating customer and market needs at an early stage. With major R&D sites located in China, India, Japan and Korea, BASF had around 1,160 (2016: 1,100) R&D employees in Asia Pacific by the end of 2017.

BASF operates two Innovation Campuses in Shanghai, China, and Mumbai, India. This concept is unique to Asia Pacific and brings all parties, including R&D, business and production units, to a single integrated site. The Innovation Campuses are integral parts of BASF’s global Know-How Verbund, and house global, regional and local R&D projects.

Innovation Campus Shanghai, located at BASF Shanghai Pudong Innovation Park in Shanghai, China, was inaugurated in 2012 and expanded in 2015. In July 2017, a new battery materials lab opened to address the R&D needs of the battery materials market and the fast-growing e-vehicle industry in China. Additionally, a new R&D building began construction in 2017 to house the new Automotive Application Center and the Process Catalyst R&D Center, which will be operational by end of 2018. Innovation Campus Shanghai is the global headquarters of Advanced Materials & Systems Research. It has a broad research portfolio in the areas of advanced materials, chemical process engineering and environmental catalysts. Combining technical development capabilities of the operating divisions, as well as industrial design expertise featured in Asia Pacific Design Center, the Innovation Campus Shanghai serves the innovation demand of almost all major industries.

Also in 2017, BASF inaugurated Innovation Campus Mumbai, with complementary research focusing on crop protection and specialty chemicals. It includes state-of-the-art laboratories for chemical synthesis, application and process development, as well as analytics. The Innovation Campus Mumbai brings all new and existing R&D activities in Mumbai under one roof, located next to the office buildings and production plants at the Thane site in Navi Mumbai.

Across Asia Pacific, BASF R&D centers with specialized focus areas contribute to developing innovative solutions that address the region’s challenges of resource efficiency, food and nutrition, and quality of life. BASF’s R&D Center in Amagasaki, Japan, focuses on developing innovative materials to improve battery performance, while covering other R&D activities in electronics, pigments, plastic additives, packaging and adhesives. The company’s R&D Center in Suwon, Korea, specializes in electronic materials development in close collaboration with major customers in Korea and across the region.
Open innovation with academia and industry

- Network for Asian Open Research (NAO) expands topic scope with more partners
- Hosting Innovation Roundtable® in Shanghai

BASF places great value on open innovation through close collaboration with academic and industry partners around the world. It maintains a global network of around 600 partners from universities, institutes and companies, forming a key pillar of BASF’s global Know-How Verbund.

In Asia Pacific, Network for Asian Open Research (NAO, formerly known as Network for Advanced Materials Open Research) has been a joint platform directed by BASF and leading universities and institutes in the region since 2014. In December 2017, NAO was expanded to include a broader range of university partners and research areas. The network now consists of 10 partners from China, Japan and Korea. Areas of collaboration have been extended to cover all technologies under BASF’s three global technology platforms, namely, Advanced Materials & Systems Research, Bioscience Research and Process Research & Chemical Engineering.

Since its establishment, BASF and its partners have completed more than 20 joint research projects, with 10 post-doctoral students joining BASF after the projects completion. Currently, NAO projects cover research areas including new monomers and polymers, surfaces and interfaces, zeolites, hybrid materials, coatings, as well as digitalization in R&D.

Since its establishment, BASF and its partners have completed more than 20 joint research projects, with 10 post-doctoral students joining BASF after the projects completion. Currently, NAO projects cover research areas including new monomers and polymers, surfaces and interfaces, zeolites, hybrid materials, coatings, as well as digitalization in R&D.

In September 2017, BASF hosted an event held by the global Innovation Roundtable® network at Innovation Campus Shanghai, attracting about 180 innovation managers, R&D experts and executives from many international companies. The two-day roundtable discussion focused on “Design Thinking & Scouting for Start-ups” and “Collaborative Business Model Innovation”. Innovation Roundtable is a learning network for best practice sharing, and fosters future collaborations among companies.
BASF in Japan
At a glance

BASF has been a committed partner to Japan since 1888. Activities cover four business segments including Chemicals, Performance Products, Functional Materials & Solutions and Agricultural Solutions. BASF has 24 production sites in Japan, including 16 admixture plants of the Construction Chemicals division. In addition, BASF maintains a strong research and development presence in Japan with its facilities in Amagasaki, Yokohama, Chigasaki, and Naruto. As of the end of 2017, BASF employed 1,087 employees in Japan, and achieved sales of about €1.7 billion to customers in Japan.

BASF’s relationship with Japan stretches back to the Meiji era, when our Indigo Pure BASF dyes were imported for Japan’s traditional, navy blue “Kon-Gasuri” pattern. Color Chemie Trading Co., Ltd., the precursor of BASF Japan Ltd., was established in 1949. Today, BASF operates 24 production sites nationwide. In Totsuka, we produce and develop coating solutions for automotive companies; in Kitatone, we produce and develop emollients and waxes for personal care; in Kasumi, we produce and develop thermoplastic polyurethanes; and in Rokuromi we produce dispersions. In addition, BASF operates a site in Chigasaki for construction chemicals and a network of 16 admixture plants nationwide.

BASF also operates BASF Metals Japan Ltd., trading precious metals products, BASF Colors & Effects Japan Ltd., for the pigments business, and Pozzolith Solutions Ltd., focusing on customer support and technical services for construction chemicals.

BASF collaborates closely with Japanese partners. These partnerships include BASF Idemitsu Co., Ltd., a joint venture with Idemitsu Kosan Co., Ltd., which produces and sells 1,4-Butanediol; and BASF Toda Battery Materials LLC, a joint venture with TODA KOGYO CORP., which produces and sells lithium ion battery materials. We also maintain BASF INOAC Polyurethanes Ltd., a joint venture with INOAC Corporation, for polyurethane materials, systems, elastomers, and N.E. Chemcat Corporation, a joint venture with Sumitomo Metal Mining Co., Ltd., for our catalysts business.

In the area of research and development (R&D), Japan plays an important role in BASF’s global network. In Amagasaki, BASF operates the Amagasaki R&D Center, which also hosts Research and Development Laboratory and the Application Technology Center for Battery Materials. BASF’s Yokohama Innovation Center is the location of the Engineering Plastic Innovation Center and our designfabrik® Tokyo. BASF also operates the Chigasaki Technical Development Center for construction chemicals, and the AgSolution Farm Naruto, an agricultural solution research farm for crop protection products.
24 production sites
(including 16 admixture plants of BASF’s Construction Chemicals division)

- BASF Japan Headquarters
- Production sites
- R&D / Technical centers
- Admixture plants of Construction Chemicals division

BASF in Japan

Sales in 2017 (by location of customer)  Employees (as of December 31, 2017)
€1.7 billion  1,087
Solutions for Japan’s major industries

BASF’s activities in Japan include activities from all global business segments except Oil & Gas: Chemicals, Performance Products, Functional Materials & Solutions and Agricultural Solutions. With this broad business portfolio, BASF provides products and solutions to nearly all industries, including the automotive, construction, pharmaceutical, medical, electronics, electric, packaging, personal and home care, agriculture and food industries – contributing to the success of Japanese customers nationwide as well as globally.

For major products handled by each division, see page 3.

Automotive industry

BASF is the world’s largest automotive supplier in the chemical industry. Also in Japan, we provide products for every part of the car, from the engine to the exterior, and we offer a diverse set of solutions to reduce the environmental impact of manufacturers.

Construction industry

BASF provides solutions that contribute to sustainable buildings by increasing labor efficiency, reducing energy consumption, increasing the lifespan and durability of buildings, and shortening construction times.

Major landmark buildings around the region depend on BASF solutions for the construction industry.

BASF products for the construction industry include:
Concrete admixtures, repair and protection system, industrial flooring, waterproofing systems, thermal insulation material, etc.

Pharmaceutical and medical device industry

In light of Japan’s changing demographics and governmental policy for healthcare, BASF is working to develop products that contribute to the growing needs of the medical and health industries. In addition to providing active ingredient and additives that ensure safe and innovative manufacturing of medicines, BASF is also active in the medical, health management and nursing fields.

BASF supports innovations in medication and health management.

BASF products for the pharmaceutical and medical industry include:
Pharmaceutical additives such as solvents, catalysts, reagents, medicinal contents of pharmaceuticals, solubilizers, and non-phthalate plasticizers, etc.

BASF solutions for the automotive industry include:
Engineering plastics for parts surrounding the engine, battery materials for lithium-ion batteries, polyurethane for car interior parts, damping materials inside suspensions, coolant and brake fluids, automotive coatings, refinish coatings, automotive catalysts, etc.

BASF automotive solutions contribute to light-weight cars and electromobility as well as other innovations.
Electronics and electric industries

With Japan as an international leader in electronics, BASF provides a wide variety of products in this area, such as solutions for display monitors as well as cutting-edge innovations for digitalization and clean energy, through sensors and information processing devices.

BASF offers a spectrum of solutions to the electronics industry to help achieve sustainability and innovation goals.

BASF products for the electronics and electric industries include:
Materials for displays, such as organic pigments for LCD panels, and photoinitiators for color filters in LCD panels; as well as materials for infrastructure, such as lubricating oils for electric machinery and hydraulic oil, and metalworking additives, etc.

Packaging industry

BASF provides products for packaging materials to lock in freshness and make foods last longer, as well as materials that contribute to new designs and weight reduction. BASF also produces certified, fully-compostable polymers for packaging and other applications.

New developments in packaging are supported by BASF solutions.

BASF products for the packaging industry include:
High value-added packaging material, such as high-strength polyamides for nylon films, ultraviolet-absorbing agents for PET bottles, and coloring and pearl pigments, as well as materials for recyclable and compostable packaging, such as compostable plastic and internal coating agents to replace laminates, etc.

Personal care and home care industries

BASF provides products that are essential for everyday items, including skincare, hair care products and laundry detergents, to keep daily lives comfortable.

BASF products are essential to daily life.

BASF products for the personal care and home care industries include:
Raw materials for skincare and hair care cosmetics, such as surfactants, polymers, emollients, and ultraviolet filters, as well as materials for home care and industrial-use cleansers, such as surfactants, chelating agents, biocides, stabilizers, etc.

Agriculture and food industries

BASF is supporting Japan’s agriculture and food industries, from the production process with agricultural solutions that make efficient crop protection possible, to enhanced human nutrition with vitamins to supplement nutrients, as well as additives for animal feed that make animal husbandry more sustainable.

BASF works with growers and cooperative associations throughout Japan.

BASF products for the agriculture and food industries include:
Fungicides, insecticides and herbicides for agriculture, as well as a range of solutions for human and animal nutrition, etc.
Major sites

BASF Japan Ltd. – Totsuka site
- Established in 1964
- Produces and develops automotive OEM coatings

BASF Japan Ltd. – Chigasaki site
- Established in 1962
- Produces admixtures for concrete and premix materials for construction
- Network with 16 admixture plants nationwide

BASF Japan Ltd. – Kitatone site
- Established in 1970
- Produces and develops emollients and waxes

BASF Japan Ltd. – Kasumi site
- Established in 1989
- Produces and develops thermoplastic polyurethanes (TPU)

BASF Japan Ltd. – Rokuromi site
- Established in 1963
- Produces dispersions

BASF Idemitsu Co., Ltd. – Chiba plant
- Established in 1987
- Produces 1,4-Butanediol

BASF TODA Battery Materials LLC – Onoda site
- Established in 2003
- Produces and develops cathode materials and precursors

BASF TODA Battery Materials LLC – Kitakyushu site
- Established in 2002
- Produces cathode materials

BASF Japan Ltd. – Amagasaki R&D Center
- Established in 2001
- Develops electronics, pigments,¹ packaging and adhesives
  ¹ BASF Colors & Effects Japan

Research and Development Laboratory and Application Technology Center for Battery Materials
- Established in 2013
- Develops battery materials

BASF Japan Ltd. – Chigasaki Technical Development Center
- Established in 1966
- Develops admixture for concrete and construction materials

BASF Japan Ltd. – Yokohama Innovation Center
- Engineering Plastic Innovation Center
  - Established in 2012
  - Provides technical support for engineering plastics
  - Opened Asia Composite Center in 2015

designfabrik® Tokyo
  - Opened in 2014
  - Offers ideas relating to materials and design

BASF Japan Ltd. – AgSolution Farm Naruto
- Opened in 2017
- Conducts field trials under actual farming conditions for crop protection
Environment and safety

At BASF, we never compromise on safety. This principle is anchored in our strategy and underlines our philosophy in operating our own facilities and dealing with third parties. BASF has embraced the goals of the chemical industry’s voluntary Responsible Care® initiative which covers environmental protection, health and safety (EHS) as well as security and energy efficiency, and applies them to its operations. The Responsible Care Management System (RCMS) is based on BASF’s strategy and is binding for the entire BASF Group. Just as the company applies stringent standards to its own operations, we demand the same high standards from our contractors and suppliers. We choose carriers, service providers and suppliers not just on the basis of price, but also based on their performance in environmental and social responsibility.

Process safety

- Standard safety reviews for manufacturing processes

Our ultimate goal is to prevent incidents and accidents attributable to processes at each manufacturing site. BASF’s manufacturing processes are based on the highest safety standards. Whenever a new process is planned, a safety review is conducted to ensure absolute integrity. Safety reviews are also conducted when processes are modified to confirm that any change does not lower the level of safety. This ensures that continuous and repeated efforts are made to improve BASF’s processes based on the latest information and knowledge.

Daily maintenance is essential to preserving process integrity. In Japan, BASF engages in process as well as safety and instrumentation maintenance while implementing the “SS methodology” at all of its production sites: seiri (sorting), seiton (set in order), seiso (systematic cleaning), seiketsu (standardizing), and shitsuke (sustaining). We also continuously update and manage safety-related documentation, encompassing piping and instrumentation diagrams as well as other items including safety management data and explosion protection.

Product stewardship

- Product safety management system implemented
- Strict procedures for chemical substance management

BASF is fully committed to product stewardship, one of the major codes of Responsible Care. By employing proper product labeling and providing safety data sheets under this system, BASF has achieved the safe use, transportation and disposal of products.

As one component of its product safety management activities, BASF strictly observes procedures for chemical substance management for all its domestically manufactured and imported products in Japan. This includes the close management of information on national regulations as well as those of other countries. Through the regular exchange of information with the global headquarters and regional offices in the Asia Pacific region, BASF Japan obtains the latest information on REACH (the EU chemical regulation framework) and the regulations of each country.

Emergency response

- Countermeasures at each location to minimize damage attributable to accidents
- Joint emergency drills conducted regularly

Each business location is putting in place countermeasures to minimize the potential damage attributable to accidents. Also, emergency response plans are developed based on realistic assumptions regarding specific events including earthquakes, tsunamis, fire as well as leakage and spills of chemical substances. At the end of 2017, BASF signed a contract with Maritime Disaster Prevention Center, which provides support for incident and chemical handling, as well as cleaning of chemical spills at the incident scene for off-site incident support. At the time of an emergency, response teams at each business location, Tokyo Head Office, regional offices in Asia Pacific and the global headquarters work in unison to develop and implement appropriate measures. Joint emergency drills are also conducted regularly to minimize any potential damage.

The Site Emergency Response Team in Totsuka regularly holds fire drills.
Security

- Security measures at each business location
- Security during business trips
- Information protection activities

BASF security efforts aim to protect the company and its employees both from criminal activities as well as information incidents. Specific activities include security measures related to the risk level of each business location, as well as initiatives aimed at ensuring the security of employees during business trips.

BASF also works to raise employee awareness about the importance of protecting the company’s know-how and information.

Transportation and distribution safety

- Safety officer appointed at each BASF production site
- Assessments conducted at logistics service providers

BASF places considerable emphasis on transport safety. An officer, who has full responsibility for transportation and distribution safety, is appointed at each production site to oversee the management of logistics safety, including in-plant transportation. Working in tandem with head office logistics safety advisors, every effort is made to improve logistics safety. Each officer is responsible for the education of employees engaged in the logistics function. Regular training sessions are conducted on topics such as international and domestic regulations as well as safety management standards regarding the handling of products. In order to ensure that products are safely stored and transported, BASF takes comprehensive measures to strengthen logistics safety and conducts periodic assessments of logistics service providers, including transport and warehouse operators.
Water

- Emissions of organic substances decreased and nitrogen increased
- Both water used for production and water used for cooling decreased

Organic substances and nitrogen emissions can fluctuate due to changes in the products handled and specific activities at each production site.

In 2017, emissions of organic substances to water (COD) decreased to 5.4 metric tons (2016: 5.6 metric tons) and nitrogen emissions to water increased to 0.39 metric tons (2016: 0.36 metric tons).

### Emissions to water: Organic substances (COD) (metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5.4</td>
</tr>
<tr>
<td>2016</td>
<td>5.6</td>
</tr>
<tr>
<td>2015</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Water used for production declined to 0.30 million cubic meters in 2017 (2016: 0.31 million cubic meters). This metric refers to water that has come into contact with products, for example, when used for washing or as a solvent or a reaction medium. Cooling water decreased to 6.8 million cubic meters (2016: 9.0 million cubic meters). Due to high levels of recirculation, total water supply was only 0.45 million cubic meters in 2017, a further reduction from the previous record low of 0.52 million cubic meters maintained in 2016.

### Water used in Japan (million cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water supply (million cubic meters)</th>
<th>Water use (million cubic meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.45</td>
<td>Production: 0.30, Cooling: 6.8</td>
</tr>
<tr>
<td>2016</td>
<td>0.52</td>
<td>Production: 0.31, Cooling: 9.0</td>
</tr>
<tr>
<td>2015</td>
<td>0.72</td>
<td>Production: 0.32, Cooling: 8.4</td>
</tr>
</tbody>
</table>

Due to recirculation, our usage of cooling water, at 6.8 million m$^3$, accounts for only 0.15 million m$^3$ of our water supply.

### Emissions to water: Nitrogen (metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.39</td>
</tr>
<tr>
<td>2016</td>
<td>0.36</td>
</tr>
<tr>
<td>2015</td>
<td>0.45</td>
</tr>
</tbody>
</table>
Waste

- Total waste and waste recycling rate increased

BASF takes a proactive stance toward reducing total waste and in waste recycling. Total waste in 2017 increased to 9,182 metric tons (2016: 8,977 metric tons). At the same time, the waste recycling rate increased to 62% (2016: 59%).

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste (metric tons)</th>
<th>Recycling rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>9,182</td>
<td>62%</td>
</tr>
<tr>
<td>2016</td>
<td>8,977</td>
<td>59%</td>
</tr>
<tr>
<td>2015</td>
<td>9,654</td>
<td>48%</td>
</tr>
</tbody>
</table>

Emissions to air

A variety of reduction and efficiency enhancing programs conducted at each site in Japan are contributing to a decline in emissions to air.

However, in 2017, greenhouse gas emissions of BASF in Japan increased to 50,941 metric tons (2016: 49,031 metric tons).

Greenhouse gas emissions¹ (metric tons of CO₂ equivalents)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>50,941</td>
</tr>
<tr>
<td>2016</td>
<td>49,031</td>
</tr>
<tr>
<td>2015</td>
<td>49,779</td>
</tr>
</tbody>
</table>

¹ CO₂, N₂O, CH₄, HFC, PFC, SF₆

In 2017 our emissions of air pollutants were 24 metric tons, the same as the previous year (2016: 24 metric tons).

Air pollutants² (metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24</td>
</tr>
<tr>
<td>2016</td>
<td>24</td>
</tr>
<tr>
<td>2015</td>
<td>20</td>
</tr>
</tbody>
</table>

² CO, NOₓ, NMVOC, SOₓ, dust, NH₃ / other inorganics

Energy

- Fuel consumption declined due to “Kaizen” activities at production sites
- Electricity consumption increased in line with increase in production

In addition to increasing energy efficiency at production sites, BASF in Japan is also reducing energy consumption at office and research centers. This is attributable not only to the introduction of energy-efficient equipment, but also to the daily efforts of employees, or “Kaizen” activities. However, capacity expansion led to increases in some areas.

In 2017, steam consumption decreased to 97,618 metric tons (2016: 105,694 metric tons).

Steam consumption (metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>97,618</td>
</tr>
<tr>
<td>2016</td>
<td>105,694</td>
</tr>
<tr>
<td>2015</td>
<td>103,011</td>
</tr>
</tbody>
</table>

In 2017, electricity consumption increased to 59,382 MWh (2016: 52,474 MWh). This largely reflected the capacity expansion of cathode materials production.

Electricity consumption (MWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>59,382</td>
</tr>
<tr>
<td>2016</td>
<td>52,474</td>
</tr>
<tr>
<td>2015</td>
<td>49,875</td>
</tr>
</tbody>
</table>

There was a decrease in fuel consumption from central power plants and boilers compared to the previous year, to 16,770 MWh (2016: 17,294 MWh).

Fuel consumption (MWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>16,770</td>
</tr>
<tr>
<td>2016</td>
<td>17,294</td>
</tr>
<tr>
<td>2015</td>
<td>19,132</td>
</tr>
</tbody>
</table>
Business development

BASF continually optimizes its organization and invests in Japan in order to better meet the needs of the Japanese market. BASF also works in collaboration with Japanese customers and research networks to strengthen its research and development activities in Japan, to bring innovations from Japan to the world.

In 2017, sales to customers in Japan amounted to €1,686 million (2016: €1,590 million) on a euro basis, and rose to ¥213.7 billion on a local currency basis (JPY).

BASF sales to customers in Japan (million €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,686</td>
</tr>
<tr>
<td>2016</td>
<td>1,590</td>
</tr>
<tr>
<td>2015</td>
<td>1,491</td>
</tr>
</tbody>
</table>

BASF sales to customers in Japan (hundreds of million ¥)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,137</td>
</tr>
<tr>
<td>2016</td>
<td>1,907</td>
</tr>
<tr>
<td>2015</td>
<td>2,001</td>
</tr>
</tbody>
</table>

Sales denominated in yen: Sales in € converted monthly into ¥ at the exchange rate of that month.

New structure for construction chemicals business

Subsidiary Taiko Shoji Ltd. reorganized and renamed Pozzolith Solutions Ltd.

Technical capabilities and solutions enhanced to meet the unique needs of Japan’s construction industry

In 2017, BASF took a series of measures to grow its construction chemicals business in Japan, including a new company structure and an enhanced focus on technical capabilities and new solutions. One aspect of this effort has been to leverage the success of the Pozzolith® brand in Japan, along with its established legacy of trust and innovation, to restructure the construction chemicals business.

In April 2017, BASF reorganized and renamed its subsidiary Taiko Shoji Ltd. as Pozzolith Solutions Ltd. Pozzolith Solutions will serve as the single point of contact for customer support and technical sales service of BASF’s construction chemicals business in Japan. At the same time, BASF Japan Ltd. focuses on production management and R&D, as well as industry advocacy. This reorganization will more efficiently provide customers with the technologies and services that meet the unique needs of Japan’s construction industry.

AgSolution Farm established in Naruto

- Research farm for crop protection with trials conducted under actual conditions
- Started operations in January 2017

In January 2017, BASF began operations at AgSolution Farm Naruto, a new agricultural solution research farm for crop protection products, in Sanmu, Chiba Prefecture. The facility is located in the Kanto region, a major production area for fruit and vegetables, allowing BASF to conduct field trials similar to actual farming conditions, and provide farmers with tailored agricultural solutions and better technical service.

BASF and TODA further strengthen their collaboration to help enable e-mobility

- BASF TODA Battery Materials LLC tripled its CAMs capacity at the Onoda site

BASF TODA Battery Materials LLC (BTBM), a joint venture between BASF and TODA KOGYO CORP, which was established in 2015, has focused on building up production capacity to meet customer needs in the rapidly evolving Cathode Active Materials (CAMs) market. In December 2017, the company tripled its CAMs capacity at the Onoda site in Japan, which enabled BTBM to operate the world’s largest calcination facility for already qualified high nickel CAMs. BASF and TODA KOGYO are also enhancing their collaboration in the United States to supply the growing North American battery materials market.
Employees and society

Employees forming the “best team” are the foundation of our excellent performance and ensure our long-term success: their skills, commitment and motivation make BASF competitive and fit for the future. This belief is seen in the tangible efforts and resources the company puts into the development of the employees as well as into company-sponsored activities to strengthen the team. As of the end of 2017, BASF in Japan had a total of 1,087 employees (2016: 1,167).

Career development

- Performance management ensures excellent organizational performance and individual growth
- Training programs introduced to meet employee needs for professional development

BASF believes that self-driven professional development by employees fosters an organization that continually delivers excellent performance. Employees engage in employee dialogs (discussions with managers) throughout the year to convey their desires regarding their career and work duties. Based on these discussions, employees formulate a medium to long-term capability development program, and pursue individual growth utilizing a range of professional development methods, including everyday work duties, project assignments, and training.

Through the Selective Leadership Program, BASF selects candidates with potential as future business division managers and top management, in order to cultivate the next generation of leaders. This long-term development program provides employees selected as candidates with training appropriate for each leadership stage, and various short-term work experiences across divisions.

Recruitment

- Recruitment program emphasizes globally-consistent competencies
- Post-hiring orientation programs help employees play an active role quickly

From recruitment at entry-level positions through to succession planning, competency assessment lies at the heart of BASF’s human resource development activities in Japan. Competencies refer to the conduct expected of employees who demonstrate superior performance. BASF offers support to employees in Japan based on globally accepted competencies.

During the recruitment process, candidates meet with several BASF interviewers to ensure that they have the competencies required for BASF and for the position to be filled, as well as to give them the opportunity to better understand BASF, its requirements, and its corporate culture.

At the beginning of their employment, new employees receive support through orientation programs and follow-up with the human resources department to allow them to play an active role in the workplace.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,087</td>
</tr>
<tr>
<td>2016</td>
<td>1,167</td>
</tr>
<tr>
<td>2015</td>
<td>1,209</td>
</tr>
</tbody>
</table>

Team building at Infodays, an introduction seminar for new employees

At the BASF Learning Campus, with locations in Germany and Singapore, BASF conducts programs that allow participants to learn about leadership and BASF’s business operations, and network with BASF Group employees from around the world. The facilities also offer courses to meet individual development needs, such as training for management positions and a mentor system.
Working at BASF

- Structures to allow employees to independently choose an effective work style
- BASF is a leader in balancing personal and professional life in Japan

At BASF we consider the diverse opinions, experiences, and international capabilities of each employee to be vital prerequisites for success in the global marketplace, and hold these in high regard. To meet these conditions, we need to adapt to a wide variety of work styles by a wide variety of employees.

BASF continually develops the framework that allows employees in Japan to independently choose the most effective work styles for them. This flextime system, which is now standard practice, was introduced at BASF more than 20 years ago. BASF’s employee benefit system also includes child care and nursing care leave, as well as reduced working hours for employees with young children.

As a result of introducing and developing such systems and work styles, BASF in Japan has for many years been at the leading edge of efforts to ensure a healthy balance between the personal and professional lives of its employees. In addition, we remain constantly aware of working styles to meet changing times, and adapt accordingly. For employees raising small children or caring for aging family members, we have introduced a work-at-home program. We also hold an “encouragement day” for taking paid leave, in order to urge employees to take longer holidays, and are making efforts to reduce overtime work.

Inclusion of diversity

- Embracing diversity, and promoting organizational innovations that reveal individual strengths

Employees are offered equal opportunities at BASF regardless of gender, race, and also age. In 2017, BASF employees in Japan comprised 16 nationalities, and the largest proportion (56.3%) of employees at BASF in Japan was in the 40-54 year old age group (2016: 56.0%). BASF recognizes employee diversity as a strategic strength to succeed in an extremely competitive global market. We believe that the mutual embrace of diversity among employees and recognition of value creates a highly motivated work environment. Respect for diversity, based on BASF competencies, is expected of all employees.

BASF employees from Japan are also encouraged to participate in regional programs such as the Asia Pacific Sales Award.

**Employee age structure (%) (as of December 31, 2017)**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to and including 25 years</td>
<td>2.0%</td>
</tr>
<tr>
<td>Between 26 and 39 years</td>
<td>28.2%</td>
</tr>
<tr>
<td>Between 40 and 54 years</td>
<td>56.3%</td>
</tr>
<tr>
<td>55 years and older</td>
<td>13.5%</td>
</tr>
</tbody>
</table>
Occupational health and safety

Occupational health

- Regular health promotion programs offered to employees at each business location
- Global “Your Lungs – Your Life” campaign

BASF Corporate Health Management serves to promote and maintain the health and productivity of our employees. We also abide by local regulatory requirements. While promoting collaboration between the global medical expert team and local occupational health physicians, every effort is being made to support the implementation of occupational health promotion activities at each workplace. Moreover, we regularly conduct occupational health audits in order to monitor and improve our performance.

Our worldwide standards for occupational health protection are specified in a directive that is implemented by a global network of experts. In addition to conducting global standard training programs focused on first-aid responders at plants and laboratories which handle chemical substances, we have standard first-aid rooms and standard first-aid kits at our sites.

Our 2017 global health campaign focused on lung and respiratory health. In Japan we undertook educational and instructional activities in a bid to increase employee awareness of this topic.

Our medical staff actively follows up on the results of employee medical and stress check-ups. Their active support for employees on medical leave contributes to maintaining a high return to work rate.

For more information on occupational medicine, health promotion campaigns and the global Health Protection Index, see basf.com/health.

First-aid training is regularly held for employees to improve occupational health and emergency response measures.

Occupational safety

- Workplace safety is part of BASF’s daily operations
- Global experience shared with sites in Japan

We aim to prevent any incidents or accidents attributable to workplace environments and operating systems. While BASF’s manufacturing processes are built on the highest safety standards, we recognize that process integrity alone cannot ensure genuine safety. The proper attitudes and behaviors of employees are also essential.

Workplace safety is part of BASF’s daily operations. The details of our worldwide experience are shared with sites in Japan, including instances where successful improvements have been made.

BASF regularly conducts risk assessments at each workplace and for each operating process. We are also active in assessing the risks associated with chemical substances. The prevention of incidents during business trips and while outside the office is another issue of key importance. With this in mind, BASF conducts relevant preventative campaigns.

Safety inspections are regularly held at all sites.

In 2017, the lost-time injury rate per million working hours for BASF own and leased employees was 0.4. The work-related lost-time injury rate for contractors was 0.0 (2016: 2.1). There were no employee or contractor fatal accidents in 2017.

| Lost time injury rate – BASF and leased employees (per million working hours) |
|-----------------------------|---|
| 2017 | 0.4 |
| 2016 | 0.0 |
| 2015 | 0.0 |

| Lost time injury rate – contractors (per million working hours) |
|-----------------------------|---|
| 2017 | 0.0 |
| 2016 | 2.1 |
| 2015 | 0.0 |
Social engagement

Through social engagement at BASF, we aim to contribute to the United Nations Sustainable Development Goals through two approaches: Corporate Citizenship and Starting Ventures. Through our not-for-profit projects, we improve the quality of life of the communities around our sites and worldwide. In Japan, BASF is involved in diverse Corporate Citizenship projects with a focus on access to education: BASF Kids’ Lab, educational support activities for the recovery of disaster areas in Tohoku and Kumamoto, exchange events with the communities where our production sites are located, as well as support for innovation.

BASF Kids’ Lab

- Launched in 1997, conducted in more than 30 countries
- More than 4,000 children have participated in Japan since 2003
- Support provided for children with hearing disabilities

BASF Kids’ Lab is a program for children aged 6-12, intended to introduce the joy of chemistry through simple and safe chemistry experiments. The program began at BASF’s headquarters in Germany in 1997, celebrating its 20th anniversary in 2017, and is currently conducted in more than 30 countries worldwide. Kids’ Lab has been held in Japan since 2003, with more than 4,000 children participating to date. Trained employee volunteers help the children as experiment partners.

The 2017 BASF Kids’ Lab program was conducted as part of the “Roppongi Hills Kids’ Workshop 2017” in Tokyo. A “Mini Kids’ Lab” was also held during the Summer Festival at the Totsuka site, with neighborhood children invited to participate. The program at Roppongi Hills was called “Clever Foodies.” Support for children with hearing disabilities was also provided through use of a communication assistance tool. The theme for this program was the relationship between good eating and a healthy lifestyle, which affects adults and children alike. Children had the opportunity to learn through experiments how eating a colorful range of vegetables and fruit is important for their bodies.

Virtual Kids’ Lab

- Chemistry experiments through online simulations
- Japanese version launched in 2017

BASF launched a Japanese version of “Virtual Kids’ Lab,” an extension of its Kids’ Lab program, in August 2017. The “Virtual Kids’ Lab” is an online platform where children can conduct chemistry experiments. It allows children throughout Japan to experience the joy of chemistry wherever and whenever they like.

Home page of the online platform “Virtual Kids’ Lab”

Earthquake recovery programs

- BASF has provided ongoing support since 2011
- Scholarships for children in the Tohoku earthquake disaster areas
- Educational support for children in the Kumamoto earthquake disaster areas

Since the Great East Japan Earthquake in March 2011, BASF has provided ongoing assistance as part of a program for long-term support for recovery. One part of this effort is helping to fund the “UNESCO Association Scholarship for 3.11 Disaster-Stricken Children and Students,” administered by the National Federation of UNESCO Associations in Japan (NFUAJ), which provides scholarships for children from disaster areas.

Over a three-year period from 2015, scholarship funds were used to support academic study by junior high and high school students in the three prefectures hardest hit by the disaster (Iwate, Miyagi, and Fukushima). These funds came from a donation at the end of 2014 of €50,000 (approximately ¥7 million1) raised by BASF Group employees, made to the NFUAJ through BASF Stiftung, a charitable foundation based in Germany. BASF allocated to disaster relief a total of €2 million (approximately ¥230 million2) including funds collected from BASF Group employees following the earthquake.

1 Calculated at €1 = ¥138 (at October 2014)
2 Calculated at €1 = ¥115 (at May 2011)
BASF is also aiding disaster recovery efforts from the April 2016 Kumamoto Earthquake, supporting educational programs for children through NFUAJ. A total of ¥2.45 million was contributed toward these activities, including donations raised from employees in Japan.

42nd Summer Festival at the Totsuka site

- More than 1,700 people visit BASF Japan’s Totsuka site
- 140 local elementary school children experience the fun of creating chemistry through Kids’ Lab

BASF held its 42nd Summer Festival in July 2017, opening the grounds of the Totsuka site in Yokohama, where BASF produces and develops automotive coatings. This annual event to promote exchange and communication with the local community attracted over 1,700 visitors. BASF Kids’ Lab was also conducted again this year, with around 140 elementary school children experiencing the fun of chemistry.

This event has been held annually at the Totsuka site for over 40 years. Site employees take the lead in organizing events at the Summer Festival to promote mutual exchange with the local community, with support from other BASF sites and business units. Additionally, as a part of BASF’s community outreach, the Site Emergency Response Team regularly holds safety activities together with the community and local authorities, including fire drills and other training sessions.

German Innovation Award

- Supports the development of tomorrow’s leaders among young Japanese researchers and scientists
- Builds academic-industry cooperation between Germany and Japan

BASF Japan co-sponsors the German Innovation Award – Gottfried Wagener Prize, an award established by nine German companies with research interests in Japan, and supports the development of tomorrow’s leaders among young Japanese researchers and scientists. This award aims to foster bilateral exchange between business and science and support the development of German-Japanese networks and research cooperation. Every year, promising young Japan-based scientists are awarded for outstanding research contributions. Researchers up to 45 years old at universities and research institutions in Japan are eligible for the award. Winners receive monetary prizes.
BASF Group ten-year summary

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales and earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>62,304</td>
<td>50,693</td>
<td>63,873</td>
<td>73,497</td>
<td>72,129</td>
<td>73,973</td>
<td>74,326</td>
<td>70,449</td>
<td>57,550</td>
<td>64,475</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>6,463</td>
<td>3,677</td>
<td>7,761</td>
<td>8,586</td>
<td>7,642</td>
<td>7,160</td>
<td>7,626</td>
<td>6,248</td>
<td>6,275</td>
<td>8,522</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>5,975</td>
<td>3,079</td>
<td>7,373</td>
<td>8,970</td>
<td>5,977</td>
<td>6,600</td>
<td>7,203</td>
<td>5,548</td>
<td>5,395</td>
<td>7,800</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>3,305</td>
<td>1,655</td>
<td>5,074</td>
<td>6,603</td>
<td>5,067</td>
<td>5,113</td>
<td>5,492</td>
<td>4,301</td>
<td>4,255</td>
<td>6,352</td>
</tr>
<tr>
<td>Net income</td>
<td>2,912</td>
<td>1,410</td>
<td>4,557</td>
<td>6,188</td>
<td>4,619</td>
<td>4,792</td>
<td>5,155</td>
<td>3,987</td>
<td>4,056</td>
<td>6,078</td>
</tr>
<tr>
<td>Income from operations before depreciation and amortization (EBITDA)</td>
<td>9,562</td>
<td>7,388</td>
<td>11,131</td>
<td>11,993</td>
<td>10,009</td>
<td>10,432</td>
<td>11,043</td>
<td>10,649</td>
<td>10,526</td>
<td>12,724</td>
</tr>
<tr>
<td>EBIT before special items</td>
<td>6,856</td>
<td>4,852</td>
<td>8,138</td>
<td>8,447</td>
<td>6,647</td>
<td>7,077</td>
<td>7,357</td>
<td>6,739</td>
<td>6,309</td>
<td>8,328</td>
</tr>
<tr>
<td>EBIT after cost of capital</td>
<td>1,621</td>
<td>(226)</td>
<td>3,500</td>
<td>4,557</td>
<td>4,619</td>
<td>4,792</td>
<td>5,155</td>
<td>3,987</td>
<td>4,056</td>
<td>6,078</td>
</tr>
</tbody>
</table>

| **Capital expenditures, depreciation and amortization** | | | | | | | | | | |
| Additions to property, plant and equipment and intangible assets | 3,634 | 5,972 | 5,304 | 3,646 | 5,263 | 7,726 | 7,285 | 6,013 | 7,258 | 4,364 |
| Thereof property, plant and equipment | 2,809 | 4,126 | 3,294 | 3,199 | 4,064 | 6,428 | 6,285 | 5,742 | 4,377 | 4,028 |
| Thereof property, plant and equipment | 2,481 | 2,614 | 2,667 | 2,618 | 2,594 | 2,631 | 2,770 | 3,600 | 3,691 | 3,586 |

| **Number of employees** | | | | | | | | | | |
| At year-end | 96,924 | 104,779 | 109,140 | 111,141 | 110,782 | 112,206 | 113,292 | 112,435 | 113,830 | 115,490 |
| Annual average | 95,885 | 103,612 | 104,043 | 110,403 | 109,969 | 111,844 | 112,644 | 113,249 | 111,975 | 114,333 |

| **Personnel expenses** | | | | | | | | | | |
| | 6,364 | 7,107 | 8,228 | 8,576 | 8,963 | 9,285 | 9,224 | 9,982 | 10,165 | 10,610 |

| **Research and development expenses** | | | | | | | | | | |
| | 1,355 | 1,388 | 1,492 | 1,605 | 1,732 | 1,849 | 1,884 | 1,953 | 1,863 | 1,888 |

| **Key data** | | | | | | | | | | |
| Earnings per share | € 3.13 | 1.54 | 4.96 | 6.74 | 5.25 | 5.22 | 5.61 | 4.34 | 4.42 | 6.62 |
| Adjusted earnings per share | € 3.85 | 3.01 | 5.73 | 6.26 | 5.64 | 5.31 | 5.44 | 5.00 | 4.83 | 6.44 |
| Cash provided by operating activities | 5,023 | 5,693 | 6,460 | 7,105 | 6,602 | 8,100 | 6,958 | 9,446 | 7,717 | 8,785 |
| EBITDA margin | % 15.3 | 14.6 | 17.4 | 16.3 | 13.9 | 14.1 | 14.9 | 15.1 | 18.3 | 19.7 |
| Return on assets | % 13.5 | 7.5 | 14.7 | 16.1 | 11.0 | 11.5 | 11.7 | 8.7 | 8.2 | 10.8 |
| Return on equity after tax | % 17.0 | 8.9 | 24.6 | 27.5 | 19.9 | 19.2 | 19.7 | 14.4 | 13.3 | 18.9 |

| **Appropriation of profits** | | | | | | | | | | |
| Net income of BASF SE | € 2,982 | 2,176 | 3,737 | 3,506 | 2,880 | 2,826 | 5,853 | 2,158 | 2,808 | 3,130 |
| Dividend | € 1,791 | 1,561 | 2,021 | 2,296 | 2,388 | 2,480 | 2,572 | 2,664 | 2,755 | 2,847 |
| Dividend per share | € 1.95 | 1.70 | 2.20 | 2.50 | 2.60 | 2.70 | 2.80 | 2.90 | 3.00 | 3.10 |

| **Number of shares as of December 31** | | | | | | | | | | |
| million | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 | 918.5 |

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1 We have applied International Reporting Standards IFRS 10 and 11 as well as International Accounting Standard 19 (revised) since January 1, 2013.
2 Figures for 2012 have been restated; no restatement was made for 2011 and earlier.
3 Figures for 2013 have been adjusted to reflect the dissolution of the natural gas trading business disposal group.
4 We conducted a two-for-one stock split in the second quarter of 2008.
5 Includes the change in reporting from 2009 onward of the effects of regular extensions of U.S. dollar hedging transactions.
6 Calculated in accordance with German GAAP.
7 After deduction of repurchased shares earmarked for cancellation.
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