

BASF in Japan Report 2015



 **BASF**
We create chemistry

Chemicals

The Chemicals segment comprises our business with basic chemicals and intermediates. Its portfolio ranges from solvents, plasticizers and high-volume monomers to glues and electronic chemicals 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 Chemicals (in million €)

	2015	2014	Change in %
Sales	14,670	16,968	(14)
Thereof Petrochemicals	5,728	7,832	(27)
Monomers	6,093	6,337	(4)
Intermediates	2,849	2,799	2
EBITDA	3,090	3,212	(4)
Income from operations before special items	2,156	2,367	(9)
Income from operations (EBIT)	2,131	2,396	(11)

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 Products (in million €)

	2015	2014	Change in %
Sales	15,648	15,433	1
Thereof Dispersions & Pigments	4,629	4,501	3
Care Chemicals	4,900	4,835	1
Nutrition & Health	1,998	2,029	(2)
Performance Chemicals	4,121	4,068	1
EBITDA	2,289	2,232	3
Income from operations before special items	1,366	1,455	(6)
Income from operations (EBIT)	1,340	1,417	(5)

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 for household applications and sports and leisure. Our portfolio comprises catalysts, battery materials, engineering plastics, polyurethane systems, automotive and industrial coatings and concrete admixtures as well as construction systems like tile adhesives and decorative paints.



Key data Functional Materials & Solutions (in million €)

	2015	2014	Change in %
Sales	18,523	17,725	5
Thereof Catalysts	6,306	6,135	3
Construction Chemicals	2,304	2,060	12
Coatings	3,166	2,984	6
Performance Materials	6,747	6,546	3
EBITDA	2,228	1,678	33
Income from operations before special items	1,649	1,197	38
Income from operations (EBIT)	1,607	1,150	40

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 solutions for nutrient supply and plant stress. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, better nutrition, and use as renewable raw materials.



Key data Agricultural Solutions (in million €)

	2015	2014	Change in %
Sales	5,820	5,446	7
EBITDA	1,321	1,297	2
Income from operations before special items	1,090	1,109	(2)
Income from operations (EBIT)	1,083	1,108	(2)

Oil & Gas

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 active in the transport of natural gas in Europe. At the end of the third quarter of 2015, we exited the natural gas trading and storage business previously operated together with Gazprom and, in exchange, are expanding our oil and gas production in western Siberia.



Key data Oil & Gas (in million €)

	2015	2014	Change in %
Sales	12,998	15,145	(14)
EBITDA	2,587	2,626	(1)
Income from operations before special items	1,366	1,795	(24)
Income from operations (EBIT)	1,072	1,688	(36)
Net income	1,050	1,464	(28)

BASF Group 2015 at a glance

Economic data

		2015	2014	Change in %
Sales	million €	70,449	74,326	(5.2)
Income from operations before depreciation and amortization (EBITDA)	million €	10,649	11,043	(3.6)
Income from operations (EBIT) before special items	million €	6,739	7,357	(8.4)
Income from operations (EBIT)	million €	6,248	7,626	(18.1)
Income from operations (EBIT) after cost of capital	million €	194	1,368	(85.8)
Income before taxes and minority interests	million €	5,548	7,203	(23.0)
Net income	million €	3,987	5,155	(22.7)
Earnings per share	€	4.34	5.61	(22.6)
Adjusted earnings per share	€	5.00	5.44	(8.1)
Dividend per share	€	2.90	2.80	3.6
Cash provided by operating activities	million €	9,446	6,958	35.8
Additions to property, plant and equipment and intangible assets ¹	million €	6,013	7,285	(17.5)
Depreciation and amortization ¹	million €	4,401	3,417	28.8
Return on assets	%	8.7	11.7	–
Return on equity after tax	%	14.4	19.7	–

¹ Including acquisitions

Innovation

		2015	2014	Change in %
Research expenses	million €	1,953	1,884	3.7
Number of employees in research and development at year-end		10,010	10,697	(6.4)

Employees and society

		2015	2014	Change in %
Employees				
Employees at year-end		112,435	113,292	(0.8)
Apprentices at year-end		3,240	3,186	1.7
Personnel expenses	million €	9,982	9,224	8.2
Society				
Donations and sponsorship	million €	56.2	45.4	23.8

Safety, security, health and the environment

		2015	2014	Change in %
Safety, security and health				
Transportation incidents with significant impact on the environment		0	1	(100)
Process safety incidents	per one million working hours	2.1	2.2	(4.5)
Lost-time injuries	per one million working hours	1.4	1.5	(6.7)
Health Performance Index		0.97	0.91	6.6
Environment				
Primary energy use ²	million MWh	57.3	59.0	(2.9)
Energy efficiency in production processes	kilograms of sales product/MWh	599	588	1.9
Total water withdrawal	million cubic meters	1,686	1,877	(10.2)
Withdrawal of drinking water	million cubic meters	22.1	22.7	(2.6)
Emissions of organic substances to water ³	thousand metric tons	17.3	18.7	(7.5)
Emissions of nitrogen to water ³	thousand metric tons	3.0	3.2	(6.3)
Emissions of heavy metals to water ³	metric tons	25.1	21.5	16.7
Emissions of greenhouse gases	million metric tons of CO ₂ equivalents	22.2	22.4	(0.9)
Emissions to air (air pollutants) ³	thousand metric tons	28.6	31.5	(9.2)
Waste	million metric tons	2.0	2.1	(4.8)
Operating costs for environmental protection	million €	962	897	7.2
Investments in environmental protection plants and facilities	million €	346	349	(0.9)

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

BASF in Japan

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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 2015. 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 joint ventures accounted according to the equity method are not included in the scope of this report. 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, 2015.

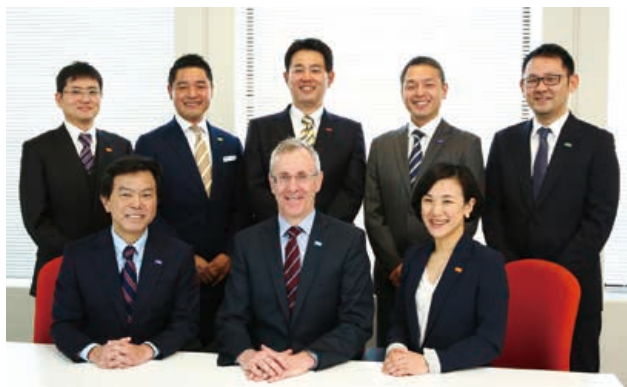
Welcome

Letter from the President of BASF in Japan

Dear friends and stakeholders,

Despite volatile economic conditions, it was a celebratory year at BASF during 2015, as we marked the 150th anniversary of our founding. The year also provided us with an ideal opportunity to further deepen our relationships with our customers and other stakeholders.

As the focus of our anniversary program, BASF addressed three global issues: urban living, smart energy, and sustainable food. We did this through “co-creation” – a range of methodologies to exchange ideas and create solutions together with our stakeholders. In Japan, this type of close partnership is at the heart of our approach, and several key initiatives during 2015 demonstrate this commitment.



Management team

In February, we established BASF TODA Battery Materials LLC., a joint venture with TODA KOGYO CORP. specializing in cathode materials for lithium-ion batteries. In April, we established the Asia Composite Center in Yokohama to develop applications together with our customers utilizing thermoplastic composite materials for lightweight automotive applications. In December, we concluded an agreement with Sumitomo Chemical Co., Ltd. to collaborate on research aimed at establishing a new system for evaluating the safety of chemical products while reducing the need for conventional animal testing.

We continue to develop our organizational structure to better serve customer industries through cross-divisional “Industry Teams”, whose leaders are featured on the cover page of this report. In April 2015 we established the Industry Team Health & Medical to strengthen our offerings to Japan’s health and medical industry.



Dr. Joerg-Christian Steck

Environmental protection, health and safety remain top priorities at BASF in Japan, as it is around the world. In 2015 our site in Rokuromi achieved 45 years of zero lost time injuries. This achievement reflects our constant focus on safety management and education.

BASF also continued with its activities, begun in 2011, to support the reconstruction of areas affected by the Great East Japan Earthquake. Through the UNESCO Association Scholarship for 3.11 Disaster-Stricken Children and Students, we have provided support to students needing financial assistance with their education due to the earthquake disaster.

We are committed to implementing our “We create chemistry” strategy in Japan. Japan is a place where innovations originate. We hope to further deepen our understanding of the needs of this important market, and provide the support that makes our customers more competitive. Thank you for your support to BASF.

Yours,

Dr. Joerg-Christian Steck
Representative Director & President
BASF Japan Ltd.

The BASF Group

At BASF, we create chemistry for a sustainable future. As the world's leading chemical company, we combine economic success with environmental protection and social responsibility. The approximately 112,000 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, corporate units and competence centers support our business

Since the beginning of 2015, thirteen divisions divided into five segments bear operational responsibility and manage our 61 global and regional business units. The divisions develop strategies for our 84 strategic business units and are organized according to sectors or products.

The regional divisions contribute to the local development of our business and help exploit market potential. They are also responsible for optimizing infrastructure for our business. For financial reporting purposes, our divisions are organized into the following four regions: Europe; North America; Asia Pacific; and South America, Africa, Middle East.

Three central divisions, six corporate units and ten competence centers provide services for the BASF Group in areas such as finance, investor relations, communications, human resources, research, engineering, and site management, as well as environment, health and safety.

Markets and sites

- BASF with companies in more than 80 countries
- Six Verbund sites and 338 additional production sites worldwide

BASF has companies in more than 80 countries and supplies products to a large number of business partners in nearly every part of the world. In 2015, we generated 42% of our sales (excluding Oil & Gas) with customers in Europe. In addition, 27% of sales were achieved in North America; 22% in Asia Pacific; and 9% in South America, Africa, Middle East. Based on the entire BASF Group, 52% of our sales were to customers in Europe, 22% in North America, 18% in Asia Pacific and 8% in South America, Africa, Middle East.

We operate six Verbund sites and 338 additional production sites worldwide. Our Verbund site in Ludwigshafen is the world's largest integrated chemical complex. This was where the Verbund principle was originally developed and steadily honed before being put into practice at additional sites.

Verbund

- Intelligent plant networking in the Production Verbund
- Technology and Know-How Verbund

The Verbund system is one of BASF's great strengths. Here, we add value as one company by making efficient use of our resources. The Production Verbund, for example, intelligently links production units and energy demand so that waste heat can be used as energy in other plants. Furthermore, by-products of one plant can serve as feedstock elsewhere. In this system, chemical processes run with lower energy consumption and higher product yield. This not only saves us raw materials and energy, it also avoids emissions, lowers logistics costs and makes use of synergies.

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

For more on the Verbund concept, see basf.com/en/verbund

Competitive environment

BASF holds one of the top three market positions in around 70% of the business areas in which it is active. Our most important global competitors include AkzoNobel, Clariant, Covestro, Dow Chemical, DSM, DuPont, Evonik, Formosa Plastics, Reliance, Sabic, Sinopec, Solvay and many hundreds of local and regional competitors. We expect competitors from emerging markets to become increasingly significant 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 some, we concentrate on specific business areas: The Wintershall Group, for example, focuses on oil and gas activities. In the BASF Group Consolidated Financial Statements, 251 companies including BASF SE are fully consolidated. We consolidate seven joint operations on a proportional basis, and account for 32 companies using the equity method.

Corporate strategy

With the “We create chemistry” strategy, BASF has set itself ambitious goals in order to strengthen its position as the world’s leading chemical company. 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 ten 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 solutions for market needs

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

Our leading position as an integrated global chemical company gives us the chance to make important contributions in the following three areas:

- Resources, environment and climate
- Food and nutrition
- Quality of life

We therefore act in accordance with four strategic principles.

Our strategic principles

- We add value as one company
- We innovate to make our customers more successful
- We drive sustainable solutions
- We form the best team

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 even more 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

- Creative
- Open
- Responsible
- Entrepreneurial

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 experience. That is why we foster dialog based on honesty, respect and mutual trust. We develop our talents and capabilities.

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.

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,

focusing on issues through which we as a company can make a significant contribution. We updated and revamped our goals to this effect in 2015.

Goal areas along the value chain



Growth and profitability

In 2011, we set ourselves sales and earnings goals for 2015 and 2020 as part of the “We create chemistry” strategy. In October 2014, we announced that we would not reach the financial goals for 2015, primarily because gross domestic product and industrial and chemical production had grown at a considerably slower average rate from 2010 to 2015 than our strategy had anticipated.

In September 2015, we reduced our expectations for the global economic environment from 2015 to 2020 (previous forecast in parentheses):

- Growth of gross domestic product: 3.0% (3.2%)
- Growth in industrial production: 3.5% (3.7%)
- Growth in chemical production: 3.9% (4.0%)

As a consequence, we no longer adhere to the financial goals previously stated for 2020.

Our aim for the years ahead is, on average, to grow sales slightly faster and EBITDA considerably faster than global chemical production, 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.

Procurement

	2020 Goal	Status at end of 2015
Assessment of sustainability performance of relevant suppliers ¹ according to our risk-based approach; development of action plans where improvement is necessary	70%	31%

¹ We define relevant suppliers as those showing an elevated sustainability risk potential as identified by risk matrices and with respect to corresponding country risks. Our suppliers are evaluated based on risk due to the size and scale of our supplier portfolio.

Employees

	2021 Goal	Status at end of 2015
Proportion of women in leadership positions with disciplinary responsibility	22–24%	19.5%
Long-term goals		
Proportion of international senior executives ²	Increase in proportion of non-German senior executives (baseline 2003: 30%)	35.6%
Senior executives with international experience	Proportion of senior executives with international experience over 80%	82.9%
Employee development	Systematic, global employee development as shared responsibility of employees and leaders based on relevant processes and tools	The project has been implemented for around 60,000 employees worldwide.

² 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.

Production

	2025 Goals	Status at end of 2015
Reduction of worldwide lost-time injury rate per one million working hours	≤0.5	1.4
Reduction of worldwide process safety incidents per one million working hours	≤0.5	2.1
	Annual goal	
Health Performance Index	>0.9	0.97

Product stewardship

	2020 Goal	Status at end of 2015
Risk assessment of products sold by BASF worldwide in quantities of more than one metric ton per year	>99%	67.8%

Energy and climate protection

	2020 Goals	Status at end of 2015
Covering our primary energy demand through the introduction of certified energy management systems (ISO 50001) at all relevant sites ³	90%	39.5%
Reduction of greenhouse gas emissions per metric ton of sales product (excluding Oil & Gas, baseline 2002)	−40%	−34.6%

³ The selection of relevant sites is determined by the amount of primary energy used and local energy prices.

Water

	2025 Goal	Status at end of 2015
Introduction of sustainable water management at all production sites in water stress areas and at all Verbund sites (excluding Oil & Gas)	100%	36.2%

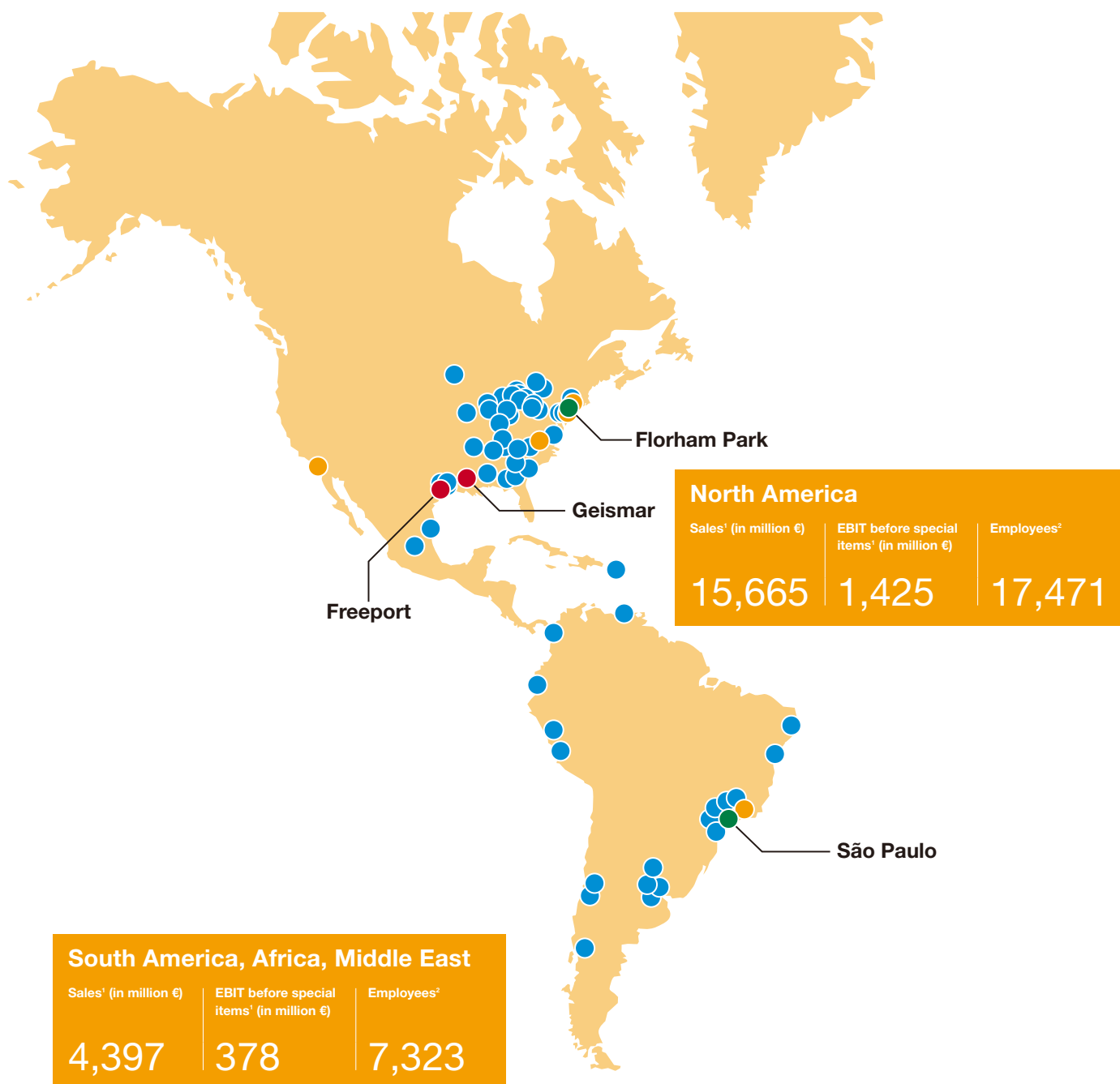
Products and solutions

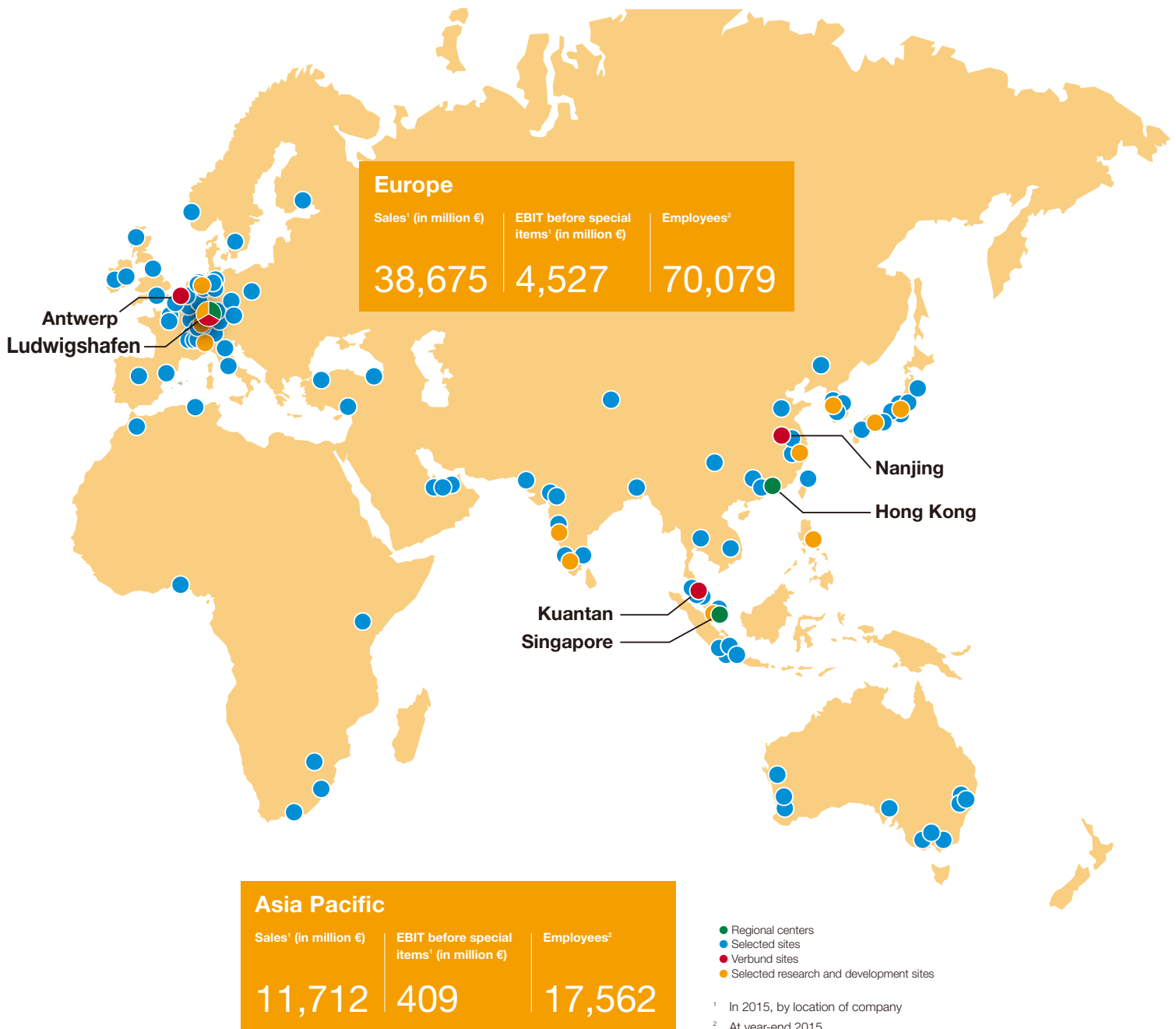
	2020 Goal	Status at end of 2015
Increase the proportion of sales generated by products that make a particular contribution to sustainable development ("Accelerators")	28%	26.6%

BASF in the regions

BASF Group sales 2015: €70,449 million;

EBIT before special items 2015: €6,739 million





BASF in Asia Pacific

An interview with Sanjeev Gandhi

How does BASF plan to grow its business in Asia Pacific?

Over the past few years we have seen increasing volatility and uncertainty, and this trend will continue. However, there are also substantial opportunities for business growth.

We have invested significantly in the region, not only in terms of technology and production facilities, but also in people development and innovation. Now is the time for us to bring these investments to life – by providing the necessary materials to make our customers' local innovations possible, and supporting their growing businesses as they strive to reach international markets.

What are the main trends impacting BASF's business in the region?

We see an increased interest in sustainability throughout the region, which in turn means a higher level of regulatory restrictions for chemical operations and chemical products and solutions.

In many cases this benefits our business, as we can provide solutions to help meet our customers' sustainability challenges. We aim to collaborate with our local and international customers from product design through to materials strategy – and we will continue to invest in the region in order to do this.

How is the chemical industry evolving in Asia Pacific?

Local industry overall in the region is becoming stronger and more robust, and as a result the need for international standards has grown rapidly. BASF is working closely with local industry to establish best practices in the region according to the global chemical industry standard Responsible Care®. By adhering to these international standards and by demanding the same high performance of our suppliers, we can help to foster excellence not only in our own business but in the industry at large. At the same time, we also are working with our customers to achieve high quality standards in production, product stewardship, and environmental and social practices along



Sanjeev Gandhi, member of the Board of Executive Directors responsible for Asia Pacific, BASF SE

the entire product life cycle and industry value chain. In this way the global chemical industry is becoming more integrated and developed.

What are BASF's plans for Japan?

BASF aims to support our customers in Japan as they bring their solutions to the global market. With investments such as our Asia Composite Center, our new joint venture for battery materials with TODA KOGYO, and our research partnerships, we are providing the materials, the knowledge base, and the global network that can take innovation to the next level.

Asia Pacific at a glance

Economy




With decelerating market growth, sales at companies headquartered in the Asia Pacific region rose by 1 percent to €11,712 million. In local currency terms, sales declined by 12 percent. BASF sales to customers in the Asia Pacific region stayed flat, at €12,334 million (2014: €12,341).

Considerable sales increases, primarily in the Catalysts, Coatings and Care Chemicals divisions, were able to more than compensate, in particular, for declines in the Petrochemicals and Monomers divisions as well as in Other. Currency effects positively influenced sales, especially in the first half of the year. In the Chemicals segment in particular, lower raw material costs and higher production capacities on the market resulted in falling prices. Sales were furthermore weighed down by the disposal of our shares in the Ellba Eastern Private Ltd. joint operation in Singapore and by the divestiture of our textile chemicals business.



Income from operations before special items fell by 33 percent to €409 million. Significant factors were higher fixed costs from the startup of new plants, and several scheduled maintenance shutdowns in the first half of the year.

As part of our regional strategy, we are striving to further raise the proportion of sales coming from local production in Asia Pacific in the years ahead. In China, we started operations at new production in Chongqing, Nanjing, Maoming and Shanghai. Further investment projects are currently in the construction phase, as planned. The continuous expansion of our Innovation Campus Asia Pacific in Shanghai strengthens the presence of this growth region within the global Research Verbund. To improve profitability in Asia Pacific, we intensified our measures to increase efficiency and effectiveness.

BASF sales in Asia Pacific (billion €)
(by location of customer)

2015	12.3	
2014	12.3	
2013	12.5	

BASF EBIT before special items in Asia Pacific (million €)
(by location of company)

2015	409	
2014	614	
2013	842	

Environment

BASF undertook several initiatives in 2015 to improve performance in environmental protection, health and safety. For example, BASF is partnering with Sumitomo Chemical, a leading multinational chemical company based in Japan, to explore an in vitro system for chemical safety evaluation as an alternative to animal testing.

Solutions from BASF addressed environmental challenges such as coastal erosion in Korea, smart energy storage in Japan, and soil pollution in China. BASF and partners are tackling energy efficient buildings with plans to build the world's tallest certified "passive house", in Tianjin, China.

Additionally, through the 150th anniversary co-creation activities, teams addressed topics including water quality and availability in Mumbai, electronic waste and textile sustainability in China, and food waste management around the region.

Employees and society



As of the end of 2015, BASF employed 17,562 people in the Asia Pacific region (2014: 17,060). Of these, 26.2 percent were female (2014: 27 percent). There were 1,861 new hires in the region in 2015, 25.1 percent of which were female (2014: 22.8 percent of 2,048).

Number of employees (as of December 31)

2015	17,562	26.2%		73.8%
2014	17,060	27%		73%
2013	16,708	28%		72%

■ Total ■ of which female

Number of new hires (as of December 31)

2015	1,861	25.1%		74.9%
2014	2,048	22.8%		77.2%
2013	1,933	26%		74%

■ Total ■ of which female

To ensure employee health and safety, BASF implemented safety training throughout the region and rolled out a program for personal safety on business trips.

For the sixth consecutive year, BASF has been named one of China's Top Employers by Top Employers Institute, while in Korea and Taiwan, BASF was recognized for its exceptional human resources development programs as well as its social contributions.

BASF in Japan

History

BASF Global History

1865–1901

The Birth of the Chemical Industry and the Era of Dyes



Badische Anilin- und Soda-Fabrik is founded in 1865.

1902–1924

The Haber-Bosch Process and the Age of Fertilizers



The first plant for ammonia synthesis begins its operation in 1913.

1925–1944

New Forms of High-pressure Synthesis



The synthesis of styrene is conducted at the Ludwigshafen site in 1929.

1945–1964

From New Beginnings to the Plastic Age



BASF starts production of Styropor® in 1951.

1965–1989

The Road to Becoming a Transnational Company



On its 100th anniversary in 1965, BASF is already on its way to becoming a transnational company.

1990–2015

Sustainable Start to the New Millennium



BASF celebrates its 150th anniversary in 2015.

History of BASF in Japan

1865 Badische Anilin- und Soda-Fabrik Aktiengesellschaft (BASF AG) is founded in Ludwigshafen, Germany.

1888 BASF is introduced to the Japanese market through H. Ahrens & Co.

1898 Yamada Shoten and Shibata Shoten import the first BASF dye, Indigo Pure, into Japan.



Dye labels for the Asia markets at the time of founding

1927 First technology licensing in Japan. BASF provides methyl alcohol technology to Mitsubishi Gas Chemical.

1949 Yamada Shoten and Shibata Shoten establish Color Chemie Trading Co., Ltd. (precursor of current BASF Japan) in Tokyo.

1951 Osaka sales office and laboratory established.

BASF transfers exclusive distributor rights from H. Ahrens to Color Chemie Trading.

1953 BASF AG makes equity investment in Color Chemie Trading.

1956 Osaka Takakura plant and warehouse completed; BASF starts production in Japan.

1962 Yuka Badische Co., Ltd. (renamed Mitsubishi Chemical BASF Co., Ltd. in 1994) established as BASF's first joint venture in Japan, for the production of expandable polystyrene (Styropor®).

1965 Color Chemie Trading becomes BASF Dyes & Chemicals Co., Ltd.

1969 Following BASF's acquisition of German Elastogran Group, Polyurethane Chemical Co., Ltd. (renamed BASF INOAC Polyurethanes Ltd.) becomes a BASF subsidiary.

1974 BASF Dyes & Chemicals Co., Ltd. renamed BASF Japan Ltd.

Mitsui Badische Dyes Ltd. (renamed Mitsui BASF Dyes Ltd.) established as a joint venture to produce dyestuffs for synthetic fibers.

- 1975** BASF purchases pharmaceutical manufacturer Knoll AG; Knoll Japan K.K. joins the BASF Group.
- 1985** Following BASF's acquisition of Inmont Corporation (U.S.A.), Nippon Rinshed-Mason (renamed Nippon R-M Co., Ltd.), a producer of automotive refinishing paints, becomes a BASF subsidiary.
- BASF Japan acquires its own production site in Yokkaichi, Mie Prefecture.
- 1987** Takeda Badische Urethane Industries, Ltd. (renamed BASF Polyurethane Elastomers Ltd.) established to expand polyurethane business.
- 1988** Yokkaichi Works starts up. BASF starts production of auxiliaries for paper, textile and leather industries.
- 1991** BASF Nichiyu Coating R&D Co., Ltd., a joint venture between BASF Coatings AG and NOF Corporation, established for automotive OEM paints.
- 1995** Idemitsu BASF Co., Ltd. (renamed BASF Idemitsu Co., Ltd.) established for 1,4-butanediol production.
- Nisso BASF Agro Co., Ltd. established to produce and market herbicides.
- 1996** BASF acquires Hokuriku Seiyaku Co., Ltd.
- 1999** As part of restructuring, Polyurethane Chemical Co., Ltd. renamed BASF INOAC Polyurethanes Ltd.
- Mitsubishi Chemical BASF Co., Ltd. divided into BASF Dispersions Co., Ltd. and Mitsubishi Chemical Foam Plastic Corp.
- BASF acquires Takeda Kagaku Shiryō Co., Ltd.
- 2000** BASF Coatings AG and NOF Corporation establish BASF NOF Coatings Co., Ltd., a joint venture for coatings.
- BASF Nichiyu Coating R&D and Nippon R-M are integrated into the new company.
- BASF's dyestuff business for fibers consolidated in DyStar; BASF's shares in Mitsui BASF Dyes Ltd. are transferred to DyStar Japan Ltd.
- With BASF's acquisition of crop protection business of American Home Products Corporation, BASF Japan Ltd. acquires all shares in Cyanamid (Japan) Limited (in 2001 renamed BASF Agro, Ltd.).
- 2001** BASF Takeda Vitamins Ltd. established, in conjunction with BASF's acquisition of global vitamin business from Takeda Chemical Industries Ltd.
- With BASF's acquisition of American Cyanamid Co. In 2000, Cyanamid (Japan) Ltd. and BASF Japan Ltd.'s agrochemical business merge to become BASF Agro, Ltd.
- Knoll Japan K.K. and Hokuriku Seiyaku Co., Ltd. are transferred to Abbott Laboratories when BASF sells its pharmaceutical business to Abbott.
- 2002** BASF Polyurethane Elastomers Ltd. integrates with BASF Japan Ltd.'s Polymers Division.
- 2003** BASF Dispersions Co., Ltd. integrates with BASF Japan Ltd.'s Specialties Division.
- 2005** BASF acquires full ownership of BASF NOF Coatings Co., Ltd., and establishes BASF Coatings Japan Ltd.
- 2006** BASF acquires Engelhard, Degussa Construction Chemicals and Johnson Polymer. Following these acquisitions, N.E. Chemcat Corporation and Engelhard Metals Japan, Ltd. (renamed BASF Metals Japan Ltd.) become BASF subsidiaries.
- 2007** With merger of three major construction chemicals companies BASF Pozzolith Ltd. is formed.
- 2009** BASF acquires Ciba.
- BASF Japan Ltd. merges with BASF Agro, Ltd.
- 2010** BASF acquires Cognis.
- BASF Japan Ltd. merges with Ciba Japan K.K.
- BASF Japan Ltd. merges with Musashino-Geigy Co., Ltd.
- 2011** BASF Japan Ltd. merges with Cognis Japan Ltd.
- 2012** Opening of Yokohama Innovation Center.
- BASF Japan Ltd. merges with BASF Pozzolith Ltd. and BASF Coatings Japan Ltd.
- 2013** Opening of the Research and Development Laboratory and Application Technology Center for Battery Materials in Amagasaki.
- 2014** Opening of designfabrik® Tokyo in Yokohama.
- 2015** Opening of the Asia Composite Center in Yokohama.
- BASF TODA Battery Materials LLC., a joint venture between BASF and TODA KOGYO CORP., established.

Business development

Despite a volatile economy, BASF continued to invest in Japan in 2015. BASF supports key industries in Japan including automotive, pharmaceutical, packaging, construction, health and medical, and electronics and electric. We are working in collaboration with Japanese customers and research and development (R&D) networks to strengthen our R&D program in Japan, and bring innovation from Japan to the world.

Stable sales development

BASF faced a stagnating business environment in Japan during 2015, with positive impact through the currency which compensated the negative impact from price, volume and portfolio. On a euro basis, sales by BASF Group companies to customers in Japan were flat in 2015 but declined slightly on a local currency basis, to €1.491 billion, approximately ¥200.1 billion (2014: €1.485 billion / approximately ¥208.3 billion). BASF employed 1,209 people in Japan as of the end of December 2015 (2014: 1,138). As of the end of 2015, BASF in Japan had 25 production sites, as well as 16 production centers for the Construction Chemicals division.

In addition to expanding our catalyst business in Japan with the establishment of BASF TODA Battery Materials LLC., BASF took several steps to enhance offerings for customers in Japan, including the new Asia Composite Center and new offerings for the health & medical industry.

BASF sales to customers in Japan¹ (hundreds of million ¥)

2015	2,001	<div></div>
2014	2,083	<div></div>
2013	1,956	<div></div>

BASF sales to customers in Japan¹ (million €)

2015	1,491	<div></div>
2014	1,485	<div></div>
2013	1,507	<div></div>

¹ Sales in EUR converted monthly into JPY at the exchange rate of that month.
(Both figures include sales of BASF in other countries to customers in Japan.)



Entrance of BASF Japan's head office in Tokyo

BASF in Japan

At a glance

BASF started doing business in Japan in 1888. Activities cover four business segments including chemicals, performance products, functional materials & solutions and agricultural solutions. The main production sites are in Chigasaki (admixtures for concrete, construction materials), Kitatone (personal care ingredients), Totsuka (coatings), and Yokkaichi (thermoplastic polyurethanes and polymer dispersions). Admixture plants for the Construction Chemicals division are also located nationwide. BASF maintains a strong research and development presence in Japan including the BASF Asia Composite Center, established in the Yokohama Innovation Center (engineering plastics), and the Research and Development Laboratory and Application Technology Center for Battery Materials in Amagasaki.

Sales

€1.5 bn

Employees

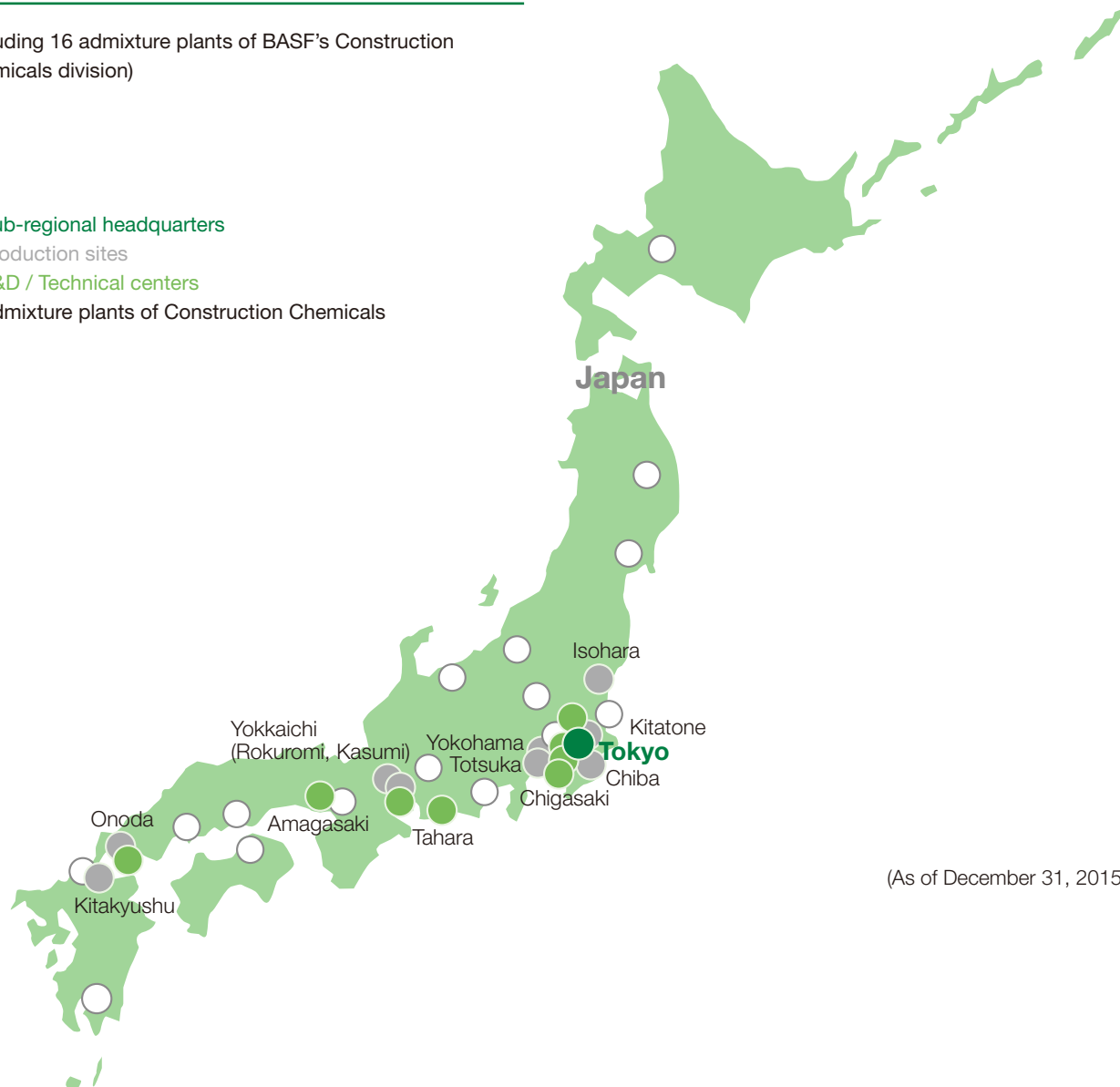
1,209

As of December 31, 2015

25 Production Sites

(including 16 admixture plants of BASF's Construction Chemicals division)

- Sub-regional headquarters
- Production sites
- R&D / Technical centers
- Admixture plants of Construction Chemicals



(As of December 31, 2015)

- | | |
|---|---|
| ● Tahara Agricultural Station / BASF Japan | ● Isohara Site / BASF Japan (Plastic additives) |
| ● Yokkaichi, Rokuromi Site / BASF Japan (Dispersions) | ● Kitatone Site / BASF Japan (Personal care ingredients) |
| ● Yokkaichi, Kasumi Site / BASF Japan (Thermoplastic polyurethanes) | ● Chiba Plant / BASF Idemitsu (Intermediates) |
| ● Amagasaki R&D Center / BASF Japan | ● Yokohama Innovation Center / BASF Japan |
| - Research and Development Laboratory and Application Technology Center for Battery Materials | - Engineering Plastic Innovation Center (including Asia Composite Center) |
| ● Onoda Site / BASF TODA Battery Materials (Battery materials) | - designfabrik® Tokyo |
| ● Kitakyushu Site / BASF TODA Battery Materials (Battery materials) | ● Totsuka Site / BASF Japan (Coatings) |
| | ● Chigasaki Site / BASF Japan (Construction chemicals) |
| | ● Chigasaki Technical Development Center / BASF Japan |

BASF Asia Composite Center

- Regional composite center for lightweight solutions
- Molding trials for prototypes

BASF established the Asia Composite Center in Yokohama, Japan in April 2015 to develop applications utilizing thermoplastic composite materials. The Asia Composite Center, which houses manufacturing cells for part processing, including a versatile mold frame, machine, infrared heater and robot, is able to demonstrate mass production of composite parts for automotive applications. As such, key customers in Asia can benefit from accelerated development speed, molding trials of prototypes and validated solutions on a semi-industrial scale.



Automotive designers work with BASF to develop innovative lightweight solutions faster and more efficiently.

BASF TODA Battery Materials LLC.

- BASF and TODA KOGYO CORP. form joint venture in Japan for cathode active materials
- Further expansion of global battery materials market

In February 2015, BASF and TODA KOGYO CORP. established BASF TODA Battery Materials LLC., a joint venture company producing cathode active materials for lithium-ion batteries in Japan. Japan is a leader in battery manufacturing and development, and the new company aims to be a global leader in manufacturing and innovation of lithium-ion-battery materials, focusing on R&D, production, marketing, and sales of a broad range of cathode materials, including nickel cobalt aluminum oxide, lithium manganese oxide, and nickel cobalt manganese.

Production sites for cathode active materials and their precursors are located in Sanyo Onoda and Kitakyushu. BASF is strengthening its commitment to the Japanese market, and generating synergies with the existing battery materials business.

New offerings for health & medical industry

- Integrated solutions to meet the challenges of Japan's aging society

Since 2009, BASF has worked in cross divisional industry teams specializing in growth industries, in order to facilitate growth at a pace that exceeds markets. In April 2015 we established a new industry team to strengthen our offerings to Japan's health & medical industry.

According to Japan's Ministry of Health, Labour and Welfare, by 2025, approximately 30 percent of the Japanese population will be 65 or older. In light of this change, BASF aims to leverage its wide range of innovative products that can contribute to improving quality of life for Japan's aging society. BASF's Industry Team Health & Medical offers solutions for safer medical devices and nursing products that support greater patient comfort and well-being. These include plastics suitable for medical use (Ultrason®, Ultraform® Pro, Ultramid®, Ellastolan®), highly reliable, non-phthalate plasticizers (Hexamoll® DINCH®) for medical tubes and blood bags, and PVP (polyvinylpyrrolidone) groups (Luvitec®) commonly used in filtration filters and other applications.



Industry Team Health & Medical offers solutions for medical devices and nursing products.

The Industry Team Health & Medical is the newest addition to BASF's existing industry teams in Japan – Automotive, Pharmaceuticals, Packaging, Construction, and Electronics & Electric. These teams are taking the lead in addressing changing industry needs.

Innovation

Outstanding research in electrochemistry

- Open innovation through international initiative
- Award jointly hosted with Volkswagen

BASF aims to further develop high performance battery materials such as cathode materials and electrolytes. To achieve this, innovations in electrochemistry are essential. Through open innovation, BASF aspires to promote the understanding and innovations that will ensure the success of electromobility, which will be an important part of future mobility.

Japan possesses cutting-edge technology in the field of electromobility, and is a particularly important market for research and development of battery materials. For this reason, in 2015 Tokyo was selected to host the fourth annual Science Award Electrochemistry, jointly presented by BASF and Volkswagen.

The Science Award Electrochemistry was established in 2012, and is presented annually to scientists in the global academic research community. Its aim is to honor exceptional scientific achievements in electrochemistry, and encourage the development of methods for high-performance energy storage. A total of €100,000 in prize money is awarded annually, with €50,000 to the top recipient.

The 2015 award winner was Dr. Bryan McCloskey, Department of Chemical and Biomolecular Engineering, University of California, Berkeley. Dr. McCloskey's study of the stability of electrolytes and electrode materials, and analysis of the fundamental electrochemical processes in lithium-oxygen batteries, made a significant contribution to a deeper understanding of these devices.



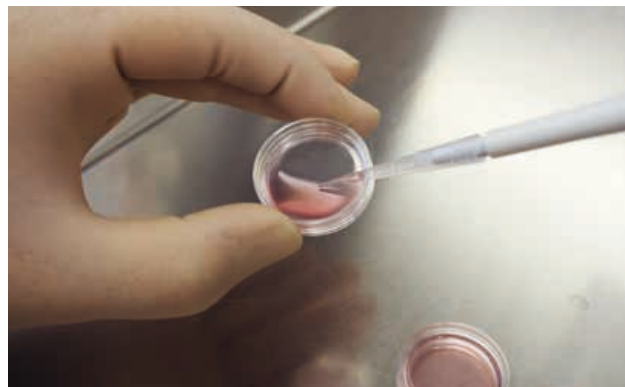
Representatives of BASF and Volkswagen with the award winner.

Safety evaluation without animal testing

- Joint research to establish a new chemical safety evaluation system
- System aims to provide safer chemical products and eliminate animal testing

BASF and Sumitomo Chemical Co., Ltd. concluded an agreement in December 2015 to collaborate on research aimed at realizing a sustainable society.

As the first step of the project, BASF and Sumitomo Chemical aim to establish a new system for evaluating the safety of chemical products that uses cultured cells instead of live organisms, and allows for a more effective and precise assessment compared to conventional methods. Regulations regarding registration applications for such products as agricultural chemicals and pharmaceuticals have become more stringent in recent years, with requirements for submission of more precise safety evaluation data. At the same time, calls have increased worldwide to reduce animal testing from the standpoint of animal welfare. In response, BASF and Sumitomo Chemical seek to create a system that supports the development of safe chemicals, while reducing the need for conventional animal testing.



BASF and Sumitomo Chemical aim to establish a new chemical safety evaluation system that uses cultured cells.

The anniversary year of BASF

A collection of impressions

Our actions are centered on developing innovative, sustainable products and solutions for our customers. To do so, we have relied on collaboration with strong partners for 150 years. This key to success was the focus of our anniversary year in 2015. We organized a tour around the world, bringing scientists, customers, employees and partners from all over the globe together at one table and launching an online platform to connect everyone. Ideas were proposed surrounding three main themes: urban living, smart energy and food. We call this “co-creation.” It is one way to fill our idea pipeline for the future and create value. The following examples highlight some of the contributions.

URBAN LIVING

A clean air app

How does growing urbanization affect our planet? And how can we as individuals lead a sustainable lifestyle? These were the questions addressed at the “Creatathon” in Shanghai. The idea: People engage in a highly creative activity for a sustained, uninterrupted period of time. Just like in Shanghai, when BASF invited six college teams to spend 24 hours devoting themselves to developing an app-based, sustainable mobility solution. The goal of the app was to help city dwellers minimize their carbon footprint by selecting the most environmentally friendly mode of transportation.

In the end, first place went to the team from East China Normal University: With their “Carbon Coin” idea, consumers can cash in their personal contribution to sustainability as “currency” on an online platform – similar to emissions trading between companies.



The green way to go: Megacities like Shanghai are already home to over 20 million people today. That means public transit and other alternate modes of transportation will play an even greater role in reducing emissions in the future.

SMART ENERGY

The bus to the future

Environmentally friendly technologies, comfortable interiors, a lighter chassis – there was no lack of original ideas and visions at a joint customer innovation workshop. Together with experts from Daimler Buses, BASF employees from various fields discussed solutions for future bus challenges, ranging from special coatings and new lightweight engineering concepts to possibilities for preventing vandalism. This brainstorming gave rise to project ideas providing new inspiration for the bus of the future.



Safe and clean through the city: Participants at a joint workshop held by BASF and Daimler discussed new technologies and materials for making even more efficient and environmentally friendly vehicles in the future.

FOOD

Employees get involved

A community needs engaged citizens in order to thrive. BASF helped its employees carry out charitable projects through its global team competition, “Connected to Care.” Around 500 project proposals were submitted from around the globe; 150 of these received up to €5,000 apiece, amounting to a total of €700,000 in support. BASF also promotes employees’ volunteer work outside of its anniversary celebrations, through various regional projects.



Global community: A new well for an orphanage in Cameroon – employees around the world got involved in numerous projects addressing social needs.

Our anniversary activities in Japan

- Energy harvesting project with Panasonic AIS
- Exploration of ambitious space elevator project with Obayashi
- Employee activities

Around 50 employees from BASF and Panasonic Automotive & Industrial Systems came together in a co-creation workshop to discuss current energy-related topics, ranging from power electronics to sensors and energy harvesting. From numerous innovative suggestions, the companies selected promising ideas for future collaboration and to benefit from knowledge exchange.

Panasonic and BASF, who had not had a partnership prior to the workshop, also plan to work together in research and development. The two companies are currently developing further details of the collaboration.



Energy harvesting has the potential to help address Japan's energy challenges.

Also as part of the 150th anniversary activities in Japan, BASF and Obayashi, Japan's leading construction company, held a comprehensive innovation workshop focusing on ways to use new materials for ambitious construction projects.

The session addressed two major challenges, one near-term and one long-term. The first was how to achieve better Zero Energy Building technology through the use of the latest solutions, to make a building with zero-energy consumption possible while maintaining a comfortable interior environment.

The second session focused on Obayashi's goal to build the world's first space elevator by 2050: by further developing technologies such as carbon nanotubes, Obayashi aims to build a space elevator which climbs from Earth as a departure port, bringing people to a Geostationary Earth Orbit Station at a height of 36,000 km.



BASF and Obayashi experts explored ambitious construction projects including the world's first space elevator.

BASF held an employee photo contest in Japan on the theme of "How I Celebrated," which allowed employees to share their anniversary experiences with colleagues in Japan and around the world. The winners were selected by employees' vote.



Employees at the Kitatone site forming the anniversary number 150 won the BASF Japan Photo contest.

Environment, health 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. Environmental protection, health and safety (EHS) as well as security, communication, and energy efficiency are embedded in our global Responsible Care® policy, which is applied to operations via our Responsible Care® Management System (RCMS). This policy and the RCMS as a system are based on BASF's strategy and corporate guidelines and are binding for the whole BASF Group. Just as the company applies stringent standards to its own operations, we demand the same high standards of 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.

Product stewardship

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

BASF, a company that engages in the manufacture and use of a wide variety of chemical substances, has taken steps to introduce a product safety management system. Employing proper product labeling and providing safety data sheets by utilizing 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 a close management of information on national regulations as well as those of other countries. The global headquarters, through the regular exchange of information with regional offices in the Asia Pacific region, obtains the latest information on REACH (the EU chemical regulation framework) and the regulations of each country.

Transportation and distribution safety

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

BASF places considerable emphasis on logistics 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 such topics 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.

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 to securing safety.

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 repeatedly 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.

As was the case in 2014, there were no lost time injuries for BASF employees and for contractors in 2015. During the past five years, there have been no fatalities or other major accidents.

Lost time injury rate – BASF and leased employees
(per million working hours)

2015	0	
2014	0	
2013	0.4	<div></div>

Occupational health

■ Regular health promotion programs offered to employees at each business location

Our global health management serves to promote and maintain the health and productivity of our employees. In our directive and requirements, we stipulate globally mandatory standards for health protection. A global network of experts supports us in their implementation through standardized processes. We regularly conduct audits on occupational medicine and health protection in order to monitor and improve our performance.

Occupational health physicians evaluate each workplace and conduct safety and health education and training. Complementing this initiative, BASF Japan has launched a companywide smoke-free campaign. In 2015 the company also provided advice on how to prevent back pain as well as guidance on nutrition and other health-related issues. BASF's medical office actively follows up on the results of employee medical and stress checkups while also supporting employees returning from sick leave. This support has contributed significantly to the company's high return to work rate. BASF provides education, training and guidance to first aid responders at each BASF site while implementing various initiatives including the standardization of first aid rooms and first-aid kits.



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

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. At the same time, business locations are required to undertake regular safety reviews. 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. BASF engages vigorously in process as well as safety and instrumentation maintenance while implementing the "5S methodology": seiri (sorting), seiton (set in order), seiso (systematic cleaning), seiketsu (standardizing), and shitsuke (sustaining) at all of its production sites. 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. Through these means, BASF is continuously improving the comprehensive safety of its plants.

Energy

■ Good performance in energy efficiency due to “Kaizen” activities at production sites

Although the production footprint of BASF in Japan increased in 2015, energy efficiency improved overall due to daily “Kaizen” (continuous improvement) activities at production sites. In addition to increasing energy efficiency at our production sites, we are also reducing energy consumption at offices and research centers. This was not only due to the introduction of energy-efficient equipment, but also through the daily efforts of employees.

In 2015, steam consumption decreased to 103,011 metric tons (2014: 116,393 metric tons).

Steam consumption (total) (metric tons)

2015	103,011	<div></div>
2014	116,393	<div></div>
2013	135,172	<div></div>

In 2015, electricity consumption increased to 49,875 MWh (2014: 29,370 MWh). This largely reflected the startup of operations at the two production sites of a new joint-venture company that consumed significant amounts of electricity to produce cathode materials.

Electricity consumption (total) (MWh)

2015	49,875	<div></div>
2014	29,370	<div></div>
2013	32,637	<div></div>

There was a decrease in fuel consumption from central power plants and boilers compared to the previous year, to 19,132 MWh (2014: 20,117 MWh).

Fuel consumption (MWh)

2015	19,132	<div></div>
2014	20,117	<div></div>
2013	20,870	<div></div>

Emissions to air

Greenhouse gas emissions of BASF in Japan increased to 49,779 metric tons (2014: 37,642 metric tons) because of the electricity consumption of new production plants.

Greenhouse gas emissions at existing production sites, on the other hand, are declining due to a variety of reduction and efficiency enhancing programs.

Greenhouse gas emissions (total)¹ (metric tons of CO₂ equivalents)¹

2015	49,779	<div></div>
2014	37,642	<div></div>
2013	43,278	<div></div>

¹ CO₂, N₂O, CH₄, HFC, PFC, SF₆

In 2015 our emissions of air pollutants were 20 metric tons, a decrease from the previous year (2014: 23 metric tons). This represents a continuous decline over more than 10 years.

Air pollutants² (metric tons)

2015	20	<div></div>
2014	23	<div></div>
2013	24	<div></div>

² CO, NO_x, NMVOC, SO_x, dust, NH₃ / other inorganics

Water

- Emissions of organic substances and nitrogen declined
- Water supply continues at low levels despite slight increase in water used for production

Organic substances and nitrogen emissions can fluctuate strongly with changes in the products handled and specific activities at each production site. In 2015, emissions of organic substances to water COD decreased to 6 metric tons (2014: 8 metric tons) and nitrogen emissions to water declined to 0.4 metric tons (2014: 0.5 metric tons). As in previous years, there were no emissions of heavy metals to water.

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

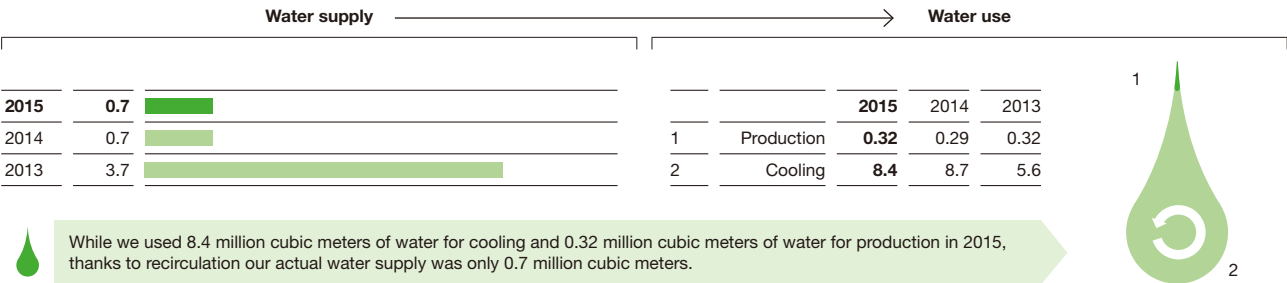
2015	6	<div></div>
2014	8	<div></div>
2013	11	<div></div>

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

2015	0.4	<div></div>
2014	0.5	<div></div>
2013	1.0	<div></div>

Water used for production rose to 0.32 million cubic meters in 2015 (2014: 0.29 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 was 8.4 million cubic meters (2014: 8.7 million cubic meters). Due to high levels of recirculation, the total water supply was only 0.7 million cubic meters in 2015 keeping the same level of last year (2014: 0.7 million cubic meters).

Water consumption in Japan in 2015 (million cubic meters)






Waste

■ High waste recycling rate maintained

BASF takes a proactive stance in reducing total waste, and in waste recycling.

Total waste in 2015 increased to 9,654 metric tons (2014: 9,149 metric tons). This largely reflected an increase in the number of production sites. However, BASF continued to maintain a high waste recycling rate, at 48 percent in 2015 (2014: 44 percent). Daily “Kaizen” activities, such as yield improvement and reduction of off-spec materials, contribute to the reduction of waste.

Waste (total) (metric tons)

2015	9,654	48%		52%
2014	9,149	44%		56%
2013	9,746	49%		51%

■ Amount of recycled waste ■ Amount of waste

Emergency response

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

In striving to reduce the risk of accidents to the greatest extent possible, it is important to recognize the difficulties in eliminating risk altogether. Against this backdrop, 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 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.

Security

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

BASF believes that the basic concept of security revolves around efforts that protect the company and its employees from criminal behavior and acts of terrorism as well as the loss of information or other inadvertent breaches of internal rules and regulations. 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 toward the importance of protecting the company's know-how and information as part of its information protection endeavors.



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

Employees

Employees 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 2015, BASF in Japan had a total of 1,209 employees (2014: 1,138).

Recruitment and new graduate programs

- 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 fulfill BASF's standards and the requirements of the position and 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 interviews with human resources to allow them to play an active role in the workplace.

Number of employees (as of December 31)

2015	1,209	<div style="width: 100%;"></div>
2014	1,138	<div style="width: 93.7%;"></div>
2013	1,301	<div style="width: 92.9%;"></div>

Career development

- Employees and supervisors jointly create career development plans
- Training programs are designed according to individual training needs

BASF employees and their supervisors jointly formulate development programs in accordance with employees' future career paths, as well as to enhance performance in their current positions. The outcome of these discussions is used to design targeted training programs to meet individual needs.

Starting from 2015, BASF employees in Japan began attending courses at the BASF Learning Campus, which was established in Singapore in 2014 to support BASF's strategic growth targets for the Asia Pacific region. This facility offers global leadership and business-related programs.



BASF Learning Campus in Singapore

BASF employees can take courses that meet specific needs, including general business skills, and training sessions by job type or position.



The winning team of the 2015 BASF Asia Pacific Customer Service Award

Working at BASF

- Structures to allow employees to independently choose an effective work style
- BASF is a leader in work-life balance in Japan

To build a diverse workforce, BASF aims to provide a flexible framework to support a range of work practices and lifestyles. Flexible working hours were introduced in 1994, and BASF's employee benefit system now includes child care and nursing care leave, as well as reduced working hours for employees with young children.

For many years, BASF in Japan has been at the leading edge of efforts to ensure a healthy balance between the work and family lives of its employees. We have introduced a work-at-home program for employees with family needs. We also encourage employees to take paid holidays over a longer term, and are making efforts to reduce overtime work. BASF will continue to support and empower employees in Japan.

Diversity + Inclusion

- Diversity is a strategic strength that allows for success in a competitive market

BASF recognizes employee diversity as a strategic strength to succeed in an extremely competitive global market. A robust and dynamic workforce encompasses a wide spectrum of nationalities, gender, experience, age, and cultural backgrounds. Over the past decade, BASF has welcomed employees from a wide range of nationalities and age groups into its workforce in Japan. As of the end of 2015, the largest age group was between 40 and 54 years, with a share of 56.7 percent (2014: 54.5 percent).

BASF in Japan employee age structure (as of December 31, 2015) (%)

Up to and including 25 years	1.3	
Between 26 and 39 years	30.8	
Between 40 and 54 years	56.7	
55 years and older	11.2	

Performance management system

The performance management system is a year-long cycle in which employees and their managers engage in a series of meetings to jointly manage their performance. This employee dialog includes target setting, a mid-year review, and the creation and implementation of development plans. Employees and managers review whether performance targets were met, identify actions and competencies that need improvement, and determine the appropriate training to acquire the necessary skills and knowledge.



Phase 1:
Initial Development Meeting
Step 1 2 3

Phase 2:
Talent Review
Step 4 5 (manager only)

Phase 3:
Development Discussion
Step 6 7

Society

BASF is involved in diverse projects supporting society, with a main focus on access to education. BASF conveys the joys of chemistry to children through the BASF Kids' Lab program, conducted throughout the world. BASF has also made a continual effort since the Great East Japan Earthquake in March 2011 to support the recovery of disaster areas through education activities for children.

BASF Kids' Lab

- Kids' Lab program launched in 1997, conducted in more than 30 countries
- In Japan, more than 4,000 children have participated since 2003

BASF Kids' Lab is a program for children aged six to twelve, intended to introduce the joys of chemistry through simple and safe chemistry experiments. The program began at BASF's headquarters in Germany in 1997, and is currently conducted in more than 30 countries worldwide. Taught by trained employee volunteers, Kids' Lab has been held in Japan since 2003, with more than 4,000 children participating to date.

In 2015, as part of the program at Roppongi Hills, we conducted the "Keep Cool!" experiment for children aged nine to twelve, in line with one of the global topics addressed during BASF's 150th anniversary. Three experiments were designed to demonstrate how chemistry can be used to help address issues such as food supply stability, and food losses during storage or transport.



Children consider whether thermochromic dye, which changes color when exposed to heat, can help reduce food losses.

Earthquake recovery programs

- BASF has provided ongoing support since 2011
- Scholarships for children in disaster areas through the National Federation of UNESCO Associations in Japan

Although it has been five years since the Great East Japan Earthquake in March 2011, reconstruction work is still ongoing, and support is needed for children to enjoy a full education. As part of BASF's efforts to provide long-term support for recovery, we are helping 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.



Funds raised by employees are supporting students in the Tohoku region.

At the end of 2014, BASF donated around €50,000 (approximately ¥7 million¹) raised by BASF Group employees to the NFUAJ through BASF Stiftung, a charitable foundation based in Germany. Scholarship funds will be 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), over a three-year period from 2015.

BASF has allocated to disaster relief a total of €2 million (approximately ¥230 million²) collected from BASF Group employees following the earthquake disaster.

¹ Calculated at €1 = ¥138 (at October 2014)

² Calculated at €1 = ¥115 (at May 2011)

Ten-year summary

Million €	2006	2007	2008	2009	2010	2011	2012 ¹	2013 ²	2014	2015
Sales and earnings										
Sales	52,610	57,951	62,304	50,693	63,873	73,497	72,129	73,973	74,326	70,449
Income from operations before depreciation and amortization (EBITDA)	9,723	10,225	9,562	7,388	11,131	11,993	10,009	10,432	11,043	10,649
Income from operations (EBIT)	6,750	7,316	6,463	3,677	7,761	8,586	6,742	7,160	7,626	6,248
Income before taxes	6,527	6,935	5,976	3,079	7,373	8,970	5,977	6,600	7,203	5,548
Income before minority interests	3,466	4,325	3,305	1,655	5,074	6,603	5,067	5,113	5,492	4,301
Net income	3,215	4,065	2,912	1,410	4,557	6,188	4,819	4,792	5,155	3,987
Capital expenditures, depreciation and amortization										
Additions to property, plant and equipment and intangible assets	10,039	4,425	3,634	5,972	5,304	3,646	5,263	7,726	7,285	6,013
Thereof property, plant and equipment	4,068	2,564	2,809	4,126	3,294	3,199	4,084	6,428	6,369	5,742
Depreciation and amortization of property, plant and equipment and intangible assets	2,973	2,909	3,099	3,711	3,370	3,407	3,267	3,272	3,417	4,401
Thereof property, plant and equipment	2,482	2,294	2,481	2,614	2,667	2,618	2,594	2,631	2,770	3,600
Number of employees										
At year-end	95,247	95,175	96,924	104,779	109,140	111,141	110,782	112,206	113,292	112,435
Annual average	88,160	94,893	95,885	103,612	104,043	110,403	109,969	111,844	112,644	113,249
Personnel expenses										
	6,210	6,648	6,364	7,107	8,228	8,576	8,963	9,285	9,224	9,982
Research and development expenses										
	1,277	1,380	1,355	1,398	1,492	1,605	1,732	1,849	1,884	1,953
Key data										
Earnings per share ³	€ 3.19	4.16	3.13	1.54	4.96	6.74	5.25	5.22	5.61	4.34
Cash provided by operating activities ⁴	5,940	5,807	5,023	5,693	6,460	7,105	6,602	8,100	6,958	9,446
EBITDA margin	% 18.5	17.6	15.3	14.6	17.4	16.3	13.9	14.1	14.9	15.1
Return on assets	% 17.5	16.4	13.5	7.5	14.7	16.1	11.0	11.5	11.7	8.7
Return on equity after tax	% 19.2	22.4	17.0	8.9	24.6	27.5	19.9	19.2	19.7	14.4
Appropriation of profits										
Net income of BASF SE ⁵	€ 1,951	2,267	2,982	2,176	3,737	3,506	2,880	2,826	5,853	2,158
Dividends	1,484	1,831	1,791	1,561	2,021	2,296	2,388	2,480	2,572	2,664
Dividend per share ³	€ 1.50	1.95	1.95	1.70	2.20	2.50	2.60	2.70	2.80	2.90
Number of shares as of December 31^{3,6}										
million	999.4	956.4	918.5	918.5	918.5	918.5	918.5	918.5	918.5	918.5

¹ We have applied International Financial Reporting Standards 10 and 11 as well as International Accounting Standard 19 (revised) since January 1, 2013. Figures for 2012 have been restated; no restatement was made for 2011 and earlier.

² Figures for 2013 have been adjusted to reflect the dissolution of the natural gas trading business disposal group.

³ We conducted a two-for-one stock split in the second quarter of 2008. The previous year's figures for earnings per share, dividend per share and number of shares have been adjusted accordingly for purposes of comparison.

⁴ Includes the change in reporting from 2009 onward of the effects of regular extensions of U.S. dollar hedging transactions

⁵ Calculated in accordance with German GAAP

⁶ After deduction of repurchased shares earmarked for cancellation

Selected prizes and awards

DJSI World and RobecoSAM Sustainability Award

BASF was included in the Dow Jones Sustainability World Index (DJSI World) for the 15th consecutive year. The company has been especially recognized for its engagement in the areas of innovation management, environmental and social reporting, product stewardship and human capital development, environmental reporting, labor practices and human rights.

BASF was also awarded with the Silver Class medal distinction for its sustainability performance by RobecoSAM as published in the Sustainability Yearbook 2016. Companies whose score in the sustainability assessment is within a range of 1 percent to 5 percent from the score of the Industry Leader receive the RobecoSAM Silver Class distinction. Furthermore, within the top 15 percent of the chemical industry, BASF has achieved the largest proportional improvement in its score compared to the previous year and thus is named the RobecoSAM Industry Mover.

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



CDP Disclosure Leadership Index

BASF has qualified for the Carbon Disclosure Leadership Index (CDLI) for the eleventh time. In the view of the international organization CDP, which measures climate protection relevant data of companies, BASF with its maximum disclosure score for transparency and completeness of a company's climate protection reporting is one of the leading companies in the DAX.



FTSE ESG Rating & FTSE4Good Global Index

In 2015 BASF was again confirmed as an index series constituent. BASF met stringent criteria in the area of social, environmental and corporate governance and managed to continuously confirm or develop these in regularly conducted assessments, and was listed in the FTSE4Good Index Series.





BASF is headquartered at Ludwigshafen in Germany. BASF's Verbund site at Ludwigshafen (seen above) is the largest integrated chemical complex in the world.

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